



# ANNUAL REPORT 2015

**Expansion** - the efforts  
of steelworkers and  
a fiery heart

ANNUAL  
REPORT OF  
THE SIJ GROUP  
AND SIJ D.D.

2015

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# INTRODUCTION

Steel can only be made by strong-willed people, with a clear vision and full of enthusiasm. **The expansion of operations** is the result of their handy work, hearts and minds.

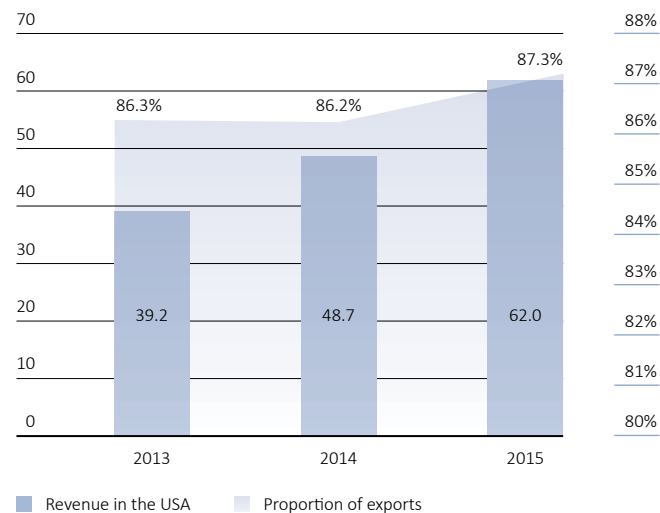


## SIJ Group: Key operating figures

Quantitative data		2013	2014	2015*
Cast steel production	t	468,761	466,835	442,127
Financial data				
Revenues <sup>1</sup>	in € thousand	658,653	707,858	664,817
Exports	%	86.3	86.2	87.3
Operating profit	in € thousand	2,163	39,543	23,341
EBITDA <sup>2</sup>	in € thousand	40,786	77,832	63,509
EBITDA margin	%	6.2	11.0	9.6
Profit or loss for the period	in € thousand	-4,923	24,904	10,793
Capex	in € thousand	52,357	47,633	56,886
Statement of financial position as at 31 December				
Total assets	in € thousand	775,779	789,261	863,695
Equity	in € thousand	323,585	348,135	348,718
Net financial debt <sup>3</sup>	in € thousand	231,185	217,772	227,334
NFD/EBITDA		5.7	2.8	3.6
Employees				
No. of employees as at 31 December		3,162	3,134	3,126

\* Investments in Perutnina Ptuj and Holding PMP are excluded and presented in the section "Presentation of the investment in Perutnina Ptuj"

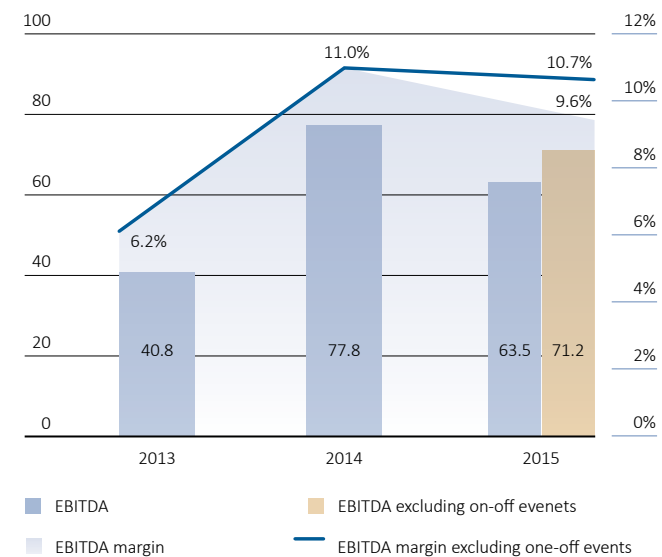
## Revenue in the USA (in million EUR) and proportion of exports (in %)



Despite a significant deterioration in market conditions, we successfully maintained our leading position in individual segments of the steel market in 2015. By focusing on new markets, both geographically and in terms of product complexity, we have maintained a high level of revenues and increased the proportion of exports.

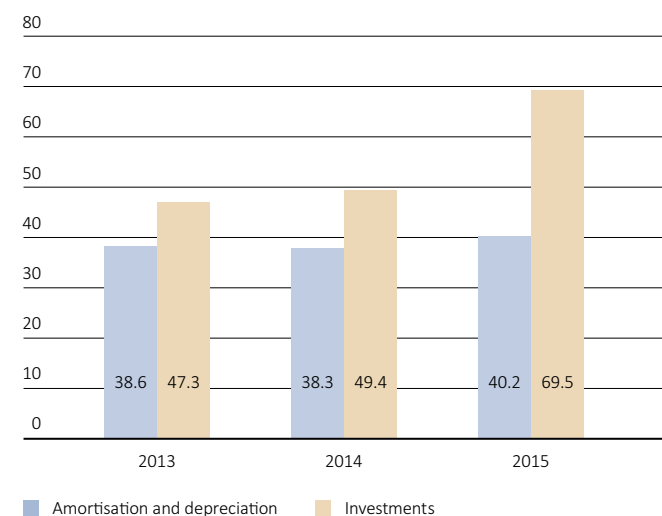
1 Revenues = net sales  
 2 EBITDA = operating profit + amortisation/depreciation  
 3 Net financial debt (NFD) = financial liabilities – cash – current financial receivables

## EBITDA (in million EUR) and EBITDA margin (in %)

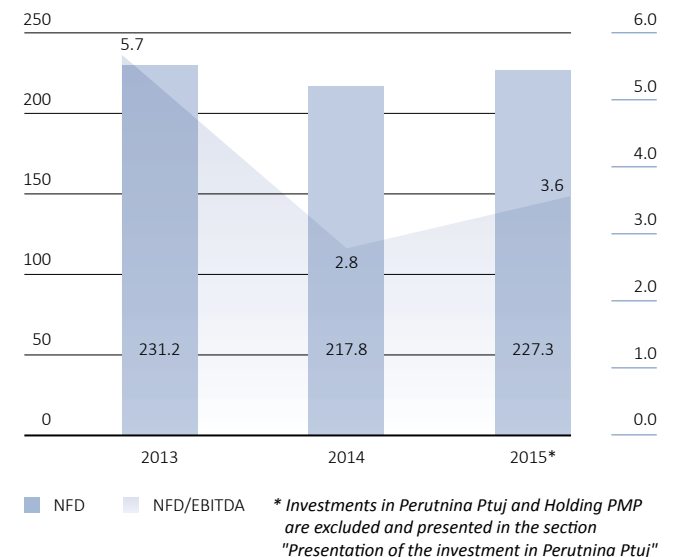


With an EBITDA margin of 9.6%, we are one of the most successful steel groups in the world. Excluding the negative effect of one-off events (see the section 'Analysis of operations' for more information), EBITDA would have been EUR 7.7 million higher, while the EBITDA margin would have reached last year's level.

## Amortisation/depreciation and investments (in million EUR)



## Net financial debt (in million EUR) and NFD/EBITDA



Extensive investments in equipment facilitate increased capacities, the shortening of the steel casting process, lower specific consumption and the production of the most technologically advanced steel products. Investments are the main reason for the increase in net financial debt (NFD). The value of the NFD/EBITDA indicator is also higher as a result.

Once again in 2015, investments in the modernisation of existing equipment and the purchase of new production equipment exceeded the costs of amortisation and depreciation (an increase in investments of EUR 20 million or 41% relative to 2014 was recorded). The SIJ Group is aware that it can only meet the demands of its customers by constantly improving quality and focusing on technologically advanced production, and thus mitigate the adverse effects of economic trends and maintain its market position.

# FOREWORD BY THE PRESIDENT OF THE BOARD OF DIRECTORS



*Dear Shareholders, Business Partners and Employees of the SIJ Group,*

*The year 2015 was full of challenges for the SIJ Group. Developments on raw materials markets and specific, negative one-off events had a significant impact on operating results, which were down slightly relative to 2014. However, taking into account macroeconomic conditions, we can say that operations in 2015 were successful. We maintained our leading position in individual niches of the steel market and maintained a high level of profitability, with an EBITDA margin of 9.6%. Such results make us one of the most successful global steel groups.*

We recorded negative one-off events in 2015 that affected operations. The entire information system was replaced at the Group's largest steel company (Acroni), while technical malfunctions in the Steel Division led to three major stoppages of specific production processes. These events led to a sharp reduction in the volume of production, and had a negative effect on EBITDA in the amount of EUR 7.7 million according to internal estimates. Macroeconomic conditions deteriorated significantly during the second half of the year. Crude oil prices fell, leading to a drop in the prices of other raw materials. The prices of nickel (as a reference raw material for setting the prices of steel products) plummeted by more than 30% (relative to May 2015) and reached a ten-year low in December. This, of course, was not encouraging news for the steel industry as a whole. Investment activities are contracting, price pressures are rising and unutilised production capacities are increasing in a number of regions.

At the same time, the operations of the SIJ Group are more than stable, production is at full capacity and we are expanding our operations. In the circumstances described above, our achieved operating results are a testament to the global competitiveness of the SIJ Group and the flexibility of our business model, which allows us to adapt rapidly to market conditions. Those results also clearly confirm the appropriateness of our development strategy until 2020, which places greater emphasis on niche production programmes with high added value. In addition to the manufacture of finished steel products, we will increase production capacities in the aforementioned segments, and thus move up the value-added chain.

Confidence in the Group's strategy and business model is also clearly demonstrated by the continuing successful diversification of financing sources with our entry on the capital market. We issued commercial paper twice in 2015 (in March and December), and issued five-year corporate bonds in July in the amount of EUR 51 million. While the aforementioned commercial paper was intended for the financing of working capital, the funds collected through the bond issue were earmarked for the diversification of existing sources (loans) and the financing of strategic investments by the Steel Division. The European Bank for Recon-

struction and Development was a significant investor in the bond issue (accounting for 17% thereof), the first such action by the aforementioned international banking institution in Slovenia and thus special recognition for the SIJ Group.

We continued to implement the new planned investment cycle for the period until 2020, with EUR 57 million earmarked for investments in 2015. The investment in a new VOD device at Metal Ravne thus began to bring positive effects already in the final quarter of 2015. That investment allows us to increase the production capacities of the steel mill and to produce certain types of steel that the company did not produce in the past. At Acroni, we continued to establish a line for the heat processing of special steels. That process is expected to be completed in the middle of 2016. We also signed an agreement for a new investment in the purchase of an AOD device that is expected to be operational in the first quarter of 2017. Both of the aforementioned investments at Acroni represent entirely new development opportunities, and will facilitate a significant increase in the production capacities of the company's most profitable programmes.

We began to implement the strategy to enter the finished steel product segment with the acquisition of the company Sistemska tehnika. The purchase and sales agreement was signed in September 2015, and the transfer of ownership completed in January 2016. Individual SIJ Group companies located in Ravne na Koroškem (Noži Ravne and Serpa, in addition to Sistemska tehnika) will be effectively linked to form a new joint company. We will thus achieve greater synergies and create a sound manufacturing division that we see as one of the leading global producers of steel industry equipment in the future.

We acquired a 45.82% participating interest in Perutnina Ptuj and a 56.19% participating interest in Holding PMP at the end of 2015, and published two takeover bids for the remaining shares of Perutnina Ptuj in December. The process of excluding both companies from the investments of SIJ d.d. is in progress. For that reason, they are not included in the programme structure and consolidated financial statements of the Group, but are presented in the separate section "Presentation of the investment in Perutnina Ptuj".

We enhanced the vertical integration of the Group last year through the introduction of new service-sales centres on key markets (such as Germany and the US) and on certain perspective markets where growth in operations is expected in the future (e.g. China). The export competitiveness of the Group remains exceptionally high, as the proportion of total revenues accounted for by exports continues to rise and stands at 87.3% (an increase of 1.1 percentage points relative to 2014). The trend of rising sales continues on the US market, where sales grew by 27% in 2015 relative to 2014 to reach EUR 62 million.

The SIJ Group is aware of the importance of relations with customers and business partners, and will thus dedicate even more attention in the future to high-quality and timely supply and to the entire range of services, including development opportunities and after-sales activities. The Group's strategic objective is the adaptation of business processes that will be customer-oriented, from the development of a new product or type of steel to logistics and supply. The first steps in that direction have already been taken. In September, we organised the first sales conference for the entire Group, which was attended by representatives of our business partners from more than 20 countries. The aforementioned area was the central topic of the Group's traditional strategic conference in December.

The steel industry is one of the core elements of the so-called circular economy in Slovenia, as it is closely tied to specific local environments in which it represents a pillar of regional development. Therefore, the responsibility to reduce our environmental footprint is fully integrated into all of our business processes and decisions. The project to exploit waste heat for district heating purposes in Ravne na Koroškem was recognised as an environmentally friendly service, and serves as confirmation of the appropriateness of our policies. It drives us to expand the aforementioned project in 2016, and increase the exploitation of waste heat and transfer best practices to other areas.

The Group's strategy until 2020 is characterised by the adjective 'sustainable', not only on paper, but in our actions. Those actions include the continuation of the policy to enhance the motivation and raise the competences of all employees (e.g. the implementation of numerous internal academies and preparations for the establishment of the SIJ Education and Training Centre), support for sports clubs at the local level and top-flight sports at the national level, and donations to vulnerable social groups that need assistance the most. That is why we not only donated funds for the purchase of necessary equipment, but also entered into a long-term cooperation agreement with the Soča University Rehabilitation Institute of the Republic of Slovenia in 2015.

The SIJ Group's strengths are clear. We demonstrated our effectiveness in 2014 and received confirmation of the appropriateness of our policies in 2015. The results confirm that we performed our work well, and thanks should be given to each and every employee of the SIJ Group.

President of the Board of Directors  
**Anton Chernykh**

# REPORT OF THE PRESIDENT OF THE SUPERVISORY BOARD

Dear Shareholders,

*A successful but exceptionally demanding financial year lies behind SIJ d.d. and the SIJ Group. External circumstances, in particular extreme fluctuations on the raw materials markets witnessed throughout 2015 but especially during the second half of the year, required active adaptation and effective measures by the company's governance bodies. This will ensure the Group's long-term stability and successful operations, even if the aforementioned trends continue. Previous measures, including previously implemented strategic investments and the active adaptation of the production programme, are indications of the successful work of the Board of Directors and the appropriateness of the established long-term development strategy.*

The members of the Supervisory Board had at their disposal last year all of the necessary materials, information and data, which were compiled by the Board of Directors in accordance with best practices of international corporations.

The Supervisory Board assesses that the Board of Directors upgraded the company's corporate governance policy established in 2014, which envisages the achievement of significantly greater synergies and the effective transfer of information and knowledge between various levels of management and between individual manufacturing companies. Despite operating results that were down slightly relative to 2014, the Group has fully maintained its extremely high levels of competitiveness and profitability. This is also evident from the fact that the EBITDA margin (as one of the key performance indicators of the Group) remains high at 9.6%, despite lower revenues and considerable price pressures, meaning that the SIJ Group remains one of the most successful international steel groups.

The company's corporate governance policy was further upgraded in 2015 and achieves significantly greater synergies between various levels of management and between individual manufacturing companies.

## Work of the Supervisory Board in 2015

The Supervisory Board functioned in the same composition in 2015, as shareholders reappointed Andrey Zubitskiy, Janko Jenko, Tomaž Stare, Evgeny Zverev, Denis Mancevič, Sergey Cherkaev and Sergey Frolov to new four-year terms of office at the General Assembly held on 8 April 2015. The members

of the Supervisory Board re-appointed Andrey Zubitskiy to the position of President and Janko Jenko to the position of Vice-President of the Supervisory Board at the latter's constitutive session of 2 June 2015. The Supervisory Board effectively and comprehensively monitored and supervised the work of the Board of Directors in 2015, while continuously representing the interests of shareholders in accordance with the ownership structure and taking into account the knowledge and past experiences gained from the mutual cooperation of its members.

The Supervisory Board adopted decisions at four sessions during the year, one of those being a correspondence session held in November 2015. Members of the Supervisory Board regularly attended sessions, where they exchanged positions and posed questions based on the high-quality materials and clarifications that were received in a timely manner from the Board of Directors and specialist services. The Board of Directors regularly briefed the Supervisory Board on significant business events at the company and in the SIJ Group, while the members of the Supervisory Board also received appropriate explanations in response to their questions and proposals. The Supervisory Board therefore assesses that cooperation with the Board of Directors was exemplary in 2015. Through state-of-the-art communication links, the Board of Directors ensured that the members of the Supervisory Board were able to actively participate in convened sessions at all times, even if they were physically removed from the place of the meeting. Due to the international composition of the Supervisory Board, materials and correspondences were continuously translated.

The Supervisory Board monitored and verified the operations of SIJ d.d. and the SIJ Group in 2015, and adopted decisions in accordance with the powers set out in the Companies Act (ZGD-1), the Financial Operations of Companies Act, the company's statute and other valid regulations.

## Significant business events addressed by the Supervisory Board in 2015

The regular monitoring of operations and the supervision of the work of the Board of Directors of SIJ d.d. and the SIJ Group in 2015 included the discussion of the business plan and interim operating results, the adoption of reports on operations and investments at SIJ Group subsidiaries, the discussion and adoption of the audited annual report, together with the drafting of a proposal on the use of distributable profit for the company's General Assembly and the proposal on the appointment of an auditor, and the discussion of other business events and plans important for the operations of the company and the SIJ Group.

In terms of content, the work of the Supervisory Board also included the issue of consents for the company's capital-related activities, as SIJ d.d. was active on the financial market in 2015 with the issue of bonds and commercial paper. The company also received public exposure with its investment in Perutnina Ptuj d.d. in the form of a EUR 40 million recapitalisation and its purchase of shares of Holding PMP d.d., which members unanimously approved based on the Board of Director's plans to expand the operations of the Group to new areas, including the food industry.

In parallel with acquisition activities following the recapitalisation of Perutnina Ptuj, SIJ d.d.'s Board of Directors also drew up a proposal at the end of 2015 for the demerger of the aforementioned investment through the establishment of a new company for the continued management of the investment, the primary aim being the mitigation of the risk of the SIJ Group being defined as a 'financial holding'. The members of the Supervisory Board therefore adopted resolutions at a correspondence session, appointing Deloitte Revizija from Ljubljana as demerger and incorporation auditor. At its session in December 2015, the Supervisory Board reviewed and approved the demerger plan, and adopted a report on the review of the demerger, in which the members of the Supervisory Board issued a positive position.

Based on the materials and reports provided by the Board of Directors, the Supervisory Board adopted resolutions at its sessions in 2015 that contributed significantly to the effective supervision of the work of the Board of Directors and the pursuit of the company's interests.

## Verification and approval of the 2015 annual report

Letno poročilo družbe SIJ in Skupine SIJ za leto 2015 je bilo The annual report of SIJ d.d. and the SIJ Group for 2015 was submitted to the members of the Supervisory Board, together with the auditor's report, in accordance with the law. The Supervisory Board discussed the annual report and proposal on the use of distributable profit at its session of 18 April 2016.

Based on the proposal of the Supervisory Board, the audit firm Deloitte Revizija was appointed certified auditor for 2015 at SIJ d.d.'s annual General Assembly held on 14 August 2015.

The audit was performed on the basis of an agreement with the company, and in accordance with the law and best business practices. The Supervisory Board was briefed on the auditor's report and found as follows:

- the annual report drawn up by the Board of Directors and verified by the auditor was compiled in a clear and transparent manner, and in accordance with the provisions of the ZGD-1 and valid accounting standards;

- the annual report includes all legally prescribed formal elements and the essential data required to make a decision on the adoption of the annual report and the proposal on the use of distributable profit; and
- the annual report also includes a report on the audit of the financial statements. According to the auditor's report, the financial statements present a true and fair picture of the assets, liabilities, financial position and operating results, as well as a fair picture of the development of the operations of the controlling company SIJ d.d. and the SIJ Group.

The Supervisory Board therefore adopted the annual report of SIJ d.d. and the SIJ Group for 2015, as submitted by the Board of Directors, at its session held on 18 April 2016. The annual report was thus formally adopted in accordance with Article 282 of the ZGD-1. The Supervisory Board also approved the proposal on the use of distributable profit. The distributable profit of SIJ d.d. totalled EUR 34,389,621.87 as at 31 December 2015 and comprises retained earnings in the amount of EUR 15,625,266.05 and net profit for the financial year in the amount of EUR 18,764,355.82. The company's Board of Directors and Supervisory Board proposed to the General Assembly that distributable profit from 2015 in the amount of EUR 5,810,642.63 be used to pay dividends. The gross dividend per share amounts to EUR 6.01 (treasury shares are not party to dividends). Shareholders entered in the shareholders register at Klirinški depotni družbi d.d., Ljubljana on the day of the General Assembly are entitled to dividends. Dividends are paid within five business days following the receipt of a request for payment from an individual shareholder. The rest of distributable profit in the amount of EUR 28,578,979.24 remains undistributed. The Supervisory Board, therefore, proposes that the General Assembly confer official approval on the Board of Directors and Supervisory Board for their work during the 2015 financial year.

## Conclusion

The Supervisory Board finds that SIJ d.d.'s Board of Directors continued to implement decisive and comprehensive measures in 2015 aimed at the optimisation and rationalisation of key business processes, and ensured the high level of competitiveness and profitability of the Group. The Supervisory Board therefore assesses that the work of the Board of Directors, as it relates to the management of the company, was effective and successful in 2015.

Ljubljana, 18 April 2016

President of the Supervisory Board  
**Andrey Zubitskiy**





## BASIC INFORMATION ABOUT SIJ D.D.

Company name	SIJ – Slovenska industrija jekla, d.d.
Abbreviated name	SIJ d.d.
Registered office	Gerbičeva ulica 98, 1000 Ljubljana, Slovenia
Entry no.	SRG 1/03550/00
Date of entry	22 February 1995
Registered share capital	EUR 145,266,065.76
No. of shares	994,616 ordinary no-par-value shares
Ownership	DILON d. o. o., Gerbičeva ulica 98, Ljubljana, Slovenia – 72.2240% Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana, Slovenia – 25.0001% other shareholders – 0.0010% treasury shares – 2.7749%
Registration no.	5046432000
VAT ID number	S151018535
Principal activity	70.100 Activities of head offices

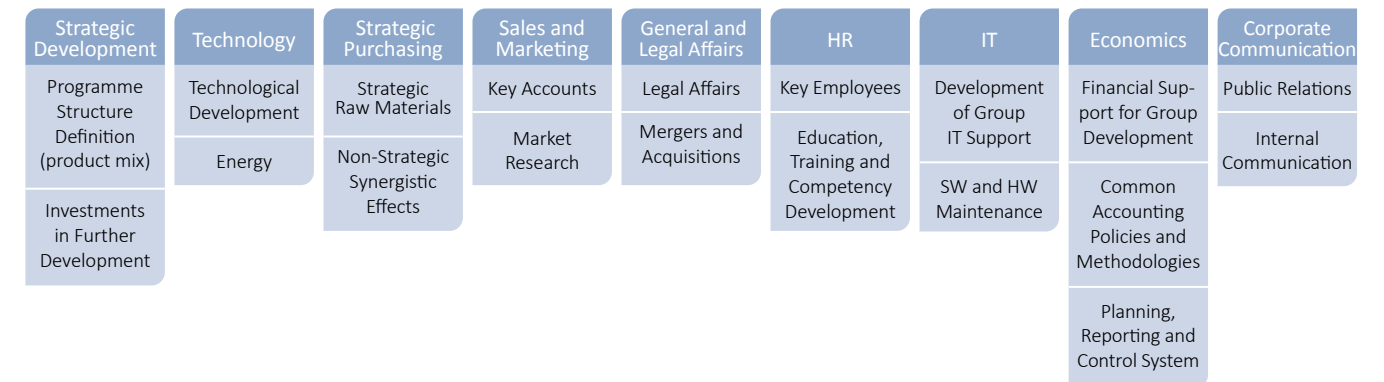
The Board of Directors of SIJ d.d. and its executive management team strategically manage, guide and supervise the operations of all Group companies, both in Slovenia and abroad.

SIJ d.d. is the controlling company and founder or direct or indirect owner of subsidiaries of the SIJ Group, which functions according to the principles of a contractual concern. The Board of Directors of SIJ d.d. and its executive management team thus represent the management of the entire SIJ Group, which strategically manages, guides and supervises the operations of all Group companies, both in Slovenia and abroad. SIJ d.d. performs its function as manager of investments in SIJ Group companies directly, with a controlling agreement in place as the legal basis for that function. The aforementioned function also represents the basis for the provision of centralised services for Group companies, through which key business functions are managed and strategic decisions are made at the level of an individual company or the entire Group. For more details see the section 'Corporate governance system of the Group'.

In accordance with the principle of the common management of business functions, we once again provided consultancy services in 2015 with regard to the performance of the individual business functions presented in the chart below. Certain functions are performed independently at SIJ d.d., while others are performed in conjunction with subsidiaries.

The most important tasks that are performed within individual functions are as follows: the establishment of common bases for the drafting and implementation of all business plans, the purchase of strategic raw materials, other materials and services, marketing, management and the coordination of pricing policies, key account management, standard information technology, the planning and implementation of a standard financial policy, human resource management, the provision of legal services, legal support and acquisitions, and corporate communication.

## Centralised performance of business functions



## OPERATING RESULTS OF SIJ D.D.

### Key data on the company's operations

Key data		2013	2014	2015
Revenues	in € thousand	8,807	9,836	12,892
Operating profit	in € thousand	286	459	21,269
EBIT margin	%	3.3	4.7	165.0
EBITDA	in € thousand	496	781	21,643
EBITDA margin	%	5.6	7.9	167.9
Profit or loss before taxation	in € thousand	1,765	1,348	20,467
Profit or loss for the period	in € thousand	1,751	1,211	19,752
Investments	in € thousand	3,474	3,306	586
Capex	in € thousand	2,373	4,561	604
<b>Statement of financial position as at 31 December</b>				
Total assets	in € thousand	218,629	240,828	350,813
Equity	in € thousand	180,441	181,228	191,403
Non-current and current liabilities	in € thousand	38,188	59,600	159,410
<b>Net financial debt as at 31 December</b>				
Current financial receivables	in € thousand	20,389	25,990	25,760
Cash and cash equivalents	in € thousand	380	17,517	9,217
Non-current financial liabilities	in € thousand	5,499	43,098	122,700
Current financial liabilities	in € thousand	28,208	12,240	32,907
Net financial debt	in € thousand	12,937	11,831	120,630
NFD/EBITDA		26.1	15.1	5.6
<b>Employees</b>				
Average number of employees		43	49	63



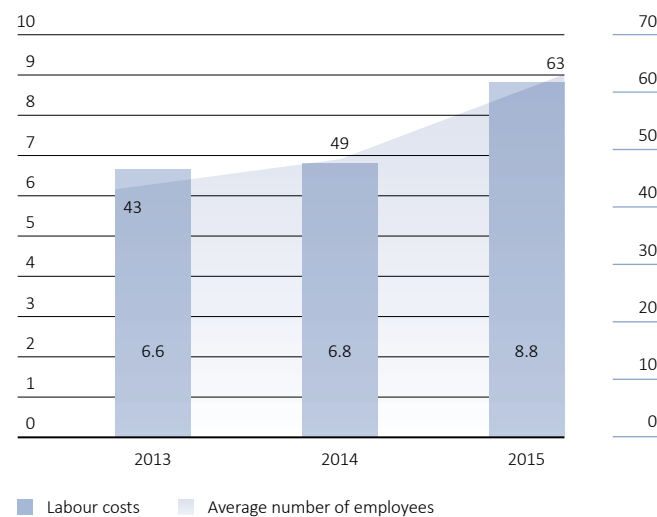
Financial indicators		2013	2014	2015
Return on sales (ROS)	%	19.9	12.3	153.2
Return on assets (ROA)	%	0.8	0.5	6.7
Return on equity (ROE)	%	1.0	0.7	10.6
Net profit per employee	in € thousand	41	25	314
Added value per employee	in € thousand	166	155	484

The company's main revenue source is revenues from the provision of services for SIJ Group companies for individual business functions. These include services in the following areas: financing, the acquisition and management of financial assets, accounting, planning and the analytical monitoring

of operations, strategic development, human resources, and legal and IT services. The majority of costs are accounted for by labour costs, which are rising in line with growth in the number of employees.

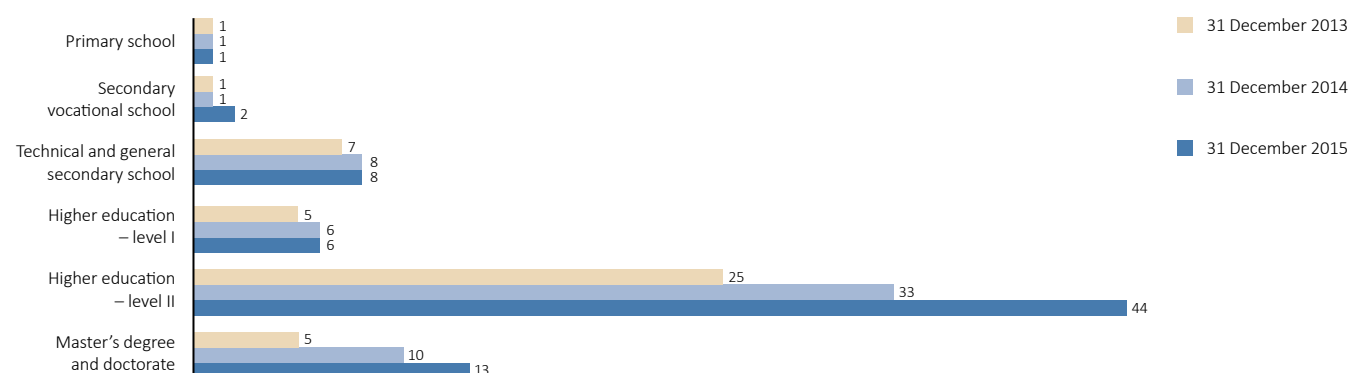
**Labour costs (in million EUR) and average number of employees**

There was an average of 14 more employees in 2015 than the previous year. We enhanced the staff of all centralised functions in accordance with the growth and development strategy.



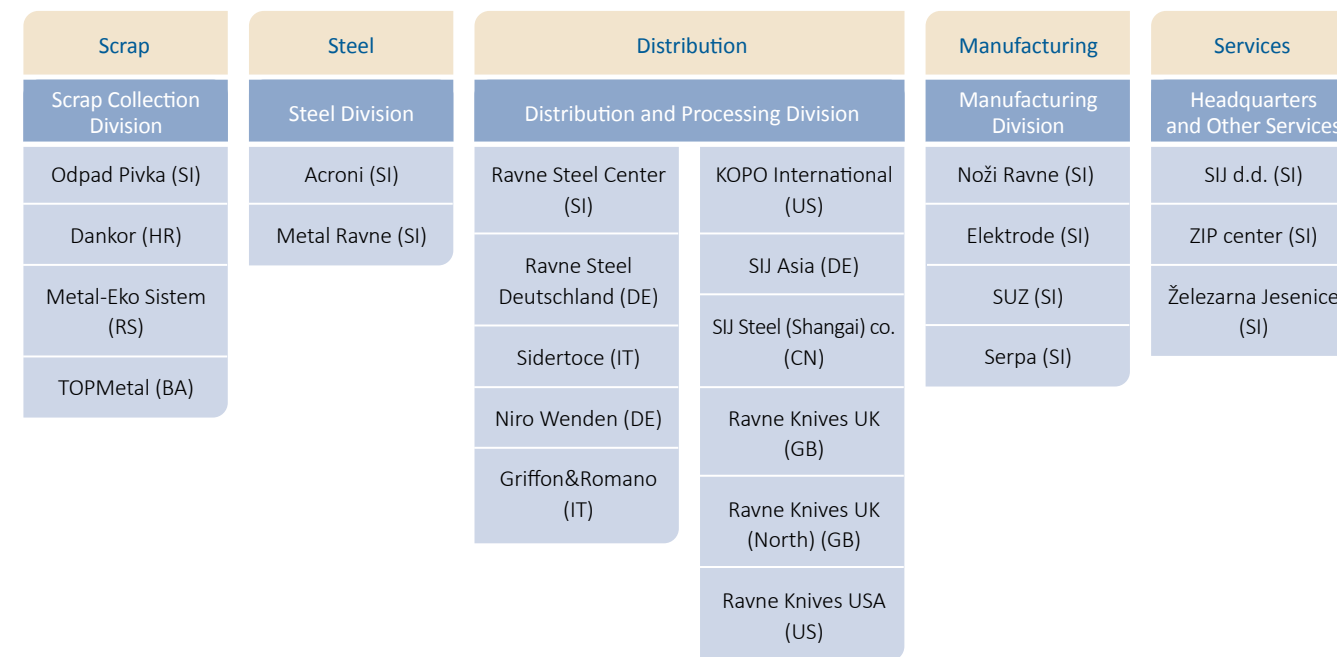
**Educational structure of employees**

All new employees except one have a Level VII or Level VIII education, confirmation of our awareness that the company's success depends to a great extent on key employees and their competences. The company promotes the development of employees through additional education and training, and provides them an environment that facilitates continuous professional growth and improvement.



# PRESENTATION OF THE SIJ GROUP

## PROGRAMME STRUCTURE OF THE SIJ GROUP



The Steel Division accounts for more than 67%\* of the SIJ Group's revenues.

The sales network was expanded in 2015 with the acquisition of two companies in the United Kingdom, the establishment of a company responsible for sales of industrial knives in the USA and the establishment of a company in China to promote sales of steel and other products.

The SIJ Group is a vertically integrated group that comprises five divisions. The Steel Division generated more than 67%\* of total revenues and more than 68%\* of total EBITDA.

The diversification of operations and the programme structure brings positive effects to the entire Group. Synergies are transferred to the entire chain via integrated divisions, from the collection and sale of scrap steel to the manufacture and distribution of steel, and the processing of steel into finished products.

\* In the calculation of shares intercompany transactions are not excluded.



### SCRAP DIVISION

Companies collect, process and sort scrap metal, and prepare it for transport and basic processing by the Steel Division. Technological processes are broken down by type of metal and individual technological process.

### STEEL DIVISION

The Steel Division is the driver behind the growth and development of the SIJ Group, and employed 2,130 people as at 31 December 2015. As the division responsible for the core activity, i.e. the casting of steel for further processing in the flat and bar programmes, the Steel Division is actively involved in the development of new types of steel tailored to the customer's needs.

The Group plays a leading role in the EU in terms of sales of stainless quarto plates, with a market share of around one third. It covers one tenth of the EU market in terms of sales of tool, special and structural bar steel. The Group also enjoys a notable share of the manufacture of special steel plates.



### DISTRIBUTION AND PROCESSING DIVISION

The Distribution and Processing Division functions on key markets, as an extension of the sales and distribution of the SIJ Group's products. It establishes and maintains direct contact with end-customers via maintenance and other services. As a form of customer support, service centres provide storage and cutting services, as well as the heat and mechanical processing of steel.

### MANUFACTURING DIVISION

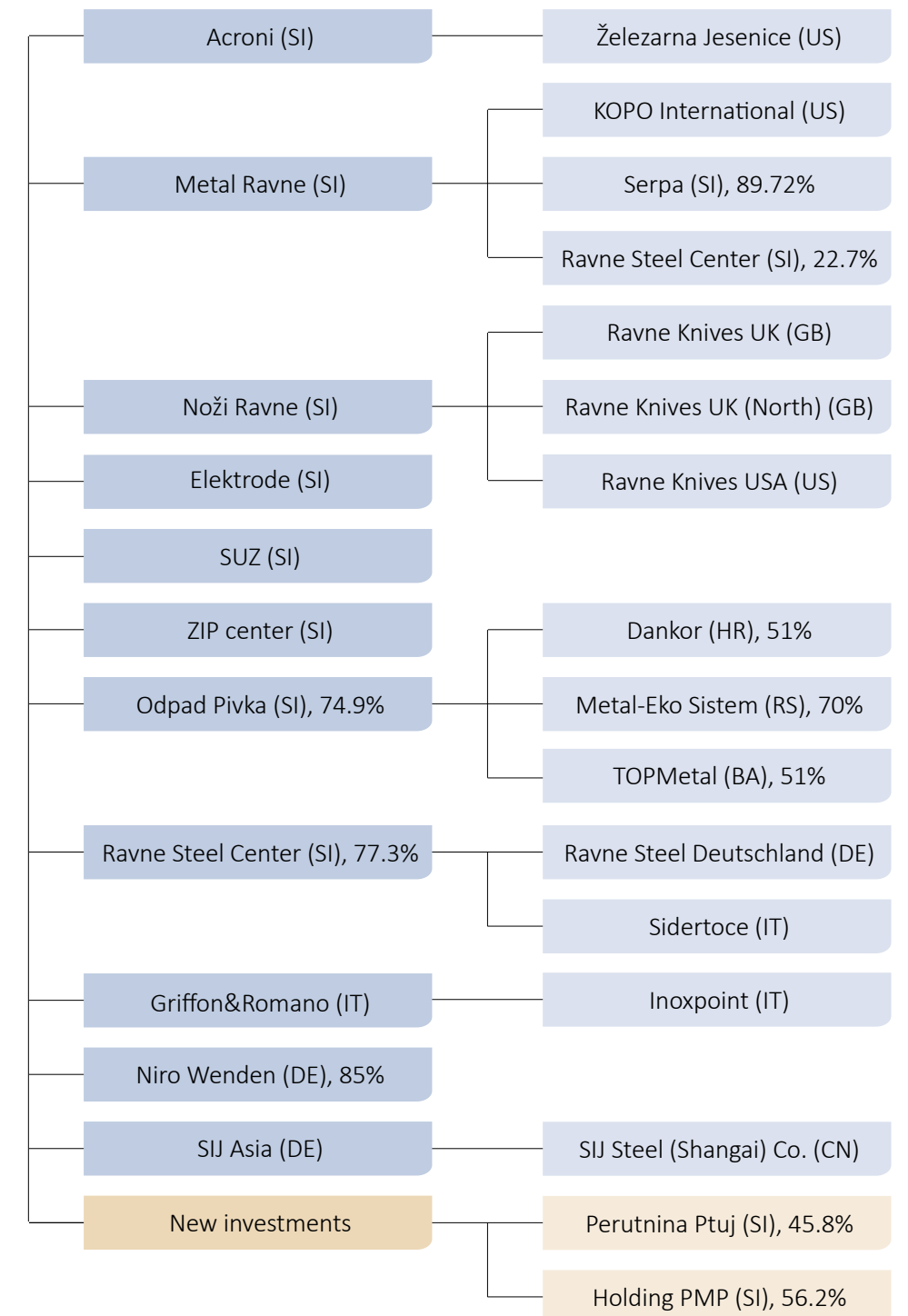
The Manufacturing Division brings together companies that exploit the synergies of the production processes of the Steel Division to manufacture finished and semi-finished products such as industrial knives, welding materials, and drawn, polished and peeled steel bars. The production programme is supplemented by the manufacture of spare parts and the provision of maintenance services.



### HEADQUARTERS AND OTHER SERVICES

As controlling company, SIJ d.d. provides management and consultancy services for SIJ Group companies. Other companies provide various concessionary services and social assistance services linked to the employment of disabled persons.

### ORGANISATIONAL STRUCTURE



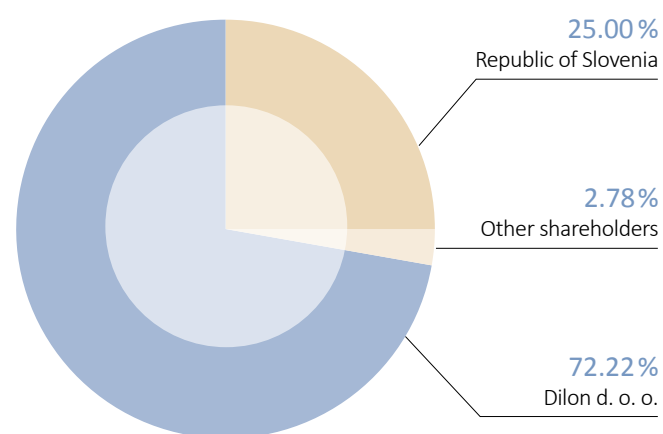
Companies without an indication of the proportion of ownership are 100% owned by SIJ d.d. or its subsidiaries.

We expanded the sales network in 2015 with the acquisition of two companies (Ravne Knives UK and Ravne Knives UK (North)) and the establishment of a company tasked with the sale of industrial knives (Ravne Knives USA). We established SIJ Steel (Shanghai) Co. with the aim of promoting the sale of steel and other products of the SIJ Group on the Chinese market.

Through the recapitalisation of Perutnina Ptuj d.d. SIJ d. d. acquired a 45.8% participating interest in the aforementioned company. With the purchase of 56.2% of the shares of Holding PMP, it increased its participating interest by an additional 5.53 percentage points and now holds a participating interest in Perutnina Ptuj in excess of 50%. In accordance with the law, SIJ d.d. published takeover bids for the acquisition of the remaining shares of both companies, which expire in February 2016.

## OWNERSHIP STRUCTURE

### Ownership structure as at 31 December 2015



The company's other shareholders are Unior d. d., Zreče, which holds ten shares, and the issuer of shares, which holds 27,600 shares.

The issuer purchased 11,468 shares from D.P.R. d. d., which is in liquidation, and 8,205 shares from Stanovanjsko podjetje d. o. o. in 2015.

In accordance with point 9 of the provision of the fifth paragraph of Article 70 of the ZGD-1, the company hereby declares that, based on the resolutions of SIJ d.d.'s 25th General Assembly of 9 June 2014, the Board of Directors of SIJ d.d. is authorised to purchase 2.78% or a total of 27,610 treasury shares at a maximum purchase price of EUR 190.73 and a minimum purchase price of EUR 100.00. The aforementioned authorisation is valid for 36 months from the adoption of the relevant resolution. Pursuant to Article 251 of the ZGD-1, companies in which SIJ d.d. holds a majority stake and the third parties set out in the same article are also authorised to purchase treasury shares.

Board of Directors and Supervisory Board of SIJ d.d.

# SIGNIFICANT BUSINESS EVENTS AND ACHIEVEMENTS

## January

The central information system was replaced at Acroni, including the re-engineering of business processes and improvements in the transparency of operations. A new information system was also introduced to a lesser extent at Metal Ravne.

## March

On the Slovenian market, we issued 9-month commercial paper in the amount of EUR 20 million and bearing an interest rate of 2.20%. The interest of investors exceeded the target and final scope of the issue by 60%.

## April

Due to the expiration of the term of office of members of the Supervisory Board, the following persons were reappointed to the Supervisory Board at the 27th General Assembly of SIJ d.d. held on 8 April 2015: Andrey Zubitskiy, Janko Jenko, Tomaž Stare, Evgeny Zverev, Denis Mancevič, Sergey Cherkaev and Sergey Frolov. Their new four-year term of office began on 11 April 2015.

## May

We continued previous activities aimed at human resource development, including the implementation of an internal sales academy and management academy, and the introduction of a programme for the development of young employees who demonstrate potential. The aforementioned activities represent an extension of the comprehensive analysis of competences, which was carried out in autumn 2014 and serves as the basis for the establishment of the SIJ Education and Training Centre. The launch of the latter is planned for the first half of 2016 in Ravne na Koroškem.

## June

We strengthened the Distribution and Processing Division significantly during the first six months of the year, and thus the entire vertical integration of the SIJ Group. SIJ Asia (established in 2014) began functioning with the aim of distributing steel products on the markets of Southeast Asia, as did three new subsidiaries: Ravne Knives USA, Ravne Knives UK and Ravne Knives UK (North). The purpose of the aforementioned companies is to expand distribution channels of the industrial knives programme to the US and UK markets.

The Group presented itself at Metec, the largest specialised metallurgical trade fair in the world, which is organised every four years in Düsseldorf, Germany. During the trade fair, we

announced comprehensive development projects in the Steel Division: the start of production of clad plates and the manufacture of tubes.

## July

We successfully completed a new issue of bonds on the Slovenian market in the amount of EUR 51 million. The funds collected through the aforementioned issue were earmarked for the diversification of existing (secured) sources of financing with long-term, unsecured sources, and for the implementation of the new strategic investment cycle in the Steel Division until 2020.

On 15 July 2015, we signed an agreement with the international company Primetals Technologies for the supply of an AOD device to Acroni with a total value of EUR 30 million. After 2017, the aforementioned investment will contribute significantly to increased capacities for the production of stainless quarto plates and to lower specific consumption in production.

On 29 July 2015, we published notification of our intent to enter the food industry through participation in the recapitalisation of Perutnina Ptuj, with an investment in the amount of EUR 40 million. Following confirmation of the aforementioned recapitalisation by Perutnina Ptuj's competent decision making bodies (supervisory board and general assembly), the aforementioned amount was paid up on 30 October. The company also published its plans for the management of the aforementioned investment, with the Board of Directors proposing the demerger of the investment with the establishment of a new company (in accordance with Article 623 of the ZGD-1). Ownership ties in the newly established company will remain entirely unchanged, as they are at SIJ d.d., with the Slovenian government holding a 25% stake that is managed by Slovenski državni holding.

## August

SIJ d.d.'s 28th General Assembly was held on 14 August 2015, when shareholders approved the proposal of the Board of Directors and Supervisory Board on the use of distributable profit for 2014 in the amount of EUR 25,188,177.35 as follows: EUR 5,810,642.63 was earmarked for the payment of dividends, while the remainder in the amount of EUR 19,377,534.72 is to remain undistributed. At the General Assembly, the shareholders conferred official approval on the Board of Directors and Supervisory Board for their work during the 2014 financial year, and appointed the audit firm Deloitte Revizija from Ljubljana as auditor for the 2015 financial year based on the proposal of the Supervisory Board.





# EVENTS AFTER THE ACCOUNTING PERIOD

## January 2016

At the beginning of 2016, the subsidiary Noži Ravne received the requisite consent from the Slovenian Competition Protection Agency for the final acquisition of the company Sistem-ska tehnika d. o. o., which changed its name to Ravne Systems d. o. o. on 18 January 2016. Intensive activities were also carried out to merge the former Sistem-ska tehnika d. o. o., Noži Ravne d. o. o. and Serpa d. o. o. The latter two continue to operate as independent legal entities, while the Group is planning their final merger into Ravne Systems d. o. o. in the coming months.

A 10% increase in revenues is planned in 2016 with the merger of the companies Sistem-ska tehnika, Noži Ravne and Serpa.

## February 2016

On 2 February 2016, the takeover bid for the purchase of the shares of Holding PMP, naložbena dejavnost, d. d., Vinarski trg 1, 2250 Ptuj expired. The aforementioned bid was originally published by the company on 4 December 2015. During the validity of the takeover bid, from 5 December 2015 until 2 February 2016 (inclusive), the bid was accepted by 28 parties who together held 33,673 shares of the target company, designated PMPG, which amounts to 43.81% of all shares of the target company. Together with the 43,197 shares of Holding PMP held by SIJ d.d. on the day the takeover bid was published, the latter became the owner of all 76,870 shares, representing a 100% participating interest in Holding PMP, with the transfer carried out on 11 February 2016.

## March 2016

On 2 March 2016, the purchase of shares of Perutnina Ptuj reja perutnine, proizvodnja krmil, perutninskega mesa in izdelkov, trgovina in storitve d. d., Potrčeva cesta 10, 2250 Ptuj was completed. SIJ d.d. published a takeover bid for the aforementioned shares on 24 December 2015. During the validity of the takeover bid, from 28 December 2015 until 25 February 2016 (inclusive), the bid was accepted by 2,348 parties who together held 2,846,733 shares of the target company, designated PPTG, which amounts to 26.09% of shares. Together with the 5,000,000 shares of Perutnina Ptuj held by SIJ d.d. on the day the takeover bid was published and the 603,184 shares of the target company held by Holding PMP on the day the takeover bid was published, i.e. a total of 5,603,184 shares of Perutnina Ptuj that were held directly or indirectly by the acquiring company on the day the takeover bid was published, SIJ d.d. acquired 8,449,917 shares through the acquisition, representing 77.43% of all issued shares of Perutnina Ptuj.

SIJ d.d. became the owner of 77.43% of the shares of Perutnina Ptuj in March 2016.

On 14 August 2015, the company Noži Ravne issued a final binding offer for the purchase of 100% participating interests in the companies Sistem-ska tehnika and Sistem-ska tehnika Armas, and for the purchase of the claims against those companies held by the Bank Assets Management Company (BAMC). The sale and purchase agreement with the BAMC was signed in September.

Metal Ravne's project to exploit waste heat for district heating purposes in Ravne na Koroškem received an award for environmentally friendly service.

The new VOD device began operating in September 2015, while the refurbishment of the ladle furnace at Metal Ravne was completed. The total value of the investment was EUR 17.5 million.

## September

The new VOD device began operating, while the refurbishment of the ladle furnace at Metal Ravne was completed, which will result in additional capacities for the secondary processing of melt. The total value of the investment was EUR 17.5 million.

On 9 and 10 September 2015, we organised the first sales conference of the SIJ Group aimed at strengthening the SIJ brand, presenting the Group's key development projects and expanding sales channels. The conference was attended by representatives of all key business partners from more than 20 countries.

## November

Metal Ravne's project to exploit waste heat for district heating purposes in Ravne na Koroškem received an award for environmentally friendly service at the traditional Environmental Conference. The project has a great deal of potential for further development and the expansion of its application. It is the first project of its kind in Slovenia that successfully sought out and linked the users of waste heat, while developing the necessary technical and organisational solutions, which represent the biggest challenge in such projects.

## December

The company issued 12-month commercial paper on the Slovenian market in the amount of EUR 17.6 million and bearing an interest rate of 2.20%. It also repaid the first commercial paper issued in March 2015.





**Stanko Berlizg**  
*2014 Employee of the Year*  
Mechanical Metallurgy  
Designer, Metal Ravne

# BUSINESS REPORT

**A feeling for the needs of customers.**  
We are aware that a stable future lies in the development of sales channels and the strengthening of services and sales centres.

**Vision:** To become the leading European producer of highly profitable steel products in niche segments, from steel material and alloys to finished steel products for industrial use.

We realise our **mission** by creating attractive, essential and useful steel products that shape the future needs of our customers.

The SIJ Group is guided by **values** of business excellence, such as: **ethics, expertise, fairness, and credibility.**

We encourage all stakeholders with whom we work to act efficiently and strive for sustainable development.

# CORPORATE GOVERNANCE SYSTEM OF THE GROUP

## Statement of compliance with the corporate governance code

In the scope of its corporate governance statement pursuant to the provisions of the fifth paragraph of Article 70 of the ZGD-1, SIJ d.d. hereby provides explanations regarding its compliance with or deviations from corporate governance codes that apply to the company.

The corporate governance statement relates to the period from 1 January 2015 until the publication of the audited annual report, as the company did not take a position in previous periods regarding compliance with the content of corporate governance codes.

The provisions of the Corporate Governance Code, which was formulated and adopted by the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association of Slovenia and in force since 8 December 2009, may apply mutatis mutandis to SIJ d.d. The aforementioned code is published on the website of the Ljubljana Stock Exchange ([www.ljse.si](http://www.ljse.si)) and applies primarily to public limited companies, whose shares are listed and traded on the regulated market. SIJ d.d.'s shares, designated SIJ4, are not traded on the regulated securities market. As the issuer of securities for trading on the regulated market, the company has issued two series of bonds, designated SIJ4 and SIJ5. The aforementioned bonds are traded on the Ljubljana Stock Exchange. Thus, in accordance with the provisions of Section 3 of the Financial Instruments Market Act (ZTFI), SIJ d.d. is considered a joint stock company. However, given its specific position vis-à-vis shareholders, the company is not obliged to take a position regarding the code in question. As an export-oriented Group with a focus on international investors, SIJ d.d. will monitor the provisions of the code in future financial years and make an effort to voluntarily apply the content of the code, if deemed necessary for the Group's corporate governance system (the company already informs the general public and investors in a transparent manner with regard to business events in the local and/or foreign language. Those notifications exceed legal requirements and are published on the SEOnet website and on the company's website).

Given the Slovenian government's ownership stake in SIJ d.d., the recommendations set out in the Corporate Governance Code for Companies with Capital Assets of the State (SDH Code) and the Recommendations and Expectations of Slovenian Sovereign Holding (Expectations of SDH), which were drawn up by Slovenski državni holding (SDH) in 2014 and are

published on its website ([www.sdh.si](http://www.sdh.si)), also apply to the company.

With regard to the aforementioned codes and expectations, SIJ d.d. hereby declares that it operates in accordance with the applicable legislation and actively strives for responsible governance and transparent communications with all stakeholders. SIJ d.d. follows the content of the codes and expectations in those provisions that derive, in terms of content and purpose, from the provisions of valid legislation or overlap with them, as the recommendations of both codes are connected to a great extent in terms of content and application in those parts that are governed by the law.

In connection with the Expectations of SDH, the company hereby states the reasons for deviations from recommendations regarding business planning and periodic reporting on the operations of the company/Group to SDH. In that regard, SIJ d.d. considers business plans a trade secret. Those plans are discussed by the Supervisory Board, and the general public is informed about the main strategic policies and objectives in a transparent and systematic manner, by ensuring that all shareholders and investors are notified equally through public announcements. The company also deviates from the recommendations in terms of periodic reporting on the operations of the company/Group to SDH. Interim results are also carefully treated as a trade secret, and are first published in accordance with valid legislation before they are available to SDH.

The company does not address other material recommendations from the aforementioned acts, as they do not apply given its position as described above.

During the period to which this statement relates, SIJ d.d. had not yet finished drawing up its own code of best business practices, which it intends to draft for all SIJ Group companies according to criteria that have been standardised to the greatest extent possible with the aim of achieving high standards of business integrity and corporate governance.

Notes to points 3, 4, 5, 6 and 8 of the provision of the fifth paragraph of Article 70 of the ZGD-1 are provided in other sections of the annual report.

Board of Directors and Supervisory Board of SIJ d.d.



## INTERNAL CONTROLS AND RISK MANAGEMENT IN FINANCIAL REPORTING

Internal controls are procedures that ensure the achievement of our established objectives, the effectiveness and success of financial reporting, and compliance with laws, regulations and rules. In the broadest sense, the term internal controls includes all activities implemented with the aim of controlling risks within the Group.

Successful internal controls provide management reasonable assurance regarding the achievement of the Group's objectives and play an important role in detecting and preventing fraud, and in protecting the Group assets, both physical and intangible assets, such as its reputation and intellectual property (trade-marks, etc.).

The SIJ Group therefore carries out numerous internal accounting controls that are aimed at risk management, primarily with regard to the following:

- the accuracy and reliability of accounting data that are based on credible bookkeeping documents and evidence regarding the existence of business events that clearly show all data required for the correct recording of those events;
- the accuracy of accounting data that are appropriately checked before they are published, which is ensured through controls carried out at several levels: the comparison of data from analytical bookkeeping records with data from bookkeeping documents, with data regarding business partners and with the actual physical state of assets, and the reconciliation of analytical bookkeeping records and the general ledger;
- compliance with legislation and other regulations; and
- true and fair financial reporting that is ensured through standard accounting policies, and predefined procedures and deadlines for entries.

Internal control guidelines and procedures have been defined at all levels, such that risks associated with financial reporting are managed through the following:

- a standard reporting system with extensive disclosures and explanations;
- the timely compilation and structural design of financial statements and analyses that serve as the basis for business decisions; and
- regular annual external audits of operations.

We believe that the current system of internal controls within the SIJ Group ensures the effective and successful achievement of

business objectives, operations that are compliant with legal provisions, and fair and transparent reporting in all material aspects.

### Corporate governance

SIJ d.d. has a two-tier corporate governance system. The company is managed by its Board of Directors, while the work of the latter is supervised by the Supervisory Board. Corporate governance is based on legal provisions, the company's statute and internal acts, as well as local and international best business practices.

The company's governing bodies are:

- the General Assembly,
- Supervisory Board, and
- the Board of Directors.

### General Assembly

SIJ d.d.'s shareholders exercise their rights in matters regarding the company through the General Assembly. The convening and meeting of the General Assembly are governed by the company's statute in accordance with the ZGD-1.

Two meetings of the General Assembly were held in 2015 at the company's registered office (Gerbičeva ulica 98, Ljubljana). The convening of the General Assembly with explanations of proposed resolutions and the content of adopted resolutions are accessible by shareholders and the general public on the SEOnet website (<http://seonet.ljse.si>) and on the company's website (<http://www.sij.si>).

The 27th meeting of SIJ d.d.'s General Assembly was held on 8 April 2015, when decisions were made regarding the appointment of members of the Supervisory Board and amendments to the company's statute. The term of office of all the following members of the Supervisory Board expired on 11 April 2015: Andrey Zubitskiy, Janko Jenko, Tomaž Stare, Evgeny Zverev, Denis Mancevič, Sergey Cherkaev and Sergey Frolov. All members of the Supervisory Board were reappointed by shareholders for another four-year term of office. SIJ d.d. updated its corporate identity on its documents and website. Thus, the General Assembly also approved proposed amendments to the company's statute regarding its registered trademark, as well as other provisions relating to the harmonisation of the statute with announcements by the company, valid legislation and with other changes as required.

SIJ d.d.'s 28th General Assembly was held on 14 August 2015, when shareholders were briefed on the annual report of SIJ d.d. and the SIJ Group for the 2014 financial year, the opinion of the auditor and the report of the Supervisory Board on the results

of the review of the annual report. The General Assembly approved the proposal of the Board of Directors and Supervisory Board on the use of a portion of distributable profit for 2014 totalling EUR 25,188,177.35 for the payment of dividends in the amount of EUR 5,810,642.63. Excluding treasury shares, the gross dividend per share amounted to EUR 6.01. Dividends were paid after the meeting of the General Assembly. The General Assembly adopted a resolution whereby the rest of distributable profit in the amount of EUR 19,377,534.72 remains undistributed. The General Assembly conferred official approval on the Board of Directors and Supervisory Board for their work in 2014. Based on the proposal by the Supervisory Board, the General Assembly appointed the audit firm Deloitte Revizija from Ljubljana to audit the financial statements of SIJ Group for the 2015 financial year.

### Supervisory Board and presentation of its members

In accordance with the company's statute, SIJ d.d.'s Supervisory Board comprises seven members who are appointed by the General Assembly. Proposals for the adoption of resolutions on the election of members of the Supervisory Board, which are decided on by the General Assembly, must be made exclusively by the Supervisory Board in the published agenda of the General Assembly, except for those items that are proposed by shareholders in accordance with the second paragraph of Article 296 of the ZGD-1. The Supervisory Board monitors operations in accordance with the powers set out in the ZGD-1, the Financial Operations of Companies Act, the company's statute and other valid regulations.

The term of office of all members of the Supervisory Board expired on 11 April 2015. All members were therefore reappointed to a new four-year term of office by shareholders at the 27th meeting of the General Assembly held on 8 April 2015. SIJ d.d.'s Supervisory Board thus functioned in the same composition in 2015. At the Supervisory Board's constitutive session of 2 June 2015, Andrey Zubitskiy and Janko Jenko were re-appointed to the positions of President and Vice-President of the Supervisory Board respectively.

**Andrey Zubitskiy**, born in 1975, is a member of SIJ d.d.'s Supervisory Board, which he has presided over since 2007. As a representative of the Zubitskiy family, he represents the capital interests of the majority owner. He is an economist by profession, and serves as the President of the Board of Directors of Dilon Coöperatief U.A. from the Netherlands, as a member of the supervisory boards of OAO Polema, OAO Koks and OAO Tulachermet and as the Vice-President of the Board of Directors of OOO Industrial Metallurgical Holding Management Company (all of the latter companies are from the Russian Federation).

**Janko Jenko**, born in 1964, was first elected to serve as a member of SIJ d.d.'s Supervisory Board at the 24th meeting of the General Assembly held on 30 August 2013. During his current term of office, Mr Jenko serves as Vice-President of the Supervisory Board, as he did in his previous term of office. He is a formally educated mechanical engineer with a wealth of international experience in economics. He has established, managed and supervised large companies in Slovenia, Croatia, the Czech Republic and the USA. He thus has a great deal of experience regarding the operations of companies, industry, information technology and telecommunications. Mr Jenko is commercially active in several companies in the fields of telecommunications and information technology.

**Tomaž Stare**, born in 1965, was first elected to serve as a member of the Supervisory Board at the 24th meeting of the General Assembly held on 30 August 2013. He holds a master's degree in business, with majors in accounting and auditing. He has a wealth of experience in the field of energy and the production of electricity, and also possesses the knowledge required to serve as a member of the supervisory boards of state-owned companies. He is employed at Savske elektrarne Ljubljana.

**Evgeny Zverev**, born in 1981, was first elected to serve as a member of SIJ d.d.'s Supervisory Board at the 24th meeting of the General Assembly held on 30 August 2013. He is a lawyer by profession. Mr Zverev graduated from the Kemerovo State University in Russia. He began his career in 2006 at Industrial Metallurgical Holding Management Company in Moscow, where he worked until 2007. At that time, he was employed by SIJ d.d., where he serves as the Director of Legal Affairs, Mergers and Acquisitions. He has also been the Director of Dilon d. o. o., SIJ d.d.'s largest shareholder, since 30 November 2012.

**Sergey Cherkaev**, born in 1981, is from the Russian Federation. He has served on SIJ d.d.'s Supervisory Board since 2011 and is an expert in the field of finance. He manages the area of economics and financial departments at Industrial Metallurgical Holding Management Company in Russia. He is a member of the Supervisory Board of OAO Tulachermet, and Vice-President of Financial Affairs and a member of the Board of Directors of OOO Industrial Metallurgical Holding Management Company (the two aforementioned companies are from the Russian Federation).

**Sergey Frolov**, born in 1980, has been a member of the Supervisory Board since 2011. He completed his postgraduate studies at the state university for management. He is a member of the Supervisory Board of OAO Koks and Vice-President of Strategy and Communications. He is also a member of the Board of Directors of OOO Industrial Metallurgical Holding Management Company (the two aforementioned companies are from the Russian Federation).



**Dr. Denis Mancevič**, born in 1981, was first elected to serve as a member of the Supervisory Board at the 26th meeting of the General Assembly held on 29 August 2014. Holds university degrees in Russian, the sociology of culture and political science. He completed his doctoral studies in the field of social sciences and humanities. Dr Mancevič is the author of ten scientific, professional and journalistic articles on Russian studies and on international energy and economic relations. He began his career in 2010 in the commercial sector, and continued in the position of economic adviser to the Slovenian Embassy in Moscow. He has served as the Director of Corporate Communications within the SIJ Group since May 2014.

### Presentation of the management of SIJ d.d. and the SIJ Group

SIJ d.d. is the controlling company and founder or direct or indirect owner of subsidiaries of the SIJ Group, which functions according to the principles of a contractual concern. The Board of Directors of SIJ d.d. and its executive management team thus comprise the management of the entire SIJ Group, which strategically manages, guides and supervises the operations of all Group companies, both in Slovenia and abroad.

The majority of Group companies operate in Slovenia. SIJ d.d., as the controlling company, and six direct subsidiary limited liability companies in Slovenia (Acroni, Metal Ravne, Noži Ravne,

Elektrode, SUZ and Zip center) have entered into an enterprise agreement, under which the operations of those subsidiaries are subject to the management of the controlling company. Žična Celje, which was deleted from the companies register on 1 July 2013, and Železarna Jesenice, which remains indirectly subject to common management, also entered a similar agreement in 2007. The participating interest in the latter was transferred within the Group to Acroni in 2015 in the form of a non-cash contribution. Subsidiaries also have registered offices in Italy, Germany, Croatia, Bosnia and Herzegovina, Serbia, China and the USA. As a rule, companies are 100% owned or under the controlling influence of SIJ d.d. For the most part they are organised as limited liability companies, except in Italy where they are organised as public limited companies. SIJ d.d. took a new step in the expansion of its corporate governance activities in the summer of 2015 with the recapitalisation of Perutnina Ptuj in the amount of EUR 40 million and the purchase of shares of Holding PMP. The aforementioned investments will be demerged into a newly established company. The corporate governance of the two companies will be segregated and redefined taking into account relations between the governance bodies of the newly established company.

SIJ d.d.'s Board of Directors manages and strategically governs the entire Group through resolutions, instructions and other acts that it issues in accordance with its powers, and through which it actively and strategically governs and guides all key business processes of the SIJ Group as the management body of the company and SIJ Group or owner of subsidiaries. The executive management team is responsible for ensuring that established objectives are achieved in individual strategic areas across the entire Group, and that established mechanisms of consolidated areas of operations are implemented consistently.

### Board of Directors and presentation of its members

In accordance with the statute of SIJ d.d., the Board of Directors comprises a president and one to three members. The President and members of the company's Board of Directors are appointed by the Supervisory Board for a term of office of no more than six years with the possibility of reappointment. The duration of a term of office is set out in each resolution on appointment. The President of the Board of Directors represents the company individually and without limitation, while members of the Board of Directors represent the company together with the President. In accordance with resolutions on appointment adopted by the Supervisory Board, the Board of Directors currently comprises two members:



- Anton Chernykh, President of the Board of Directors and Chief Executive Officer, and
- Igor Malevanov, Vice-President of the Board of Directors and Finance Director.

Both members of the Board of Directors were appointed to a five-year term of office by the Supervisory Board on 17 January 2014. In accordance with the provisions of the company's statute and resolutions on appointment, the President of the Board of Directors represents the company independently, while the Vice-President represents the company together with the President.

**Anton Chernykh**, born in 1978, graduated from the Faculty of Law in Moscow and the Faculty of Economics in Tula. He later completed his MBA at the IEDC – Bled School of Management. He began his career at Sberbank RF in the Russian region of Tula. He was Head of the Finance Department at the state-owned company for road construction, TulAvtodor from 1998. He joined the Russian Koks Group in 2004, first as Head of the Property Management Department at Tulachermet, and was then appointed Deputy Director-General at KMA Ruda in 2006. Since joining the SIJ Group in 2007, he has held various management positions (Procurator at Acroni and Director of Project Management at Metal Ravne).

**Igor Malevanov**, born in 1976, graduated from the Faculty of Economics at Belarus University. During his postgraduate studies, from 1997 to 2000, he worked at various Russian companies,

where he specialised in insurance and finance. In 2001, he joined the Russian Koks Group as Finance Director of Koks subsidiaries. In 2004, he became Head of Finance at IMH Holding, which manages Koks companies, Tulachermet and numerous other steel plants, coke plants and mines in Russia. In 2007, he joined the SIJ Group as the Executive Director of Finance, Economics and IT.

The President of the Board of Directors represents the SIJ Group in international associations, such as Eurofer, the World Steel Association and the International Stainless Steel Forum (ISSF), of which SIJ d.d. is a member on behalf of the Group. The members of the Board of Directors do not perform any independent activities outside the SIJ Group that could be deemed material given the Group's position.

### Executive management of the SIJ Group

Executive management comprises the following persons:

- Marjana Drolc Kaluža, Purchasing Director,
- Dušica Radjenovič, MA, Sales Director,
- Slavko Kanalec, Director of Technology,
- Mitja Kolbe, Director of Operational Development and Strategy,
- Dr Denis Mancevič, Director of Corporate Communications, and
- Evgeny Zverev, Director of Legal Affairs, Mergers and Acquisitions.



**Business model of the SIJ Group**

Our business model was developed with the aim of ensuring the sustainable development of the SIJ Group, through the implementation of the adopted strategy and the exploitation of the competitive advantages of its available resources: knowledge, the programme structure and assets.

Our long-term objective is to become the most successful and flexible European producer of steel and steel products in niche segments. We pursue that objective by improving production efficiency and profitability, and by increasing added value.

Our activities are aimed at increasing cost efficiency and improving the consumption of available resources. Operations according to an alloy price pass-through model facilitate the optimisation of operations, in terms of financial stability and profitability. The effectiveness and sustainability of the business model was confirmed again in 2015 when the prices of nickel and other alloys plummeted, driving the prices of raw materials lower.

The Group is constantly updating and expanding its production mix to include the most advanced products. We are aware that the most advanced products, tailored to the needs of our customers, could contribute significantly to increasing added value for customers and the Group. The flexibility of operations is ensured through technological upgrades and investments in new capacities. We are enhancing common management and governance, and centralising the performance of the most important business functions.

Operations according to an alloy price pass-through model facilitate the optimisation of operations, in terms of financial stability and profitability.

The flexibility of operations is ensured through continuous technological upgrades and investments in new capacities.



**Jožica Cankar**  
 2014 Employee of the Year  
 Technician, Elektrode

**Innovative by nature**

We are implementing the Group's strategy by increasing add value and expanding the range of new products.



# STRATEGIC GUIDELINES AND BUSINESS STRATEGY

## STRATEGY OF THE SIJ GROUP

### Strategic operating guidelines of the SIJ Group

The development strategy of the SIJ Group until 2020 envisages significant shifts in the production mix towards more advanced products with higher added value, the consolidation of the Group and the centralisation of key business processes. The latter will facilitate the achievement of numerous synergistic effects in the Group's operations and the optimisation of production and other functions. It will also have a significant impact on the profitability of operations. The upgrading of the existing vertical integration of the Group will be carried out in parallel, primarily through the development and expansion of our own service and sales network on key markets. Together with the production of increasingly more advanced types of steel and increased possibilities for the mechanical and heat processing of materials, this will facilitate the entry into new market segments with higher added value, including the segment of finished steel products and comprehensive solutions.

### Key strategic objectives

The Group's key strategic objectives until 2020 are as follows:

- the optimisation of the production mix in favour of more advanced products with higher added value;
- entry to new markets, the maintaining of market shares in key segments in Europe (e.g. stainless quarto plates and tool steel) and increased market shares in new niche segments (e.g. special quarto plates and steel with special requirements);
- upgrades to the research and development of new types of steel and production technologies, and the setting of market trends in premium segments (the development of own steel brands);
- the expansion of the sales portfolio to include finished steel products with high added value;
- the consolidation of the Group and the centralisation of core business processes; and
- the long-term reduction of net financial debt and the optimisation of the NFD/EBITDA ratio (to below 3.0).

### Activities for achieving strategic objectives

#### Optimisation of the production mix and an increase in production capacities for the manufacture of high-tech steels with higher added value

The SIJ Group is considered a boutique provider of special steels on selected niche markets. The change to the production mix will be supported by investments in the following:

- VAR and VIM production technologies for new products (nickel alloys, welded plates, etc.); and
- an increase in capacities for energy efficiency and the environmentally friendly production of products with high added value – use of AOD and UHP technologies.

#### Entry to new markets, increase in market shares in perspective niche segments, and maintaining leading market shares in key segments

- Entry to new markets (e.g. rapidly emerging markets) with a selected product portfolio will be supported primarily by entering into new partnerships and the opening of representative offices. An increase in market shares in new niche segments (e.g. special quarto plates and steel with special requirements) will be facilitated by direct cooperation with key end-customers and the acquisition of the associated certificates, by entering into new partnerships and through vertical integration.
- We will maintain our share of key market segments in Europe (e.g. stainless quarto plates and tool steel) through joint investments with selected customers, though investments in the improved efficiency of production and through vertical integration, which will ensure the improved and more competitive supply of end-customers.

#### Research and development – new products, new technologies and synergies will support our entry to new markets

Group companies (in particular Acroni, Metal Ravne and Noži Ravne) are known for being exceptionally innovative, as evidenced by annual awards for the best innovations in the Slovenian commercial sector.

- The SIJ Group continuously promotes development cooperation with research institutions, direct end-users and between Group companies themselves, through projects in the scope of the Innovative Metal Materials Competence Centre.
- Together with top experts, we develop new types of steel and innovative production processes by using assets and applying knowledge from within the Group to gain various advantages over the global competition.
- By modifying and improving materials, the Group strives to set market trends in premium segments and to sell products under its own brands.

#### Direct cooperation with end-customers and expansion of the sales portfolio

- The Group will dedicate more attention to the development of direct contacts with customers, who will

account for an increasing proportion of end-users.

- We will continue the development of our own service and sales network and expand the portfolio to include finished steel products and comprehensive solutions with high added value that are based on our own brands of steel.
- In combination with even more flexible (leaner) manufacturing by key production companies in the Group, we will facilitate increased adaptability and support market activities.
- Activities are also aimed at making a quality step forward in the functioning of research and development departments, including the search for potential synergies within the Group and the expansion of the activities of the aforementioned departments to project design and technical engineering.

#### Consolidation of the Group, centralisation of core business processes and the intensive development of competences at all levels

- Implementation of measures that will facilitate even more effective corporate governance and the centralised management of specific key business processes.
- We will improve the horizontal and vertical flow of information within the Group.
- We will upgrade activities that will facilitate more detailed insight into key aspects of employee motivation and satisfaction, with the aim of strengthening and developing the human resource policy.
- We are aware that successful, creative and highly competent employees are the key to every business success. We will therefore continue to develop employees' key competences through education and training.

#### Long-term reduction of net financial debt and the increased profitability of operations

- The Group made significant changes to its loan portfolio in 2015 in favour of long-term, unsecured sources of financing. We will continue to be active on the capital market.
- We are planning to continue optimising the NFD/EBITDA ratio (with a target value below 3.0), which will be supported in part by an increase in the profitability of operations.
- We have been striving since 2014 for the continuous optimisation of business processes, in terms of costs and production, by implementing pilot projects.

#### Strategic projects

The SIJ Group began to implement numerous strategic projects in 2015 to support the achievement of key strategic objectives until 2020.

- Expansion of representative offices and the service and sales network for the improved supply of customers on key markets and as support for entry to rapidly emerging markets. The following new representative offices were established in 2015: Ravne Knives (USA and the United Kingdom) and SIJ Steel (Shanghai) Co (in Asia).
- Expansion of the SIJ Group's portfolio of finished products: a study was conducted in 2015 on the introduction of the production of longitudinally welded pipes and the purchase of the company Sistemska tehnika, which is well-known as a supplier of finished products (e.g. rolls and roll sleeves) from steel and aluminium. Metal Ravne completed an investment in a VOD device in 2015, which will have a positive impact on the optimisation of the Group's production mix.
- Implementation of a common platform for CRM (customer relationship management). The project was launched in September 2015 and is expected to be completed by December 2016.
- Establishment of an overall architecture of brands and the branding of selected products of the Group: started in October 2015 with completion planned for June 2016.
- Development of a concept for a common approach for the SIJ Group at international trade fairs: participation at the Metec Düsseldorf, Metal Expo Moscow, Euromold Düsseldorf and Stainless Steel Maastricht trades fairs in 2015, and at an increasing number of trade fairs in future years.

We began to implement numerous strategic projects in 2015 to support the achievement of key strategic objectives until 2020.

We expanded the service and sales network and the number of representative offices, expanded the range of finished products and implemented investments that have a positive impact on the optimisation of the Group's production mix.

#### Assessment of the achievement of strategic objectives in 2015

Operating results in 2015 are a clear indication of the positive effects of the Group's established strategy, which will be further upgraded. We once again maintained an above-average level of profitability in the steel industry in 2015 (e.g. EBITDA margin and EBITDA/tonne of sales), which confirms the appropriateness of our strategy and its effective implementation, despite the significant negative effect of one-off events and

low raw material prices during the year. We assess that we made a major step forward in 2015 towards the achievement of all key strategic objectives.

Certain investments were completed in 2015 (e.g. the VOD device at Metal Ravne), which had an important impact on opportunities for the optimisation of the Group's production mix. Major investments are still in progress (e.g. a line for the heat processing of special steels at Acroni) and are being implemented according to plan. Agreements have been signed for new investments that will result in additional opportunities to optimise the production mix (e.g. an AOD device at Acroni).

New representative offices were established on major markets for finished products (in the USA and United Kingdom) and on rapidly emerging markets (in Asia) to support the Group's activities on key markets and the entry to new markets. By signing an agreement on the purchase participating interests in and the claims of Sistemska tehnika and Sistemska tehnika Armas, the Group is achieving its strategic objective to expand the sales portfolio to include finished steel products with high added value. The inclusion of Sistemska tehnika in the SIJ Group expands the product portfolio, brings numerous synergistic effects on both sides (e.g. the optimisation of production functions and cross-sales) and ensures the necessary capacities for mechanical and heat processing for all of the most advanced products.

The first joint sales conference of the SIJ Group was organised in 2015 and attended by more than 120 participants, with the aim of supporting the establishment of long-term relations with end-customers and the continued consolidation of the Group. The Innovative Metal Materials Competence Centre was established to bring together the development departments of SIJ Group companies (Acroni, Metal Ravne, Elektrode and SIJ) and external institutions (the Faculty of Natural Sciences and Institute of Metals and Technologies) in selected research-applied projects. New development achievements were presented, such as clad plates and the production of high-carbon steel (X120Mn12) with a high manganese content using a continuous casting process, for which the development team received first prize for medium-sized and large enterprises at the tenth Slovenian Innovation Forum and a gold medal for innovation, presented by the Chamber of Commerce and Industry of Slovenia.

We were successful again in 2015 in securing sources of financing on the capital market, in March through the issue of short-term commercial paper in the amount of EUR 20 million, in July with the issue of five-year bonds in the total amount of EUR 51.2 million and in December with the issue of short-

term commercial paper in the amount of EUR 17.6 million. The Group is thus successfully pursuing its strategic objective to diversify sources of financing.

### Strategic objectives for 2016

In 2016, we will continue down our established path to the achievement of key strategic objectives until 2020:

- to maintain our leading share of the stainless quarto plates segment of the EU market (Acroni) and to maintain our position as the third largest manufacturer of tool steels on the EU market (Metal Ravne);
- to maintain the competitive advantage of short delivery deadlines for production by order, and to maintain profitability through the optimisation of the production programme and the continued rationalisation of costs;
- to start-up a line for the heat processing of special steels at Acroni;
- to launch an active marketing programme for clad plates at Acroni;
- to successfully integrate the companies Noži Ravne, Serpa and Sistemska tehnika into the single company Ravne Systems, which offers a wider range of finished steel products, components and solutions; and
- to increase the number of joint marketing and sales activities within the Group, with the support of key product brands and common tools (CRM).

Our strategic objectives in 2016 will again be to maintain our leading share of the stainless quarto plates segment on the EU market and to maintain our position as the third largest manufacturer of tool steels on the EU market.

# EXTERNAL BUSINESS ENVIRONMENT

## MACROECONOMIC ENVIRONMENT

The drop in crude oil prices and the instability of nickel prices had a significant impact on operations.

The business environment was characterised by numerous geopolitical events in 2015, such as crisis in Greece, tensions between Russia and Ukraine and the crisis in the Middle East. The drop in crude oil prices had the most notable impact on operations, as did the instability of nickel prices in connection with the steel industry.

Global economic growth was lower than forecast in 2015, at 2.4%. Growth was down 0.2 percentage points relative to 2014. Lower growth was driven primarily by slowing growth in emerging countries, led by China, Russia, Brazil and South Africa. Average growth in emerging countries was 4.3%, down 0.6 percentage points on 2014.

Economic growth in developed countries was higher than in 2014. The USA recorded growth of 2.5%, an increase of 0.1 percentage points relative to 2014. Euro area economic growth was up 0.6 percentage points on the previous year to stand at 1.5%.

The weak euro relative to the US dollar had a positive effect on exports to the USA by European companies. Lower crude oil prices, and thus lower energy prices, spurred private consumption, but had a negative impact on investments and thus the use of steel in the petroleum industry.

## STEEL INDUSTRY

The steel industry is the largest industrial sector in the world, immediately after oil and natural gas. The steel industry's annual global turnover is estimated at USD 900 billion, while the aforementioned industry employees more than eight million people across the world.

Figures from the World Steel Association indicate that global steel consumption is continuously rising. Average global steel consumption per capita is 200 kg. Analyses indicate that global steel consumption will continue to rise in the future, but not enough to balance the significant surplus in steel production capacities, a problem the global steel industry has faced for some time.

The utilisation of global steel production capacities, which is lined to slowing economic growth, fell to 69.7% in 2015. Steel

production was down 3.7% relative to 2014. Low utilisation of steel production capacities in China was reflected in increased exports to external markets. This resulted in pressures on the prices of steel producers from developed countries.

Despite a surplus of steel production capacities and slower growth in demand for steel, investments continue in new steel projects, primarily towards specialisation, differentiation and technological innovations in the production and use of steel.

The utilisation of global steel production capacities, which is linked to slowing economic growth, fell to 69.7% in 2015.

A significant surplus in production capacities at the global level and low utilisation of production capacities are not the only challenges faced by the global steel industry in 2015. Shocks on the raw materials markets and raw material prices also represented challenges. The aforementioned prices reached historical lows in 2015 and resulted in a drop in the base prices of steel products, which further hampered the operations of steel companies.

The price of nickel, as one of the key references for setting the prices of steel products, fluctuated at a historically low level. The prices of other strategic raw materials used in steel production, such as scrap steel, iron ore and other iron alloys, fluctuated similarly.

The combination of low economic growth and low global raw material prices also had a negative impact on steel production. In global terms, 2.8% less steel was produced than in 2014. Global steel production totalled 1,622.8 million tonnes in 2015. The largest drop was recorded in the USA, where steel production was down 10.5%. China, the world's largest steel producer, recorded a decline of 2.3% in 2015. Within the EU, the SIJ Group's main market, steel production was down 1.8%, primarily due to a drop in production in France (-7.2%), Italy (-7.1%) and the United Kingdom (-10.4%).

As a niche producer of steel products with higher added value for a known customer, the aforementioned market conditions were felt to some extent by the SIJ Group, in the form of price pressures. We were nevertheless able to maintain maximum utilisation of our production capacities and the high level of profitability of operations on account of our focus on the most advanced users, who are less sensitive to market fluctuations, and the adaptation and optimisation of the production-sales mix.

The most important market segments for the SIJ Group are stainless quarto plates and the tool steel bar programme, which are not subject to the effect of imports from third countries and price pressures to the same extent as steel for mass consumption. The production of stainless quarto plates was up 2.7% relative to 2014 in the EU, while imports from third countries were down 6.5% during the same period. The tool steel bar segment of the EU market recorded growth of 1.1%, in the context of a simultaneous 13.5% increase in imports from third countries.

We were able to maintain maximum utilisation of our production capacities and the high level of profitability of operations due to our focus on the most advanced users and the active adaptation and optimisation of the production-sales mix.

**Growth in industrial sectors in the EU (in %)**

	% of total consumption	2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016	2017
Construction	35	1.8	0.2	3.0	3.4	2.3	2.3	2.5
Mechanical engineering	14	-0.4	1.2	0.8	1.5	1.7	1.3	2.6
Automotive industry	18	7.8	3.9	4.2	2.4	2.4	3.2	2.9
Household appliances	3	3.7	1.7	3.0	2.7	2.4	2.4	2.2
Other vehicles	2	5.4	1.0	1.6	1.1	-3.7	-0.1	2.5
Tubes	13	-5.6	-1.1	2.6	4.6	3.0	2.1	2.9
Metal goods	14	1.8	1.4	2.2	1.9	1.4	1.7	2.4
Other	2	1.4	1.1	2.2	1.5	1.3	1.5	1.8
<b>TOTAL</b>	<b>100</b>	<b>2.0</b>	<b>1.3</b>	<b>2.7</b>	<b>2.6</b>	<b>2.0</b>	<b>2.2</b>	<b>2.6</b>

Sources: World Steel Association, Euofer, Specialty Steels, World Bank

The main drivers of demand for steel in the EU in 2015 were the automotive and construction industries, while the manufacture of machinery and equipment was at nearly the same level recorded in 2014. The effect of decreasing investments

in the petroleum industry was felt most by the tube manufacturing sector, which was the only steel-consuming sector to record negative growth relative to 2014.

**FORECASTS AND EXPECTATIONS**

A 0.7% increase in global steel demand is expected in 2016. Growth of 1.8% is forecast for developed countries, while 3.8% growth is forecast for emerging countries. Negative growth of 3.5% is forecast for China. Forecast growth in global demand in 2016, excluding China, is 2.9%.

Within the EU, moderate growth is forecast for all steel-consuming sectors. Growth in steel consumption of 2.2% is expected based on positive forecasts in steel-consuming industries. Given our product range, we expect that renewed moderate growth in the manufacture of machinery and tubes will have a positive impact on demand for steel in 2016.

**ANALYSIS OF OPERATIONS**

**Key data on operations**

Quantitative data		2011	2012	2013	2014	2015*
Cast steel production	t	488,440	494,123	468,761	466,835	442,127
<b>Financial data</b>						
Revenues	in € thousand	764,978	732,550	658,653	707,858	664,817
Exports	%	85.3	85.4	86.3	86.2	87.3
Operating profit	in € thousand	32,165	6,694	2,163	39,543	23,341
EBIT margin	%	4.2	0.9	0.3	5.6	3.5
EBITDA	in € thousand	64,194	41,320	40,786	77,832	63,509
EBITDA margin	%	8.4	5.6	6.2	11	9.6
Profit or loss before taxation	in € thousand	21,531	-2,100	-9,723	26,686	8,973
Profit or loss for the period	in € thousand	17,128	739	-4,923	24,904	10,793
Cash flow from operating activities	in € thousand	79,852	61,952	51,319	82,798	61,305
Investments	in € thousand	56,570	57,072	47,282	49,374	69,498
Capex	in € thousand	49,132	67,129	52,357	47,633	56,886
<b>Employees</b>						
Average number of employees		3,321	3,247	3,120	3,064	3,043

\* Investments in Perutnina Ptuj and Holding PMP are excluded.

The drop in prices of key raw materials and the excess supply of steelmakers further increased pressure on selling prices.

We maintained the high level of profitability of operations, despite the demanding market conditions. At 9.6%, the EBITDA margin of the SIJ Group has been maintained at a high level.





## MANUFACTURING

The manufacture of cast steel was down 5% in 2015 relative to the previous year at the SIJ Group level. The reasons for the drop in production lie primarily in market conditions (reduced scope of production of structural and electrical steels – Acroni), the introduction of a new information system (Acroni), machinery breakdowns (Acroni and Metal Ravne) and production stoppages due to investments and the introduction of new production equipment. The continuing optimisation of the production programme (from programmes with low added value to programmes with high added value) also had a negative effect on production quantities.

In addition to market conditions, one-off events, such as major production stoppages due to technical malfunctions and the introduction of new machinery in the manufacturing process, also affected results.

**Cast steel production and output of finished products (in thousands of tonnes) in the SIJ Group**



We are planning an increase in the output of finished products by 19% in 2016.

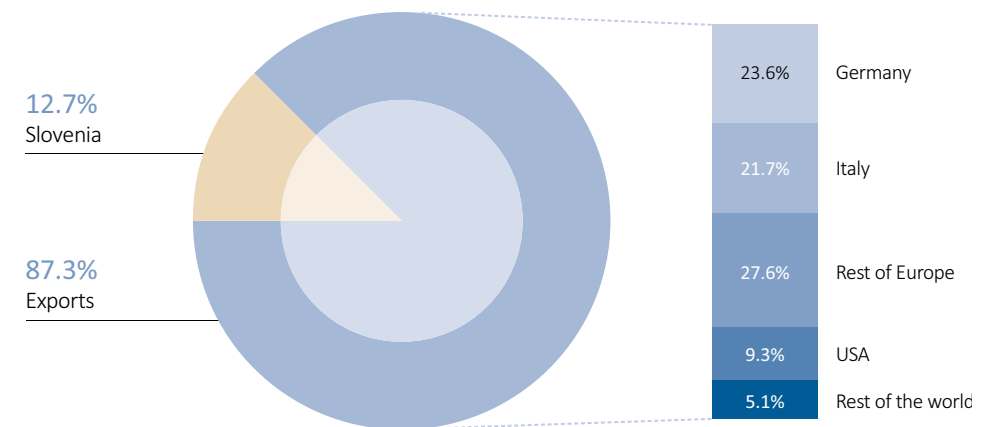
Based on investments to increase capacities and in the production of technologically advanced types of steel, an increase in the output of finished products of 19% or 63 thousand tonnes is planned for 2016.

## SALES

In the context of uncertain global market conditions and excess supply in mass-consumer products segments, the SIJ Group continued to implement its strategy for the period until 2020, which focuses on the production of the most advanced types of steel and the expansion of the sales network to markets outside of Europe.

The proportion of exports was up 1 percentage point relative to 2014, primarily on account of increased sales in the USA (where revenues were up 27%) and on certain European markets (France, Russia and Turkey).

**Proportion of revenues by market (in %)**

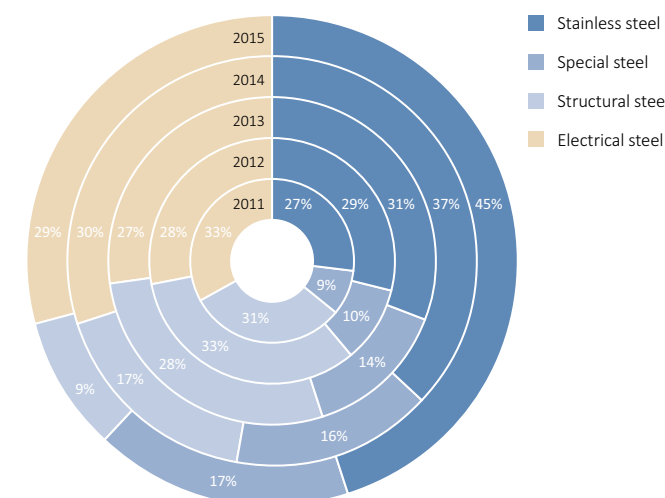


Sales in the USA were up by 27% in 2015.

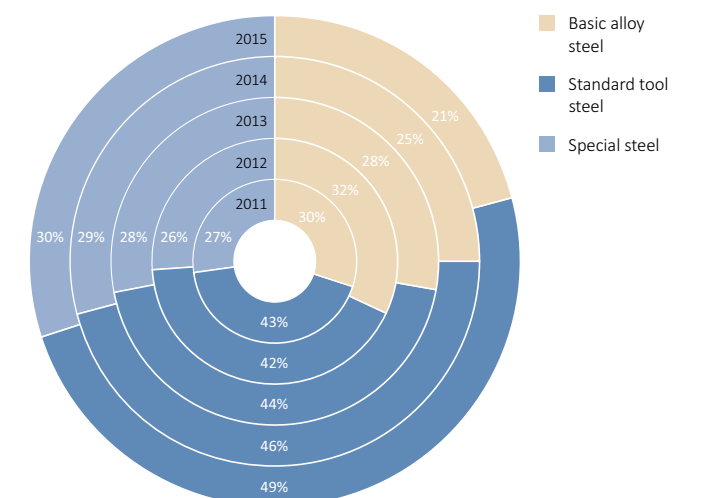
Significant investments in the past facilitated a change in the product structure. The strategy to manufacture products with higher added value – stainless steel (Acroni) and special steels (Metal Ravne) – has proven to be correct, as the Group is less sensitive to market fluctuations. Niche markets ensure more stable demand, higher selling prices and higher added value.

Focusing on the production of products with higher added value makes the SIJ Group less sensitive to market fluctuations.

**Proportion of sales by type of steel at Acroni**

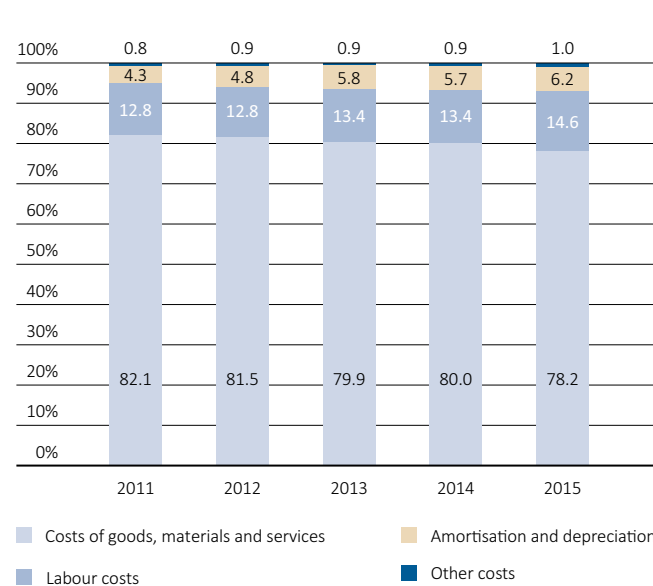


**Proportion of sales by type of steel at Metal Ravne**



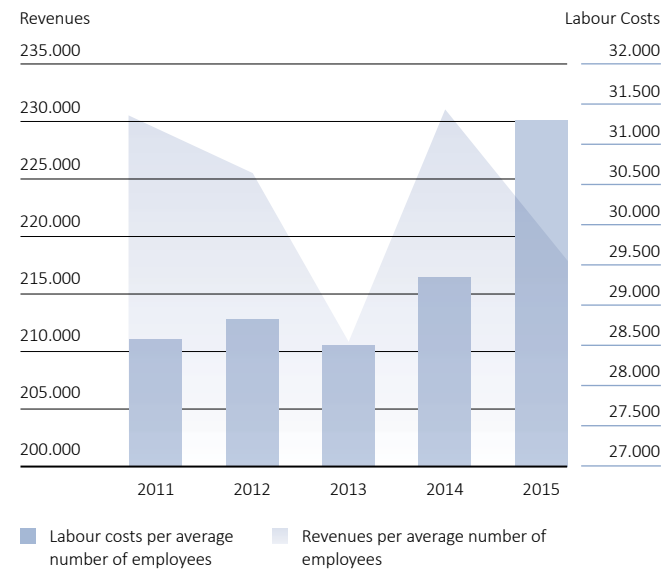
## OPERATING EXPENSES

Structure of operating expenses of the SIJ Group (in %)



The structure of operating expenses, the majority of which are accounted for by the costs of goods, materials and services, has not changed significantly over the years. The costs of materials accounts for 74% of total costs of goods, materials and services, while the remaining 26% is accounted for by the historical costs of goods sold, and the costs of energy and services. Scrap steel accounts for 59% of the total costs of materials for both steel companies, while nickel and other key raw materials account for 14%.

Labour costs and revenues per average number of employees for the SIJ Group (in EUR)



Despite a reduction in the number of employees, labour costs are rising primarily due to annual wage adjustments, promotions and the improving educational structure of employees.

A 6.5% increase in the number of employees or 205 new hires are planned for 2016 (excluding employees at merged companies). The reasons for the aforementioned increase lie primarily in new investments and the strengthening of strategic functions at individual companies.

## OPERATING RESULTS

Operating results in 2015 were down slightly on the results recorded the previous year due to the previously mentioned reasons. We were nevertheless able to increase to the proportion of exports by 1.1 percentage points to 87.3% on account of the strategic focus on new markets.

The proportion of exports continues to rise and reached 87.3% in 2015.

Operating results of the SIJ Group

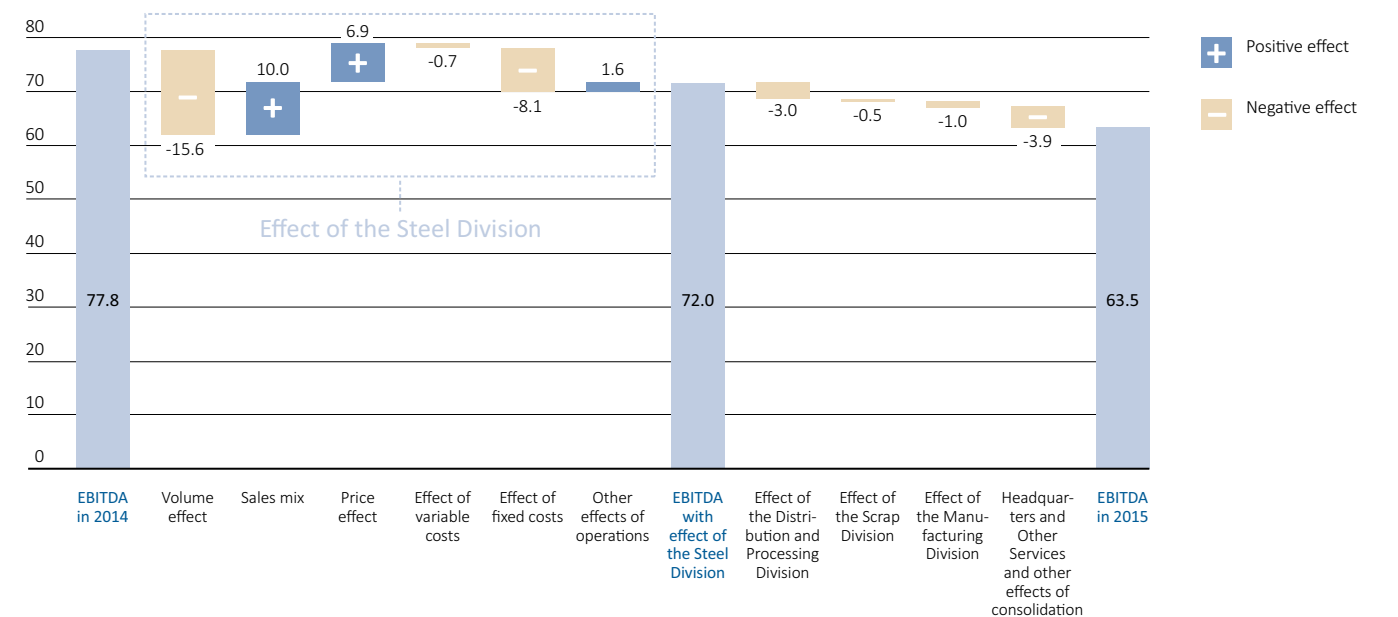
Performance indicators		2011	2012	2013	2014	2015
Revenues	in € thousand	764,978	732,550	658,653	707,858	664,817
EBITDA	in € thousand	64,194	41,320	40,786	77,832	63,509
EBITDA margin	%	8.4	5.6	6.2	11.0	9.6
EBITDA per employee	€	19,330	12,726	13,072	25,402	20,871
Profit or loss for the period	in € thousand	17,128	739	-4,923	24,904	10,793
Cash flow from operating activities	in € thousand	79,852	61,952	51,319	82,798	61,305

The EBITDA margin fell below 10%, but remains 2.6 percentage points above the sector average. EBITDA per employee exceeded EUR 20,000 for the second consecutive year, while the level of cash flow from operating activities indicates the high liquidity of the Group. Net profit is further reduced by amortisation and depreciation costs, which were up EUR 1.9 million on the previous year to stand at EUR 40.1 million.

The EBITDA margin remains 2.6 percentage points above the industry peer's average.

The amount of cash flow indicates the high liquidity of the SIJ Group.

EBITDA bridge chart for the SIJ Group from 2014 to 2015 (in million EUR)



The positive price effect and the effect of the sales structure more than offset the negative effect of lower sales volumes on EBITDA. Also contributing to the lower EBITDA were higher fixed costs (primarily labour costs), as well as one-off events,

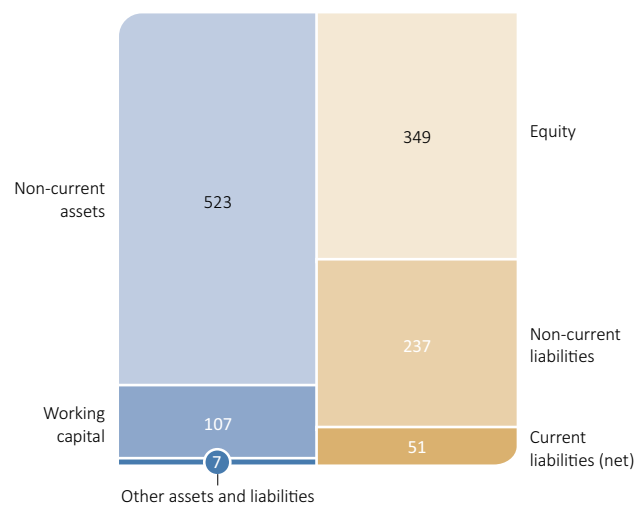
the introduction of a new information system, a reduction in the value of inventories due to falling prices of raw materials, machinery breakdowns and the testing and installation of new equipment.

## SIJ Group: Data from the statement of financial position

in € thousand	2011	2012	2013	2014	2015 *
<b>Statement of financial position as at 31 December</b>					
Total assets	761,932	763,574	775,779	789,261	863,695
Equity	331,297	328,004	323,585	348,135	348,718
Non-current and current liabilities	430,635	435,570	452,194	441,125	514,977
<b>Net financial debt as at 31 December</b>					
Current financial receivables	9,800	6,318	16,847	58	3,188
Cash and cash equivalents	24,845	26,922	24,910	38,993	44,587
Non-current financial liabilities	106,190	142,161	159,003	183,382	221,198
Current financial liabilities	139,033	112,102	113,939	73,441	98,231
Net financial debt	210,585	221,024	231,185	217,772	227,334
NFD/EBITDA	3.3	5.4	5.7	2.8	3.6

\* Investments in Perutnina Ptuj and Holding PMP are excluded.

## SIJ Group: Coverage of assets by liabilities as at 31 December 2015 (in million EUR)



Non-current assets totalled EUR 478 million, an increase of nearly 8% relative to 2014.

The most significant item within non-current assets is property, plant and equipment, which totalled EUR 424 million, an increase of 7% due to investments.

The structure of the statement of financial position remains stable and appropriate, as all non-current assets and 58% of working capital are covered by non-current liabilities. Short-term sources are used to finance seasonal fluctuations in working capital.

Non-current assets increased by 8%.

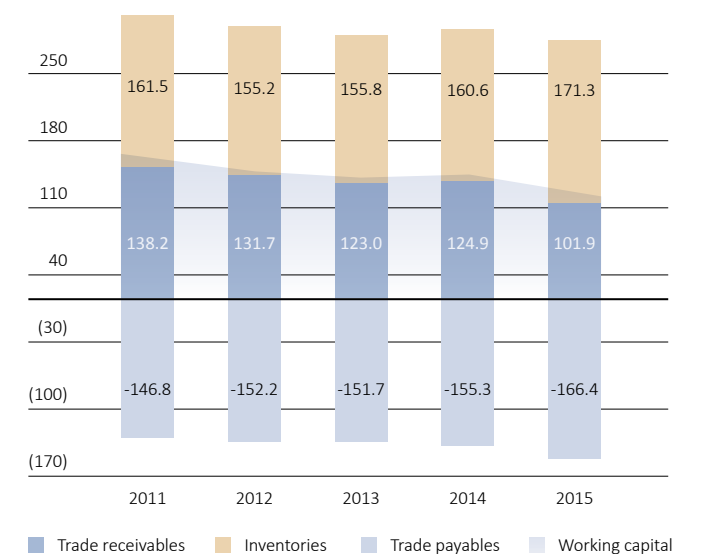
## WORKING CAPITAL

A great deal of attention is given to the management of working capital, as it brings favourable financial effects. Working capital was down EUR 23.4 million or 18% on the last day of 2015 relative to 2014. Working capital as a proportion of revenues was down 2.3 percentage points in 2015 relative to 2014.

The SIJ Group's working capital is monitored regularly, and measures are implemented to reduce the balance thereof. The Group was very successful in terms of trade receivables, as we succeeded in reducing receivables by EUR 23 million (primarily at Acroni and Metal Ravne), while trade payables were up by EUR 11.1 million. The balance of inventories rose to EUR 10.7 million in 2015, an increase of 6.7% relative to 2014, primarily as the result of the replacement of the information systems at Acroni and Metal Ravne.

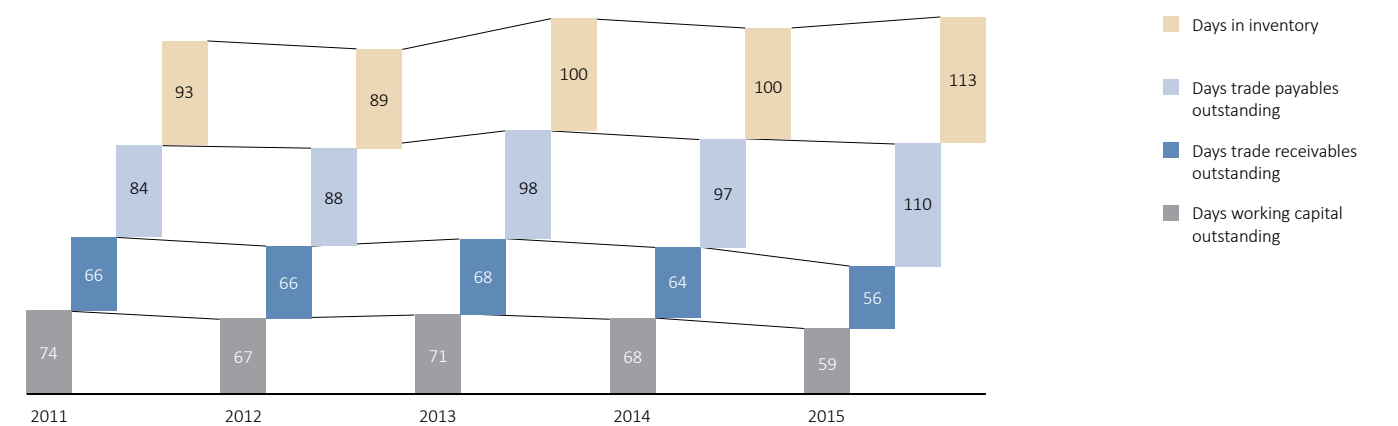
Days working capital outstanding were reduced by nine days in 2015 relative to the previous year, primarily on account of an improvement in days receivables outstanding (of eight days), while problems in the implementation of the new information led to an increase of 13 days in days in inventory and days trade payables outstanding. The consequences of the introduction of the new information system, such as the increase in the value of inventories at the end of the year, are deemed a one-off event. We therefore expect the balance of inventories to drop back to the pre-2015 level in the future.

## SIJ Group: Working capital from operations as at the last day of the year (in million EUR)



Days working capital outstanding fell by nine days relative to 2014 in 2015.

## SIJ Group: Days working capital from operations outstanding as at the last day of the year



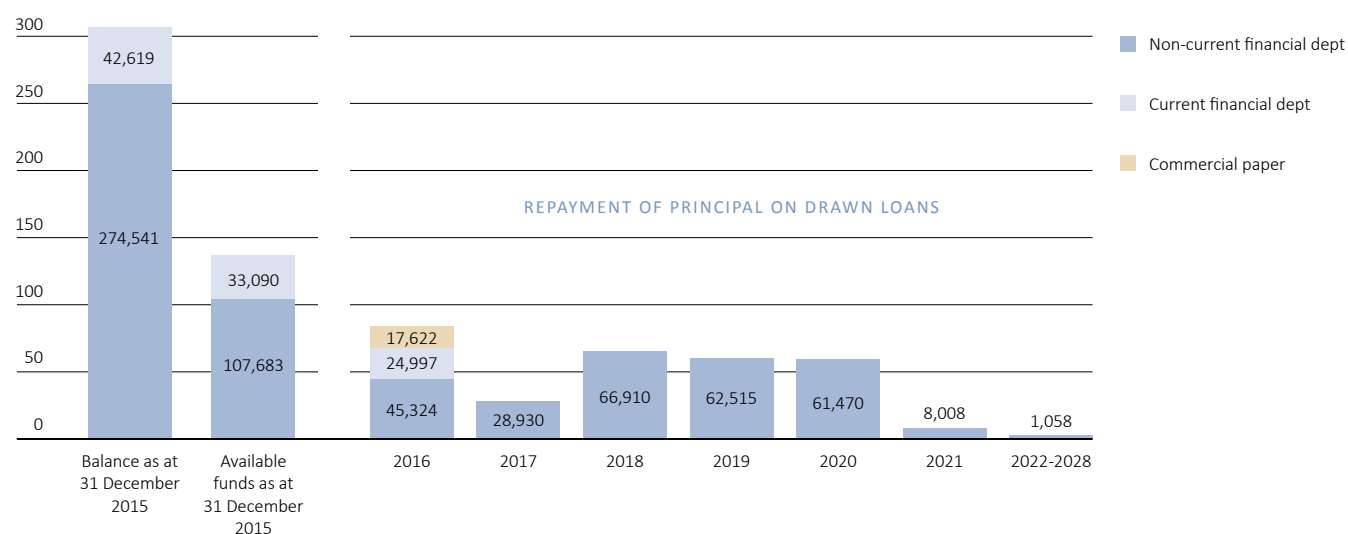


## FINANCIAL DEBT

The level of debt is primarily linked to the Group's investment policy, which has been very intensive in recent years. A total of EUR 273 million was earmarked for investments between 2011 and 2015. However, the Group's debt did not increase proportionately with the scope of investments. A portion of

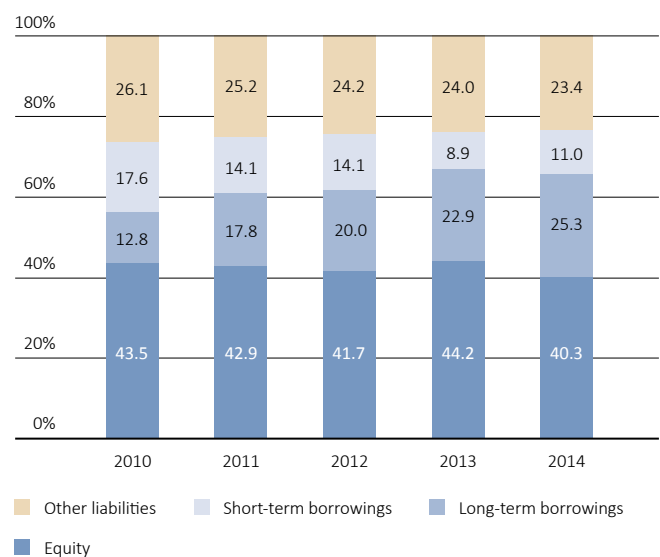
investments over the aforementioned period was financed by amortisation and depreciation (nearly EUR 184 million), while a portion was financed from the Group's operating results. Long-term loans were also raised for strategic investments. A total of EUR 56.9 million was earmarked for investments in 2015.

### SIJ Group: Non-current and current debt, including the repayment of principal (in thousand EUR)



The structure of the Group's debt has changed constantly over time in the direction of sound and long-term financial stability. The proportion of long-term sources for the financing of investments and operations rose continuously between 2011 and 2015. Contributing significantly to that increase in 2015 was the Group's strong presence on the capital market, on which it issued two series of commercial paper and a new bond. We thus secured new long-term sources to finance investments, and further enhanced the financial soundness of the SIJ Group.

### SIJ Group: Equity and debt structure of the SIJ Group as at the last day of the year (in %)



## Commercial paper and bonds

We issued nine-month commercial paper in March 2015 in the amount of EUR 20 million, which we replaced in December with a new issue of 12-month commercial paper in the amount of EUR 17.6 million with an annual interest rate of 2.2%.

In addition to commercial paper, SIJ d.d. issued 51,218 bonds, designated SIJ3,<sup>4</sup> in July in the total nominal amount of EUR 51.2 million. The aforementioned bonds mature on 21 July 2020. The bonds were listed on the Ljubljana Stock Exchange on 28 August 2015. In accordance with the provision of point 7.1 (g) of the Bond terms and conditions (Appendix 1 to Prospectus for the listing of the bonds of SIJ d.d., Ljubljana,

designated SIJ3, for trading on the regulated market, August 2015), the company is obligated to publish in its annual report the total amount of existing liabilities that is equal to the amount of secured liabilities (including unencumbered, undrawn loans under previously concluded agreements). That amount was EUR 180 million as at 31 December 2015.

The Group further strengthened its presence on the capital market with two issues of commercial paper and one bond issue.

## LIQUIDITY

The liquidity of the SIJ Group remained at a very high level in 2015. Specific-purpose investment limits were increased in 2015 as the SIJ Group began its new five-year investment cycle. Funds in the amount of EUR 37.5 million earmarked for

the acquisition of Perutnina Ptuj were included in approved overdraft facilities for investments. On 24 December 2015, SIJ d.d. published a takeover bid for the purchase of the remaining shares of Perutnina Ptuj.

### SIJ Group: Available liquidity

in € million	2011	2012	2013	2014	2015
Available liquidity	59	60	58	110	105
Cash and cash equivalents	25	27	25	39	45
Approved overdraft facilities for working capital	34	33	33	71	60
Approved overdraft facilities for investments	33	16	4	35	81

The liquidity of the SIJ Group remains at a very high level.

The Group began a new five-year investment cycle in 2015.

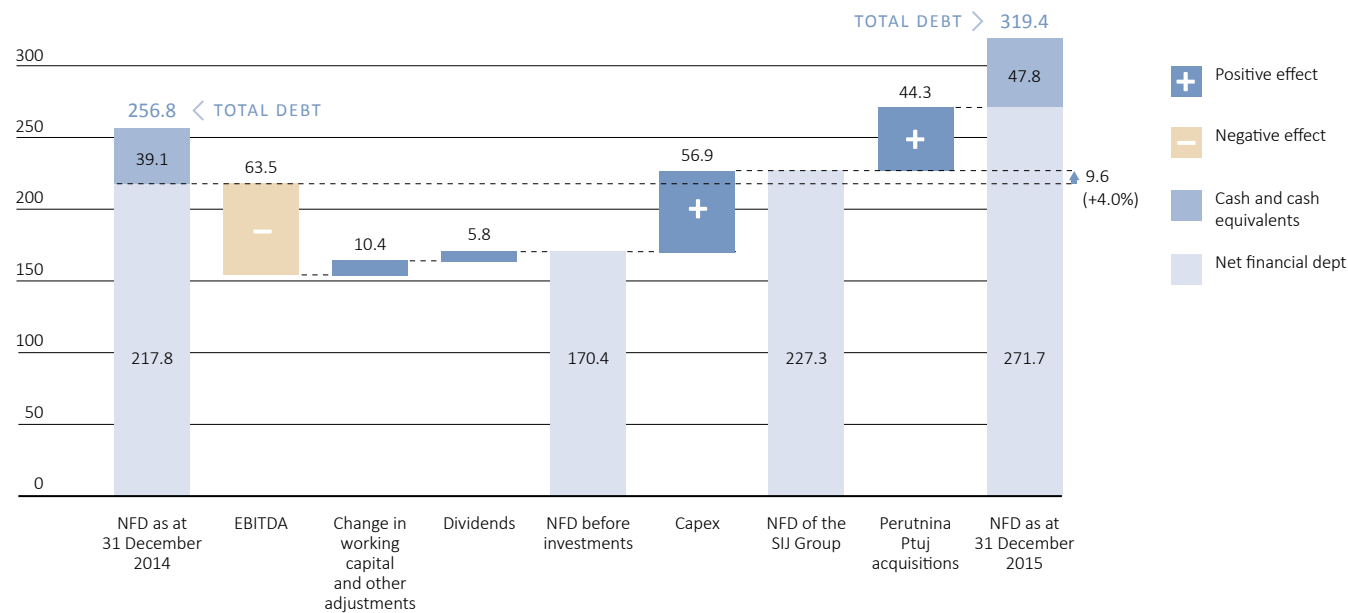
<sup>4</sup> Due to the entry into force of amendments to the aforementioned bond terms and conditions, which were approved by bond holders, SIJ2 and SIJ3 series bonds were exchanged for new SIJ4 and SIJ5 series bonds on 23 December 2015.

## NET FINANCIAL DEBT

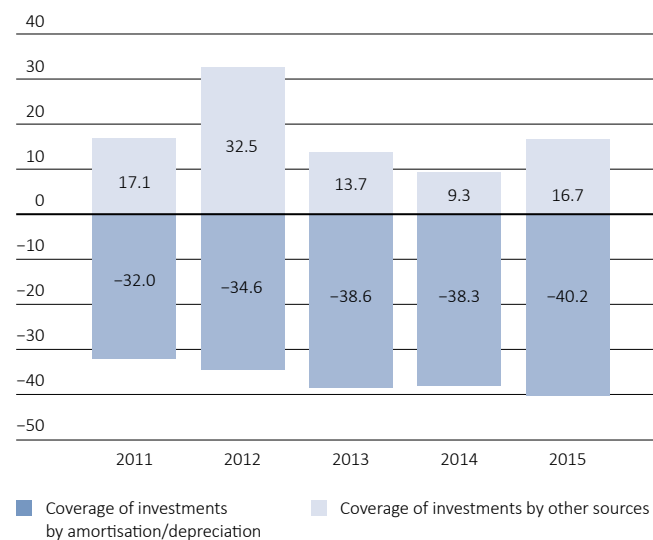
The SIJ Group and its management team use net financial debt, EBITDA and the NFD/EBITDA ratio as key indicators to assess the success of operations and the soundness of the Group's financial position.

Excluding the investment in Perutnina Ptuj, net financial debt rose by just EUR 9.6 million or 4% relative to 2014 in the context of new investments in the amount of EUR 56.9 million. Similar to previous years, investment activity (new investments in equipment) was the main driver of the SIJ Group's net financial debt in 2015.

### SIJ Group: Net financial debt (in million EUR)



### SIJ Group: Coverage of investment by amortisation and depreciation (in million EUR)



A total of EUR 257 million was earmarked for the upgrading of production capacities in the period 2010 to 2014. This served as the basis for the start of the restructuring of the production and sales programmes. The Group began a new five-year investment cycle in 2015 that will facilitate the upgrading of the existing production and sales programmes, with the aim of increasing the production capacities of programmes with high added value, reducing energy consumption and shortening delivery deadlines. The most significant investments in 2015 are presented in the section 'Operations by division'.

Investment activity was again the main driver of the SIJ Group's net financial debt in 2015.

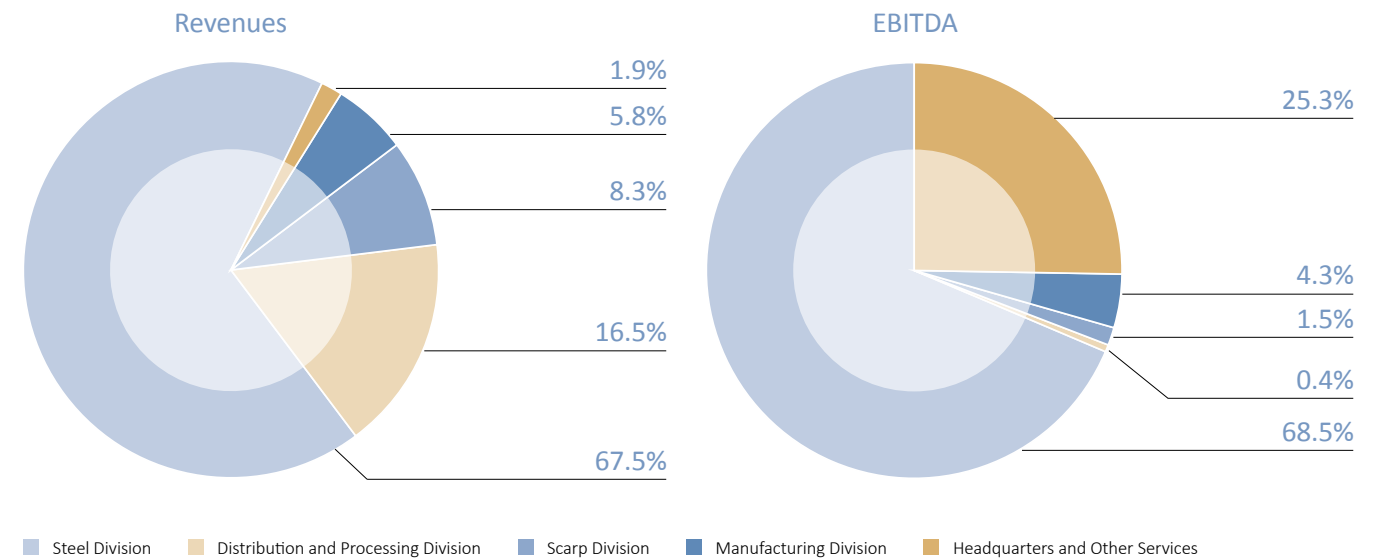
# OPERATIONS BY DIVISION

### SIJ Group: Key data on operations by division in 2015

in € thousand	Steel Division	Distribution and Processing Division	Scrap Division	Manufacturing Division	Headquarters and Other Services*
Revenues	541,641	132,274	66,902	46,845	15,508
EBITDA	59,459	326	1,304	3,771	21,998
EBITDA margin	11.0%	0.2%	1.9%	8.1%	141.8%
Net financial debt	164,459	46,108	18,004	-6,444	114,412
NFD/EBITDA	2.8	141.5	13.8	-1.7	5.2

\* EBITDA for Headquarters and Other Services includes EUR 20 million in dividends received from subsidiaries, which is eliminated during consolidation.

### SIJ Group: Proportion of revenues and EBITDA accounted for by individual divisions in 2015 (in %)



The vertical interaction of the Group facilitates the achievement of synergistic effects in the purchase of strategic materials, while the functioning and expansion of the sales network ensure the coverage of key markets with the Group's products. In organisational terms, the Group places a great deal of emphasis on the rationalisation of operations and cost optimisation in all divisions.

In 2015, the Steel Division faced a continuing drop in purchase prices of strategic materials, in particular nickel, which had a significant impact on selling prices in the stainless programme. The trend of lower prices was also present in the purchase prices of alloys, ferrochrome, vanadium and molybdenum.

The structural proportions accounted for by individual division in 2015 were similar to 2014. The only major changes oc-

curred in the operating results of the Headquarters and Other Services Division.

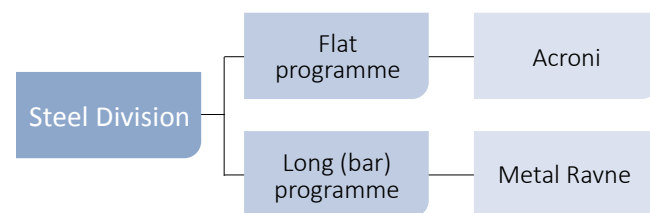
The Steel Division still accounts for the highest proportion of revenues and EBITDA. Taking into account the highly unstable market conditions, the revenues generated by the aforementioned division were down by EUR 37.8 million, resulting in lower EBITDA by nearly one tenth.

In 2015, the Steel Division faced a continuing drop in purchase prices of strategic materials, in particular nickel, which had a significant impact on selling prices in the stainless programme.



## STEEL DIVISION

### Organisational chart of the Steel Division



The Steel Division was especially successful in terms of marketing and the structure of the sales programme, where a positive effect was achieved in the amount of EUR 16.9 million.

### Key operating figures

Steel Division		2013	2014	2015
Revenues	in € million	517.0	579.4	541.6
EBITDA	in € million	34.5	65.3	59.5
EBITDA margin	%	6.7	11.3	11.0
Profit or loss for the period	in € million	-4.5	21.1	15.3
Net financial debt	in € million	193.5	171.3	164.5
NFD/EBITDA		5.6	2.6	2.8
Capex	in € million	43.8	35.4	49.5
Average number of employees		2,121	2,074	2,050

One of the most demanding investments cycles in the Steel Division to date was in progress in 2015. We invested in technological upgrades and the more efficient production of steel at both steel companies, and in the environment and the information system.

Since 2008, the business strategy of the Steel Division has placed a great deal of emphasis on leading programmes with higher added value. The scope of production and sales of less profitable programmes is thus being reduced. Negative deviations in terms of volume were mitigated through an adapted programme structure, which is dominated by the most advanced and more profitable steel programmes.

The Steel Division was especially successful in terms of marketing and the structure of sales, where a positive effect was achieved in the amount of EUR 16.9 million. A positive deviation in the amount of EUR 10 million was the result of the more advanced structure of steel products, while a positive effect of EUR 6.9 million derives from higher selling prices. Another negative deviation in the amount of EUR 15.6 million was the result of lower sales volumes. The negative effect of fixed costs amounted to EUR 8.1 million, primarily due to higher costs of labour and services linked to production. The deviation in variable costs resulted in a negative effect of EUR 0.7 million. The total negative effect on EBITDA of the Steel Division was EUR 5.9 million.

The effect of one-off events in the Steel Division reduced the Group's EBITDA by EUR 5.6 million, primarily on account of machinery breakdowns, disruptions to the production process due to the start-up of new generators and problems during the implementation of a new information system.

One of the most demanding investments cycles in the Steel Division to date was in progress in 2015. We invested in technological upgrades and the more efficient production of steel at both steel companies, and in the environment and infor-

mation system. Investments in the Steel Division totalled EUR 49.5 million. Certain major investments are shown in the table below.

### Major investments in 2015

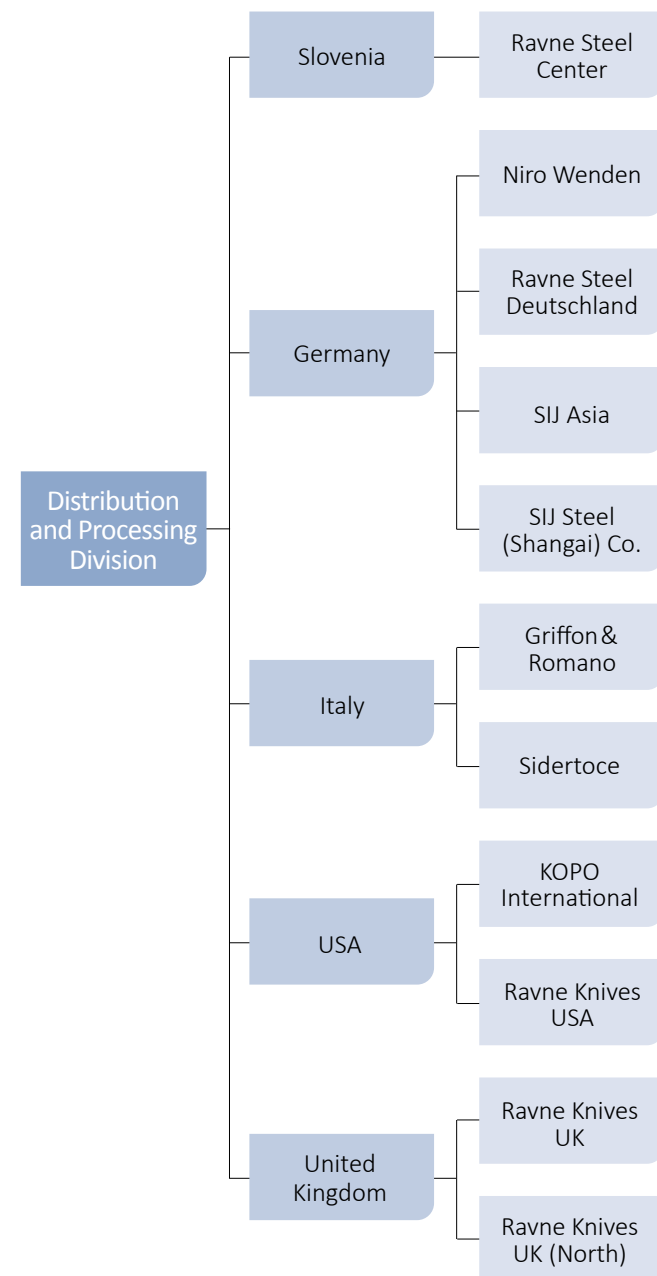
Company	Investment	Effect on operations	Value in million EUR	Glossary of technical terms
Acroni	Argon oxygen decarburization device	Significant reduction in stainless steel production time, increased capacities and reduced energy consumption	0.9 (in 2015) (return on the entire investment of EUR 32 million will be realised over several years)	AOD device
	Continuous line for the heat processing of plates	Increased capacities for the heat processing of plates	8.6	
	Installation of a pickling line in the line for the acid-free cleaning of coils	A state-of-the-art technology supported by an ecological method for handling waste materials; lower costs	4.9	SSAP
Metal Ravne	Ladle furnace and vacuum device in the steel mill	Production of new types of steel and the elimination of bottlenecks in the steel mill	4.3	VOD
	Upgrading of the electric arc furnace with a quality control system (sample taking and measurement of melt temperature)	Increased productivity and reduced specific consumption of electricity, capture of waste heat for the heating of sanitary water and work areas; lower costs	1.4	UHP
	Information system	Increased functioning speed and improved responsiveness	0.8	ERP





## DISTRIBUTION AND PROCESSING DIVISION

### Organisational chart of the Distribution and Processing Division



Total sales were up 9%, while the scope of sales on the US market was up.

Ravne Knives USA, Ravne Knives UK, Ravne Knives UK (North) and SIJ Steel (Shanghai) Co. became the newest members of the Distribution and Processing Division in 2015. Their mission is to achieve the objective of expanding sales of industrial knives.

The unstable steel market and falling prices of alloys had a significant impact on operating results, as a large portion of steel products are sold via sales centres. Changes in the value of inventories had a direct impact on EBITDA, which was just one tenth of the EBITDA achieved in 2014. Debt was up by one third relative to 2014 due to the financing of new investments.

The division's revenues were higher in 2015 than the previous year, as total sales were up 9%. Sales were up on the US market primarily on account of a higher proportion of sales of the products of Acroni and Metal Ravne, which have increased exports to the aforementioned market over the last three years via service and sales centres. Noži Ravne is likewise strengthening its position on the US market.

### Key operating figures

Distribution and Processing Division	2013	2014	2015	
Revenues	in € million	122.9	121.8	132.3
EBITDA	in € million	2.9	3.3	0.3
EBITDA margin	%	2.4	2.7	0.2
Profit or loss for the period	in € million	-0.8	-0.3	-2.6
Net financial debt	in € million	34	35.9	46.1
NFD/EBITDA		11.7	10.9	141.5
Capex	in € million	1.0	5.4	5.1
Average number of employees		139	135	146

### Major investments in 2015

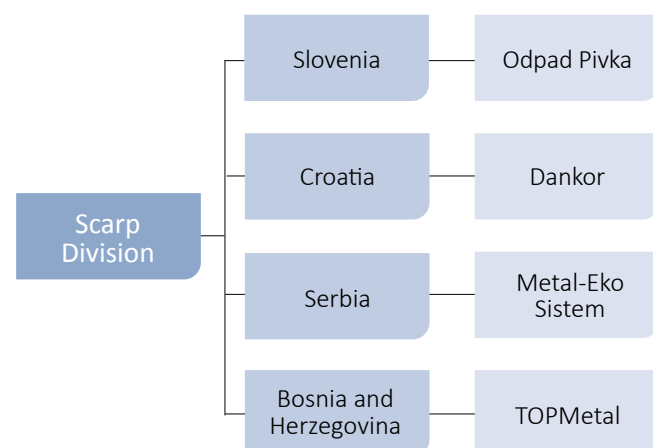
Company	Investment	Effect on operations	Value in million EUR	Glossary of technical terms
Griffon & Romano	Relocation to new location	Accessibility of products by a larger range of customers and the optimisation of sales	0.9	
	Machine for the plasma cutting of plates	Higher quality of service	0.3	Plasma cutting
	Introduction of new ERP	Upgrading of the reporting system; quality processing of data	0.1	ERP
Niro Wenden	Machine for the plasma cutting of plates	Higher quality of service	2.1	Plasma cutting
	Cutting machine and machine for handling cut semi-finished products	Supplemented range of services	0.6	





## SCRAP DIVISION

### Organisational chart of the Scrap Division



A drop in the purchase prices of scrap steel, as the result of a global drop in prices on raw materials markets, had the most significant impact on the division's operations.

A drop in the purchase prices of scrap steel had the most significant impact on the division's operations. In addition to the negative effect on both revenues and costs, purchasing was also more difficult due to lower market prices. The supply of scrap steel changed, in terms of volume and structure, in line with changes in market prices. There were fewer orders for ordinary scrap steel due to changing conditions in the Steel Division, in part due to changes in the programme structure. The fall in revenues and increase in costs of materials resulted in negative results.

Debt was up by 1.5 million euros relative to 2014, primarily with the aim of maintaining operational capacities and the level of working capital.

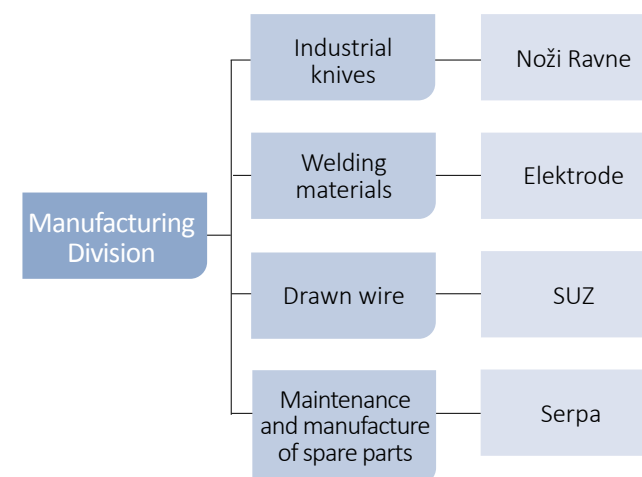
### Key operating figures

Scrap Division		2013	2014	2015
Revenues	in € million	84.4	84.4	66.9
EBITDA	in € million	1.6	1.8	1.3
EBITDA margin	%	1.9	2.2	1.9
Profit or loss for the period	in € million	0.0	0.3	-0.2
Net financial debt	in € million	15.8	16.4	18
NFD/EBITDA		9.8	8.9	13.8
Capex	in € million	2.0	0.8	0.3
Average number of employees		88	90	89

There were no major investments in this division. Funds were earmarked for the maintenance of machinery and the transportation fleet. Investments totalled EUR 297 thousand in 2015.

## MANUFACTURING DIVISION

### Organisational chart of the Manufacturing Division



We responded to price pressures with an aggressive sales policy, intensive advertising and frequent participation at trade fairs.

Good results were achieved in sales of industrial knives and bar steel, the latter primarily comprising products from carbon steel. Sales of industrial knives were up 5% relative to 2014, in part due to an increase in the volume of sales on the US market and partly on account of the stronger US dollar. The trend of falling demand for welding materials continued at the global and European levels. Diminished orders for welding materials, in particular welding electrodes, was reflected in a slight decline in the revenues of the company Elektrode. The difference in sales relative to 2014 was offset by other companies that operated in more stable market conditions.

Sales of industrial knives were up 5%, while good results were also achieved in sales of bar steel.



**Key operating figures**

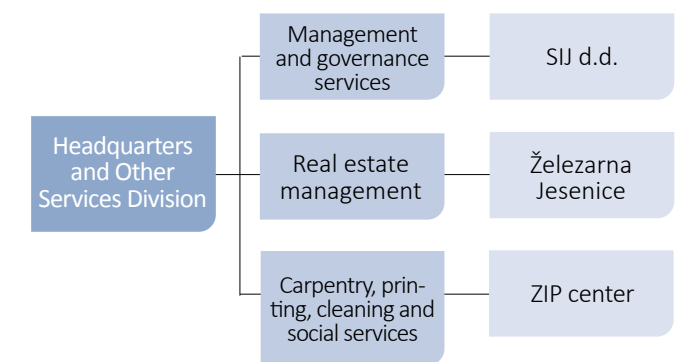
Manufacturing Division		2013	2014	2015
Revenues	in € million	47.7	47.8	46.8
EBITDA	in € million	2.6	4.8	3.8
EBITDA margin	%	5.4	10.1	8.1
Profit or loss for the period	in € million	0.9	2.8	2.0
Net financial debt	in € million	-2.1	-5.4	-6.4
NFD/EBITDA		-0.8	-1.1	-1.7
Capex	in € million	2.2	1.6	2.5
Average number of employees		624	616	599

**Major investments in 2015**

Company	Investment	Effect on operations	Value in million EUR	Glossary of technical terms
Noži Ravne	Cutting and grinding machine	Replacement of worn equipment, new products and narrower tolerances	0.9	CNC
	Renovation of business premises (insulation of commercial building)	Lower operating costs and improved working conditions	0.1	
Elektrode	Device for vacuum packaging of electrodes	Sales of new products and competitiveness on the market	0.1	
	Replacement of worn equipment used in the manufacture of electrodes	Quality and flow of the manufacturing process	0.2	
Serpa	New sheers for the plasma cutting of plates	Possibility of cutting larger formats and thicknesses of plates	0.2	
SUZ	Overhead crane and renovation of crane tracks	Repair of cracks and other damage to crane tracks and safety of operations	0.2	

**HEADQUARTERS AND OTHER SERVICES DIVISION**

**Organisational chart of the Headquarters and Other Services Division**



**Key operating figures**

Service companies		2013	2014	2015
Revenues	in € million	11.5	12.4	15.5
EBITDA	in € million	1.2	1.9	22.0
EBITDA margin	%	10.7	14.9	141.8
Profit or loss for the period	in € million	1.5	1.3	20.1
Net financial debt	in € million	6.7	6.8	114.4
NFD/EBITDA		5.4	3.7	5.2
Capex	in € million	2.4	5.0	0.7
Average number of employees		147	149	159

The only market-oriented company in this division is Zip center, a disabled workers company that is bound to meet certain legal conditions to maintain its status as such.



## OPPORTUNITIES AND RISK MANAGEMENT

### Risk management

Uncertainties and risks that arise in operations affect the Group's ability to implement its established strategy and ensure the sustainable development of all SIJ Group companies. The major risks that affected the Group's operations in 2015 are presented below.

The system for identifying exposure to risks includes the identification and assessment of risks, the definition and implementation of measures to mitigate their impact and monitoring the success of risk management. Risk management and the exploitation of opportunities include a systematic process of planning and reporting, and control over business processes. The companies of individual divisions build identified opportunities and measures to mitigate identified risks into their plans and analyses of deviations on a monthly basis, which facilitates the assessment of their operating results and financial position.

### Opportunities

The Group recognises events and the development of events that enhance its ability to achieve and exceed established objectives as opportunities. This is facilitated by a broad portfolio of products for various markets supported by a high level of expertise and internal development staff, as well as the diversity of divisions and their vertical interaction.

We search for opportunities for further development and benefits for the SIJ Group through the constant monitoring of the global environment, taking into account the limitations of specific geographical regions and our operations there. Strategic plans and decision are also adapted accordingly. More about strategic plans and activities to achieve strategic objectives may be found in the section 'Strategic guidelines and business strategy'.

The identification and analysis of opportunities and risks are continuous processes at SIJ Group companies that facilitate the mitigation of risks and the timely implementation of measures.

### Management of opportunities and risks



### Types of risk

#### Research and development

Area of risk	Description of risk	Method of management	Exposure	Assessment of exposure 2015/2016
Research and development	Risks associated with the implementation of the development strategy	Careful planning of development projects, quality reporting and appropriate control	Moderate	We assess that the level of risk will be the same as in 2015.

The development strategy is implemented through the achievement of strategic objectives and the pursuit of the Group's visions and values. Production programmes are continuously developed and adapted to the needs of customers. We therefore invest continually in new technologies and in programme- and market-related upgrades, and develop new types of steel and technologies. Higher added value is also achieved through projects aimed at the optimisation of costs, in particular by achieving synergies between subsidiar-

ies, through new and more affordable technological processes in production, improved productivity and the automation and computerisation of work processes, and by raising the efficiency of the latter to the highest possible level.

We invest continually in new technologies and in programme- and market-related upgrades, and develop new types of steel and technologies.

#### Financial risks

Area of risk	Description of risk	Method of management	Exposure	Assessment of exposure 2015/2016
Foreign exchange risk	Potential losses due to unfavourable movements in foreign currencies	Coordination of purchases and sales in foreign currencies	Low	We assess that the level of risk will be the same as in 2015.
Interest rate risk	Risk of losses due to changes in interest rates	Monitoring of the financial markets and changes in interest rates, negotiations with banks and the search for more affordable alternative sources	Low	We assess that the level of risk will be the same as in 2015.
Credit risk	Risks associated with failure to pay contractual liabilities by business partners	Active management of receivables, the monitoring of credit ratings, the securing of operating receivables via insurance companies, bank guarantees and letters of credit	Moderate	We assess that the level of risk will be the same as in 2015.
Solvency risk	Lack of funds for the repayment of financial and operating liabilities	Introduction of a system for the daily monitoring of cash flow, the long-term planning of needs for liquid funds and agreed credit lines	Moderate	We assess that the level of risk will be lower relative to 2015.

#### Foreign exchange risk

We mitigate exposure to foreign exchange risk by building the exchange rate into the difference in prices, through natural hedging by balancing sales and purchases, through the optimal use of FX futures to cover inflows and outflows, and by raising loans in the local currency. An assessment of foreign exchange risk is presented in the section 'Notes to the financial statements'.

#### Interest rate risk

A total of 37% of all borrowings secured by the SIJ Group bear a fixed interest rate. These are primarily funds raised from issued bonds and commercial paper. The majority of loans are tied to the EURIBOR and an interest margin. The EURIBOR continues to fluctuate at historically low levels. We therefore assess interest rate risk as low. An assessment of interest rate risk is presented in the section 'Notes to the financial statements'.

**Credit risk**

Exposure to credit risk is managed taking into account customers' credit ratings, as issued by external credit assessment institutions, through collateral instruments to secure payments and by securing receivables via insurance companies. Exposure to credit risk is mitigated through the daily monitoring of outstanding receivables, while the sales, finance and legal departments of all Group companies participate in collection activities. An assessment of credit risk is presented in the section 'Notes to the financial statements'.

bridging loans, revolving loans and approved overdraft limits on accounts.

SIJ d.d.'s Finance Department coordinates activities with domestic and foreign banks to secure short-term and long-term sources of financing. We were very active on the domestic capital market in 2015, with the issue of commercial paper and bonds. An assessment of solvency risk is presented in the section 'Notes to the financial statements'.

**Solvency risk**

Solvency risk is managed through the daily monitoring of cash flow, which is planned for several months in advance. We monitor and coordinate inflows and outflows on a daily basis, while we also use other instruments to hedge against risks associated with short-term liquidity and long-term solvency: the diversification of sources, security deposits, short-term loans,

**We issued five-year bonds in the amount of EUR 51.2 million in July 2015, and thus secured long-term sources to finance investments in the Steel Division, and further enhanced the financial soundness of the SIJ Group.**

**Commercial risks**

Area of risk	Description of risk	Method of management	Exposure	Assessment of exposure 2015/2016
Supply chain risks	Purchase of high-quality and affordable raw materials, and risks associated with untimely supply and changes in purchase prices	Careful supply chain planning, negotiations and the search for suitable suppliers, and long-term framework agreements with suppliers	Moderate	We assess that the level of risk will be the same as in 2015.
Sales risks	Drop in the number of orders and loss of customers due to the adverse economic situation and the deteriorating purchasing power of business entities	Response to changing operating conditions, the search for new markets, adjustment of sales and marketing activities, and innovative market approaches	Moderate	We assess that the level of risk will be the same as in 2015.
Investment risks	Risks associated with inappropriate decisions regarding investments in production and other capacities	Careful planning of implementation, the systematic selection of contractors and continuous control over implementation	Moderate	We assess that the level of risk will be the same as in 2015.
Risks associated with quality assurance	Inadequate quality of input materials for the production process, inappropriate implementation of the development and production process, and inadequate quality of finished products	Upgrading of certified systems and the tracking of changes relating to the quality system, careful implementation of control activities in all development and production processes, additional protection with regard to the appropriate quality of products through product liability insurance	Moderate	We assess that the level of risk will be lower relative to 2015.

**Supply chain risks**

The time lag between the purchase of raw materials and the sale of products has a significant impact on price risk in the supply chain. The aforementioned risk is mitigated through the weekly coordination of production and purchasing plans, the daily monitoring of prices and the timely purchase of raw materials for fixed agreed sales projects. Sharp fluctuations in the prices of key raw materials (such as nickel in 2015) can lead to the risk of excessive or insufficient inventories, and the risk that changes to prices will not be passed through in full to the customer. Also of significance in terms of supply chain risks is the risk of the inadequate quality of purchased raw materials and other ancillary materials, which is explained in detail in risks associated with quality.

**Supply chain risks are mitigated through the weekly coordination of production and purchasing plans, the daily monitoring of prices and the timely purchase of raw materials.**

**Sales risks**

The Group is exposed to different sales risks of varying intensity due to its operations in different geopolitical and macroeconomic conditions, and legal and competitive environments. Average growth of the steel market was down in 2015. Even rapidly emerging economies such as China and Brazil recorded lower growth. Past investments in technological upgrades of production processes have facilitated a shift in the production-sales structure towards products with higher added value and the satisfaction of the most demanding needs of customers in various market niches, and thus a sufficient number of orders despite the adverse market conditions. Lower growth in steel consumption has increased pressure to reduce selling prices (in part due to lower raw material prices), which we succeeded in avoiding by focusing on niche products for the most demanding users who are less sensitive to market fluctuations. For more details see the section 'External business environment'.

Sales risks are also mitigated through continuous presence on specific markets, the expansion of the sales network, new agents and marketing activities to search for and attract new customers, and through the systematic monitoring of market developments and the activities of the competition. In order to maintain customer satisfaction, we systematically monitor the level of satisfaction of direct and indirect consumers, and ensure optimal inventory levels.

**Investment risks**

Investment risks are linked to the successful implementation of investments in the development of new products, the introduction of new technologies and the achievement of planned investment objectives. These risks are managed through a number of activities: preliminary market analyses, precise technical specifications agreed with contractors and/or suppliers, and through the precise planning and monitoring of the implementation of investments. In addition to the quality of works, we also monitor compliance with deadlines and the use of investment funds during project implementation. Due to the large number of strategic investments implemented, we continuously improve the quality of preparations for and implementation of investment projects. We also ensure the compliance of contractual documentation from the legal point of view, and verify the justification of potential changes and their impact on costs and associated schedules.

**Risks associated with quality**

Risks associated with the inadequate quality of products are managed through the technical control of input raw materials and other materials, and through output controls of products. Products are certified by the relevant organisations that cover such forms of quality control. We also carry out technical controls in interim phases of production. Assessments are used to regularly and systematically verify the functioning of the quality system in all work processes, while we also implement necessary improvements aimed at the constant upgrading of the quality system. By managing the aforementioned risks, we ensure the timely and high-quality supply of products and maintain long-term cooperation with customers.

**Other risks**

Area of risk	Description of risk	Method of management	Exposure	Assessment of exposure 2015/2016
Environmental risks	Risks associated with extraordinary events that have a harmful effect on the environment and the risk of pollution as the result of the Group's activities	Preventive drills and internal procedures for extraordinary events and cooperation with external environmental protection institutions	Moderate	We assess that the level of risk will be the same as in 2015.
IT risks	Risks associated with disruptions due to IT faults	Regular maintenance, updating and upgrading of the information system, and regular training of IT staff	Moderate	We assess that the level of risk will be lower relative to 2015.
	Risks associated with the introduction of a new information system	Monitoring of the maintenance of the information system and methodological approach in the introduction of new solutions	Moderate	We assess that the level of risk will be lower relative to 2015.
Human resource risks	Risks associated with the availability of management and other professionally trained staff	Systematic work with key staff, remuneration system, continuous education and training, testing of personal potential and drafting of development plans for key staff, motivation and the development of new education and training programmes for deficit professions	Moderate	We assess that the level of risk will be lower relative to 2015.
Legal risks	Risks associated with changes to and the interpretation of legislation	Monitoring of legislation and the drafting of measures	Moderate	We assess that the level of risk will be lower relative to 2015.
	Risks associated with the conclusion of commercial agreements	Review of all agreements concluded with suppliers and customers	Moderate	We assess that the level of risk will be lower relative to 2015.
	Risks associated with acquisitions of companies and the restructuring of operations	Active management of the portfolio of investments	Moderate	We assess that the level of risk will be lower relative to 2015.

Environmental risks are mitigated by taking into account impacts on the environment during the planning of investments, and through the transition to new, cleaner technologies and the introduction of closed circuits.

**Environmental risks**

Our aim is to establish an environmental management system that covers the operations of the entire Group and that will be used to consistently implement the environmental protection policy in all divisions. Steel Division companies have already obtained the ISO 14001 system certificate.

Special attention is given to risks associated with energy consumption. Acroni is already operating in accordance with the EN16001 in the aforementioned area. Environmental risks are mitigated by taking into account impacts on the environment during the planning of investments, and through the transition to new, cleaner technologies and the introduction of closed circuits.



**Risks associated with information technology and the security of internal operational processes.**

The most frequent risks in the area of information technology are disruptions to the functioning of hardware, the local network, communication links and systems software, and risks associated with the introduction of a new business information system. These risks are managed through the following activities and established corrective systems:

- maintenance agreements with suppliers that ensure the functioning of the system, even in the event of the failure of vital elements;
- a security system that is designed to ensure the redundancy of the most important parts of the information system and communication channels;
- access to the worldwide web via two providers; and
- the implementation of changes to information systems according to prescribed and predefined processes.

Measures to manage risks associated with information technology are an integral part of the daily monitoring of the functioning of information systems, and are implemented continuously. All of the aforementioned measures mitigate identified risks. We therefore assess those risks as moderate.

**Human resource risks**

Human resource risks are managed by planning needs for employees with the appropriate skills and by promoting the continuous improvement of employees in various ways (e.g. by acquiring new knowledge and competences), through the sharing of knowledge among employees and team work, and by encouraging self-initiative, creativity and innovation. Key factors in ensuring employee satisfaction are the creation of good relationships between employees and an exemplary organisational structure. See the section 'Sustainable development' for more information.

**Legal risks and risks associated with acquisitions**

The Legal Department is responsible for ensuring the legal certainty and legality of operations. The aforementioned department is involved in the planning of projects, the conclusion of agreements with suppliers and customers, the handling of reclamations, the regulation of employment relations, the rights and obligations of employees, the establishment of and changes to the status of companies, the drafting of internal acts and company-level collective agreements, investment and financial projects, the handling of loss events, and representation of the interests of companies before government bodies and other holders of public authorisations. The Legal Department monitors legislative changes and case law, and participates in the harmonisation of processes, agreements, internal acts and other documents with new legislation. We therefore assess legal risks as moderate.



# SUPPLY OF RAW MATERIALS

The centralised purchasing function follows a programme aimed at the exploitation of synergistic effects and the harmonisation of purchasing activities at all SIJ Group companies. The purchasing policy is based on the creation and development of long-term strategic relationships with key suppliers. Supplier management goes beyond the price aspect. Supplier selection criteria include other factors, such as the accuracy of deliveries, quality, responsiveness and, last but not least, compliance with safety, environmental and ethical criteria.

The key raw materials for metalworking companies are scrap steel, alloy scrap and ferroalloys, while raw materials for manufacturing companies include steel products and welding materials.

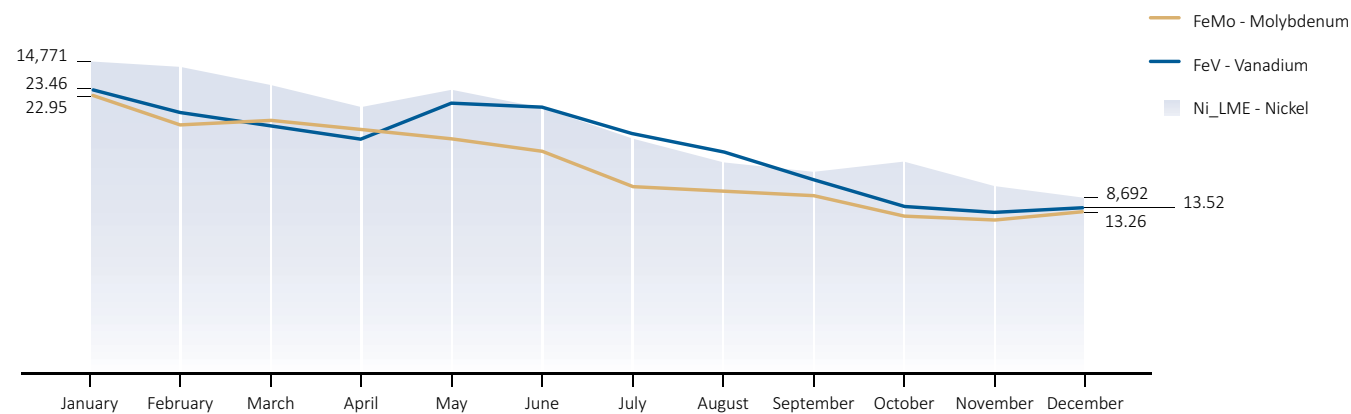
Falling prices of key raw materials for the production of stainless and tool steels were characteristic of 2015, and were the result of the cooling Chinese economy and excess supply. Due to sales based on a surcharge for alloys, falling raw material

prices were passed through to selling prices. One of the key activities of the purchasing function was thus coordination with the sales function. We only made deliveries for known orders and minimised raw material inventories.

The range of required raw materials is expanding in line with the expansion of the range of products, through which the Group is implementing its strategy. Together with the specialist services of Group companies, we defined, tested and introduced new materials and suppliers in the regular production process in 2015. We continued with a project aimed at introducing alternatives for improved cost effectiveness, both in terms of materials and suppliers.

The range of required raw materials is expanding in line with the expansion of the range of products, through which the Group is implementing its strategy.

Changes in prices of key raw materials for the manufacture of stainless and tool steels in 2015 (in EUR)



# ENERGY SUPPLY

The main sources of energy used by the SIJ Group are electricity and natural gas.

Energy costs accounted for 8.5% of total operating expenses in 2015, a decrease of 0.2 percentage points on 2014. The largest consumers of energy within the Group were the two steel companies (Acroni and Metal Ravne) and manufacturing companies (Noži Ravne, Elektrode, SUZ and Serpa), which together consumed nearly 490 thousand MWh of electricity and more than 70 million m<sup>3</sup> of natural gas in 2015. Consumption totalled 500 thousand MWh of electricity and nearly 71 million m<sup>3</sup> of natural gas in 2014. In addition to numerous minor measures for efficient energy consumption, we also implemented a project at the Metal Ravne site in 2015 aimed at the exploitation of waste heat for district heating purposes in Ravne na Koroškem (for more information see the section 'Sustainable development').

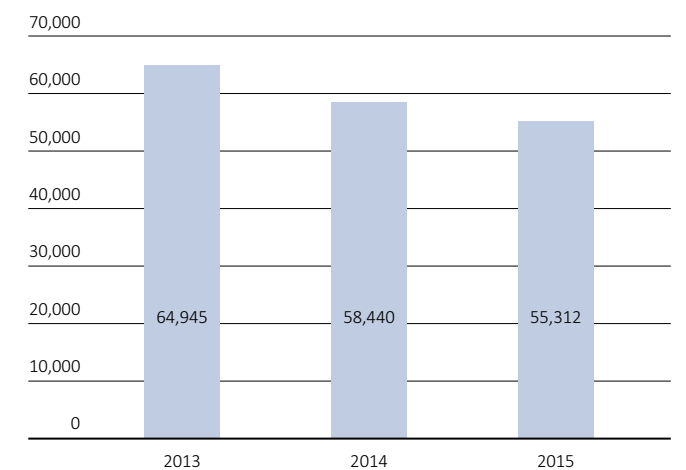
The purchase of electricity and natural gas is centralised for the majority of SIJ Group companies. Natural gas prices contributed most to lower energy costs, as we reached an agreement with our supplier in 2014 on the setting of prices taking into account the exchange price. We carried out a careful and extensive process in 2015 for the selection of an electricity supplier, as the agreement with the existing supplier expired at the end of the year. We opted for the purchase of both natural gas and electricity based on the exchange prices of the aforementioned energy sources. Such a strategy for setting the purchase prices of energy products mitigates the risks associated with standard purchases at a fixed price for a specific year. Thus the prices for both electricity and natural gas will be set in 2016 based on the exchange prices of a specific energy product.

We are planning the introduction of centralised energy management in 2016, as well as the performance of energy audits at the SIJ Group's manufacturing companies. The introduction of centralised energy management with a single information system for that purpose will provide the Group a centralised and standardised method for the continuous monitoring of energy consumption and energy efficiency by specific technological process at all manufacturing companies. Energy audits will provide a comprehensive set of potential organisational and investment-related measures that will further improve the energy situation at individual companies. We will continue to implement projects aimed at efficient energy consumption and the exploitation of waste heat, and will monitor changes in the exchange prices of both energy sources.

Energy costs accounted for 8.5% of total operating expenses in 2015, a decrease of 0.2 percentage points on 2014.

The largest consumers of energy within the Group were the two steel companies and manufacturing companies, which together consumed nearly 490 thousand MWh of electricity and more than 70 million m<sup>3</sup> of natural gas in 2015.

Energy costs (in thousand EUR)





## RESEARCH AND DEVELOPMENT

Three research and development departments function within the SIJ Group:

- the Jesenice Development Centre, which includes the segregated development activity of Acroni and which has its own research team,
- the Metallurgic Research and Development Centre organised at Metal Ravne, which likewise has its own registered research team, and
- the Development Department at Elektrode.

The aforementioned development centres employ 28 workers, while more than 70 technicians from the manufacturing function are indirectly included in the research and development process.

In addition to optimisation and the development of new products, work also focuses on the elimination of technological barriers and a rapid response to the needs of the market and customers. Based on the development of new products and the optimisation of technological channels, we sold 23,900 tonnes of products and generated more than EUR 48 million in revenues in 2015.

In 2015, we began the introduction of new cutting-edge technologies, such as the rolling of titanium alloy profiles, the rolling of ingots using a metallurgic dust process and the continuous casting of steels with a carbon content in excess of 1%. With

the start-up of the new VOD device at the Metal Ravne steel mill, we accelerated the development of the manufacture of stainless austenitic and duplex steels used in the energy sector.

We also invested a great deal of effort in the strengthening of cooperation between development departments within the SIJ Group, which we formalised in 2015 with the establishment of the Innovative Metal Materials Competence Centre, where the companies Acroni, Metal Ravne and Elektrode, and the Institute of Metals and Technologies and Faculty of Natural Sciences are gathered to form a consortium that was founded by SIJ d.d. The aim is to link the work of development departments more closely with the Institute of Metals and Technologies and the aforementioned faculty on specific projects. The following projects are currently in progress:

- catalysts for 3D printing,
- the development of material for state-of-the-art tools,
- the development of maraging steel and nickel alloys used to improve the usefulness of existing products, and
- super rollers that are more environmentally friendly, as they do not require chrome-plating.

Based on the development of new products and the optimisation of technological channels, we sold 23,900 tonnes of products and generated more than EUR 48 million in revenues in 2015.

## INVESTMENTS

The Company earmarked EUR 57 million for investments in manufacturing companies in 2015. The most significant investments were completed at Metal Ravne, where the refurbished ladle furnace and vacuum device (VOD) began operating in the steel mill in the middle of the year. This eliminated bottlenecks in production, while facilitating the manufacture of new types of steel. Following a regular semi-annual inspection, the electric arc furnace was also refurbished. Additional burners were installed, as was a handling device to measure the temperature and take samples of melt. The furnace cooling system was also upgraded, which facilitates the capture of waste heat that is now used to heat sanitary water and premises. In addition to the improved productivity of the electric arc furnace, we also achieved a significant reduction in the specific consumption of electricity, which was reduced by 70 kWh/t.

At the beginning of the year, we upgraded the continuous line for the heat processing of plates at Acroni. The aforementioned investment resulted in additional capacities in the manufacture of heat treated alloy plates. The project to implement a new information system was also completed during the same period, with the system achieving full functionality after a few months. The construction of a new line for the heat treating of plates was in full swing at Acroni in 2015. The project is expected to be completed in the middle of 2016. The line will begin operating in the cold rolling hall and will replace the line for the pickling of stainless steel coils, which first required removal. The existing line for the

pickling of stainless steel coils was transformed into a line for non-acidic cleaning. We thus gained the necessary space for the new line, while resolving an environmental problem. The pickling line represented a burden on the environment due to the associated regeneration device.

The refurbished ladle furnace and vacuum device (VOD) began operating in the steel mill in the middle of 2015. This eliminated bottlenecks in production, while facilitating the manufacture of new types of steel.



# SUSTAINABLE DEVELOPMENT

Social and environmental responsibility is integrated into all levels of the SIJ Group's operations. We consistently comply with all environmental regulations in the manufacture of existing products and in the development of new products. Through development, we ensure the introduction of environmentally friendly technologies and efficient energy consumption. Sustainability is a strategic commitment, both for the Group and for the environment in which we operate. We are aware that a responsible and sustainable social approach also affects the SIJ Group's reputation.

Our policy comprises more than a commitment; it is also the path by which we continuously set new objectives and milestones, and by which we closely monitor our achievements. The imprints of our operations are visible in the motivation and education of employees, the prevention of accidents, in the treatment of waste water and in efficient energy consumption. We are aware that further investments are required, despite all previously implemented measures, in particular in the reduction of emissions, if we wish to further improve our imprint.

## RESPONSIBILITY TO EMPLOYEES

The knowledge, development, motivation, commitment, creativity and innovativeness of our employees are crucial to achieving positive results. Our key strategic objectives therefore include the intensive development of employees at all levels with the aim of ensuring that they perform their work in a quality manner and that they respond quickly to business and work challenges.

We provide equal opportunities to employees, regardless of gender and other circumstances, and build a partnership with the social environment in which we operate. We carefully select new employees and comply with the legal regulations in all countries in which we operate.

### Key data regarding employees for the period 2013 to 2015

	2013	2014	2015
Number of employees as at 31 December	3,162	3,134	3,126
Average age (in years)	43.0	44.8	43.3
Proportion of employees on permanent contracts (%)	95.1	94.6	94.2
Proportion of female employees (%)	15.6	17.6	17.3
No. of disabled persons	312	313	320
Proportion of employees with at least secondary education (%)	25.4	24.8	24.9
Sick leave (%)	4.8	6.0	6.7
No. of injuries	202	166	153

### Employee structure

The SIJ Group had a total of 3,126 employees at the end of 2015, meaning the number of employees was down by eight or 0.3% relative to the previous year. The introduction of more state-of-the-art technologies, minor improvements and the implementation of projects aimed at optimising work processes facilitate the increased flexibility of production and an optimal number of employees.

The average age of employees is 43.3 years. The average age was down 1.5 years relative to the previous year, an indication of a shift towards a younger generation of employees. At 34.4%, those over the age of 50 accounted for the highest proportion of the overall employee population, which was similar to the previous year's age structure. There was a sig-

nificant change in the category of those aged 40 to 49 years, where the number of employees is on the decline.

### | The average employee age is declining.

The SIJ Group hired 231 new employees in 2015, while the employment of 260 employees was terminated, 68 due to the expiration of fixed-term employment contracts, 25 due to redundancy and 44 due to retirement, while 61 persons resigned from their positions voluntarily. Employment was terminated in the remaining cases for various reasons. Employee turnover at the SIJ Group was 1.83%, a decrease of 0.7 percentage points relative to the previous year.

The educational structure also changed in 2015 due to investments in the modernisation of the production process, on account of employees with higher qualifications. This trend points to a reduction in the number of employees with primary school and secondary school education. At 24.9%, the proportion of employees with technical and general second-

ary school education was at the level of the previous year. The proportion of employees with level I and II higher education has risen, while the proportion of employees who have completed their master's and doctorate degrees was the same as the previous year at 1.5%.

### Educational structure of employees

	31 December 2013	31 December 2014	31 December 2015
Master's degree and doctorate	40	46	46
Higher education – level II	195	210	236
Higher education – level I	308	317	336
Technical and general secondary school	804	778	778
Upper secondary vocational school	891	881	857
Secondary vocational school	368	365	366
Primary school	556	537	507
<b>Total</b>	<b>3,162</b>	<b>3,134</b>	<b>3,126</b>

### | The educational structure of employees is improving.

A total of 320 SIJ Group employees had the status of disabled person at the end of 2015, seven more than the previous year. In 2015, a total of 25 persons received the status of disabled person for the first time. The proportion of disabled employees was thus up 0.2 percentage points on 2014 to stand at 10.2% of the total number of employees.

31 December	2013	2014	2015
No. of employees	3,162	3,134	3,126
No. of disabled persons	312	313	320
Proportion of disabled persons (%)	9.9	10.0	10.2

### Measurement of the organisational climate, commitment and satisfaction

The SIJ Group measured the organisational climate, satisfaction and commitment for the second time in 2015. The response rate for the entire SIJ Group was 74.6%, meaning that 2,160 persons completed the questionnaire sent to a total of 2,896 employees. The results of the measurement help us draw up various organisational measures and action plans that lead to improvements in the organisational climate.

### Education and training

In accordance with the achievement of established objectives, we earmarked EUR 503.8 thousand for the education, training and development of employees in 2015, an increase of 17.5% relative to 2014. A total of EUR 349 thousand was earmarked for education and training, while EUR 72.8 thousand was earmarked for work-study programmes. The SIJ Group earmarked EUR 75.9 thousand for 53 scholarship recipients in 2015. The Group gives scholarships primarily to high school and university students studying in the fields of metallurgy, mechanical engineering, mechatronics and electrical engineering.

We are aware that the leader of an organisation is the primary driver of change, and that their management style affects employee development. We have therefore begun to develop the talents and competences of our management staff. We have created an SIJ management team programme that includes members of the core management teams of SIJ Group companies, the heads of individual sectors and departments of Group companies and the heads of our companies' production plants.

The SIJ Group generates a large portion of its revenues through sales and exports to foreign markets. We thus also organised the first sales academy for the Group's managers with the aim of contributing to the development of their sales competences. Employee development is also linked to career planning and the promotion of successful individuals within the Group. We began the SIJ Group Young Prospects





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- company during the past year;
- promotion of the best employees;
- recognition and awards for 'Employee of the SIJ Group';
- loyalty bonuses and recognition for the most dedicated employees;
- free or subsidised use of sport facilities and cultural activities;
- the possibility of using holiday facilities at various locations;
- inclusion in supplementary pension insurance; and
- organisation of various gatherings in cooperation with trade unions.

Nine companies are included in the supplementary pension insurance scheme. Premiums totalling EUR 1.1 million were paid up in 2015, while the average number of employees included in the scheme was 2,104.

The guiding principle of 'a healthy mind, healthy body' is taken very seriously by the Group's employees. The SIJ Group thus sponsored many employees who participated in the traditional Ljubljana Marathon, some with their families. Gatherings for employees are organised together with trade unions to mark Labour Day or in the form of the Group's traditional employee event that includes families, with rich cultural and sporting programmes, which takes place every year at the end of July to commemorate metallurgy day.

### Social dialogue

Social dialogue between trade unions, employees and employers within the SIJ Group is fluid and successful. Three SIJ Group companies harmonised and adopted new company-level collective agreements in 2015. We organise meetings with employees several times a year, where they are presented the most important information regarding operations and briefed on developments within the SIJ Group.

Three SIJ Group companies harmonised and adopted new company-level collective agreements in 2015.

### Sick leave

Sick leave accounted for 6.7% of the total number of working hours in the SIJ Group in 2015, and increase of 0.7 percentage points relative to the previous year, primarily as the result of long-term sick leave due to workplace accidents and long-term illnesses.

Paid and unpaid sick leave accounted for 50.4% and 49.6% of the total number of working hours respectively, while those proportions were 44.1% and 55.9% respectively in 2014.

programme in 2015. We are aware that young, talented individuals have a great deal of potential for the development of their competences, are highly motivated and achieve a high level of success in their work. At the second strategic conference held in Portorož in December 2015, the President of the Board of Directors awarded the title of young prospect to 33 perspective individuals from within the Group. The aim of the project is to give young ambitious individuals the opportunity to acquire the knowledge they need to unlock their own strengths and contribute to the development of the company while discovering their own potentials.

As a contemporary organisation, the SIJ Group has also introduced e-education and e-training programmes that make it easier to organise and implement education and training programmes, as well as an assessment and overview of results. The most frequently viewed content in the scope of e-education and e-training programmes in the past year was occupational safety.

### Remuneration and motivation

The SIJ Group is aware that an appropriate remuneration system leads to positive business results, increased productivity and employee satisfaction. This is the only way to retain the key personnel who contribute most to organisational development and the company's success. The SIJ Group has implemented a remuneration system at various levels that comprises the following elements:

- variable remuneration as recognition for work performed well on the basis of measurable objectives throughout the year;
- performance-based remuneration paid to all employees at the end of the year, depending on the fulfilment of criteria relating to the operating results achieved by an individual

### Workplace accidents

The number of workplace accidents has fallen in recent years. The Group recorded a total of 153 workplace accidents in 2015 or 13 fewer than the previous year.

#### Number of workplace accidents in the period 2013 to 2015

31 December	2013	2014	2015
No. of accidents	202	166	153

### Safety and health

Occupational safety and health are priority areas within the Group. The total number of workplace accidents in the SIJ Group was down by 6% relative to 2014. The F2 frequency factor (number of accidents per 106 of hours worked) rose relative to the previous year, from 32.48 to 33.68 due to a decrease in the total number of employees. We nevertheless believe that the project to reduce the number of workplace accidents has been outlined correctly, and that we will achieve our established objective of a frequency factor of less than 1 by 2019.

The total number of workplace accidents in the SIJ Group was down by 6% relative to 2014.

## ENVIRONMENTAL PROTECTION

The SIJ Group dedicates a great deal of attention to protecting the environment, as evidenced by its investments in the amount of EUR 13.16 million in the aforementioned area between 2008 and 2015, with EUR 5.43 million of that amount invested in 2015. The manufacturing companies of the SIJ Group have acquired the requisite environmental permits, while the largest companies in the Group (Acroni and Metal Ravne) operate in accordance with the ISO 14001:2004 environmental standard. The disabled workers company Zip center also operates according to the aforementioned standard. The Group emitted 161,222 tonnes of CO<sub>2</sub> into the atmosphere in 2015, which is 7,592 tonnes or 4.5% less than in 2014.

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In terms of protecting water sources, the majority of cooling systems are closed-loop systems. The exception is the cooling water loop in the rolling mill at Metal Ravne, where we are planning to invest in a closed looped by 2019.



With regard to emissions into the atmosphere, Acroni and Metal Ravne are faced with the challenge of capturing diffused emissions of dust from steel mills, where we are constantly searching for and implementing appropriate solutions for capturing such emissions to the greatest extent possible. Increased emissions have thus not been identified at the aforementioned locations.

### Waste management

The issue of waste management is addressed in an exemplary manner within the SIJ Group, as the majority of what was once waste is now treated as by-products and sold as raw materials for other processes. If that is not possible, waste is forwarded for environmentally friendly processing.

### Energy efficiency

In accordance with efforts aimed at efficient energy consumption, we implemented a project at Metal Ravne in 2015 with the objective of exploiting waste heat from the electric arc furnace. Waste heat will be used for the partial coverage of district heating needs in Ravne na Koroškem. The project received the grand prize for environmentally friendly service at the 2015 Environmental Conference.

There are a great many more potential sources for the exploitation of waste heat at both steel mill locations, in Ravne na Koroškem and Jesenice. We will therefore strive in the future to increase the proportion of exploited waste heat at Metal Ravne and satisfy the heating needs of Ravne na Koroškem in full. We will also study the possibility of exploiting waste heat at the site in Jesenice. Our vision is to contribute as much



as possible to the reduction of greenhouse gas emissions through the exploitation of waste heat at both of the aforementioned locations, while providing the local community with a reliable and competitive supply of heat. We will thus demonstrate that even industrial and energy intensive economic environments can develop successfully in synch with the local community and effectively contribute to environmental protection. Our aim is to see both locations become places known for sustainable development, not only in economic terms but also environmentally speaking. This will set an example for the further development of other industrial intensive environments.

Our vision is to contribute as much as possible to the reduction of greenhouse gas emissions through the exploitation of waste heat in Ravne na Koroškem and Jesenice, while providing the local community with a reliable and competitive supply of heat.

Through the cogeneration of heat and power (CHP), Acroni produced 3 GWh of electricity and 4.1 GWh of thermal energy in 2015.

## SOCIAL RESPONSIBILITY

Socially responsible conduct serves as the basis for the long-term sustainable development strategy of the SIJ Group. We are aware of the responsibility we bear as an economic entity that operates in Slovenia and abroad with more than 3,100 employees, and that has a highly extensive network of business partners and other stakeholders with whom we cooperate. In addition to the interests of the closer circle of stakeholders, such as shareholders and employees, our business decisions take into account the interest of the broader circle of stakeholders, primarily customers, suppliers and the local environments in which we operate. Our operations are based on ethical conduct, sustainable development and commitment to a healthy environment.

We demonstrate our social responsibility by supporting numerous projects and clubs.

We demonstrate our social responsibility by supporting numerous projects and clubs, and through the operations of our own disabled workers company, Zip center (Ravne na Koroškem), which is fully integrated into the corporate governance of the SIJ Group. The aforementioned company employs

fifty disabled persons and provides carpentry and printing services, and manufactures children's developmental toys.

In April 2015, we donated EUR 50,000 to the Soča University Rehabilitation Institute of the Republic of Slovenia (URI – Soča) for the purchase of a robotic device for the upper extremities, which will help speed up the rehabilitation of one quarter of the children at the URI – Soča. We also signed a long-term cooperation agreement with the aforementioned reputable organisation.

We signed a long-term cooperation agreement with the Soča University Rehabilitation Institute of the Republic of Slovenia for assistance in the purchase of devices to speed up the rehabilitation of children.

## SPONSORSHIP

We are aware of our special responsibilities to the local communities in which our manufacturing companies operate and in which the majority of our employees live. We therefore continuously update our system of sponsorships and donations aimed at supporting various local humanitarian, cultural and sport organisations, clubs and events. We earmarked EUR 367,000 for donations and sponsorships in 2015.

We actively support grassroots sport programmes at the local level, which also include SIJ Group employees or their families, and which play an important role in sports activities for children and adolescents. These include numerous sports clubs in the municipalities of Ravne na Koroškem and Jesenice, and in many neighbouring municipalities.

The SIJ Group remains dedicated to top-flight sports in Slovenia, where it sponsors the Slovenian Olympic Committee (SOC), supports the HDD SIJ Acroni Jesenice senior hockey club and sponsors the Slovenian National Biathlon Team.

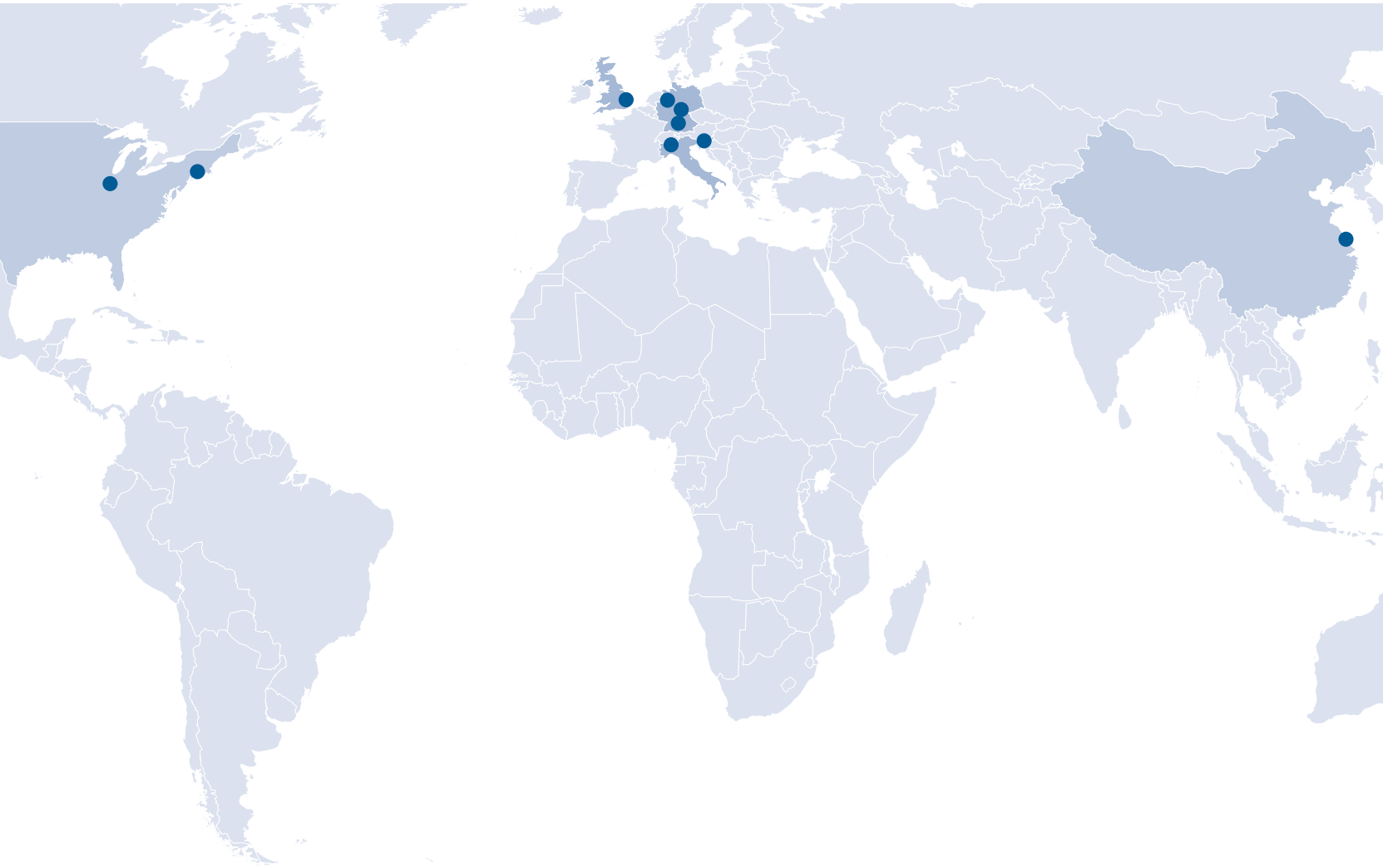
We also actively supported numerous projects in 2015 aimed at raising awareness about metallurgy and the steel industry, and about development opportunities in the wider industry. We thus linked the steel industry, grassroots sports and the public sports infrastructure through a project to build outdoor sports courses from our own steel. Two such courses were donated to the municipalities of Ravne na Koroškem and Prevalje. In November, we signed a framework agreement with the SOC on the continued promotion of such infrastructure in other Slovenian municipalities.



Dušan Kačič  
2013 Employee of the Year  
Polisher, Noži Ravne

## Enriched by diversity.

New Group companies facilitate greater synergies and the expansion of a complementary range of products.



# COMPANIES OF THE SIJ GROUP

## sij | acroni

Company	Acroni
Address	Cesta Borisa Kidriča 44, Jesenice, Slovenia
Director	Blaž Jasnič
Ownership	100% owned by SIJ d.d.

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	368,700	419,287	380,470	114	91
Equity	in € thousand	155,554	166,875	173,356	107	104
Average number of employees		1,160	1,127	1,077	97	96

## sij | metal ravne

Company	Metal Ravne
Address	Koroška cesta 14, Ravne na Koroškem, Slovenia
Director	Andrej Gradišnik
Ownership	100% owned by SIJ d.d.

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	149,947	164,776	161,742	110	98
Equity	in € thousand	82,912	92,144	93,472	111	101
Average number of employees		961	947	973	99	103

## sij | noži ravne

Company	Noži Ravne
Address	Koroška cesta 14, Ravne na Koroškem, Slovenia
Director	Peter Čas
Ownership	100% owned by SIJ d.d.

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	18,115	18,333	19,212	101	105
Equity	in € thousand	12,794	14,537	8,739	114	60
Average number of employees		195	193	194	99	101



sij | elektrode

Company	Elektrode
Address	Cesta Železarjev 8, Jesenice, Slovenia
Director	Jakob Borštnar
Ownership	100% owned by SIJ d.d.

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	15,798	15,105	14,372	96	95
Equity	in € thousand	5,317	5,740	5,494	108	96
Average number of employees		168	160	159	95	99

sij | SUZ

Company	SUZ
Address	Cesta Borisa Kidriča 44, Jesenice, Slovenia
Director	Andrej Pogačnik
Ownership	100% owned by SIJ d.d.

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	7,196	8,048	7,539	112	94
Equity	in € thousand	841	1,169	1,413	139	121
Average number of employees		116	115	111	99	96

sij | serpa

Company	Serpa
Address	Koroška cesta 14, Ravne na Koroškem, Slovenia
Director	Andrej Gradišnik
Ownership	89.72% owned by Metal Ravne

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	6,897	6,606	6,119	96	93
Equity	in € thousand	4,264	4,537	2,198	106	48
Average number of employees		145	148	135	102	91

sij | odpad pivka

Company	Odpad Pivka
Address	Velika Pristava 23, Pivka, Slovenia
Director	Andrej Dolenc
Ownership	74.9% owned by SIJ d.d.

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	78,325	71,612	56,372	91	79
Equity	in € thousand	6,570	6,820	6,983	104	102
Average number of employees		28	24	25	86	105

sij | dankor

Company	Dankor Osijek
Address	Vukovarska 436, Osijek, Croatia
Director	Danko Ordanić
Ownership	51% owned by Odpad Pivka

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	6,573	5,794	2,794	88	48
Equity	in € thousand	642	585	292	91	50
Average number of employees		18	17	16	94	92

sij | metal eko sistem

Company	Metal Eko-sistem
Address	Kupusara BB, Jagodina, Serbia
Director	Saša Milojević
Ownership	70% owned by Odpad Pivka

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	12,822	18,073	12,601	141	70
Equity	in € thousand	2,040	2,034	1,935	100	95
Average number of employees		35	39	38	111	98

sij | top metal

Company	TOPMetal
Address	Karađorđeva 69, Laktaši, Bosnia and Herzegovina
Director	Ranko Filipić
Ownership	51% owned by Odpad Pivka

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	1,277	3,064	4,264	240	139
Equity	in € thousand	1,059	947	872	89	92
Average number of employees		7	10	10	143	101

sij | sidertoce

Company	Sidertoce
Address	Gravellona Toce, Italy
Director	Robert Vuga
Ownership	100% owned by Ravne Steel Center

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	12,572	12,187	12,547	97	103
Equity	in € thousand	2,187	2,507	2,956	115	118
Average number of employees		23	23	24	100	105

sij | ravne steel

Company	Ravne Steel Center
Address	Litostrojska cesta 60, Ljubljana, Slovenia
Director	Boštjan Taljat
Ownership	77.3% owned by SIJ d.d. 22.7% owned by Metal Ravne

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	20,589	22,109	22,065	107	100
Equity	in € thousand	12,180	13,394	14,647	110	109
Average number of employees		24	27	26	113	98

sij | niro wenden

Company	Niro Wenden
Address	Glück-Auf-Weg 2, Wenden, Germany
Director	Manfred Salg
Ownership	85% owned by SIJ d.d.

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	19,905	21,358	19,252	107	90
Equity	in € thousand	3,726	3,314	1,224	89	37
Average number of employees		48	46	56	96	122

sij | ravne steel

Company	Ravne Steel Deutschland
Address	Landsberg am Lech, Germany
Director	Igor Rabin
Ownership	100% owned by Ravne Steel Center

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	0	1,074	2,348	-	219
Equity	in € thousand	50	99	-107	197	-
Average number of employees		0	0	2	-	458

sij | griffon & romano

Company	Griffon&Romano
Address	Via Tacito 8/10, Corsico, Italy
Director	Gregor Adler
Ownership	100% owned by SIJ d.d.

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	32,240	18,854	15,275	58	81
Equity	in € thousand	585	1,051	847	180	81
Average number of employees		42	36	31	86	86

sij | kopo international

Company	KOPO International
Address	New Jersey, USA
Director	Steven Cucich
Ownership	100% owned by Metal Ravne

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	38,393	47,734	60,772	124	127
Equity	in € thousand	1,182	1,660	1,763	140	106
Average number of employees		2	3	3	150	100

sij | ravne knives

Company	Ravne Knives USA
Address	2711 Centerville Road, Suite 400, Wilmington Country of New Castle, Delaware 19808 USA
Director	Viljem Pečnik, Peter Čas and Philippe C. M. Manteau
Ownership	100% owned by Noži Ravne

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	0	0	37	-	-
Equity	in € thousand	0	0	-96	-	-
Average number of employees		0	0	1	-	-

sij | ravne knives

Company	Ravne Knives UK
Address	12 Conqueror Court, Sittingbourne, Kent, ME10 5BN UK
Director	Peter Čas
Ownership	100% owned by Noži Ravne

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	0	0	717	-	-
Equity	in € thousand	0	0	-102	-	-
Average number of employees		0	0	1	-	-

sij | asia

Company	SIJ Asia
Address	Berger Str. 2, 40213 Düsseldorf, Germany
Director	Jens Pollak
Ownership	100% owned by SIJ d.d.

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	0	0	865	-	-
Equity	in € thousand	0	0	189	-	-
Average number of employees		0	0	2	-	-

sij | ravne knives

Company	Ravne Knives UK (North)
Address	12 Conqueror Court, Sittingbourne, Kent, ME10 5BN UK
Director	Peter Čas
Ownership	100% owned by Noži Ravne

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	0	0	53	-	-
Equity	in € thousand	0	0	6	-	-
Average number of employees		0	0	0	-	-

sij | zip center

Company	Zip center
Address	Koroška cesta 14, Ravne na Koroškem, Slovenia
Director	Alenka Stres
Ownership	100% owned by SIJ d.d.

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	2,765	2,674	2,731	97	102
Equity	in € thousand	102	268	389	261	145
Average number of employees		101	98	95	97	97



sij | železarna jesenice

Company	Železarna Jesenice
Address	Cesta Železarjev 8, Jesenice, Slovenia
Director	Bojan Falež
Ownership	100% owned by SIJ d.d.

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	3	1	1	38	100
Equity	in € thousand	9,383	9,417	9,547	100	101
Average number of employees		1	1	1	100	100

sij | slovenska industrija jekla

Company	SIJ d.d.
Address	Gerbičeva ulica 98, Ljubljana
President of the Board of Directors	Anton Chernykh
Ownership	73% owned by Dilon 25% owned by the Republic of Slovenia

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	8,807	9,836	12,892	112	131
Equity	in € thousand	180,441	181,228	191,403	100	106
Average number of employees		43	49	63	113	129



Company	Skupina Perutnina Ptuj
Address	Potrčeva cesta 10, Ptuj
President of the Board of Directors	Roman Glaser
Ownership	45.8% owned by SIJ d.d.

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	267,659	256,938	247,119	96	96
Equity	in € thousand	53,016	58,151	95,326	110	164
Average number of employees		3,637	3,459	3,423	95	99

Holding PMP

Company	Holding PMP
Address	Vinarski trg 1, Ptuj
President of the Board of Directors	Bojan Pahor
Ownership	56.2% owned by SIJ d.d.

		2013	2014	2015	Index 14/13	Index 15/14
Revenues	in € thousand	2	1	2	84	107
Equity	in € thousand	10	10	7	101	66
Average number of employees		3	3	3	100	100



**Vinko Mlakar**

Head of Raw Material  
and Feed Control,  
Perutnina Ptuj

## PRESENTATION OF THE INVESTMENT IN PERUTNINA PTUJ

We think strategically.

We therefore opt for stable  
investments in new areas.



# PRESENTATION OF THE INVESTMENT IN PERUTNINA PTUJ

Following July's publication of its intent to participate in the recapitalisation of Perutnina Ptuj, SIJ d.d. acquired a 45.82% participating interest in Perutnina Ptuj and a 56.19% participating interest in Holding PMP prior to the end of 2015, and published takeover bids for the remaining shares of Perutnina Ptuj in December, successfully completed at the end of February 2016. At the time the amount of recapitalisation was

paid up, the Board of Directors of SIJ d.d. announced the company's intent regarding the future governance of the aforementioned companies through the demerger (spin-off) of the investments from the SIJ Group, which will facilitate more effective and transparent corporate governance of both sectors (e.g. the steel and food industries).

## PRESENTATION OF THE PERUTNINA PTUJ GROUP (PP GROUP)

In addition to financial consolidation (with the signing of a framework agreement on financial restructuring), the PP Group also underwent ownership and organisational changes in 2015: on 30 October 2015, SIJ d.d. paid up EUR 40 million in new capital and thus became the 45.82% owner of Perutnina Ptuj. Directly following the aforementioned recapitalisation, the company published a takeover bid for the purchase of all shares of Holding PMP, followed by the same for the shares of Perutnina Ptuj. For the PP Group, the latter also meant an

opportunity to significantly reduce its financial debt, which was reflected in improved net financial debt and financial leverage indicators. At 1.9, the latter represents a sound basis for the continued growth and development of the entire Group.

In addition to the controlling company, the PP Group comprises 18 other companies: The group's principal activities are the breeding of chickens and turkeys, and the preparation of natural, healthy and high-quality foods from poultry meat.

### PP Group: Organisational and programme structures as at 31 December 2015

Raw Materials	Livestock Production	Meat Industry	Sales Network	Support Activities and Other Activities
Agriculture	Livestock Production	Slaughterhouses	Slovenia	Support Activities
PP - Agro (SI)	Perutnina Ptuj S (BA)	Perutnina Ptuj - PIPO (HR)	Perutnina Ptuj (SI)	Veterinarska ambulanta PP, 45% (SI)
Feed Production	PP BRO ŽIVA, 60% (RS)	Perutnina Ptuj S (BA)	Rest of the world	TOP-Veterina (RS)
Perutnina Ptuj (SI)	Perutnina Ptuj (SI)	Perutnina Ptuj - TOPIKO (RS)	Perutnina Austria (AT)	Gradbeni remont (SI)
Perutnina Ptuj - PIPO (HR)	Perutnina Ptuj - PIPO (HR)	PP MI ZALOG (SI)	Perutnina Ptuj DOOEL Skopje (MK)	PP Nekretnosti (SI)
Perutnina Ptuj - TOPIKO (RS)	Perutnina Ptuj S (BA)	Processing	S. C. Perutnina Romania (RO)	Other Activities
	Perutnina Ptuj - TOPIKO (RS)	Perutnina Ptuj (SI)		Ptujska klet (SI)
		Perutnina Ptuj - PIPO (HR)		PP Gostinstvo (SI)
		Perutnina Ptuj BH (BA)		EKO Energija (SI)
		Perutnina Ptuj - TOPIKO (RS)		

*Companies at which several activities are performed in various production centres are presented in boxes with dotted lines.*

The PP Group operates directly in seven countries: Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Austria, Macedonia and Romania. In three of the countries listed above (Slovenia, Serbia and Bosnia and Herzegovina), the group is currently the leading producer of healthy, safe and high-quality poultry-based foods. On the markets of the aforementioned coun-

tries, the group carries out continuous and locally integrated breeding and the processing of poultry meat in systems based on quality, safety and traceability. Other important export markets include Switzerland, Austria, Romania, Macedonia and Germany, while the group has begun exporting products to Scandinavia and Arab countries.

## OPERATIONS OF THE PERUTNINA PTUJ GROUP

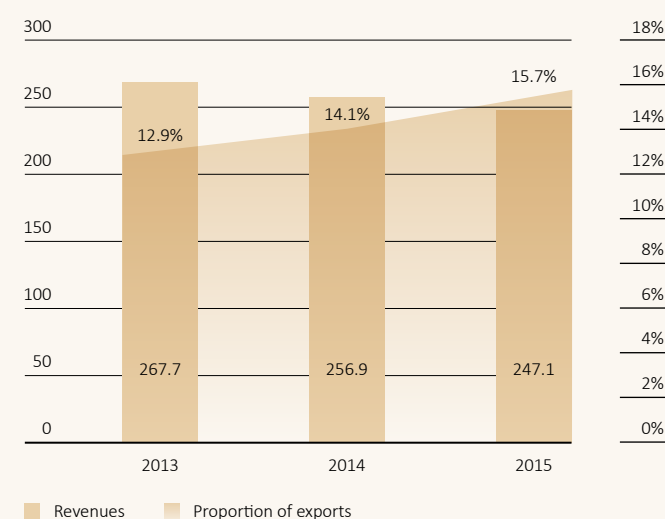
### PP Group: Key data on operations

		2013	2014	2015
Revenues	in € million	267.7	256.9	247.1
Exports	%	12.9	14.1	15.7
EBITDA	in € million	22.6	26.3	22.8
EBITDA margin	%	8.4	10.2	9.2
Profit or loss for the period	in € million	-34.5	5.8	0.1
Net financial debt	in € million	111.0	102.9	44.4
NFD/EBITDA		4.9	3.9	1.9
Capex	in € million	10.5	5.8	8.7
Average number of employees		3,637	3,459	3,423

Despite considerable price pressures on the market, the PP Group was able to maintain a high level of revenues in 2015, in part due to higher sales on foreign markets as the result of the expansion of its sales network. Total revenues were 2.5%

lower than planned. However, the PP Group has increased its focus on exports. Sales on foreign markets were up by EUR 2.5 million, which is reflected accordingly in the increased proportion of revenues accounted for by exports.

### PP Group: Revenue (in million EUR) and proportion of exports (in %)



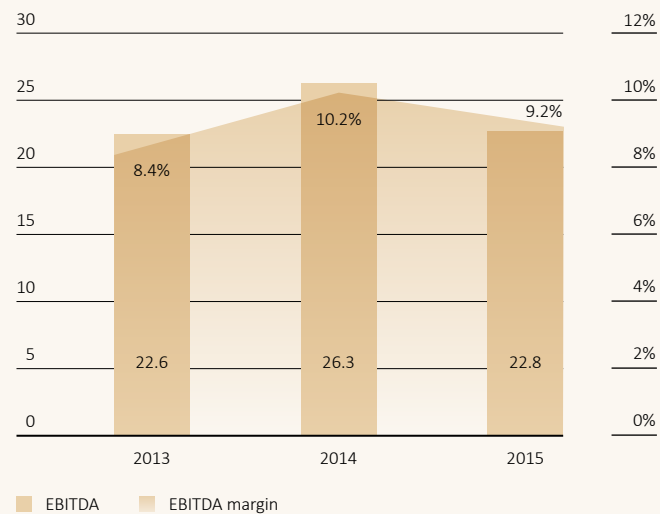
The main reason for the slightly lower EBITDA lies in lower revenues, which were down relative to 2014 primarily on the markets of Croatia, Bosnia and Herzegovina and Serbia. The group's EBITDA margin remained at a high level (9.2%), despite the lower revenues, on account of increased operational efficiency.

The PP Group recorded extraordinary finance expenses in 2015 in the amount of EUR 1.6 million on account of a new strategic partner. The aforementioned expenses are not directly linked to the group's operations and are thus not expected in the future. Without the aforementioned finance expenses, net operating results would have been down by just EUR 4.1 million relative to the net operating results recorded the previous year.

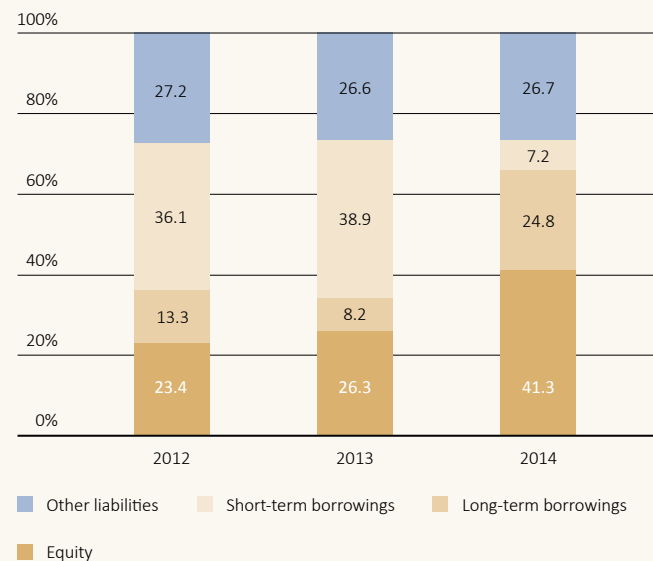
Sales on foreign markets were up by EUR 2.5 million, which is reflected accordingly in the increased proportion of revenues accounted for by exports.



PP Group: EBITDA (in million EUR) and EBITDA margin (in %)



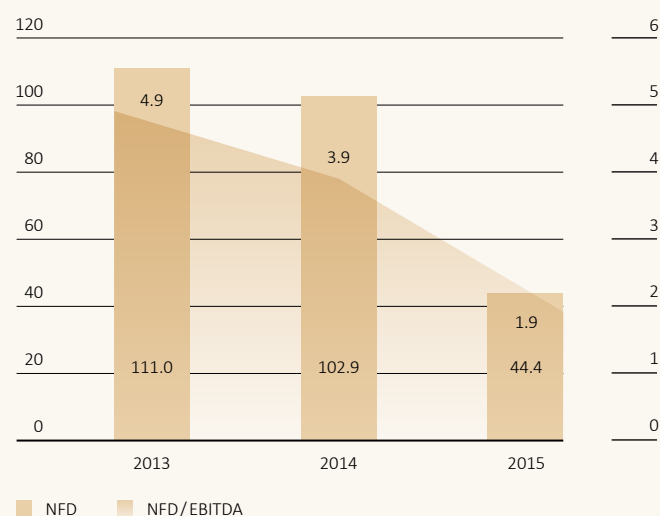
PP Group: Equity and debt structure as at the last day of the year (in %)



The financial position of the PP Group stabilised in 2015 with the previously mentioned recapitalisation and the restructuring of its financial liabilities. The structure of the statement of financial position changed significantly in 2015, with an increase in equity and a reduction in short-term borrowings. The structure of other liabilities was the same as the previous year.

Net financial debt was reduced from EUR 102.9 million to EUR 44.4 million, primarily as the result of debt repayments deriving from the recapitalisation in the amount of EUR 40 million. For this reason, financial leverage was down sharply, from 3.9 to 1.9, which is reflected in a stable financial basis for the PP Group's continuing development and operations.

PP Group: Net financial debt (in million EUR) and NFD/EBITDA



The financial position of the PP Group stabilised in 2015 with the previously mentioned recapitalisation and the restructuring of its financial liabilities. The structure of the statement of financial position changed significantly in 2015, with an increase in equity and a reduction in short-term borrowings.

Financial leverage was down sharply, from 3.9 to 1.9, which is reflected in a stable financial basis for the PP Group's continuing development and operations.

## MAJOR INDICATORS FOR SPECIFIC PURPOSES OF THE SIJ GROUP, PERUTNINA PTUJ GROUP AND HOLDING PMP

The SIJ Group published its intent to participate in the recapitalisation of Perutnina Ptuj at the end of July 2015, and paid up the agreed capital at the end of October 2015. The table below illustrates the major indicators for specific purposes, in which full-year results are taken into account for 2015. For a

more relevant comparison by year and an objective assessment of the effects of the merger, the presentation of results for 2015 assumes that the PP Group and Holding PMP were merged with the SIJ Group at the beginning of the aforementioned year.

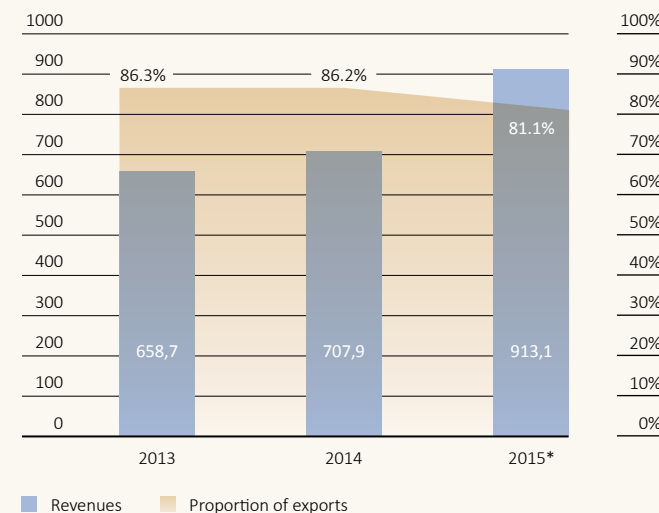
SIJ Group (together with the PP Group and Holding PMP for 2015): Key data on operations

		2013	2014	2015*
Revenues	in € thousand	658,653	707,858	913,148
Proportion of exports	%	86.3	86.2	81.1
EBITDA	in € thousand	40,786	77,832	85,063
EBITDA margin	%	6.2	11.0	9.3
Profit or loss for the period	in € thousand	-4,923	24,904	10,997
Net financial debt	in € thousand	231,185	217,772	321,788
NFD/EBITDA		5.7	2.8	3.8
Capex	in € thousand	52,357	47,633	65,853**
Number of employees as at 31 December		3,162	3,134	6,643

\* SIJ Group + PP Group + Holding PMP

\*\* Capex for 2015 in the amount of EUR 65.9 million does not include the investments in Perutnina Ptuj and Holding PMP in the amount of EUR 44.3 million.

SIJ Group (together with the PP Group and Holding PMP for 2015): Revenue (in million EUR) and proportion of exports (in %)

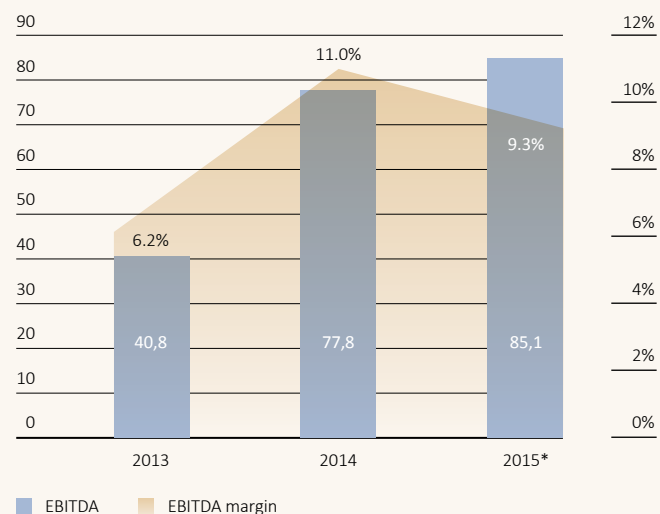


\* SIJ Group + PP Group + Holding PMP

Total revenues were up by 29% in 2015, while the total proportion of revenues accounted for by exports fell to 81.1% (the proportion of exports at the PP Group was just 15.7% in 2015).

Capex was up by EUR 18.2 million in the joint financial statements for 2015.

**SIJ Group (together with the PP Group and Holding PMP for 2015): EBITDA (in million EUR) and EBITDA margin (in %)**



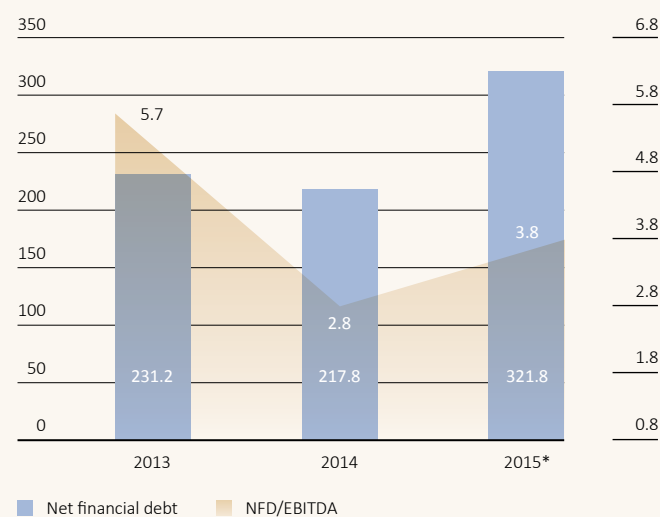
\* SIJ Group + PP Group + Holding PMP

Joint EBITDA was up 9% in 2015 relative to the EBITDA of the SIJ Group in 2014. The EBITDA of both groups was down slightly in 2015 on the previous year. The joint EBITDA margin nevertheless remains high, at 9.3%.

The SIJ Group's effective practices of centralised corporate governance will also be transferred to the PP Group in the future, from which we expect several positive synergistic effects at the operational and financial levels of the largest meat-processing group in Slovenia: the PP Group. These effects primarily include cost optimisation, the rationalisation of strategic and indirect purchasing, and more effective planning and controlling within business processes.

Joint net financial debt in 2015 was higher than the net financial debt recorded by the SIJ Group in 2014 and 2015, mainly on account of the financing of the investment in Perutnina Ptuj. The NFD/EBITDA ratio was higher as a result, but significantly lower than the value of the aforementioned ratio recorded by the SIJ Group in 2013.

**SIJ Group (together with the PP Group and Holding PMP for 2015): Net financial debt (in million EUR) and NFD/EBITDA**



\* SIJ Group + PP Group + Holding PMP

The SIJ Group's effective practices of centralised corporate governance will also be transferred to the PP Group in the future, from which we expect several positive synergistic effects at the operational and financial levels of the largest meat-processing group in Slovenia: the PP Group. These effects primarily include cost optimisation, the rationalisation of strategic and indirect purchasing, and more effective planning and controlling within business processes.

# SPECIAL PURPOSE FINANCIAL STATEMENTS OF SIJ GROUP, PERUTNINA PTUJ GROUP AND HOLDING PMP GROUP

**INDEPENDENT AUDITOR'S REPORT  
TO THE OWNERS OF SIJ, d.d.**

**Report on the Special Purpose Financial Statements**

We have audited the accompanying consolidated financial statements of SIJ Group, Perutnina Ptuj Group and PMP Holding Group, which comprise the consolidated statement of financial position as at December 31, 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management of SIJ Group based on the accounting policies and assumptions as described in introduction and notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting policies and assumptions as described in introduction and notes to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements of SIJ Group, Perutnina Ptuj Group and PMP Holding Group for the year ended December 31, 2015 are prepared, in all material respects, in accordance with the accounting policies and assumptions, as described in introduction and notes to the consolidated financial statements.

**Basis of Accounting**

Without modifying our opinion, we draw attention to introduction and notes to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared to assist SIJ Group in presenting the effect of Perutnina Ptuj Group and PMP Holding Group acquisition on the consolidated financial statements of SIJ Group. As a result, the financial statements may not be suitable for another purpose.

Deloitte revizija d.o.o.

Maruša Tratnjek

Certified Auditor



Ljubljana, 4 March 2016

**Deloitte.**  
DELOITTE REVIZIJA D.O.O.  
Ljubljana, Slovenija 3



# SPECIAL PURPOSE FINANCIAL STATEMENTS

Below is the special purpose financial statement, which takes into account SIJ's joint control over the Perutnina Ptuj Group and Holding PMP Group (hereinafter Group) in the financial year 2015.

The statement of financial position at 31 December 2014 represents the SIJ Group's statement on 31 December 2014. The statement of comprehensive income for 2014 represents the SIJ Group's statement. The special purpose statement of comprehensive income for 2015 represents the consolidated statement of the SIJ Group, Perutnina Ptuj Group and Holding PMP Group with the eliminated investments, equity and intercompany transactions.

The special purpose statements take into account the fact that SIJ d.d. gained the controlling influence over Perutnina Ptuj d. d. and Holding PMP d. o. o. on 1 January 2015. The recognition includes the difference between the investment and net assets based on the carrying amount. The special purpose statements take into account the 51.35% share in Perutnina Ptuj d. d. and the 56.19% share in Holding PMP.

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Board of Directors is responsible for drawing up special purpose financial statements for SIJ Group, Perutnina Ptuj Group and Holding PMP Group according to the International Financial Reporting Standards (IFRS) adopted by the European Union, so that they give a true and fair view of the Group's operation.

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 combined financial statements have been compiled in accordance with the IFRS adopted by the European Union. Any significant deviations are disclosed and explained in the report.

The Board of Directors is responsible for keeping 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 Board Of Directors declares that the financial statements have been compiled in accordance with the IFRS adopted by the European Union, without reservations about their application.

The Board of Directors approved the financial statements, accounting policies and notes on 4 March 2016.

President of the Board of Directors  
**Anton Chernykh**



Member of the Board of Directors  
**Igor Malevanov**



# SPECIAL PURPOSE FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	2015	2014
Revenue	1	913,148	707,858
Cost of sales	2	(746,051)	(584,971)
<b>Gross profit</b>		<b>167,097</b>	<b>122,887</b>
Distribution costs	2	(68,722)	(40,155)
General and administrative expenses	2	(74,279)	(50,168)
Other operating income	3	14,694	8,942
Other operating expenses	4	(4,571)	(1,963)
<b>Operating profit</b>		<b>34,219</b>	<b>39,543</b>
Finance income	5	1,586	1,636
Finance expenses	6	(26,267)	(15,093)
<b>Net finance costs</b>		<b>(24,681)</b>	<b>(13,457)</b>
Share of profit in associates	12	25	600
<b>Profit before taxation</b>		<b>9,563</b>	<b>26,686</b>
Income tax expense	7	(1,645)	(988)
Deferred income tax	7	3,079	(794)
<b>Profit for the year</b>		<b>10,997</b>	<b>24,904</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Income tax related to components of comprehensive income		1	(20)
Net actuarial losses on pension programs		(532)	0
<b>Items that may be reclassified subsequently to profit or loss</b>			
Change in fair value reserves for available-for-sale financial assets		(62)	120
Exchange rate difference on translating foreign operations		425	68
<b>Comprehensive income</b>		<b>10,829</b>	<b>25,072</b>
<b>Profit (loss), attributable to:</b>			
Owners of the parent company		11,325	24,858
Non-controlling interest		(328)	46
Basic and diluted earnings per share (in EUR)	8	11.66	25.19
<b>Comprehensive income, attributable to:</b>			
Owners of the parent company		11,275	25,089
Non-controlling interest		(446)	(17)

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

## STATEMENT OF FINANCIAL POSITION

in € thousand	Note	31 Dec. 2015	31 Dec. 2014
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>619,418</b>	<b>445,283</b>
Intangible assets	9	31,065	24,806
Property, plant and equipment	10	555,678	398,082
Investment property	11	4,238	207
Investments in associates	12	1,573	1,548
Available-for-sale financial assets	13	1,161	906
Financial receivables		458	103
Operating receivables	14	2,107	1,892
Other assets	15	2,932	2,043
Deferred tax assets	16	20,206	15,696
<b>Current assets</b>		<b>438,500</b>	<b>343,978</b>
Assets held for disposal	17	4,142	4,146
Inventories	18	208,872	160,634
Financial receivables	19	3,417	58
Operating receivables	20	144,560	138,430
Income tax assets		985	585
Cash and cash equivalents	21	73,971	38,993
Other assets	22	2,553	1,132
<b>Total assets</b>		<b>1,057,918</b>	<b>789,261</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>400,932</b>	<b>348,135</b>
<i>Equity attributed to owners of the parent company</i>		<i>347,758</i>	<i>343,549</i>
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Revenue reserves		129	(859)
Fair value reserves		(189)	171
Translation differences		343	33
Retained earnings		190,748	187,477
<b>Non-controlling interest</b>		<b>53,174</b>	<b>4,586</b>
<b>Non-current liabilities</b>		<b>305,330</b>	<b>197,327</b>
Employee benefits	24	14,911	10,438
Other provisions	25	1,479	1,677
Deferred revenues	26	4,959	866
Financial liabilities	27	283,118	183,382
Operating liabilities	28	828	914
Deferred tax liabilities	16	35	50
<b>Current liabilities</b>		<b>351,656</b>	<b>243,799</b>
Financial liabilities	29	116,058	73,441
Operating liabilities	30	230,824	166,906
Income tax liabilities		807	598
Other liabilities	31	3,967	2,854
<b>Total equity and liabilities</b>		<b>1,057,918</b>	<b>789,261</b>

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

## STATEMENT OF CHANGES IN EQUITY

### Statement of Changes in Equity in 2015

in € thousand	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	11,461	(859)	171	33	187,477	343,549	4,586	348,135
Acquisition of company	0	0	0	0	0	2,499	2,499	49,289	51,788
Purchase of treasury shares	0	0	(3,752)	0	0	0	(3,752)	0	(3,752)
Dividends paid	0	0	0	0	0	(5,810)	(5,810)	(257)	(6,067)
Creation of legal reserves	0	0	988	0	0	(988)	0	0	0
Decrease in non-controlling interest	0	0	0	0	0	(3)	(3)	2	(1)
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>(2,764)</b>	<b>0</b>	<b>0</b>	<b>(4,302)</b>	<b>(7,066)</b>	<b>49,034</b>	<b>41,968</b>
Profit (loss) for the year	0	0	0	0	0	11,325	11,325	(328)	10,997
Other changes in comprehensive income	0	0	0	(360)	310	0	(50)	(118)	(168)
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(360)</b>	<b>310</b>	<b>11,325</b>	<b>11,275</b>	<b>(446)</b>	<b>10,829</b>
Creation of reserves for treasury shares	0	0	3,752	0	0	(3,752)	0	0	0
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>3,752</b>	<b>0</b>	<b>0</b>	<b>(3,752)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Balance as at 31 Dec. 2015	145,266	11,461	129	(189)	343	190,748	347,758	53,174	400,932

### Statement of Changes in Equity in 2014

in € thousand	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	11,461	(859)	71	(98)	162,968	318,809	4,776	323,585
Covering loss	0	0	0	0	0	0	0	2	2
Purchase of treasury shares	0	0	(2)	0	0	0	(2)	0	(2)
Transaction with owners	0	0	0	0	0	(522)	(522)	0	(522)
Decrease in non-controlling interest	0	0	0	0	0	175	175	(175)	0
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>(2)</b>	<b>0</b>	<b>0</b>	<b>(347)</b>	<b>(349)</b>	<b>(173)</b>	<b>(522)</b>
Profit for the year	0	0	0	0	0	24,858	24,858	46	24,904
Other changes in comprehensive income	0	0	0	100	131	0	231	(63)	168
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>131</b>	<b>24,858</b>	<b>25,089</b>	<b>(17)</b>	<b>25,072</b>
Creation of reserves for treasury shares	0	0	2	0	0	(2)	0	0	0
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Balance as at 31 Dec. 2014	145,266	11,461	(859)	171	33	187,477	343,549	4,586	348,135

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

## CASH FLOW STATEMENT

in € thousand	Note	2015	2014
<b>Cash flow from operating activities</b>			
Profit before taxation		9,563	26,686
Adjusted for:			
Depreciation and amortisation	9, 10	50,844	38,289
Share of profit in associates	12	(25)	(600)
Interest income	5	(529)	(1,319)
Interest expenses	6	16,910	12,092
Exchange rate differences, net		4	(13)
Loss in investment sales		1	1
Impairment of assets	19	1,473	583
Creation of allowances and provisions		2,451	481
Other adjustments		3,658	631
<b>Operating cash flows before changes in working capital</b>		<b>84,350</b>	<b>76,831</b>
<b>Changes in working capital</b>			
Change in operating receivables		36,065	(5,903)
Change in inventories		(13,233)	(7,541)
Change in operating payables		(18,081)	20,316
Change in taxes other than income tax		982	614
Payments for disposal of provisions		2,630	(924)
Receipts from government grant		402	481
Income tax paid		(1,384)	(555)
Other receipts (payments)		1	(521)
<b>Changes in working capital</b>		<b>7,382</b>	<b>5,967</b>
<b>Net cash generated from operating activities</b>		<b>91,732</b>	<b>82,798</b>
<b>Cash flow from investing activities</b>			
Payments for investments in subsidiaries		(29,922)	(82)
Payments for property, plant and equipment		(50,969)	(54,043)
Receipts from property, plant and equipment		751	302
Payments for intangible assets		(4,798)	(3,628)
(Payments) receipts from other assets		(3,735)	1,190
Payments for loans issued	14, 21	(3,493)	(8,431)
Receipts from loans issued	14, 21	155	23,772
Interests received		431	1,983
Dividends received	13	87	56
<b>Net cash used in investing activities</b>		<b>(91,493)</b>	<b>(38,881)</b>
<b>Cash flow from financing activities</b>			
Receipts from borrowings	29, 31	565,215	313,472
Payments for borrowings	29, 31	(505,384)	(327,205)
Payments for finance lease	29, 31	(3,182)	(3,665)
Interest paid		(16,338)	(12,424)
Dividends paid		(5,811)	-
<b>Net cash generated (used) in financing activities</b>		<b>34,500</b>	<b>(29,822)</b>
<b>Cash and cash equivalents as at 1 Jan.</b>		<b>38,993</b>	<b>24,910</b>
Translation differences		239	(12)
Increase		34,739	14,095
<b>Cash and cash equivalents as at 31 Dec.</b>		<b>73,971</b>	<b>38,993</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

## REPORTING ENTITY

SIJ – Slovenska industrija jekla, d.d. (hereinafter: SIJ or the Company) is a Company with its registered office in Slovenia. Its registered address is Gerbičeva ulica 98, 1000 Ljubljana. Given below are the special purpose financial statements of SIJ Group, Perutnina Ptuj Group and Holding PMP Gorup for the year ending as at 31 December 2015.

## BASIS OF PREPARATION

The special purpose financial statements for 2015 have been prepared in accordance with the IFRS as adopted by the European Union. The standards have been applied directly in the disclosures and valuation of items; the exception is the valu-

ation of items for which the standards allow several methods of valuation.

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

In the selection of accounting principles and their application, as well as in the preparation of these financial statements, the Board of Directors considered the following three requirements: the financial statements are comprehensible if users can understand them without difficulty; the information is adequate, if it helps users make economic decisions; and the information is fundamental if its exclusion or false presentation could influence users' economic decisions.

## COMPOSITION OF THE GROUP OF RELATED PARTIES

The financial statements of the SIJ Group include the financial statements of the parent company and the financial statements of the companies of the Group.

The group of companies in which the parent company holds financial investments includes the following:

in € thousand	Activity	% of voting rights	Value of assets as at 31. Dec. 2015	Value of equity as at 31. Dec. 2015	Profit (Loss) for 2015
<b>Parent company of the Group</b>					
SIJ – Slovenska industrija jekla, d.d., Gerbičeva ulica 98, Ljubljana, Slovenia	Activities of head offices		350,813	191,403	19,752
<b>SIJ - subsidiaries</b>					
ACRONI, d. o. o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	430,666	173,356	4,793
METAL RAVNE d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	227,660	93,472	10,534
NOŽI RAVNE d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Industrial knives production	100	21,880	8,739	1,718
ELEKTRODE JESENICE d. o. o., Cesta železarjev 8, Jesenice, Slovenia	Welding materials production	100	10,167	5,494	(210)
SUZ, d. o. o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	3,809	1,413	270
ZIP CENTER d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	1,733	389	131
ODPAD d. o. o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.90	26,641	6,983	162
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	14,691	1,224	(2,108)
RAVNE STEEL CENTER d. o. o., Litostrojska cesta 60, Ljubljana, Slovenia	Trade	77.28	26,858	14,647	1,252
GRIFFON & ROMANO S. P. A., Via Dossetti 11, Loc. Casinello de Dosso, Italia	Heat processing and special steel trade	100	23,652	847	(1,769)
SIJ Asia GmbH, Berger Str. 2, 40213 Düsseldorf, Germany	Trade	100	288	189	89

Continuation of the table on page 11 >>

in € thousand	Activity	% of voting rights	Value of assets as at 31. Dec. 2015	Value of equity as at 31. Dec. 2015	Profit (Loss) for 2015
PERUTNINA PTUJ d. d., Potrčeva cesta 10, 2550 Ptuj, Slovenia	Processing and preserving of poultry meat	51.35	182,518	91,506	145
HOLDING PMP d. d., Vinarski trg 1, 2250 Ptuj, Slovenia	Financial service activities	56.19	8,941	8,399	(18)
<b>Perutnina Ptuj - subsidiaries</b>					
Perutnina Ptuj-Topiko d. o. o., Petefi Brigade 2, Bačka Topola, Serbia	Processing and preserving of poultry meat	100	21,198	3,103	1,439
PP MI ZALOG d. o. o., Hladilniška pot 37, Ljubljana, Slovenia	Processing and preserving of poultry meat	100	18,959	11,972	58
PP NEPREMIČNINE d. o. o., Potrčeva 10, Ptuj, Slovenia	Real estate activities	100	8,938	8,910	6
Perutnina Ptuj – Pipo Čakovec d. o. o., Rudolfa Steinerja 7, Čakovec, Croatia	Processing and preserving of poultry meat	99.66	29,090	17,104	17
PERUTNINA PTUJ-BH d. o. o., Potkrajaska bb, Breza, Bosnia and Herzegovina	Processing and preserving of poultry meat	55	19,820	7,276	555
PTUJSKA KLET d. o. o., Vinarski trg 1, Ptuj, Slovenia	Growing of grapes	100	6,155	2,717	5
PP Romania, Str. 13 decembrie, Brasov, Romania	Trade	100	1,207	(175)	(194)
PP S d. o. o., Poveljč b.b., Srbac, Bosnia and Herzegovina	Processing and preserving of poultry meat	100	15,089	1,701	283
PP Gostinstvo d. o. o., Dravska ulica 9, Ptuj, Slovenia	Restaurants and inns	100	735	(277)	(232)
GRADBENI REMONT d. o. o., Žnidaričevo nabrežje 10, Ptuj, Slovenia	Construction	100	1,017	464	42
PP BRO ŽIVA d. o. o., Bačka Topola, Serbia	Processing and preserving of poultry meat	60	921	180	19
PERUTNINA PTUJ DOOEL, Skopje, Macedonia	Trade	100	2,589	274	197
VETERINARSKA AMBULANTA PP d. o. o., Potrčeva 6, Ptuj, Slovenia	Veterinary activities	61.94	993	275	1
Perutnina Ptuj d. o. o., Cara Dušana b.b., Trn Laktaši, Bosnia and Herzegovina	Processing and preserving of poultry meat	100	11	(370)	(23)
PERUTNINA AUSTRIA GmbH, Seiersberg, Austria	Trade	100	1,321	383	176
PP - AGRO d. o. o., Tržaška cesta 41A, Maribor, Slovenia	Agriculture, farming and fruit growing	100	11,713	6,430	162
<b>Perutnina Ptuj – Pipo Čakovec - subsidiaries</b>					
Eko - energija d. o. o., Rudolfa Teinerja 7, Čakovec, Croatia	Electricity production	100	92	64	58
<b>Perutnina Ptuj-Topiko - subsidiaries</b>					
TOP-VETERINA d. o. o., Dušana Popivode b.b., Bačka Topola, Serbia	Veterinary activities	100	191	59	6
<b>HOLDING PMP - subsidiaries</b>					
PP ENERGIJA, d. o. o., Potrčeva cesta 10, 2250 Ptuj, Slovenia	Electricity production	76	7,907	1,789	130
<b>ACRONI - subsidiaries</b>					
ŽELEZARNA JESENICE, d. o. o., Cesta železarjev 8, Jesenice, Slovenia	Trading with own real estate	100	10,086	9,547	232
<b>METAL RAVNE - subsidiaries</b>					
KOPO International Inc., New Jersey, USA	Trade	100	22,364	1,763	(86)
SERPA d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	89.73	4,767	2,198	176
<b>ODPAD - subsidiaries</b>					
DANKOR, d. o. o., Europske avenije 22, Osijek, Croatia	Recovery of secondary raw materials from scrap	51	1,660	293	(232)
METAL-EKO SISTEM DOO JAGODINA, Put Kneza Mihaila 107, Jagodina, Serbia	Recovery of secondary raw materials from scrap	70	4,415	1,930	(91)
"TOPMETAL" d. o. o. Laktaši, Bosnia and Herzegovina	Recovery of secondary raw materials from scrap	51	1,562	811	(75)
<b>Ravne Steel Center - subsidiaries</b>					
SIDERTOCE S. p. A., Via XX. Settembre 198, C. P. 34, Gravelloa Toce, Italia	Trade	100	13,401	2,956	429
<b>NOŽI RAVNE – odvisne družbe</b>					
Ravne Knives (UK) Limited, 12 Conqueror Court, Sittingbourne, Kent, ME10 5BN, United Kingdom	Trade	100	310	(102)	(125)
Ravne Knives UK (North) Limited, 12 Conqueror Court, Sittingbourne, Kent, ME10 5BN, United Kingdom	Trade	100	9	6	(1)

Continuation of the table on page 13 >>

Continuation of the table

in € thousand	Activity	% of voting rights	Value of assets as at 31. Dec. 2015	Value of equity as at 31. Dec. 2015	Profit (Loss) for 2015
Ravne Knives USA Inc., 2711 Centerville Road, Suite 400, Wilmington, Country of New Castle, Delaware 19808, USA	Trade	100	90	(96)	(95)
<b>SIJ Asia - subsidiaries</b>					
SIJ Steel (Shanghai) Co., Ltd., Rm.320, 2449 Gonghexin Road, Zhabei District, Shanghai 200072, China	Trade	100	12	12	0

In March 2015 Noži Ravne acquired the companies Ravne Knives (UK) Limited, Ravne Knives UK (North) Limited and Ravne Knives USA INC. Up to the date of the drawing up of the financial statements these companies had had no significant influence on the Group.

In September 2015 SIJ Asia Gmbh established a new subsidiary, SIJ Steel (Shanghai) Co., China. The company did not begin to operate in 2015.

The financial statements of the companies included in the financial statements are audited, except for the financial statements of those companies which are not obliged to be audited according to local legislation or had not begun to operate by the reporting date. These are Ravne Steel Deutschland Gmbh, SIJ Asia Gmbh, Steel (Shanghai) Co., Ravne Knives (UK) Limited, Ravne Knives UK (North) Limited, Ravne Knives USA, PP NEPREMIČNINE d. o. o., PTUJSKA KLET d. o. o., PP Romania Str, PP Gostinstvo d. o. o., GRADBENI REMONT d. o. o., PP BRO ŽIVA d. o. o., VETERINARSKA AMBULANTA PP d. o. o., Perutnina Ptuj d. o. o., PERUTNINA AUSTRIA GmbH, Eko – energija d. o. o., TOP-VETERINA d. o. o., HOLDING PMP d. d. and PP ENERGIJA d. o. o

## SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the Group's consolidated financial statements from the date on which control commences until the date that control ceases. The accounting policies of the subsidiaries are aligned with the Group's accounting policies.

On loss of control, the Group de-recognizes the assets and liabilities of the subsidiary, any non-controlling interests, and any other components of the equity related to the subsidiary.

Any surplus or deficit arising on loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, such interest is measured at fair value from the date on which control is lost. Subsequently, this interest is accounted for in equity as an investment in an associate (using the equity method) or as an available-for-sale financial asset, depending on the level of influence retained.

Intra-group balances and any gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates (accounted for using the equity method) are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated using the same method, provided there is no evidence of impairment.

### Investments in associates

Investments in associates are accounted on the basis of the equity method. Associates are those companies where the Group has a significant influence on their operations, but which it does not control.

Upon initial recognition, investment in associates are measured at cost, but are subsequently accounted for using the equity method. The Group's consolidated financial statements include the Group's share of the profit and loss of equity-accounted associates, after adjustments to align the accounting policies, from the date on which significant influence commences until the date that significant influence ceases. When the Group's share of losses of an associate exceeds its interest in such an entity, the carrying amount of the Group's interest is reduced to zero and recognition of further losses is discontinued.

### Transactions with Non-Controlling Interests

The Group measures goodwill at the fair value of the consideration transferred, plus the recognised amount of any non-controlling interest in the acquisition, plus the fair value of any pre-existing equity in the acquisition (if the business combination is achieved in stages), less the net recognized amount

of the assets acquired and liabilities assumed, all measured as at the acquisition date. When the excess is negative, the effect is recognized immediately in profit or loss.

Acquisition costs, other than those associated with the issue of equity or debt securities, incurred in connection with a business combination, are listed as incurred expenses.

The Group accounts for the acquisition of non-controlling interests that do not involve a change in control of a company as transactions with owners, and therefore no goodwill is recognized.

Adjustments to non-controlling interests are based on a proportionate amount of the assets of the subsidiary. Any surplus, or the difference between the costs of additional investments and the carrying amount of assets, are recognized in equity.

### Foreign Currency Conversion

Transactions in foreign currencies are translated into the functional currency at the exchange rate on the date of the transaction. Cash assets and liabilities denominated in foreign currency at the end of the period are translated into the functional currency at the then valid exchange rate. Positive or negative exchange rate differences are the differences between the amortised cost in functional currency at the beginning of the period, adjusted by the amount of the effective interest rate and the payments during the period, and the amortised cost in foreign currency, calculated at the exchange rate at the end of the period. Non-cash assets and liabilities, denominated in foreign currency and measured at fair value, are translated to the functional currency at the exchange rate on the date when the fair value is set. Exchange rate differences are recognized in profit or loss.

Income statements and cash flow statements of individual companies of the Group abroad, where the company's functional currency is not the euro, are translated to the controlling company's reporting currency at the average exchange rate, whereas the statements of financial position are translated to the reporting currency at the exchange rate on the reporting date.

Foreign exchange differences are recognized in comprehensive income and presented under translation differences in equity. In the case of non-wholly-owned subsidiaries abroad, the relevant proportion of the foreign exchange differences is allocated to non-controlling interests. When a foreign operation is disposed of in such a way that control or signifi-

cant influence is lost, the relevant cumulative amount in the translation reserve is reclassified to profit or loss or as gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

### Revenues

Sales revenues are recognized at fair value of received repayments or receivables, decreased by repayments, discounts, rebates for further sales and quantity discounts. Revenues are recognized when the buyer assumes all significant risks and benefits connected to the asset's ownership, and it is certain that compensation and related costs will be repaid or there is a possibility of returning products, and when the Group ceases to make decisions about sold products.

Financial income comprises interest income and positive exchange rate differences resulting from financing and investing. Interest income is recognized upon its occurrence, using the effective interest rate method.

### Expenses

Expenses are recognized if a decrease in economic benefits during the reporting period is associated with a decrease in assets or an increase in debts, and if this decrease can be reliably measured. Operating expenses are recognized when the costs are no longer held in inventories, finished and unfinished products, or when goods are sold. The costs that cannot be held in inventories of finished and unfinished products are recognized as operating expenses when they appear.

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

### Taxation

Taxes comprise current income tax liabilities and deferred tax. Current income tax is recognized in the income statement, except to the extent that refers to business combinations or items shown directly in the comprehensive income.

Current income tax liabilities are based on the taxable profit for the financial year. Taxable profit differs from net profit, reported in the income statement, because it excludes items of

income or expenses that are taxable or deductible in other years, as well as items that are never taxable or deductible. The Group's current income tax liability is calculated using the tax rates applicable on the reporting date.

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

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

### Net Earnings per Share

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

### Intangible Assets

Intangible assets with a definite useful life are recognized at cost, less any accumulated amortisation and accumulated impairment losses. The purchase value includes costs that can be directly attributed to the acquisition of each individual item. Borrowing costs directly attributable to the purchase or production of a qualifying asset are recognized as part of the cost of such asset. The cost model is used for any subsequent measuring of intangible assets.

Intangible assets with indefinite useful life are not amortised, they are impaired.

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

The estimated useful life of individual intangible assets for the current and past year is 2–10 years. Amortisation methods, useful lives, and other group asset values are reviewed at the end of every financial year and adjusted if necessary.

Further costs related to intangible asset are recognized in the carrying amount of each asset, if it is probable that the future economic benefits embodied within the asset will flow to the Group and the cost of the asset can be measured reliably. All other costs are recognized in the income statement as expenses as soon as they are incurred.

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

### Property, plant and equipment

At their initial recognition, tangible assets (property, plant and equipment) are carried at cost, less any accumulated depreciation and accumulated impairment losses, except for land and other assets that do not depreciate; these are shown at their cost, reduced by all relative impairments. The purchase value includes costs that can be directly attributed to the acquisition of each individual item of property, plant or equipment. Parts of property, plant and equipment with different useful lives are accounted as separate items of property, plant and equipment. Borrowing costs directly attributable to the purchase, production or construction of a qualifying asset are recognized as part of the cost of each such asset. The cost model is used for any subsequent measuring of property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the tangible asset and the residual value. Leased assets are depreciated over the estimated period of lease and useful life.

Land and unfinished construction is not depreciated. Depreciation is accounted when an asset becomes available for use.

The estimated useful lives of individual property, plant and equipment types for the current and past years:

	Useful life
Real estate	10-60 years
Production equipment	1-25 years
Computer equipment	2-10 years
Motor vehicles	2-10 years
Other equipment	1-10 years

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

The replacement costs of items of property, plant and equipment and further costs related to intangible assets are recognized in the carrying amount of each asset, if it is probable that the future economic benefits embodied within this asset will flow to the Group, and the cost of the asset can be measured reliably. All other costs (for example, maintenance costs) are recognized in the income statement as expenses as soon as they are incurred.

### Investment Property

At its initial recognition, investment property is measured at cost, less accumulated depreciation and accumulated impairment losses. The cost model is used for any subsequent measuring of investment property.

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

### Financial Instruments

Financial instruments include the following items:

- non-derivative financial assets,
- non-derivative financial liabilities.

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

For determining the fair value of financial instruments the following hierarchy levels of determining fair value are considered:

- the first level includes quoted prices (unadjusted) on active markets for the same assets or liabilities;
- the second level, in addition to the quoted prices at the first level, includes the input data which are directly (i.e. as prices) or indirectly (i.e. as derivatives from prices) observable as assets or liabilities;
- the third level includes input data for assets or liabilities which are not based on the observable market data.

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

### Non-Derivative Financial Assets

Non-derivative financial assets include cash and cash equivalents, loans and receivables, and investments. Liabilities, borrowings and deposits are initially recognized when they are incurred. Other assets are initially recognized on the trade date on which the Group becomes a contracting party in a contract on the instrument. The recognition of a financial asset is eliminated when the contractual rights of the cash flows from the asset expire, or when the rights of the contractual cash flows are transferred from a financial asset on the basis of a business transaction in which all risks and benefits of ownership of the financial asset are transferred.

### Financial assets at fair value through profit or loss

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

### Available-for-sale financial assets

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



### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on the active market. Depending on their maturity they are classified as current financial assets (maturities up to 12 months after the date of the statement of financial position) or non-current financial assets (maturities exceeding 12 months after the date of the statement of financial position). Loans and receivables are initially recognized at fair value increased by costs directly attributable to the business transaction. Subsequent to their initial recognition, receivables and loans are measured at amortised cost using the effective interest rate method less accumulated impairment loss.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits up to three months, and other current and readily realizable investments with an original maturity of three months or less. They are recognized at cost.

### Non-Derivative Financial Liabilities

Non-derivative financial liabilities include operating, financial and other liabilities. Non-derivative financial liabilities are initially recognized on the trade date on which the Group becomes a contracting party in relation to the instrument. The Group de-recognizes a non-derivative financial liability when the contractual obligations are fulfilled, annulled or expired.

Non-derivative financial liabilities are initially disclosed at fair value, increased by costs directly attributable to the business transaction. Subsequent to their initial recognition these liabilities are measured at amortised cost using the effective interest rate method. Depending on their maturity they are classified as current liabilities (maturities up to 12 months after the date of the statement of financial position) or non-current liabilities (maturities exceeding 12 months after the date of the statement of financial position).

### Inventories

Inventories are measured at cost or net realizable value, whichever is the lower. The cost value consists of the purchase price, import duties and direct purchase costs. The purchase price is reduced by any discounts given. Direct purchase costs are transport costs, costs of loading, reloading and unloading, costs of monitoring goods, and other costs attributable to directly-purchased merchandise, materials or services. Purchase discounts are those that are stated on the invoice, or which are given later and refer to individual purchases. The

value of finished and unfinished products refers to all production costs, which include the costs of manufacturing materials, labour costs, depreciation, services and other production costs.

The inventories of materials and merchandise are valued at actual prices, while the inventories of finished and unfinished products are valued using the standard cost method with deviations to actual production prices. The use of inventories is stated at weighted average prices.

The net realizable value is estimated on the basis of the selling price in the ordinary course of business, less the estimated costs of completion and estimated distribution costs. Write-offs of damaged, expired and useless inventories are regularly performed during the year on individual items.

### Assets Held for Disposal (Disposal Groups)

Assets or disposal groups which include assets and liabilities for which it can be expected that their value will be recovered through sale are classified as assets held for disposal. Assets or disposal groups are re-measured directly before their classification as assets held for disposal. Accordingly, non-current assets or disposal groups are recognized at their carrying amount or fair value less cost of sale, whichever is the lower. Impairment losses on the reclassification of assets as assets held for disposal, and subsequent losses and gains on re-measurement, are recognized in profit or loss. Gains are not recognized in the amount exceeding possible accumulated impairment losses.

Once classified as held for disposal, intangible assets and property, plant and equipment are no longer amortised or depreciated. When investments are classified as assets held for disposal, they are no longer equity accounted.

### Impairment of Assets

#### Financial Assets

A financial asset is impaired if objective evidences indicate that one or more events occurred resulting in a decrease in the estimated future cash flows from this asset which can be reliably estimated.

Objective evidence of the impairment of financial assets can include: default or delinquency by a debtor; restructuring of the amount owed to the Group, if the Group agrees; indications that the debtor will declare bankruptcy; and the disappearance of the active market for such an instrument.

### Impairment of loans and receivables

The Group considers the evidence of impairment of receivables individually or collectively. All significant receivables are measured separately for specific impairment. If it is assessed that the carrying amount of the receivables exceeds the fair value, i.e. the collectible amount, receivables are impaired.

Receivables that are not individually significant are collectively assessed for impairment by grouping together those receivables with similar risk characteristics. The Group creates these groups on the basis of the maturity of receivables. In the evaluation of total impairment the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of incurred loss adjusted for management judgment as to whether the actual losses due to current economic and credit conditions could be higher or lower than the losses based on historical trends.

The Group evaluates the evidence of impairment for each significant loan individually.

An impairment loss related to a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the estimated future cash flows, discounted at an original effective interest rate. The loss is recognized in the profit or loss.

### Available-for-sale financial assets

Impairment losses of available-for-sale financial assets are recognized so that the potential accumulated loss, previously recognized in the comprehensive income of the period and included in the fair value reserve, is transferred into profit or loss. Any subsequent increase in the fair value of an impaired available-for-sale equity security is recognized in the comprehensive income for the period or in the fair value reserve.

### Non-Financial Assets

At each reporting date, the Group reviews the carrying value of its important non-financial assets to determine whether there is an indication of impairments. If any such indication exists, the asset's recoverable value is estimated.

The recoverable value of assets or cash-generating units is their value in use or fair value, less cost to sell, whichever is greater. In assessing value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of cash and the risks specific to the asset. In order to test

the impairment, assets which cannot be tested individually are joined into the smallest possible group of assets which create cash flows from further use and which are largely independent of the inflow of other assets or groups of assets (cash-generating units).

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

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

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

### Determination of Fair Value

Following the accounting policies of the Group, in many cases the determination of fair value of non-financial assets and financial assets is necessary, either to measure an individual asset (measurement method or business combination) or for additional fair value disclosure.

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

Methods for the determination of fair value of individual groups of assets for measurements or reporting are given below.

### Intangible Assets

The fair value of intangible assets is based on the method of discounted cash flows which are expected to arise from the use and possible disposal of the assets.

### Property, Plant and Equipment

The fair value of property, plant and equipment is their market value. The market value of property is equal to the estimated value at which the property could be sold on the date of valuation and after proper marketing. The market value of equipment is based on the approach of using the quoted market price for similar items.

### Investment Property

The fair value of investment property is assessed by considering the aggregate value of estimated cash flows expected from renting out the property. A yield reflecting specific risks is included in the property valuation, based on discounted net annual cash flows.

### Available-for-Sale Financial Assets and Financial Assets at Fair Value through Profit or Loss

The fair value of available-for-sale financial assets and financial assets at fair value through profit or loss is determined according to preliminarily-defined hierarchy levels of determining the fair value of financial instruments. If the fair value cannot be reliably measured, because the wide range of estimates of reasonable fair values is important, and the probability of different estimates is hard to assess, the Group measures the financial asset at cost.

### Loans and Receivables

The fair value of loans and receivables is calculated as the present value of future cash flows discounted at the market interest rate at the end of the period. The assessment considers the credit risk connected to these financial assets.

### Inventories

The fair value of inventories is determined on the basis of expected trade value in the ordinary course of business, less the estimated distribution costs.

### Non-Derivative Financial Liabilities

The fair value for reporting is calculated on the present value of future repayment and the principal value discounted at the market interest rate at the end of the period.

### Equity

#### Share Capital

The share capital of the parent company takes the form of share capital, the amount of which is defined in the Company's article of association. It is registered with the Court and paid by the owners.

#### Capital Surplus

Capital surplus consists of the amounts from payments exceeding the lowest issue price per share that exceeds the carrying amount upon the disposal of previously-acquired own shares; the amounts on the basis of simplified decrease of share capital; and the amounts on the basis of reversal of general revaluation adjustment.

#### Legal and Other Reserves

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

#### Treasury Shares

If the company or its subsidiaries acquire an ownership interest, the paid amount including the transaction costs less tax, is deducted from the total equity as treasury shares until such shares are withdrawn, reissued or sold.

#### Dividends

Until approved at the General Assembly of shareholders, the planned dividends are treated as retained earnings.

#### Provisions

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

### Employee Benefits

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

The provisions are formed in the amount of estimated future payments for loyalty bonuses and severance pay, discounted at the end of the financial year. The calculation is made for each individual employee and includes the costs of severance pay upon retirement and the costs of all expected loyalty bonuses up to retirement. The calculation is prepared by an actuary, selected at group level, on the basis of a projected unit. The provisions are reviewed periodically or when the assumptions used to determine the amount of provision change significantly.

### Deferred Revenues

Deferred revenues are expected to cover estimated expenses during a period exceeding one year.

On the basis of the status of a sheltered company, companies in the Group create deferred revenues in the amount of calculated but not paid contributions from salary and compulsory contributions (assigned contributions). They are intended to cover the expenses in accordance with the Vocational Rehabilitation and Employment of Disabled Persons Acts. The expended deferred revenues are eliminated and credited to operating income for the current year.

### Cash Flow Statement

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

### Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses which relate to transactions with any of the Group's other segments. Segments are different in terms of risks and returns. The Group's segment reporting is based on the Group's internal reporting system applied by the management in the decision-making process.

The segments are presented in detail in the business report.

The Group uses the following segments in the preparation and presentation of the financial statements:

- Steel Division,
- Distribution & Processing Division,
- Scrap Division,
- Manufacturing Division,
- Headquarter and other services and
- Processing and preserving of poultry meat.

## NOTES TO INDIVIDUAL ITEMS IN THE FINANCIAL STATEMENTS

### 1. Revenue

in € thousand	2015	2014
In Slovenia	172,841	97,550
In other countries:	740,307	610,308
- Germany	157,426	164,860
- Italy	147,753	169,340
- the USA	61,969	48,718
- Austria	35,846	23,746
- Other countries	337,312	203,644
<b>Revenue</b>	<b>913,148</b>	<b>707,858</b>

### 2. Operating Expenses

in € thousand	2015	2014
Costs of goods, materials and services	690,760	535,664
Labour costs:	143,145	89,909
- wages and salaries	107,243	67,820
- social security costs	17,976	12,334
- other labour costs	17,926	9,754
Depreciation and amortisation costs	50,844	38,289
Other costs	7,952	6,084
Changes in the value of inventories	(3,649)	5,348
<b>Operating expenses</b>	<b>889,052</b>	<b>675,294</b>

### Review of Costs by Type in 2015

in € thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Costs of goods, materials and services	616,170	50,386	24,207	690,763
Labour costs	86,267	16,198	40,680	143,145
Depreciation and amortisation costs	43,776	1,894	5,173	50,843
Other costs	3,489	244	4,217	7,950
Changes in the value of inventories	(3,649)	0	0	(3,649)
<b>Operating expenses</b>	<b>746,053</b>	<b>68,722</b>	<b>74,277</b>	<b>889,052</b>

### Review of Costs by Type in 2014

in € thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Costs of goods, materials and services	485,992	32,907	16,764	535,663
Labour costs	56,802	6,803	26,304	89,909
Depreciation and amortisation costs	34,071	387	3,831	38,289
Other costs	2,758	58	3,269	6,085
Changes in the value of inventories	5,348	0	0	5,348
<b>Operating expenses</b>	<b>584,971</b>	<b>40,155</b>	<b>50,168</b>	<b>675,294</b>

### 3. Other Operating Income

in € thousand	2015	2014
Capitalized own products	3,767	3,992
Revenues from received subsidies	4,789	1,769
Received compensations	2,410	1,758
Write-off of liabilities	107	736
Reversal of provisions	226	116
Profit from sale of property, plant and equipment	95	19
Other income	3,300	552
<b>Other operating income</b>	<b>14,694</b>	<b>8,942</b>

### 4. Other Operating Expenses

in € thousand	2015	2014
Allowances for receivables	1,616	847
Impairment of inventories	1,473	583
Expenses for donations and sponsorships	388	292
Other expenses	1,094	241
<b>Other operating expenses</b>	<b>4,571</b>	<b>1,963</b>

### 5. Finance Income

in € thousand	2015	2014
Interest income	529	1,319
Exchange rate differences	367	197
Other income	690	120
<b>Finance income</b>	<b>1,586</b>	<b>1,636</b>



## 6. Finance expenses

in € thousand	2015	2014
Interest expenses	16,910	12,092
Exchange rate differences	363	146
Other expenses	8,994	2,855
<b>Finance expenses</b>	<b>26,267</b>	<b>15,093</b>

## 7. Taxes

in € thousand	2015	2014
Income tax expenses	(1,645)	(988)
Deferred income tax	3,079	(794)
<b>Taxes</b>	<b>1,434</b>	<b>(1,782)</b>

## 8. Net Earnings per Share

in € thousand	2015	2014
Profit, attributable to owners of the parent company	11,325	24,858
Weighted number of issued ordinary shares	970,979	986,693
<b>Basic and diluted earnings per share (in €)</b>	<b>11.66</b>	<b>25.19</b>

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

## 9. Intangible Assets

### Movement of Intangible Assets in 2015

in € thousand	Non-current property rights	Goodwill	Assets under construction	Total
<b>Cost as at 31 Dec. 2014</b>	<b>6.909</b>	<b>15.061</b>	<b>6.130</b>	<b>28.100</b>
Acquisition of company	3.479	190	0	3.669
New additions	0	0	4.968	4.968
Transfer from assets under construction	10.784	0	(10.784)	0
Translation differences	2	0	0	2
Disposals	(17)	0	0	(17)
Transfer to property, plant and equipment	(1.061)	0	0	(1.061)
Reversal	0	(190)	0	(190)
<b>Cost as at 31 Dec. 2015</b>	<b>20.096</b>	<b>15.061</b>	<b>314</b>	<b>35.471</b>
<b>Accumulated amortisation as at 31 Dec. 2014</b>	<b>(3.294)</b>	<b>-</b>	<b>-</b>	<b>(3.294)</b>
Amortisation	(1.927)	-	-	(1.927)
Translation differences	(2)	-	-	(2)
Disposals	15	-	-	15
Transfer to property, plant and equipment	802	-	-	802
<b>Accumulated amortisation as at 31 Dec. 2015</b>	<b>(4.406)</b>	<b>-</b>	<b>-</b>	<b>(4.406)</b>
<b>Present value as at 31 Dec. 2014</b>	<b>3.615</b>	<b>15.061</b>	<b>6.130</b>	<b>24.806</b>
<b>Present value as at 31 Dec. 2015</b>	<b>15.690</b>	<b>15.061</b>	<b>314</b>	<b>31.065</b>

Intangible assets comprise computer software and licences. Major new additions in 2015 refer to the purchase of software and licences in connection with the modernisation of the information system, activated in 2015.

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

On 31 December 2015 the goodwill was tested for potential impairment and the company determined no signs of impairment. Based on the test performed, the Board of Directors assesses that on 31 December 2015 the recoverable value of investments in interests of the companies in which goodwill arose was higher than their purchase value at the time of the business combination. Therefore impairment of goodwill which arose from business combinations is not necessary. The recoverable value of investments which corresponds to the value of investments in use was assessed by the method of present value of the estimated cash flows. All assumptions used for calculating cash flow are based on past experience

of the companies' operations and reasonable expectations of future operations.

The Group recognizes goodwill which arose in 2015 immediately in income statements.

On 31 December 2015 the Group's unsettled liabilities to suppliers for purchase of intangible assets amounted to €357 thousand. Its contractual liabilities for the purchase of intangible assets amounted to €611 thousand. The present value of intangible assets under finance lease is €31 thousand. The Group capitalized €19 thousand of borrowing costs, for which the interest rates were between 2.50 and 4.02 percent. Intangible assets, whose present value on 31 December 2015 amounts to €68 thousand, are pledged as security for liabilities.

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

### Movement of Intangible Assets in 2014

in € thousand	Non-current property rights	Goodwill	Assets under construction	Total
Cost as at 31 Dec. 2013	6,335	15,061	3,098	24,494
New additions	0	0	4,055	4,055
Transfer from assets under construction	1,026	0	(1,026)	0
Disposals	(459)	0	0	(459)
Translation differences	2	0	0	2
Transfer from property, plant and equipment	5	0	3	8
<b>Cost as at 31 Dec. 2014</b>	<b>6,909</b>	<b>15,061</b>	<b>6,130</b>	<b>28,100</b>
Accumulated amortisation as at 31 Dec. 2013	(3,053)	-	-	(3,053)
Amortisation	(696)	-	-	(696)
Disposals	459	-	-	459
Translation differences	(1)	-	-	(1)
Transfer from property, plant and equipment	(3)	-	-	(3)
<b>Accumulated amortisation as at 31 Dec. 2014</b>	<b>(3,294)</b>	<b>-</b>	<b>-</b>	<b>(3,294)</b>
Present value as at 31 Dec. 2013	3,282	15,061	3,098	21,441
Present value as at 31 Dec. 2014	3,615	15,061	6,130	24,806

### 10. Property, Plant and Equipment

#### Movement of Property, Plant and Equipment in 2015

in € thousand	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec. 2014	25,490	274,189	807,039	23,873	27,598	1,158,189
Acquisition of company	26,116	82,575	25,685	463	3,340	138,179
New additions	0	0	0	0	73,186	73,186
Transfer from assets under construction	903	10,447	54,571	4,341	(70,261)	0
Disposals	(126)	(4,683)	(13,763)	(2,050)	(3)	(20,625)
Translation differences	(5)	(46)	(57)	7	(4)	(105)
Redistribution	2,072	(1,110)	(13,675)	12,713	0	0
Other changes	(2,559)	(1,890)	(587)	(184)	0	(5,220)
Transfer from intangible assets	0	0	1,018	43	0	1,061
<b>Cost as at 31 Dec. 2015</b>	<b>51,891</b>	<b>359,482</b>	<b>860,231</b>	<b>39,206</b>	<b>33,856</b>	<b>1,344,666</b>
Accumulated depreciation as at 31 Dec. 2014	-	(180,899)	(560,548)	(18,660)	-	(760,107)
Depreciation	-	(8,346)	(37,785)	(2,836)	-	(48,967)
Disposals	-	4,658	13,404	1,899	-	19,961
Translation differences	-	19	32	(7)	-	44
Redistribution	-	(1,076)	11,067	(9,991)	-	0
Other changes	-	395	28	460	-	883
Transfer from intangible assets	-	0	(762)	(40)	-	(802)
<b>Accumulated depreciation as at 31 Dec. 2015</b>	<b>-</b>	<b>(185,249)</b>	<b>(574,564)</b>	<b>(29,175)</b>	<b>-</b>	<b>(788,988)</b>
Present value as at 31 Dec. 2014	25,490	93,290	246,491	5,213	27,598	398,082
Present value as at 31 Dec. 2015	51,891	174,233	285,667	10,031	33,856	555,678

Major new additions and finished investments in property, plant and equipment include:

- line heat treatment of special heavy plates,
- no-acid cleaning of hot-rolled strips,
- vacuum ladle furnace,
- modernization of primary production of Live production
- restoration of farm Dobrovník
- current upgrades (repairs),
- renovation of buildings.

Disposals of property, plant and equipment mostly refer to the sale or write-off of equipment connected with the renovation of basic production capacities, and write-offs of unusable or out-dated equipment.

Redistribution refers to transfers between groups of assets and has no effect on income statements.

Property, plant and equipment, whose present value on 31 December 2015 amounts to €332,905 thousand, are pledged as security for liabilities. On 31 December 2015 the Group's unsettled liabilities to suppliers for purchase of property, plant and equipment amounted to €21,055 thousand. Its contractual liabilities for the purchase of property, plant and equipment amounted to €43,798 thousand. The present value of property, plant and equipment under finance lease is €6,919 thousand. The Group capitalized €860 thousand in 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 amount does not exceed the recoverable amount.

## Movement of Property, Plant and Equipment in 2014

in € thousand	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec. 2013	25,320	268,705	806,604	24,147	11,478	1,136,254
New additions	0	0	0	0	41,493	41,493
Transfer from assets under construction	242	2,462	20,791	1,875	(25,371)	0
Disposals	(9)	0	(18,647)	(918)	0	(19,574)
Translation differences	(63)	(2)	(67)	3	0	(129)
Redistribution	0	2,871	(1,642)	(1,229)	0	0
Other changes	0	153	0	0	0	153
Transfer to intangible assets	0	0	0	(5)	(3)	(8)
Cost as at 31 Dec. 2014	25,490	274,189	807,039	23,873	27,597	1,158,188
Accumulated depreciation as at 31 Dec. 2013	-	(175,250)	(547,537)	(18,960)	-	(741,747)
Depreciation	-	(4,802)	(31,228)	(1,563)	-	(37,593)
Write-offs and disposals	-	0	18,557	738	-	19,295
Translation differences	-	1	14	(3)	-	12
Redistribution	-	(771)	(354)	1,125	-	0
Other changes	-	(76)	0	0	-	(76)
Transfer to intangible assets	-	0	0	3	-	3
Accumulated depreciation as at 31 Dec. 2014	-	(180,898)	(560,548)	(18,660)	-	(760,106)
Present value as at 31 Dec. 2013	25,320	93,455	259,067	5,187	11,478	394,507
Present value as at 31 Dec. 2014	25,490	93,291	246,491	5,213	27,597	398,082

## 11. Investment Property

### Movement of Investment Property in 2015 and 2014

in € thousand	2015	2014
Cost as at 1 Jan.	834	834
Acquisition of company	3,927	0
Disposals	(318)	0
Transfer from property, plant and equipment	622	0
Cost as at 31 Dec.	5,065	834
Accumulated depreciation as at 1 Jan.	(627)	(612)
Depreciation	(62)	(15)
Transfer from property, plant and equipment	(138)	0
Accumulated depreciation as at 31 Dec.	(827)	(627)
Present value as at 1 Jan.	207	222
Present value as at 31 Dec.	4,238	207

In 2015 the Group generated €265 thousand of income and €77 thousand of expenses from investment properties.

The investment property whose present value on 31 December 2015 amounts to €1,493 thousand, are pledged as security for liabilities. The disclosed value of the investment property does not exceed its realizable value.

## 12. Investments in Associates

in € thousand	31 Dec. 2015	31 Dec. 2014
Razvojni center Jesenice, Cesta Franceta Prešerna 61, Jesenice, Slovenia	1,573	1,548
<b>Investments in associates</b>	<b>1,573</b>	<b>1,548</b>

in € thousand	Activity	% of voting rights	Value of assets as at 31 Dec. 2015	Value of equity as at 31 Dec. 2015	Revenues 2015	Net profit 2015
Razvojni center Jesenice	Development	24.95	10,383	6,078	2,170	100

The investment in associates is valued on the basis of equity method. In 2015 the Group attributed a corresponding share of 2015 profit which amounted to €25 thousand.

The company's principal activity is development of new materials and raw materials. The company does not need to be audited.

## 13. Available-for-Sale Financial Assets

in € thousand	31 Dec. 2015	31 Dec. 2014
Available-for-sale financial assets at cost	547	290
Available-for-sale financial assets at fair value	614	616
<b>Available-for-sale financial assets</b>	<b>1,161</b>	<b>906</b>

Available-for-sale financial assets, carried at cost, refer to shares and interests in companies that are not traded on the regulated market and whose fair value cannot be measured reliably.

regulated market and whose fair value can be measured reliably. These assets decreased due to revaluation at fair value in the amount of €2 thousand charged to the comprehensive income.

Available-for-sale financial assets, carried at fair value, refer to shares and interests in companies that are traded on the

Received dividends in 2015 amounted to €87 thousand.

## 14. Non-Current Operating Receivables

in € thousand	31 Dec. 2015	31 Dec. 2014
Operating receivables	5,091	5,057
Allowances for operating receivables	(2,984)	(3,165)
<b>Non-current operating receivables</b>	<b>2,107</b>	<b>1,892</b>

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



## 15. Other Non-Current Assets

in € thousand	31 Dec. 2015	31 Dec. 2014
Other assets	2,932	2,043
<b>Other non-current assets</b>	<b>2,932</b>	<b>2,043</b>

Other assets include non-current accrued cost of arrangement fees, emission coupons and cautions. The increase mostly refers to non-current accrued costs of arrangement fees.

## 16. Deferred Tax Assets and Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Deferred tax assets	20,206	15,696
Deferred tax liabilities	(35)	(50)
<b>Deferred tax assets (liabilities), net</b>	<b>20,171</b>	<b>15,646</b>

### Movement of Deferred Tax Assets and Liabilities in 2015

in € thousand	31 Dec. 2014	Acquisition of company	Translation differences	Changes in the income statement	Changes in comprehensive income	31 Dec. 2015
Property, plant and equipment	(148)	(1,209)	0	101	1,175	(81)
Other	97	0	0	(52)	0	45
<b>Deferred tax liabilities</b>	<b>(51)</b>	<b>(1,209)</b>	<b>0</b>	<b>49</b>	<b>1,175</b>	<b>(36)</b>
Other provisions	56	0	0	(1)	0	55
Unused tax losses	7,141	813	0	1,204	0	9,158
Inventories	(18)	0	8	129	0	119
Operating receivables	969	128	0	(136)	0	961
Employee benefits	1,295	322	0	154	0	1,771
Property, plant and equipment	116	-	0	514	0	630
Available-for-sale financial assets	(35)	182	0	(182)	0	(35)
Unused tax reliefs	6,173	-	27	1,348	0	7,548
<b>Deferred tax assets</b>	<b>15,697</b>	<b>1,445</b>	<b>35</b>	<b>3,030</b>	<b>0</b>	<b>20,207</b>
<b>Deferred tax assets (liabilities), net</b>	<b>15,646</b>	<b>236</b>	<b>35</b>	<b>3,079</b>	<b>1,175</b>	<b>20,171</b>

On 31 December 2015 the value of unused tax losses for which deferred tax assets are recognized amounted to €48,194 thousand. The value of unused tax losses for which deferred tax

assets are not recognized amounted to €58,324 thousand, while unrecognized deferred tax assets amounted to €9,915 thousand.

### Movement of Deferred Tax Assets and Liabilities in 2014

in € thousand	31 Dec. 2013	Translation differences	Changes in the income statement	Changes in comprehensive income	31 Dec. 2014
Inventories	(77)	0	77	0	0
Property, plant and equipment	(302)	0	155	0	(147)
Other	327	0	(230)	0	97
<b>Deferred tax liabilities</b>	<b>(52)</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>(50)</b>
Other provisions	27	0	29	0	56
Unused tax losses	7,695	0	(554)	0	7,141
Inventories	252	11	(281)	0	(18)
Operating receivables	940	0	29	0	969
Employee benefits	1,322	0	(27)	0	1,295
Property, plant and equipment	769	0	(653)	0	116
Available-for-sale financial assets	(15)	0	0	(20)	(35)
Unused tax reliefs	5,501	9	662	-	6,172
<b>Deferred tax assets</b>	<b>16,491</b>	<b>20</b>	<b>(795)</b>	<b>(20)</b>	<b>15,696</b>
<b>Deferred tax assets (liabilities), net</b>	<b>16,439</b>	<b>20</b>	<b>(793)</b>	<b>(20)</b>	<b>15,646</b>

## 17. Assets Held for Disposal

in € thousand	31 Dec. 2015	31 Dec. 2014
Assets held for sale	4,142	4,146
<b>Assets held for disposal</b>	<b>4,142</b>	<b>4,146</b>

Under assets held for sale, the Group has lands and buildings (outbuildings and apartments) in Jesenice and Celje. Sales activities are constantly under way. In 2015, the Group generated €1 thousand in profit from the sale of assets. The assets are not pledged as security for liabilities.

The present value of assets classified as held for sale does not exceed their realizable value.

## 18. Inventories

in € thousand	31 Dec. 2015	31 Dec. 2014
Raw material	80,065	63,225
Work in progress	68,244	40,582
Finished products	43,871	41,534
Trade goods	16,692	15,293
<b>Inventories</b>	<b>208,872</b>	<b>160,634</b>

Inventories, whose present value on 31 December 2015 amounts to €13,638 thousand, are pledged as security for liabilities. On 31 December 2015 the Group checked the value of the inventories and found that the net realizable value

of finished products is lower than their production value, so made an impairment of the inventories in the amount of €1,473 thousand in 2015.

### Movement of Allowances for Inventories

in € thousand	2015	2014
Balance as at 1 Jan.	4,788	4,850
Allowance changes with influence on profit or loss	83	(17)
Allowance changes without influence on profit or loss	(2)	(61)
Translation differences	15	16
Balance as at 31 Dec.	4,884	4,788

### 19. Current Financial Receivables

in € thousand	31 Dec. 2015	31 Dec. 2014
Loans issued	3,180	47
Interest receivables	237	10
Other	0	1
Current financial receivables	3,417	58

Loans issued include a loan issued to the parent company in the amount of €3,000 thousand. The interest rate for loans issued is mainly fixed.

### Movement of Current Loans Issued

in € thousand	2015	2014
Balance as at 1 Jan.	47	15,969
Acquisition of company	27	0
Loans issued	3,224	8,431
Receipt from loans issued	(84)	(23,772)
Write-off of loans issued	(13)	(581)
Translation differences	(1)	0
Other	(20)	0
Balance as at 31 Dec.	3,180	47

### 20. Current Operating Receivables

in € thousand	31 Dec. 2015	31 Dec. 2014
Trade receivables	135,434	129,060
Allowances for trade receivables	(7,712)	(4,135)
VAT receivables	6,129	5,173
Issued advance payments and cautions	5,320	5,770
Other operating receivables	5,389	2,562
Current operating receivables	144,560	138,430

The majority of the Group's trade receivables are insured against commercial risks with our insurance company. Trade receivables, whose present value on 31 December 2015 amounts to €49,405 thousand, are pledged as security for liabilities.

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

### 21. Cash and Cash Equivalents

in € thousand	31 Dec. 2015	31 Dec. 2014
Cash in national currency	61,432	34,917
Cash in foreign currency	12,465	3,883
Restricted cash	74	193
Cash and cash equivalents	73,971	38,993

Cash in national and foreign currency includes cash in hand and balances on bank accounts, amounting to €49,441 thousand on 31 December 2015. Deposits in the amount of €24,456 thousand are in the national currency and have a maturity of up to three months. The interest rate for deposits is fixed.

Restricted cash represents assets on custody account intended for payments of liabilities for the acquisition of a subsidiary.

### 22. Other Current Assets

in € thousand	31 Dec. 2015	31 Dec. 2014
Deferred expenses	2,121	1,037
Accrued revenues	432	95
Other current assets	2,553	1,132

Current deferred expenses refer to advance payments of costs, which in 2016 will debit against profit or loss.

### 23. Equity

in € thousand	31 Dec. 2015	31 Dec. 2014
<b>Equity attributed to the owners of the parent company</b>	<b>347,758</b>	<b>343,549</b>
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Revenue reserves	129	(859)
Fair value reserves	(189)	171
Translation differences	343	33
Retained earnings	190,748	187,477
<b>Non-controlling interest</b>	<b>53,174</b>	<b>4,586</b>
<b>Equity</b>	<b>400,932</b>	<b>348,135</b>

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

### Ownership Structure of the Parent Company

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

The ownership structure changed in 2015. The parent company completed the purchase of 11,468 of its own shares from D. P. R., d. d., and 8,205 of its own shares from Stanovanjsko podjetje, d. o. o., thus increasing the treasury shares by 2.77 percent.

### Capital Surplus

Capital surplus in the amount of €11,461 thousand was created during the simplified decrease in the parent company's capital.

### Revenue Reserves

in € thousand	31 Dec. 2015	31 Dec. 2014
Legal reserves	2,384	1,396
Treasury shares	(6,009)	(2,257)
Reserves for treasury shares	3,754	2
<b>Revenue reserves</b>	<b>129</b>	<b>(859)</b>

The parent company acquired treasury shares in the amount of €2,255 thousand on the basis of the Act Regulating the Incurrence and Settlement of Liabilities of Slovenske železarne as regards the Restructuring Programme (Official Gazette of the RS, nr. 111/2001) and in line with the Privatization of Slovenske železarne Act (Official Gazette of the RS, nr. 13/1998). Treasury shares were acquired by exchanging interests in subsidiaries for shares of the parent company owned by authorized companies. The shares were acquired ex lege and

not in line with the Companies Act, which is why the parent company did not establish a treasury shares fund. Shares are recognized at cost.

In 2015 the parent company acquired 19,673 treasury shares on the basis of decisions taken at the 25th General Assembly of 9 June 2014, and established reserves in the amount of €3,752 thousand for treasury shares. Shares are recognized at cost.

### Fair Value Reserves

in € thousand	31 Dec. 2015	31 Dec. 2014
Fair value reserves due to available-for-sale financial assets	373	206
Deferred tax liabilities	(35)	(35)
Net actuarial losses on pension programs	(528)	0
<b>Fair value reserves</b>	<b>(189)</b>	<b>171</b>

### Distributable Profit

The Group is not a legal entity nor does it hold decision-making rights. Retained earnings and net profit for the financial year of subsidiaries, included in the financial statements, are divided at the level of the respective subsidiaries.

### 24. Employee Benefits

in € thousand	31 Dec. 2015	31 Dec. 2014
Provisions for severance pay	12,097	8,319
Provisions for loyalty bonuses	2,637	1,995
Provisions for post-employment benefits	177	124
<b>Employee benefits</b>	<b>14,911</b>	<b>10,438</b>

The actuarial calculation was made on the basis of the actuarial model and assumptions, derived from life tables, growth in wages in the Republic of Slovenia, and the yield curve, which represents the relationship between market yields on government bonds in the Eurozone and the time remaining to maturity. The observed discounted rate is between 0 and 7 percent, depending on maturity.

Employee benefits are calculated by an authorized actuary. The change in employee benefits had a direct effect on the income statement, except for actuarial losses which decreases the revaluation reserves in equity.

The Group did not carry out an actuarial calculation in 2014.

### Movement of Employee Benefits in 2015

in € thousand	31 Dec. 2014	Acquisition of company	Formation	Reversal	Utilization	31 Dec. 2015
Provisions for severance pay	8,319	1,614	2,431	(267)	0	12,097
Provisions for loyalty bonuses	1,995	638	168	(164)	0	2,637
Provisions for post-employment benefits	124	0	84	(18)	(13)	177
<b>Employee benefits</b>	<b>10,438</b>	<b>2,252</b>	<b>2,683</b>	<b>(449)</b>	<b>(13)</b>	<b>14,911</b>

### 25. Other Provisions

in € thousand	31 Dec. 2015	31 Dec. 2014
Provisions for environmental rehabilitation	200	200
Provisions for law suits	708	902
Provisions for complaints	571	575
<b>Other provisions</b>	<b>1,479</b>	<b>1,677</b>

### Movement of Other Provisions in 2015

in € thousand	31 Dec. 2014	Acquisition of company	Formation	Reversal and utilization	31 Dec. 2015
Provisions for environmental rehabilitation	200	0	0	0	200
Provisions for law suits	902	41	40	(275)	708
Other provisions	575	0	0	(4)	571
<b>Other provisions</b>	<b>1,677</b>	<b>41</b>	<b>40</b>	<b>(279)</b>	<b>1,479</b>



#### Movement of Other Provisions in 2014

in € thousand	31 Dec. 2013	Formation	Reversal and utilization	31 Dec. 2014
Provisions for environmental rehabilitation	500	0	(300)	200
Provisions for law suits	1,043	0	(141)	902
Other provisions	320	257	(2)	575
<b>Other provisions</b>	<b>1,863</b>	<b>257</b>	<b>(443)</b>	<b>1,677</b>

#### 26. Non-Current Deferred Revenues

in € thousand	31 Dec. 2015	31 Dec. 2014
Assigned contributions	866	866
Other deferred revenues	4,092	0
<b>Non-current deferred revenues</b>	<b>4,959</b>	<b>866</b>

#### Movement of Non-Current Deferred Revenues in 2015

in € thousand	31 Dec. 2014	Acquisition of company	Formation	Reversal and utilization	31 Dec. 2015
Assigned contributions	866	0	1,366	(1,365)	867
Other deferred revenues	0	3,651	3,863	(3,422)	4,092
<b>Non-current deferred revenues</b>	<b>866</b>	<b>3,651</b>	<b>5,229</b>	<b>(4,787)</b>	<b>4,959</b>

#### Movement of Non-Current Deferred Revenues in 2014

in € thousand	31 Dec. 2013	Formation	Reversal and utilization	31 Dec. 2014
Assigned contributions	776	1,377	(1,287)	866
Other deferred revenues	2	57	(59)	0
<b>Non-current deferred revenues</b>	<b>778</b>	<b>1,434</b>	<b>(1,346)</b>	<b>866</b>

#### 27. Non-Current Financial Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Borrowings	184,224	138,072
Liabilities for bonds issued	94,115	42,897
Liabilities arising from finance lease	4,155	2,413
Interest liabilities	624	0
<b>Non-current financial liabilities</b>	<b>283,118</b>	<b>183,382</b>

Borrowings include loans from domestic and foreign banks. Borrowings in the amount of €155,214 thousand are secured by properties, receivables, investments in subsidiaries and inventories. Other borrowings are not secured.

The interest rate for the majority of borrowings and liabilities arising from finance lease is flexible and based on EURIBOR.

#### Liabilities for bonds issued

Liabilities for bonds issued refer to the bonds issued with the ticker symbol SIJ4. The bonds were issued by the parent company with a total nominal value of €42,897 thousand. The entire bond issue contains 42,897 denominations of €1 thousand. The bond maturity date is 24 November 2019. The interest rate for the bonds is fixed, i.e. 4.50 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds have been traded on the Ljubljana Stock Exchange.

Liabilities for bonds issued refer to the bonds issued with the ticker symbol SIJ5. The bonds were issued by the parent company with a total nominal value of €51,218 thousand. The entire bond issue contains 51,218 denominations of €1 thousand. The bond maturity date is 21 July 2020. The interest rate for the bonds is fixed, i.e. 4.00 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds have been traded on the Ljubljana Stock Exchange.

#### Movement of Non-Current Borrowings

in € thousand	2015	2014
<b>Balance as at 1 Jan.</b>	<b>138,072</b>	<b>155,403</b>
Acquisition of company	21,447	0
Borrowings	171,765	32,883
Repayments for borrowings	(34,638)	(25,176)
Reclassification to current borrowings	(188,818)	(25,038)
Reclassification from current borrowings	76,396	0
Exchange rate differences	(1)	2
Translation differences	1	(2)
<b>Balance as at 31 Dec.</b>	<b>184,224</b>	<b>138,072</b>

#### Movement of Non-Current Liabilities Arising from Finance Lease

in € thousand	2015	2014
<b>Balance as at 1 Jan.</b>	<b>2,413</b>	<b>3,601</b>
Acquisition of company	1,887	0
Liabilities arising from finance lease	2,569	692
Repayments of liabilities arising from finance lease	(114)	0
Reclassification to current liabilities arising from finance lease	(2,600)	(1,880)
<b>Balance as at 31 Dec.</b>	<b>4,155</b>	<b>2,413</b>

The lowest sum of future leases due for payment amounts to €2,301 thousand in the next financial year, €3,857 thousand in 1 to 5 years, and €542 thousand after 5 years.

The net present value of future leases due for payment amounts to €2,107 thousand in the next financial year, €3,651 thousand in 1 and 5 years, and €504 thousand after 5 years.

## 28. Non-Current Operating Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Emission coupons	663	762
Other liabilities	165	152
<b>Non-current operating liabilities</b>	<b>828</b>	<b>914</b>

## 29. Current Financial Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Borrowings	93,688	70,412
Liabilities for commercial papers issued	17,662	0
Interest liabilities	2,601	1,292
Liabilities arising from finance lease	2,107	1,737
<b>Current financial liabilities</b>	<b>116,058</b>	<b>73,441</b>

Borrowings include loans from domestic and foreign banks. Borrowings in the amount of €43,194 thousand are secured by properties, receivables and inventories. Other borrowings

are not secured. The interest rate for the majority of borrowings and liabilities arising from finance lease is flexible and based on EURIBOR

### Liabilities for Commercial Papers Issued

Liabilities for commercial papers amounting to €17,662 thousand refer to 12-month commercial papers with the ticker symbol SIK02, issued by the parent company on 18 December 2015. The total nominal value of the commercial papers is €17,662 thousand, and covers 17,662 denominations of €1 thousand. The interest rate for a commercial paper is 2.20 per cent per annum. Commercial papers are a discounted security.

Interest is charged in advance and deducted on payment of a commercial paper in the form of a discount from the nominal value of the commercial paper. Liabilities from commercial papers are payable on 16 December 2016. Commercial papers trading takes place at the Ljubljana Stock Exchange.

### Movement of Current Borrowings

in € thousand	2015	2014
<b>Balance as at 1 Jan.</b>	<b>70,412</b>	<b>109,089</b>
Acquisition of company	85,260	0
Borrowings	303,045	237,678
Payments for borrowings	(478,103)	(302,030)
Reclassification from non-current borrowings	188,818	25,038
Reclassification to non-current borrowings	(76,396)	0
Exchange rate differences	6	11
Translation differences	646	626
<b>Balance as at 31 Dec.</b>	<b>93,688</b>	<b>70,412</b>

## Movement of Current Liabilities Arising from Finance Lease

in € thousand	2015	2014
<b>Balance as at 1 Jan.</b>	<b>1,737</b>	<b>3,522</b>
Acquisition of company	830	0
Liabilities arising from finance lease	10	0
Payments of liabilities arising from finance lease	(3,070)	(3,665)
Reclassification from non-current liabilities arising from finance lease	2,600	1,880
<b>Balance as at 31 Dec.</b>	<b>2,107</b>	<b>1,737</b>

The lowest sum of future leases, due for payment in the next financial year, amounts to €2,301 thousand on 31 December 2015, and the net present value of leases amount to €2,107 thousand on the same date.

## 30. Current Operating Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Liabilities to suppliers	214,291	155,323
Liabilities to employees	5,043	3,946
Received advance payments	1,485	1,515
Tax liabilities	7,726	4,395
Other liabilities	2,279	1,727
<b>Current operating liabilities</b>	<b>230,824</b>	<b>166,906</b>

## 31. Other Current Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Accrued customer fees	485	1,121
Accrued expenses for unused annual leave	1,270	933
Accrued expenses for law suits	133	68
Other liabilities	1,923	673
Deferred revenue	156	59
<b>Other current liabilities</b>	<b>3,967</b>	<b>2,854</b>

## 32. Segment Reporting

### Segment Reporting for 2015

in € thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Headquarter and other Services	Transaction between segments	Total	Combined financial statements
Revenues on the segments	542,212	133,929	76,030	47,242	15,624	-	1,063,739	-
Eliminations	(571)	(1,655)	(9,128)	(397)	(116)	(138,354)	(150,591)	-
<b>Revenues</b>	<b>541,641</b>	<b>132,274</b>	<b>66,902</b>	<b>46,845</b>	<b>15,508</b>	<b>(138,354)</b>	<b>913,148</b>	<b>913,148</b>
Costs on the segments	524,547	135,715	75,358	46,024	15,912	-	1,039,644	-
Eliminations	(571)	(1,655)	(9,128)	(397)	(116)	(138,354)	(150,592)	-
<b>Expenses</b>	<b>523,976</b>	<b>134,060</b>	<b>66,230</b>	<b>45,627</b>	<b>15,796</b>	<b>(138,354)</b>	<b>889,052</b>	<b>889,052</b>
Other operating income (expenses)	6,944	(14)	34	829	21,766	(23,700)	10,123	10,123
<b>Profit (loss) from operation</b>	<b>24,609</b>	<b>(1,799)</b>	<b>706</b>	<b>2,047</b>	<b>21,478</b>	<b>(23,700)</b>	<b>34,219</b>	<b>34,219</b>
Net finance income (expenses)	(11,280)	(1,542)	(965)	28	(641)	7	(24,681)	(24,681)
Share of profit in associates	25	0	0	0	0	-	25	25
Taxes	1,905	735	22	(120)	(722)	-	1,434	1,434
<b>Profit (loss) for the year</b>	<b>15,259</b>	<b>(2,606)</b>	<b>(237)</b>	<b>1,955</b>	<b>20,115</b>	<b>(23,693)</b>	<b>10,998</b>	<b>10,998</b>
Assets on segments	659,235	98,287	29,025	40,432	356,691	(364,607)	1,057,918	1,057,918
Liabilities on segments	391,122	80,268	21,175	22,588	155,419	(155,594)	656,986	656,986

### Segment Reporting for 2014

in € thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Headquarter and other Services	Transaction between segments	Total	Consolidated financial statements
Revenues on the segments	584,063	123,317	98,542	48,092	12,928	0	866,942	-
Eliminations	(4,675)	(1,472)	(14,160)	(318)	(520)	(137,939)	(159,084)	-
<b>Revenues</b>	<b>579,388</b>	<b>121,845</b>	<b>84,382</b>	<b>47,774</b>	<b>12,408</b>	<b>(137,939)</b>	<b>707,858</b>	<b>707,858</b>
Costs on the segments	557,129	121,666	97,266	46,128	12,405	0	834,594	-
Eliminations	(4,675)	(1,472)	(14,160)	(318)	(520)	(138,155)	(159,300)	-
<b>Expenses</b>	<b>552,454</b>	<b>120,194</b>	<b>83,106</b>	<b>45,810</b>	<b>11,885</b>	<b>(138,155)</b>	<b>675,294</b>	<b>675,294</b>
Other operating income (expenses)	(5,031)	130	11	(1,134)	(901)	(57)	(6,982)	(6,979)
<b>Profit (loss) from operation</b>	<b>31,965</b>	<b>1,521</b>	<b>1,265</b>	<b>3,098</b>	<b>1,424</b>	<b>270</b>	<b>39,543</b>	<b>39,543</b>
Net finance income (expenses)	(10,334)	(1,546)	(947)	(42)	4	(592)	(13,457)	(13,457)
Share of profit in associates	600	0	0	0	0	0	600	600
Taxes	(1,089)	(236)	(22)	(289)	(146)	0	(1,782)	(1,782)
<b>Profit (loss) for the year</b>	<b>21,142</b>	<b>(261)</b>	<b>296</b>	<b>2,767</b>	<b>1,282</b>	<b>(319)</b>	<b>24,907</b>	<b>24,907</b>
Assets on segments	628,872	93,776	29,608	39,445	238,738	(241,178)	789,261	789,261
Liabilities on segments	368,607	75,035	21,454	13,462	55,801	(93,233)	441,126	441,126

## 33. Contingent Assets and Liabilities

Contingent assets amounted to €37,040 thousand on 31 December 2015 and refer to loans issued and investments already impaired, and received guarantees for the elimination of errors in the warranty period. The Group expects no inflows from received guarantees.

Contingent liabilities amounted to €57,201 thousand on 31 December 2015. They include issued guarantees in the amount of €52,384 thousand guarantees for good work performance. The Group expects no outflows from the issued securities and guarantees.



### 34. Business Combinations

On 5 March 2015 Noži Ravne acquired a 100 percent share of Ravne Knives (UK) Limited, Ravne Knives UK (North) Limited and Ravne Knives USA INC. In 2015 the Group considered temporary fair values of acquired assets as fair for the initial accounting of the business combination of purchasing the companies.

According to the first paragraph of the IFRS, 3.45, at the initial recognition of business combinations the Group used the

carrying amount of assets, liabilities and potential liabilities of the acquired company as the fair value. The initial recognition will be repeated within twelve months after the acquisition and the recognition will be adjusted accordingly.

The statement of financial position of Ravne Knives (UK) Limited, Ravne Knives UK (North) Limited and Ravne Knives USA INC on the day the Group acquired the controlling interest is given below.

in € thousand	Fair value	Temporary fair value
<b>Assets</b>		
Cash and cash equivalents	62	62
Inventories	18	18
Operating receivables	348	348
<b>Equity and liabilities</b>		
Operating liabilities	411	411
<b>Net assets</b>	<b>17</b>	<b>17</b>
<b>Acquired net assets</b>	<b>17</b>	<b>-</b>
Acquisition price	207	-
Carrying amount of acquired net assets	17	-
Goodwill	190	-

### RELATED PARTIES

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

#### Related Party Transactions Excluded from the Consolidated Financial Statements

in € thousand	2015	2014
Revenues/expenses	237,164	159,083

in € thousand	31 Dec. 2015	31 Dec. 2014
Operating receivables/liabilities	90,211	55,101
Financial receivables/liabilities	107,284	49,003
Investments in subsidiaries	225,248	171,214

### Transactions with the Parent Company

in € thousand	2015	2014
Revenues	20	1,030

in € thousand	31 Dec. 2015	31 Dec. 2014
Receivables	3,022	2

## FINANCIAL INSTRUMENTS AND RISKS

### Credit Risk

The largest exposure on the reporting date arises from trade receivables, other operating receivables, financial receivables and deposits.

#### Age Structure of Financial Assets

in € thousand	Overdue					Total	
	31 Dec. 2015	Not - overdue	Up to 3 months	From 3 months to 1 year	From 1 year to 3 years		Over 3 years
Trade receivables		106,183	15,768	2,908	2,544	319	127,722
Financial receivables and deposits		3,897	0	0	0	0	3,897
<b>Total</b>		<b>110,080</b>	<b>15,768</b>	<b>2,908</b>	<b>2,544</b>	<b>319</b>	<b>131,619</b>

in € thousand	Overdue					Total	
	31 Dec. 2014	Not - overdue	Up to 3 months	From 3 months to 1 year	From 1 year to 3 years		Over 3 years
Trade receivables		108,482	13,544	1,365	1,359	175	124,925
Financial receivables and deposits		16,320	7	0	0	0	16,327
<b>Total</b>		<b>124,801</b>	<b>13,551</b>	<b>1,365</b>	<b>1,359</b>	<b>175</b>	<b>141,251</b>

#### Movement of Allowances for Financial Assets

in € thousand	Allowance on 31 Dec. 2014	Acquisition of company	Formation of allowance for the year	Repayment of assets subject to allowance	Other changes without influence on profit or loss	Allowance on 31 Dec. 2015
Trade receivables	4,135	2,446	1,973	(200)	(642)	7,712
Financial receivables and deposits	1	509	13	0	(49)	474
<b>Total</b>	<b>4,136</b>	<b>2,955</b>	<b>1,986</b>	<b>(200)</b>	<b>(691)</b>	<b>8,186</b>

in € thousand	Allowance on 31 Dec. 2013	Formation of allowance for the year	Repayment of assets subject to allowance	Other changes without influence on profit or loss	Allowance on 31 Dec. 2014
Trade receivables	4,726	1,104	(268)	(1,428)	4,134
Financial receivables and deposits	1	0	0	0	1
<b>Total</b>	<b>4,727</b>	<b>1,104</b>	<b>(268)</b>	<b>(1,428)</b>	<b>4,135</b>

### Liquidity Risk

The Group is managing liquidity risk by the appropriate planning of cash flow and current credit lines from banks agreed in advance, which ensures that the Group is capable of settling any overdue liabilities at any time.

in € thousand 31 Dec. 2015	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Liabilities to suppliers	207,785	6,278	228	0	214,291
Borrowings	42,809	80,641	296,441	10,681	430,572
Other operating and financial liabilities	7,899	84	9,309	0	17,292
<b>Total</b>	<b>258,493</b>	<b>87,003</b>	<b>305,978</b>	<b>10,681</b>	<b>662,155</b>

in € thousand 31 Dec. 2014	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Liabilities to suppliers	150,937	4,386	0	0	155,323
Borrowings	30,756	46,821	189,897	21,484	288,958
Other operating and financial liabilities	1,718	145	914	0	2,777
<b>Total</b>	<b>183,411</b>	<b>51,352</b>	<b>190,811</b>	<b>21,484</b>	<b>447,058</b>

Exposure to banks is assessed as moderate. The Group fully complies with the conditions stated in loan contracts in the section defining the disclosure of data, payment of interest and repaying the principal value.

### Foreign Exchange Risk

Foreign exchange risks arise from transactions in currencies other than the local currency of the company. The group has a minimum exposure to risk, as in most of the Group companies operate in their functional currencies. Group estimate risk as low.

### Interest Rate Risk

A change in interest rate by 100 or 200 basis points on the reporting date would result in an increase (decrease) of profit or loss by the amounts stated below. The analysis assumes that all other variables, in particular exchange rates, remain unchanged. The analysis for 2014 was prepared in the same manner:

in € thousand	2015	2014
Change in profit/loss if increased by 200 bp	(4,550)	(3,705)
Change in profit/loss if increased by 100 bp	(2,275)	(1,852)
Change in profit/loss if decreased by 100 bp	2,275	1,852
Change in profit/loss if decreased by 200 bp	4,550	3,704

### Equity Management

The Group monitors the status of overdue receivables on a daily basis, and prepares 3-month plans twice a month with the aim of achieving optimum debt. Larger investments are financed by non-current assets.

in € thousand	2015	Debt increase by 10%	Debt decrease by 10%
Level of debt on equity	99.56	109.52	89.61
Equity	400,932	400,932	400,932
Financial liabilities	399,176	439,094	359,258

### Carrying Amounts and Fair Values of Financial Instruments

in € thousand	31 Dec. 2015		31 Dec. 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets	1,161	1,161	906	906
Financial receivables	3,875	3,875	161	161
Operating receivables	146,667	146,667	142,364	142,364
Cash and cash equivalents	73,971	73,971	38,993	38,993
Financial liabilities	(399,176)	(399,176)	(256,823)	(256,823)
Operating liabilities	(231,652)	(231,652)	(167,819)	(167,819)
<b>Total</b>	<b>(405,154)</b>	<b>(405,154)</b>	<b>(242,218)</b>	<b>(242,218)</b>

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

### Fair Value Measurements

To determine fair value, the Group, where possible, takes into account the market value of financial instruments. The Group begins measuring the financial assets in the valuation model when it is estimated that the market is inactive. In accordance with the IFRS and accounting policies, the Group divides financial instruments into three levels.

Level 1 includes financial instruments whose fair value is fully determined on the basis of prices quoted in an active market.

Level 2 includes financial instruments whose fair value is determined on the basis of valuation models which take into account variables that are derived on the basis of publicly available market data (such as market interest rates).

Level 3 includes financial instruments whose fair value is determined on the basis of valuation models which take into account subjective variables, which are not publicly available on the market.

in € thousand	31 Dec. 2015	31 Dec. 2014
Financial assets at fair value of the first level	614	616
Financial assets at fair value of the third level	48,794	451
Financial liabilities at fair value of the third level	399,176	256,823

## EVENTS AFTER THE REPORTING DATE

At the beginning of 2016 the subsidiary Noži Ravne received appropriate approval from the Slovenian Competition Protection Agency to complete the takeover procedure of Sistemska tehnika d. o. o. The company changed its name to Ravne Systems d. o. o. on 18 January 2016. At the same time intensive activities were carried out for a merger of the (former) Sistemska tehnika d. o. o., Noži Ravne d. o. o. and Serpa d. o. o. The companies currently operate as an independent legal entity. A definitive merger in Ravne Systems d. o. o. is planned by the Group in the coming months.

A takeover bid to buy shares of Holding PMP, naložbena dejavnost, d. d., Vinarski trg 1, 2250 Ptuj, published by the parent company on 4 December 2015, ended on 2 February 2016. During the duration of the takeover bid from (and including) 5 December 2015 up to (and including) 2 February 2016, the offer was accepted by 28 acceptors, who jointly held 33,673 shares in the target company with the ticker symbol PMPG, constituting 43.81 percent of all shares in the target company. Together with the 43,197 shares in Holding PMP d. d., held by the parent company on the date of publication of the takeover bid, the parent company acquired all 76,870 issued shares or 100 percent of Holding PMP d. d. on 11 February 2016, by rebooking the shares.

On 2 March 2016 a takeover procedure to buy shares in PERUTNINA PTUJ reja perutnine, proizvodnja krmil, perutninskega mesa in izdelkov, trgovina in storitve d. d., Potrčeva cesta 10, 2250 Ptuj, ended successfully; the offer was published on 24 December 2015. During the duration of the takeover bid from (and including) 28 December 2015 up to (and including) 25 February 2016, the offer was accepted by 2,348 acceptors, who jointly held 2,846,733 shares in the target company with the symbol PPTG, constituting 26.09 percent of all shares of the target company. Together with 5,000,000 shares in Perutnina Ptuj d. d., held by the parent company on the date of publication of the takeover bid, and 603,184 shares in the target company, held by Holding PMP d. d. on the date of publication of the takeover bid, amounting to 5,603,184 shares in Perutnina Ptuj d. d., held directly or indirectly by the acquirer on the date of publication of the takeover bid, the parent company now holds 8,449,917 shares, constituting 77.43 percent of all issued shares in PERUTNINA PTUJ d. d.



**Zdenka Noč**

*2014 Employee of the Year*  
Head of Financial Operations,  
Acroni



# FINANCIAL REPORT SIJ GROUP

**Responsible and diligent.**  
We achieve our objectives  
through prudent investment  
and financial policies.



**INDEPENDENT AUDITORS REPORT TO THE  
OWNERS OF SIJ – Slovenska industrija jekla, d.d.**

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the SIJ-Slovenska industrija jekla group, which comprise the statement of financial position as at 31.12.2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the SIJ-Slovenska industrija jekla group as of 31.12.2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

**Report on Other Legal and Regulatory Requirements**

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

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

DELOITTE REVIZIJA d.o.o.

Maruša Tratnjek  
Certified auditor



Ljubljana, 4 March 2016

**Deloitte.**

DELOITTE REVIZIJA D.O.O.  
Ljubljana, Slovenija 3

**FOR TRANSLATION PURPOSES ONLY- ORIGINAL PREVAILS**

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Board of Directors is responsible for drawing up consolidated financial statements for each individual financial year, according to the International Financial Reporting Standards (IFRS) adopted by the European Union and the Companies Act, so 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 consolidated financial statements are therefore based on the premise that the Group will continue its operations without a set time limit.

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

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

The Board of Directors is responsible for keeping corresponding records, which give a clear and accurate picture of the Group's financial position at any given time, and for making sure that the consolidated financial statements of the Group are in accordance with the IFRS, adopted by the European Union. The 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 way 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 approved the consolidated financial statements, accounting policies and notes on 4 March 2016.

President of the Board of Directors  
**Anton Chernykh**



Member of the Board of Directors  
**Igor Malevanov**



# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	2015	2014
Revenue	1	664,817	707,858
Cost of sales	2	(551,438)	(584,971)
<b>Gross profit</b>		<b>113,379</b>	<b>122,887</b>
Distribution costs	2	(39,542)	(40,155)
General and administrative expenses	2	(56,355)	(50,168)
Other operating income	3	8,173	8,942
Other operating expenses	4	(2,314)	(1,963)
<b>Operating profit</b>		<b>23,341</b>	<b>39,543</b>
Finance income	5	672	1,636
Finance expenses	6	(15,065)	(15,093)
<b>Net finance costs</b>		<b>(14,393)</b>	<b>(13,457)</b>
Share of profit in associates	12	25	600
<b>Profit before taxation</b>		<b>8,973</b>	<b>26,686</b>
Income tax expense	7	(1,431)	(988)
Deferred income tax	7	3,251	(794)
<b>Profit for the year</b>		<b>10,793</b>	<b>24,904</b>
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Income tax related to components of comprehensive income		1	(20)
Net actuarial losses on pension programs		(550)	0
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value reserves for available-for-sale financial assets		(3)	120
Exchange rate difference on translating foreign operations		161	68
<b>Comprehensive income</b>		<b>10,402</b>	<b>25,072</b>
<b>Profit (loss), attributed to:</b>		<b>10,793</b>	<b>24,904</b>
Owners of the parent company		11,283	24,858
Non-controlling interest		(490)	46
Basic and diluted earnings per share (in EUR)	8	11.62	25.19
<b>Comprehensive income, attributed to:</b>		<b>10,402</b>	<b>25,072</b>
Owners of the parent company		10,932	25,089
Non-controlling interest		(530)	(17)

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



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in € thousand	Note	31 Dec. 2015	31 Dec. 2014
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>523,188</b>	<b>445,283</b>
Intangible assets	9	28,075	24,806
Property, plant and equipment	10	424,054	398,082
Investment property		192	207
Investments in associates	11	1,573	1,548
Available-for-sale financial assets	12	45,219	906
Financial receivables		103	103
Operating receivables	13	2,072	1,892
Other assets	14	2,932	2,043
Deferred tax assets	15	18,967	15,696
<b>Current assets</b>		<b>340,507</b>	<b>343,978</b>
Assets held for disposal	16	4,142	4,146
Inventories	17	171,342	160,634
Financial receivables	18	3,188	58
Operating receivables	19	114,281	138,430
Income tax assets		691	585
Cash and cash equivalents	20	44,587	38,993
Other assets	21	2,277	1,132
<b>Total assets</b>		<b>863,695</b>	<b>789,261</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>22</b>	<b>348,717</b>	<b>348,135</b>
<i>Equity attributed to the owners of the parent company</i>			
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Revenue reserves		129	(859)
Fair value reserves		(369)	171
Translation differences		221	33
Retained earnings		188,207	187,477
<b>Non-controlling interest</b>		<b>3,802</b>	<b>4,586</b>
<b>Non-current liabilities</b>		<b>236,683</b>	<b>197,327</b>
Employee benefits	23	12,260	10,438
Other provisions	24	1,445	1,677
Deferred revenues	25	927	866
Financial liabilities	26	221,198	183,382
Operating liabilities	27	818	914
Deferred tax liabilities	15	35	50
<b>Current liabilities</b>		<b>278,295</b>	<b>243,799</b>
Financial liabilities	28	98,231	73,441
Operating liabilities	29	177,722	166,906
Income tax liabilities		767	598
Other liabilities	30	1,575	2,854
<b>Total equity and liabilities</b>		<b>863,695</b>	<b>789,261</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Consolidated Statement of Changes in Equity in 2015

in € thousand	Equity attributed to the owners of the parent company						Total	Non-controlling interest	Total
	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Translation differences	Retained earnings			
<b>Balance as at 31 Dec. 2014</b>	<b>145,266</b>	<b>11,461</b>	<b>(859)</b>	<b>171</b>	<b>33</b>	<b>187,477</b>	<b>343,549</b>	<b>4,586</b>	<b>348,135</b>
Covering loss	0	0	0	0	0	0	0	1	1
Purchase of treasury shares	0	0	(3,752)	0	0	0	(3,752)	0	(3,752)
Dividends paid	0	0	0	0	0	(5,810)	(5,810)	(257)	(6,067)
Creation of legal reserves	0	0	988	0	0	(988)	0	0	0
Decrease in non-controlling interest	0	0	0	0	0	(3)	(3)	2	(1)
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>(2,764)</b>	<b>0</b>	<b>0</b>	<b>(6,801)</b>	<b>(9,565)</b>	<b>(254)</b>	<b>(9,819)</b>
Profit (loss) for the year	0	0	0	0	0	11,283	11,283	(490)	10,793
Other changes in comprehensive income	0	0	0	(540)	188	0	(352)	(40)	(392)
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(540)</b>	<b>188</b>	<b>11,283</b>	<b>10,931</b>	<b>(530)</b>	<b>10,401</b>
Creation of reserves for treasury shares	0	0	3,752	0	0	(3,752)	0	0	0
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>3,752</b>	<b>0</b>	<b>0</b>	<b>(3,752)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance as at 31 Dec. 2015</b>	<b>145,266</b>	<b>11,461</b>	<b>129</b>	<b>(369)</b>	<b>221</b>	<b>188,207</b>	<b>344,915</b>	<b>3,802</b>	<b>348,717</b>

### Consolidated Statement of Changes in Equity in 2014

in € thousand	Equity attributed to the owners of the parent company						Total	Non-controlling interest	Total
	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Translation differences	Retained earnings			
<b>Balance as at 31 Dec. 2013</b>	<b>145,266</b>	<b>11,461</b>	<b>(859)</b>	<b>71</b>	<b>(98)</b>	<b>162,968</b>	<b>318,809</b>	<b>4,776</b>	<b>323,585</b>
Covering loss	0	0	0	0	0	0	0	2	2
Purchase of treasury shares	0	0	(2)	0	0	0	(2)	0	(2)
Transactions with owners	0	0	0	0	0	(522)	(522)	0	(522)
Decrease in non-controlling interest	0	0	0	0	0	175	175	(175)	0
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>(2)</b>	<b>0</b>	<b>0</b>	<b>(347)</b>	<b>(349)</b>	<b>(173)</b>	<b>(522)</b>
Profit for the year	0	0	0	0	0	24,858	24,858	46	24,904
Other changes in comprehensive income	0	0	0	100	131	0	231	(63)	168
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>131</b>	<b>24,858</b>	<b>25,089</b>	<b>(17)</b>	<b>25,072</b>
Creation of reserves for treasury shares	0	0	2	0	0	(2)	0	0	0
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance as at 31 Dec. 2014</b>	<b>145,266</b>	<b>11,461</b>	<b>(859)</b>	<b>171</b>	<b>33</b>	<b>187,477</b>	<b>343,549</b>	<b>4,586</b>	<b>348,135</b>

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

## CONSOLIDATED CASH FLOW STATEMENT

in € thousand	Note	2015	2014
<b>Cash flow from operating activities</b>			
Profit before taxation		8,973	26,686
Adjusted for:			
Depreciation and amortisation	9, 10	40,168	38,289
Share of profit in associates	11	(25)	(600)
Interest income	5	(232)	(1,319)
Interest expenses	6	11,355	12,092
Exchange rate differences, net		4	(13)
Loss in investment sales		1	1
Impairment of assets	4	533	583
Creation of allowances and provisions		995	481
Other adjustments		1,884	631
<b>Operating cash flow before changes in working capital</b>		<b>63,656</b>	<b>76,831</b>
<b>Changes in working capital</b>			
Change in operating receivables		28,734	(5,903)
Change in inventories		(12,390)	(7,541)
Change in operating payables		(17,207)	20,316
Change in taxes other than income tax		307	614
Payments for disposal of provisions		(831)	(924)
Receipts from government grant		402	481
Income tax paid		(1,367)	(555)
Other receipts (payments)		1	(521)
<b>Changes in working capital</b>		<b>(2,351)</b>	<b>5,967</b>
<b>Net cash generated from operating activities</b>		<b>61,305</b>	<b>82,798</b>
<b>Cash flow from investing activities</b>			
Payments for investments in subsidiaries		(146)	(82)
Payments for available-for-sale financial assets		(44,320)	0
Payments for property, plant and equipment		(42,746)	(54,043)
Receipts from property, plant and equipment		314	302
Payments for intangible assets		(4,575)	(3,628)
(Payments) receipts from other assets		(3,744)	1,190
Payments for loans issued	18	(3,224)	(8,431)
Receipts from loans issued	18	99	23,772
Interests received		194	1,983
Dividends received	12	87	56
<b>Net cash used in investing activities</b>		<b>(98,061)</b>	<b>(38,881)</b>
<b>Cash flow from financing activities</b>			
Receipts from borrowings	26, 28	553,394	313,472
Payments for borrowings	26, 28	(492,127)	(327,205)
Payments for finance lease	26, 28	(2,270)	(3,665)
Interests paid		(10,802)	(12,424)
Dividends paid	22	(5,811)	0
<b>Net cash generated (used) in financing activities</b>		<b>42,384</b>	<b>(29,822)</b>
<b>Cash and cash equivalents as at 1 Jan.</b>			
Translation differences		(34)	(12)
Increase		5,628	14,095
<b>Cash and cash equivalents as at 31 Dec.</b>		<b>44,587</b>	<b>38,993</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## REPORTING ENTITY

SIJ – Slovenska industrija jekla, d.d. (hereinafter: SIJ or the Company) is a Company with its registered office in Slovenia. Its registered address is Gerbičeva ulica 98, 1000 Ljubljana. Given below are the consolidated financial statements for the year ending as at 31 December 2015.

The consolidated financial statements for a selected group of subsidiaries are compiled by SIJ – Slovenska industrija jekla, d.d. Consolidated financial statements for a wider group of subsidiaries are compiled by DILON Cooperatief U. A. The consolidated annual report for DILON Cooperatief Group 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

The consolidated financial statements for 2015 have been prepared in accordance with the IFRS as adopted by the European Union. The standards have been applied directly in the disclosures and valuation of items; the exception is the valuation of items for which the standards allow several methods of valuation.

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

In the selection of accounting principles and their application, as well as in the preparation of these consolidated financial statements, the Board of Directors considered the following three requirements: the consolidated financial statements are comprehensible if users can understand them without difficulty; the information is adequate, if it helps users make economic decisions; and the information is fundamental if its exclusion or false presentation could influence users' economic decisions.

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

### a) Currently applicable standards and interpretations

The following amendments to the existing standards issued by the IASB and adopted by the EU currently apply:

- Amendments to various standards “Improvements to IFRSs (cycle 2011–2013)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- IFRIC 21 “Levies” adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards had no effect on the accounting policies of the Group.

### b) Standards and interpretations issued by IASB and adopted by the European Union, but not yet effective

On the date of approval of the consolidated the financial statements following standards, amendments and interpretations adopted by the European Union were issued, but not yet effective:

- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations – adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 “Presentation of Financial Statements” – Disclosure Initiative – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” – Clarification of Acceptable Methods of Depreciation and Amortisation – adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” – Agriculture: Bearer Plants – adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 “Employee Benefits” – Defined Benefit Plans: Employee Contributions – adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 27 “Separate Financial Statements” – Equity Method in Separate Financial Statements – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards “Improvements to IFRSs (cycle 2010–2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing

inconsistencies and clarifying wording – adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),

- Amendments to various standards “Improvements to IFRSs (cycle 2012–2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Group decided not to apply these standards, amendments and interpretations before their entry into force. The Group assesses that the adoption of these standards, amendments and interpretations will not have any significant effect on the consolidated financial statements at their first application.

**c) Standards and interpretations issued by IASB, but not yet adopted by the EU**

Currently there is no significant difference between the IFRS adopted by the EU and the regulations adopted by the IASB, with the exception of the following standards, amendments to the existing standards and interpretations, which had not yet been approved for use on 4 March 2016:

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 “Revenue from Contracts with Customers” and further amendments (effective for annual periods beginning on or after 1 January 2018),
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until a research project on the equity method has been concluded),

- Amendments to IAS 12 “Income Taxes” – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

The Group assesses that the adoption of these standards, amendments to the existing standards and interpretations will not have any significant effect on the consolidated financial statements at their first application. At the same time the accounting of hedging instruments in connection with the portfolio of financial assets and liabilities, the principles of which the EU has not yet adopted, is still unregulated. The Group assesses that the use of accounting of hedging instruments in connection with financial assets and liabilities, in accordance with the requirements of IAS 39: “Financial Instruments: Recognition and Measurement”, would not have a significant influence on the consolidated financial statements, if it was used on the date of the statement of financial position.

**BASIS OF MEASUREMENT**

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

**APPLICATION OF ESTIMATES AND JUDGMENTS**

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

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

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

Since estimates are subject to subjective judgments and a level of uncertainty, the subsequent actual results can differ from those estimated. Estimates are reviewed on an ongoing basis. Amendments to the accounting estimates are 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 parent company and the financial statements of the companies of the SIJ Group.

The group of companies in which the parent company holds financial investments includes the following:

in € thousand	Activity	% of voting rights	Value of assets as at 31 Dec. 2015	Value of equity as at 31 Dec. 2015	Net profit 2015
<b>Parent company of the Group</b>					
SIJ – Slovenska industrija jekla, d.d., Gerbičeva ulica 98, Ljubljana, Slovenia	Activities of head offices		350,813	191,403	19,752
<b>SIJ – subsidiaries</b>					
ACRONI, d. o. o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	430,666	173,356	4,793
METAL RAVNE d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	227,660	93,472	10,534
NOŽI RAVNE d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Industrial knives production	100	21,880	8,739	1,718
ELEKTRODE JESENICE d. o. o., Cesta železarjev 8, Jesenice, Slovenia	Welding materials production	100	10,167	5,494	(210)
SUZ, d. o. o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	3,809	1,413	270
ZIP CENTER d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	1,733	389	131
ODPAD d. o. o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.90	26,641	6,983	162
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	14,691	1,224	(2,108)
RAVNE STEEL CENTER d. o. o., Litostrajska cesta 60, Ljubljana, Slovenia	Trade	77.28	26,858	14,647	1,252
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	Heat processing and special steel trade	100	23,652	847	(1,769)
SIJ Asia GmbH, Berger Str. 2, 40213 Düsseldorf, Germany	Trade	100	288	189	89
<b>ACRONI – subsidiaries</b>					
ŽELEZARNA JESENICE, d. o. o., Cesta železarjev 8, Jesenice, Slovenia	Trading with own real estate	100	10,086	9,547	232

Continuation of the table on page 18 >>



Continuation of the table

in € thousand					
Activity	% of voting rights	Value of assets as at 31 Dec. 2015	Value of equity as at 31 Dec. 2015	Net profit 2015	
<b>METAL RAVNE – subsidiaries</b>					
KOPO International Inc., New Jersey, USA	Trade	100	22,364	1,763	(86)
SERPA d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	89.73	4,767	2,198	176
<b>ODPAD – subsidiaries</b>					
DANKOR, d. o. o., Europske avenije 22, Osijek, Croatia	Recovery of secondary raw materials from scrap	51	1,660	293	(232)
METAL-EKO SISTEM DOO JAGODINA, Put Kneza Mihaila 107, Jagodina, Serbia	Recovery of secondary raw materials from scrap	70	4,415	1,930	(91)
Topmetal d. o. o., Laktaši, Bosnia and Herzegovina	Recovery of secondary raw materials from scrap	51	1,562	811	(75)
<b>Ravne Steel Center – subsidiaries</b>					
SIDERTOCE S. p. A., Via XX. Settembre 198, C. P. 34, Gravellona Toce, Italy	Trade	100	13,401	2,956	429
Ravne Steel Deutschland GmbH, Celsiusstrasse 17, Germany	Trade	100	417	(107)	(205)
<b>NOŽI RAVNE – subsidiaries</b>					
Ravne Knives (UK) Limited, 12 Conqueror Court, Sittingbourne, Kent, ME10 5BN, Great Britain	Trade	100	310	(102)	(125)
Ravne Knives UK (North) Limited, 12 Conqueror Court, Sittingbourne, Kent, ME10 5BN, Great Britain	Trade	100	9	6	(1)
Ravne Knives USA Inc., 2711 Centerville Road, Suite 400, Wilmington, Country of New Castle, Delaware 19808, USA	Trade	100	90	(96)	(95)
<b>SIJ Asia – subsidiaries</b>					
SIJ Steel (Shanghai) Co., Ltd., Rm.320, 2449 Gonghexin Road, Zhabei District, Shanghai 200072, China	Trade	100	12	12	0

In March 2015 Noži Ravne acquired the companies Ravne Knives (UK) Limited, Ravne Knives UK (North) Limited and Ravne Knives USA INC. Up to the date of the drawing up of the financial statements these companies had had no significant influence on the Group.

In September 2015 SIJ Asia GmbH established a new subsidiary, SIJ Steel (Shanghai) Co., China. The company did not begin to operate in 2015.

## SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the Group's consolidated financial statements from the date on which control commences until the date that control ceases. The accounting policies of the subsidiaries are aligned with the Group's accounting policies.

The financial statements of the companies included in the consolidated financial statements are audited, except for the financial statements of those companies which are not obliged to be audited according to local legislation or had not begun to operate by the reporting date. These are Ravne Steel Deutschland GmbH, SIJ Asia GmbH, Steel (Shanghai) Co., Ravne Knives (UK) Limited, Ravne Knives UK (North) Limited and Ravne Knives USA.

On loss of control, the Group de-recognizes the assets and liabilities of the subsidiary, any non-controlling interests, and any other components of the equity related to the subsidiary. Any surplus or deficit arising on loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, such interest is measured at fair value from the date on which control is lost. Subsequently, this interest is accounted for in equity as an investment in an associate (using

the equity method) or as an available-for-sale financial asset, depending on the level of influence retained.

Intra-group balances and any gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates (accounted for using the equity method) are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated using the same method, provided there is no evidence of impairment.

### Investments in associates

Investments in associates are accounted on the basis of the equity method. Associates are those companies where the Group has a significant influence on their operations, but which it does not control.

Upon initial recognition, investment in associates are measured at cost, but are subsequently accounted for using the equity method. The Group's consolidated financial statements include the Group's share of the profit and loss of equity-accounted associates, after adjustments to align the accounting policies, from the date on which significant influence commences until the date that significant influence ceases. When the Group's share of losses of an associate exceeds its interest in such an entity, the carrying amount of the Group's interest is reduced to zero and recognition of further losses is discontinued.

### Transactions with Non-Controlling Interests

The Group measures goodwill at the fair value of the consideration transferred, plus the recognised amount of any non-controlling interest in the acquisition, plus the fair value of any pre-existing equity in the acquisition (if the business combination is achieved in stages), less the net recognized amount of the assets acquired and liabilities assumed, all measured as at the acquisition date. When the excess is negative, the effect is recognized immediately in profit or loss.

Acquisition costs, other than those associated with the issue of equity or debt securities, incurred in connection with a business combination, are listed as incurred expenses.

The Group accounts for the acquisition of non-controlling interests that do not involve a change in control of a company as transactions with owners, and therefore no goodwill is recognized.

Adjustments to non-controlling interests are based on a proportionate amount of the assets of the subsidiary. Any sur-

plus, or the difference between the costs of additional investments and the carrying amount of assets, are recognized in equity.

### Foreign Currency Conversion

Transactions in foreign currencies are translated into the functional currency at the exchange rate on the date of the transaction. Cash assets and liabilities denominated in foreign currency at the end of the period are translated into the functional currency at the then valid exchange rate. Positive or negative exchange rate differences are the differences between the amortised cost in functional currency at the beginning of the period, adjusted by the amount of the effective interest rate and the payments during the period, and the amortised cost in foreign currency, calculated at the exchange rate at the end of the period. Non-cash assets and liabilities, denominated in foreign currency and measured at fair value, are translated to the functional currency at the exchange rate on the date when the fair value is set. Exchange rate differences are recognized in profit or loss.

Income statements and cash flow statements of individual companies of the Group abroad, where the company's functional currency is not the euro, are translated to the controlling company's reporting currency at the average exchange rate, whereas the statements of financial position are translated to the reporting currency at the exchange rate on the reporting date.

Foreign exchange differences are recognized in comprehensive income and presented under translation differences in equity. In the case of non-wholly-owned subsidiaries abroad, the relevant proportion of the foreign exchange differences is allocated to non-controlling interests. When a foreign operation is disposed of in such a way that control or significant influence is lost, the relevant cumulative amount in the translation reserve is reclassified to profit or loss or as gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

### Revenues

Sales revenues are recognized at fair value of received repayments or receivables, decreased by repayments, discounts, rebates for further sales and quantity discounts. Revenues are recognized when the buyer assumes all significant risks and benefits connected to the asset's ownership, and it is certain that compensation and related costs will be repaid

or there is a possibility of returning products, and when the Group ceases to make decisions about sold products.

Financial income comprises interest income and positive exchange rate differences resulting from financing and investing. Interest income is recognized upon its occurrence, using the effective interest rate method.

**Expenses**

Expenses are recognized if a decrease in economic benefits during the reporting period is associated with a decrease in assets or an increase in debts, and if this decrease can be reliably measured. Operating expenses are recognized when the costs are no longer held in inventories, finished and unfinished products, or when goods are sold. The costs that cannot be held in inventories of finished and unfinished products are recognized as operating expenses when they appear.

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

**Taxation**

Taxes comprise current income tax liabilities and deferred tax. Current income tax is recognized in the income statement, except to the extent that refers to business combinations or items shown directly in the comprehensive income.

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

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

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

**Net Earnings per Share**

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

**Intangible Assets**

Intangible assets with a definite useful life are recognized at cost, less any accumulated amortisation and accumulated impairment losses. The purchase value includes costs that can be directly attributed to the acquisition of each individual item. Borrowing costs directly attributable to the purchase or production of a qualifying asset are recognized as part of the cost of such asset. The cost model is used for any subsequent measuring of intangible assets.

Intangible assets with indefinite useful life are not amortised, they are impaired.

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

The estimated useful life of individual intangible assets for the current and past year is 2–10 years.

Amortisation methods, useful lives, and other group asset values are reviewed at the end of every financial year and adjusted if necessary.

Further costs related to intangible asset are recognized in the carrying amount of each asset, if it is probable that the future economic benefits embodied within the asset will flow to the Group and the cost of the asset can be measured reliably. All other costs are recognized in the income statement as expenses as soon as they are incurred.

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

**Property, plant and equipment**

At their initial recognition, tangible assets (property, plant and equipment) are carried at cost, less any accumulated depreciation and accumulated impairment losses, except for land and other assets that do not depreciate; these are shown at their cost, reduced by all relative impairments. The purchase value includes costs that can be directly attributed to the acquisition of each individual item of property, plant or equipment. Parts of property, plant and equipment with different useful lives are accounted as separate items of property, plant and equipment. Borrowing costs directly attributable to the purchase, production or construction of a qualifying asset are recognized as part of the cost of each such asset. The cost model is used for any subsequent measuring of property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the tangible asset and the residual value. Leased assets are depreciated over the estimated period of lease and useful life. Land and unfinished construction is not depreciated. Depreciation is accounted when an asset becomes available for use.

The estimated useful lives of individual property, plant and equipment types for the current and past years:

	Useful life
Real estate	10-60 years
Production equipment	1-25 years
Computer equipment	2-10 years
Motor vehicles	2-10 years
Other equipment	1-10 years

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

The replacement costs of items of property, plant and equipment and further costs related to intangible assets are recognized in the carrying amount of each asset, if it is probable that the future economic benefits embodied within this asset will flow to the Group, and the cost of the asset can be measured reliably. All other costs (for example, maintenance costs) are recognized in the income statement as expenses as soon as they are incurred.

**Investment Property**

At its initial recognition, investment property is measured at cost, less accumulated depreciation and accumulated impairment losses. The cost model is used for any subsequent measuring of investment property.

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

**Financial Instruments**

Financial instruments include the following items:

- non-derivative financial assets,
- non-derivative financial liabilities.

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

For determining the fair value of financial instruments the following hierarchy levels of determining fair value are considered:

- the first level includes quoted prices (unadjusted) on active markets for the same assets or liabilities;
- the second level, in addition to the quoted prices at the first level, includes the input data which are directly (i.e. as prices) or indirectly (i.e. as derivatives from prices) observable as assets or liabilities;
- the third level includes input data for assets or liabilities which are not based on the observable market data.

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

## Non-Derivative Financial Assets

Non-derivative financial assets include cash and cash equivalents, loans and receivables, and investments. Liabilities, borrowings and deposits are initially recognized when they are incurred. Other assets are initially recognized on the trade date on which the Group becomes a contracting party in a contract on the instrument. The recognition of a financial asset is eliminated when the contractual rights of the cash flows from the asset expire, or when the rights of the contractual cash flows are transferred from a financial asset on the basis of a business transaction in which all risks and benefits of ownership of the financial asset are transferred.

### *Financial assets at fair value through profit or loss*

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

### *Available-for-sale financial assets*

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

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on the active market. Depending on their maturity they are classified as current financial assets (maturities up to 12 months after the date of the statement of financial position) or non-current financial assets (maturities exceeding 12 months after the date of the statement of financial position). Loans and receivables are initially recognized at fair value increased by costs directly attributable to the business transaction. Subsequent to their initial recognition, receivables and loans are measured at amortised cost using the effective interest rate method less accumulated impairment loss.

## Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits up to three months, and other current and readily realizable investments with an original maturity of three months or less. They are recognized at cost.

## Non-Derivative Financial Liabilities

Non-derivative financial liabilities include operating, financial and other liabilities. Non-derivative financial liabilities are initially recognized on the trade date on which the Group becomes a contracting party in relation to the instrument. The Group de-recognizes a non-derivative financial liability when the contractual obligations are fulfilled, annulled or expired.

Non-derivative financial liabilities are initially disclosed at fair value, increased by costs directly attributable to the business transaction. Subsequent to their initial recognition these liabilities are measured at amortised cost using the effective interest rate method. Depending on their maturity they are classified as current liabilities (maturities up to 12 months after the date of the statement of financial position) or non-current liabilities (maturities exceeding 12 months after the date of the statement of financial position).

## Inventories

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

The inventories of materials and merchandise are valued at actual prices, while the inventories of finished and unfinished products are valued using the standard cost method with deviations to actual production prices. The use of inventories is stated at weighted average prices.

The net realizable value is estimated on the basis of the selling price in the ordinary course of business, less the estimated costs of completion and estimated distribution costs. Write-offs of damaged, expired and useless inventories are regularly performed during the year on individual items.

## Assets Held for Disposal (Disposal Groups)

Assets or disposal groups which include assets and liabilities for which it can be expected that their value will be recovered through sale are classified as assets held for disposal. Assets or disposal groups are re-measured directly before their classification as assets held for disposal. Accordingly, non-current assets or disposal groups are recognized at their carrying amount or fair value less cost of sale, whichever is the lower. Impairment losses on the reclassification of assets as assets held for disposal, and subsequent losses and gains on re-measurement, are recognized in profit or loss. Gains are not recognized in the amount exceeding possible accumulated impairment losses.

Once classified as held for disposal, intangible assets and property, plant and equipment are no longer amortised or depreciated. When investments are classified as assets held for disposal, they are no longer equity accounted.

## Impairment of Assets

### Financial Assets

A financial asset is impaired if objective evidences indicates that one or more events occurred resulting in a decrease in the estimated future cash flows from this asset which can be reliably estimated.

Objective evidence of the impairment of financial assets can include: default or delinquency by a debtor; restructuring of the amount owed to the Group, if the Group agrees; indications that the debtor will declare bankruptcy; and the disappearance of the active market for such an instrument.

### *Impairment of loans and receivables*

The Group considers the evidence of impairment of receivables individually or collectively. All significant receivables are measured separately for specific impairment. If it is assessed that the carrying amount of the receivables exceeds the fair value, i.e. the collectible amount, receivables are impaired.

Receivables that are not individually significant are collectively assessed for impairment by grouping together those receivables with similar risk characteristics. The Group creates these groups on the basis of the maturity of receivables. In the evaluation of total impairment the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of incurred loss adjusted for management judgment as to whether the actual losses due to current economic and

credit conditions could be higher or lower than the losses based on historical trends.

The Group evaluates the evidence of impairment for each significant loan individually.

An impairment loss related to a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the estimated future cash flows, discounted at an original effective interest rate. The loss is recognized in the profit or loss.

### *Available-for-sale financial assets*

Impairment losses of available-for-sale financial assets are recognized so that the potential accumulated loss, previously recognized in the comprehensive income of the period and included in the fair value reserve, is transferred into profit or loss. Any subsequent increase in the fair value of an impaired available-for-sale equity security is recognized in the comprehensive income for the period or in the fair value reserve.

### Non-Financial Assets

At each reporting date, the Group reviews the carrying value of its important non-financial assets to determine whether there is an indication of impairments. If any such indication exists, the asset's recoverable value is estimated.

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

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

The Group evaluates the impairment losses of previous periods at the end of the reporting period and thus determines whether the loss was reduced or even eliminated. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable value. An impairment loss is reversed only to such an extent that the



asset's carrying amount does not exceed the carrying amount that would have been determined after deducting the depreciation write-off, if no impairment loss had been recognized for the asset in previous years.

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

#### Determination of Fair Value

Following the accounting policies of the Group, in many cases the determination of fair value of non-financial assets and financial assets is necessary, either to measure an individual asset (measurement method or business combination) or for additional fair value disclosure.

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

Methods for the determination of fair value of individual groups of assets for measurements or reporting are given below.

#### Intangible Assets

The fair value of intangible assets is based on the method of discounted cash flows which are expected to arise from the use and possible disposal of the assets.

#### Property, Plant and Equipment

The fair value of property, plant and equipment is their market value. The market value of property is equal to the estimated value at which the property could be sold on the date of valuation and after proper marketing. The market value of equipment is based on the approach of using the quoted market price for similar items.

#### Investment Property

The fair value of investment property is assessed by considering the aggregate value of estimated cash flows expected from renting out the property. A yield reflecting specific risks

is included in the property valuation, based on discounted net annual cash flows.

#### Available-for-Sale Financial Assets and Financial Assets at Fair Value through Profit or Loss

The fair value of available-for-sale financial assets and financial assets at fair value through profit or loss is determined according to preliminarily-defined hierarchy levels of determining the fair value of financial instruments. If the fair value cannot be reliably measured, because the wide range of estimates of reasonable fair values is important, and the probability of different estimates is hard to assess, the Group measures the financial asset at cost.

#### Loans and Receivables

The fair value of loans and receivables is calculated as the present value of future cash flows discounted at the market interest rate at the end of the period. The assessment considers the credit risk connected to these financial assets.

#### Inventories

The fair value of inventories is determined on the basis of expected trade value in the ordinary course of business, less the estimated distribution costs.

#### Non-Derivative Financial Liabilities

The fair value for reporting is calculated on the present value of future repayment and the principal value discounted at the market interest rate at the end of the period.

#### Equity

##### Share Capital

The share capital of the parent company takes the form of share capital, the amount of which is defined in the Company's article of association. It is registered with the Court and paid by the owners.

##### Capital Surplus

Capital surplus consists of the amounts from payments exceeding the lowest issue price per share that exceeds the carrying amount upon the disposal of previously-acquired own shares; the amounts on the basis of simplified decrease of share capital; and the amounts on the basis of reversal of general revaluation adjustment.

#### Legal and Other Reserves

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

#### Treasury Shares

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

#### Dividends

Until approved at the General Assembly of shareholders, the planned dividends are treated as retained earnings.

#### Provisions

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

#### Employee Benefits

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

The provisions are formed in the amount of estimated future payments for loyalty bonuses and severance pay, discounted at the end of the financial year. The calculation is made for each individual employee and includes the costs of severance pay upon retirement and the costs of all expected loyalty bonuses up to retirement. The calculation is prepared by an actuary, selected at group level, on the basis of a projected unit. The provisions are reviewed periodically or when the assumptions used to determine the amount of provision change significantly.

#### Deferred Revenues

Deferred revenues are expected to cover estimated expenses during a period exceeding one year.

On the basis of the status of a sheltered company, companies in the Group create deferred revenues in the amount of calculated but not paid contributions from salary and compulsory contributions (assigned contributions). They are intended to cover the expenses in accordance with the Vocational Rehabilitation and Employment of Disabled Persons Acts. The expended deferred revenues are eliminated and credited to operating income for the current year.

#### Cash Flow Statement

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

#### Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses which relate to transactions with any of the Group's other segments. Segments are different in terms of risks and returns. The Group's segment reporting is based on the Group's internal reporting system applied by the management in the decision-making process.

The segments are presented in detail in the business report.

The Group uses the following segments in the preparation and presentation of the consolidated financial statements:

- Steel Division,
- Distribution & Processing Division,
- Scrap Division,
- Manufacturing Division and
- Headquarter and other services.

## NOTES TO INDIVIDUAL ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Revenue

in € thousand	2015	2014
In Slovenia	84,378	97,550
In other countries:	580,439	610,308
- Germany	156,737	164,860
- Italy	144,329	169,340
- the USA	61,969	48,718
- Austria	18,486	23,746
- Other countries	198,917	203,644
<b>Revenue</b>	<b>664,817</b>	<b>707,858</b>

### 2. Operating Expenses

in € thousand	2015	2014
Costs of goods, materials and services	509,196	535,663
Labour costs:	95,352	89,909
- wages and salaries	71,325	67,820
- social security costs	12,557	12,334
- other labour costs	11,470	9,754
Depreciation and amortisation costs	40,168	38,289
Other costs	6,694	6,084
Changes in the value of inventories	(4,075)	5,348
<b>Operating expenses</b>	<b>647,335</b>	<b>675,293</b>

#### Review of Costs by Type in 2015

in € thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Costs of goods, materials and services	459,227	32,591	17,378	509,196
Labour costs	56,248	6,377	32,727	95,352
Depreciation and amortisation costs	36,627	503	3,038	40,168
Other costs	3,411	71	3,212	6,694
Changes in the value of inventories	(4,075)	0	0	(4,075)
<b>Operating expenses</b>	<b>551,438</b>	<b>39,542</b>	<b>56,355</b>	<b>647,335</b>

#### Review of Costs by Type in 2014

in € thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Costs of goods, materials and services	485,992	32,907	16,764	535,663
Labour costs	56,802	6,803	26,304	89,909
Depreciation and amortisation costs	34,071	387	3,831	38,289
Other costs	2,758	58	3,269	6,085
Changes in the value of inventories	5,348	0	0	5,348
<b>Operating expenses</b>	<b>584,971</b>	<b>40,155</b>	<b>50,168</b>	<b>675,294</b>

The auditing costs for the audit of the annual report in 2015 amounted to €251 thousand (2014: €256 thousand).

#### Average Number of Employees by Level of Education

	2015	2014
Primary school	503	516
2 year vocational school	360	365
3 year vocational school	818	874
4 year vocational school	768	772
1st cycle (Bologna system) - Bachelor's degree	328	267
2nd cycle (Bologna system) - Master's degree	227	231
3rd cycle (Bologna system) - Doctoral degree	39	39
<b>Total</b>	<b>3,043</b>	<b>3,064</b>

### 3. Other Operating Income

in € thousand	2015	2014
Capitalized own products	3,266	3,992
Revenues from received subsidies	1,708	1,769
Received compensations	2,179	1,758
Write-off of liabilities	107	736
Reversal of provisions	226	116
Profit from sale of property, plant and equipment	36	19
Other income	651	552
<b>Other operating income</b>	<b>8,173</b>	<b>8,942</b>

#### 4. Other Operating Expenses

in € thousand	2015	2014
Allowances for receivables	698	847
Impairment of inventories	533	583
Expenses for donations and sponsorships	368	292
Other expenses	715	241
<b>Other operating expenses</b>	<b>2,314</b>	<b>1,963</b>

#### 5. Finance Income

in € thousand	2015	2014
Interest income	232	1,319
Exchange rate differences	353	197
Other income	87	120
<b>Finance income</b>	<b>672</b>	<b>1,636</b>

#### 6. Finance expenses

in € thousand	2015	2014
Interest expenses	11,355	12,092
Exchange rate differences	113	146
Other expenses	3,597	2,855
<b>Finance expenses</b>	<b>15,065</b>	<b>15,093</b>

#### 7. Taxes

in € thousand	2015	2014
Income tax expenses	(1,431)	(988)
Deferred income tax	3,251	(794)
<b>Taxes</b>	<b>1,820</b>	<b>(1,782)</b>

in € thousand	2015	2014
<b>Profit before taxation</b>	<b>8,979</b>	<b>26,686</b>
Tax at applicable tax rate	5,029	4,304
Tax effects from:		
- non-taxable income	(461)	(21)
- tax non-deductible expenses	703	474
- tax relief	(6,314)	(2,666)
- tax losses for which no deferred tax assets were recognized	(777)	(309)
<b>Taxes</b>	<b>(1,820)</b>	<b>1,782</b>
<b>Effective tax rate</b>	<b>-</b>	<b>6.68%</b>

The tax relief of the Group comprises tax relief realized from the charging of corporate tax, and unused tax relief for which deferred tax assets were recorded. The Group can realize un-

used tax relief in the following years in accordance with the legislation of the state where the Group has tax losses.

#### 8. Net Earnings per Share

in € thousand	2015	2014
Profit, attributed to the owners of the parent company	11,283	24,858
Weighted number of issued ordinary shares	970,979	986,693
<b>Basic and diluted earnings per share (in €)</b>	<b>11.62</b>	<b>25.19</b>

Net earnings per share are calculated by dividing the net profit or loss of the financial year, allocated to the owners of the con-

trolling company, by the weighted average number of shares, traded during the year, net of the number of treasury shares.

#### 9. Intangible Assets

##### Movement of Intangible Assets in 2015

in € thousand	Non-current property rights	Goodwill	Assets under construction	Total
<b>Cost as at 31 Dec. 2014</b>	<b>6,909</b>	<b>15,061</b>	<b>6,130</b>	<b>28,100</b>
Acquisition of company	0	190	0	190
New additions	0	0	4,751	4,751
Transfer from assets under construction	10,567	0	(10,567)	0
Translation differences	2	0	0	2
Transfer to property, plant and equipment	(1,061)	0	0	(1,061)
Reversal	0	(190)	0	(190)
<b>Cost as at 31 Dec. 2015</b>	<b>16,417</b>	<b>15,061</b>	<b>314</b>	<b>31,792</b>
<b>Accumulated amortisation as at 31 Dec. 2014</b>	<b>(3,294)</b>	<b>-</b>	<b>-</b>	<b>(3,294)</b>
Amortisation	(1,223)	-	-	(1,223)
Translation differences	(2)	-	-	(2)
Transfer to property, plant and equipment	802	-	-	802
<b>Accumulated amortisation as at 31 Dec. 2015</b>	<b>(3,717)</b>	<b>-</b>	<b>-</b>	<b>(3,717)</b>
<b>Present value as at 31 Dec. 2014</b>	<b>3,615</b>	<b>15,061</b>	<b>6,130</b>	<b>24,806</b>
<b>Present value as at 31 Dec. 2015</b>	<b>12,700</b>	<b>15,061</b>	<b>314</b>	<b>28,075</b>

Intangible assets comprise computer software and licences. Major new additions in 2015 refer to the purchase of software and licences in connection with the modernisation of the information system, activated in 2015.

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

On 31 December 2015 the goodwill was tested for potential impairment and the company determined no signs of impair-

ment. Based on the test performed, the Board of Directors assesses that on 31 December 2015 the recoverable value of investments in interests of the companies in which goodwill arose was higher than their purchase value at the time of the business combination. Therefore impairment of goodwill which arose from business combinations is not necessary. The recoverable value of investments which corresponds to the value of investments in use was assessed by the method of present value of the estimated cash flows. All assumptions used for calculating cash flow are based on past experience



of the companies' operations and reasonable expectations of future operations.

The Group recognizes goodwill which arose in 2015 immediately in income statements.

On 31 December 2015 the Group's unsettled liabilities to suppliers for purchase of intangible assets amounted to €357 thousand. Its contractual liabilities for the purchase of intan-

gible assets amounted to €611 thousand. The Group capitalized €19 thousand of borrowing costs, for which the interest rates were between 2.33 and 5.06 percent. Intangible assets, whose present value on 31 December 2015 amounts to €68 thousand, are pledged as security for liabilities.

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

#### Movement of Intangible Assets in 2014

in € thousand	Non-current property rights	Goodwill	Assets under construction	Total
Cost as at 31 Dec. 2013	6,335	15,061	3,098	24,494
New additions	0	0	4,055	4,055
Transfer from assets under construction	1,026	0	(1,026)	0
Disposals	(459)	0	0	(459)
Translation differences	2	0	0	2
Transfer from property, plant and equipment	5	0	3	8
<b>Cost as at 31 Dec. 2014</b>	<b>6,909</b>	<b>15,061</b>	<b>6,130</b>	<b>28,100</b>
Accumulated amortisation as at 31 Dec. 2013	(3,053)	-	-	(3,053)
Amortisation	(696)	-	-	(696)
Disposals	459	-	-	459
Translation differences	(1)	-	-	(1)
Transfer from property, plant and equipment	(3)	-	-	(3)
<b>Accumulated amortisation as at 31 Dec. 2014</b>	<b>(3,294)</b>	<b>-</b>	<b>-</b>	<b>(3,294)</b>
<b>Present value as at 31 Dec. 2013</b>	<b>3,282</b>	<b>15,061</b>	<b>3,098</b>	<b>21,441</b>
<b>Present value as at 31 Dec. 2014</b>	<b>3,615</b>	<b>15,061</b>	<b>6,130</b>	<b>24,806</b>

## 10. Property, Plant and Equipment

### Movement of Property, Plant and Equipment in 2015

in € thousand	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec. 2014	25,490	274,189	807,039	23,873	27,598	1,158,189
New additions	0	0	0	0	64,939	64,939
Transfer from assets under construction	900	9,478	49,581	3,874	(63,832)	0
Disposals	(1)	(4,535)	(10,864)	(1,932)	0	(17,332)
Translation differences	(3)	1	(4)	7	0	1
Redistribution	2,072	(1,110)	(13,675)	12,713	0	0
Transfer from intangible assets	0	0	1,018	43	0	1,061
<b>Cost as at 31 Dec. 2015</b>	<b>28,458</b>	<b>278,023</b>	<b>833,095</b>	<b>38,578</b>	<b>28,705</b>	<b>1,206,859</b>
Accumulated depreciation as at 31 Dec. 2014	-	(180,899)	(560,548)	(18,660)	-	(760,107)
Depreciation	-	(4,852)	(31,827)	(2,265)	-	(38,944)
Disposals	-	4,517	10,696	1,841	-	17,054
Translation differences	-	0	1	(7)	-	(6)
Redistribution	-	(1,076)	11,067	(9,991)	-	0
Transfer from intangible assets	-	0	(762)	(40)	-	(802)
<b>Accumulated depreciation as at 31 Dec. 2015</b>	<b>-</b>	<b>(182,310)</b>	<b>(571,373)</b>	<b>(29,122)</b>	<b>-</b>	<b>(782,805)</b>
<b>Present value as at 31 Dec. 2014</b>	<b>25,490</b>	<b>93,290</b>	<b>246,491</b>	<b>5,213</b>	<b>27,598</b>	<b>398,082</b>
<b>Present value as at 31 Dec. 2015</b>	<b>28,458</b>	<b>95,713</b>	<b>261,722</b>	<b>9,456</b>	<b>28,705</b>	<b>424,054</b>

Major new additions and finished investments in property, plant and equipment include:

- line heat treatment of special heavy plates,
- no-acid cleaning of hot-rolled strips,
- vacuum ladle furnace,
- current upgrades (repairs),
- renovation of buildings.

Disposals of property, plant and equipment mostly refer to the sale or write-off of equipment connected with the renovation of basic production capacities, and write-offs of unusable or out-dated equipment.

Redistribution refers to transfers between groups of assets and has no effect on income statements.

Property, plant and equipment, whose present value on 31 December 2015 amounts to €234,973 thousand, are pledged as security for liabilities. On 31 December 2015 the Group's unsettled liabilities to suppliers for purchase of property, plant and equipment amounted to €19,589 thousand. Its contractual liabilities for the purchase of property, plant and equipment amounted to €43,798 thousand. The present value of property, plant and equipment under finance lease is €5,171 thousand. The Group capitalized €860 thousand in 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 amount does not exceed the recoverable amount.

## Movement of Property, Plant and Equipment in 2014

in € thousand	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec. 2013	25,320	268,705	806,604	24,147	11,478	1,136,254
New additions	0	0	0	0	41,493	41,493
Transfer from assets under construction	242	2,462	20,791	1,875	(25,371)	0
Disposals	(9)	0	(18,647)	(918)	0	(19,574)
Translation differences	(63)	(2)	(67)	3	0	(129)
Redistribution	0	2,871	(1,642)	(1,229)	0	0
Other changes	0	153	0	0	0	153
Transfer to intangible assets	0	0	0	(5)	(3)	(8)
Cost as at 31 Dec. 2014	25,490	274,189	807,039	23,873	27,597	1,158,188
Accumulated depreciation as at 31 Dec. 2013	-	(175,250)	(547,537)	(18,960)	-	(741,747)
Depreciation	-	(4,802)	(31,228)	(1,563)	-	(37,593)
Disposals	-	0	18,557	738	-	19,295
Translation differences	-	1	14	(3)	-	12
Redistribution	-	(771)	(354)	1,125	-	0
Other changes	-	(76)	0	0	-	(76)
Transfer to intangible assets	-	0	0	3	-	3
Accumulated depreciation as at 31 Dec. 2014	-	(180,898)	(560,548)	(18,660)	-	(760,106)
Present value as at 31 Dec. 2013	25,320	93,455	259,067	5,187	11,478	394,507
Present value as at 31 Dec. 2014	25,490	93,291	246,491	5,213	27,597	398,082

## 11. Investments in Associates

in € thousand	31 Dec. 2015	31 Dec. 2014
Razvojni center Jesenice, Cesta Franceta Prešerna 61, Jesenice, Slovenia	1,573	1,548
Investments in associates	1,573	1,548

in € thousand	Activity	% of voting rights	Value of assets as at 31 Dec. 2015	Value of equity as at 31 Dec. 2015	Revenues 2015	Net profit 2015
Razvojni center Jesenice	Development	24.95	10,383	6,078	2,170	100

The investment in associates is valued on the basis of equity method. In 2015 the Group attributed a corresponding share of 2015 profit which amounted to €25 thousand.

The company's principal activity is development of new materials and raw materials. The company does not need to be audited.

## 12. Available-for-Sale Financial Assets

in € thousand	31 Dec. 2015	31 Dec. 2014
Available-for-sale financial assets at cost	44,606	290
Available-for-sale financial assets at fair value	614	616
Available-for-sale financial assets	45,220	906

Available-for-sale financial assets, carried at cost, refer to shares and interests in companies that are not traded on the regulated market and whose fair value cannot be measured reliably. In 2015 the Group acquired 5,000,000 shares with the ticker symbol PPTG of the company Perutnina Ptuj in the amount of €40,000 thousand, and 43,197 shares with the ticker symbol PMPG of the company Holding PMP in the amount of €4,320 thousand. According to its strategic plan, the Group will demerge these investments in 2016 into a separate new company of which the ownership will remain unchanged.

Available-for-sale financial assets, carried at fair value, refer to shares and interests in companies that are traded on the regulated market and whose fair value can be measured reliably. These assets decreased due to revaluation at fair value in the amount of €2 thousand charged to the comprehensive income.

Received dividends in 2015 amounted to €87 thousand.

## 13. Non-Current Operating Receivables

in € thousand	31 Dec. 2015	31 Dec. 2014
Operating receivables	5,056	5,057
Allowances for operating receivables	(2,984)	(3,165)
Non-current operating receivables	2,072	1,892

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

## 14. Other Non-Current Assets

in € thousand	31 Dec. 2015	31 Dec. 2014
Other assets	2,932	2,043
Other non-current assets	2,932	2,043

Other assets include non-current accrued cost of arrangement fees, emission coupons and cautions. The increase mostly refers to non-current accrued costs of arrangement fees.

## 15. Deferred Tax Assets and Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Deferred tax assets	18,967	15,696
Deferred tax liabilities	(35)	(50)
Deferred tax assets (liabilities), net	18,932	15,646

### Movement of Deferred Tax Assets and Liabilities in 2015

in € thousand	31 Dec. 2014	Translation differences	Changes in the income statement	Changes in comprehensive income	31 Dec. 2015
Property, plant and equipment	(148)	0	67	0	(81)
Other	97	0	(52)	0	45
<b>Deferred tax liabilities</b>	<b>(51)</b>	<b>0</b>	<b>15</b>	<b>0</b>	<b>(36)</b>
Other provisions	56	0	(1)	0	55
Unused tax losses	7,141	0	1,238	0	8,379
Inventories	(18)	8	129	0	119
Operating receivables	969	0	(139)	0	830
Employee benefits	1,295	0	147	0	1,442
Property, plant and equipment	116	0	514	0	630
Available-for-sale financial assets	(35)	0	0	0	(35)
Unused tax relief	6,173	27	1,348	0	7,548
<b>Deferred tax assets</b>	<b>15,697</b>	<b>35</b>	<b>3,236</b>	<b>0</b>	<b>18,968</b>
<b>Deferred tax assets (liabilities), net</b>	<b>15,646</b>	<b>35</b>	<b>3,251</b>	<b>0</b>	<b>18,932</b>

On 31 December 2015 the value of unused tax losses for which deferred tax assets are recognized amounted to €43,610 thousand. The value of unused tax losses for which

deferred tax assets are not recognized amounted to €58,324 thousand, while unrecognized deferred tax assets amounted to €9,915 thousand.

### Movement of Deferred Tax Assets and Liabilities in 2014

in € thousand	31 Dec. 2013	Translation differences	Changes in the income statement	Changes in comprehensive income	31 Dec. 2014
Inventories	(77)	0	77	0	0
Property, plant and equipment	(302)	0	155	0	(147)
Other	327	0	(230)	0	97
<b>Deferred tax liabilities</b>	<b>(52)</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>(50)</b>
Other provisions	27	0	29	0	56
Unused tax losses	7,695	0	(554)	0	7,141
Inventories	252	11	(281)	0	(18)
Operating receivables	940	0	29	0	969
Employee benefits	1,322	0	(27)	0	1,295
Property, plant and equipment	769	0	(653)	0	116
Available-for-sale financial assets	(15)	0	0	(20)	(35)
Unused tax reliefs	5,501	9	662	0	6,172
<b>Deferred tax assets</b>	<b>16,491</b>	<b>20</b>	<b>(795)</b>	<b>(20)</b>	<b>15,696</b>
<b>Deferred tax assets (liabilities), net</b>	<b>16,439</b>	<b>20</b>	<b>(793)</b>	<b>(20)</b>	<b>15,646</b>

### 16. Assets Held for Disposal

in € thousand	31 Dec. 2015	31 Dec. 2014
Assets held for sale	4,142	4,146
<b>Assets held for disposal</b>	<b>4,142</b>	<b>4,146</b>

Under assets held for sale, the Group has lands and buildings (outbuildings and apartments) in Jesenice and Celje. Sales activities are constantly under way. In 2015, the Group generated €1 thousand in profit from the sale of assets. The assets are not pledged as security for liabilities.

The present value of assets classified as held for sale does not exceed their realizable value.

### 17. Inventories

in € thousand	31 Dec. 2015	31 Dec. 2014
Raw material	68,883	63,225
Work in progress	51,687	40,582
Finished products	36,655	41,534
Trade goods	14,117	15,293
<b>Inventories</b>	<b>171,342</b>	<b>160,634</b>

Inventories, whose present value on 31 December 2015 amounts to €13,638 thousand, are pledged as security for liabilities. On 31 December 2015 the Group checked the value of the inventories and found that the net realizable value

of finished products is lower than their production value, so made an impairment of the inventories in the amount of €533 thousand in 2015.

### Movement of Allowances for Inventories

in € thousand	2015	2014
<b>Balance as at 1 Jan.</b>	<b>4,788</b>	<b>4,850</b>
Allowance changes with influence on profit or loss	(12)	(17)
Allowance changes without influence on profit or loss	(2)	(61)
Translation differences	15	16
<b>Balance as at 31 Dec.</b>	<b>4,789</b>	<b>4,788</b>

### 18. Current Financial Receivables

in € thousand	31 Dec. 2015	31 Dec. 2014
Loans issued	3,151	47
Interest receivables	37	10
Other	0	1
<b>Current financial receivables</b>	<b>3,188</b>	<b>58</b>

Loans issued include a loan issued to the controlling company in the amount of €3,000 thousand. The interest rate for loans issued is mainly fixed.



## Movement of Current Loans Issued

in € thousand	2015	2014
Balance as at 1 Jan.	47	15,969
Loans issued	3,224	8,431
Receipts from loans issues	(99)	(23,772)
Write-offs of loans issued	0	(581)
Translation differences	(1)	0
Other	(20)	0
Balance as at 31 Dec.	3,151	47

## 19. Current Operating Receivables

in € thousand	31 Dec. 2015	31 Dec. 2014
Trade receivables	106,763	129,060
Allowances for trade receivables	(4,853)	(4,135)
VAT receivables	5,963	5,173
Issued advance payments and cautions	4,812	5,770
Other operating receivables	1,596	2,562
Current operating receivables	114,281	138,430

The majority of the Group's trade receivables are insured against commercial risks with our insurance company. Trade receivables, whose present value on 31 December 2015 amounts to €43,672 thousand, are pledged as security for liabilities.

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

## 20. Cash and Cash Equivalents

in € thousand	31 Dec. 2015	31 Dec. 2014
Cash in national currency	36,391	34,917
Cash in foreign currency	8,122	3,883
Restricted cash	74	193
Cash and cash equivalents	44,587	38,993

Cash in national and foreign currency includes cash in hand and balances on bank accounts, amounting to €44,283 thousand on 31 December 2015. Deposits in the amount of €230 thousand are in the national currency and have a maturity of up to three months. The interest rate for deposits is fixed.

Restricted cash represents assets on custody account intended for payments of liabilities for the acquisition of a subsidiary.

## 21. Other Current Assets

in € thousand	31 Dec. 2015	31 Dec. 2014
Deferred expenses	1,915	1,037
Accrued revenues	361	95
Other current assets	2,276	1,132

Current deferred expenses refer to advance payments of costs, which in 2016 will debit against profit or loss.

## 22. Equity

in € thousand	31 Dec. 2015	31 Dec. 2014
<b>Equity attributed to the owners of the parent company</b>	<b>344,915</b>	<b>343,549</b>
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Revenue reserves	129	(859)
Fair value reserves	(369)	171
Translation differences	221	33
Retained earnings	188,207	187,477
<b>Non-controlling interest</b>	<b>3,802</b>	<b>4,586</b>
<b>Equity</b>	<b>348,717</b>	<b>348,135</b>

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

### Ownership Structure of the Parent Company

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

The ownership structure changed in 2015. The parent company completed the purchase of 11,468 of its own shares from D. P. R., d. d., and 8,205 of its own shares from Stanovanjsko podjetje, d. o. o., thus increasing the treasury shares by 2.77 percent.

### Capital Surplus

Capital surplus in the amount of €11,461 thousand was created during the simplified decrease in the parent company's capital.

### Revenue Reserves

in € thousand	31 Dec. 2015	31 Dec. 2014
Legal reserves	2,384	1,396
Treasury shares	(6,009)	(2,257)
Reserves for treasury shares	3,754	2
<b>Revenue reserves</b>	<b>129</b>	<b>(859)</b>

The parent company acquired treasury shares in the amount of €2,255 thousand on the basis of the Act Regulating the Incurrence and Settlement of Liabilities of Slovenske železarne as regards the Restructuring Programme (Official Gazette of the RS, nr. 111/2001) and in line with the Privatization of Slovenske železarne Act (Official Gazette of the RS, nr. 13/1998). Treasury shares were acquired by exchanging interests in subsidiaries for shares of the parent company owned by authorized companies. The shares were acquired ex lege and

not in line with the Companies Act, which is why the parent company did not establish a treasury shares fund. Shares are recognized at cost.

In 2015 the parent company acquired 19,673 treasury shares on the basis of decisions taken at the 25th General Assembly of 9 June 2014, and established reserves in the amount of €3,752 thousand for treasury shares. Shares are recognized at cost.

### Fair Value Reserves

in € thousand	31 Dec. 2015	31 Dec. 2014
Fair value reserves due to available-for-sale financial assets	203	206
Deferred tax liabilities	(35)	(35)
Net actuarial losses on pension programs	(537)	0
<b>Fair value reserves</b>	<b>(369)</b>	<b>171</b>

### Distributable Profit

The Group is not a legal entity nor does it hold decision-making rights. Retained earnings and net profit for the financial year of subsidiaries, included in the consolidated financial statements, are divided at the level of the respective subsidiaries.

### 23. Employee Benefits

in € thousand	31 Dec. 2015	31 Dec. 2014
Provisions for severance pay	10,125	8,319
Provisions for loyalty bonuses	1,958	1,995
Provisions for post-employment benefits	177	124
<b>Employee benefits</b>	<b>12,260</b>	<b>10,438</b>

The actuarial calculation was made on the basis of the actuarial model and assumptions, derived from life tables, growth in wages in the Republic of Slovenia, and the yield curve, which represents the relationship between market yields on government bonds in the Eurozone and the time remaining to maturity. The observed discounted rate is between 0 and 2.3 percent, depending on maturity.

Employee benefits are calculated by an authorized actuary. The change in employee benefits had a direct effect on the income statement, except for actuarial losses which decreases the revaluation reserves in equity.

The Group did not carry out an actuarial calculation in 2014.

### Movement of Employee Benefits in 2015

in € thousand	31 Dec. 2014	Formation	Reversal	Utilization	31 Dec. 2015
Provisions for severance pay	8,319	1,984	(178)	0	10,125
Provisions for loyalty bonuses	1,995	32	(69)	0	1,958
Provisions for post-employment benefits	124	84	(18)	(13)	177
<b>Employee benefits</b>	<b>10,438</b>	<b>2,100</b>	<b>(265)</b>	<b>(13)</b>	<b>12,260</b>

### 24. Other Provisions

in € thousand	31 Dec. 2015	31 Dec. 2014
Provisions for environmental rehabilitation	200	200
Provisions for law suits	674	902
Provisions for complaints	571	575
<b>Other provisions</b>	<b>1,445</b>	<b>1,677</b>

### Movement of Other Provisions in 2015

in € thousand	31 Dec. 2014	Formation	Reversal and utilization	31 Dec. 2015
Provisions for environmental rehabilitation	200	0	0	200
Provisions for law suits	902	25	(253)	674
Other provisions	575	0	(4)	571
<b>Other provisions</b>	<b>1,677</b>	<b>25</b>	<b>(257)</b>	<b>1,445</b>

### Movement of Other Provisions in 2014

in € thousand	31 Dec. 2013	Formation	Reversal and utilization	31 Dec. 2014
Provisions for environmental rehabilitation	500	0	(300)	200
Provisions for law suits	1,043	0	(141)	902
Other provisions	320	257	(2)	575
<b>Other provisions</b>	<b>1,863</b>	<b>257</b>	<b>(443)</b>	<b>1,677</b>

### 25. Non-Current Deferred Revenues

in € thousand	31 Dec. 2015	31 Dec. 2014
Assigned contributions	867	866
Other deferred revenues	60	0
<b>Non-current deferred revenues</b>	<b>927</b>	<b>866</b>

#### Movement of Non-Current Deferred Revenues in 2015

in € thousand	31 Dec. 2014	Formation	Reversal and utilization	31 Dec. 2015
Assigned contributions	866	1,366	(1,365)	867
Other deferred revenues	0	402	(342)	60
<b>Non-current deferred revenues</b>	<b>866</b>	<b>1,768</b>	<b>(1,707)</b>	<b>927</b>

#### Movement of Non-Current Deferred Revenues in 2014

in € thousand	31 Dec. 2013	Creation	Reversal and utilization	31 Dec. 2014
Assigned contributions	776	1,377	(1,287)	866
Other deferred revenues	2	57	(59)	0
<b>Non-current deferred revenues</b>	<b>778</b>	<b>1,434</b>	<b>(1,346)</b>	<b>866</b>

### 26. Non-Current Financial Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Borrowings	124,296	138,072
Liabilities for bonds issued	94,115	42,897
Liabilities arising from finance lease	2,787	2,413
<b>Non-current financial liabilities</b>	<b>221,198</b>	<b>183,382</b>

Borrowings include loans from domestic and foreign banks. Borrowings in the amount of €95,531 thousand are secured by properties, receivables and inventories. Other borrowings

are not secured. The interest rate for the majority of borrowings and liabilities arising from finance lease is flexible and based on EURIBOR.

#### Liabilities for bonds issued

Liabilities for bonds issued refer to the bonds issued with the ticker symbol SIJ4. The bonds were issued by the parent company with a total nominal value of €42,897 thousand. The entire bond issue contains 42,897 denominations of €1 thousand. The bond maturity date is 24 November 2019. The interest rate for the bonds is fixed, i.e. 4.50 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds have been traded on the Ljubljana Stock Exchange.

Liabilities for bonds issued refer to the bonds issued with the ticker symbol SIJ5. The bonds were issued by the parent company with a total nominal value of €51,218 thousand. The entire bond issue contains 51,218 denominations of €1 thousand. The bond maturity date is 21 July 2020. The interest rate for the bonds is fixed, i.e. 4.00 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds have been traded on the Ljubljana Stock Exchange.

#### Movement of Non-Current Borrowings

in € thousand	2015	2014
<b>Balance as at 1 Jan.</b>	<b>138,073</b>	<b>155,403</b>
Borrowings	165,604	32,883
Repayments for borrowings	(4,144)	(25,176)
Reclassification to current borrowings	(175,236)	(25,038)
Exchange rate differences	(1)	2
Translation differences	1	(2)
<b>Balance as at 31 Dec.</b>	<b>124,296</b>	<b>138,072</b>

#### Movement of Non-Current Liabilities Arising from Finance Lease

in € thousand	2015	2014
<b>Balance as at 1 Jan.</b>	<b>2,413</b>	<b>3,601</b>
Liabilities arising from finance lease	2,109	692
Repayments of liabilities arising from finance lease	(15)	0
Reclassification to current liabilities arising from finance lease	(1,720)	(1,880)
<b>Balance as at 31 Dec.</b>	<b>2,787</b>	<b>2,413</b>

The lowest sum of future leases due for payment amounts to €1,317 thousand in the next financial year, €2,422 thousand in 1 to 5 years, and €542 thousand after 5 years.

The net present value of future leases due for payment amounts to €1,201 thousand in the next financial year, €2,283 thousand in 1 and 5 years, and €504 thousand after 5 years.

### 27. Non-Current Operating Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Emission coupons	663	762
Other liabilities	155	152
<b>Non-current operating liabilities</b>	<b>818</b>	<b>914</b>

### 28. Current Financial Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Borrowings	77,195	70,412
Liabilities for commercial papers issued	17,662	0
Interest liabilities	2,173	1,292
Liabilities arising from finance lease	1,201	1,737
<b>Current financial liabilities</b>	<b>98,231</b>	<b>73,441</b>

Borrowings include loans from domestic and foreign banks. Borrowings in the amount of €27,834 thousand are secured by properties, receivables and inventories. Other borrowings

are not secured. The interest rate for the majority of borrowings and liabilities arising from finance lease is flexible and based on EURIBOR.



## Liabilities for Commercial Papers Issued

Liabilities for commercial papers amounting to €17,662 thousand refer to 12-month commercial papers with the ticker symbol SIK02, issued by the parent company on 18 December 2015. The total nominal value of the commercial papers is €17,662 thousand, and covers 17,662 denominations of €1 thousand. The interest rate for a commercial paper is 2.20 per-

cent per annum. Commercial papers are a discounted security. Interest is charged in advance and deducted on payment of a commercial paper in the form of a discount from the nominal value of the commercial paper. Liabilities from commercial papers are payable on 16 December 2016. Commercial papers trading takes place at the Ljubljana Stock Exchange.

### Movement of Current Borrowings

in € thousand	2015	2014
Balance as at 1 Jan.	70,412	109,089
Borrowings	298,908	237,678
Payments for borrowings	(468,013)	(302,030)
Reclassification from non-current borrowings	175,236	25,038
Exchange rate differences	6	11
Translation differences	646	626
Balance as at 31 Dec.	77,195	70,412

### Movement of Current Liabilities Arising from Finance Lease

in € thousand	2015	2014
Balance as at 1 Jan.	1,737	3,522
Repayments of liabilities arising from finance lease	(2,256)	(3,665)
Reclassification from non-current liabilities arising from finance lease	1,720	1,880
Balance as at 31 Dec.	1,201	1,737

The lowest sum of future leases, due for payment in the next financial year, amounts to €1,317 thousand on 31 December 2015, and the net present value of leases amount to €1,201 thousand on the same date.

## 29. Current Operating Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Liabilities to suppliers	166,434	155,323
Liabilities to employees	3,877	3,946
Received advance payments	1,309	1,515
Tax liabilities	4,702	4,395
Other liabilities	1,400	1,727
Current operating liabilities	177,722	166,906

## 30. Other Current Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Accrued customer fees	277	1,121
Accrued expenses for unused annual leave	564	933
Accrued expenses for lawsuits	133	68
Other liabilities	445	673
Deferred revenue	156	59
Other current liabilities	1,575	2,854

## 31. Segment Reporting

### Segment Reporting for 2015

in € thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Headquarter and other Services	Transactions between segments	Total	Consolidated financial statements
Revenues on the segments	542,212	133,929	76,030	47,242	15,625	0	815,038	-
Eliminations	(571)	(1,655)	(9,128)	(397)	(116)	(138,354)	(150,221)	-
Revenues	541,641	132,274	6,902	46,845	15,508	(138,354)	664,817	664,817
Cost on the segments	524,547	135,715	75,358	46,024	15,912	0	797,556	-
Eliminations	(571)	(1,655)	(9,128)	(397)	(116)	(138,354)	(150,221)	-
Expenses	523,976	134,060	66,230	45,627	15,796	(138,354)	647,335	647,335
Other operating income (expenses)	6,944	(14)	34	829	21,766	(23,700)	5,859	5,859
Profit (loss) from operation	24,609	(1,799)	706	2,047	21,478	(23,700)	23,341	23,341
Net finance income (expenses)	(11,280)	(1,542)	(965)	28	(642)	8	(14,393)	(14,393)
Share of profit in associates	25	0	0	0	0	0	25	25
Taxes	1,905	735	22	(120)	(722)	0	1,820	1,820
Profit (loss) for the period	15,259	(2,606)	(237)	1,955	20,114	(23,692)	10,793	10,793
Assets on segments	659,235	98,287	29,025	40,432	356,691	(319,975)	863,695	863,695
Liabilities on segments	391,122	80,268	21,175	22,588	155,419	(155,594)	514,978	514,978

### Segment Reporting for 2014

in € thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Headquarter and other Services	Transactions between segments	Total	Consolidated financial statements
Revenues on the segments	584,063	123,317	98,542	48,092	12,928	0	866,942	-
Eliminations	(4,675)	(1,472)	(14,160)	(318)	(520)	(137,939)	(159,084)	-
<b>Revenues</b>	<b>579,388</b>	<b>121,845</b>	<b>84,382</b>	<b>47,774</b>	<b>12,408</b>	<b>(137,939)</b>	<b>707,858</b>	<b>707,858</b>
Cost on the segments	557,129	121,666	97,266	46,128	12,405	0	834,594	-
Eliminations	(4,675)	(1,472)	(14,160)	(318)	(520)	(138,155)	(159,300)	-
<b>Expenses</b>	<b>552,454</b>	<b>120,194</b>	<b>83,106</b>	<b>45,810</b>	<b>11,885</b>	<b>(138,155)</b>	<b>675,294</b>	<b>675,294</b>
Other operating income (expenses)	(5,031)	130	11	(1,134)	(901)	(57)	(6,982)	(6,979)
<b>Profit (loss) from operation</b>	<b>31,965</b>	<b>1,521</b>	<b>1,265</b>	<b>3,098</b>	<b>1,424</b>	<b>270</b>	<b>39,543</b>	<b>39,543</b>
Net finance income (expenses)	(10,334)	(1,546)	(947)	(42)	4	(592)	(13,457)	(13,457)
Share of profit in associates	600	0	0	0	0	0	600	600
Taxes	(1,089)	(236)	(22)	(289)	(146)	0	(1,782)	(1,782)
<b>Profit (loss) for the period</b>	<b>21,142</b>	<b>(261)</b>	<b>296</b>	<b>2,767</b>	<b>1,282</b>	<b>(319)</b>	<b>24,907</b>	<b>24,904</b>
Assets on segments	628,872	93,776	29,608	39,445	238,738	(241,178)	789,261	789,261
Liabilities on segments	368,607	75,035	21,454	13,462	55,801	(93,233)	441,126	441,126

### 32. Contingent Assets and Liabilities

Contingent assets amounted to €1,736 thousand on 31 December 2015 and refer to received guarantees for the elimination of errors in the warranty period. The Group expects no inflows from received guarantees.

Contingent liabilities amounted to €48,119 thousand on 31 December 2015. They include issued guarantees for the amount of €45,841 thousand, and guarantees for good work performance in the amount of €2,277 thousand. The Group expects no outflows from the issued securities and guarantees.

### 33. Business Combinations

On 5 March 2015 Noži Ravne acquired a 100 percent share of Ravne Knives (UK) Limited, Ravne Knives UK (North) Limited and Ravne Knives USA INC. In 2015 the Group considered temporary fair values of acquired assets as fair for the initial accounting of the business combination of purchasing the companies.

According to the first paragraph of the IFRS, 3.45, at the initial recognition of business combinations the Group used the carrying

amount of assets, liabilities and potential liabilities of the acquired company as the fair value. The initial recognition will be repeated within twelve months after the acquisition and the recognition will be adjusted accordingly.

The statement of financial position of Ravne Knives (UK) Limited, Ravne Knives UK (North) Limited and Ravne Knives USA INC on the day the Group acquired the controlling interest is given below.

in € thousand	Fair value	Temporary fair value
<b>Assets</b>		
Cash and cash equivalents	62	62
Inventories	18	18
Operating receivables	348	348
<b>Equity and liabilities</b>		
Operating liabilities	411	411
<b>Net assets</b>	<b>17</b>	<b>17</b>
<b>Acquired net assets</b>	<b>17</b>	<b>-</b>
Acquisition price	207	-
Carrying amount of acquired net assets	17	-
<b>Goodwill</b>	<b>190</b>	<b>-</b>

### RELATED PARTIES

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

#### Related Party Transactions Excluded from the Consolidated Financial Statements

in € thousand	2015	2014
Revenues/expenses	150,220	159,083

in € thousand	31 Dec. 2015	31 Dec. 2014
Operating receivables/liabilities	61,831	55,101
Financial receivables/liabilities	101,741	49,003
Investments in subsidiaries	173,096	171,214

### Transactions with the Parent Company

in € thousand	2015	2014
Revenues	20	1,030

in € thousand	31 Dec. 2015	31 Dec. 2014
Receivables	3,022	2

### Transactions with Management

This is the total amount of receipts on the basis of the business management contract, received in the financial year, for the performance of functions or tasks in the company by members of the Board of Directors, other workers employed on contracts for which the tariff part of the collective agreement does not apply, and members of the Supervisory Board.

in € thousand	2015
Management and employees with service contracts	15,424
Members of the Supervisory Board	198

The receipts include gross salaries, paid reimbursements related to work in accordance with the regulations (daily allowance, mileage, overnight accommodation etc.), and bonuses.

The Group did not grant any loans, issue any guarantees nor make any advance payments to the management of the Group or the members of the Supervisory Board in 2015.

The management of the Group is represented by the management of the parent company and the management of subsidiaries.

## FINANCIAL INSTRUMENTS AND RISKS

### Credit Risk

The largest exposure on the reporting date arises from trade receivables, other operating receivables, financial receivables and deposits.

#### Age Structure of Financial Assets

in € thousand	Overdue					Total	
	31 Dec. 2015	Not-overdue	Up to 3 months	3 months to 1 year	1 year to 3 years		Over 3 years
Trade receivables		88,125	10,067	2,204	1,195	319	101,910
Financial receivables and deposits		3,503	0	0	0	0	3,503
<b>Total</b>		<b>91,628</b>	<b>10,067</b>	<b>2,204</b>	<b>1,195</b>	<b>319</b>	<b>105,413</b>

in € thousand	Overdue					Total	
	31 Dec. 2014	Not-overdue	Up to 3 months	3 months to 1 year	1 year to 3 years		Over 3 years
Trade receivables		108,482	13,544	1,365	1,359	175	124,925
Financial receivables and deposits		16,320	7	0	0	0	16,327
<b>Total</b>		<b>124,801</b>	<b>13,551</b>	<b>1,365</b>	<b>1,359</b>	<b>175</b>	<b>141,251</b>

### Movement of Allowances for Financial Assets

in € thousand	Allowance as at 31 Dec. 2014	Creation of allowance for year	Repayment of assets subject to allowance	Other changes without influence on profit or loss	Allowance as at 31 Dec. 2015
Trade receivables	4,135	957	(89)	(149)	4,854
Financial receivables and deposits	1	0	0	0	1
<b>Total</b>	<b>4,136</b>	<b>957</b>	<b>(89)</b>	<b>(149)</b>	<b>4,855</b>

in € thousand	Allowance as at 31 Dec. 2013	Creation of allowance for year	Repayment of assets subject to allowance	Other changes without influence on profit or loss	Allowance as at 31 Dec. 2014
Trade receivables	4,726	1,104	(268)	(1,428)	4,134
Financial receivables and deposits	1	0	0	0	1
<b>Total</b>	<b>4,727</b>	<b>1,104</b>	<b>(268)</b>	<b>(1,428)</b>	<b>4,135</b>

### Liquidity Risk

The Group is managing liquidity risk by the appropriate planning of cash flow and current credit lines from banks agreed in advance, which ensures that the Group is capable of settling any overdue liabilities at any time.

in € thousand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
31 Dec. 2015					
Liabilities to suppliers	159,928	6,278	228	0	166,434
Borrowings	38,053	66,326	228,981	9,751	343,111
Other operating and financial liabilities	1,545	84	590	0	2,219
<b>Total</b>	<b>199,526</b>	<b>72,688</b>	<b>229,799</b>	<b>9,751</b>	<b>511,764</b>

in € thousand	Up to 3 months	3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
31 Dec. 2014					
Liabilities to suppliers	150,937	4,386	0	0	155,323
Borrowings	30,756	46,821	189,897	21,484	288,958
Other operating and financial liabilities	1,718	145	914	0	2,777
<b>Total</b>	<b>183,411</b>	<b>51,352</b>	<b>190,811</b>	<b>21,484</b>	<b>447,058</b>

Exposure to banks is assessed as moderate. The Group fully complies with the conditions stated in loan contracts in the section defining the disclosure of data, payment of interest and repaying the principal value.



## Foreign Exchange Risk

The consolidated financial statements of the Group are based on the following exchange rates.

	Exchange rate as at 31 Dec. 2015
EUR/USD	1.09
EUR/GBP	0.76
EUR/CHF	1.11
EUR/HRK	7.66
EUR/RSD	121.59

Net exposure (assets – liabilities) in foreign currencies, expressed in EUR is presented in below table.

in € thousand	Exposure
USD	(17,685)
GBP	12
CHF	88
HRK	(2)
JPY	(10)
EUR	(79)

## Interest Rate Risk

A change in interest rate by 100 or 200 basis points on the reporting date would result in an increase (decrease) of profit or loss by the amounts stated below. The analysis assumes that all other variables, in particular exchange rates, remain unchanged. The analysis for 2014 was prepared in the same manner:

in € thousand	2015	2014
Change in profit/loss if increased by 200 bp	(3,249)	(3,705)
Change in profit/loss if increased by 100 bp	(1,625)	(1,852)
Change in profit/loss if decreased by 100 bp	1,625	1,852
Change in profit/loss if decreased by 200 bp	3,249	3,704

## Equity Management

The Group monitors the status of overdue receivables on a daily basis, and prepares 3-month plans twice a month with the aim of achieving optimum debt. Larger investments are financed by non-current assets.

in € thousand	2015	Debt increase by 10%	Debt decrease by 10%
Level of debt on equity	91.60	100.76	82.44
Equity	348,717	348,717	348,717
Financial liabilities	319,429	351,372	287,486

## Carrying Amounts and Fair Values of Financial Instruments

in € thousand	31 Dec. 2015		31 Dec. 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets	45,220	45,220	906	906
Financial receivables	3,291	3,291	161	161
Operating receivables	116,353	116,353	142,364	142,364
Cash and cash equivalents	44,587	44,587	38,993	38,993
Financial liabilities	(319,429)	(319,429)	(256,823)	(256,823)
Operating liabilities	(178,540)	(178,540)	(167,819)	(167,819)
<b>Total</b>	<b>(288,518)</b>	<b>(288,518)</b>	<b>(242,218)</b>	<b>(242,218)</b>

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

## Fair Value Measurements

To determine fair value, the Group, where possible, takes into account the market value of financial instruments. The Group begins measuring the financial assets in the valuation model when it is estimated that the market is inactive. In accordance with the IFRS and accounting policies, the Group divides financial instruments into three levels.

Level 2 includes financial instruments whose fair value is determined on the basis of valuation models which take into account variables that are derived on the basis of publicly available market data (such as market interest rates).

Level 1 includes financial instruments whose fair value is fully determined on the basis of prices quoted in an active market.

Level 3 includes financial instruments whose fair value is determined on the basis of valuation models which take into account subjective variables, which are not publicly available on the market.

in € thousand	31 Dec. 2015	31 Dec. 2014
Financial assets at fair value at the first level	614	616
Financial assets at fair value at the third level	47,897	451
Financial liabilities at fair value at the third level	(319,429)	(256,823)

## EVENTS AFTER THE REPORTING DATE

At the beginning of 2016 the subsidiary Noži Ravne received appropriate approval from the Slovenian Competition Protection Agency to complete the takeover procedure of Sistemska tehnika d. o. o. The company changed its name to Ravne Systems d. o. o. on 18 January 2016. At the same time intensive activities were carried out for a merger of the (former) Sistemska tehnika d. o. o., Noži Ravne d. o. o. and Serpa d. o. o. The companies currently operate as an independent legal entity. A definitive merger in Ravne Systems d. o. o. is planned by the Group in the coming months.

A takeover bid to buy shares of HOLDING PMP, naložbena dejavnost, d. d., Vinarski trg 1, 2250 Ptuj, published by the parent company on 4 December 2015, ended on 2 February 2016. During the duration of the takeover bid from (and including) 5 December 2015 up to (and including) 2 February 2016, the offer was accepted by 28 acceptors, who jointly held 33,673 shares in the target company with the ticker symbol PMPG, constituting 43.81 percent of all shares in the target company. Together with the 43,197 shares in Holding PMP d. d., held by the parent company on the date of publication of the takeover bid, the parent company acquired all 76,870 issued shares or 100 percent of Holding PMP d. d. on 11 February 2016, by rebooking the shares.

On 2 March 2016 a takeover procedure to buy shares in PERUTNINA PTUJ reja perutnine, proizvodnja krmil, perutninskega mesa in izdelkov, trgovina in storitve d. d., Potrčeva cesta 10, 2250 Ptuj, ended successfully; the offer was published on 24 December 2015. During the duration of the takeover bid from (and including) 28 December 2015 up to (and including) 25 February 2016, the offer was accepted by 2,348 acceptors, who jointly held 2,846,733 shares in the target company with the symbol PPTG, constituting 26.09 percent of all shares of the target company. Together with 5,000,000 shares in Perutnina Ptuj d. d., held by the parent company on the date of publication of the takeover bid, and 603,184 shares in the target company, held by Holding PMP d.d. on the date of publication of the takeover bid, amounting to 5,603,184 shares in Perutnina Ptuj d. d., held directly or indirectly by the acquirer on the date of publication of the takeover bid, the parent company now holds 8,449,917 shares, constituting 77.43 percent of all issued shares in PERUTNINA PTUJ d. d.

# FINANCIAL REPORT SIJ D.D.

**INDEPENDENT AUDITORS REPORT TO THE  
OWNERS OF SIJ – Slovenska industrija jekla, d.d.**

**Report on the Financial Statements**

We have audited the accompanying unconsolidated financial statements of SIJ-Slovenska industrija jekla, d.d., which comprise the statement of financial position as at 31.12.2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the unconsolidated financial statements give a true and fair view of the financial position of SIJ-Slovenska industrija jekla, d.d. as of 31.12.2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

**Report on Other Legal and Regulatory Requirements**

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

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

DELOITTE REVIZIJA d.o.o.

Maruša Tratnjek  
Certified auditor



Ljubljana, 4 March 2016

**Deloitte.**

DELOITTE REVIZIJA D.O.O.  
Ljubljana, Slovenija 3

**FOR TRANSLATION PURPOSES ONLY- ORIGINAL PREVAILS**



# STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Board of Directors is responsible for drawing up financial statements for each individual year according to the International Financial Reporting Standards (IFRS) adopted by the European Union and the Company's Act, so that they give a true and fair view of the Company's operations.

The Board of Directors legitimately expects the company 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 Company 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. 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 Company's financial position at any given time, and for making sure that the financial statements of the Company are in accordance with the IFRS, adopted by the European Union. The Board of Directors is also responsible for protecting the Company's assets, as well as discovering and preventing abuses and other irregularities.

Anytime within 5 years after the end of the year in which the tax assessment should be made, the tax authorities can inspect the operations of the Company. This can result in 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 way 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, without reservations about their application.

The Board of Directors approved the financial statements, accounting policies and notes on 4 March 2016.

President of the Board of Directors  
**Anton Chernykh**



Member of the Board of Directors  
**Igor Malevanov**



# FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	2015	2014
Revenue	1	12,892	9,836
<b>Gross profit</b>		<b>12,892</b>	<b>9,836</b>
General and administrative expenses	2	(12,558)	(9,653)
Other operating income	3	22,698	481
Other operating expenses	4	(1,763)	(206)
<b>Profit from operation</b>		<b>21,269</b>	<b>458</b>
Finance income	5	3,779	3,319
Finance expenses	6	(4,581)	(2,429)
<b>Net finance (costs) income</b>		<b>(802)</b>	<b>890</b>
<b>Profit before taxation</b>		<b>20,467</b>	<b>1,348</b>
Income tax expense	7	(715)	(138)
<b>Profit for the year</b>		<b>19,752</b>	<b>1,210</b>
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Income tax related to components of comprehensive income		1	(20)
Net actuarial losses on pension programs		(12)	0
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value reserves for available-for-sale financial assets		(3)	120
<b>Comprehensive income</b>		<b>19,737</b>	<b>1,310</b>
<b>Profit for the year</b>		<b>19,752</b>	<b>1,210</b>
Basic and diluted earnings per share (in EUR)	8	20.34	1.23

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

## STATEMENT OF FINANCIAL POSITION

in € thousand	Note	31 Dec. 2015	31 Dec. 2014
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>282,284</b>	<b>177,941</b>
Intangible Assets	9	812	633
Property, plant and equipment	10	5,627	5,764
Investment property		0	1
Investments in subsidiaries	11	163,672	163,507
Available-for-sale financial assets	12	45,198	885
Financial receivables	13	65,302	5,992
Operating receivables		29	29
Other assets	14	616	102
Deferred tax assets	15	1,028	1,028
<b>Current assets</b>		<b>68,529</b>	<b>62,887</b>
Assets held for disposal		35	35
Financial receivables	16	25,761	25,990
Operating receivables	17	32,451	19,266
Cash and cash equivalents	18	9,217	17,517
Other assets	19	1,065	79
<b>Total assets</b>		<b>350,813</b>	<b>240,828</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>20</b>	<b>191,403</b>	<b>181,227</b>
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Revenue reserves		129	(859)
Fair value reserves		157	171
Retained earnings		34,390	25,188
<b>Non-current liabilities</b>		<b>123,092</b>	<b>43,563</b>
Employee benefits	21	391	462
Financial liabilities	22	122,700	43,098
Operating liabilities		1	3
<b>Current liabilities</b>		<b>36,318</b>	<b>16,038</b>
Financial liabilities	23	32,907	12,240
Operating liabilities	24	2,689	3,535
Income tax liabilities		586	126
Other liabilities		136	137
<b>Total equity and liabilities</b>		<b>350,813</b>	<b>240,828</b>

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

## STATEMENT OF CHANGES IN EQUITY

### Statement of Changes in Equity in 2015

in € thousand	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Retained earnings	Total
<b>Balance as at 31 Dec. 2014</b>	<b>145,266</b>	<b>11,461</b>	<b>(859)</b>	<b>171</b>	<b>25,188</b>	<b>181,227</b>
Purchase of treasury shares	0	0	(3,752)	0	0	(3,752)
Dividends paid	0	0	0	0	(5,810)	(5,810)
Creation of legal reserves	0	0	988	0	(988)	0
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>(2,764)</b>	<b>0</b>	<b>(6,798)</b>	<b>(9,562)</b>
Profit for the year	0	0	0	0	19,752	19,752
Other changes in comprehensive income	0	0	0	(14)	0	(14)
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(14)</b>	<b>19,752</b>	<b>19,738</b>
Creation of reserves for treasury shares	0	0	3,752	0	(3,752)	0
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>3,752</b>	<b>0</b>	<b>(3,752)</b>	<b>0</b>
<b>Balance as at 31 Dec. 2015</b>	<b>145,266</b>	<b>11,461</b>	<b>129</b>	<b>157</b>	<b>41,894</b>	<b>191,403</b>

### Statement of Changes in Equity in 2014

in € thousand	Share capital	Capital surplus	Revenue reserves	Fair value reserves	Retained earnings	Total
<b>Balance as at 31 Dec. 2013</b>	<b>145,266</b>	<b>11,461</b>	<b>(859)</b>	<b>71</b>	<b>24,501</b>	<b>180,441</b>
Purchase of treasury shares	0	0	(2)	0	0	(2)
Transactions with owners	0	0	0	0	(521)	(521)
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>(2)</b>	<b>0</b>	<b>(521)</b>	<b>(523)</b>
Profit for the year	0	0	0	0	1,210	1,210
Other changes in comprehensive income	0	0	0	100	0	100
<b>Total changes in comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>1,210</b>	<b>1,310</b>
Creation of reserves for treasury shares	0	0	2	0	(2)	0
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>(2)</b>	<b>0</b>
<b>Balance as at 31 Dec. 2014</b>	<b>145,266</b>	<b>11,461</b>	<b>(859)</b>	<b>171</b>	<b>25,188</b>	<b>181,227</b>

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

## CASH FLOW STATEMENT

in € thousand	Note	2015	2014
<b>Cash flow from operating activities</b>			
<b>Profit before taxation</b>		<b>20,467</b>	<b>1,348</b>
Adjusted for:			
Depreciation and amortisation	9, 10	374	322
Interest income	5	(2,426)	(1,818)
Interest expenses	6	3,915	1,623
Loss in investment sales		1	29
Impairment of assets		1,460	0
Creation of allowances and provisions		(96)	0
Dividends		(22,582)	0
Other adjustments		(1,050)	(848)
<b>Operating cash flow before changes in working capital</b>		<b>63</b>	<b>656</b>
<b>Changes in working capital</b>			
Change in operating receivables		(5,676)	199
Change in operating payables		(1,419)	(540)
Change in taxes other than income tax		(227)	739
Income tax paid		(255)	(5)
Other direct payments		0	(522)
<b>Changes in working capital</b>		<b>(7,577)</b>	<b>(129)</b>
<b>Net cash (used) generated from operating activities</b>		<b>(7,514)</b>	<b>527</b>
<b>Cash flow from investing activities</b>			
Payments for investments in subsidiaries		(75)	(2,275)
Payments for available-for-sale financial assets		(44,320)	0
Payments for property, plant and equipment		(143)	(1,050)
Receipts from property, plant and equipment		9	49
Payments for intangible assets		(282)	(345)
Payments for other assets		(3,748)	0
Payments for loans issued	13, 16	(181,967)	(37,130)
Receipts from loans issued	13, 16	120,622	32,575
Interests received		2,307	2,478
Dividends received	12	14,086	56
<b>Net cash used in investing activities</b>		<b>(93,511)</b>	<b>(5,642)</b>
<b>Cash flow from financing activities</b>			
Receipts from borrowings	22, 23	135,980	83,802
Payments for borrowings	22, 23	(36,495)	(62,025)
Receipts for finance lease		480	469
Payments for finance lease		(547)	(583)
Receipts from financial services		1,834	2,102
Interests paid		(2,717)	(1,513)
Dividends paid	20	(5,810)	0
<b>Net cash generated in financing activities</b>		<b>92,725</b>	<b>22,252</b>
<b>Cash and cash equivalents as at 1.1</b>		<b>17,517</b>	<b>380</b>
(Decrease) increase		(8,300)	17,137
<b>Cash and cash equivalents as at 31.12</b>		<b>9,217</b>	<b>17,517</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## REPORTING ENTITY

SIJ – Slovenska industrija jekla, d.d. (hereinafter: SIJ or the Company) is a Company with its registered office in Slovenia. Its registered address is at Gerbičeva ulica 98, 1000 Ljubljana. Given below are the financial statements for the year ending as at 31 December 2015.

The consolidated financial statements for a selected group of subsidiaries are compiled by SIJ – Slovenska industrija jekla, d.d. The consolidated annual report for SIJ – Slovenian Steel Group is available at the headquarters of the Company, Gerbičeva ulica 98, 1000 Ljubljana. Consolidated financial statements for a wider group of subsidiaries are compiled by DILON Cooperatief U. A. The consolidated annual report for the DILON Cooperatief Group 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

The financial statements for 2015 have been prepared in accordance with the IFRS as adopted by the European Union. The standards have been applied directly in the disclosures and valuation of items, the exception is the valuation of items for which the standards allow several methods of valuation.

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

In the selection of accounting principles and their application, as well as in the preparation of these financial statements, the Board of Directors considered the following three requirements: the financial statements are comprehensible, if users can understand them without difficulty; the information is adequate, if it helps users make economic decisions; and the information is fundamental, if its exclusion or false presentation could influence users' economic decisions.

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

### a) Currently applicable standards and interpretations

The following amendments to the existing standards issued by the IASB and adopted by the EU currently apply:

- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- IFRIC 21 “Levies” adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards had no effect on the accounting policies of the company.

### b) Standards and interpretations issued by IASB and adopted by the European Union, but not yet effective

On the date of the adoption of financial statements the following standards, amendments and interpretations, issued by IASB and adopted by the EU, were issued, but not yet effective:

- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations – adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 “Presentation of Financial Statements” – Disclosure Initiative – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” – Clarification of Acceptable Methods of Depreciation and Amortisation – adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” – Agriculture: Bearer Plants – adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 “Employee Benefits” – Defined Benefit Plans: Employee Contributions – adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 27 “Separate Financial Statements” – Equity Method in Separate Financial Statements – adopted



by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),

- Amendments to various standards “Improvements to IFRSs (cycle 2010–2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- Amendments to various standards “Improvements to IFRSs (cycle 2012–2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Company decided not to apply these standards, amendments and interpretations before their entry into force. The Company assesses that the adoption of these standards, amendments and interpretations will not have any significant effect on the financial statement at their first application.

#### c) Standards and interpretations issued by IASB, but not yet adopted by the EU

Currently there is no significant difference between the IFRS adopted by the EU and the regulations adopted by the IASB, with the exception of the following standards, amendments to the existing standards and interpretations, which had not yet been approved for use on 4 March 2016:

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 “Revenue from Contracts with Customers” and further amendments (effective for annual periods beginning on or after 1 January 2018),
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 “Consolidated Financial State-

ments” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded),

- Amendments to IAS 12 “Income Taxes” – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

The Company assesses that the adoption of these standards, amendments to the existing standards and interpretations will not have any significant effect on the financial statements of the Company at their first application. At the same time the accounting of hedging instruments in connection with the portfolio of financial assets and liabilities, the principles of which the EU has not yet adopted, is still unregulated. The Company assesses that the use of accounting of hedging instruments in connection with financial assets and liabilities in accordance with the requirements of IAS 39: “Financial Instruments: Recognition and Measurement”, would not have a significant influence on the financial statements, if it was used on the date of the Statement of financial position.

## 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 thousands of euros; the euro is also the functional currency of the company.

## APPLICATION OF ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires the Board of Directors to make estimates, judgments and assumptions which 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 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.

## SIGNIFICANT ACCOUNTING POLICIES

### Foreign Currency Conversion

Transactions in foreign currencies are translated into the adequate functional currency at the exchange rate on the date of the transaction. Cash assets and liabilities denominated in foreign currency at the end of the period are translated into the functional currency at the then valid exchange rate. Positive or negative exchange rate differences are the differences between the amortised cost in functional currency at the beginning of the period, adjusted by the amount of the effective interest rate and the payments during the period, and the amortised cost in foreign currency, calculated at the exchange rate at the end of the period. Non-cash assets and liabilities, denominated in foreign currency and measured at fair value, are translated to the functional currency at the exchange rate on the date when the fair value is set. Non-cash assets and liabilities, denominated in foreign currency and measured at cost, are translated to the functional currency at the exchange rate on the date of the transaction. Exchange rate differences are recognized in profit or loss.

## Revenues

Sales revenues are recognized at fair value of received repayments or receivables, decreased by repayments, discounts, rebates for further sales and quantity discounts. Revenues are recognized when the buyer assumes all significant risks and benefits connected to the asset’s ownership, and it is certain that compensation and related costs will be repaid or there is a possibility of returning products, and when the Company ceases to make decisions about sold products.

Financial income comprises interest income and positive exchange rate differences resulting from financing and investing. Interest income is recognized upon its occurrence, using the effective interest rate method.

## Expenses

Expenses are recognized if a decrease in economic benefits during the reporting period is associated with a decrease in assets or an increase in debts, and if this decrease can be reliably measured. Operating expenses are recognized when the costs are no longer held in inventories, finished and unfinished products, or when goods are sold. The costs that cannot be held in inventories of finished and unfinished products are recognized as operating expenses when they appear.

Financial expenses include borrowing costs (if not capitalised) and exchange rate losses resulting from financing and investing. Borrowing costs are recognized in the income statement using the effective interest rate method.

## Taxation

Taxes comprise current income tax liabilities and deferred tax. Current income tax is recognized in the income statement, except to the extent that refers to business combinations or items shown directly in the comprehensive income.

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

Deferred tax is shown in total by applying the method of obligations after the statement of financial position for temporary differences arising from the tax values of assets and liabilities and their carrying amounts in the financial statements. De-

ferred tax is calculated by using the tax rates (and laws) applicable on the date of the statement of financial position, which are expected to be used when the deferred tax asset is realized or the deferred tax liability is recovered.

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

**Net Earnings per Share**

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

**Intangible Assets**

Intangible assets with a definite useful life are recognized at cost, less any accumulated amortisation and accumulated impairment losses. The purchase value includes costs that can be directly attributed to the acquisition of each individual item. Borrowing costs directly attributable to the purchase or production of a qualifying asset are recognized as part of the cost of such asset. The cost model is used for any subsequent measuring of intangible assets.

Intangible assets with indefinite useful life are not amortised, they are impaired.

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

The estimated useful life of individual intangible assets for the current and past year is 2–10 years.

Amortization methods, useful lives, and other group asset values are reviewed at the end of every financial year and adjusted if necessary.

Further costs related to intangible assets are recognized in the carrying amount of each asset, if it is probable that the

future economic benefits embodied within the asset will flow to the Company and the cost of the asset can be measured reliably. All other costs are recognized in the income statement as expenses as soon as they are incurred.

**Property, Plant and Equipment**

At their initial recognition tangible assets (property, plant and equipment) are carried at cost, less any accumulated depreciation and accumulated impairment losses, except for land and other assets that do not depreciate; these are shown at their cost, reduced by all relative impairments. The purchase value includes costs that can be directly attributed to the acquisition of each individual item of property, plant or equipment. Parts of property, plant and equipment with different useful lives are accounted as separate items of property, plant and equipment. Borrowing costs directly attributable to the purchase, production or construction of a qualifying asset are recognized as part of the cost of each such asset. The cost model is used for any subsequent measuring of property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the tangible asset and the residual value. Leased assets are depreciated over the estimated period of lease and useful life. Land and unfinished construction is not depreciated. Depreciation is accounted when an asset becomes available for use.

The estimated useful lives of individual property, plant and equipment types for the current and past years:

	Useful life
Real estate	20-55 years
Computer equipment	2-3 years
Motor vehicles	3-8 years
Other equipment	1-10 years

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

The replacement costs of items of property, plant and equipment and further costs related to intangible assets are recognized in the carrying amount of each asset, if it is probable that the future economic benefits embodied within this asset will flow to the Company, and the cost of the asset can be measured reliably. All other costs (for example, maintenance costs) are recognized in the income statement as expenses as soon as they are incurred.

**Investment Property**

At its initial recognition, investment property is measured at cost, less accumulated depreciation and accumulated impairment losses. The cost model is used for any subsequent measuring of investment property.

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

**Investments in Subsidiaries**

Investments in subsidiaries are recognized at cost. The company recognizes revenues from financial investments in the amount arising from the distribution of the accumulated profit after the date of the acquired financial investment.

**Investments in Associates**

Investments in associates are recognized at cost. Associates are those companies where the Company has a significant influence on their operations, but which it does not control.

**Financial Instruments**

Financial instruments include the following items:

- non-derivative financial assets,
- non-derivative financial liabilities.

**Non-Derivative Financial Assets**

Non-derivative financial assets include cash and cash equivalents, loans and receivables, and investments. Liabilities, borrowings and deposits are initially recognized when they are incurred. Other assets are initially recognized on the trade date on which the Company becomes a contracting party in a contract on the instrument. The recognition of a financial asset is eliminated when the contractual rights of the cash flows from the asset expire, or when the rights of the contractual cash flows are transferred from a financial asset on the basis of a business transaction in which all risks and benefits of ownership of the financial asset are transferred.

**Financial Assets at Fair Value through Profit or Loss**

A financial asset is classified at fair value through profit or loss if it is meant for trading or is determined as such after the initial recognition. Financial assets are determined at fair value through profit or loss under the condition that such assets are manageable, and that the sale or purchase of these assets can be decided on the basis of fair value. After the initial

recognition the pertained costs of the business transaction are recognized in profit or loss upon their occurrence. Financial assets at fair value through profit or loss are measured at fair value, whereas the amount of change in the fair value is recognized in the income statement.

**Available-for-Sale Financial Assets**

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

**Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on the active market. Depending on their maturity they are classified as current financial assets (maturities up to 12 months after the date of the statement of financial position) or non-current financial assets (maturities exceeding 12 months after the date of the statement of financial position). Loans and receivables are initially recognized at fair value increased by costs directly attributable to the business transaction. Subsequent to their initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method less accumulated impairment loss.

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, bank deposits up to three months, and other current and readily realizable investments with an original maturity of three months or less. They are recognized at cost.

**Non-Derivative Financial Liabilities**

Non-derivative financial liabilities include operating, financial and other liabilities. Non-derivative financial liabilities are initially recognized on the trade date on which the Company becomes a contracting party in relation to the instrument. The company de-recognizes a liability when the contractual obligations are fulfilled, annulled or expired.

Non-derivative financial liabilities are initially disclosed at fair value, increased by costs directly attributable to the business transaction. Subsequent to their initial recognition they are measured at amortised cost using the effective interest rate method. Depending on their maturity they are classified as current liabilities (maturities up to 12 months after the date of the statement of financial position) or non-current liabilities.

ties (maturities exceeding 12 months after the date of the statement of financial position).

### Assets Held for Disposal (Disposal Groups)

Assets or disposal groups which include assets and liabilities for which it can be expected that their value will be recovered through sale are classified as assets held for disposal. Assets or disposal groups are re-measured directly before their classification as assets held for disposal. Accordingly, non-current assets or a disposal group are recognized at their carrying amount or fair value less cost of sale, whichever is the lower. Impairment losses on the reclassification of assets as assets held for disposal, and subsequent losses and gains on re-measurement, are recognized in profit or loss. Gains are not recognized in the amount exceeding possible accumulated impairment losses.

Once classified as held for disposal, intangible assets and property, plant and equipment are no longer amortised or depreciated. When investments are classified as assets held for disposal, they are no longer equity accounted.

### Impairment of Assets

#### Financial Assets

A financial asset is impaired if objective evidences indicates that one or more events occurred resulting in a decrease in the estimated future cash flows from this asset which can be reliably estimated.

Objective evidence of the impairment of financial assets can include: default or delinquency by a debtor; restructuring of the amount owed to the company, if the company agrees; indications that the debtor will declare bankruptcy; and the disappearance of the active market for such an instrument.

#### Impairment of Loans and Receivables

The company assesses evidence regarding the impairment of receivables separately or collectively. All significant receivables are measured separately for specific impairment. If it is assessed that the carrying amount of the receivables exceeds the fair value, i.e. the collectible amount, receivables are impaired.

Receivables that are not individually significant are collectively assessed for impairment by grouping together those receivables with similar risk characteristics. The Company creates these groups on the basis of the maturity of receivables. In the evaluation of total impairment the Group uses historical

trends of the probability of default, the timing of recoveries, and the amount of incurred loss adjusted for management judgment as to whether the actual losses due to current economic and credit conditions could be higher or lower than the losses based on historical trends.

The company assesses the evidence of impairment for each important loan individually.

An impairment loss related to a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the estimated future cash flows, discounted at an original effective interest rate. The loss is recognized in the profit or loss.

#### Impairment of Available-For-Sale Financial Assets

Impairment losses of available-for-sale financial assets are recognized so that the potential accumulated loss, previously recognized in the comprehensive income of the period and included in the fair value reserve, is transferred into profit or loss. Any subsequent increase in the fair value of an impaired available-for-sale equity security is recognized in the comprehensive income for the period or in the fair value reserve.

#### Non-Financial Assets

At each reporting date, the Company review the carrying value of its important non-financial assets to determine whether there is an indication of impairments. If any such indication exists, the asset's recoverable value is estimated.

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

The impairment of assets or cash-generating units is recognized if their carrying amount exceeds their recoverable value. The impairment is given in the income statement.

The Company evaluates the impairment losses of previous periods at the end of the reporting period and thus determines whether the loss was reduced or even eliminated. An

impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable value. An impairment loss is reversed only to such an extent that the asset's carrying amount does not exceed the carrying amount that would have been determined after deducting the depreciation write-off, if no impairment loss had been recognized for the asset in previous years.

### Determination of Fair Value

Following the accounting policies of the Company, in many cases the determination of fair value of non-financial assets and financial assets is necessary, either to measure an individual asset (measurement method or business combination) or for additional fair value disclosure.

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

Methods for the determination of fair value of individual groups of assets for measurements or reporting are given below.

#### Intangible Assets

The fair value of intangible assets is based on the method of discounted cash flows which are expected to arise from the use and possible disposal of the assets.

#### Property, Plant and Equipment

The fair value of property, plant and equipment is their market value. The market value of property is equal to the estimated value at which the property could be sold on the date of valuation and after proper marketing. The market value of equipment is based on the approach of using the quoted market price for similar items.

#### Investment Property

The fair value of investment property is assessed by considering the aggregate value of estimated cash flows expected from renting out the property. A yield reflecting specific risks is included in the property valuation, based on discounted net annual cash flows.

#### Available-for-Sale Financial Assets and Financial Assets at Fair Value through Profit or Loss

The fair value of available-for-sale financial assets and financial assets at fair value through profit or loss is determined

according to preliminarily defined hierarchy levels of determining the fair value of financial instruments. If the fair value cannot be reliably measured, because the wide range of estimates of reasonable fair values is important, and the probability of different estimates is hard to assess, the Company measures the financial asset at cost.

### Loans and Receivables

The fair value of loans and receivables is calculated as the present value of future cash flows discounted at the market interest rate at the end of the period. The assessment considers the credit risk connected to these financial assets.

### Non-Derivative Financial Liabilities

The fair value for reporting is calculated on the present value of future repayment and the principal value discounted at the market interest rate at the end of the period.

### Equity

#### Share Capital

The equity of the company is its liability to its owners, which falls due if the company discontinues its operations, in which the equity volume is adjusted according to the currently attainable price of total assets. It is defined by the amounts invested by the owners, and the amounts that appeared during operation and belong to the owners. It is decreased by the loss from operations and payments to owners, and increased by the profit generated in the period.

#### Capital Surplus

Capital surplus consists of the amounts from payments exceeding the lowest issue price per share that exceeds the carrying amount upon the disposal of previously-acquired own shares; the amounts on the basis of simplified decrease of share capital; and the amounts on the basis of reversal of general revaluation adjustment.

#### Legal and Other Reserves

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



### Treasury Shares

If the company or its subsidiaries acquire an ownership interest, the paid amount including the transaction costs less tax is deducted from the total equity as treasury shares until such shares are withdrawn, regranted or sold.

### Dividends

Until approved at the General Assembly of shareholders, the planned dividends are treated as retained earnings.

### Provisions

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

### Employee Benefits

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

The provisions are formed in the amount of estimated future payments for loyalty bonuses and severance pay, discounted

at the end of the financial year. The calculation is made for each individual employee and includes the costs of severance pay upon retirement and the costs of all expected loyalty bonuses up to retirement. The calculation is prepared by an actuary, selected at group level, on the basis of a projected unit. The provisions are reviewed periodically or when the assumptions used to determine the amount of provision change significantly.

### Deferred Revenues

Deferred revenues are expected to cover the estimated expenses during a period exceeding one year.

### Cash Flow Statement

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

### Segment Reporting

The Company's activity is 'activities of head offices'. The Board of Directors does not monitor the Company's operations by segment, as activities of head offices represents part of the headquarter and other services segment of the group. Segments are presented in the business and financial part of the Group.

## NOTES TO INDIVIDUAL ITEMS IN THE FINANCIAL STATEMENTS

### 1. Revenue

in € thousand	2015	2014
In Slovenia	12,884	9,826
In other countries	8	10
<b>Revenue</b>	<b>12,892</b>	<b>9,836</b>

### 2. Operating Expenses

in € thousand	2015	2014
Costs of goods, materials and services	3,116	2,397
Labour costs	8,835	6,820
- wages and salaries	7,682	5,665
- social security costs	840	520
- other labour costs	313	635
Depreciation and amortisation costs	374	322
Other costs	233	114
<b>Operating expenses</b>	<b>12,558</b>	<b>9,653</b>

The auditing costs of the 2015 Annual Report amounted to €18 thousand (2014: €14 thousand).

### Average Number of Employees by Level of Education

	2015	2014
Primary school	1.00	1.00
3 year vocational school	1.30	1.00
4 year vocational school	6.81	7.05
1st cycle (Bologna system) - Bachelor's degree	6.04	4.94
2nd cycle (Bologna system) - Master's degree	36.48	27.47
3rd cycle (Bologna system) - Doctoral degree	10.89	7.93
<b>Total</b>	<b>62.52</b>	<b>49.39</b>

### 3. Other Operating Income

in € thousand	2015	2014
Dividends	22,582	56
Other income	116	425
<b>Other operating income</b>	<b>22,698</b>	<b>481</b>

#### 4. Other Operating Expenses

in € thousand	2015	2014
Expenses for donations and sponsorships	219	155
Impairment of assets	1,460	0
Other expenses	84	51
<b>Other operating expenses</b>	<b>1,763</b>	<b>206</b>

#### 5. Finance Income

in € thousand	2015	2014
Interest income	2,426	1,818
Guarantee fees	1,338	1,499
Exchange rate differences	15	2
<b>Finance income</b>	<b>3,779</b>	<b>3,319</b>

#### 6. Finance Expenses

in € thousand	2015	2014
Interest expenses	3,915	1,623
Exchange rate differences	6	0
Other expenses	660	806
<b>Finance expenses</b>	<b>4,581</b>	<b>2,429</b>

#### 7. Taxes

in € thousand	2015	2014
Income tax expenses	715	138
<b>Taxes</b>	<b>715</b>	<b>138</b>

in € thousand	2015	2014
<b>Profit before tax</b>	<b>20,467</b>	<b>1,348</b>
Tax at effective tax rate	3,479	229
Tax effects from:		
- non-taxable income	(2,253)	(10)
- tax non-deductible expenses	326	33
- tax relief	(837)	(114)
<b>Taxes</b>	<b>715</b>	<b>138</b>
<b>Effective tax rate</b>	<b>3.49 %</b>	<b>10.22 %</b>

#### 8. Net Earnings per Share

in € thousand	2015	2014
Profit for the year	19,752	1,211
Weighted number of issued ordinary shares	970,979	986,693
<b>Basic and diluted earnings per share (in €)</b>	<b>20.34</b>	<b>1.23</b>

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

#### 9. Intangible Assets

##### Movement of Intangible Assets in 2015

in € thousand	Non-current property rights	Assets under construction	Total
Cost as at 31 Dec. 2014	397	466	863
New additions	0	274	274
Transfer from assets under construction	734	(734)	0
<b>Cost as at 31 Dec. 2015</b>	<b>1,131</b>	<b>6</b>	<b>1,137</b>
Accumulated amortisation as at 31 Dec. 2014	(229)	-	(229)
Amortisation	(96)	-	(96)
<b>Accumulated amortisation as at 31 Dec. 2015</b>	<b>(325)</b>	<b>-</b>	<b>(325)</b>
Present value as at 31 Dec. 2014	168	466	634
<b>Present value as at 31 Dec. 2015</b>	<b>806</b>	<b>6</b>	<b>812</b>

On 31 December 2015 the Company's unsettled liabilities to suppliers for the purchase of intangible assets amounted to €148 thousand. The intangible assets are not pledged as security for liabilities.

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

##### Movement of Intangible Assets in 2014

in € thousand	Non-current property rights	Assets under construction	Total
Cost as at 31 Dec. 2013	385	174	560
New additions	0	303	303
Transfer from assets under construction	11	(11)	0
<b>Cost as at 31 Dec. 2014</b>	<b>397</b>	<b>466</b>	<b>863</b>
Accumulated amortisation as at 31 Dec. 2013	(170)	-	(170)
Amortisation	(60)	-	(60)
<b>Accumulated amortisation as at 31 Dec. 2014</b>	<b>(230)</b>	<b>-</b>	<b>(230)</b>
Present value as at 31 Dec. 2013	216	174	390
<b>Present value as at 31 Dec. 2014</b>	<b>167</b>	<b>466</b>	<b>633</b>

## 10. Property, Plant and Equipment

### Movement of Property, Plant and Equipment in 2015

in € thousand	Land	Buildings	Equipment	Assets under construction	Total
Cost as at 31 Dec. 2014	717	5,120	1,305	87	7,229
New additions	0	0	0	146	146
Transfer from assets under construction	0	5	227	(231)	0
Disposals	0	0	(93)	0	(93)
Cost as at 31 Dec. 2015	717	5,125	1,439	2	7,283
Accumulated depreciation as at 31 Dec. 2014	-	(693)	(772)	-	(1,465)
Depreciation	-	(140)	(138)	-	(278)
Disposals	-	0	87	-	87
Accumulated depreciation as at 31 Dec. 2015	-	(833)	(823)	-	(1,656)
Present value as at 31 Dec. 2014	717	4,427	533	87	5,764
Present value as at 31 Dec. 2015	717	4,292	616	2	5,627

The increase in property, plant and equipment represents the purchase of computer equipment, office furniture and purchase of vehicles. Disposals include sales of vehicles, computer equipment and office furniture.

Property, plant and equipment are not pledged as security for liabilities. On 31 December 2015 the Company's unsettled liabilities to suppliers for the purchase of property, plant and equipment amounted to €40 thousand. The present value of

property, plant and equipment under finance lease is €141 thousand. The Company capitalized €1 thousand of borrowing costs, for which the interest rates were between 4.25 and 5.06 percent.

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

### Movement of Property, Plant and Equipment in 2014

in € thousand	Land	Buildings	Equipment	Assets under construction	Total
Cost as at 31 Dec. 2013	717	4,210	1,114	621	6,662
New additions	0	0	0	737	737
Transfer from assets under construction	0	910	363	(1,271)	0
Write-offs and disposals	0	0	(172)	0	(172)
Cost as at 31 Dec. 2014	717	5,120	1,305	87	7,229
Accumulated depreciation as at 31 Dec. 2013	-	(561)	(756)	-	(1,317)
Depreciation	-	(132)	(131)	-	(263)
Write-offs and disposals	-	0	115	-	115
Accumulated depreciation as at 31 Dec. 2014	-	(693)	(772)	-	(1,465)
Present value as at 31 Dec. 2013	717	3,649	358	621	5,345
Present value as at 31 Dec. 2014	717	4,427	533	87	5,764

## 11. Investments in Subsidiaries

in € thousand	31 Dec. 2015	31 Dec. 2014
Subsidiary		
ACRONI, d. o. o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	91,337	83,459
METAL RAVNE d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	31,714	31,714
GRIFFON & ROMANO S. P. A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	15,940	15,850
ŽELEZARNA JESENICE, d. o. o., Cesta železarjev 8, Jesenice, Slovenia	0	7,878
RAVNE STEEL CENTER d. o. o., Litostrojska cesta 60, Ljubljana, Slovenia	6,815	6,815
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	5,738	5,738
NOŽI RAVNE d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	5,108	5,108
ODPAD d. o. o. Pivka, Velika Pristava 23, Pivka, Slovenia	4,981	4,981
ELEKTRODE JESENICE d. o. o., Cesta železarjev 8, Jesenice, Slovenia	1,256	1,256
SUZ, d. o. o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	616	616
ZIP CENTER d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	67	67
SIJ Asia GmbH, Berger Str. 2, 40213 Düsseldorf, Germany	100	25
<b>Investments in subsidiaries</b>	<b>163,672</b>	<b>163,507</b>

In June 2015 the Company increased the capital of SIJ Asia. The ownership remained unchanged. In June 2015 the Company increased the capital of Acroni by transferring its share in Železarna Jesenice. The ownership remained unchanged.

In 2015 the Company also increased the capital of Griffon & Romano in the amount of €1,550 thousand. The share in

ownership remained the same. Due to an indication of impairment the investment was impaired in the amount of €1,460 thousand.

All subsidiaries are audited except SIJ Asia, which is not yet subject to audit.

in € thousand	Activity	% of voting rights	Value of equity as at 31 Dec. 2015	Net profit 2015
ACRONI, d. o. o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	173,356	4,793
METAL RAVNE d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	93,472	10,534
NOŽI RAVNE d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Industrial knives production	100	8,739	1,718
ELEKTRODE JESENICE d. o. o., Cesta železarjev 8, Jesenice, Slovenia	Welding materials production	100	5,494	(210)
SUZ, d. o. o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	1,413	270
ZIP CENTER d. o. o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	389	131
ODPAD d. o. o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.90	6,983	162
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	1,224	(2,108)
RAVNE STEEL CENTER d. o. o., Litostrojska cesta 60, Ljubljana, Slovenia	Trade	77.28	14,647	1,252
GRIFFON & ROMANO S. P. A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	Heat processing and special steel trade	100	847	(1,769)
SIJ Asia GmbH, Berger Str. 2, 40213 Düsseldorf, Germany	Trade	100	189	89



## 12. Available-for-Sale Financial Assets

in € thousand	31 Dec. 2015	31 Dec. 2014
Available-for-sale financial assets at cost	44,584	269
Available-for-sale financial assets at fair value	614	616
<b>Available-for-sale financial assets</b>	<b>45,198</b>	<b>885</b>

Available-for-sale financial assets, carried at cost, refer to shares and interests in companies that are not traded on the regulated market and whose fair value cannot be measured reliably. In 2015 the Company acquired 5,000,000 shares with the ticker symbol PPTG of company Perutnina Ptuj in the amount of €40,000 thousand, and 43,197 shares with the ticker symbol PMPG of company Holding PMP in the amount of €4,320 thousand. According to its strategic plan, the Company will demerge these investments in 2016 into a separate

new company of which the ownership will remain unchanged. Available-for-sale financial assets, carried at fair value, refer to shares and interests in companies that are traded on the regulated market and whose fair value can be measured reliably. These assets decreased due to revaluation at fair value in the amount of €2 thousand charged to the comprehensive income.

Received dividends in 2015 amounted to €86 thousand.

## 13. Non-Current Financial Receivables

in € thousand	31 Dec. 2015	31 Dec. 2014
Loans issued	65,249	5,850
Receivables arising from finance lease	55	142
<b>Non-current financial receivables</b>	<b>65,304</b>	<b>5,992</b>

### Movement of Non-Current Loans Issued

in € thousand	2015	2014
Balance as at 1 Jan.	5,850	8,934
Loans issued	145,710	2,100
Receipts from loans issues	0	(2,250)
Reclassification to current loans issued	(86,311)	(2,934)
<b>Balance as at 31 Dec.</b>	<b>65,249</b>	<b>5,850</b>

The interest rate for loans issued is fixed. The disclosed value of loans issued does not exceed their realizable value. The loans issued fall due in 2020; they are not pledged as security for liabilities and are secured with bills.

### Movement of Non-Current Receivables Arising from Finance Lease

in € thousand	2015	2014
Balance as at 1 Jan.	142	415
Receivables arising from finance lease	0	231
Reclassification to current receivables arising from finance lease	(88)	(504)
<b>Balance as at 31 Dec.</b>	<b>54</b>	<b>142</b>

The interest rate for receivables arising from finance lease is fixed. The carrying value of the receivables arising from finance lease does not exceed their realizable value. The re-

ceivables arising from finance lease fall due in 2018 and they are not pledged as security for liabilities.

## 14. Other Non-Current Assets

in € thousand	31 Dec. 2015	31 Dec. 2014
Other assets	616	102
<b>Other non-current assets</b>	<b>616</b>	<b>102</b>

## 15. Deferred Tax Assets and Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Deferred tax assets	1,063	1,063
Deferred tax liabilities	(35)	(35)
<b>Deferred tax assets, net</b>	<b>1,028</b>	<b>1,028</b>

The total unused tax loss on 31 December 2015 amounted to €64,206 thousand. On 31 December 2015 the total non-created deferred tax assets from unused tax losses amounted to €9,915 thousand.

### Movement of Deferred Tax Assets and Liabilities in 2014

in € thousand	31 Dec. 2013	Changes in the income statement	Changes in comprehensive income	31 Dec. 2014
Available-for-sale financial assets	(15)	0	(20)	(35)
<b>Deferred tax liabilities</b>	<b>(15)</b>	<b>0</b>	<b>(20)</b>	<b>(35)</b>
Unused tax losses	1,000	0	0	1,000
Employee benefits	63	0	0	63
<b>Deferred tax assets</b>	<b>1,063</b>	<b>0</b>	<b>0</b>	<b>1,063</b>
<b>Deferred tax assets (liabilities), net</b>	<b>1,048</b>	<b>0</b>	<b>(20)</b>	<b>1,028</b>

## 16. Current Financial Receivables

in € thousand	31 Dec. 2015	31 Dec. 2014
Loans issued	24,937	24,541
Receivables arising from finance lease	89	480
Interest receivables	296	176
Other	439	793
<b>Current financial receivables</b>	<b>25,761</b>	<b>25,990</b>

### Movement of Current Loans Issued

in € thousand	2015	2014
Balance as at 1 Jan.	24,541	17,485
Loans issued	36,257	35,030
Receipts from loans issues	(120,622)	(30,326)
Reclassification from non-current loans issued	86,311	2,934
Write-offs of loans issued	0	(582)
Debt to equity swap	(1,550)	0
Balance as at 31 Dec.	24,937	24,541

The interest rate for loans issued is fixed. The disclosed value of loans issued does not exceed their realizable value. The loans issued are not pledged as security for liabilities and are secured with bills.

### Movement of Current Receivables Arising from Finance Lease

in € thousand	2015	2014
Balance as at 1 Jan.	479	444
Repayments of liabilities arising from finance lease	(479)	(469)
Reclassification from non-current receivables arising from finance lease	89	504
Balance as at 31 Dec.	89	479

The interest rate for receivables arising from finance lease is fixed. The carrying value of the receivables arising from finance lease does not exceed their realizable value. The receivables arising from finance lease are not pledged as security for liabilities.

### 17. Current Operating Receivables

in € thousand	31 Dec. 2015	31 Dec. 2014
Trade receivables	13,772	8,279
VAT receivables	7	3
Issued advance payments and cautions	167	64
Other operating receivables	18,505	10,920
Current operating receivables	32,451	19,266

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

### 18. Cash and Cash Equivalents

in € thousand	31 Dec. 2015	31 Dec. 2014
Cash in national currency	9,058	17,247
Cash in foreign currency	85	77
Restricted cash	74	193
Cash and cash equivalents	9,217	17,517

Deposits in the amount of €150 thousand are in the national currency and have a maturity of up to three months. The interest rate for deposits is fixed.

Restricted cash represents assets on custody account intended for payments of liabilities for the acquisition of a subsidiary.

### 19. Other Current Assets

in € thousand	31 Dec. 2015	31 Dec. 2014
Deferred expenses	1,064	78
Other current assets	1,064	78

Current deferred expenses refers to advance payments of costs, which in 2016 will debit against profit or loss.

### 20. Equity

in € thousand	31 Dec. 2015	31 Dec. 2014
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Revenue reserves	129	(859)
Fair value reserves	157	171
Retained earnings	34,390	25,188
Equity	191,403	181,227

The share capital is recognized in the amount of €145,266 thousand and is distributed between 994,616 shares. The face value of each share is €146.05. The number of shares did not change in 2015.

### Ownership Structure

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

The ownership structure changed in the year 2015. The Company completed the purchase of 11,468 of its own shares from D. P. R., d. d., and 8,205 of its own shares from Stanovanjsko podjetje, d. o. o., thus increasing the treasury shares by 2.77 percent.

### Capital Surplus

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

## Revenue Reserves

in € thousand	31 Dec. 2015	31 Dec. 2014
Legal reserves	2,384	1,396
Treasury shares	(6,009)	(2,257)
Reserves for treasury shares	3,754	2
<b>Revenue reserves</b>	<b>129</b>	<b>(859)</b>

The Company acquired treasury shares in the amount of €2,255 thousand on the basis of the Act Regulating the Incurrence and Settlement of Liabilities of Slovenske Železarne as regards the Restructuring Programme (Official Gazette of the RS, nr. 111/2001) and in line with the Privatization of Slovenske železarne Act (Official Gazette of the RS, nr. 13/1998). The treasury shares were acquired by exchanging interests in subsidiaries for shares in the parent company, owned by authorized companies. The shares were acquired ex lege and

were not in line with the Companies Act, which is why the Company did not establish a treasury shares fund. Shares are recognized at cost.

In 2015 the Company acquired 19,673 treasury shares on the basis of decisions taken at the 25th General Assembly of 9 June 2014, and established reserves in the amount of €3,752 thousand for treasury shares. Shares are recognized at cost.

## Fair Value Reserves

in € thousand	31 Dec. 2015	31 Dec. 2014
Fair value reserves due to available-for-sale financial assets	203	206
Deferred tax liabilities	(35)	(35)
Net actuarial losses on pension programs	(11)	0
<b>Fair value reserves</b>	<b>157</b>	<b>171</b>

## Distributable Profit

in € thousand	31 Dec. 2015	31 Dec. 2014
Retained earnings	15,625	23,978
Profit for the year	18,765	1,210
<b>Distributable profit</b>	<b>34,390</b>	<b>25,188</b>

## 21. Employee Benefits

in € thousand	31 Dec. 2015	31 Dec. 2014
Provisions for severance pay	368	445
Provisions for loyalty bonuses	23	17
<b>Employee benefits</b>	<b>391</b>	<b>462</b>

The actuarial calculation was made on the basis of the actuarial model and assumptions derived from life tables, the growth in wages in the Republic of Slovenia, and the yield curve, which represents the relationship between market yields on government bonds in the Eurozone and the time remaining

to maturity. The discount rate considered in the calculations ranged between 0.0 and 2.3 percent, depending on maturity.

The Company did not carry out an actuarial calculation in 2014.

## Movement of Employee Benefits in 2015

in € thousand	31 Dec. 2014	Creation	Reversal	31 Dec. 2015
Provisions for severance pay	445	0	(77)	368
Provisions for loyalty bonuses	17	6	0	23
<b>Employee benefits</b>	<b>462</b>	<b>6</b>	<b>(77)</b>	<b>391</b>

## 22. Non-Current Financial Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Borrowings	28,500	0
Liabilities for bonds issued	94,115	42,897
Liabilities arising from finance lease	85	201
<b>Non-current financial liabilities</b>	<b>122,700</b>	<b>43,098</b>

### Liabilities for Bonds Issued

Liabilities for bonds issued refer to the bonds issued with the ticker symbol SIJ4. The bonds were issued by the Company with a total nominal value of €42,897 thousand. The entire bond issue contains 42,897 denominations of €1 thousand; the bond maturity date is 24 November 2019. The interest rate on the bonds is fixed, i.e. 4.50 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds have been traded on the Ljubljana Stock Exchange.

Liabilities for bonds issued refer to the bonds issued with the ticker symbol SIJ5. The bonds were issued by the Company with a total nominal value of €51,218 thousand. The entire bond issue contains 51,218 denominations of €1 thousand; the bond maturity date is 21 July 2019. The interest rate on the bonds is fixed, i.e. 4.00 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds have been traded on the Ljubljana Stock Exchange.

### Movement of Non-Current Liabilities Arising from Finance Lease

in € thousand	2015	2014
Balance as at 1 Jan.	201	499
Liabilities arising from finance lease	0	325
Reclassification to current liabilities arising from finance lease	(116)	(623)
<b>Balance as at 31 Dec.</b>	<b>85</b>	<b>201</b>

The lowest sum of future leases due for payment in the next financial year amounted to €122 thousand on 31 December 2015, and the net present value of leases amount to €87 thousand on the same date.

The net present value of leases due for payment in the next financial year amounted to €116 thousand on 31 December 2015, and the net present value of leases amount to €85 thousand on the same date.

### 23. Current Financial Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Borrowings	13,506	11,401
Liabilities for commercial papers issued	17,662	0
Interest liabilities	1,487	292
Liabilities arising from finance lease	116	547
Other current financial liabilities	136	0
<b>Current financial liabilities</b>	<b>32,907</b>	<b>12,240</b>

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

#### Liabilities for Commercial Papers Issued

Liabilities for commercial papers amounting to €17,662 thousand refer to 12-month commercial papers with the ticker symbol SIK02, issued by the Company on 18 December 2015. The total nominal value of the commercial papers is €17,662 thousand, and covers 17,662 denominations of €1 thousand. The interest rate for a commercial paper is 2.20 percent per

annum. Commercial papers are a discounted security. Interest is charged in advance and deducted on payment of a commercial paper in the form of a discount from the nominal value of the commercial paper. Liabilities from commercial papers are payable on 16 December 2016. Commercial papers trading takes place at the Ljubljana Stock Exchange.

#### Movement of Current Borrowings

in € thousand	2015	2014
Balance as at 1 Jan.	11,401	27,521
Borrowings	2,600	40,905
Repayments for borrowings	(16,495)	(58,275)
Reclassification from non-current borrowings	16,000	1,250
<b>Balance as at 31 Dec.</b>	<b>13,506</b>	<b>11,401</b>

#### Movement of Current Liabilities Arising from Finance Lease

in € thousand	2015	2014
Balance as at 1 Jan.	547	506
Repayments of liabilities arising from finance lease	(547)	(583)
Reclassification from non-current liabilities arising from finance lease	116	624
<b>Balance as at 31 Dec.</b>	<b>116</b>	<b>547</b>

The lowest sum of future leases due for payment in the next financial year amounts to €122 thousand on 31 December 2015, and the net present value of leases amounts to €116 thousand on the same date.

### 24. Current Operating Liabilities

in € thousand	31 Dec. 2015	31 Dec. 2014
Liabilities to suppliers	1,408	1,400
Liabilities to employees	278	403
Received advance payments	5	5
Tax liabilities	922	1,149
Other liabilities	76	578
<b>Current operating liabilities</b>	<b>2,689</b>	<b>3,535</b>

### 25. Contingent Assets and Liabilities

Contingent liabilities for issued guarantees amounted to €158,098 thousand on 31 December 2015. The Company expects no outflows from the issued guarantees.

The Company has no contingent assets on 31 December 2015.

## RELATED PARTIES

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

#### Transactions with the Parent Company

in € thousand	2015	2014
Revenues	20	1,030

(in thousand EUR)	31 Dec. 2015	31 Dec. 2014
Receivables	3,022	2

#### Transactions with Subsidiaries

in € thousand	2015	2014
Revenues	39,129	12,145
Expenses	1,015	1,786

in € thousand	31 Dec. 2015	31 Dec. 2014
Receivables	120,230	52,412
Liabilities	11,719	11,532

#### Transactions with Management

This is the total amount of receipts on the basis of the business management contract, received in the financial year for the performance of functions or tasks in the company by

members of the Board of Directors, other workers employed on contracts for which the tariff part of the collective agreement does not apply, and members of the Supervisory Board.



in € thousand	2015
Management and employees with service contracts	6,582
Members of the Supervisory Board	66

The receipts include gross salaries, paid reimbursements related to work in accordance with the regulations (daily allowance, mileage, overnight accommodation etc.), and bonuses.

The Company did not grant any loans, issue any guarantees or make any advance payments to the management of the Company or the members of the Supervisory Board in 2015.

## FINANCIAL INSTRUMENTS AND RISKS

### Credit Risk

On the reporting date the largest exposure arises from trade receivables, other operating receivables, financial receivables and deposits.

#### Age Structure of Financial Assets

in € thousand	Not overdue	Overdue		Total
		Up to 3 months	3 months to 1 year	
31 Dec. 2015				
Trade receivables	6,105	4,768	2,898	13,771
Financial receivables and deposits	91,208	5	0	91,213
<b>Total</b>	<b>97,313</b>	<b>4,773</b>	<b>2,898</b>	<b>104,984</b>

in € thousand	Not overdue	Overdue		Total
		Up to 3 months	3 months to 1 year	
31 Dec. 2014				
Trade receivables	4,536	2,991	752	8,279
Financial receivables and deposits	48,608	78	0	48,686
<b>Total</b>	<b>53,144</b>	<b>3,069</b>	<b>752</b>	<b>56,965</b>

### Liquidity Risk

The Company is managing liquidity risk by the appropriate planning of cash flow and current credit lines from banks agreed in advance, which ensures that the Company is capable of settling any overdue liabilities at any time.

in € thousand	31 Dec. 2015			Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	
Liabilities to suppliers	1,292	117	0	1,400
Borrowings	5,346	29,652	129,646	164,644
Other operating and financial liabilities	0	75	1	76
<b>Total</b>	<b>6,638</b>	<b>29,844</b>	<b>129,647</b>	<b>166,129</b>

in € thousand	31 Dec. 2014			Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	
Liabilities to suppliers	1,395	5	0	1,400
Borrowings	6,719	5,680	43,098	55,497
Other operating and financial liabilities	579	0	3	582
<b>Total</b>	<b>8,693</b>	<b>5,685</b>	<b>43,101</b>	<b>57,479</b>

Exposure to banks is assessed as moderate. The Company fully complies with the conditions stated in the loan contracts in the section defining the disclosure of data, payment of interest and repaying the principal value.

### Foreign Exchange Risk

The Company mostly operates in the domestic territory and the Eurozone and therefore estimates the exposure to foreign exchange risk to be minimal.

### Interest Rate Risk

The interest rates for financial liabilities are fixed, therefore the Company estimates the exposure to interest rate risk to be minimal.

### Equity Management

The Company monitors the status of overdue receivables on a daily basis, and prepares 3-month plans twice a month with the aim of achieving optimum debt. Larger investments are financed by non-current assets.

in € thousand	2015	Debt increase by 10%	Debt decrease by 10%
Level of debt on equity	81.30	89.43	73.17
Equity	191,403	191,403	191,403
Financial liabilities	155,607	171,168	140,046

## 24. Carrying Amounts and Fair Values of Financial Instruments

in € thousand	31 Dec. 2015		31 Dec. 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets	45,198	45,198	885	885
Financial receivables	91,063	91,063	31,983	31,983
Operating receivables	32,480	32,480	19,295	19,295
Cash and cash equivalents	9,217	9,217	17,517	17,517
Financial liabilities	(155,607)	(155,607)	(55,338)	(55,338)
Operating liabilities	(2,690)	(2,690)	(3,538)	(3,538)
<b>Total</b>	<b>19,661</b>	<b>19,661</b>	<b>10,804</b>	<b>10,804</b>

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

## Fair Value Measurements

To determine fair value, the Company, where possible, takes into account the market value of financial instruments. The Company begins measuring the financial assets in the valuation model when it is estimated that the market is inactive. In accordance with the IFRS and accounting policies, the Company divides financial instruments into three levels:

Level 1 includes financial instruments whose fair value is fully determined on the basis of prices quoted in an active market.

Level 2 includes financial instruments whose fair value is determined on the basis of valuation models which take into account variables that are derived on the basis of publicly available market data (such as market interest rates).

Level 3 includes financial instruments whose fair value is determined on the basis of valuation models which take into account subjective variables, which are not publicly available on the market.

in € thousand	31 Dec. 2015	31 Dec. 2014
Financial assets at fair value at the first level	614	616
Financial assets at fair value at the third level	135,647	32,251
Financial liabilities at fair value at the third level	(155,607)	(55,338)

## EVENTS AFTER THE REPORTING DATE

A takeover bid to buy shares in Holding PMP, naložbena dejavnost, d. d., Vinarski trg 1, 2250 Ptuj, published by the Company on 4 December 2015, ended on 2 February 2016. During the duration of the takeover bid from (and including) 5 December 2015 up to (and including) 2 February 2016, the offer was accepted by 28 acceptors, who jointly held 33,673 shares in the target company with the ticker symbol PMPG, constituting 43.81 percent of all shares in the target company. Together with the 43,197 shares of Holding PMP d. d. held by the Company on the date of publication of the takeover bid, the Company acquired all 76,870 issued shares or 100 percent of Holding PMP d. d. on 11 February 2016 by rebooking the shares.

On 2 March 2016 a takeover procedure to buy shares of PERUTNINA PTUJ reja perutnine, proizvodnja krmil, perutnin-

skega mesa in izdelkov, trgovina in storitve d. d., Potrčeva cesta 10, 2250 Ptuj, ended successfully; the offer was published on 24 December 2015. During the duration of the takeover bid from (and including) 28 December 2015 up to (and including) 25 February 2016, the offer was accepted by 2,348 acceptors, who jointly held 2,846,733 shares in the target company with the ticker symbol PPTG, constituting 26.09 percent of all shares in the target company. Together with 5,000,000 shares in Perutnina Ptuj d. d., held by the Company on the date of publication of the takeover bid, and 603,184 shares in the target company, held by Holding PMP d. d. on the date of publication of the takeover bid, amounting to 5,603,184 shares in Perutnina Ptuj d. d. held directly or indirectly by the acquirer on the date of publication of the takeover bid, the Company now holds 8,449,917 shares, constituting 77.43 percent of all the issued shares in PERUTNINA PTUJ d. d.

## TECHNICAL TERMS AND CONCEPTS

<b>AOD device</b>	argon oxygen decarburization	<b>Pass-through business model</b>	direct pass-through of raw material costs to a product's selling price
<b>Black coils</b>	coils from non-alloy types of steel	<b>CHP</b>	cogeneration of heat and power
<b>Duplex steel</b>	stainless steel where a ferrite and austenitic structure is present at room temperature	<b>SSAP</b>	state-of-the-art technology supported by an ecological method for handling waste materials
<b>CNC</b>	cutting and grinding machine	<b>UHP (ultra high power electric arc furnace)</b>	electric arc furnace where installed power exceeds 1 MW per tonne of input
<b>SLAB</b>	flat semi-finished steel product	<b>VAR device</b>	vacuum arc remelting
<b>INGOT</b>	block of cast steel for further processing in forging, rolling or drawing	<b>VIM device</b>	vacuum induction melting
<b>Electric arc furnace</b>	furnace for smelting scrap steel where the energy source is an electric arc	<b>VOD device</b>	vacuum oxygen decarburization
<b>ERP</b>	Enterprise Resource Planning; system used to support planning at all organisational levels	<b>Ferrochrome</b>	alloy of iron and chromium with different carbon contents (from 0.1% to 6%) and other admixtures that is used in the production of steel as a chromium additive
<b>Ferroalloy</b>	iron-based metal additive	<b>Vanadium</b>	chemical element
<b>Steel industry equipment</b>	devices used to produce and process steel	<b>Molybdenum</b>	chemical element
<b>Alloy</b>	metal additive	<b>Nickel alloys</b>	cast iron and other metals with nickel that are useful due to their corrosion and/or flame resistant characteristics and low temperature coefficient
<b>Maraging steel</b>	steel where improved mechanical characteristics are achieved through precipitation hardening	<b>Plasma cutting</b>	process of cutting electrically conductive materials with a jet of hot plasma
<b>Stainless austenitic steels</b>	chromium- and nickel-based steel where an austenitic structure is present at room temperature		
<b>Clad plates</b>	two- or multi-ply plates where individual plates are forged together		
<b>Ladle furnace</b>	furnace used to heat melt in a ladle		
<b>Ladle</b>	steel vessel lined with flame resistant material that is used to transfer and processes melts		

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