



# ANNUAL REPORT 2019

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## BUSINESS REPORT

SIP is a specialist in the manufacture of machinery for grass mowing and hay tedding for the needs of professional agriculture in the beef production and especially the milk industries. With the breadth and quality of its offer and its strong research & development and innovation activities, SIP is one of the world's leading brands in its industry and maintains a constant presence in countries all over the Globe.

**Sales.** SIP generated €34,229 thousand of total revenues in 2019. Net sales revenues, which stood at €33,570 thousand, were up 17% compared to the previous year, and thus SIP continues to successfully maintain above-average rapid growth levels for the fourth consecutive year. We sold 4,427 different machines, 10% more than in the previous year, 97% of which are products of our basic sales range - hay tedding products. Our biggest markets in 2019 for the sale of products were Slovenia, Austria, Switzerland, Italy, Germany, France, New Zealand and the Netherlands, which together account for 72% of total sales.

**Development and investments.** In 2019, SIP launched a new group of AIR pick-up pickers with working widths of 5 metres and SILVERCUT 1500T law mover, with currently the largest working width and thus also productivity in the global arena. In addition to investments in development of new products, as much as €4,231 thousand was spent mostly on the expansion of the machinery float in all our departments, while some investments were made also in the renovation of the infrastructure.

**Operating profit, debts, cash flow management.** In the 2019 financial year, SIP performed well. Thus, the company achieved €5,464 thousand of earnings before interest, taxes, depreciation and amortisation (EBITDA), up 24% on the year before, and recorded a net profit in the amount of €3,473 thousand. This performance is, in addition to the increase in net revenues, the result of improved productivity and the optimisation of production processes. Despite the continued development and investment cycle, we maintained appropriate level of net financial debt and successfully managed and improved liquidity in spite of an increase in net current assets.

**Risk management.** One of the key business risks is credit risk; to mitigate this risk, we regularly monitor the credit ratings of our major customers and have implemented a policy of limiting uncollateralised sales. To ensure a smooth supply to production, we also monitor the creditworthiness of all key suppliers. SIP is not exposed to currency risk since the vast majority of sale, purchase and financing contracts are all tied to the euro. SIP has concluded all necessary insurance policies such as insurance against fire and natural disasters, insurance of machinery failures and manufacturer's liability insurance. Through past investments, the organisation has in recent years eliminated all key risks to the environment. All SIP's IT databases and software applications are adequately protected also at locations outside the head office.

**Recruitment.** Of the total 245 employees at the year-end, 193 have completed the first, second, third, fourth or fifth level of education, and 52 employees have completed the sixth, seventh and eighth level of education. In 2019, we again organised a series of training and education courses for the purpose of maintaining or improving employee competencies.

**Plans.** In the medium-term period until 2022, SIP shall

- develop innovative and competitive mowers and hay harvesting machinery, both for its own brand, as well as for some third-party brands;
- improve its production processes towards lean production;
- consolidate its brand and expand its distribution network through client education and after-sales support;
- train its employees, who are and will continue to be the foundation for our success in the market also in the future.

President of the Management Board:  
mag. Uroš Korže

Šempeter, 10 February 2020

A handwritten signature in blue ink, consisting of a stylized, cursive 'U' followed by a horizontal line and a wavy tail.

## **CORPORATE GOVERNANCE STATEMENT of SIP d. d., Šempeter v Savinjski dolini**

The Management Board of SIP d. d., Šempeter v Savinjski dolini hereby declares that its Annual Report for the 2019 financial year, including this corporate governance statement, have been prepared and published in accordance with the provisions of the Companies Act (ZGD-1), the Slovenian Accounting Standards and pursuant to other applicable regulations and the implementing regulations adopted pursuant to the aforementioned. The data in the Annual Report for the 2019 financial year is an integral part of this corporate governance statement.

The company has not adopted any specific corporate governance code, which could be used in the 2019 financial year. In the same period, the company did not apply any specific corporate governance code adopted by a third person. The company has in place appropriate standards in relation to corporate governance. The company employs no diversity policy. Professional criteria apply to the representation in management or supervisory bodies.

That said, the company's internal controls and risk management system cover measures and procedures for handling and processing transactions so as to ensure the timely, true and fair reporting on the company's financial position and its assets. Internal controls are implemented in several ways. Transactions are recorded on the basis of credible bookkeeping documents. Incoming invoices are signed according to the "four eyes" principle - by two signatories. The SAP IT system ensures an audit trail of transactions. Controls are established at several levels through comparing and harmonising the data kept in analytic accounting documents with the data in the accounting records, as well as with data provided by business partners or the actual physical existence of assets, and through coordination between the analytical accounting documents and the general ledger. The company is organised into cost centres, whereby each centre has a specifically designated person responsible for signing documents, while oversight of the operations of the cost centre is also carried out by the financial controlling department.

The data referred to in the fourth point of the fifth paragraph of Article 70 of the ZGD-1 is disclosed in the Business section of the Annual Report.

The company employs a single-tier management system. The company is managed and represented, and the conduct of its business supervised, by the Management Board, whose composition and work are based on the legal provisions and the provisions of the company's memorandum of association. The company is independently represented by the President of the Management Board. The President may transfer individual powers to one or several members of the Management Board, who exercise such a delegated power jointly, or together with a procurator. If both the President and Deputy President of the Management Board are incapacitated in the exercise of their functions, the Company shall be represented jointly by all the remaining members.

The memorandum of association provides that the Management Board shall be composed of at least three and no more than five members, of which at least two and no more than four shall represent the interests of shareholders, while one member

shall be appointed by the Workers' Council in accordance with the Act on workers' participation in management. At the General Assembly meeting that took place on 18 April 2019, it was decided to amend the memorandum of association and allow appointment of no less than three and no more than six members of the Management Board. At the General Assembly meeting that took place on 25 November 2019, a resolution was adopted to appoint Management Board members for a period of two years. Currently, the Management Board consists of four members, of whom three members were appointed by the shareholders at the General Assembly, while one member was appointed by the Worker's Council, in accordance with the Act on workers' participation in management. In addition, the General Assembly adopted a resolution on the amount of fees paid to a member of the Management Board. The Management Board applies its rules of procedure in its work.

The General Assembly acts in accordance with the applicable legal regulations and the memorandum of association. Shareholders may exercise their rights from shares directly or through proxies, who must provide a written power of attorney. Information to shareholders is provided in accordance with the applicable legal regulations (through the company's website and the AJPES website).

The company has no audit committee, nor is it obligated to appoint such a committee since it is a non-public limited stock company. Given the size, complexity and risk profile and the fact that the establishment and maintenance of internal controls and risk management systems are the responsibility of the Management Board, there is currently no reason to establish a separate audit committee.

The company regularly monitors its operations and changes in its assets, while considering the company's environment in order to ensure the timely recognition of changes in risk and exposure.

## **SUBSEQUENT EVENTS**

No events have occurred from the reporting date and up to the Annual Report date that could impact the true and fair presentation of the financial statements for the year ended 31 December 2019.

## **ORGANISATION'S SIZE ACCORDING TO THE COMPANIES ACT**

SIP, STROJNA INDUSTRIJA d. d. is classified as a medium-sized enterprise under the Companies Act.

Šempeter, 10 February 2020  
President of the Management Board:  
Mag. Uroš Korže





**FINANCIAL REPORT**  
**SIP, STROJNA INDUSTRIJA, d. d. ŠEMPETER**  
**FOR 2019**

Registration: SIP, Strojna industrija d. d. Šempeter d. d., is registered at  
the District Court of Celje under entry number 1/00268/00  
Corporate address: Juhartova ulica 2, 3311 Šempeter v Savinjski dolini  
Share capital: €1,724,695  
Company number: 5034523  
Tax number: 24049174  
Activity code: 28.300 Manufacture of agricultural machinery



# 1. FINANCIAL STATEMENTS

## 1.1 BALANCE SHEET AT 31 DECEMBER 2019

BALANCE SHEET SAS 20 (2016)	Notes	SIP d. d. in € 31 Dec 2019	SIP d. d. in € 31 Dec 2018
<b>ASSETS</b>		<b>40,441,335</b>	<b>34,572,809</b>
<b>A. Non-current assets</b>		<b>21,702,333</b>	<b>18,672,942</b>
<b>I. Intangible assets and long-term deferred costs</b>	<b>3.1.1</b>	<b>1,579,264</b>	<b>1,532,085</b>
1. Concessions, trademarks and licences		192,150	187,640
4. Long-term deferred development costs		1,212,123	906,104
5. Other long-term deferred costs		2,961	20,939
6. Intangible assets being acquired		172,031	417,402
<b>II. Property, plant and equipment</b>	<b>3.1.2</b>	<b>19,585,435</b>	<b>16,574,894</b>
1. Land and buildings		13,173,193	12,273,654
a) Land		5,257,453	5,206,979
b) Buildings		7,915,740	7,066,675
2. Plant and machinery		4,653,756	3,099,056
3. Other plant and equipment		1,244,254	1,159,455
4. Property, plant and equipment being acquired		<b>514,232</b>	<b>42,729</b>
Property, plant and equipment under construction		460,038	12,136
b) Advances for acquisition of property, plant and equipment		54,194	30,593
<b>III. Investment property</b>	<b>3.1.3</b>	<b>87,183</b>	<b>83,016</b>
<b>IV. Long-term investments</b>	<b>3.1.4</b>	<b>18,027</b>	<b>8,027</b>
1. Long-term investments, except loans		<b>18,027</b>	<b>8,027</b>
a) Shares and interests in group companies		18,027	8,027
<b>VI. Deferred tax assets</b>	<b>3.1.6</b>	<b>432,424</b>	<b>474,920</b>
<b>B. Current assets</b>		<b>18,515,126</b>	<b>15,878,660</b>
<b>II. Inventories</b>	<b>3.1.7</b>	<b>13,540,807</b>	<b>10,992,397</b>
1. Materials		2,765,142	2,964,054
2. Work in progress		3,856,439	3,984,438
3. Products and merchandise		6,918,454	4,041,785
4. Advances for inventories		773	2,120
<b>III. Short-term investments</b>	<b>3.1.8</b>	<b>101,001</b>	<b>1,000</b>
2. Short-term loans		101,001	1,000
a) Short-term loans to group companies		100,000	0
Other short-term loans		1,001	1,000
<b>IV. Short-term operating receivables</b>	<b>3.1.9</b>	<b>4,822,945</b>	<b>4,873,359</b>
2. Trade receivables		4,365,166	4,344,281
3. Other short-term receivables		457,779	529,078
<b>V. Cash and cash equivalents</b>	<b>3.1.10</b>	<b>50,372</b>	<b>11,903</b>
<b>C. Short-term deferred costs and accrued revenue</b>	<b>3.1.11</b>	<b>223,877</b>	<b>21,207</b>

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

<b>BALANCE SHEET SAS 20 (2016)</b>		Notes	SIP d. d. in € 31 Dec 2019	SIP d. d. in € 31 Dec 2018
<b>EQUITY AND LIABILITIES</b>			<b>40,441,335</b>	<b>34,572,809</b>
<b>A.</b>	<b>Equity</b>	<b>3.1.12</b>	<b>20,212,507</b>	<b>16,919,344</b>
<b>I.</b>	<b>Called-up capital</b>		<b>1,724,695</b>	<b>1,724,695</b>
	1. Share capital		1,724,695	1,724,695
<b>II.</b>	<b>Share premium</b>		<b>1,609,555</b>	<b>1,609,555</b>
<b>III.</b>	<b>Profit reserves</b>		<b>0</b>	<b>0</b>
	2. Reserves for treasury shares and interests		144,972	230,392
	3. Treasury shares and interests		-144,972	-230,392
<b>IV.</b>	<b>Revaluation reserve</b>		<b>7,663,258</b>	<b>7,315,020</b>
<b>V.</b>	<b>Fair value reserve</b>		<b>-72,535</b>	<b>-56,182</b>
<b>VI.</b>	<b>Retained earnings</b>		<b>5,814,859</b>	<b>3,398,389</b>
<b>VII.</b>	<b>Net profit for the year</b>		<b>3,472,674</b>	<b>2,927,867</b>
<b>B.</b>	<b>Provisions and long-term accrued costs and deferred revenue</b>	<b>3.1.13</b>	<b>706,705</b>	<b>672,428</b>
	1. Provisions for pensions and similar obligations		687,480	641,639
	2. Long-term accrued costs and deferred revenue		19,225	30,789
<b>C.</b>	<b>Long-term liabilities</b>		<b>7,384,720</b>	<b>7,647,553</b>
<b>I.</b>	<b>Long-term financial liabilities</b>	<b>3.1.14</b>	<b>5,553,349</b>	<b>5,931,684</b>
	2. Long-term financial liabilities to banks		4,059,524	4,845,238
	4. Other long-term financial liabilities		1,493,826	1,086,446
<b>II.</b>	<b>Long-term operating liabilities</b>	<b>3.1.15</b>	<b>33,816</b>	<b>0</b>
	2. Long-term supplier payables		33,816	0
<b>III.</b>	<b>Deferred tax liabilities</b>		<b>1,797,554</b>	<b>1,715,869</b>
<b>D.</b>	<b>Short-term liabilities</b>		<b>12,134,297</b>	<b>9,263,484</b>
<b>II.</b>	<b>Short-term financial liabilities</b>	<b>3.1.16</b>	<b>6,943,054</b>	<b>1,122,801</b>
	2. Short-term financial liabilities to banks		5,938,167	654,762
	4. Other short-term financial liabilities		1,004,887	468,039
<b>III.</b>	<b>Short-term operating liabilities</b>	<b>3.1.17</b>	<b>5,191,243</b>	<b>8,140,683</b>
	2. Supplier payables		4,478,496	6,194,784
	4. Short-term operating liabilities for advances		46,736	1,243,108
	5. Other short-term operating liabilities		666,012	702,791
<b>E.</b>	<b>Accrued costs and deferred revenue</b>		<b>3,106</b>	<b>70,000</b>

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

## 1.2 INCOME STATEMENT FOR THE YEAR 2019

<b>INCOME STATEMENT SAS 21 (2016)</b>		<b>Notes</b>	<b>SIP d. d. in € I-XII / 2019</b>	<b>SIP d. d. in € I-XII / 2018</b>
<b>1. NET SALES REVENUES</b>		<b>3.2.1</b>	<b>33,570,097</b>	<b>28,592,353</b>
<b>2. CHANGES IN THE VALUE OF INVENTORIES OF PRODUCTS AND WORK IN PROGRESS</b>			2,903,038	2,794,924
<b>3. CAPITALISED OWNED OWN PRODUCTS AND OWN SERVICES</b>		<b>3.2.2</b>	195,239	175,572
<b>4. OTHER OPERATING REVENUE</b>		<b>3.2.3</b>	393,359	311,594
<b>5. COSTS OF GOODS, MATERIALS AND SERVICES</b>		<b>3.2.4</b>	<b>24,804,715</b>	<b>21,218,435</b>
a. Cost of goods and materials sold, and costs of materials consumed			18,348,580	16,356,843
b. Cost of services			6,456,134	4,861,592
<b>6. EMPLOYEE BENEFIT COSTS</b>		<b>3.2.5</b>	<b>6,684,846</b>	<b>6,164,284</b>
a. Payroll costs			5,113,750	4,780,353
b. Social insurance costs			824,517	771,396
c. Other costs of labour			746,579	612,536
<b>7. WRITE-DOWNS</b>		<b>3.2.6</b>	<b>1,843,207</b>	<b>1,426,150</b>
a. Amortisation and depreciation			1,600,338	1,323,062
b. Operating expenses from revaluation of FA			14,067	2,940
c. Operating expenses from revaluation of current assets			228,803	100,148
<b>8. OTHER OPERATING EXPENSES</b>		<b>3.2.7</b>	<b>107,831</b>	<b>89,833</b>
<b>9. FINANCIAL INCOME FROM SHARES AND INTERESTS</b>			<b>0</b>	<b>0</b>
<b>10. FINANCIAL INCOME FROM LOANS</b>		<b>3.2.8</b>	<b>7,593</b>	<b>0</b>
b. Financial income from loans to others			7,593	0
<b>11. FINANCIAL INCOME FROM OPERATING RECEIVABLES</b>		<b>3.2.9</b>	<b>10,126</b>	<b>136,236</b>
b. Financial income from operating receivables due from others			10,126	136,236
<b>13. FINANCIAL EXPENSES FOR FINANCIAL LIABILITIES</b>		<b>3.2.10</b>	<b>163,607</b>	<b>130,159</b>
b. Financial expenses for bank borrowings			110,834	46,739
d. Financial expenses for other financial liabilities			52,774	83,420
<b>14. FINANCIAL EXPENSES FOR OPERATING LIABILITIES</b>		<b>3.2.11</b>	<b>7,830</b>	<b>20,748</b>
b. Financial expenses for supplier payables and bills payable			7,830	20,748
<b>15. OTHER REVENUE</b>		<b>3.2.12</b>	<b>52,703</b>	<b>100,120</b>
<b>16. OTHER EXPENSES</b>		<b>3.2.13</b>	<b>4,949</b>	<b>5,286</b>
<b>18. DEFERRED TAX</b>			<b>-42,497</b>	<b>0</b>
<b>19. NET PROFIT OR LOSS FOR THE YEAR</b>			<b>3,472,674</b>	<b>3,055,902</b>

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



### 1.3 STATEMENT OF OTHER COMPREHENSIVE INCOME

(in €)	SIP d. d. 2019	SIP d. d. 2018
<b>19. Net profit or loss for the year</b>	<b>3,472,674</b>	<b>3,055,902</b>
20. Change in revaluation of FA	348,238	3,559,325
21. Change in fair value reserve	0	0
22. Gains and losses arising from translation of the financial statements of foreign companies	0	0
23. Other comprehensive income for the period	-19,640	-16,508
<b>24. TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (net of tax)</b>	<b>3,801,272</b>	<b>6,598,719</b>

## 1.4 CASH FLOW STATEMENT

<b>CASH FLOW STATEMENT, SAS 22 (2016), FORMAT I</b>		<b>2019</b>	<b>2018</b>
<b>A.</b>	<b>Cash flow from operating activities</b>		
a)	<b>Cash receipts from operating activities</b>	<b>36,241,475</b>	<b>31,618,310</b>
	Proceeds from sale of products and services	33,673,342	30,009,853
	Other receipts from operating activities	2,568,133	1,608,457
b)	<b>Cash disbursements from operating activities</b>	<b>-36,631,299</b>	<b>-29,964,762</b>
	Disbursements for acquisition of materials and services	-29,585,285	-23,450,177
	Disbursements for wages and employee share in profit	-4,314,930	-3,939,850
	Disbursements for all kind of levies	-2,731,084	-2,574,735
c)	<b>Net cash flow from operating activities (a+b)</b>	<b>-389,824</b>	<b>1,653,548</b>
<b>B.</b>	<b>Cash flows from investing activities</b>		
a)	<b>Cash receipts from investing activities</b>	<b>573,758</b>	<b>72,620</b>
	Cash receipts from disposal of property, plant and equipment	3,758	72,620
	Cash receipts from disposal of investments	570,000	0
b)	<b>Cash disbursements from investing activities</b>	<b>-2,546,616</b>	<b>-1,007,908</b>
	Cash disbursements to acquire intangible assets	-85,643	-34,242
	Cash disbursements to acquire property, plant and equipment	-1,780,973	-973,666
	Cash disbursements to acquire investments	-680,000	0
c)	<b>Net cash outflow from investing activities (a+b)</b>	<b>-1,972,858</b>	<b>-935,288</b>
<b>C.</b>	<b>Cash flows from financing activity</b>		
a)	<b>Cash receipts from financing</b>	<b>4,546,074</b>	<b>12,562,952</b>
	Cash receipts from paid-up capital	86,000	49,500
	Cash receipts from increase in financial liabilities	4,460,074	12,513,452
b)	<b>Cash disbursements from financing</b>	<b>-3,797,415</b>	<b>-13,402,305</b>
	Interest paid on financing	-104,467	-47,091
	Cash repayments of equity	-580	-177,535
	Cash repayments of financial liabilities	-3,098,839	-12,856,821
	Dividends and other profit shares paid	-593,529	-320,858
c)	<b>Net cash outflow from financing activities (a+b)</b>	<b>748,659</b>	<b>-839,353</b>
<b>D.</b>	<b>Closing balance of cash</b>	<b>-1,602,121</b>	<b>11,902</b>
x)	Net cash flow for the period (sum total of Ac, Bc and Cc)	-1,614,022	-121,092
y)	Opening balance of cash	11,902	132,995

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

## 1.5 STATEMENT OF CHANGES IN EQUITY FOR FY 2019

Statement of changes in equity - SAS 23 (SAS 2016) for FY 2019

(in €)	I. Called-up capital	II. Share premium	III. Profit reserves		IV. Revaluation reserve	V. Fair value reserve	VI. Retained earnings	VII. Net profit for the year	VIII. Total
	1. Share capital		2. Reserves for treasury shares (interests)	3. Treasury shares (interests)			1. Retained earnings	1. Net profit for the year	
<b>A.1. Balance at the end of the previous reporting period</b>	<b>1,724,695</b>	<b>1,609,555</b>	<b>230,392</b>	<b>-230,392</b>	<b>7,315,020</b>	<b>-56,182</b>	<b>3,398,388</b>	<b>2,927,867</b>	<b>16,919,343</b>
<i>b) Retrospective adjustments</i>	0	0	0	0	0	0	0	0	0
<b>A.2. Opening balance of the reporting period</b>	<b>1,724,695</b>	<b>1,609,555</b>	<b>230,392</b>	<b>-230,392</b>	<b>7,315,020</b>	<b>-56,182</b>	<b>3,398,388</b>	<b>2,927,867</b>	<b>16,919,343</b>
<b>B.1. Changes in equity – transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>85,420</b>	<b>0</b>	<b>0</b>	<b>-593,529</b>	<b>0</b>	<b>-508,109</b>
d) Purchase of treasury shares (interests)	0	0	0	-580	0	0	0	0	-580
e) Disposal/withdrawal of treasury shares (interests)	0	0	0	86,000	0	0	0	0	86,000
g) Dividends paid	0	0	0	0	0	0	-593,529	0	-593,529
<b>B.2. Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>348,238</b>	<b>-19,640</b>	<b>0</b>	<b>3,472,674</b>	<b>3,801,273</b>
a) Net profit for the year	0	0	0	0	0	0	0	3,472,674	3,472,674
b) Change in revaluation of FA	0	0	0	0	348,238	0	0	0	348,238
d) Other comprehensive income for the period	0	0	0	0	0	-19,640	0	0	-19,640
<b>B.3. Movements within equity</b>	<b>0</b>	<b>0</b>	<b>-85,420</b>	<b>0</b>	<b>0</b>	<b>3,287</b>	<b>3,010,000</b>	<b>-2,927,867</b>	<b>0</b>
a) Allocation of the remaining amount of the net profit for the comparative period to other components of equity	0	0	0	0	0	0	2,927,867	-2,927,867	0
e) Release of reserves for treasury shares (interests) and allocation to other components of equity	0	0	-85,420	0	0	0	85,420	0	0
f) Other movements within equity	0	0	0	0	0	3,287	-3,287	0	0
<b>C. Closing balance of the reporting period</b>	<b>1,724,695</b>	<b>1,609,555</b>	<b>144,973</b>	<b>-144,973</b>	<b>7,663,258</b>	<b>-72,535</b>	<b>5,814,859</b>	<b>3,472,674</b>	<b>20,212,507</b>



**Statement of changes in equity - SAS 23 (SAS 2016) for FY 2018**

(in €)	I. Called-up capital	II. Share premium	III. Profit reserves		IV. Revaluation reserve	V. Fair value reserve	VI. Retained earnings	VII. Net profit for the year	VIII. Total
	1. Share capital		2. Reserves for treasury shares (interests)	3. Treasury shares (interests)			1. Retained earnings	1. Net profit for the year	
<b>A.1. Balance at the end of the previous reporting period</b>	<b>1,724,695</b>	<b>1,609,555</b>	<b>102,356</b>	<b>-102,356</b>	<b>3,755,695</b>	<b>41,608</b>	<b>1,406,038</b>	<b>2,315,143</b>	<b>10,769,518</b>
<i>b) Retrospective adjustments</i>	0	0	0	0	0	0	0	0	0
<b>A.2. Opening balance of the reporting period</b>	<b>1,724,695</b>	<b>1,609,555</b>	<b>102,356</b>	<b>-102,356</b>	<b>3,755,695</b>	<b>41,608</b>	<b>1,406,038</b>	<b>2,315,143</b>	<b>10,769,518</b>
<b>B.1. Changes in equity – transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-128,035</b>	<b>0</b>	<b>0</b>	<b>-320,858</b>	<b>0</b>	<b>-448,893</b>
d) Purchase of treasury shares (interests)	0	0	0	-128,035	0	0	0	0	-128,035
g) Dividends paid	0	0	0	0	0	0	-320,858	0	-320,858
<b>B.2. Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,559,325</b>	<b>16,509</b>	<b>0</b>	<b>3,055,902</b>	<b>6,598,719</b>
a) Net profit for the year	0	0	0	0	0	0	0	3,055,902	3,055,902
b) Change in revaluation of FA	0	0	0	0	3,559,325	0	0	0	3,559,325
d) Other comprehensive income for the period	0	0	0	0		16,509	0	0	-16,509
<b>B.3. Movements within equity</b>	<b>0</b>	<b>0</b>	<b>128,035</b>	<b>0</b>	<b>0</b>	<b>1,935</b>	<b>2,313,208</b>	<b>2,443,178</b>	<b>0</b>
a) Allocation of the remaining amount of the net profit for the comparative period to other components of equity	0	0	0	0	0	0	2,315,143	2,315,143	0
d) Formation of reserves for treasury shares	0	0	128,035	0	0	0	0	-128,035	0
f) Other movements within equity	0	0	0	0	0	1,935	-1,935	0	0
<b>C. Closing balance of the reporting period</b>	<b>1,724,695</b>	<b>1,609,555</b>	<b>230,392</b>	<b>-230,392</b>	<b>7,315,020</b>	<b>56,182</b>	<b>3,398,388</b>	<b>2,927,867</b>	<b>16,919,344</b>

## 2. BASIS OF PREPARATION AND INTRODUCTORY REMARKS

The financial statements of the organisation SIP, d. d., are compiled in accordance with the Slovenian Accounting Standards (hereinafter: the SAS 2016) and the provisions of the Companies Act (hereinafter: the ZGD-1).

When selecting accounting principles, deciding on their application and during preparation of the financial statements of SIP Strojna industrija, d.d., Šempeter, the following four qualitative requirements were complied with: understandability, relevance, reliability and comparability.

The financial statements for the year ended 31 December 2019 have been compiled under the two fundamental accounting assumptions of a going concern and the accrual basis of accounting.

The statutory annual financial statements comprise the balance sheet, which discloses the assets and liabilities at the end of the financial year; the income statement, which discloses the income and expenses and profit in the financial year and the statement of other comprehensive income; the cash flow statement, which discloses the change in cash balances; and the statement of changes in equity, which discloses changes in equity components during the financial year, and the statement of distributable profit. The following types of statements are used in external financial reporting:

- Balance sheet, SAS 20,
- Income statement, SAS 21 - format I,
- Statement of other comprehensive income, SAS 21,
- Cash flow statement, direct method SAS 22 - format I,
- Statement of changes in equity, SAS 23.

The euro is the organisation's functional currency and currency of presentation.

The rules and procedures applied by management in the preparation and presentation of the financial statements are based on the above, while some accounting policies are optional, meaning the management can independently decide to use one of the alternatives.

When applying the presented accounting policies and guidelines, the organisation must make a number of judgements and assessments regarding the carrying amounts of assets and liabilities that are not always available from other sources. Estimates and the underlying assumptions are based on past experience and factors that the company considers appropriate. The organisation used management estimates when accounting for receivables and provisions, property, plant and equipment and inventories.

Below is a summary of the accounting policies the organisation uses for the measurement of individual financial statement items:

1. Intangible assets are initially recognised at cost and are amortised according to the straight-line method over their useful life. After initial recognition, an intangible

asset is carried at cost less accumulated amortisation and accumulated impairment losses. The carrying amount of an item of intangible assets is reduced when it exceeds its recoverable amount.

Development costs incurred by the company are recognised as an intangible asset if the following can be proven: the feasibility of the professional completion of the project, so it will be available for use or sale; an intention to complete the project and use or sell it; the ability to use or sell the project; the probability of the economic benefits of the project, among other things, the existence of a market for the output of the project or the project itself or if the project will be used in the company, its usefulness; the availability of technical, financial and other resources to complete the development and to use or sell the project; and the ability to reliably measure the costs attributable to the intangible asset during the development thereof.

Intangible assets are tested for signs of impairment on an annual basis. If signs of impairment exist, the organisation determines the recoverable amount of an item of the assets. When the asset's recoverable amount is below its carrying value, an impairment loss is recognised. The recoverable amount is the higher of an asset's fair value less costs to sell, or its value in use.

2. Initially, property, plant and equipment qualifying for recognition are recognised at cost, comprising the purchase price, import duties and non-refundable purchase taxes, as well as all directly attributable costs of bringing the asset to working condition for its intended use. Items of property, plant and equipment are depreciated separately in accordance with the straight-line depreciation method. No residual (non-depreciable) value of items of property, plant and equipment is defined.

Intangible assets are tested for signs of impairment on an annual basis. If signs of impairment exist, the company determines the recoverable amount of an item of property, plant and equipment. When the asset's recoverable amount is below its carrying value, an impairment loss is recognised. The recoverable amount is the higher of an asset's fair value less costs to sell, or its value in use.

Whenever the final annual amount of depreciation is calculated for major items, the organisation verifies the useful lives of tangible fixed assets and adjusts the depreciation rate if the expectations differ significantly from the estimates.

The organisation uses the revaluation model to value land and buildings. Land and buildings have been revalued at fair value through an appraisal by a certified real estate appraiser.

Any revaluation must be frequent enough so that the carrying value does not differ significantly from that which would be determined using fair value at the balance sheet date.

The items of property, plant and equipment whose useful life extends beyond 12 months and whose individual cost does not exceed €500, are recognised as items of property, plant and equipment ready for use. This, however, does not apply to large tools whose individual value exceeds €500, and which are disclosed under small tools due to the unified physical storage records.

The company applies the short-term lease recognition exemption to its short-term leases and the lease of low-value assets recognition exemption to its leases of low-value assets.



A contract contains a lease, if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In relation to such contracts, the company recognises the following (other than the two exemptions identified below):

- Right-of-use assets, reported in the statement of financial position under property, plant and equipment,
  - Lease liabilities reported in the statement of financial position under financial liabilities and in the cash flow statement under cash flows from financing activities.
- The company applies two exemptions provided by the standard and eliminates from the recognition of lease assets and liabilities:
- short-term leases and
  - leases of low-value assets.

Cash flows are discounted using interest rates achieved on long-term financing with similar maturity based on the terms and conditions of the lease contract. Amortisation and depreciation are accounted for using amortisation/depreciation rates assessed over the remaining lease term.

3. Investment property is property held to earn rental income and/or for long-term investment appreciation. The costs of an item of investment property comprises its purchase price and the costs that can be directly attributable to the acquisition thereof. Such items are valued at fair value and are not depreciated. Any gain or loss arising from a change in the fair value of an item of investment property is recognised in the profit or loss for the period in which it arises.  
Upon compilation of the financial statements, the organisation, together with an independent appraiser, assess whether the carrying value differs significantly from that which would be determined using fair value at the balance sheet date. In the case of a significant difference, the item of investment property is revalued to its fair value.
4. Investments in loans granted are disclosed at the amounts paid. If an investment is losing value, the organisation assesses the amount of impairment to its original value that must be recognised in the revaluation financial expenses. Data on the fair value or on the main characteristics of each investment is disclosed. Investments in subsidiaries are valued at cost, less any impairment loss.
5. Inventories of materials and merchandise are initially measured at cost which comprises the purchase price, import and other non-refundable purchase taxes and directly attributable costs of acquisition. The purchase price is reduced by any discounts granted. Inventories of work in progress and products are valued at production cost. The consumption of inventories is disclosed under the average price method using constant prices and variances. Production costs include direct cost of materials, direct labour costs, direct cost of services, direct depreciation and amortisation costs, direct energy costs and production overhead costs.

Production overhead costs include other costs of materials, other costs of services, and other costs that are charged in the production process but cannot be directly linked to the profit or loss. Inventories are measured at the lower of initial cost and net realisable value. The organisation impairs inventories on the basis of an individual assessment. The organisation assesses the value of any finished products with no movements of more than 2 years. If the appraised value

is lower than the carrying value of the inventory, the inventory value is reduced by the difference. At least once every 2 years, an analysis of the necessity of input materials and semi-finished products for existing product lines is made with respect of other inventories of input materials and semi-finished products. Input materials and semi-finished products, older than 2 years, are subject to a committee examining the possibility of alternative use or processing thereof with minor adjustments. A write-off is proposed and made for inventories that are not suitable for processing or modification. On the last day of the financial year, an allowance of 5% of inventories held is made for inventories that are subject to processing or modification due to the fact that they remain unsold up to 2 years. A 100% allowance is created for inventories without movement over 3 years. Inventories are also revalued when they are damaged or wholly or partially obsolete.

6. Receivables of all categories are initially recognised at amounts arising from relevant documents under the assumption that they will be collected. Receivables are disclosed at amortised cost. Receivables are revalued to account for their impairment or reversal of their impairment. Receivable impairment is formed due to the non-recoverability of receivables outstanding for more than 1 year. Receivable allowances are recognised in the amount of bad debt and disputed receivables. Write-off of receivables is debited to receivable allowances made. The management verifies once a year whether the estimate of the amount of the receivables allowance is appropriate.
  
7. Accrued costs and deferred income are assets, which are expected to arise within a period of one year, and their amount can be reliably estimated. Deferred costs and accrued income include deferred costs or deferred expenses and accrued revenues, which are recorded separately and classified into major categories. Accrued costs and deferred income include accrued costs or accrued expenses and deferred revenues, which are recorded separately and classified into major categories. Accrued and deferred items that will be utilised within a year are recognised as short-term, while those utilised over a longer period are reported as long-term.  
Deferred income (generally long-term accrued costs and deferred revenue) also include government grants and donations received for acquisition of fixed assets or to cover certain expenses. They are intended to cover depreciation costs of depreciable assets and certain expenses. They are utilised by transferring them to operating revenue.
  
8. The total capital comprises share capital, capital surplus, profit reserves, revaluation reserves, fair value reserves, retained earnings or net loss brought forward from previous periods and undistributed net profit or unsettled loss for the year.
  
9. Provisions are made for present obligations arising from obligating past events and are expected to be settled in the period that cannot be determined with certainty, but a reliable estimate can be made of the amount of obligations. The amount of provisions is equal to the present value of expenditure needed to settle the obligation. In accordance with legal regulations, collective agreement and internal rules, the organisation is required to pay jubilee bonuses and severance

pay upon retirement and thus, it sets aside provisions for these liabilities. The organisation has no other pension liabilities. Provisions and long-term accrued costs or expenses are directly decreased by the amount of costs and expenses for which they were originally recognised. The organisation does not make provisions for warranty liabilities since the amount is insignificant.

10. Long-term and short-term liabilities are recognised obligations associated with the financing of the company's assets, which are expected to be repaid or settled. Liabilities are classified as finance liabilities when lenders give cash or cash equivalents to the organisation, or as operating liabilities when suppliers give the organisation the elements necessary for the production and provision of services. Financial liabilities are borrowings received based on loan agreements, liabilities to lessors for finance leases, obtained deposits and debt securities issued. Operating liabilities are supplier credits for goods or services purchased, payables to employees for their work performed, liabilities to providers of funds arising from accrued interest and liabilities to the state arising from taxes. Long-term liabilities need to be settled within a period of more than one year, whereas short-term liabilities are payable within a period of up to one year. For each type of its liabilities, the entity discloses the unsecured and secured amount of liabilities, their maturity structure, interest rates and other terms and conditions. Long-term liabilities are generally recognised at amortised cost using the effective interest method. Short-term liabilities are recognised at amortised cost.

#### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease liabilities are discounted at the interest rate implicit in the lease if the interest rate is determinable; if not, the Group uses its incremental borrowing rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

After the initial recognition, the Group measures the carrying amount of lease liabilities by:

- increasing it by the amount of interest,
- decreasing it for the lease payments and
- increasing /decreasing the carrying amount of lease liabilities to reflect modification or reassessment of the lease.

11. Revenue is classified into operating revenue, financial revenue and other revenue. Operating revenue and financial revenue are considered ordinary revenue. Operating revenue comprises revenue from sales and other operating revenue associated with products and services, as well as revaluation operating revenue. Financial revenue is revenue generated by investment activities. Such revenue arises in relation to investments, as well as in association with receivables. Financial revenue consists of accrued interest and shares in profits of others as well as of financial income from revaluation. Other revenue consists of unusual items and other revenue that increases profit.

Majority of revenue from contracts with customers arises on supply of finished products, spare parts and provision of repair services.

In recognising the revenue, the company applies the five-step model prescribed by the SAS15:

- Identification of the contract with a customer
- Identification of separate performance obligations
- Transaction price determination
- Transaction price allocation to separate performance obligations
- Revenue recognition after the performance obligation is fulfilled.

Business segment	Separate performance obligations	Payment terms
Supply of products	- <b>Supply of a product</b> – recognition of revenues at a certain point in time	regular
Supply of spare parts	- <b>Supply of a product</b> – recognition of revenues at a certain point in time	regular

All performance obligations are fulfilled at a point in time, i.e. when the goods are supplied, and the customer assumes control over those goods. Normally the customer assumes control over the goods upon their unconditional delivery. Contractually agreed Incoterms apply as the criteria for determining that the transfer of the goods has been completed.

Transaction price is allocated between separate performance obligations based on individual prices. Any transactions made on account of other legal entities are eliminated from the transaction price.

12. Expenses are classified as operating expenses, financial expenses and other expenses. Operating expenses and financial expenses are ordinary expenses. Operating expenses are in principle equal to the costs accrued in the period, increased by costs that are held in the opening inventories of products and work in progress and decreased by costs that are held in the closing inventories of products and work in progress. Revaluation operating expenses arise in connection with property, plant and equipment, intangible assets and current assets due to their revaluation to a lower value, if the reduction in their value is not settled by the revaluation reserves from their previous appreciation in value. Financial expenses include financing expenses and investment expenses. Other expenses consist of unusual items and other expenses that decreases profit or loss.

13. Foreign currency transactions are translated into the functional currency at the exchange rate ruling at the date of the transactions. All the differences resulting from foreign currency translation and translation of monetary assets and liabilities into foreign currency as at the balance sheet date are recognised in the profit or loss.

Items of cash and cash equivalents in foreign currencies are translated according to the Bank of Slovenia exchange rate on the last day of the year. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the exchange rates prevailing on the transaction date, whereas non-monetary

assets and liabilities at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value was determined.

14. Tax on the profit or loss for the financial year comprises current and deferred tax. Income tax expense is recognised in the profit or loss, except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is disclosed in the amount that it is expected to be paid when the temporary differences are eliminated, on the basis of tax laws that have been enforced or substantially enacted on the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

15. Changes in accounting policies and estimates, and error adjustment

#### **Leases**

The revised SAS 1 came into effect on 1 January 2019 and thus, the company adopted the revised standard in the part relating to the amendments to the accounting treatment of leases. The transition to the revised standard was made using the simplified approach.

The company applied the short-term lease exemption to the single lease contract, which was previously classified as an operating lease. It was determined that the company has no other similar lease contracts that would require calculation of either the right-of-use assets or financial liabilities for lease payments.

In accordance with the revised standard, all the lease assets and liabilities previously recognised as financial leases were reclassified to the right-of-use assets to the amount of €3,194,152.

On transition to the new standard, the company also applied an exemption whereby if the lessee decides to use a simplified option for leases previously classified as financial leases, the carrying amount of the lease assets and liabilities is considered the carrying amount immediately before that date.

As there were no changes to the financial statement structure under the revised SAS, the reclassification of financial leases did not have any impact on the financial statement presentation however, it does require additional disclosures in the notes to the financial statements.

#### **Revenue from contracts with customers**

The company analysed its contracts with customers in accordance with the revised SAS 15 using the following accounting estimates that have a material impact on the amounts and timing of the recognition of revenue from contracts with customers:



- Determination of the point in time a performance obligation is fulfilled

The company verified the existence of sale contracts and performance obligations, identified transaction price and allocated it to separate performance obligations and considered whether revenue should be recognised at a certain point in time or over the contract term, using the five-step model.

The company has concluded that revenue from sale of goods and services can be recognised at the time of sale, as at that point in time the company no longer has control over the goods sold or services rendered. The company also concluded that it has no performance obligations relating to warranty obligations.

### 3. NOTES TO THE FINANCIAL STATEMENTS

#### 3.1 NOTES TO THE BALANCE SHEET

##### 3.1.1 Intangible assets and long-term deferred costs

Intangible assets and long-term deferred costs include long-term property rights and long-term deferred development costs.

Movements in intangible assets and long-term deferred costs in 2019 were as follows (in €):

	Development costs	Industrial property and other rights	Intangible assets being acquired	Other long-term deferred costs	TOTAL
<b>Cost</b>					
As at 31 Dec 2018	3,752,162	415,920	417,402	20,939	4,606,422
Acquisitions	0	0	395,795	0	395,795
Disposals	596,668	43,773	-641,166	0	-726
Revaluations	0	0	0	0	0
Transfers	0	-10,600	0	-17,978	-28,578
Eliminations	0	0	0	0	0
As at 31 Dec 2019	<b>4,348,830</b>	<b>449,092</b>	<b>172,031</b>	<b>2,961</b>	<b>4,972,914</b>
<b>Accumulated amortisation</b>					
As at 31 Dec 2018	2,846,058	228,281	0	0	3,074,338
Amortisation during the year	290,650	29,498	0	0	320,148
Disposals	0	0	0	0	0
Write-offs	0	-836	0	0	-836
Reclassifications	0	0	0	0	0
As at 31 Dec 2019	<b>3,136,707</b>	<b>256,944</b>	<b>0</b>	<b>0</b>	<b>3,393,651</b>
<b>Carrying value</b>					
As at 31 Dec 2018	<b>906,104</b>	<b>187,638</b>	<b>417,402</b>	<b>20,939</b>	<b>1,532,085</b>
As at 1 Jan 2019	<b>906,104</b>	<b>187,638</b>	<b>417,402</b>	<b>20,939</b>	<b>1,532,085</b>
As at 31 Dec 2019	<b>1,212,123</b>	<b>192,150</b>	<b>172,031</b>	<b>2,961</b>	<b>1,579,264</b>

Long-term property rights amounting to €192,150 consist of investments in software applications. Long-term deferred costs of developing new products in the amount of €1,384,153 include costs of prototype construction and testing, construction and catalogue documentation, and the development of technologies associated with those projects. Of the total amount, €172,031 relates to ongoing projects as at 31 December 2019 and as such are recognised as intangible assets being acquired. In 2019, deferred development costs totalled €281,164. Individual development projects are amortised over a five-year period.

All the items of intangible assets are subject to amortisation.

### 3.1.2 Property, plant and equipment

Movements in property, plant and equipment in 2019 (in €):

	Land	Buildings	Production equipment and machinery	Low-value items and major tools	Other equipment	Short-term advances	Property, plant and equipment under production	TOTAL PROPERTY, PLANT AND EQUIPMENT
<b>Cost</b>								
As at 31 Dec 2018	5,206,979	7,233,881	16,170,809	3,588,856	1,729,167	30,593	12,136	33,972,420
Acquisitions	0	0	0	0	0	53,436	3,811,675	3,865,111
Disposals	0	-3,069	-146,758	-94,316	-19,342	0	0	-263,485
Revaluations	50,474	379,449	0	0	0	0	0	429,923
Transfers	0	661,457	2,225,111	217,096	289,943	-29,835	-3,363,772	0
Eliminations	0	0	0	0	0	0	0	0
<b>As at 31 Dec 2019</b>	<b>5,257,453</b>	<b>8,271,719</b>	<b>18,249,162</b>	<b>3,711,636</b>	<b>1,999,768</b>	<b>54,194</b>	<b>460,038</b>	<b>38,003,969</b>
<b>Accumulated depreciation</b>								
As at 31 Dec 2018	0	167,207	13,071,753	3,023,575	1,134,993	0	0	17,397,527
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	-143	-146,563	-93,314	-19,162	0	0	-259,181
Depreciation	0	188,915	670,216	236,474	184,584	0	0	1,280,190
Eliminations	0	0	0	0	0	0	0	0
<b>As at 31 Dec 2019</b>	<b>0</b>	<b>355,979</b>	<b>13,595,406</b>	<b>3,166,735</b>	<b>1,300,416</b>	<b>0</b>	<b>0</b>	<b>18,418,536</b>
<b>Carrying value</b>								
As at 31 Dec 2018	5,206,979	7,066,675	3,099,056	565,281	594,174	0	12,136	16,574,894
As at 1 Jan 2019	5,206,979	7,066,675	3,099,056	565,281	594,174	0	12,136	16,544,300
As at 31 Dec 2019	5,257,453	7,915,740	4,653,756	544,901	699,353	54,194	460,038	19,585,435

The organisation applies the method of straight-line depreciation. Amortisation and depreciation expense is calculated individually and is not subject to change during the accounting year.

The depreciation of property, plant and equipment and the amortisation of intangible assets is calculated using the following annual rates (in %):

	2019	2018
Buildings	2.33 – 3.33	2.33 – 3.33
Landscaping	1.5 - 6.6	1.5 - 6.6
Parts of building	6	6
Production equipment	7.0 - 20.0	7.0 - 20.0
IT hardware	33.3	33.3
Vehicles	14.3 - 20.0	14.3 - 20.0
Property rights	10.0 - 20.0	10.0 - 20.0
Long-term deferred development costs	20	20
Other equipment	5.0 - 25.0	5.0 - 25.0

The carrying amount of assets acquired through a finance lease stood at €3,194,152 as at 31 December 2019.

The items of property, plant and equipment under construction comprise mostly tools produced by the company and amounting to €25,026, industrial vacuum system amounting to €132,680, renovation of the paint shop amounting to 79,805 and investments in facilities of total €221,433.

As at 31 December 2018, the organisation has commitments (contracts and confirmed orders) for the purchase of property, plant and equipment in the amount of €501,530.

Land was revalued to its fair value as at 31 December 2019, in accordance with the adopted accounting policy. This resulted in a €50,474 increase in the carrying amount of land. The impact was recognised directly in equity as revaluation reserves. If the land was disclosed under the cost model, the carrying amount as at 31 December 2019 would amount to €381,627. The fair value was assessed by a certified real estate appraiser licensed by the Slovenian Institute of Auditors, in accordance with the applicable international valuation standards. The market comparison approach was used in the appraisal.

As of 2018, the organisation began disclosing the value of buildings under the revaluation model as opposed to the cost model. As at 31 December 2019, the revaluation of buildings to fair value amounted to €348,238; the fair value was assessed by a certified real estate appraiser licensed by the Slovenian Institute of Auditors, in accordance with the applicable international valuation standards. Similarly, the organisation determined the new lives of buildings with the help of a certified real estate appraiser. If the buildings were disclosed under the cost model, the carrying amount as at 31 December 2019 would amount to €3,552,187. If the organisation had not changed its accounting estimates, the carrying amount of the assets would have been €3,621,705 as at 31 December 2019.

Real estate is mortgaged as collateral for long-term and short-term loans raised from commercial banks in the amount of €8,197,020, and there are no restrictions to the organisation's use of these buildings.

### 3.1.3 Investment property

		Investment property
<b>Cost</b>		
As at 31 Dec 2018		<b>83,016</b>
Acquisitions		<b>0</b>
Disposals		<b>0</b>
Revaluations		<b>4,167</b>
Transfers		<b>0</b>
Eliminations		<b>0</b>
As at 31 Dec 2019		<b>87,183</b>
<b>Accumulated depreciation</b>		
As at 31 Dec 2018		<b>0</b>
Acquisitions		<b>0</b>
Disposals		<b>0</b>
Depreciation		<b>0</b>
Eliminations		<b>0</b>
As at 31 Dec 2019		<b>0</b>
<b>Carrying value</b>		
As at 31 Dec 2018		<b>83,016</b>
As at 1 Jan 2019		<b>83,016</b>
As at 31 Dec 2019		<b>87,183</b>

As at 31 December 2019, SIP, d. d. discloses under investment property a building worth €87,183, which is leased. At the beginning of the year, pursuant to the change in the accounting policy, the organisation ceased valuing investment property at cost, and began valuing investment property under the fair value model. No depreciation is charged. If investment property was disclosed under the cost model, the carrying amount as at 31 December 2019 would amount to €51,878.

In accordance with the accounting policy, the fair value of investment property was assessed by a certified real estate appraiser licensed by the Slovenian Institute of Auditors as at the end of the year. Accordingly, the fair value of investment property was revalued by €4,167.

In relation to the investment property, the company recognised €9,000 of rental income from investment property in the profit and loss, while no direct expenses associated with the investment property are reported.



### 3.1.4 Long-term investments

(in €)	31 Dec 2019	31 Dec 2018
Shares and interests in the group	18,027	8,027
Long-term loans to others	0	0
<b>Total</b>	<b>18,027</b>	<b>8,027</b>

Shares and interest in the group present:

a 100 percent interest in SIP DISTRIBUCIJA d. o. o., Novaki Petrovinski 4 A, Jastrebarsko, Croatia.

The share capital of the subsidiary, which was founded in 2016, amounted to €8,027 (HRK 60,000) as at 31 December 2019.

In 2019, the subsidiary SIP DISTRIBUCIJA d. o. o. generated a net profit in the amount of €13,460 (HRK 100,136).

and

a 100 percent interest in the subsidiary S.A.R.L. SIP FRANCE, 1006 Route Departementale Francin, France. The share capital of the subsidiary, which was founded in 2019, amounted to €10,000 as at 31 December 2019. In 2019, the subsidiary S.A.R.L. SIP FRANCE incurred a net loss of €11,239.

### 3.1.5 Long-term operating liabilities

(in EUR)	31 Dec 2019	31 Dec 2018
Long-term trade receivables	59,322	59,322
Impairment of long-term operating receivables	-59,322	-59,322
<b>Total</b>	<b>0</b>	<b>0</b>

Long-term operating receivables represent trade receivables after the confirmed compulsory settlement in the amount of €59,322 and the write-down of long-term receivables due to non-compliance with the financial restructuring programme. The customer is now in bankruptcy. The receivables are not collateralised.

### 3.1.6 Deferred tax assets

(in EUR)	31 Dec 2019	31 Dec 2018
Deferred tax assets relating to unutilised tax losses	432,424	474,920
<b>Total</b>	<b>432,424</b>	<b>474,920</b>

Deferred tax assets are recognised on the basis of unutilised tax losses, as the organisation expects to generate profits in the future period based on the medium-term business plan. Restrictions prescribed by the tax legislation have been considered in the calculation.

### 3.1.7 Inventories

(in EUR)	31 Dec 2019	31 Dec 2018
Materials	2,765,535	2,976,746
Write-down of non-current stock	-393	-12,693
Work in progress	332,326	496,741
Semi-finished products	3,524,258	3,558,838
Write-down of non-current stock	-145	-71,141
Products	6,918,830	4,066,068
Write-down of non-current stock	-6,407	-24,282
Merchandise	6,035	51
Write-down of non-current stock	-3	-51
Advances made for inventories	773	2,120
<b>Total</b>	<b>13,540,807</b>	<b>10,992,397</b>

Inventory differences, write-offs and the estimated net realisable value of inventories by type are shown in the following table:

Type of inventories	Carrying amount at 31 Dec 2019	Inventory surplus	Inventory deficit	Write-offs due to the change in quality	(in €)
					Net realisable value
Materials	2,765,142	0	8,478	41,697	2,765,142
Work in progress	332,326	0	0	0	332,326
Semi-finished products	3,524,113	0	638	154,368	3,524,113
Products	6,912,422	0	5,411	0	6,912,422
Merchandise	6,032	0	2,904	0	6,032
Advances for inventories	773				773
<b>Total</b>	<b>13,540,807</b>	<b>0</b>	<b>17,431</b>	<b>196,065</b>	<b>13,540,807</b>

The carrying amount of inventories does not exceed their net realisable value. No inventories have been pledged as collateral.

### 3.1.8 Short-term investments

(v EUR)	31 Dec 2019	31 Dec 2018
Short-term loans to group companies	100,000	0
Other short-term loans	1,001	1,000
<b>Total</b>	<b>101,001</b>	<b>1,000</b>

Short-term loans were granted to group companies as means of bridging initial liquidity issues. None of the loans are collateralised.

### 3.1.9 Short-term operating receivables

	31 Dec 2019	31 Dec 2018
<b>(in EUR)</b>	<b>4,365,166</b>	<b>4,344,281</b>
Short-term local trade receivables	549,594	919,761
Short-term foreign trade receivables	3,970,460	3,552,385
Short-term interest receivables	0	0
Trade receivable impairment	-172,024	-150,752
Other short-term advances given	17,135	22,888
Interest receivable impairment	0	0
<b>Short-term operating receivables due from others</b>	<b>457,779</b>	<b>529,078</b>
Input VAT receivable	280,275	509,303
Other short-term receivables (reimbursements)	177,504	19,775
<b>Total</b>	<b>4,822,945</b>	<b>4,873,359</b>

As at 31 December 2019, €3,983,211 of trade receivables are not matured; receivables due and outstanding up to 90 days amounted to €295,941, receivables due and outstanding above 90 days and up to 1 year amounted to €81,479, and receivables outstanding more than one year amounted to €159,423. Trade receivables are not collateralised. Short-term operating receivables due from others have not yet matured.

Movements in allowances for trade receivables (without interest) in 2019 in €

At 1 Jan 2019	150,752
Increase	30,646
Reduction	-9,374
At 31 Dec 2019	172,024

The organisation discloses no receivables against members of the Management Board as at 31 December 2019.

### 3.1.10 Cash and cash equivalents

	31 Dec 2019	31 Dec 2018
<b>(in €)</b>		
Cash in hand	600	600
Cash at banks	49,772	11,303
<b>Total</b>	<b>50,372</b>	<b>11,903</b>

With commercial banks, the organisation has agreed automatic overdrafts on its business accounts in the amount of €3,000,000 as an additional source of current liquidity. At the year-end, the balance of these accounts is negative to the amount of €1,652,491, reported under short-term financial liabilities.

### 3.1.11 Short-term deferred and accrued items

(in €)	31 Dec 2019	31 Dec 2018
Deferred costs of trade fairs and membership fees	121,576	18,141
Short-term accrued revenue	100,000	0
VAT in advances received	2,300	3,066
<b>Total</b>	<b>223,877</b>	<b>21,207</b>

### 3.1.12 Equity

(in €)	31 Dec 2019	31 Dec 2018
Share capital	1,724,695	1,724,695
Share premium	1,609,555	1,609,555
Legal reserves	0	0
Treasury shares	-144,973	-230,392
Reserve for treasury shares	144,973	230,392
Revaluation reserves	7,663,258	7,315,020
Fair value reserve	-72,535	-56,182
Retained earnings	5,814,859	3,398,388
Net profit for the period	3,472,674	2,927,867
<b>Total</b>	<b>20,212,507</b>	<b>16,919,344</b>

The company's share capital amounting to €1,724,695 is divided into 413,596 no-par value shares of a single class and the same ticker symbol (SIPR).

In 2019, the organisation purchased 29 (0.01%) of treasury shares valued at cost, in the amount of €580, and sold 4,000 (0.97%) of treasury shares, valued at the realised value, in the amount of €86,000.

The following movements in treasury shares were recorded in 2019:

Item	Quantity	Proportion of share capital
At 1 Jan 2019	17,881	4.32%
Acquisitions in 2019	29	0.01%
Disposals in 2019	4,000	0.97%
At 31 Dec 2019	13,910	3.36%

The weighted average number of ordinary shares outstanding during the financial year 2019 amounted to 400,043.

Capital surplus amounts to €1,609,555, and is composed of:

- €1,595,990 of a premium acquired when exercising share purchase options based on bonds issued,
- €13,565 of consideration in excess of the cost of sold treasury shares.

Revaluation reserves include revaluation reserves on land in the amount of €4,875,827, less deferred tax in the amount of €926,407, and on buildings in the amount of €4,584,986, less the deferred tax in the amount of €871,147.

Fair value reserves comprise actuarial losses as at 31 December 2019 of €72,535.

### Movements in revaluation reserves

Item	Land	Buildings	Deferred tax liabilities	Total
At 1 Jan 2019	4,825,352	4,205,537	1,715,869	7,315,020
Revaluation	50,474	379,449	81,685	348,238
At 31 Dec 2019	4,875,826	4,584,986	1,797,554	7,663,258

Deferred tax liabilities represent the amount of tax on the revaluation of land to its fair value, which is calculated on the basis of the corporate income tax rate of 19 percent applicable for 2020.

### Movements in fair value reserves

Item	Actuarial gains/losses	Total
At 1 Jan 2019	-56,182	-56,182
Transfer	3,287	3,287
Decrease	19,640	19,640
At 31 Dec 2019	-72,535	-72,535

### Statement of distributable profit

(v EUR)	2019	2018
Net profit for the period	3,472,674	3,055,902
Retained earnings	6,326,256	3,721,182
Decrease in capital surplus	0	0
Decrease in profit reserves	85,420	0
Increase in profit reserves pursuant to the decision of the management and supervisory boards	0	0
Elimination of actuarial gains/losses through the retained earnings/loss	-3,287	-1,935
Dividends paid	-593,529	-320,858
Formation of reserve for treasury shares	0	-128,035
Amount of long-term deferred development costs	-1,384,153	1,323,506
<b>Profit available for distribution at the year-end</b>	<b>7,903,381</b>	<b>5,002,750</b>



## Ownership structure of SIP d.d.,

LIST OF SHAREHOLDERS OF SIP d. d.	Number of shares at 31 Dec 2019	Share in %	Number of shares at 31 Dec 2018	Share in %
HOLINVEST d. o. o.	50,139	12.12	50,139	12.12
JOSEF KNÜSEL, LANDMASCHINEN	19,835	4.80	19,835	4.80
MSE d. o. o.	28,500	6.89	28,500	6.89
LAFIN d. o. o.	32,000	7.74	32,000	7.74
CCM d. o. o.	159,356	38.53	159,356	38.53
KORŽE d. o. o.	68,847	16.65	68,847	16.65
IMP PUMPS d.o.o.	14,622	3.54	14,622	3.54
EKORELEX d.o.o.	13,370	3.23	13,370	3.23
SIP d.d., ŠEMPETER – treasury shares	13,910	3.36	17,881	4.32
Other shareholders	13,017	3.15	9,046	2.19
<b>Total:</b>	<b>413,596</b>	<b>100</b>	<b>413,596</b>	<b>100</b>

As at 31 December 2019, the members of the Management Board were indirect owners of 306,842 shares (holding a 74.19% stake in the organisation's ownership structure).

### Net earnings per share

Net earnings per share in 2019: €8.68

Net earnings per share in 2018: €7.65

The net earnings or loss per share is calculated by dividing the profit or loss attributable to ordinary shareholders with the weighted average number of ordinary shares outstanding during the financial year.

### Total comprehensive income per share

Total comprehensive income per share in 2019: €9.50

Total comprehensive income per share in 2018: €16.53

### Share book value

Share book value as at 31 December 2019: €48.87

Share book value as at 31 December 2018: €39.43

The distributable profit as at 31 December 2019 amounts to €7,903,381.

The balance of individual equity components as at 1 January 2019 and 31 December 2018, and changes to the individual components of equity in 2019, are shown in the Statement of changes in equity table.

The profit available for distribution remains unallocated until the company's General Assembly takes place.

### 3.1.13 Long-term provisions and deferred revenue

(in €)	31 Dec 2019	31 Dec 2018
Provisions for retirement benefits and jubilee awards	687,480	641,639
Non-current accrued costs and deferred revenue	19,225	30,789
<b>Total</b>	<b>706,705</b>	<b>672,428</b>

The following changes in provisions were recorded in 2019 (in €):

	Termination benefits on retirement	Jubilee awards	Long-term accrued costs and deferred revenue	Exempt assets	Total
At 31 Dec 2019	551,853	89,785	26,092	4,698	672,428
Formation	80,622	18,717	19,863	50,272	169,475
Reversal	0	7,987	0	0	7,987
Utilisation	36,781	8,730	30,441	51,259	127,211
At 31 Dec 2019	595,693	91,785	15,514	3,711	706,705

Provisions have been formed for severance pay and jubilee awards in the amount of estimated future payments discounted at the balance sheet date. The calculation was made for each employee, taking account of the cost of severance pay upon retirement and the cost of all expected jubilee awards until retirement. The selected discount rate is 0.50% per annum. The calculation, based on the project unit method, has been prepared by a certified actuary.

If the discount rate decreased by 0.5%, provisions for severance payments would increase by €25,417, and provisions for jubilee awards by €3,865. If the discount rate increased by 0.5%, provisions for severance payments would decrease by €23,255, and provisions for jubilee awards by €3,576. Future real long-term growth of wages is set at 1% per annum. If future wage growth decreased by 0.5% per year, provisions for severance payments would decrease by €10,905, while if future wage growth increased by 0.5% per year, the provisions for severance payments would increase by €13,452.

The item of non-current accrued costs and deferred revenue relates to a grant for co-funding new technological equipment by the Slovenian Enterprise Fund in the amount of €15,514 and is reduced in line with the related depreciation.

Exempt funds relate to exempt contributions for pension and disability insurance for disabled persons above the prescribed quota.

## 3.1.14 Long-term financial liabilities

(in €)	31 Dec 2019	31 Dec 2018
Long-term financial liabilities to banks	4,059,524	4,845,238
Long-term financial lease liabilities	1,493,826	1,086,446
Other long-term financial liabilities	0	0
<b>Total</b>	<b>5,553,349</b>	<b>5,931,684</b>

Long-term financial liabilities to banks that fall due in 2026 are tied to a fixed interest rate, while the short-term portion of long-term liabilities amounting to €785,714 is recorded among short-term financial liabilities to banks. The loan is fully collateralised by mortgages on real estate to the total amount of borrowings. The long-term amount amounts to €4,059,524 EUR.

The carrying amount of the debt relating to long-term financial liabilities to banks which mature over a period of more than 5 years equals €916,667.

The interest rate on financial lease liabilities that mature between 2020 and 2023 is tied to a fixed rate of interest and the 3- and 6-month EURIBOR. Current amounts of long-term financial lease liabilities amounting to €778,080 are reported in short-term financial liabilities. Liabilities from finance lease are collateralised by items of fixed assets. The interest rates on finance lease range from 2.00% (fixed annual rate of interest) to the 6-month EURIBOR + 3% annually.

## 3.1.15 Long-term operating liabilities

(in €)	31 Dec 2019	31 Dec 2018
Long-term supplier payables	33,816	0
<b>Total</b>	<b>33,816</b>	<b>0</b>

Long-term operating liabilities comprise long-term amounts payable for utility rates.

## 3.1.16 Short-term financial liabilities

(in €)	31 Dec 2019	31 Dec 2018
Short-term borrowings from local banks	5,938,167	654,762
Short-term borrowings from local entities	226,137	0
Short-term financial lease liabilities	778,080	467,369
Other short-term financial liabilities	670	670
<b>Total</b>	<b>6,943,054</b>	<b>1,122,801</b>

Short-term loans received from Slovenian banks are disclosed under the short-term portion of long-term financial liabilities to banks tied to a fixed interest rate and 6-month ERUBOR, as is the negative balance on the business account, which is also tied to a fixed interest rate. Total €4,137,496 of short-term borrowings is collateralised with the mortgage.

Short-term borrowings raised from local entities refers to factoring and is tied to a fixed interest rate.

Short-term financial lease liabilities are disclosed under the short-term portion of long-term financial lease liabilities and are tied to a fixed rate of interest 3- and 6- month EURIBOR.

Other short-term financial liabilities comprise €670 of dividends that remain payable in accordance with a resolution of the 21st General Assembly held on 20 July 2015.

### 3.1.17 Short-term operating liabilities

(in €)	31 Dec 2019	31 Dec 2018
Short-term trade payables (local)	2,991,890	3,983,046
Short-term trade payables (abroad)	1,445,163	2,180,981
Short-term payables for uncharged goods and services	41,443	30,756
<b>Short-term trade payables</b>	<b>4,478,496</b>	<b>6,194,784</b>
Short-term advances received	46,736	1,243,108
<b>Short-term advances and sureties received</b>	<b>46,736</b>	<b>1,243,108</b>
Payables for net salaries and salary substitutes	289,972	278,448
Contributions on gross salaries and salary substitutes	95,100	91,029
Taxes on gross salaries and salary substitutes	54,218	53,893
Other payables to employees	44,998	47,732
Payables for withholding tax on salaries and salary substitutes	69,684	66,773
Other payables to the State and state institutions	221	3,791
Other short-term liabilities	102	346
Accrued cost of annual leave and SD hours	111,718	160,779
<b>Other short-term operating liabilities</b>	<b>666,012</b>	<b>702,791</b>
<b>Total</b>	<b>5,191,243</b>	<b>8,140,683</b>

At 31 December 2019, payables to the members of the Management Board and internal owners amounts to €25,010.

### 3.1.18 Off balance sheet records

At 31 December 2019, SIP, d. d. reports total €8,291,820 in the off-balance sheet records:

- A guarantee for customs duty procedure for the financial year 2019 €3,000
- Real estate mortgaged as collateral for borrowings €8,197,020
- A guarantee for utility rates €91,800

### 3.2 NOTES TO THE INCOME STATEMENT

#### 3.2.1 Net sales revenue

(in €)	2019	2018
Sale of products and services on the local market	6,214,595	7,231,504
Sale of products and services on foreign markets	27,286,253	21,283,535
Sale of merchandise and materials on the local market	26,108	36,121
Sale of merchandise and materials on foreign markets	43,140	41,192
<b>Total</b>	<b>33,570,097</b>	<b>28,592,353</b>

In 2019, net sales revenue on the local market accounted for 18.59% (in 2018, 25.42%), and on foreign markets 81.41% (in 2018, 74.58%) of total sales revenue.

In 2019, the organisation generated €80,275 of revenue from services provided to its subsidiary.

Sales revenues by geographical market (in €):	2019	2018
Slovenia	6,240,704	7,267,625
EU	19,342,002	15,156,360
Third countries	7,987,392	6,168,367
<b>Total</b>	<b>33,570,097</b>	<b>28,592,353</b>

#### 3.2.2 Capitalised own products

(in €)	2019	2018
Capitalised own products and services	195,239	175,572
<b>Total</b>	<b>195,239</b>	<b>175,572</b>

Capitalised own products include the value of the organisation's own products used for the purposes of its operations, manufactured through the organisation's own work and resources.

#### 3.2.3 Other operating revenue

(in €)	2019	2018
Other operating revenue	393,359	311,594
<b>Total</b>	<b>393,359</b>	<b>311,594</b>

Other operating revenue includes revenue from the co-financing of development projects, revenues from the reversal of provisions from the disbursed contributions for disabled employees, etc.



### 3.2.4 Cost of goods, materials and services

(in €)	2019	2018
<b>Costs of materials, power supply, spare parts</b>	<b>18,348,580</b>	<b>16,356,843</b>
Costs of goods and materials sold	416,663	466,621
Cost of materials	15,254,264	13,468,151
Costs of auxiliary material	95,122	102,882
Energy costs	690,762	559,375
Costs of spare parts and material used in the maintenance of fixed assets	302,754	372,961
Write-down of small tools, packaging and stocktaking differences	308,322	233,749
Costs of office stationery and professional literature	41,429	34,858
Other costs of materials	1,239,265	1,118,247
<b>Costs of services</b>	<b>6,456,134</b>	<b>4,861,592</b>
Costs of production services and the rendering of services	1,929,071	1,476,953
Costs of transportation	588,434	458,943
Costs of maintenance and overhaul of property, plant and equipment	283,841	231,195
Rent paid	171,022	157,713
Reimbursement of work-related costs	276,754	199,884
Costs of payment transactions, bank charges and insurance premiums	114,609	104,771
Costs of intellectual and personal services	1,517,367	1,190,281
Costs of trade fairs, advertising and hospitality	702,214	487,139
Costs of services provided by natural persons inclusive of levies	1,012	14,890
Costs of other services	871,811	539,822
<b>Total</b>	<b>24,804,715</b>	<b>21,218,435</b>

The major part of the costs of materials in the amount of €15,254,264 relates to the costs of base materials, while costs of other materials include the costs of auxiliary materials, energy costs, the costs of spare parts for maintenance, small tools and other material costs.

The cost of computer services in the amount of €220,556 and the cost of student work in the amount of €239,625 represent major costs of other services.

### 3.2.5 Employee benefits

(in €)	2019	2018
Payroll costs	4,315,588	4,057,646
Salary substitutes	798,162	722,707
Social insurance costs	824,517	771,396
Other costs of labour	746,579	612,536
<b>Total</b>	<b>6,684,846</b>	<b>6,164,284</b>

The costs of pension insurance account for €464,302 (€432,143 in 2018) and other social security costs for €360,215 (€39,262 in 2018) of total social security costs.

Major other labour costs include annual vacation allowance, employee severance pay, costs of food and transportation to and from work, accrued costs of hours and unused

annual leave entitlement, provisions for severance pay upon retirement and jubilee awards, and other items.

Remuneration of Management Board members amounted to a total of €66,681 as follows:

Name and surname	Group of persons	Salary	Attendance fee	Other	Total
UROŠ KORŽE	President of the Management Board	33,196	0	1,750	34,946
JULIJ OCVRK (until Sept 2019)	Member of the Management Board	18,375	4,207	1,750	24,331
MEZNARIČ ANTON (since Oct 2019)	Member of the Management Board	5,171	482	1,750	7,403
<b>Total</b>		<b>56,743</b>	<b>4,688</b>	<b>5,250</b>	<b>66,681</b>

Based on an agreement, which is not subject to the tariff part of the collective agreement, only mag. Uroš Korže is employed in the organisation, as President of the Management Board.

### 3.2.6 Write-downs

(in €)	2019	2018
<b>Amortisation and depreciation</b>	<b>1,600,338</b>	<b>1,323,062</b>
Amortisation of intangible assets	320,148	321,811
Depreciation of buildings	188,915	167,207
Depreciation of equipment and spare parts	854,800	607,957
Depreciation of small tools	236,474	226,088
Depreciation of investment property	0	0
<b>Revaluation operating expenses from intangible assets and property, plant and equipment</b>	<b>14,067</b>	<b>2,940</b>
<b>Revaluation operating expenses from current assets</b>	<b>228,803</b>	<b>100,148</b>
<b>Total</b>	<b>1,843,207</b>	<b>1,426,150</b>

Amortisation of the right-to-use assets amounted to €333,890.

Revaluation operating expenses from intangible assets and property, plant and equipment in the amount of €14,067 represent the current value of written-off fixed assets, as well as tools from discontinued product lines, which have been sold for scrap.

Revaluation operating expenses from current assets in the amount of €228,803 represent:

- impairments and write-down of short-term trade receivables in the amount of €32,737
- impairment of write-down of inventories amounting to €196,065.

<b>Costs by functional group (in €)</b>	<b>2019</b>	<b>2018</b>
Costs of goods sold	416,663	466,621
Production costs of products and services sold	24,140,644	23,681,777
Costs of sales (including depreciation)	3,466,978	2,418,469
General and administrative costs (including depreciation)	2,513,276	2,331,836
Normal general and administrative costs	2,270,406	2,228,748
Revaluation operating expenses from fixed assets	14,067	2,940
Revaluation operating expenses from current assets	228,803	100,148
<b>Total</b>	<b>30,537,561</b>	<b>28,898,702</b>

### 3.2.7 Other operating expenses

<b>(in €)</b>	<b>2019</b>	<b>2018</b>
Charge for the use of construction land	54,832	53,837
Environmental charges	4,222	5,926
Other costs	48,776	30,070
<b>Total</b>	<b>107,831</b>	<b>89,833</b>

### 3.2.8 Financial income from loans granted

<b>(in €)</b>	<b>2019</b>	<b>2018</b>
Financial income from loans granted to group organisations	0	0
Financial income from other loans granted	7,593	0
<b>Total</b>	<b>7,593</b>	<b>0</b>

### 3.2.9 Financial income from operating receivables

<b>(in €)</b>	<b>2019</b>	<b>2018</b>
Interest income from trade receivables	402	163
Foreign exchange rate gains	737	426
Financing income - discounts	4,819	108,129
Financial income from the valuation of investment property at fair value	4,167	27,519
<b>Total</b>	<b>10,126</b>	<b>136,236</b>

### 3.2.10 Financial expenses for financial liabilities

<b>(in €)</b>	<b>2019</b>	<b>2018</b>
Interest paid on borrowings	110,834	46,739
Interest paid on leases	46,506	78,941
Financial expenses for other financial liabilities	6,259	4,472
Other financial expenses (default interest on taxes and social security contributions)	8	7
<b>Total</b>	<b>163,607</b>	<b>130,159</b>

### 3.2.11 Financial expenses for operating liabilities

(in €)	2019	2018
Interest expense	1,302	18,748
Foreign exchange rate losses	6,528	2,000
<b>Total</b>	<b>7,830</b>	<b>20,748</b>

### 3.2.12 Other revenue

(in €)	2019	2018
Compensation received	51,795	100,007
Other one-off items	909	113
<b>Total</b>	<b>52,703</b>	<b>100,120</b>

Major amount of compensation received relates to compensation for roof damaged during a storm.

### 3.2.13 Other expenses

(in €)	2019	2018
Other one-off items	4,949	5,286
<b>Total</b>	<b>4,949</b>	<b>5,286</b>

## 3.3 NOTES TO THE CASH FLOW STATEMENT

The data for the individual items of the cash flow statement, which has been prepared using the direct method (format I), has been obtained directly from the books of account.

Receipts from operating activities in the amount of €36,241,475 comprise receipts from the sale of products and services, advances received, amounts received for VAT and other receipts associated with products and services, with the largest proportion representing recovered bad debts, compensation received and other receipts.

Disbursements from operating activities in the amount of €36,631,299 comprise disbursements on the purchase of materials and services, wages and taxes, as well as other disbursements from operating activities, such as disbursements for fines, compensation paid, and other disbursements.

Receipts from investing activities in the amount of €573,758 comprise proceeds from the disposal of items of property, plant and equipment, and loan repayments.

Disbursements for investing activities in the amount of €2,546,616 comprise disbursements for the purchase of equipment, as well as disbursements on investments in real estate and other investments.

Receipts from financing activities in the amount of €4,546,074 comprise receipts from short-term and long-term loans and receipts from paid-in equity.

Disbursements from financing activities in the amount of €3,797,415 represent the repayment of long-term and short-term liabilities and interest paid relating to financing. The payment of dividends and disbursements on account of equity repayments is also included.

### 3.4 NOTES TO THE STATEMENT OF CHANGES IN EQUITY

Upon compiling the financial statements for 2019, the Management Board adopted a decision that net profit of the financial year 2019 of €3,472,674 should remain unappropriated.

### 3.5 SEGMENT REPORTING

A segment is a distinguishable component of the organisation that is engaged in providing products or services (business segment), or products or services within a particular economic environment (geographical segment) and is subject to risks and returns that are different from those of other segments. In the preparation and presentation of the financial statements, the organisation does not disclose separate segments, since it is engaged in only one activity - the manufacture of agricultural machinery. The organisation also does not report geographical segments, since this is not deemed necessary.

### 3.6 INCOME TAX PAYABLE

(in €)	31 Dec 2019	31 Dec 2018
Revenue determined according to the accounting rules	37,132,155	32,110,797
Revenue adjustment to tax recognised revenue (reduction)	-9,374	-15,980
<b>Tax recognised revenues</b>	<b>37,122,781</b>	<b>32,094,817</b>
Expenses determined according to the accounting rules	33,616,984	29,052,663
Expenses adjustment to tax recognised expenditure (reduction)	-292,646	-243,736
Expenses adjustment to tax recognised expenditure (increase)	78,542	70,529
<b>Tax recognised expenses</b>	<b>33,402,881</b>	<b>28,879,457</b>
Increase in the tax base	107,599	107,599
Tax loss		
Reduction in the tax base and tax credits	-3,827,499	-3,322,960
Tax basis	0	0
<b>TAX (19%)</b>	<b>0</b>	<b>0</b>

## 4. FUNDAMENTAL RATIOS

Ratio	2019	2018
Equity financing rate	0.50	0.49
Long-term financing rate	0.70	0.73
Operating fixed assets rate	0.53	0.53
Long-term assets rate	0.53	0.53
Equity to fixed assets ratio	0.95	0.93
Acid test ratio	0.00	0.00
Quick ratio	0.40	0.53
Current ratio	1.53	1.71
Operating efficiency ratio	1.11	1.10
Net return on equity ratio	0.21	0.22
Dividends to share capital ratio	/	/

## 5. RISK EXPOSURE

### Liquidity risk

At 31 December 2019, the company's exposure to liquidity risk was as follows:

Balance-sheet item	Carrying amount	Contractual cash flow	Maturity up to 1 year	In €	
				Maturity between 1-5 years	Maturity in excess of 5 years
Borrowings raised	10,223,828	10,469,425	6,258,180	3,287,267	923,977
Financial lease liabilities	2,271,906	2,356,729	823,729	1,533,000	0
Supplier payables	4,512,312	4,512,312	4,478,496	33,816	0
Other operating liabilities	712,747	712,747	712,747	0	0
<b>Total</b>	<b>17,720,793</b>	<b>18,051,212</b>	<b>12,273,152</b>	<b>4,854,083</b>	<b>923,977</b>

### Credit risk

Exposure to credit risk as at 31 December 2019 is as follow:

Item	Carrying amount (in €)
Long-term loans issued	0
Short-term loans issued	101,001
Long-term operating receivables	0
Trade receivables	4,365,166
Other short-term operating receivables	457,779
<b>Total</b>	<b>4,923,946</b>



Short-term loans issued in the amount of €101,000 are not collateralised. The organisation estimates that there is no exposure to credit risk from financial investments - loans issued.

Trade receivables are mostly not yet due. Overdue receivables will be repaid in full after the liquidity situation in the agricultural machinery industry improves (April-May). The industry is highly seasonal. Write-downs of bad debt and doubtful receivables have been made. Short-term operating receivables are not secured. Other short-term receivables represent mainly receivables due from state institutions (VAT, the Employment service, other reimbursements) and are predominantly not yet due.

### **Interest rate risk**

<b>Item</b>	<b>Carrying amount (in €)</b>
<b>Financial instruments with a fixed interest rate</b>	
Financial assets	1,000
Financial liabilities	11,091,086
<b>Financial instruments with a variable interest rate</b>	
Financial assets	0
Financial liabilities	1,405,317

### *Cash flow sensitivity analysis for instruments at variable interest rates*

Changes in the interest rate by 100 basis points would result in an increase (decrease) in interest expense amounts shown below at the reporting date. The analysis assumes that all remaining variables remain unchanged.

Item	Interest expense (in €)	
	Decrease of 100 b.p.	Increase of b.p.
Instruments with a variable interest rate	0	9.364

Short-term and long-term financial liabilities to lessors are partly linked to the EURIBOR, which impacts the exposure to the interest rate risk fluctuation. The organisation does not hedge against the risks stemming from short-term and long-term liabilities.

### **Currency risk**

As at 31 December 2019, the organisation recorded no receivables or liabilities denominated in foreign currencies, and therefore was not exposed to currency risk.

### **Fair value risk**

The organisation has no financial assets and liabilities at fair value. The fair value of real estate was assessed at 31 December 2019 in accordance with the adopted accounting policy.

## 6. ADDITIONAL DISCLOSURES IN ACCORDANCE WITH THE ZGD-1 AND THE TAKEOVERS ACT

The share capital of SIP in the amount of €1,724,695 is divided into 413,596 ordinary, freely transferable, registered non-par value shares.

The company's shares confer upon their holders the following rights:

- The right to participate in company management,
- The right to a proportional part of the profits,
- The right to a proportional part of the residual assets after liquidation or bankruptcy.

The shares are issued in dematerialised form and are registered in the central register of dematerialised securities maintained by the Securities Clearing Corporation.

The General Assembly may decide to increase share capital by issuing new shares of a certain type and class with a three-quarters majority of the share capital represented. The existing shareholders have pre-emptive right to subscribe for new shares in proportion to their share of the company's share capital.

Such pre-emptive right may only be excluded on the basis of the General Assembly's resolution adopted by a three-quarters majority of the share capital represented. Shares are transferred without any restrictions. The company does not impose specific restrictions on the achievement of qualifying holdings. Shares do not convey special control rights, no employee share vesting scheme exists, and there are no restrictions on voting.

The following hold shareholdings of over 5 percent of the company's share capital:

- CCM d.o.o. 159,356 shares 38.53%
- KORŽE d.o.o. 68,847 shares 16.65%
- HOLINVEST d.o.o. 50,139 shares 12.12%
- LAFIN d.o.o. 32,000 shares 7.74%
- MSE d.o.o. 28,500 shares 6.89%

The General Assembly may, by a vote of three-quarters majority of the share capital represented, decide to amend the memorandum of association, to dismiss Management Board members before expiry of their office, or to increase the share capital. Based on the General Assembly's resolution, the Management Board may acquire treasury shares in the nominal amount of up to 10% of the share capital for the purposes referred to in ZGD-1B.

No shareholders have entered into specific agreements that could impose restrictions on the transfer of securities or voting rights. In addition, no agreements exist that come into effect, change or terminate based on a change in control of the company as a result of a bid, as defined by the act governing takeovers, including the impact of such agreements. The company and members of its management have agreed no special compensation in the case of their resignation, dismissal without cause or termination of their employment in the event of a bid as defined by the act governing takeovers.

## 6.1 RELATED PARTY TRANSACTIONS

<u>Related party transactions including (VAT)</u>	<u>Liabilities</u>	<u>Receivables</u>
SIP DISTRIBUCIJA d.o.o.	90,325	14,462
S.A.R.L. SIP FRANCE	189,831	65,813

The related party transactions disclosed relate to the agency services provided based on the contract and marketing services. Financing transactions with related persons (a company shareholder) and transactions with the subsidiary are disclosed in the notes to individual balance sheet items.

## 6.2 CONTINGENCIES

All the organisation's contingent liabilities are reported in the balance sheet as at 31 December 2019.

## 6.3 SUBSEQUENT EVENTS

No events have occurred from the reporting date and up to the Annual Report date that could impact the true and fair presentation of the financial statements for the year ended 31 December 2019.

President of the Management Board:

mag. Uroš KORŽE



Šempeter, 10 February 2020

To the shareholders of

SIP strojna industrija, d.d., Šempeter v Savinjski dolini

**INDEPENDENT AUDITOR'S REPORT**

***Opinion***

We have audited the financial statements of SIP, strojna industrija d.d., which comprise the statement of financial position as at 31 December 2019, the income statement, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SIP strojna industrija, d.d. as at 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with the *Slovenian Accounting Standards*.

***Basis for Opinion***

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

***Other Information***

Management is responsible for other information. The other information comprises of the Business report, included in the Annual Report of SIP strojna industrija d.d., but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work performed,





we conclude that there is a material misstatement of the other information, we must report on such circumstances. We have nothing to report in this respect.

### ***Responsibilities of Management and those responsible for Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the *Slovene Accounting Standards*, and for such internal control as management deems necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Management Board is responsible for overseeing the Company's financial reporting process and for the approval of the audited Annual Report.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with audit rules will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- Obtain an understanding of the internal controls relevant to the audit 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 Company's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether any material uncertainty exists related to events or conditions that may cast significant doubt on the



Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We communicate with those responsible for governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Ljubljana, 14 February 2020

On behalf of the auditing company

**CONSTANTIA PRIMIA D.O.O.**

  
Primož Koder  
Certified Auditor

**CONSTANTIAPRIMIA**  
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