SIP™

ANNUAL REPORT 2020

SIP Strojna Industrija d. d.
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BUSINESS REPORT

After four consecutive years of above-average growth, in 2020 SIP recorded a drop in sales and net revenues. The global market of our industry segment, i.e. manufacturing of machinery for grass mowing and harvesting, fell into recession in mid-2019 as the value of machinery sold decreased compared to the previous year, while the number of machinery sold dropped even below the level recorded in 2018. Adverse weather conditions in individual areas, erratic demand and fluctuations in prices on the dairy market, general uncertainty (mainly due to the impact of the pandemic and measures imposed as means of its control) and disruptions in supply chains have led to reduced sales recorded by most of our competitor manufacturers.

Sales. Net sales revenues of €32,502 thousand account for a 3% reduction compared to those recorded in the previous year and a drop of 6% below the plan. In total, we sold 4,320 different pieces of machinery mostly under our own brand (90% of total sales), which is roughly at the level recorded in the previous year, while sales of products under other brands fell by 30%. While our product range is sold in more than 30 countries, our largest markets in 2020 included Slovenia, France, Austria, Switzerland, Italy and Germany.

Development and investments. SIP continued to pursue its intense development strategy, focusing on grass mowing and harvesting machinery for large agricultural producers and professional service providers; more than 4% of total revenues are allocated annually to its development activities. In addition to investments in development of new products, as much as €4,567 thousand was spent on investments in fixed assets.

Operating profit, debts, cash flow management. Despite a decrease in sales, SIP performed well in the 2020 financial year, achieving €5,740 thousand of profit before interest, taxes and depreciation (EBITDA), up 5% on the previous year, while due to an increase in depreciation, profit before tax of €3,218 thousand is 8% lower than in the previous year. Overall, the net profit of €2,870 thousand is down 17% compared to 2019. Relatively good results despite reduced sales are also the result of improved productivity, production process optimization and improved cost management, as well as reduced marketing costs as trade fairs and other events had to be cancelled due to the pandemic. Despite the continued development and investment cycle, we managed to reduce the net financial debt and successfully improved our liquidity position.

Risk management. To ensure efficient credit risk management, SIP regularly monitors credit ratings of all its major customers and key suppliers. SIP is not exposed to currency risk as the vast majority of the sale, purchase and financing contracts are tied to the euro. In addition, 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 environmental risks. All SIP's IT databases and software applications are adequately protected also at locations outside the head office. Through consistent application of the recommended protection measures, we appropriately manage also the risks associated with the coronavirus COVID-19 epidemic.

Recruitment. Of total 243 employees at the year-end, 171 have completed the first, second, third, fourth or fifth level of education, and 72 employees have completed the sixth, seventh and eighth level of education. Despite the pandemic, in 2020 we again organised a series of training and education courses for the purpose of maintaining and improving employee competencies.

Plans. In the medium-term period until 2024, SIP plans

- to develop innovative and competitive mowers and hay harvesting machinery, focussing mainly on an improved user-experience;
- improve its productivity based on optimisation and digitization of its production processes
- 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 of our market success.

President of the Management Board
mag. Uroš Korže

Šempeter v Savinjski dolini, 19 February 2021

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 2020 Annual Report, inclusive of the corporate governance statement, have been prepared and published in accordance with the provisions of the Companies Act (ZGD-1), International Financial Reporting Standards and pursuant to other applicable regulations and the implementing regulations. The data in the 2020 Annual Report is an integral part of this corporate governance statement.

The Company did not adopt any specific corporate governance code in the 2020 financial year. Furthermore, the Company did not apply any specific corporate governance code adopted by a third person. The Company has in place appropriate standards pertaining to corporate governance. While the Company employs no diversity policy, professional criteria apply to the representation in the 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 timely, true and fair reporting of the Company's financial position and its assets. Internal controls are carried out in several ways. Transactions are recorded based on credible bookkeeping documents. Incoming invoices are signed according to the "four eyes" principle, i.e. 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 analytical 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 reconciliation of the analytical accounting documents with the general ledger. The Company is organised into several cost centres, whereby each centre has a specifically designated person responsible for signing documents, while oversight of the cost centre's operations 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 relevant 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 is 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 whom 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 Workers' Participation in Management Act. 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 were appointed by the shareholders at the General Assembly, and one member was appointed by the Worker’s Council, in accordance with the Workers' Participation in Management Act. In addition, the General Assembly adopted a resolution on the amount of remuneration paid to a member of the Management Board. In exercising its tasks and responsibilities, the Management Board applies its rules of procedure.

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 economic environment in order to ensure the timely recognition of changes in risks and exposures.

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 2020.

ORGANISATION'S SIZE ACCORDING TO THE COMPANIES ACT

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

President of the Management Board
Mag. Uroš Korže

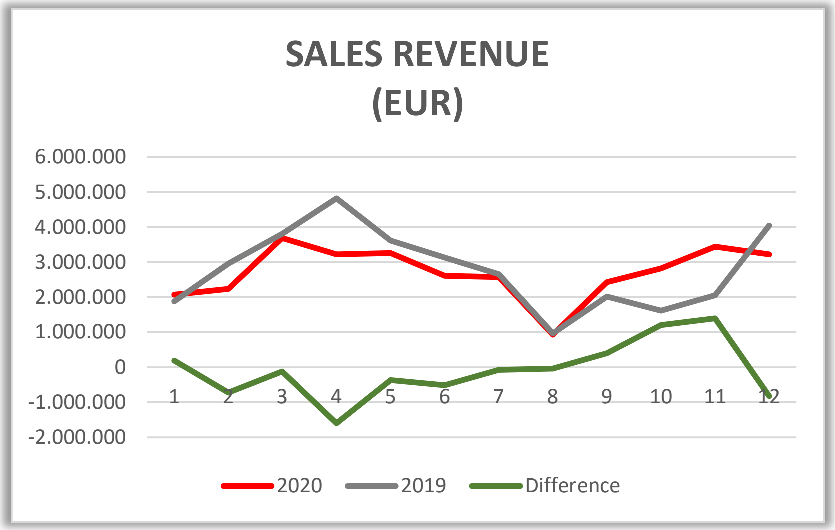
Šempeter, 19 February 2021

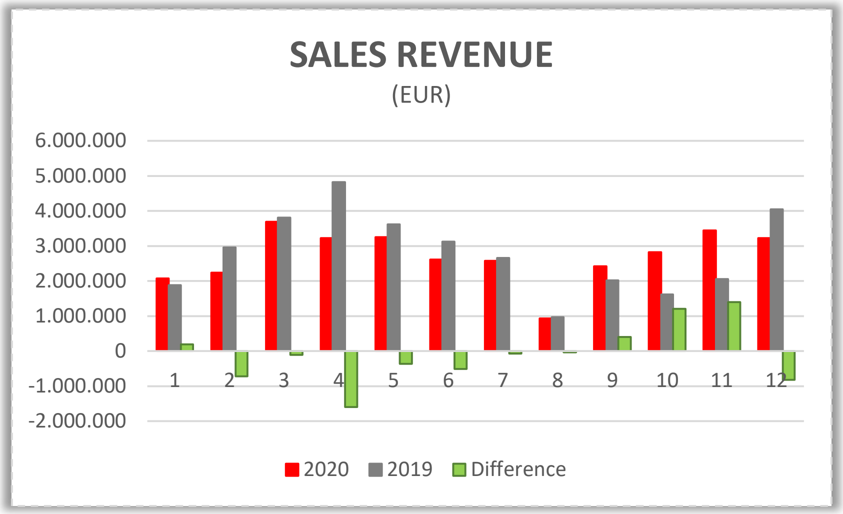
FINANCIAL REPORT
SIP, Strojna Industrija d. d. ŠEMPETER

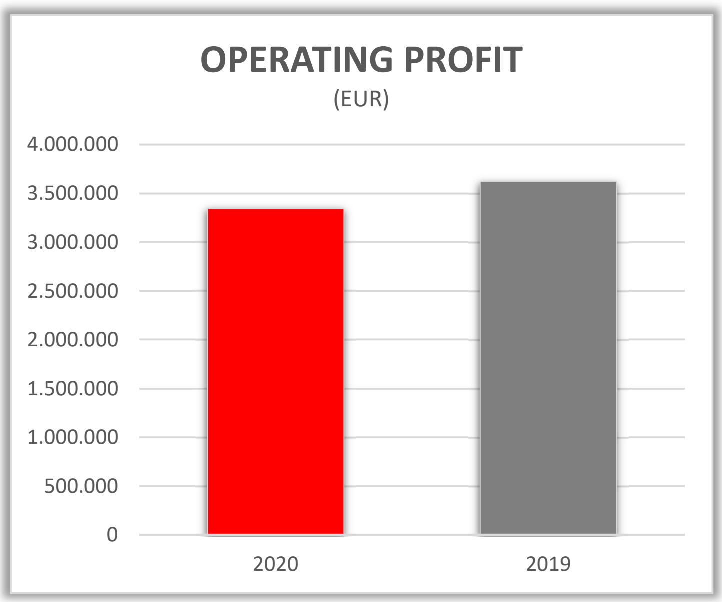
FOR FINANCIAL YEAR 2020

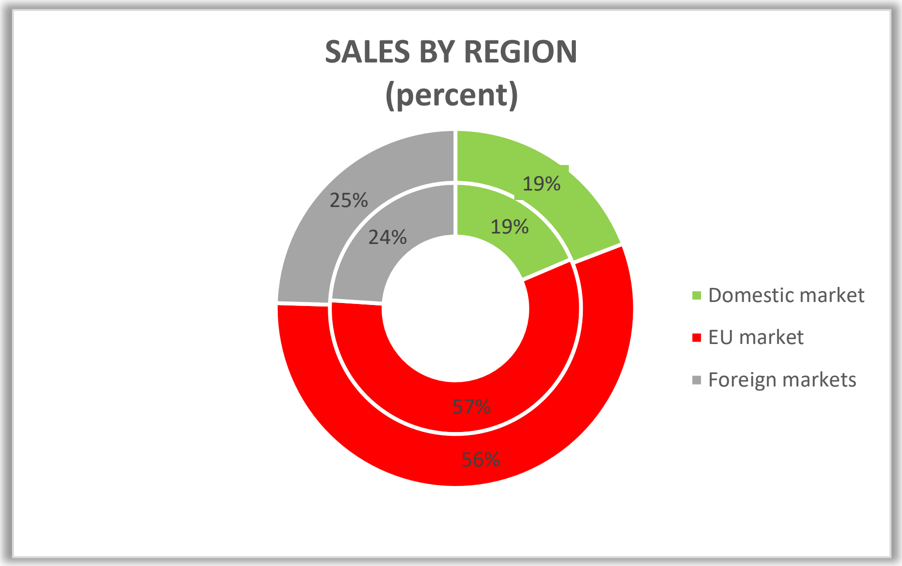
Registration:	SIP, Strojna Industrija d. d. Šempeter, is registered at the District Court in Celje under entry number 1/00268/00
Corporate address:	Juhartova ulica 2, 3311 Šempeter v Savinjski dolini
Share capital:	€1,724,695
Company number:	5034523
TAX number:	24049174
Activity code:	28.300 Manufacture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

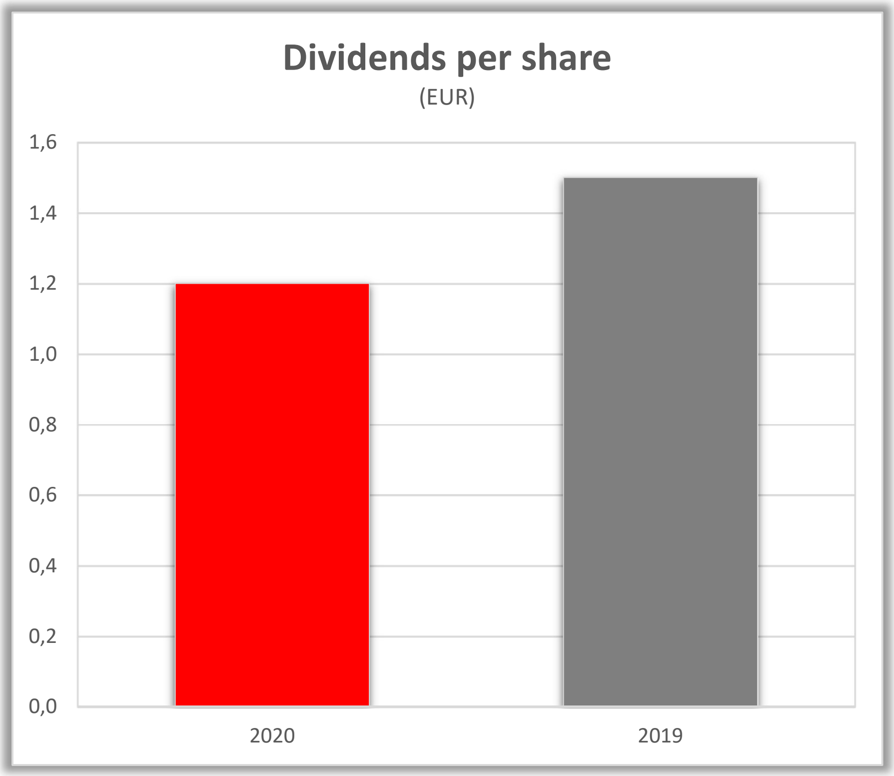
1. FINANCIAL HIGHLIGHTS








SALES BY REGION
(percent)
19%
19%
25%
24%
57%
56%
Domestic market
EU market
Foreign markets


Dividends per share
(EUR)
1,6
1,4
1,2
1,0
0,8
0,6
0,4
0,2
0,0
2020
2019

2. FINANCIAL STATEMENTS

2.1 INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUR)

	Notes	2020	2019 (adjusted)
Net sales	3.6.1	32,502,514	33,570,097
Other operating revenue	3.6.2	532,275	446,062
Capitalised own products	3.6.3	196,347	195,239
Changes in the value of inventories	3.6.4	-1,081,972	2,903,038
OPERATING REVENUE		**32,149,164**	**37,114,436**
Cost of goods and materials sold	3.6.5	447,839	416,663
Cost of materials	3.6.6	14,103,417	17,931,918
Cost of services	3.6.7	5,225,529	6,456,134
Employee benefits	3.6.8	6,436,228	6,684,846
Other operating expenses	3.6.9	159,987	112,780
Amortisation and depreciation	3.6.10	2,055,323	1,600,338
Loss on impairment of trade receivables and contract assets	3.6.11	44,835	32,737
Non-financial asset write-off and impairment	3.6.12	295,837	210,133
OPERATING EXPENSES		**28,768,995**	**33,445,548**
OPERATING PROFIT OR LOSS		**3,380,169**	**3,668,888**
Financial income	3.6.13	23,439	17,719
Financial expenses	3.6.13	184,797	171,437
NET FINANCIAL RESULT		**-161,358**	**-153,718**
PROFIT OR LOSS BEFORE TAX		**3,218,810**	**3,515,170**
Tax payable	3.6.15	242,381	0
Deferred tax	3.6.15	106,360	42,497
NET PROFIT OR LOSS FOR THE YEAR		**2,870,069**	**3,472,674**

NET EARNINGS PER SHARE	Notes	2020	2019 (adjusted)
Net profit or loss	3.6.14	**2,870,069**	**3,472,674**
Basic earnings per share		7,18	8,68
Number of shares in issue at the beginning of the year		413,596	413,596
Number of shares at the end of the year		413,596	413,596
Number of treasury shares at the beginning of the year		13,910	17,881
Number of treasury shares at the end of the year		14,042	13,910
Weighted average number of ordinary shares		399,947	400,043
Diluted average number of ordinary shares		399,947	400,043

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

2.2 STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUR)

	Notes	2020	2019 (adjusted)
NET PROFIT OR LOSS FOR THE YEAR	3.6.15	**2,870,069**	**3.472.674**
Change in revaluation reserve of land		0	429.923
Unrealised actuarial gains and losses		-35,062	-19.640
Changes in deferred taxes		63,096	-81.685
Other comprehensive income that will never be reclassified to profit or loss		**28,034**	**328.598**
Other comprehensive income that will be reclassified to profit or loss at a future date		**0**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,898,103**	**3,801,272**

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

2.3 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (IN EUR)

ASSETS	Notes	31.12.2020	31 Dec 2019 (adjusted)	1 Jan 2019 (adjusted)
Intangible assets and other non-current assets	3.6.17	1,687,158	1,579,264	1,532,085
Right-of-use assets	3.6.18	3,599,451	3,061,472	2,053,829
Property, plant and equipment	3.6.18	18,206,798	16,469,770	14,490,471
Investment property	3.6.19	87,183	87,183	83,016
Investments in subsidiaries	3.6.20	28,998	18,027	8,027
Long-term operating receivables	3.6.21	0	0	0
Deferred tax assets	3.6.15	326,063	432,424	474,920
TOTAL NON-CURRENT ASSETS		**23,935,652**	**21,648,139**	**18,642,349**
Inventories	3.6.22	13,041,303	13,540,035	10,990,277
Trade receivables	3.6.23	4,512,286	4,805,810	4,850,472
Loans to group companies	3.6.24	102,262	100,000	0
Other financial assets and loans granted	3.6.24	1,000	1,001	1,000
Cash and cash equivalents	3.6.25	45,239	50,372	11,903
Advances and other assets	3.6.26	407,104	295,978	76,808
TOTAL CURRENT ASSETS		**18,109,195**	**18,793,196**	**15,930,460**
TOTAL ASSETS		**42,044,847**	**40,441,335**	**34,572,809**
EQUITY AND LIABILITIES	**3.6.27**			
Called-up capital		1,724,695	1,724,695	1,724,695
Share premium		1,609,555	1,609,555	1,609,555
Reserves for treasury shares		147,612	144,972	230,392
Treasury shares		-147,612	-144,972	-230,392
Revaluation reserve		7,726,354	7,663,258	7,315,020
Fair value reserve		-97,711	-72,535	-56,182
Retained earnings		8,795,543	5,814,859	3,398,389
Net profit or loss		2,870,069	3,472,675	2,927,867
TOTAL EQUITY		**22,628,506**	**20,212,507**	**16,919,344**
Provisions for post-employment benefits and other non-current employee benefits	3.6.28	675,483	687,480	641,639
Other provisions	3.6.29	59,431	0	0
Other non-current liabilities	3.6.29	9,056	53,041	30,789
Financial liabilities	3.6.30	6,273,586	4,059,524	4,845,238
Lease liabilities	3.6.30	1,347,927	1,493,826	1,086,446
Deferred tax liabilities	3.6.15	1,734,459	1,797,554	1,715,869
TOTAL NON-CURRENT LIABILITIES		**10,099,943**	**8,091,425**	**8,319,981**
Short-term financial liabilities	3.6.30	1,437,560	5,968,809	684,008
Lease liabilities	3.6.30	982,798	1,004,887	468,039
Trade payables	3.6.31	6,021,939	5,044,574	6,868,329
Trade payables to the Group	3.6.32	105,862	69,292	0
Advances received	3.6.33	730,631	46,736	1,243,108
Other payables	3.6.34	37,607	3,106	70,000
TOTAL CURRENT LIABILITIES		**9,316,398**	**12,137,403**	**9,333,483**
TOTAL EQUITY AND LIABILITIES		**42,044,847**	**40,441,335**	**34,572,809**

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

2.4 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUR)

	Notes	2020	2019 (adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES	**3.6.37**		
Cash receipts from operations		**36,595,681**	**36,241,475**
Proceeds from sale of products and services		34,927,162	33,673,342
Other receipts from operating activities		1,668,519	2,568,133
Cash disbursements from operating activities		**-29,344,161**	**-36,631,299**
Disbursements for acquisition of materials and services		-22,692,646	-29,585,285
Disbursements for wages and salaries, and employee share in profit		-4,188,913	-4,314,930
Disbursements for all kinds of levies		-2,462,602	-2,731,084
NET CASH FROM OPERATING ACTIVITIES		**7,251,520**	**-389,824**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from investing activities		**24,100**	**573,758**
Proceeds from sale of property, plant and equipment		24,100	3,758
Cash receipts from disposal of investments		0	570,000
Cash disbursements from investing activities		**-2,950,182**	**-2,546,616**
Cash disbursements to acquire subsidiaries		-10,971	-10,000
Cash disbursements to acquire P,P&E		-2,839,821	-1,780,973
Cash disbursements to acquire intangible assets		-99,390	-85,643
Cash disbursements for investments		0	-670,000
NET CASH FROM INVESTING ACTIVITIES		**-2,926,082**	**-1,972,858**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from financing		**7,487,673**	**6,198,565**
Paid-up share capital		0	86,000
Cash proceeds from borrowings		7,487,673	6,112,565
Cash disbursements from financing		**-11,818,243**	**-3,797,414**
Disbursements for transaction costs associated with borrowings		-113,240	-104,467
Repayment of borrowings		-10,125,147	-1,995,671
Cash repayments of equity		-2,640	-580
Dividends paid		0	-593,529
Repayment of lease liabilities		-1,577,216	-1,103,167
NET CASH FROM FINANCING		**-4,330,570**	**2,401,151**
NET INCREASE OR DECREASE IN CASH AND CASH EQUIVALENTS		**-5,132**	**38,468**
Cash and cash equivalents at the beginning of year		50,371	11,902
Effects of changes in foreign exchange rates on cash and cash equivalents		0	0
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**45,239**	**50,371**

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

2.5 STATEMENT OF CHANGES IN EQUITY FOR THE YEARENDED 31 DECEMBER 2020 (IN EUR)

	Notes	Called-up capital	Share premium	PROFITRESERVES		Revaluation reserve	Fair value reserve	Retained earnings	Net profit for the year	Total capital
				Reserves for treasury shares	Treasury shares (deductible item)					
CLOSING BALANCE AT 31 Dec 2019		**1,724,695**	**1,609,555**	**144,972**	**-144,972**	**7,663,258**	**-72,535**	**5,814,859**	**3,472,675**	**20,212,507**
Error adjustment		0	0	0	0	0	0	0	0	0
REVISED OPENING BALANCE at 1 Jan 2020		**1,724,695**	**1,609,555**	**144,972**	**-144,972**	**7,663,258**	**-72,535**	**5,814,859**	**3,472,675**	**20,212,507**
Total comprehensive income for the period (adjusted)										
Net profit or loss of the reporting period		0	0	0	0	0	0	0	2,870,069	2,870,069
Real estate revaluation - reconciliation of deferred tax liabilities		0	0	0	0	63,096	0	0	0	63,096
Other comprehensive income - actuarial changes		0	0	0	0	0	-35,062	0	0	-35,062
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**0**	**0**	**0**	**0**	**63,096**	**-35,062**	**0**	**2,870,069**	**2,898,103**
Transactions with owners										
Dividends		0	0	0	0	0	0	-479,465		-479,465
Repurchase of treasury shares (interests)		0	0		-2,640	0	0		0	-2,640
Formation of reserves for treasury shares				2,640	0			-2,640		0
Other changes - transfer of fair value reserve on account of actuarial changes		0	0	0	0	0	9,887	-9,887	0	0
Transfer of some of the net profit of the previous year		0	0	0	0	0	0	3,472,675	-3,472,675	0
TOTAL TRANSACTIONS WITH OWNERS		**0**	**0**	**2,640**	**-2,640**	**0**	**9,887**	**2,980,684**	**-3,472,675**	**-482,105**
AT 31 Dec 2020	**3.6.27**	**1,724,695**	**1,609,555**	**147,612**	**-147,612**	**7,726,354**	**-97,711**	**8,795,543**	**2,870,069**	**22,628,505**

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

	Notes	Called-up capital	Share premium	PROFIT RESERVES		Revaluation reserve	Fair value reserve	Retained earnings	Net profit for the year	Total capital
				Reserves for treasury shares	Treasury shares (deductible item)					
CLOSING BALANCE AT 31 Dec 2018		**1,724,695**	**1,609,555**	**230,392**	**-230,392**	**7,315,020**	**-56,182**	**3,398,388**	**2,927,867**	**16,919,343**
Error adjustment		0	0	0	0	0	0	0	0	0
ADJUSTED OPENING BALANCE at 1 Jan 2019		**1,724,695**	**1,609,555**	**230,392**	**-230,392**	**7,315,020**	**-56,182**	**3,398,388**	**2,927,867**	**16,919,343**
Total comprehensive income for the period (adjusted)										
Net profit or loss of the reporting period		0	0	0	0	0	0	0	3,472,674	3,472,674
Real estate revaluation		0	0	0	0	348,238	0	0	0	348,238
Other comprehensive income for the period		0	0	0	0	0	-19,640	0	0	-19,640
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (adjusted)		**0**	**0**	**0**	**0**	**348,238**	**-19,640**	**0**	**3,472,674**	**3,801,272**
Transactions with owners										
Dividends		0	0	0	0	0	0	-593,529	0	-593,529
Repurchase of treasury shares (interests)		0	0	0	-580	0	0	0	0	-580
Withdrawal of treasury shares (interests)		0	0	0	86,000	0	0	0	0	86,000
Release of reserves for treasury shares (interests) and allocation to other equity components		0	0	-85,420	0	0	0	85,420	0	0
Other changes		0	0	0	0	0	3,287	-3,287	0	0
Transfer of some of the net profit of the previous year		0	0	0	0	0	0	2,927,867	-2,927,867	0
TOTAL TRANSACTIONS WITH OWNERS		**0**	**0**	**-85,420**	**85,420**	**0**	**3,287**	**2,416,471**	**-2,927,867**	**-508,109**
AT 31 Dec 2019		**1,724,695**	**1,609,555**	**144,972**	**-144,972**	**7,663,258**	**-72,535**	**5,814,859**	**3,472,674**	**20,212,507**

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

3. NOTES TO THE FINANCIAL STATEMENTS

3.1. REPORTING ENTITY

SIP Strojna industrija, d. d., Šempeter ("the Company"), is an enterprise based in Slovenia. Its registered office address is Juhartova ulica 2, 3311 Šempeter v Savinjski dolini. The Company's financial statements for the year ended 31 December 2020 are presented below. The primary activity of the Company is the manufacture of agricultural machinery.

At 31 December 2020, the Company's share capital amounts to €1,724,695.

3.2 BASIS OF PREPARATION

a. The going concern assumption and the accrual basis of accounting

The financial statements have been compiled under the two fundamental accounting assumptions of a going concern and the accrual basis of accounting.

The financial statements have been prepared under the going concern assumption meaning that assets are acquired and liabilities settled in the ordinary course of business. If the going concern assumption were not applicable, no adjustments to the financial statements would be necessary.

b. Declaration of conformity

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC), as adopted by the European Union, and in compliance with requirements of the Companies Act.

The Management Board approved the Company' s financial statements for the financial year ended 31 December 2020 on 25 February 2021.

As at 31 December 2020, the Company prepared its financial statements for the first time in accordance with IFRS, with 1 January 2019 as the date of transition as explained in detail in Note 3.2/l.

c. New and amended IFRSs applicable in the current year

- **The effect of the initial application of amendments arising from the Interest Rate Benchmark Reform on IFRS 9 and IFRS 7**

In September 2019, the IASB published Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7). These amendments deal with issues affecting hedge accounting, which enables hedge accounting to continue during the period of uncertainty before the hedged items or hedging instruments affected by the applicable reference interest rates are amended due to an ongoing interest rate benchmark reforms. The amendments include new disclosure requirements in IFRS 7 in relation to hedging relationships that are subject to the expedients introduced by the amendments to IFRS 9.

These amendments have no significant impact on the Company as it does not apply hedging to its exposures to changes in the reference interest rate.

- **The effect of the initial application of the Covid-19-related rent concessions amendment to IFRS 16**

In May 2020, the IASB issued the Covid-19-Related Rent Concessions amendment (Amendment to IFRS 16), to help lessees accounting for covid-19-related rent concessions, setting a practical expedient for IFRS 16. According to the practical expedient, a lessee is not required to assess whether the COVID-19-related rent concessions are lease modifications. A lessee that uses the practical expedient accounts for any change in lease payments resulting from the Covid-19-related rent concession in the same way that it would account for the change applying IFRS 16 if the change were not a lease modification.

These amendments have no significant impact on the Company.

- **Effect of initial application of other newly adopted and amended IFRSs applicable in the year under review.**

In the year under review, the Company applied the following amendments to IFRSs and interpretations issued by the IASB, and which are effective for annual periods beginning on or after 1 January 2020. The adoption of these amendments had no significant impact either on the disclosures or amounts presented in the financial statements.

- **Amendments to the Conceptual Framework in IFRS standards**

The Group applied the Amendments to the Conceptual Framework in IFRS for the first time in the year under review. Amendments set out amendments to IFRS Standards to reflect the issue of the revised Conceptual Framework. Some of those references are updated to clarify which version of the Conceptual Framework is referred to in particular documents (the IASC Framework adopted by the IASB in 2001, the IASB framework published in 2010 or the new revised Conceptual Framework issued in 2018), or to point out that the definitions in the standard have not been replaced with new definitions developed in the Revised Conceptual Framework.
Amendments to the following standards and interpretations: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32.

The amendments have no significant impact on the Company.

- **Amendments to IFRS 3 Definition of a Business**

The Company adopted amendments to IFRS 3 for the first time in the financial year under review. The amendments clarify that while entities usually have outputs, these are not necessary for the integrated set of activities and assets to be considered a business. In order for the acquired set of activities and assets to be considered a business, it must include at least an input and an essential process, which together make an important contribution to its ability to generate outputs.

The amendments introduce an optional concentration test for a simplified assessment of whether the acquired set of activities and assets is considered a business or not. According to the optional concentration test, the acquired set of activities and assets is not considered a business if the total fair value of the gross assets acquired is substantially concentrated in one identifiable asset or a group of similar assets. The amendments are applicable for all business combinations and acquisitions of assets for which the acquisition date is on or after 1 January 2020.

The amendments have no significant impact on the Company.

- **Amendments to IAS 1 and IAS 8 Definition of Material**

The Company adopted amendments to IAS 1 and IAS 8 for the first time in the financial year under review. The amendments clarify the definition of material in IAS 1 and are not intended to change the basic concept of material in IFRSs. Along with the new definition of material, the IASB introduced also the concept of obscuring important information with irrelevant ones. The threshold above which material affects users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB also amended other standards and conceptual framework that are either containing or referring to the definition of material.

d. New and revised IFRS standards issued but not yet effective

At the date of the financial statement approval, the Group did not apply any of the following new and revised IFRS standards issued but not yet effective:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts - Costs of Fulfilling a Contract
- Annual improvements to the IFRSs 2018-2020 cycle
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture

- **IFRS 17 Insurance Contracts**

The International Accounting Standards Board (IASB) has issued Amendments to IFRS 1' to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published. The amendments postpone the date of application of IFRS 17 (which includes amendments) to the annual reporting periods beginning on or after 1 January 2023. The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after 1 January 2023.

IFRS 17 requires an entity to apply the requirements of IFRS 17 retrospectively, unless it is impractical to do so. Where it is impractical, a modified retrospective approach or a fair value approach should be used.

Under the transitional provisions, the date of first application is the beginning of the annual reporting period in which the entity first applied the standard, and the date of transition is the beginning of the period immediately preceding the date of initial application.
Amendments to the standard have no impact on the Company.

- **Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

Amendments to IFRS 10 and IAS 28 deal with the sale or contribution of assets between an investor and its associate or joint venture. The amendments specify that gains or losses arising from the loss of control of a non-operating subsidiary in a transaction with an associate or joint venture accounted for under the equity method are recognised in the parent's profit or loss only to the extent of the interests of the unrelated investors in the associate or joint venture. Similarly, gains and losses arising from the remeasurement of the fair value of investments retained in any former subsidiary (which has become an associate or joint venture accounted for under the equity method) are recognised in profit or loss of the former parent only to the extent of the interests of the unrelated investors in the new associate or joint venture.

Although the IASB has not yet set a date for the amendments to become effective, early application is allowed.
Amendments to the standard have no impact on the Company.

- **Amendments to IAS 1 Classification of Liabilities as Current or Non-current**

The amendments to IAS 1 affect only the classification of liabilities as current or non-current in the statement of financial position and do not change the existing requirements around measurement or timing of recognition of any asset, liability, income or expense nor the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current depends on rights that exist at the end of the reporting period, that the classification is not affected by the expectation that the entity will exercise its right to defer the settlement, and that rights exist if commitments are fulfilled at the end of the reporting period. In addition, the amendments introduce a definition of settlement to clarify that settlement refers to the transfer of cash, equity instruments, other assets or services to a counterparty.

The amendments should be applied retrospectively and are effective for annual periods beginning on or after 1 January 2023. Early adoption is allowed.
The Company is currently assessing the impact of the amendments to the standard.

- **Amendments to IFRS 3 - Reference to the Conceptual Framework**

The amendments update IFRS 3 by reference to the Conceptual Framework published in 2018 instead of the one from 1989. The amendments to IFRS 3 also include a requirement for the acquirer to apply IAS 37 to liabilities within the scope of IAS 37 to determine whether at the acquisition date there exists a present obligation resulting from past events. For a levy within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether a binding event occurred at the acquisition date that gives rise to an obligation to pay the levy.

The amendments also add an explicit statement that the acquirer does not recognise contingent assets acquired in a business combination.

The amendments apply to business combinations whose acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is allowed providing the entity applies all other updated references (published together with the updated Conceptual Framework) either at that date or earlier.
Amendments to the standard have no impact on the Company.

- **Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use**

These amend the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the entity recognises such sales proceeds in profit or loss. The entity measures the cost of these assets in accordance with provisions of IAS 2 Inventories.

The amendments also clarify the meaning of "testing whether the asset is functioning properly". Until now, IAS 16 defined this as assessing whether an asset's technical and physical capacity is such that it can be used in the production or supply of goods or services, for rent to others, or for administrative purposes.

Unless presented separately in the statement of comprehensive income, the entity should disclose the amounts of revenue and expenses included in the income statement relating to assets produced that are not the result of the entity's ordinary activities and in line items in the statement of comprehensive income that include such revenues and expenses.

The amendments are applied retrospectively only to property, plant and equipment that is brought to its location and condition necessary to operate as intended by management at or after the beginning of the earliest period presented in the financial statements during which the entity applied the amendments for the first time.

At the beginning of the earliest period presented, an entity recognises cumulative effect of the initial application of amendments as an adjustment to the opening balance of retained earnings (or other appropriate component of equity).

The amendments are effective for annual periods beginning on or after 1 January 2022. Early adoption is allowed.
The Company is currently assessing the impact of the amendments to the standard.

- **Amendments to IAS 37 Onerous Contracts - Costs of Fulfilling a Contract**

According to the amendments, "costs of fulfilling a contract" include "costs that are necessary to complete a contract". These include unavoidable costs of having the contract such as costs of direct materials and direct labour that are specifically acquired and hired to fulfil the contract or an allocation of other costs necessary to fulfil a contract such as allocation of the depreciation charge of an item of property, plant and equipment used in fulfilling the contract.

The amendments apply to contracts for which the entity has not yet fulfilled all of its performance obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, an entity recognises cumulative effect of the initial application of amendments as an adjustment to the opening balance of retained earnings (or other relevant equity component) at the beginning of the initial application of the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early adoption is allowed.
Amendments to the standard have no impact on the Company.

- **Annual improvements to the IFRSs 2018-2020 cycle**

Annual improvements include amendments to four standards. IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief for a subsidiary when accounting for cumulative translation differences that first applies the standards later than its parent. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1to recognise cumulative translation differences at an amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRSs providing there were no consolidation adjustments or effects of the business combination in which the parent acquired the subsidiary. A similar option is available to an associate or joint venture that applies the exemption under IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is allowed.
Amendments to the standard have no impact on the Company.

- **IFRS 9 Financial Instruments**

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to changes and substitutions occurring on or after the date on which the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is allowed.
The Company does not expect the amendment to have any impact on its financial statements.

- **IFRS 16 Leases**

The amendment eliminates reimbursements for installations in rented premises. As the amendment to IFRS 16 applies to the case-only, the effective date is not specified.

The Company does not expect the amendment to have any impact on its financial statements.

- **IAS 41 Agriculture**

The amendment to IAS 41 removed a requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement regarding the use of internally compliant cash flows and discount rates. It allows preparers to determine whether to use cash flows and pre-tax or post-tax discount rates for the most appropriate fair value measurement.
The amendment is applied prospectively, i.e. to measure fair value at or after the date the entity first applies the amendment.
The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is allowed.
Amendments to the standard have no impact on the Company.

d. Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial instruments stated at fair value or amortised cost.

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f. Functional and presentation currency

The financial statements contained in the Annual Report are presented in euros (EUR/€) without cents, which is the functional and presentation currency of the Company. Due to rounding of figures, insignificant deviations may occur in the sums contained in the tables.

Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the date of the transaction. Exchange rate gains and losses from foreign transactions and revaluation of cash and liabilities denominated in foreign currency, are translated into the functional currency on the reporting date and recognised in the profit or loss.

Monetary items denominated in foreign currencies are translated at the exchange rate of the Bank of Slovenia 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.

g. The use of estimates and judgements

In the preparation of financial statements, management makes certain estimates, judgements and assumptions which impact the accounting policies used and the carrying value of assets and liabilities, revenues and expenses. Pricing and related assumptions and uncertainties are disclosed in the notes to the individual financial statement items. Those estimates, judgements and assumptions are regularly revised. Since estimates and assumptions are subject to subjective judgement and some degree of uncertainty, subsequent actual results may differ from the estimates. Any changes in accounting estimates, judgements and assumptions are recognised in the period when the change occurred, providing the change only affects that particular period; however, when the change also impacts future periods, they are recognised in the period of the change occurring and future periods. Estimates and assumptions are used primarily when making the following judgements:

i.) Revenue from contracts with customers

The Company has adopted the following accounting judgements, which have a significant impact on the determination of the amount and timing of revenue recognition from contracts with customers:

- Determination of the point of time when contractual obligations are fulfilled

Under the five-step model, the Company verified the existence of sales contracts and performance obligations, identified the transaction price and allocated it to individual performance obligations, and assessed whether revenue should be recognised at a point of time or over time.

Accordingly, the Company recognises revenue from the sale of goods and services at the time of sale. From the time of sale, the Company no longer has control over the goods or services sold. Furthermore, the Company determined it has no enforcement obligations relating to the so-called service warranty.

ii.) The right-of-use assets in applying IFRS 16

Under IFRS 16, the Company applies the short-term lease and low-value leases recognition exemptions.

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 respect of such contracts (except for the exemptions listed below), the Company recognises:
- the right-of-use assets (disclosed under property, plant and equipment in the statement of financial position),
- lease liabilities (disclosed under financial liabilities in the statement of financial position and as cash flows from financing in the cash flow statement).

In the recognition of lease assets and liabilities, the Company applies two exemptions:
- short-term leases and
- leases of low value assets.

Cash flows are discounted at the interest rates that the Company realises on long-term financing of items with a similar maturity as agreed in the lease contract. Depreciation costs are calculated using the depreciation rates estimated over the remaining lease term.

iii.) Estimates of the useful life of depreciable assets (Note 3.6.16 and 3.6.17)

Depreciation is calculated based on the expected useful life of depreciable assets. Economic life of an asset is assessed annually in consideration of expected physical wear and tear, technical and functional obsolescence and expected legal and other restrictions of use. Useful lives of significant items of assets are checked annually.

iv.) Assets' impairment testing

Information on significant estimates about uncertainty and critical judgements in applying accounting policies that have significant impact on the amounts recognised in the financial statements is presented below:
- property, plant and equipment (Note 3.6.16)
- investments in subsidiaries (Note 3.6.19),

- trade receivables and contract assets (Note 3.6.21 and 3.6.24),

  - Property, plant and equipment and intangible assets

The Company checks at least once a year whether there are any signs of impairment of cash-generating units - CGU. Fair value less costs to sell is determined and compared to the carrying amount of cash-generating units showing signs of impairment. Valuation is performed either by a certified appraiser of value or else internal valuation models may be used in certain cases.

An annual impairment test is made for intangible assets under construction in accordance with IFRS, regardless of whether there are indicators of impairment or not.

  - Investments in subsidiaries

The Company verifies at least once a year whether there are signs of impairment of investments in the capital of subsidiaries. Fair value of investments that show signs of impairment is determined based on an internal valuation or the valuation performed by a certified appraiser of companies.

  - Trade receivables

In accordance with IFRS 9, the Company made an impairment assessment using a simplified approach. The impairment assessment is determined according to the concept of expected credit losses over the entire duration of operating receivables, i.e. the lifelong credit losses, based on the allowance matrix.

The following assumptions were used in calculating the expected credit losses from operating receivables:

- The Company determines in which macroeconomic cycle its customers operate based on the employment rate and consequently makes the adjustment of the assessed amount of allowances in the allowance matrix.
- The matrix is based on data excluding receivables due from companies undergoing insolvency proceedings, as the latter are accounted for separately,
- and on the historical values of expected credit losses.
- The matrix is adjusted according to the forecast change in the macroeconomic indicator - future unemployment rate.

v.) Provisions for post-employment benefits and other non-current employee benefits (Note 2.6.26)

Defined benefit obligations and other employee benefits include the present values of severance pay on retirement and jubilee awards. They are recognised based on the actuarial calculation approved by the management, using assumptions and estimates effective at the time of the calculation, and which may, as a result of future changes, differ from actual assumptions applicable at that future time. This applies primarily to determination of a discount rate, assessment of employee turnover, mortality assessment, as well as assessment of an increase in salaries. Due to the complexity of the actuarial calculation and the long-term nature of the item, defined benefit obligations are sensitive to changes in the above estimates and assessments.

vi.) Assessment of the potential for utilisation of deferred tax assets (Note 2.6.14)

The Company recognises deferred taxes assets on account of receivable allowances, provisions for jubilee awards and severance pay on retirement and tax losses. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available in the future.

At the financial statement date, the Company verifies the amount of disclosed deferred tax assets and liabilities. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference 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. In calculating deferred taxes, the Company considers potential restrictions on utilisation of tax relief prescribed under the Corporate Income Tax Act.

vii.) Fair value of fixed assets according to the revaluation model (Note 3.6.17)

In measuring the fair value of land and buildings, the Company considers the ability of the market participant to generate economic benefits through best use of the assets or sell them to another market participant.

The fair value of financial assets measured at fair value is determined through the income statement in the amount of the published market price at the end of the reporting period or based on other available information.

All assets at fair value are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement.

h.) Determination of fair value

Considering the adopted accounting policies, the determination of fair value was required for a number of financial and non-financial assets and liabilities. Fair value is estimated price at which an asset can be sold or a liability transferred in an orderly transaction between knowledgeable buyer and knowledgeable seller in an arm's length transaction. The Company applies the following fair value hierarchy in determination of fair value of its financial instruments:

- Level 1 contains quoted prices on active markets for identical assets and liabilities,
- Level 2 - values other than quoted prices from Level 1, but which can be obtained directly from the market (prices for identical or similar assets or liabilities in a less active or inactive markets) or indirectly (e.g. values derived from quoted prices in an active market based on interest rates and yield curves, implied volatilities and credit spreads),
- Level 3 - inputs that are not based on observable market data, however unobserved data must reflect the assumptions that market participants would use in pricing the asset or liability, including risk assumptions.

For assessing the fair value of financial instruments, the Company uses quoted prices. If a financial instrument is not quoted on a regulated market or the market is considered inactive, the Company applies level 2 or level 3 inputs to determine the fair value of a financial instrument.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the reporting date.

Fair values have been determined for measurement and/or disclosure purposes based on the methods presented below.

i. Property, plant and equipment under the revaluation model

Following recognition, the Company measures land and buildings at a revalued amount equal to the fair value on the revaluation date (i.e. the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction, on the principal (or most advantageous) market, between market participants at the measurement date under current market terms, regardless of whether the price can be directly observed or estimated using another valuation technique). Depending on the circumstances or situation, the fair value of land is measured using one or more valuation techniques such as the market approach, cost approach and income approach. The land is regularly revalued to ensure there are no significant difference between its carrying amount and fair value on the reporting date.

ii. Investment property

Fair value of investment property is assessed using the total value of expected cash flows from lease of the property. In determining fair value of property, a yield that reflects the risk specific to the asset is considered in the calculation based on the annual discounted net cash flows.

iii. Receivables and loans

The fair value of receivables and loans is estimated at the present value of future cash flows discounted at the market rate of interest at the reporting date. The fair value assessment takes into account credit risk arising from these financial assets.

iv. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest at the end of the reporting period.

j.) Initial adoption of IFRSs

i.) Basis of preparation

The financial statements for the year ended 31 December 2020 were, for the first time, prepared in accordance with the International Financial Reporting Standards (hereinafter IFRS) as adopted by the European Union. The transition to the new financial reporting framework was made in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards. The date of the first adoption of IFRS, i.e. the transition date is 1 January 2019. In accordance with IFRS we:

- prepared comparative financial data;
- applied the same accounting policies in all periods presented;
- retrospectively applied all applicable IFRS standards as at 31 December 2020; in
- used some optional and some mandatory exemptions applicable to the first-time adopters.

The Company's financial statements were previously prepared in accordance with Slovenian Accounting Standards (SAS).

The Company decided to change its financial reporting framework as it provides better comparability with foreign companies operating within the same activity.

In accordance with IFRS 1, certain optional exemptions to the general principle of full retrospective application of standards are available to the first-time adopters. Based on the outcome of the analysis, the Company decided not to use the fair value exemption as an incremental value of real estate and not to use fair value as an incremental value of investment property.

As the Company did not use the optional fair value exemption where the fair value is recognised as the new cost, the accounting policy applicable to fixed assets has not changed.

	Accounting policy used in the past	**Accounting policy after the transition to IFRS**
Land	Revaluation model	Revaluation model
Buildings	Revaluation model	Revaluation model
Investment property	Fair value model	Fair value model

ii.) <u>Reconciliation and reclassification of items on adoption of the new financial reporting framework</u>

IFRS 1 requires the Company to adjust the capital, comprehensive income and cash flows from previous reporting periods to account for the differences between the previously applied financial reporting standards and IFRS. The first application of IFRSs affected the Company's reclassification of the items in individual financial statements. The following changes in individual items of the financial statements were made to clarify the transition from previously applied SAS to IFRSs. As these are not errors from previous reporting periods, they are not considered retrospective adjustments.

Changes in the statement of financial position items

Below is presentation of the effect of the changes and reclassifications of the items in the statement of financial position as at 1 January 2019:

ASSETS	1 Jan 2019	ADVANCES	INTEREST PAYABLE	LEASES UNDER IFRS 16 (previously financial leases)	1 Jan 2019 after adjustment
Intangible assets and other non-current assets	1,532,085				1,532,085
Right-of-use assets				2,053,829	2,053,829
Property, plant and equipment	16,574,894	-30,593		-2,053,829	14,490,472
Investment property	83,016				83,016
Investments in subsidiaries	8,027				8,027
Deferred tax assets	474,920				474,920
TOTAL NON-CURRENT ASSETS	**18,672,942**	**-30,593**	**0**	**0**	**18,642,349**
Inventories	10,992,397	-2,120			10,990,277
Trade receivables	4,850,472				4,850,472
Financial assets and loans granted	1,000				1,000
Cash and cash equivalents	11,903				11,903
Advances and other assets	44,095	32,713			76,808
TOTAL CURRENT ASSETS	**15,899,867**	**30,593**	**0**	**0**	**15,930,460**
					0
TOTAL ASSETS	**34,572,809**	**0**	**0**	**0**	**34,572,809**

EQUITY AND LIABILITIES	1 Jan 2019	ADVANCES	INTEREST PAYABLE	LEASES UNDER IFRS 16 (previously financial leases)	1 Jan 2019 after adjustment
Called-up capital	-1,724,695				-1,724,695
Share premium	-1,609,555				-1,609,555
Reserves for treasury shares	-230,392				-230,392
Treasury shares	230,392				230,392
Revaluation reserve	-7,315,020				-7,315,020
Fair value reserve	56,182				56,182
Retained earnings	-3,398,389				-3,398,389
Net profit or loss	-2,927,867				-2,927,867
TOTAL EQUITY	**-16,919,344**	**0**	**0**	**0**	**-16,919,344**
Provisions for post-employment benefits and other non-current employee benefits	-641,639				-641,639
Other provisions	0				0
Financial liabilities	-4,845,238				-4,845,238
Lease liabilities	-1,086,446				-1,086,446
Other liabilities	-30,789				-30,789
Deferred tax liabilities	-1,715,869				-1,715,869
TOTAL NON-CURRENT LIABILITIES	**-8,319,981**	**0**	**0**	**0**	**-8,319,981**
Short-term financial liabilities	-654,762		-29,246		-684,008
Lease liabilities	-468,039				-468,039
Trade payables	-6,868,329				-6,868,329
Advances received	-1,243,108				-1,243,108
Other liabilities	-99,246		29,246		-70,000
TOTAL CURRENT LIABILITIES	**-9,333,483**	**0**	**0**	**0**	**-9,333,483**
					0
TOTAL EQUITY AND LIABILITIES	**-34,572,807**	**0**	**0**	**0**	**-34,572,807**

Presentation of the differences and reclassifications:

- Property, plant and equipment

The Company did not report the effects of a difference in the commencement date of depreciation as required by IFRS and SAS, as the amount is insignificant. The transition to IFRS did not result in any other changes to property, plant and equipment.

- Advances and other assets

Advances for fixed assets and other advances reported under SAS in the statement of financial position, were transferred to advances and other assets. Due to their short-term nature, advances are reported under current assets.

Advances and other assets include the items previously reported as deferred costs and accrued revenue.

- Right-of-use assets

IFRS 16 became effective on 1 January 2019, the date the Company made the transition to the new financial reporting framework. The Company checked all its lease contracts with a lease term of more than one year.

On transition to IFRS 16, the Company applied a practical expedient and applied the standard prospectively, recognising the cumulative effect of the transition on 1 January 2019.

The Company applied the short-term lease exemption for the only existing lease previously accounted for as an operating lease. Based on the analysis performed it was confirmed that the Company has no other leases that give rise to the recognition of the right-of-use assets and financial liabilities.

As the new standard IFRS 16 Leases does not separate between operating and financial leases, the Company recognised €2,053,829 of the right-of-use assets previously reported as financial leases.

- Other liabilities

The Company reclassified the items previously reported as long-term accruals and deferrals to other liabilities.

- Financial liabilities

In accordance with IFRS, short-term financial liabilities include €29,246 of interest on borrowings, previously reported under operating liabilities.

- Advances received

Advances received were not transferred to Contract assets, as the existing denomination provides sufficient information regarding the substance of the item.

In addition to the above, the description of individual items of the statement of financial position has also changed.

Below is presentation of the effect of the changes and reclassifications of the items in the statement of financial position as at 31 December 2019:

ASSETS	31 Dec 2019	ADVANCES	INTEREST PAYABLE	LEASES UNDER IFRS 16 (previously financial leases)	31 Dec 2019 after adjustment
Intangible assets and other non-current assets	1,579,264				1,579,264
Right-of-use assets				3,061,472	3,061,472
Property, plant and equipment	19,585,435	-54,194		-3,061,472	16,469,770
Investment property	87,183				87,183
Investments in subsidiaries	18,027				18,027
Deferred tax assets	432,424				432,424
TOTAL NON-CURRENT ASSETS	**21,702,333**	**-54,194**	**0**	**0**	**21,648,139**
Inventories	13,540,807	-773			13,540,035
Trade receivables	4,805,810				4,805,810
Loans to group companies	100,000				100,000
Financial assets and loans granted	1,001				1,001
Cash and cash equivalents	50,372				50,372
Advances and other assets	241,011	54,967			295,978
TOTAL CURRENT ASSETS	**18,739,001**	**54,194**	**0**	**0**	**18,793,196**
TOTAL ASSETS	**40,441,335**	**0**	**0**	**0**	**40,441,335**

EQUITY AND LIABILITIES	31 Dec 2019	ADVANCES	INTEREST PAYABLE	LEASES UNDER IFRS 16 (previously financial leases)	31 Dec 2019 after adjustment
Called-up capital	-1,724,695				-1,724,695
Share premium	-1,609,555				-1,609,555
Reserves for treasury shares	-144,972				-144,972
Treasury shares	144,972				144,972
Revaluation reserve	-7,663,258				-7,663,258
Fair value reserve	72,535				72,535
Retained earnings	-5,814,859				-5,814,859
Net profit or loss	-3,472,674				-3,472,674
TOTAL EQUITY	**-20,212,507**	**0**	**0**	**0**	**-20,212,507**
Provisions for post-employment benefits and other non-current employee benefits	-687,480				-687,480
Other provisions	0				0
Financial liabilities	-4,059,524				-4,059,524
Lease liabilities	-1,493,826				-1,493,826
Other liabilities	-53,041				-53,041
Deferred tax liabilities	-1,797,554				-1,797,554
TOTAL NON-CURRENT LIABILITIES	**-8,091,425**	**0**	**0**	**0**	**-8,091,425**
Short-term financial liabilities	-5,938,167		-30,642		-5,968,809
Lease liabilities	-1,004,887				-1,004,887
Trade payables	-5,044,574				-5,044,574
Trade payables to the Group	-69,292				-69,292
Advances received	-46,736				-46,736
Other payables	-33,748		30,642		-3,106
TOTAL CURRENT LIABILITIES	**-12,137,403**	**0**	**0**	**0**	**-12,137,405**
TOTAL EQUITY AND LIABILITIES	**-40,441,335**	**0**	**0**	**0**	**-40,441,335**

The differences and transfers of the statement of financial position items as at 31 December 2019 are presented below:

- Property, plant and equipment

The Company did not report the effects of a difference in the commencement date of depreciation as required by IFRS and SAS, as the amount is insignificant. The transition to IFRS did not result in any other changes to property, plant and equipment.

- Advances and other assets

Advances for fixed assets and other advances reported under SAS in the statement of financial position, were transferred to advances and other assets. Due to their short-term nature, advances are reported under current assets.

Advances and other assets include the items previously reported as deferred costs and accrued revenue.

- Right-of-use assets

IFRS 16 became effective on 1 January 2019, the date the Company made the transition to the new financial reporting framework. The Company checked all its lease contracts with a lease term of more than one year.

On transition to IFRS 16, the Company applied a practical expedient and applied the standard prospectively, recognising the cumulative effect of the transition on 31 December 2019.

As the new standard IFRS 16 Leases does not separate between operating and financial leases, the Company recognised €3,061,472 of the right-of-use assets previously reported as financial leases.

- Other liabilities

The Company reclassified the items previously reported as long-term accruals and deferrals to other liabilities.

- Financial liabilities

In accordance with IFRS, short-term financial liabilities include €30,641.5 of interest on borrowings, previously reported under operating liabilities.

- Advances received

Advances received were not transferred to Contract assets, as the existing denomination provides sufficient information regarding the substance of the item.

In addition to the above, the description of individual items of the statement of financial position has also changed.

Changes to the profit and loss account items

The effect of changes and reclassifications of the profit and loss account items for the year ended 31 December 2019 is presented below:

	2019	OTHER REVENUE AND EXPENSES	2019 (adjustment)
Net sales	33,570,097		33,570,097
Other operating income	393,359	52,703	446,062
Capitalised own products	195,239		195,239
Changes in the value of inventories	2,903,038		2,903,038
OPERATING REVENUE	**37,061,733**	**52,703**	**37,114,436**
Cost of goods and materials sold	416,663		416,663
Cost of materials	17,931,917		17,931,917
Cost of services	6,456,134		6,456,134
Employee benefit costs	6,684,846		6,684,846
Other operating expenses	107,831	4,949	112,780
Amortisation and depreciation	1,600,338		1,600,338
Loss on impairment of trade receivables and contract assets	32,737		32,737
Non-financial asset write-off and impairment	210,133		210,133
OPERATING EXPENSES	**33,440,599**	**4,949**	**33,445,548**
OPERATING PROFIT OR LOSS	**3,621,134**	**47,754**	**3,668,888**
Financial income	17,719		17,719
Financial expenses	171,437		171,437
FINANCIAL PROFIT OR LOSS	**-153,718**	**0**	**-153,718**
Other income	52,703	-52,703	0
Other expenses	4,949	-4,949	0
PROFIT OR LOSS BEFORE TAX	**3,515,170**	**0**	**3,515,170**
Tax payable	0		0
Deferred tax	-42,497		-42,497
NET PROFIT OR LOSS FOR THE YEAR	**3,472,674**	**0**	**3,472,674**

The differences and reclassifications of the income statement items are presented below:

- Other operating income

The Company reclassified €52,703 of other revenues to other operating income.

- Other operating expenses

The Company reclassified €4,949 of other expenses to other operating expenses.

- Loss on impairment of trade receivables and contract assets

In accordance with the amendment to IAS 1 due to the adoption of IFRS 9, impairments of financial assets are presented as a separate line in the income statement.
In addition to the above, the description of individual items of the statement of financial position has also changed.

Changes in the statement of other comprehensive income items

The effect of changes and reclassifications in the statement of other comprehensive income items for the year ended 31 December 2019 is presented below:

	2019	TRANSFER TO CHANGES IN DEFERRED TAXES	2019 (adjustment)
NET PROFIT OR LOSS FOR THE YEAR	**3,472,674**		**3,472,674**
Change in revaluation reserve of land	348,238	81,685	429,923
Unrealised actuarial gains and losses	-19,640		-19,640
Changes in deferred taxes		-81,685	-81,685
Other comprehensive income that will never be reclassified to profit or loss		**0**	
Interest rate hedging			
Change in deferred taxes			
Other comprehensive income that will be reclassified to profit or loss at a future date		**0**	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,801,272**	**0**	**3,801,272**

The differences and reclassifications of the statement of other comprehensive income items are presented below:

- Changes in deferred taxes

Deferred tax recognised on account of the change in revaluation reserves of land amounting to €81,685 was transferred to changes in deferred taxes.

Changes in the cash flow statement items

	2019	2019 (adjustment)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from operations	**36,241,475**	**36,241,475**
Proceeds from sale of products and services	33,673,342	33,673,342
Other receipts from operating activities	2,568,133	2,568,133
Cash disbursements from operating activities	**-36,631,299**	**-36,631,299**
Disbursements for acquisition of materials and services	-29,585,285	-29,585,285
Disbursements for wages and salaries, and employee share in profit	-4,314,930	-4,314,930
Cash disbursements of taxes and contributions	-2,731,084	-2,731,084
NET CASH FROM OPERATING ACTIVITIES	**-389,824**	**-389,824**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	3,758	3,758
Proceeds from disposal of investments	570,000	570,000
Cash disbursements to acquire subsidiaries	-10,000	-10,000
Cash disbursements to acquire P,P&E	-1,780,973	-1,780,973
Cash disbursements to acquire intangible assets	-85,643	-85,643
Cash disbursements to acquire investments	-670,000	-670,000
NET CASH FROM INVESTING ACTIVITIES	**-1,972,858**	**-1,972,858**
CASH FLOWS FROM FINANCING ACTIVITIES		
Paid-up share capital	86,000	86,000
Cash proceeds from borrowings	6,112,565	6,112,565
Disbursements for transaction costs associated with borrowings	-104,467	-104,467
Repayment of borrowings	-1,995,671	-1,995,671
Cash repayments of equity	-580	-580
Dividends paid	-593,529	-593,529
Repayment of lease liabilities	-1,103,167	-1,103,167
NET CASH FROM FINANCING	**2,401,151**	**2,401,151**
NET INCREASE OR DECREASE IN CASH AND CASH EQUIVALENTS	**38,468**	**38,468**
Cash and cash equivalents at the beginning of year	11,902	11,902
Effects of changes in foreign exchange rates on cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**50,371**	**50,371**

Presentation of the differences and reclassifications:

- Transition to the IFRS did not result in any differences.

Changes in the statement of changes in equity items for the year ended 31 December 2019:

	Called-up capital	Share premium	PROFITRESERVES		Revaluation reserve	Fair value reserve	Retained earnings	Net profit for the year	Total capital
			Reserves for treasury shares	Treasury shares (deductible item)					
CLOSING BALANCE AT 31 Dec 2019	**1,724,695**	**1,609,555**	**144,972**	**-144,972**	**7,663,258**	**-72,535**	**5,814,859**	**3,472,674**	**20,212,507**
Adjustments due to first-time adoption of IFRSs	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
ADJUSTED OPENING BALANCE at 31 Dec 2019	**1,724,695**	**1,609,555**	**144,972**	**-144,972**	**7,663,258**	**-72,535**	**5,814,859**	**3,472,674**	**20,212,507**

Presentation of the differences and reclassifications:

- Transition to the IFRS did not result in any differences.

3.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been consistently applied by the Company in all periods presented in the accompanying financial statements. As explained in Note 3.2., as at 31 December 2020, the Company compiled its financial statements for the first time in accordance with IFRSs, as adopted by the EU on the transition date 1 January 2019.

The mandatory annual financial statements of the organisation comprise the statement of financial position, which is a presentation of the balance of assets and liabilities at the end of the financial year, the income statement as a presentation of the income, expenses and profit or loss for the financial year, and the statement of other comprehensive income, the cash flow statement which is a presentation of changes in cash, the statement of changes in equity as a presentation of changes in equity components during the financial year, and the statement of distributable profit.

a. Intangible assets

Intangible assets comprise investments in acquired industrial property rights (concessions, patents, licenses, trademarks and similar rights), as well as other rights and other intangible assets. The amortisation period and method of accounting for an item of intangible assets with a finite useful life are revised at least annually at the end of the financial year. After initial recognition, intangible assets are measured under the cost model i.e. at their cost, less amortisation and accumulated impairment losses.

Development costs incurred by the Company are recognised as intangible assets if the entity can demonstrate the following: the technical feasibility of completing the project so that it will be available for use or sale; its intention to complete the project and use or sell it; its ability to use or sell the project; how the project will generate probable future economic benefits, including the existence of a market for the output of the project or the project itself or, if the project is to be used internally, the usefulness of the project; the availability of adequate technical, financial and other resources to complete the development and to use or sell the project; and its ability to measure the expenditure attributable to the intangible asset during its development reliably.

Subsequent costs

Subsequent expenditure on the items of intangible assets is capitalised only when it increases the future economic benefits embodied in the assets. All other costs are recognised in profit or loss as expenses when they arise.

Amortisation

Amortisation is calculated based on the cost of the asset and recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are made available for use. This method most accurately reflects the expected pattern of use of the future economic benefits embodied in the asset. The estimated useful lives applied in the year under review and in the comparable financial year range between 2 and 10 years. The amortisation period of a development project is 5 years. Amortisation methods and useful lives of the categories of intangible assets are reviewed at the end of each financial year and adjusted if necessary.

Impairment
As at the date of the final annual amortisation calculation, the Company checks whether there are any indications of impairment of intangible assets, while an impairment test of intangible assets under construction is performed annually. If there are signs of impairment of an item of intangible assets (other than intangible assets under construction), the Company determines the asset's recoverable amount. If the recoverable amount is lower than the asset's carrying amount, the Company recognises and impairment of the asset. The recoverable amount is the higher of an asset's fair value less costs to sell, or its value in use. Fair value less costs to sell is calculated in accordance with IFRS 13 and hence, selling costs are identified as costs that are directly attributable to the sale of an asset. Value in use is calculated in accordance with IAS 36 as the present value of expected future cash flows from the use of the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing purposes, the assets that cannot be tested individually are grouped into the smallest cash generating groups from continued use and which are predominantly independent of cash generated by other assets or groups of assets (cash generating unit). An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

At the end of the reporting period, the Company evaluates losses due to impairment in the previous periods to establish whether the loss has decreased or even ceased to exist. An impairment loss is reversed if there has been a change in the estimates used to determine the assets' recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in the previous periods.

b. Property, plant and equipment

The Company initially recognises property, plant and equipment at cost, which includes amounts directly attributable to the purchase of a qualifying asset, as well as capitalised borrowing costs.

After the initial recognition of property, plant and equipment, the Company applies the cost model to equipment and the revaluation model to buildings and land. According to the cost model, equipment is disclosed at cost, less accumulated depreciation and any accumulated impairment loss. According to the applied revaluation model, land and buildings are disclosed at fair value on the revaluation date, less accumulated impairment loss.

Accounting for borrowing costs
Borrowing costs that may be directly attributed to the acquisition, construction or manufacture of an asset under construction represent a part of the cost of that asset. Borrowing costs comprise interest expense and exchange rate differences arising from borrowings raised in a foreign currency, if they are accounted for as a restatement of interest expense. The Company attributes borrowing costs to those assets whose preparation for their availability for use exceeds one year and whose total value at the reporting date is in excess of €100,000. Other borrowing costs are recognised in the income statement as an expense in the period in which they arise.

Subsequent costs

The cost of replacing some part of an item of property, plant and equipment is recognised in the carrying amount of the asset if it is probable that the future economic benefits embodied within that part will flow to the Company, and its historical cost can be measured reliably. All other costs are recognised in profit or loss as expenses when they arise.

Depreciation

Deprecation is charged on a straight-line basis over the useful life of each individual item of property, plant and equipment. The method most accurately reflects the expected pattern of use of the asset. Depreciation of an item of property, plant and equipment begins when the asset is made available for use. The residual (non-depreciable) value of fixed assets is not determined. The estimated useful lives of the assets for the current and comparative periods are as follows:

- buildings 30–43 years,
- computer hardware 3 years,
- other plant and equipment 3–14 years.

The depreciation method and useful lives of the assets are revised annually and adjusted if necessary.

Impairment and revaluation

As at the date of the final annual amortisation calculation, the organization checks whether there are any indications of impairment of the assets. If there are indications that an item of property, plant and equipment has been impaired, the Company determines its recoverable amount. If the recoverable amount is lower than the asset's carrying amount, the Company recognises and impairment of the asset. The recoverable amount is the higher of an asset's fair value less costs to sell, or its value in use. Fair value less costs to sell is calculated in accordance with IFRS 13 and hence, selling costs are identified as costs that are directly attributable to the sale of the asset. Value in use is calculated in accordance with IAS 36 as the present value of expected future cash flows from the use of the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing purposes, the assets that cannot be tested individually are grouped into the smallest cash generating groups from continued use and which are predominantly independent of cash generated by other assets or groups of assets (cash generating unit). An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

At the end of the reporting period, the Company evaluates losses due to impairment in the previous periods to establish whether the loss has decreased or even ceased to exist. An impairment loss is reversed if there has been a change in the estimates used to determine the assets' recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in the previous periods.

Low value assets whose useful life exceeds one year and whose value is not in excess of €500 are also considered the items of property, plant and equipment made available for use. Large tools with individual value in excess of €500 are also included in the low value assets to ensure a unified inventory records.

The land and buildings are revalued regularly to ensure that at the reporting date their carrying amount does not deviate significantly from the fair value. If an asset belonging to an individual class of assets is revalued, all other assets in that group are also revalued. Land and buildings are revalued to their fair value based on the valuation performed by a certified real estate appraiser. The fair value measurement is made in accordance with IFRS 13. If the carrying amount of land and building increases due to the revaluation, the increase is recognised in the statement of other comprehensive income directly in equity as a revaluation reserve. A decrease in the carrying amount of land and buildings as a result of revaluation reduces the revaluation surplus of that land and buildings. If the decrease in the carrying amount exceeds the accumulated revaluation reserve for that same asset, the difference is transferred to profit or loss as an expense. As a component of equity, the revaluation surplus of land and buildings is transferred directly to retained earnings when the asset is derecognised.

Buildings under construction are reported at cost and as the items of a separate group of assets until they are put to use.

Leases

Upon initial recognition, the Company measures the right-of-use assets at cost, which comprises:

- the amount of the initial measurement of lease liabilities,
- lease payments made at or before the commencement date of the lease, less any incentives received,
- the initial direct costs incurred by the lessee, and
- an estimate of the costs to be incurred by the lessee in dismantling or removing the leased asset, restoring the site where it is located, or returning the leased asset to the condition as required by the lease terms.

After initial recognition, the Company measures the leased asset at cost less accumulated depreciation and accumulated impairment loss and adjusted for remeasurement of lease liabilities.

Lease liabilities

Upon initial recognition, the Company recognises lease liabilities at the present value of lease payments to be made over lease term. Lease payments are discounted at the interest rate implicit in the lease, if it is determinable. Otherwise, the Company uses its incremental borrowing rate that it would have had to pay if it had acquired the asset in a similar economic environment over a similar period, under a similar guarantee and value as the right-of-use asset.

Subsequent to initial recognition, the carrying amount of lease payments is:

- increased by the accretion of interest,
- reduced for the lease payments made, and
- increased or decreased by any adjustments to the lease liability to account for the remeasurement the lease payments of modification of the lease terms.

c.) Investment property

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 measured 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 of the period in which it arises.

Fair value is determined in accordance with IFRS 13 based on a regular valuation performed by a certified appraiser of property to ensure that at the reporting date the carrying amount does not deviate significantly from fair value. If there is significant difference between the two, investment property is restated to fair value, and the resulting effects are reported in profit or loss.

d. Investments in subsidiaries

Investments in subsidiaries are accounted for in the financial statements at cost less impairment losses. Income from an investment is recognised at the amount received upon distribution of the subsidiary's distributable profit accrued since the date of the investment acquisition.

Impairment

If due to the subsidiary's loss, the investment should be impaired, the amount of loss due to impairment is measured as the difference between the carrying amount of the investment and the present value of expected future cash flows.

e. Financial assets and loans granted

Financial assets comprise cash and cash equivalents, receivables, loans and investments. Investments of the Company include investments in loans granted. The accounting policies applied to the investments in subsidiaries are explained in point d.

Loans, receivables and deposits are initially recognised by the Company on the transaction date. Other financial assets are initially recognised on the trade date or when the Company becomes a party to the contractual provisions of the financial instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Cash and cash equivalents comprise cash at banks and in hand, cash held on bank accounts and short-term deposits with maturity of three months or less. Cash equivalents may include fixed-term deposits, sight deposits, and readily convertible debt securities. Overdrafts agreed on business accounts are disclosed under financial liabilities.

Upon initial recognition, the Company classifies its financial instruments into one of the following groups:

- Financial assets at amortised cost
- Financial assets at fair value through OCI, and
- Financial assets at fair value through profit or loss.

The classification depends on the entity's business model for managing the assets and whether the instrument's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. With the exception of trade receivables, which do not contain a significant financing component, the Company measures its financial assets at fair value increased by the transaction costs.

Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section n) Revenue from contracts with customers.

Financial asset classification according to the business model for managing the assets and characteristics of contractual cash flows from financial assets:

Group of financial assets	Financial asset
Financial assets at amortised cost	Trade and other receivables, assets from contracts with customers, loans granted and deposits
Financial assets at fair value through OCI	Non-trading equity instruments irrevocably measured at fair value through other comprehensive income upon initial recognition
Financial assets at fair value through profit or loss	Equity instruments not irrevocably measured at fair value through other comprehensive income upon initial recognition

The Company's significant accounting policies for the periods presented in the financial statements refer to the group of financial assets measured at amortised cost

Financial assets at amortised cost
Initially, financial assets at amortised cost are recognised at fair value plus direct costs of transaction. The Company's financial assets at amortised cost include financial assets held to acquire contractual cash flows providing cash flows represent solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost comprise loans granted and receivables. According to their maturity, they are classified as short-term financial assets (maturity up to 12 months after the reporting date) or long-term financial assets (maturity over 12 months after the reporting date). The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within the business model to hold financial assets to collect their contractual cash flows,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets
In accordance with IFRS 9, the Company applies the expected credit loss model and recognises not only losses incurred but also losses that are expected to arise in the future. Under the IFRS, the Company assesses whether, in view of the increased credit risk, it should calculate a lifelong credit loss, or whether given the unchanged credit risk, a 12-month expected credit loss can be used.

A financial asset is considered impaired if there is objective evidence to show that the expected, reliably measurable future cash flows arising from this assets have been decreased due to one or more events.

Objective evidence of impairment may include the following:

- default or breach by the debtor;
- restructuring of the amount owed in agreement of the Company;
- signs that the debtor is about to file for bankruptcy;
- the disappearance of an active market for such an instrument.

Objective evidence of impairment of an investment in equity securities is significant and prolonged reduction in its fair value below its cost.

The impairment test is based on the expected credit losses associated with the probability of defaults on loans and receivables in the next 12 months, unless the credit risk has significantly increased from initial recognition. If the latter is the case, the impairment test is based on the probability of default over the entire duration of the financial asset (ECL). Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. Impairments for expected credit losses are assessed in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since the initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The Company considers a financial asset to be defaulted when contractual payments are overdue for 60 days. For some cases, however, the Company may assess that there are signs of increased credit when based on the information, it is probable that it will not receive the outstanding contractual amounts in full.

The Company checks signs of impairment of all significant items of loans granted individually.

The Company recognises the write-off of a financial asset when it reasonably expects that it will be not be able to collect the contractual cash flows.

<u>Impairment of receivables and contract assets</u>

In accordance with IFRS 9, the Company applies a simplified approach to the impairment of trade receivables and contract assets, using impairment based on the expected credit losses over the duration of the assets. The Company checks signs for any impairment of receivables individually or collectively. For the purpose of specific impairment all significant receivables are checked for signs of impairment individually. If it is assessed that the carrying amount of an asset exceeds its fair value i.e. its recoverable amount, the receivable is impaired. Doubtful receivables are the receivables not believed to be settled by their due date, or believed to be only settled in part. When a dispute has been developed between the creditor and the debtor, which is to be settled by the Court, they are recognised as doubtful.

The assessed allowance of an individual group of receivables is based on a matrix containing an assessment of the lifelong loss on receivables according to their maturity, credit risk and an assessment of the current macroeconomic environment in which the customers operate based on the projected employment rate.

According to IFRS 9, impairment losses should be presented as a separate item in the income statement.

f.) Financial liabilities

The financial liabilities of the Company comprise borrowings. Upon initial recognition, they are classified as financial liabilities at fair value through profit or loss, borrowings or trade payables. Financial liabilities are initially recognised on the trade date, i.e. when the Company becomes a party to the contractual provisions of the financial instrument. With exception of borrowings, all other financial liabilities are initially recognised at fair value. Borrowings are measured at amortised cost using the effective interest rate. Depending on their maturity, borrowings are classified as short-term financial liabilities (maturity up to 12 months after the reporting date) or long-term financial liabilities (maturity over 12 months after the reporting date). Any gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

g.) Contract liabilities
A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer (liabilities for advances received).

h.) Inventories

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. Any discounts received are deducted from the purchase price. Inventories of work in progress and products are measured at production costs. The consumption of inventories is disclosed under the average price method using constant prices and variances. Production costs comprise direct costs of materials, direct labour costs, direct costs of services, direct depreciation costs, direct cost of energy consumption and the relevant amount of production overheads.

Production overhead costs include other costs of materials and services, as well as other costs that are charged in the production process, but cannot be directly attributed to products or services. Inventories are measured at the lower of initial cost and net realisable value. Inventories are impaired on an individual basis. The organisation assesses the value of any finished products with no movements in more than 2 years. If the assessed value is lower than the carrying amount of the inventory, the inventory value is reduced by the difference. An analysis of the requirement of input materials and semi-finished products for existing product lines is made at least once every two years. 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 either processing or modification. On the last day of the financial year, an allowance of 5% is made for inventories that are subject to processing or modification due to the fact that they have remained unsold up to 2 years. A 100% allowance is created for inventories without movement for more than 3 years. Inventories are also revalued when they are damaged or become completely or partially obsolete.

i.) Other assets and liabilities

Other assets or liabilities comprise receivables and other assets and liabilities expected to arise within a set period, their occurrence is probable and their amount can be reliably estimated.

Other current assets include deferred costs or deferred expenses, which are disclosed separately and classified into major types. Other current liabilities comprise accrued revenues and deferred costs or deferred expenses, which are reported separately and classified into significant types. Other assets and liabilities used within a year are designated as short-term, while those that will be used over a longer period are classified as long-term.

Other assets and liabilities do not comprise the amounts of contract assets and liabilities, reported separately in the statement of financial position.

j.) Equity

Total equity comprises called-up capital, share premium, profit reserves, revaluation reserve, fair value reserve, retained earnings or accumulated loss brought forward, and transitionally undistributed net profit or unsettled net loss of the financial year.

Treasury shares and treasury interests are deducted from equity. Gains or losses on the repurchase, sale, issue or withdrawal of treasury shares are not recognized in profit or loss; all the differences are accounted for in equity.

k.) Provisions

Provisions are recognised for present obligations arising from obligating past events and which will be settled in a period that cannot be determined with any certainty but whose amounts can be reliably estimated. The amount of provisions is equal to the present value of expenditure needed to settle the obligation.

The most significant provisions include:

- **Provisions for post-employment benefits and other non-current employee benefits**

Pursuant to the legislation, collective agreement and internal rules, the organisation is liable to pay to its employees anniversary bonuses and termination benefits upon retirement. For these purposes it sets aside relevant amount of provisions. The Company has no other pension obligations.

The obligation is calculated by estimating the cost of retirement benefits upon retirement and the cost of all expected anniversary bonuses until retirement. The calculation is made by a certified actuary using the projected unit credit method. Payments made for retirement benefits and jubilee awards reduce the amount of provisions set aside. Employee benefit costs, as well as cost of interest are recognised in profit or loss, whereas restatement of post-employment benefits or unrealised actuarial gains or losses on termination benefits are recognised in other comprehensive income.

- **Provisions for warranties issued**

The Company recognises contract liabilities arising from unfulfilled performance obligations relating to the warranties issued and reports these as the items of contract obligations in the statement of financial position. The warranty period is 3 years.

l.) Revenue

The majority of revenues from contracts with customers is generated from the delivery of finished products, spare parts and service repairs.

The Company recognises revenue under the five-step model provided in IFRS 15:
- Identification of the contract with a customer
- Identification of a separate performance obligation
- Determination of the transaction price
- Allocation of the transaction price to the individual performance obligation
- Recognition of revenue when the performance obligation is fulfilled.

Business line	Separate performance obligations	Payment terms
Product delivery	- **Product delivery** - revenue recognition at a point in time	common
Supply of spare parts	- **Product delivery** - revenue recognition at a point in time	common

All performance obligations are fulfilled at a point in time, i.e., upon the delivery of goods and when control over the goods transfers to the customer. Normally, control of the goods is transferred to the customer when the goods are unconditionally delivered, considering the contractually agreed Incoterms.

The transaction price is allocated to the individual performance obligation based on stand-alone selling prices. All transactions performed on behalf of another legal entity are excluded from the transaction price.

m. Other operating income

Other operating income comprises unusual items and other income that increases profit or loss.

o. Expenses

Costs are recognised as expenses in the accounting period in which they are incurred.

p. Financial income and expense

Financial income comprises interest income from financial assets, income from derecognition of financial assets at fair value through OCI, income from recovered receivables previously written-off or impaired, change in fair value of financial assets designated at fair value through profit or loss, and foreign exchange gains. Interest income is recognised as it accrues using the effective interest rate method.
Dividend income is recognised in the Company's income statement on the date when the shareholder's right to payment is exercised.

Financial expenses include borrowing costs (unless they are capitalised), foreign exchange losses, changes in fair value of financial assets designated at fair value through profit or loss, impairment losses recognised on financial assets, and receivable impairments. Borrowing costs are recognised in profit or loss using the effective interest rate method.

r. Taxes

Corporate income tax comprises current taxes and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in OCI under 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 recognised 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 assessed at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the legislation enacted or substantively enacted at the reporting date.

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

s. Net earnings per share

The Company reports basic and diluted earnings per ordinary share. The basic earnings per share is calculated by dividing the net profit belonging to the owners by the weighted average number of ordinary shares. Diluted earnings per share is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding in the financial period for the effects of all potential ordinary shares, which are convertible bonds and stock options granted to employees. As the Company holds no convertible bonds or share options granted to employees, the basic earnings per share is equal to diluted earnings per share.

t. Cash flow statement

The section of the cash-flow statement relating to operations is compiled using the indirect method based on data from the statements of financial position as at the reporting date of the period under review and the previous financial year, and the income statement data for the financial year covering the period ended 31 December 2020. Interest paid and default interest received in relation to trade receivables is allocated to cash flows from operating activities. Interest on loans and dividends paid and received is classified as cash flows from financing activities. Cash flows derived from the right-of-use assets are accounted for at the amount of lease payments made during the year. Factoring contracts are also taken into account in the cash flow statement at the amount of actual cash flows.

3.4 SEGMENT REPORTING

As the Company's shares are not listed on the stock exchange nor does it issue bonds quoted on a regulated market, it does not disclose operating segments in accordance with IFRS 8.

3.4 FINANCIAL RISK MANAGEMENT

In terms of financial instruments, the Company is exposed to the following risks:

- credit,
- liquidity,
- market and
- business risk.

Below is presentation of how the Company manages its exposure to individual risks, inclusive of the disclosure of its objectives, policies and procedures for measuring and managing risks and capital management. Refer to Note 34 for other quantitative disclosures.

Credit risk
Credit risk is a risk of the Company incurring financial loss if a customer or a counterparty to a financial instrument fails to fulfil its contractual obligations. Credit risk arises mainly in relation to the Company's trade receivables.

While the Company's exposure to credit risk depends mainly on the characteristics of individual customers, the management also considers the demographic structure of customers and the risk of insolvency in terms of industry and country in which they operate, as these factors may affect credit risk particularly in adverse economic conditions.

According to the risk management policies, an analysis of a creditworthiness of any major new customer is performed before standard payment and delivery terms are proposed to the new customer. Trade allowances are recognised on account of impairment equal to the amount of estimated losses resulting from trade and other receivables, and investments. The main elements of the allowance are the specific part of the loss, which relates to individual significant risks, and total loss recognised for groups of similar assets due to already incurred unspecified losses.

Liquidity risk
Liquidity risk is a risk of the Company incurring financial difficulties when meeting its financial obligations settled by cash or other financial assets. The Company ensures good liquidity position by having at all times sufficient liquid assets to settle its liabilities when due under ordinary and more demanding circumstances, without incurring unacceptable losses or risking damage to its reputation.

Market risk
Market risk is the risk of changes in market prices, such as exchange rates, interest rates and equity instruments, affecting the Company's revenues or the value of its financial instruments. The objective of efficient market risk management is reasonable control and supervision over the Company's exposure to market risks and profit optimisation.

Business risks

Business risk is the risk of the Company incurring direct or indirect loss due to a number of different reasons related to its processes, personnel, technology and infrastructure, as well as due to the consequences of external factors not related to credit, market or liquidity risks, such as, inter alia, risks arising from legal and regulatory requirements and generally accepted corporate standards. Business risks arise from the entire operation of the Company. The aim is to manage business risks in a manner that ensures a reasonable balance between avoiding financial losses that could damage the Company's reputation and overall cost-effectiveness, as well as avoiding such control procedures that inhibit or limit self-initiative and creativity. The key responsibility for the development and implementation of controls related to business risks rests with the senior management.

3.6 NOTES TO THE FINANCIAL STATEMENTS

3.6.1 NET SALES

a. Sources of revenues

The Company generates majority of its revenues from the sale of products to both domestic and foreign customers. Only a minor part of sales revenue relates to the sale of merchandise and materials.

(in €)	2020	2019 (adj)
Revenue from the sale of products and services	32,435,687	33,500,849
Revenue from the sale of materials and merchandise	66,827	69,248
Total revenue from contracts with customers	**32,502,514**	**33,570,097**

In 2020, net revenues from the sale of products accounted for 99.79% of total sales (the same as in 2019, and sales of merchandise and materials for 0.21% (the same as in 2019).

b. Classification of revenue from contracts with customers according to geographical origin

	Products		Merchandise and materials	
(in €)	2020	2019 (adj)	2020	2019 (adj)
Domestic market	6,217,946	6,214,596	0	26,108
Foreign market	26,234,851	27,286,253	49,718	43,140
- EU	18,277,691	19,306,544	37,531	35,458
-Third countries	7,957,160	7,979,708	12,187	7,683
Total revenue from contracts with customers	32,452,797	33,500,849	49,718	69,248

c. Classification of revenue from contracts with customers according to the timing of revenue recognition

	Products		Merchandise and materials	
(in €)	2020	2019 (adj)	2020	2019 (adj)
Revenue recognised at the point of sale or performance of the service	32,435,687	33,500,849	66,827	69,248
Revenue recognised over time	0	0	0	0
Total revenue from contracts with customers	**32,435,687**	**33,500,849**	**66,827**	**69,248**

d. Revenues generated in transactions with subsidiaries

(in €)	2020	2019 (adj)
SP DISTRIBUCIJA d.o.o.	62,165	14,462
S.A.R.L. SIP FRANCE	73,331	65,813
Total revenues generated in transactions with subsidiaries	**135,496**	**80,275**

3.6.2 OTHER OPERATING INCOME

(in €)	2020	2019 (adj)
Reversal of provisions	61,527	61,837
Drawing on EU projects	121,363	292,041
Gains from sale of fixed assets	19,853	3,080
Insurance proceeds	38,131	51,795
Compensation received	0	0
Reimbursed contributions	288,164	36,401
Other	3,238	908
Total	**532,275**	**446,062**

Other operating income comprises funds as part of the co-financing of development projects, revenue from the reversal of provisions for exempt contributions relating to employment of the employees with disabilities, revenue from exempt contributions for pension and disability insurance (PKP 1), insurance proceeds and other items. Reimbursed contributions refer to the State reimbursements under the coronavirus Covid-19 measures.

Based on the adopted accounting policy and in accordance with IAS 20, State aid is reported in gross amounts. Regarding State aid there is no significant uncertainty that they should be repaid.

3.6.3 CAPITALISED OWN PRODUCTS

(in €)	2020	2019 (adj)
Capitalised own products and services	196,347	195,239
Total	**196,347**	**195,239**

Capitalised own products comprise the value of own products made internally by utilising the organization's own workforce and resources.

3.6.4 CHANGES IN THE VALUE OF INVENTORIES

(in €)	2020	2019 (adj)
Changes in the value of inventories	-1,081,972	2,903,038
Total	**-1,081,972**	**2,903,038**

The change in the value of inventories refers to the products that have not yet been sold and are kept in stock.

3.6.5 COST OF GOODS AND MATERIALS SOLD

(in €)	2020	2019 (adj)
Cost of goods and materials sold	447,839	416,663
Total	**447,839**	**416,663**

The cost of goods sold mainly refers to the cost of inventories consumed, i.e. the sale of spare parts.

3.6.6 COST OF MATERIALS

(in €)	2020	2019 (adj)
Cost of materials	11,897,806	15,254,264
Cost of ancillary materials	89,541	95,122
Cost of energy	628,918	690,762
Cost of materials and spare parts used in FA maintenance	178,029	302,754
Write-off of low value assets and packaging, and stocktaking differences	256,689	308,322
Cost of office supplies and professional literature	35,189	41,429
Cost of other materials	1,017,245	1,239,265
Total	**14,103,417**	**17,931,918**

Majority of the cost of materials amounting to €11,897,806 (2019: €15,254,264) refers to the cost of core materials, while other costs of materials include the cost of ancillary materials, energy supply, cost of spare parts used in maintenance, low value assets and the cost of other materials.

3.6.7 COST OF SERVICES

(in €)	2020	2019 (adj)
Cost of production services and the rendering of services	1,271,624	1,929,071
Cost of transportation	496,938	588,434
Cost of FA maintenance and overhaul	296,988	283,841
Lease payments	112,491	171,022
Reimbursement of costs associated with labour	105,187	276,754
Payment transaction and bank charges, and insurance premiums	111,479	114,609
Cost of intellectual and personal services	1,563,945	1,517,367
Cost of trade fairs, advertising and hospitality	350,736	702,214
Cost of services provided by natural persons inclusive of levies	7,000	1,012
Cost of other services	909,139	871,811
Total	**5,225,529**	**6,456,134**

Majority of the cost of other services refers to the costs of IT services in the amount of €285,534 (2019: €220,556) and the costs of student work amounting to €193,114 (2019: €239,625). The cost of IT services includes lease payments for lease of the business information system and its maintenance.

3.6.8 EMPLOYEE BENEFIT COSTS

(in €)	2020	2019 (adj)
Employee salaries	4,256,706	4,315,588
Salary substitutes	635,427	798,162
Social security insurance costs	784,875	824,517
Other cost of labour	759,220	746,579
Total	**6,436,228**	**6,684,846**

The cost of social security insurance comprises €450,456 of the cost of pension insurance (2019: €464,302), and €334,419 of other social insurance cost (2019: €360,215).

Other labour costs mainly comprise holiday pay, crisis allowance, severance pay for employees, meal allowance and reimbursement of the cost of transport to and from work, accrued costs of hours and unutilised annual leave, provisions for termination benefits on retirement and jubilee awards, and other costs. On average, the Company had 239 employees in 2020 (2019: 247), while the average number of employees according to working hours was 234 in 2020 (2019: 238).

The remuneration of the members of the Management Board of total €68,175 (2019: €66,681) refers to the following:

Ime in priimek	Skupina oseb	Plača	Sejnina	Drugo	Skupaj
UROŠ KORŽE	predsednik upravnega odbora	35.054	0	1.000	36.054
MEZNARIČ ANTON	član upravnega odbora	20.722	4.000	1.000	25.722
ŠIROVNIK JANEZ	član upravnega odbora		6.400		6.400
Skupaj		**55.775**	**10.400**	**2.000**	**68.175**

Mag. Uroš Korže, President of the Management Board is the only person employed based on the contract for which the tariff part of the collective agreement does not apply.

3.6.9 OTHER OPERATING EXPENSES

(in €)	2020	2019 (adj)
Compensation for the use of building land	57,015	54,832
Environmental protection charges	5,024	4,222
Other costs	97,948	53,725
Total	**159,987**	**112,780**

3.6.10 AMORTISATION AND DEPRECIATION

(in €)	2020	2019 (adj)
Amortisation of intangible fixed assets	433,233	320,148
Depreciation of buildings	220,301	188,915
Depreciation of equipment and spare parts	1,154,442	854,800
Depreciation of low value assets	247,347	236,474
Total	**2,055,323**	**1,600,338**

At the end of the financial year, the Company checked the useful lives of fixed assets and determined that they were appropriate and hence, did not change them in 2020.

3.6.11 LOSS ON IMPAIRMENT OF TRADE RECEIVABLES AND CONTRACT ASSETS

(in €)	2020	2019 (adj)
Impairment loss on trade receivables	44,835	32,737
Impairment loss on contract assets	0	0
Total	**44,835**	**32,737**

Impairment losses on trade receivables are due to the impairment of receivables under a simplified approach to determine lifelong credit losses. An allowance matrix based on empirical data adjusted for expected future losses was used. The same imairment testing method was used for trade receivables and contract assets.

3.6.12 NON - FINANCIAL ASSET WRITE-OFF AND IMPAIRMENT

(in €)	2020	2019 (adj)
Impairment loss on inventories	104,118	196,065
Loss on sale of fixed assets	3,327	0
Impairment loss on fixed assets	188,392	14,067
Total	**295,837**	**210,133**

Impairment losses on intangible assets and property, plant and equipment of total €188,392 (2019: €14,067) equal the present value of written-off development projects and tools relating to production ranges that were either abolished, eliminated or sold for scrap.

The impairment loss on inventories in the amount of €104,118 (2019: €196,065) comprises the impairment and write-off of inventories due either to their revaluation to the net realisable value or to partial or complete destruction of inventories.

3.6.13 NET FINANCIAL RESULT

(in €)	2020	2019 (adj)
Proceeds from loans granted to subsidiaries	2,262	0
Financial income from investments in subsidiaries measured at cost	**2,262**	**0**

(in €)	2020	2019 (adj)
Interest income on loans granted to others	4	7,593
Interest income on trade receivables	0	402
Financial income from financial assets measured at amortised cost	**4**	**7,995**

(in €)	2020	2019 (adj)
Exchange rate gains	9,951	737
Financing income - discounts	11,222	4,819
Financial income from valuation of investment property at fair value	0	4,167
Other financial income	**21,173**	**9,723**

(in €)	2020	2019 (adj)
Interest expenses on borrowings and actuarial restatements	118,295	117,093
Interest on leasing	53,837	46,506
Financial expenses from financial liabilities measured at amortised cost	**172,133**	**163,599**

(in €)	2020	2019 (adj)
Other financial expenses (default interest on taxes and contributions)	0	8
Interest expense	50	1,302
Exchange rate losses	12,615	6,528
Other financial expenses	**12,665**	**7,838**

(in €)	2020	2019 (adj)
Net financial result	**-161,358**	**-153,718**

3.6.14 EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the net profit belonging to the owners by the weighted average number of ordinary shares, excluding all the ordinary shares held by the Company. As the Company holds no dilutive ordinary shares, the basic earnings per share equals the amount of diluted earnings per share.

Net earnings per share
Net earnings per share in 2020: €7.18
Net earnings per share in 2019: €8.68

The Company calculates the basic earnings per share (EPS) by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Total comprehensive income per share
Total comprehensive income per share in 2020: €7.25
Total comprehensive income per share in 2019: €9.50

Carrying value per share
Carrying value per share at 31 Dec 2020: €54.71
Carrying value per share at 31 Dec 2019: €48.87

3.6.15 TAXES

A. INCOME TAX

(in €)	2020	2019
Current tax expense		
Tax payable	234,164	0
Changes relating to the previous years	0	0
Total tax	**234,164**	**0**
Deferred tax expense		
Formation and elimination of temporary differences	0	0
Change in tax rate	0	0
Recognition of previously unrecognised tax losses	106,360	42,497
Recognition of previously unrecognised (or derecognition of previously recognised) deductible temporary differences	0	0
Total deferred tax	**106,360**	**42,497**
Tax expense (continuing operations)	**340,524**	**42,497**

Tax return:

(in €)	2020	2019
Revenue determination based on accounting rules	32,172,603	37,132,155
Revenue reduction to tax recognised revenue	-20,147	-9,374
Revenue recognised for tax purposes	**32,152,455**	**37,122,781**
Expense determination based on accounting rules	28,953,792	33,616,984
Expense reduction to tax recognised expenditure	-358,764	-292,646
Expense increase to tax recognised expenditure	226,508	78,542
Expenditure recognised for tax purposes	**28,821,536**	**33,402,881**
Increase in tax base	**116,884**	**107,599**
Tax base before tax relief	**3,447,803**	**3,827,499**
Decrease in tax base and tax relief	**-2,172,116**	**-3,827,499**
Tax base	**1,275,687**	**0**
TAX (19%)	**242,381**	**0**
DEFERRED TAX	**106,360**	**42,497**
EFFECTIVE TAX RATE	**12.2%**	**1.2%**

B. MOVEMENTS IN DEFERRED TAX ASSETS

(in €)	Tax loss
At 1 Jan 2019	**474,920**
Charged/credited to profit or loss	-42,497
Charged/credited to other comprehensive income	0
At 31 Dec 2019	**432,424**
Charged/credited to profit or loss	-106,360
Charged/credited to other comprehensive income	0
At 31 Dec 2020	**326,063**

C. MOVEMENTS IN DEFERRED TAX LIABILITIES

(in €)	Fixed asset revaluation
At 1 Jan 2019	**1,715,869**
Charged/credited to other comprehensive income	81,685
At 31 Dec 2019	**1,797,554**
Charged/credited to other comprehensive income	-63,096
At 31 Dec 2020	**1,734,459**

D. UNCERTAINTY REGARDING FUTURE TAXABLE PROFITS

Deferred tax assets are recognised on account of unused tax losses as based on its medium-term business plan, the organisation expects its performance to be profitable in the future.

3.6.16 CHANGES IN OTHER COMPREHENSIVE INCOME

Unrealised actuarial gains and losses in the amount of -€35,062 (2019: -€19,640) refer to provisions for retirement benefits.

The change in the revaluation reserves of total €63,096 arose on the elimination of deferred tax liabilities utilised in accordance with the Corporate Income Tax legislation, while €348,238 reported in 2019 refers to the revaluation of land under the revaluation model.

3.6.17 INTANGIBLE ASSETS AND OTHER NON-CURRENT ASSETS

Intangible assets and other non-current assets comprise long-term property rights and long-term deferred development costs.

Movements in intangible assets and other non-current assets in 2020 and 2019 are presented below (in EUR):

	R&D expenses	Industrial and other rights	IA being acquired	Other non-current assets	Total
Cost					
1 Jan 2020	**4,348,830**	**449,092**	**172,031**	**2,961**	**4,972,914**
Additions	**0**	**0**	**641,509**	**103,629**	**707,037**
Transfer from assets being acquired	**80,512**	**192,917**	**-273,429**	**0**	**0**
Disposals	**0**	**0**	**0**	**0**	**0**
Write-downs	**-220,000**	**0**	**0**	**-31,747**	**-251,747**
Reclassification	**0**	**0**	**0**	**0**	**0**
31 Dec 2020	**4,209,342**	**642,010**	**540,110**	**74,843**	**5,466,305**
Accumulated amortisation					
1 Jan 2020	**3,136,707**	**256,944**	**0**	**0**	**3,393,651**
Amortisation	**393,293**	**39,940**	**0**	**0**	**433,233**
Write-downs	**-47,737**	**0**	**0**	**0**	**-47,737**
Reclassification	**0**	**0**	**0**	**0**	**0**
31 Dec 2020	**3,482,263**	**296,883**	**0**	**0**	**3,779,146**
Carrying amount at 1 Jan 2020	1,212,123	192,148	172,031	2,961	1,579,263
Carrying amount at 31 Dec 2020	727,078	345,127	540,110	74,843	1,687,158

	R&D expenses	Industrial and other rights	IA being acquired	Other non-current assets	Total
Cost					
1 Jan 2019	**3,752,162**	**415,920**	**417,402**	**20,939**	**4,606,423**
Additions	**0**	**0**	**395,795**	**0**	**395,795**
Transfer from assets being acquired	**596,668**	**43,773**	**-641,166**	**0**	**-725**
Disposals	**0**	**0**	**0**	**0**	**0**
Write-downs	**0**	**-10,600**	**0**	**-17,978**	**-28,578**
Reclassification	**0**	**0**	**0**	**0**	**0**
31 Dec 2019	**4,348,830**	**449,092**	**172,031**	**2,961**	**4,972,915**
Accumulated amortisation					
1 Jan 2019	**2,846,058**	**228,281**	**0**	**0**	**3,074,339**
Amortisation	**290,650**	**29,498**	**0**	**0**	**320,148**
Write-downs	**0**	**-836**	**0**	**0**	**-836**
Reclassification	**0**	**0**	**0**	**0**	**0**
31 Dec 2019	**3,136,707**	**256,944**	**0**	**0**	**3,393,651**
Carrying amount at 1 Jan 2019	**906,104**	**187,638**	**417,402**	**20,939**	**1,532,085**
Carrying amount at 31 Dec 2019	**1,212,123**	**192,150**	**172,031**	**2,961**	**1,579,264**

Long-term property rights amounting to €345,127 (2019: €192,148) comprise investments in software. Long-term deferred costs of developing new products of total €1,267,188 (2019: €1,311,501) include the cost of prototype construction and testing, the construction and catalogue documentation, and the development of technology used in these projects. Of that, €540,110 (2019:€99,378) refers to projects that have not yet been completed as at 31 December 2020 and are reported under the items of intangible assets being acquired. In 2020, the Company reports a total €521,244 of deferred development costs (2019: €281,164). The amortisation period of a development project is 5 years.
All the items of intangible assets are subject to amortisation.

3.6.18 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

Movements in property, plant and equipment in 2020 and 2019 are presented below (in EUR):

	Land	Buildings	Manufacturing plant and equipment	Low-value assets and major tools	Other equipment	Assets under construction	Right-of-use equipment	Total:
Cost								
1 Jan 2020	**5,257,453**	**8,271,718**	**14,645,260**	**3,711,636**	**1,999,769**	**460,039**	**3,603,902**	**37,949,777**
Additions	**0**	**0**	**0**	**0**	**0**	**3,926,148**	**0**	**3,926,148**
Transfer from assets being acquired	**275,723**	**635,656**	**595,196**	**177,134**	**189,547**	**-3,037,339**	**1,164,083**	**0**
Disposals	**-9,745**	**0**	**0**	**0**	**0**	**0**	**0**	**-9,745**
Write-downs	**0**	**-3,252**	**-744,813**	**0**	**-21,906**	**0**	**0**	**-769,970**
Reclassification	**0**	**0**	**222,702**	**0**	**0**	**0**	**-222,702**	**0**
31 Dec 2020	**5,523,431**	**8,904,123**	**14,718,345**	**3,888,770**	**2,167,410**	**1,348,849**	**4,545,284**	**41,096,211**
								0
Accumulated depreciation								**0**
1 Jan 2020	**0**	**355,979**	**13,052,976**	**3,166,735**	**1,300,415**	**0**	**542,430**	**18,418,535**
Depreciation	**0**	**220,301**	**490,836**	**247,347**	**226,016**	**0**	**437,590**	**1,622,090**
Write-downs	**0**	**-75**	**-728,684**	**0**	**-21,906**	**0**	**0**	**-750,664**
Reclassification	**0**	**0**	**34,187**	**0**	**0**	**0**	**-34,187**	**0**
31 Dec 2020	**0**	**576,205**	**12,849,315**	**3,414,082**	**1,504,525**	**0**	**945,833**	**19,289,960**
Carrying amount at 1 Jan 2020	**5,257,453**	**7,915,739**	**1,592,284**	**544,901**	**699,354**	**460,039**	**3,061,472**	**19,531,242**
Carrying amount at 31 Dec 2020	**5,523,431**	**8,327,918**	**1,869,029**	**474,688**	**662,884**	**1,348,849**	**3,599,451**	**21,806,250**

	Land	Buildings	Manufacturing plant and equipment	Low-value assets and major tools	Other equipment	Assets under construction	Right-of-use equipment	Total:
Cost								
1 Jan 2019	**5,206,979**	**7,233,881**	**13,908,441**	**3,588,856**	**1,729,167**	**12,136**	**2,262,368**	**33,941,827**
Additions	**0**	**0**	**0**	**0**	**0**	**3,811,675**	**0**	**3,811,675**
Transfer from assets being acquired	**0**	**661,457**	**883,577**	**217,096**	**289,943**	**-3,363,772**	**1,341,534**	**29,835**
Disposals	**0**	**-3,069**	**-146,758**	**-94,316**	**-19,342**	**0**	**0**	**-263,485**
Write-downs	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Revaluation	**50,474**	**379,449**	**0**	**0**	**0**	**0**	**0**	**429,923**
Reclassification	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
31 Dec 2019	**5,257,453**	**8,271,718**	**14,645,260**	**3,711,636**	**1,999,769**	**460,039**	**3,603,902**	**37,949,776**
								0
Accumulated depreciation								**0**
1 Jan 2019	**0**	**167,207**	**12,863,214**	**3,023,575**	**1,134,993**	**0**	**208,539**	**17,397,528**
Depreciation	**0**	**188,915**	**336,325**	**236,474**	**184,584**		**333,891**	**1,280,189**
Write-downs	**0**	**-143**	**-146,563**	**-93,314**	**-19,162**	**0**	**0**	**-259,182**
Reclassification	**0**	**0**	**0**	**0**	**0**	**0**		**0**
31 Dec 2019	**0**	**355,979**	**13,052,976**	**3,166,735**	**1,300,415**	**0**	**542,430**	**18,418,535**
Carrying amount at 1 Jan 2019	**5,206,979**	**7,066,674**	**1,045,227**	**565,281**	**594,174**	**12,136**	**2,053,829**	**16,544,299**
Carrying amount at 31 Dec 2019	**5,257,453**	**7,915,739**	**1,592,284**	**544,901**	**699,354**	**460,039**	**3,061,472**	**19,531,241**

The organisation applies straight-line depreciation method. Depreciation 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 %):

(in €)	2020	2019
Buildings	**2.33 - 3.33**	**2.33 - 3.33**
Landscaping	**1.5 - 6.6**	**1.5 - 6.6**
Parts of buildings	**6**	**6**
Manufacturing plant	**7.0 - 20.0**	**7.0 - 20.0**
Computer hardware and software	**33.3**	**33.3**
Motor vehicles	**14.3 - 20.0**	**14.3 - 20.0**
Concessions, trademarks and licences	**10.00 - 20.00**	**10.00 - 20.00**
Long-term deferred development costs	**20**	**20**
Other equipment	**5.0 - 25.0**	**5.0 - 25.0**

The carrying amount of the right-of-use assets amounts to €3,599,451 as at 31 December 2020 (2019: €3,061,472), calculated as the present value of future lease payments for an individual asset. The right-of-use assets include leases previously (before transition date 1 January 2019) accounted for as finance leases, discounted at the interest rate agreed in the contracts.

The items of property, plant and equipment under construction and manufacture of total €1,348,849 (2019: €460,039) refer mainly to investments made in real estate, primarily in the new production hall (€958,458), offices (€104,675), new business premises (€50,490), and other investments in real estate of total €103,651; €32,448 was invested in equipment and elevator for the trailer line, €54,393 in tools, €18,000 in measuring machine, and €26,734 in other tools.

As at 31 December 2020, the organisation has €1,082,240 of commitments (contracts and confirmed orders) for the purchase of property, plant and equipment (2019: €501,530).

At the end of the financial year, the Company checked whether there had been significant changes in the assumptions used in the most recent valuation of buildings and land. It was determined that no significant changes occurred either in the assumptions used or the real estate market that would significantly affect the assessed fair value of business facilities.

Real estate is mortgaged as collateral for €4,202,158 of long-term borrowings raised from a commercial bank. There are no restrictions to the organisation's use of these facilities.

3.6.19 INVESTMENT PROPERTY

	Investment property
Carrying amount	
1 Jan 2020	**87,183**
Additions	**0**
Fair value change	**0**
Disposals	**0**
31 Dec 2020	**87,183**

	Investment property
Carrying amount	
1 Jan 2019	**83,016**
Additions	**0**
Fair value change	**4,167**
Disposals	**0**
31 Dec 2019	**87,183**

As at 31 December 2020, SIP, d. d. discloses under investment property a facility worth €87,183, which is leased out. The investment property is measured at fair value.

At the end of the financial year, the organisation checked whether there had been significant changes in the assumptions used in the most recent valuation of investment property. It was determined that no significant changes occurred either in the assumptions used or the real estate market that would significantly affect the assessed fair value of business facilities.

In relation to the investment property, the Company recognised €8,000 of rental income in profit or loss (2019: €9,000), while no direct expenses associated with the investment property are reported.

3.6.20 INVESTMENTS IN SUBSIDIARIES

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Shares and interests in subsidiaries	28,998	18,027	8,027
Total	**28,998**	**18,027**	**8,027**

A. SUBSIDIARIES

Subsidiary	Business address	Ownership share	Equity at 31 Dec 2020	Net profit or loss in 2020
SIP DISTRIBUCIJA D.O.O.	NOVAKI PETROVSKI 4A, JASTREBARSKO	100%	27,752	8,026
S.A.R.L. SIP FRANCE	1006 ROUTE DEPARTEMENTALE FRANCIN, PORTE DE SAVOIE	100%	25,255	26,494
SIP DISTRIBUTION UK LTD	NORTONBURY HOUSE, 37 HIGH STREET, TEWKESBURY GLOS	100%	10,971	0

Although established, SIP DISTRIBUTION UK LTD did not start its operations in the financial year 2020.

B. CARRYING AMOUNT OF SUBSIDIARIES

	31 Dec 2020	31 Dec 2019
SIP DISTRIBUCIJA D.O.O.	8,027	8,027
S.A.R.L. SIP FRANCE	10,000	10,000
SIP DISTRIBUTION UK LTD	10,971	0

C. MOVEMENT OF INVESTMENTS IN SUBSIDIARIES

	31 Dec 2020
At 1 Jan 2020	18,027
New acquisitions	10,971
Merger	0
Impairment	0
At 31 Dec 2020	28,998

	31 Dec 2019
At 1 Jan 2019	8,027
New acquisitions	10,000
Merger	0
Impairment	0
At 31 Dec 2019	18,027

The most important new acquisitions of subsidiaries in 2020 include:
- Investment in SIP DISTRIBUTION UK LTD (payment of share capital of SIP Distribution UK LTD is the only movement in investments in subsidiaries)

The Company did not identify any impairment indicators of investments in subsidiaries and hence, no impairment test was made.

3.6.21 LONG-TERM OPERATING RECEIVABLES

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Long-term operating receivables	50,417	59,322	59,322
Allowances for long-term operating receivables	-50,417	-59,322	-59,322
Total	**0**	**0**	**0**

Long-term operating receivables comprise €59,322 due from the customer after the confirmed compulsory settlement, and the write-down of long-term receivables due to non-compliance with the financial restructuring programme. A total of €8,905 of receivables were recovered in 2020. The customer is currently undergoing bankruptcy procedures. The receivables are not collateralised.

3.6.22 INVENTORIES

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Materials	3,427,324	2,765,535	2,976,746
Allowances for obsolete inventories	-1,946	-393	-12,693
Work in progress	279,704	332,326	496,741
Semi-finished products	3,746,980	3,524,258	3,558,838
Allowances for obsolete inventories	-652	-145	-71,141
Products	5,612,960	6,918,830	4,066,068
Allowances for obsolete inventories	-23,066	-6,407	-24,282
Merchandise	51	6,035	51
Allowances for obsolete inventories	-51	-3	-51
Total	**13,041,303**	**13,540,035**	**10,990,277**

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

Inventory category	Carrying amount at 31 Dec 2020	Inventory surplus	Inventory deficit	Write-off due to the change in quality	Impairment to net realisable value	Net realisable value
Materials	**3,425,378**	**11,737**		**31,571**	**1,946**	**3,425,378**
Work in progress	**279,704**					**279,704**
Semi-finished products	**3,746,327**		**3,935**	**53,780**	**652**	**3,746,327**
Products	**5,589,894**				**23,066**	**5,589,894**
Merchandise	**0**				**51**	**0**
Total	**13,041,303**	**11,737**	**3,935**	**85,351**	**25,715**	**13,041,303**

The carrying amount of inventories does not exceed their realisable value. Inventories are pledged as collateral for the payment of €3,000,000 of long-term borrowings.

3.6.23 TRADE RECEIVABLES

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Trade receivables from local customers	578,522	549,594	919,761
Trade receivables from foreign customers	3,534,449	3,970,460	3,552,385
Other receivables	599,506	457,779	529,077
Allowances for trade receivables on account of expected lifelong credit losses	-200,192	-172,024	-150,752
Total	**4,512,286**	**4,805,810**	**4,850,472**

All the amounts are current. The net carrying amount of receivables is a reasonable approximation of their fair value. Trade receivables are accounted for as financial assets at amortised cost, which are expected to be repaid within 6 months at the latest. Thus, any potential effect of the difference between the effective interest rate and the market interest rate is negligible.

The Company impaired its receivables in accordance with IFRS 9 based on a simplified approach, taking into account the expected lifelong credit losses on receivables using the allowance matrix. Information on the credit risk exposure is described in detail in the Risk Management section of the Annual Report. In the calculation of the expected credit losses, trade receivables were accounted for as a group based in individual maturity classes. The expected credit loss was calculated based on the past three-year period and the loss incurred during that period. Historical data was revised to reflect future expectations and consequently allowance was recognised also for receivables that have yet to mature. The Company based its forecasts on the expected employment rate in various countries where its customers operate.

Receivables are written-off when there are no longer any reasonable expectations of repayment.

As at 31 December 2020, €3,079,536 of trade receivables has not matured (2019: €3,983,211); receivables due and outstanding up to 90 days amount to €537,761 (2019: €295,941), receivables due and outstanding more than 90 days and up to 1 year amount to €316,855 (2019: 81,479), and €178,819 of receivables is outstanding more than one year (2019: €159,423). No receivables are insured against payment default. No trade receivables due from others have matured.

Movements in trade receivable allowance in 2020 in €

At 1 Jan 2020	172,024
Increase	34,835
Decrease	-6,667
At 31 Dec 2020	200,192

Movements in trade receivable allowance in 2019 in €

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

The organisation discloses no receivables against members of the Management Board as at 31 December 2020.

3.6.24 OTHER FINANCIAL ASSETS AND LOANS GRANTED

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Loans to group companies	102,262	100,000	0
Short-term loans granted	1,000	1,001	1,000
Total	**103,262**	**101,001**	**1,000**

Loans granted are accounted for as financial assets at amortised cost using the effective interest rate. Based on the assessment of a debtor's creditworthiness, the Company assesses whether an individual loan granted belongs to the category for which either a lifelong credit loss or a 12-month credit loss should be accounted for. As there were no significant changes in credit risk after the loans were granted, a 12-month credit loss was calculated for existing loans.

3.6.5 CASH AND CASH EQUIVALENTS

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Cash in hand	600	600	600
Bank balances	44,639	49,772	11,303
Total	**45,239**	**50,372**	**11,903**

The organisation has agreed with commercial banks overdrafts on its business account in the amount of €3,000,000 as an additional source of current liquidity. At the year-end, the balance of the account has not changed as the organisation did not make use of the overdraft facility.

3.6.26 ADVANCES AND OTHER CURRENT ASSETS

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Advances for fixed assets	227,240	54,194	30,593
Advances for inventories	0	773	2,120
Other advances	15,839	17,135	22,888
Deferred and accrued items	164,026	223,877	21,207
Total	**407,104**	**295,978**	**76,808**

Deferred costs and accrued revenue refer to prepaid costs and short-term accrued revenues associated with the co-financed development projects.

3.6.27 EQUITY

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Share capital	1,724,695	1,724,695	1,724,695
Share premium	1,609,555	1,609,555	1,609,555
Legal reserves	0	0	0
Treasury shares	-147,612	-144,972	-230,392
Reserves for treasury shares	147,612	144,972	230,392
Revaluation reserve	7,726,354	7,663,258	7,315,020
Fair value reserve	-97,711	-72,535	-56,182
Retained earnings	8,795,543	5,814,859	3,398,389
Net profit for the year	2,870,067	3,472,675	2,927,867
Total	**22,628,506**	**20,212,507**	**16,919,344**

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 2020, the organisation purchased 132 (0.03%) treasury shares at the price of €20 per share.

The following movements in treasury shares were recorded in 2020:

Item	Quantity	Holding in share capital
At 1 Jan 2020	13,910	3.36%
Purchases	132	0.03%
Disposals	0	0.00%
At 31 Dec 2020	14,042	3.40%

The weighted average number of ordinary shares outstanding during the financial year 2020 was 399.947 shares

Share premium of €1,609,555 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 treasury shares sold.

Revaluation reserves include revaluation of land in the amount of €4,875,827, less €926,407 of deferred tax, and buildings in the amount of €4,584,986, less €808,052 of deferred tax.

Fair value reserve comprises actuarial losses as at 31 December 2020 of €97,711.

A. Movements in revaluation reserve

	Land	Buildings	Deferred tax liabilities	Total
At 1 Jan 2020	4,875,826	4,584,986	-1,797,554	7,663,258
Effects of deferred tax liabilities restatement	0	0	63,096	63,096
Positive revaluation	0	0	0	0
Negative revaluation	0	0	0	0
At 31 Dec 2020	4,875,826	4,584,986	-1,734,458	7,726,354

	Land	Buildings	Deferred tax liabilities	Total
At 1 Jan 2019	4,825,352	4,205,537	-1,715,869	7,315,020
Positive revaluation	50,474	379,449		429,923
Negative revaluation			-81,685	-81,685
At 31 Dec 2019	4,875,826	4,584,986	-1,797,554	7,663,258

Deferred tax liabilities refer to the tax on account of the revaluation of land to its fair value, calculated based on the corporate income tax rate of 19 percent applicable in 2020.

B. Movement in fair value reserve

	Actuarial gains	Actuarial losses	Total
At 1 Jan 2020	0	-72,535	-72,535
Positive revaluation	0	9,887	9,887
Negative revaluation	0	-35,062	-35,062
At 31 Dec 2020	0	-97,711	-97,711

	Actuarial gains	Actuarial losses	Total
At 1 Jan 2019	0	-56,182	-56,182
Positive revaluation	0	3,287	3,287
Negative revaluation	0	-19,640	-19,640
At 31 Dec 2019	0	-72,535	-72,535

C. Statement of distributable profit

(in €)	2020	2019 (adj)
Net profit for the year	2,870,069	3,472,674
Retained earnings/accumulated loss b/f	9,287,534	6,326,256
Decrease in share premium	0	0
Decrease in profit reserves	0	85,420
Increase in profit reserves - decision of the management and supervisory bodies	0	0
Elimination of actuarial gains/losses through profit or loss	-9,887	-3,287
Dividends paid	-479,465	-593,529
Formation of reserves for treasury shares	-2,640	0
Long-term deferred development costs	-1,267,188	-1,384,153
Distributable profit at the end of the period	**10,398,423**	**7,903,381**

D. Ownership structure of SIP d. d.

SHAREHOLDERS of SIP d. d.	Number of shares at 31 Dec 2020	Holding in %	Number of shares at 31 Dec 2019	Holding in %
CCM d. o. o.	159,356	38.53	159,356	38.53
KORŽE d. o. o.	68,847	16.65	68,847	16.65
HOLINVEST d. o. o.	50,139	12.12	50,139	12.12
LAFIN d. o. o.	32,000	7.74	32,000	7.74
MSE d. o. o.	28,500	6.89	28,500	6.89
JOSEF KNÜSEL, LANDMASCHINEN	19,835	4.80	19,835	4.80
IMP PUMPS d. o. o.	14,622	3.54	14,622	3.54
SIP d. d., ŠEMPETER - treasury shares	14,042	3.40	13,910	3.36
EKORELEX d. o. o.	13,370	3.23	13,370	3.23
Other shareholders	12,885	3.12	13,017	3.15
Total:	**413,596**	**100**	**413,596**	**100**

As at 31 December 2020, the members of the Management Board were indirect owners of 306,842 shares (holders of a 74.19% stake in the organisation's ownership structure).

The distributable profit of the organisation amounts to €10,389,423 as at 31 December 2020 (2019: €7,903,381).

The balance of individual equity components as at 1 January 2020 and 31 December 2020, and changes to the individual components of equity in 2020, are reported in the Statement of changes in equity.

The profit available for distribution remains unappropriated until the Company's General Assembly is convened.

3.6.28 PROVISIONS FOR POST-EMPLOYMENT AND OTHER NON-CURRENT EMPLOYEE BENEFITS

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Provisions for severance pay	584,316	595,695	551,853
Provisions for jubilee awards	91,167	91,785	89,785
Total	**675,483**	**687,480**	**641,639**

Provisions for post-employment and other non-current employee benefits consist of provisions for retirement benefits and jubilee awards. Provisions are made in the amount of estimated future payments of severance pay and jubilee benefits discounted at the end of the financial year. The obligation is calculated by estimating the cost of retirement benefits upon retirement and the cost of all expected anniversary bonuses until retirement.

Movement of provisions in 2020 and 2019 is presented below (in EUR):

	Termination benefits	Jubilee awards
At 1 Jan 2020	**595,695**	**91,785**
Employee benefits	61,266	17,835
Past service cost	0	0
Interest expense	2,428	403
Pay-out	-110,134	-11,258
Actuarial gains/losses	35,062	-7,598
At 31 Dec 2020	**584,316**	**91,167**
At 1 Jan 2019	**551,853**	**89,785**
Employee benefits	55,575	17,866
Past service cost	0	0
Interest expense	5,408	851
Pay-out	-36,781	-8,730
Actuarial gains/losses	19,640	-7,987
At 31 Dec 2019	**595,695**	**91,785**

Estimates and assumptions

Actuarial calculation is based on the following significant assumptions: discount rate, average wage growth and mortality rates.

	31 Dec 2020	31 Dec 2019
Discount rate	**0.40%**	**0.50%**
Average wage growth	**1.50%**	**1.50%**
Mortality rate		
Male, age 45 years	0.34%	0.34%
Female, age 45 years	0.14%	0.14%
Male, age 65 years	2.00%	2.00%
Female, age 65 years	0.80%	0.80%

Provisions are determined by discounting, at the reporting date, the estimated future benefits in respect of retirement benefits and anniversary bonuses paid to employees. The obligation is calculated for each employee by estimating the costs of termination benefits upon retirement and the costs of all expected anniversary bonuses until retirement. The calculation is made by a certified actuary using the projected unit credit method.

The discount rate is set at the rate of the corporate bonds return with maturity similar to the average maturity of provisions.

The present value of provisions was calculated using the projected unit credit method.

The weighted average maturity of provisions for post-employment benefits as at 31 December 2020 is 20.0 years (2019: 18.6 years).

If the discount rate decreased by 0.5%, provisions for severance payments would increase by €28,368, and provisions for jubilee awards by €3,897. If the discount rate increased by 0.5%, provisions for severance payments would decrease by €25,827, and provisions for jubilee awards by €3,597. Future long-term real 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 €14,603, while a 0.5% annual increase in future wage growth would result in an increase of the provisions for severance payments by €18,269.

3.6.29 OTHER PROVISIONS and OTHER NON - CURRENT LIABILITIES

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Product warranties	59,431	0	0
Total	**59,431**	**0**	**0**

Provisions for warranty repairs refer to future warranty repairs of machinery. Based on the costs of warranty repairs incurred in the past, they were estimated at 0.2% of products sold during the financial year.

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Long-term operating liabilities	0	33,816	0
Exempt assets	4,120	3,711	4,698
Other provisions	4,936	15,514	26,092
Total	**9,056**	**53,041**	**30,789**

Long-term accrued and deferred items refer to €4,936 received as a grant under co-financing of new technology equipment (2019: €15,514), less the attributable depreciation.

Exempt assets refer to the exempt pension and disability insurance contributions for employment of persons with disabilities above the prescribed quota.

Movements in other provisions and other non-current liabilities in 2020 and 2019:

Category	Warranty repairs	Exempt assets	Other provisions
At 1 Jan 2020	0	3,711	15,514
Formation	59,431	51,359	0
Utilisation	0	-50,950	-10,578
Reversal	0	0	0
At 31 Dec 2020	59,431	4,120	4,936
At 1 Jan 2019	0	4,698	26,092
Formation	0	50,272	0
Utilisation	0	-51,259	-10,578
Reversal	0	0	0
At 31 Dec 2019	0	3,711	15,514

3.6.30 FINANCIAL LIABILITIES AND LEASE LIABILITIES

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Long-term financial liabilities to banks	6,273,586	4,059,524	4,845,238
Long-term lease liabilities	1,347,927	1,493,826	1,086,446
Short-term borrowings from local banks	928,571	5,938,167	654,762
Other short-term financial liabilities	508,989	30,642	29,246
Short-term lease liabilities	982,798	1,004,887	468,039
Total	**10,041,871**	**12,527,046**	**7,083,731**

The Company raised long-term borrowings from commercial banks for the construction of a facility. At the year-end, the balance available to the Company stands at €1,357,366. In addition, the Company raised €6,000,000 of short-term bridging loans to ensure its current solvency. By the year-end, none of these funds have been withdrawn.
Other short-term financial liabilities of €479,465 refer to dividends payable for the financial year 2019.

(in €) 31 Dec 2020	At fair value through profit or loss	At amortised cost
Long-term financial liabilities to banks	6,273,586	6,273,586
Long-term lease liabilities	1,347,927	1,347,927
Short-term borrowings from local banks	928,571	928,571
Other short-term financial liabilities	508,989	508,989
Short-term lease liabilities	982,798	982,798
Total	**10,041,871**	**10,041,871**

(in €) **31 Dec 2019**	**At fair value through profit or loss**	**At amortised cost**
Long-term financial liabilities to banks	4,059,524	4,059,524
Long-term lease liabilities	1,493,826	1,493,826
Short-term borrowings from local banks	5,938,167	5,938,167
Other short-term financial liabilities	30,642	30,642
Short-term lease liabilities	1,004,887	1,004,887
Total	**12,527,046**	**12,527,046**

A. REPAYMENT TERMS AND CONDITIONS, AND SCHEDULE

Borrowings and leases are recognised at amortised cost using the effective interest method.

Long-term financial liabilities to banks maturing in 2026 and 2028 are linked to a fixed interest rate and 6-month EURIBOR. The current amount of long-term liabilities of €928,571 is disclosed under short-term financial liabilities to banks.
The borrowings are collateralised by a mortgage on real estate and inventory of finished and semi-finished products up to the carrying amount of the borrowings.

The carrying amount of long-term financial liabilities to banks maturing over a period of more than 5 years stands at €1,830,952.

Lease liabilities payable over a period 2020-2024 are linked to a fixed interest rate and 3- and 6-month EURIBOR. The current amount of the long-term lease liabilities of €982,798 is reported under short-term financial liabilities. Lease liabilities are collateralised by the pledge of property, plant and equipment. Annual interest rates on leases range from fixed 1.70% to 6-month Euribor + 3%.

Short-term borrowings raised from local banks are included in the current amounts of long-term financial liabilities to banks.

Short-term lease liabilities refer to the current amount of long-term lease liabilities.

B. MOVEMENTS IN FINANCIAL LIABILITIES

	2020
At 1 Jan 2020	**12,527,046**
Receipts from borrowings	**6,877,812**
Payments for borrowings	**-9,653,098**
Receipts from other financial liabilities	**609,861**
Expenditure on other financial liabilities	**-132,183**
Rental income	**1,389,651**
Lease expenditure	**-1,577,216**
At 31 Dec 2020	**10,041,872**

	2019
At 1 Jan 2019	**7,083,731**
Receipts from borrowings	**5,117,170**
Payments for borrowings	**-628,472**
Receipts from other financial liabilities	**732,570**
Expenditure on other financial liabilities	**-731,174**
Rental income	**2,056,387**
Lease expenditure	**-1,103,167**
At 31 Dec 2019	**12,527,046**

C. COMPLIANCE WITH FINANCIAL COVENANTS

The following financial covenants have been agreed on bank borrowings:
- equity share of at least 45% of the balance sheet total
- EBITDA/net debt ratio 1:3.5
- no more than 40% reduction in the number of employees

As at 31 December 2020, the Company complies with all the above covenants.

3.6.31 TRADE PAYABLES

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Payables to local suppliers	3,194,785	2,961,350	3,957,125
Payables to foreign suppliers	1,834,464	1,450,163	2,178,003
Payables for uncharged goods and services	90,736	41,443	30,756
Other payables	901,954	591,619	702,445
Total	**6,021,939**	**5,044,574**	**6,868,329**

At 31 December 2020, payables to the members of the Management Board and shareholders amount to €77,588 (2019: €25,010).

All the amounts are current. The carrying amount of trade payables is an approximation of their fair value.

3.6.32 PAYABLES TO THE GROUP

(in €)	31 Dec 2020	31 Dec 2019 (p)	1 Jan 2019 (p)
Payables to group companies	105,862	69,292	0
Total	**105,862**	**69,292**	**0**

The amounts are payable to SIP DISTRIBUCIJA d.o.o. and S.A.R.L. SIP FRANCE.

3.6.33 PAYABLES FOR ADVANCES

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Short-term advances received from local customers	2,068	13,278	17,744
Short-term advances received from foreign customers	728,563	33,457	1,225,364
Total	**730,631**	**46,736**	**1,243,108**

Contractual obligations arising from the contracts with customers refer to performance obligations that have yet to be fulfilled and relate to advances received.

Contract assets and contract liabilities arising from contracts with customers:

(in €)	2020	2019 (adj)
Contract assets	0	0
Contract liabilities	730,631	46,736
Total	**-730,631**	**-46,736**

3.6.34 OTHER PAYABLES

(in €)	31 Dec 2020	31 Dec 2019 (adj)	1 Jan 2019 (adj)
Other payables	37,607	3,106	70,000
Total	**37,607**	**3,106**	**70,000**

Other payables refer to accrued expenses.

3.6.35 RELATED PARTY TRANSACTIONS

Related parties include all companies in the group and members of the key management.

A. TRANSACTIONS WITH SUBSIDIARIES

Transactions with subsidiaries (inclusive of VAT)	Liabilities	Receivables
SIP DISTRIBUCIJA d.o.o.	58,984	62,165
S.A.R.L. SIP FRANCE	320,048	73,331

The related party transactions disclosed relate to the procurement and charge-back of services.

3.6.36 CONTINGENCIES

As at 31 December 2020, SIP, d. d. reports the following contingent liabilities:

- Customs guarantee for the financial year under review of €3,000, the same as in 2019
- Real estate pledged as collateral for borrowings amounting to €4,202,158 (2019: €8,197,020)
- Guarantee issued to the municipality to the amount of €33,816 (2019: €91,800)
- Pledge of the inventory of finished and semi-finished products worth €3,000,000 (2019: €0)

TOTAL: €7,238,974 (2019: €8,197,020)

3.6.37 NOTES TO THE CASH FLOW STATEMENT

Data referring to individual items of the cash flow statement compiled under the direct method, have been obtained directly from the books of account.

Receipts from operating activities in the amount of €36,595,681 comprise receipts from the sale of products and services, advances received, VAT received and other receipts associated with products and services, of which the largest amount refers to recovered bad debts, compensation received and other receipts (2019: 36,241,475).

Disbursements from operating activities in the amount of €29,344,161 comprise disbursements for the purchase of materials and services, wages and taxes, as well as other disbursements from operating activities, such as fines paid, compensation paid, and other disbursements (2019: €36,631,299).

Receipts from investing activities in the amount of €24,100 comprise proceeds from the disposal of the items of property, plant and equipment (2019: €573,758).

Disbursements for investing activities of total €2,950,182 comprise disbursements for the purchase of equipment, as well as disbursements on investments in real estate (2019: €2,546,616).

Receipts from financing activities of total €7,487,673 comprise receipts from short-term and long-term borrowings and receipts from paid-in equity (2019: €6,198,565).

Disbursements from financing activities in the amount of €11,818,243 refer to the repayment of long-term and short-term liabilities and interest paid on financing (2019: €3,797,414). The payment of dividends and disbursements on account of equity repayments is also included in the amount.

3.6.38 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a. Credit risk

The Company actively monitors the balance of its trade receivables. Maximum credit risk exposure at 31 Dec 2020

Item (in €)	Carrying amount at 31 Dec 2020	Carrying amount at 31 Dec 2019
Current loans granted	103,262	101,001
Long-term operating receivables	0	0
Trade receivables	3,912,780	4,348,031
Other receivables	599,506	457,779
Advances and other assets	407,104	295,978
Cash and cash equivalents	45,239	50,372
Total	**5,067,892**	**5,253,161**

Short-term loans granted in the amount of €103,262 are not collateralised as the Company believes they are not exposed to credit risk.

At the reporting date, the largest credit risk exposure stems from trade receivables. Maturity structure of receivables - overdue receivables will be repaid in full once the liquidity situation in the agricultural machinery industry improves (April-May), as the industry is highly seasonal. The Company made appropriate amount of bad debt allowance for disputed and doubtful receivables. Other receivables, most of which have not yet matured, are due from the state institutions (VAT, refund from the Employment Service, other refunds).

Maturity structure of trade receivables:

Item	Not-past due	Due and outstanding up to 30 days	Due and outstanding from 31 to 60 days	Due and outstanding from 61 to 90 days	Due and outstanding in excess of 90 days	Total
Trade receivables	3,079,536	209,686	43,178	284,897	495,674	4,112,971
Other receivables	599,506					599,506
Advances and other assets	407,104					407,105
Total at 31 Dec 2020	**4,086,147**	**209,686**	**43,178**	**284,897**	**495,674**	**5,119,581**

Item	Not-past due	Due and outstanding up to 30 days	Due and outstanding from 31 to 60 days	Due and outstanding from 61 to 90 days	Due and outstanding in excess of 90 days	Total
Trade receivables	3,983,211	197,209	32,274	39,755	95,582	4,348,031
Other receivables	457,779					457,779
Advances and other assets	295,978					295,978
Total at 31 Dec 2019	**4,736,968**	**197,209**	**32,274**	**39,755**	**95,582**	**5,101,788**

Movement in trade receivable allowances:

Item	Trade receivable allowances	Interest receivable allowances	Total
At 1 Jan 2020	172,024	0	172,024
Allowances affecting profit or loss	34,835	0	34,835
Repayments	-6,667	0	-6,667
Write-downs	0	0	0
At 31 Dec 2020	**200,192**	**0**	**200,192**

Item	Trade receivable allowances	Interest receivable allowances	Total
At 1 Jan 2019	150,752	0	150,752
Allowances affecting profit or loss	30,646	0	30,646
Repayments	-9,374	0	-9,374
Write-downs	0	0	0
At 31 Dec 2019	**172,024**	**0**	**172,024**

Trade receivable insurance
Trade receivables are not insured.
The Company is continually improving its credit risk control system.

The receivable management efficiency is measured based on the accounts receivable days criterion.

Item	2020	2019
Average days receivable under contract	44	41
Average maturity of receivables	8	11
Total days receivables	**52**	**52**

No trade receivables are insured.

b) Liquidity risk

The Company is successfully managing liquidity risk by:
- Ensuring an adequate liquidity structure
- Annual planning of required financial resources, as well as monthly and daily monitoring of their adequacy
- A unified approach to banks

The Company has agreed short-term credit lines with the banks, thus ensuring it is able to meet its obligations at all times.

In 2020, the Company ensured careful preparation of its cash flow plans, to be able to forecast any cash surpluses or shortages and secure their optimum management.

Item	Carrying amount	Contractual cash flows	Maturity up to 1 year	Maturity 1-5 years	Maturity more than 5 years
Borrowings	7,202,158	8,995,067	1,039,885	5,586,394	2,368,787
Other financial liabilities	480,135	480,135	480,135		
Lease liabilities	2,330,725	2,395,303	1,022,063	1,373,240	
Accretion of interest	28,854	28,854	28,854		
Payables to suppliers	6,127,801	6,127,801	6,127,801		
Other payables	768,238	768,238	768,238		
Total at 31 Dec 2020	**16,937,911**	**18,795,398**	**9,466,976**	**6,959,634**	**2,368,787**

Item	Carrying amount	Contractual cash flows	Maturity up to 1 year	Maturity 1-5 years	Maturity more than 5 years
Borrowings	10,223,828	10,469,425	6,258,180	3,287,267	923,977
Lease liabilities	2,271,906	2,356,729	823,729	1,533,000	
Payables to suppliers	4,512,312	4,512,312	4,478,496	33,816	
Other payables	712,747	712,747	712,747		
Total at 31 Dec 2019	**17,720,793**	**18,051,213**	**12,273,152**	**4,854,083**	**923,977**

Contractual cash flows include all anticipated interest liabilities and payment of approved borrowings currently not yet drawn.

c. Currency risk

Item	EUR	HRK	GBP	Total
Cash and cash equivalents	45,239	0	0	45,239
Loans granted	103,262	0	0	103,262
Long-term operating receivables	0	0	0	0
Trade receivables	4,232,700	0	279,586	4,512,286
Payables to suppliers	-6,013,710	0	-8,229	-6,021,939
Other payables	-730,631	0	0	-730,631
Financial position exposure (net) at 31 Dec 2020	**-2,363,140**	**0**	**271,357**	**-2,091,783**

Item	EUR	HRK	GBP	Total
Cash and cash equivalents	50,372	0	0	50,372
Loans granted	101,001	0	0	101,001
Long-term operating receivables	0	0	0	0
Trade receivables	4,348,031	0	0	4,348,031
Payables to suppliers	-5,054,396	-101	-9,721	-5,064,218
Other payables	-46,736	0	0	-46,736
Financial position exposure (net) at 31 Dec 2019	**-601,728**	**-101**	**-9,721**	**-611,549**

The following exchange rates applied in 2020 and 2019

for 1 EUR	31.12.2020	31.12.2019
USD	1.2271	1.1234
HRK	7.5519	7.4395
GBP	0.8990	0.8508

d. Price and quantity risk

The Company is exposed to the price and quantity risk arising from the purchase of raw materials used in production and ensures efficient price risk management by maintaining an adequate inventory of production materials. The Company manages the quantitative risks associated with the cyclical nature of production by adjusting the appropriate level of inventory of finished products.

e. Interest rate risk

The Company is exposed to interest rate risk arising from lease contracts agreed at a variable interest rate, which is mostly based on Euribor.

To manage its exposure to interest rate risk, the Company uses the following hedging instruments

- Raising borrowings at a fixed interest rate

Review of the Euribor interest rates in 2020 and 2019:

Item	6-m	3-m	1-m
At 31 Dec 2020 (percentage)	-0.526%	-0.545%	-0.554%
At 31 Dec 2019 (percentage)	-0.324%	-0.383%	-0.438%
Interest rate change (in percentage points)	**-0.202 bp**	**-0.162 bp**	**-0.116 bp**
Minimum value in 2020 (percentage)	-0.526%	-0.545%	- 0.528%
Maximum value in 2020 (percentage)	-0.114%	-0.161%	-0.379%
Change between the maximum and minimum interest rate (in percentage points)	**-0.412 bp**	**-0.384 bp**	**-0.149 bp**
Average value in 2020	-0.367%	-0.427%	-0.499%
Average value in 2019	-0.303%	-0.357%	-0.403%
Change in the average interest rate (in percentage points)	**-0.064 bp**	**-0.070 bp**	**-0.096 bp**

EUIBOR values below 0 are not considered.

Analysis of the cash flow's sensitivity by applying the variable interest rate

As at the reporting date, a change in interest rates by 100 basis point would increase/decrease interest expense by the amounts reported below. The analysis assumes that all remaining variables remain unchanged.

Item	Interest expense (in €)	
	Decrease of 100 bp	Increase of 100 bp
Financial instruments at a variable interest rate at 31 Dec 2020	0	15,320
Financial instruments at a variable interest rate at 31 Dec 2019	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 arising from short-term or long-term liabilities.

f. Capital management

The main purpose of capital management is to ensure the Company's capital adequacy, maximum financial stability and long-term solvency position.

The main purpose of capital management is to ensure the Company's capital adequacy, maximum financial stability and long-term solvency position.

(in €)	31 Dec 2020	31 Dec 2019
Long-term financial liabilities	7,621,513	5,553,350
Short-term financial liabilities	2,420,358	6,973,696
Total financial liabilities	10,041,871	12,527,046
Total capital	22,628,506	20,212,507
Debt/equity	**0.44**	**0.62**
Cash and cash equivalents	45,239	50,372
Net financial liabilities	9,996,632	12,476,674
Net debt/equity	**0.44**	**0.62**

g. The fair value and carrying amounts of financial instruments

The organization has no financial assets and liabilities at fair value.

(in €) 31 Dec 2020	Carrying amount	Fair value
Financial assets at fair value through profit or loss	0	0
Total assets at fair value	**0**	**0**
Short-term financial receivables	103,262	103,262
Trade receivables	4,512,286	4,512,286
Cash and cash equivalents	45,239	45,239
Total non-derivative financial assets at amortised cost	**4,660,787**	**4,660,787**
Bank borrowings and other financial liabilities	-10,041,871	-10,041,871
Trade payables excluding amounts owed to the state, to employees and advances	-5,119,984	-5,119,984
Total non-derivative financial liabilities at amortised cost	**-15,161,856**	**-15,161,856**

(in €) 31 Dec 2019	Carrying amount	Fair value
Financial assets at fair value through profit or loss	0	0
Total assets at fair value	**0**	**0**
Short-term financial receivables	101,001	101,001
Trade receivables	4,805,810	4,805,810
Cash and cash equivalents	50,372	50,372
Total non-derivative financial assets at amortised cost	**4,957,183**	**4,957,183**
Bank borrowings and other financial liabilities	-12,527,046	-12,527,046
Trade payables excluding amounts owed to the state, to employees and advances	-4,452,956	-4,452,956
Total non-derivative financial liabilities at amortised cost	**-16,980,001**	**-16,980,001**

Fair values of financial assets and liabilities according to the fair value hierarchy

Assets at fair value

(in €) 31 Dec 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	0	0	0	**0**
Total assets at fair value	**0**	**0**	**0**	**0**
Short-term financial receivables	0	0	103,262	**103,262**
Trade receivables	0	0	4,512,286	**4,512,286**
Cash and cash equivalents	0	0	45,239	**45,239**
Total assets for which fair value is disclosed	**0**	**0**	**4,660,787**	**4,660,787**
Total assets	**0**	**0**	**4,660,787**	**4,660,787**

(in €) 31 Dec 2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	0	0	0	**0**
Total assets at fair value	**0**	**0**	0	**0**
Short-term financial receivables	0	0	101,001	**101,001**
Trade receivables	0	0	4,805,810	**4,805,810**
Cash and cash equivalents	0	0	50,372	**50,372**
Total assets for which fair value is disclosed	**0**	**0**	**4,957,183**	**4,957,183**
Total assets	**0**	**0**	**4,957,183**	**4,957,183**

Liabilities at fair value

(in €) 31 Dec 2020	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	0	0	0	**0**
Total liabilities at fair value	**0**	**0**	**0**	**0**
Short-term financial liabilities	0	0	-10,041,871	-10,041,871
Trade payables	0	0	-5,119,984	-5,119,984
Total liabilities for which fair value is disclosed	**0**	**0**	**-15,161,856**	**-15,161,856**
Total liabilities	**0**	**0**	**-15,161,856**	**-15,161,856**

(in €) 31 Dec 2019	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	0	0	0	**0**
Total liabilities at fair value	**0**	**0**	**0**	**0**
Short-term financial liabilities	0	0	-12,527,046	-12,527,046
Trade payables	0	0	-4,452,956	-4,452,956
Total liabilities for which fair value is disclosed	**0**	**0**	**-16,980,001**	**-16,980,001**
Total liabilities	**0**	**0**	**-16,980,001**	**-16,980,001**

3.6.39 ADDITIONAL DISCLOSURES UNDER THE COMPANIES ACT AND THE TAKEOVERS ACT

The Company’s share capital of €1,724,695 is represented by 413,596 ordinary freely negotiable registered no-par-value shares.
The Company's shares grant the holders the following rights:
- the right to participate in management,
- the right to a proportionate share of the profits,
- the right to a proportionate share of other assets following the Company's liquidation or bankruptcy

The shares are issued in book-entry form and entered in the central register of the book-entry form of securities at 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 freely transferrable. The Company does not impose any 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 are holders of more than 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 Takeovers Act, 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 Takeovers Act.

3.6.40 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 2020.

3.6.41 THE IMPACT OF THE PANDEMIC ON THE COMPANY'S OPERATIONS

Despite the pandemic, the Company's operations ran smoothly in 2020 as it made considerable efforts to successfully regulate cash flows from sales and supply chain without any consequences for the business.
To combat the threat of a potential disruption of production due to the potential quarantine imposed for all its employees or the interruption of deliveries by suppliers, the Company decided raise slightly the level of inventories of both input materials and products. In addition, the Company secured additional liquid funds by raising short-term borrowings and agreeing overdrafts. However, none of these additional resources were drawn in 2020.
We believe the pandemic did not result in any changes in the sales market that could affect the viability of inventories. Sales are proceeding normally and in the autumn we even noted a slight increase in demand.
No major risks have been identified in respect of trade receivables that could affect the amount of allowances.
Furthermore, we have not perceived any pressure for subsequent price changes,
or any changes resulting from the pandemic that could affect the amount of provisions.
The Company benefited from State aid granted under PKP 2 and exempt contributions for pension and disability insurance of total €241,185.

President of the Management Board
mag. Uroš KORŽE

Šempeter, 19 February 2021

SIP™

CONSTANTIAPRIMIA

INDEPENDENT AUDITORS' REPORT[i]

To the shareholders of the SIP, d.d. Šempeter v Savinjski dolini

Opinion

We have audited the financial statements of the company **SIP, d.d. Šempeter v Savinjski dolini** ("the Company"), which comprise the statement of financial position as of 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of cash flows, and the statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of Financial Statements* section of our report. We are independent of the Company in accordance with both the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and 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, 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, except to the extent otherwise explicitly stated in our report, 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 or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Business Report, we considered whether the Business Report includes the disclosures required by the Company's Act (hereafter referred to as "the applicable legal requirements").

Based solely on the work required to be undertaken in the course of the audit of the financial statements and the procedures above, in our opinion:

- the information given in the Business Report for the financial year for which the financial statements are prepared, is consistent, in all material respects with the financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

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ID za DDV: SI23811978, Matična številka: 8261440000, TRR: 0208 3026 2605 661 NLB d.d.
osnovni kapital družbe: 15.000 EUR, št. registrskega vložka: 2018/32175 pri Okrožnem sodišču v Ljubljani
Št. vpisa v register revizijskih družb: RD-A-113/18

In addition, in light of the knowledge and understanding of the Company and its environment in which it operates, obtained in the course of our audit, we are required to report if we have identified material misstatements in the Other Information that we obtained prior to the date of this auditors report. We have nothing to report in this respect.

Responsibility of Management and those responsible for Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of 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 Responsibility for the Audit of 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 auditors' 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism 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 control.
- Obtain an understanding of internal control 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 control.
- 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, whether a 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 auditors' 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 auditors' 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.]

We communicate with Management board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

On behalf of the auditing company

CONSTANTIA PRIMIA revizijska družba d.o.o.

Primož Koder

Certified auditor

CONSTANTIA PRIMIA d.o.o.
Ogrinčeva ulica 4
1000 Ljubljana

Ljubljana, 19 February 2021

[i] The Independent Auditor's Report hereof is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene and is not to be signed. This translation is provided for reference purposes only.