sij

ACTING RESPONSIBLY

Annual and Sustainability Report of SIJ Group and SIJ d.d.

2023

Table of Contents

Responsible buyers choose steel with a reduced carbon footprint.

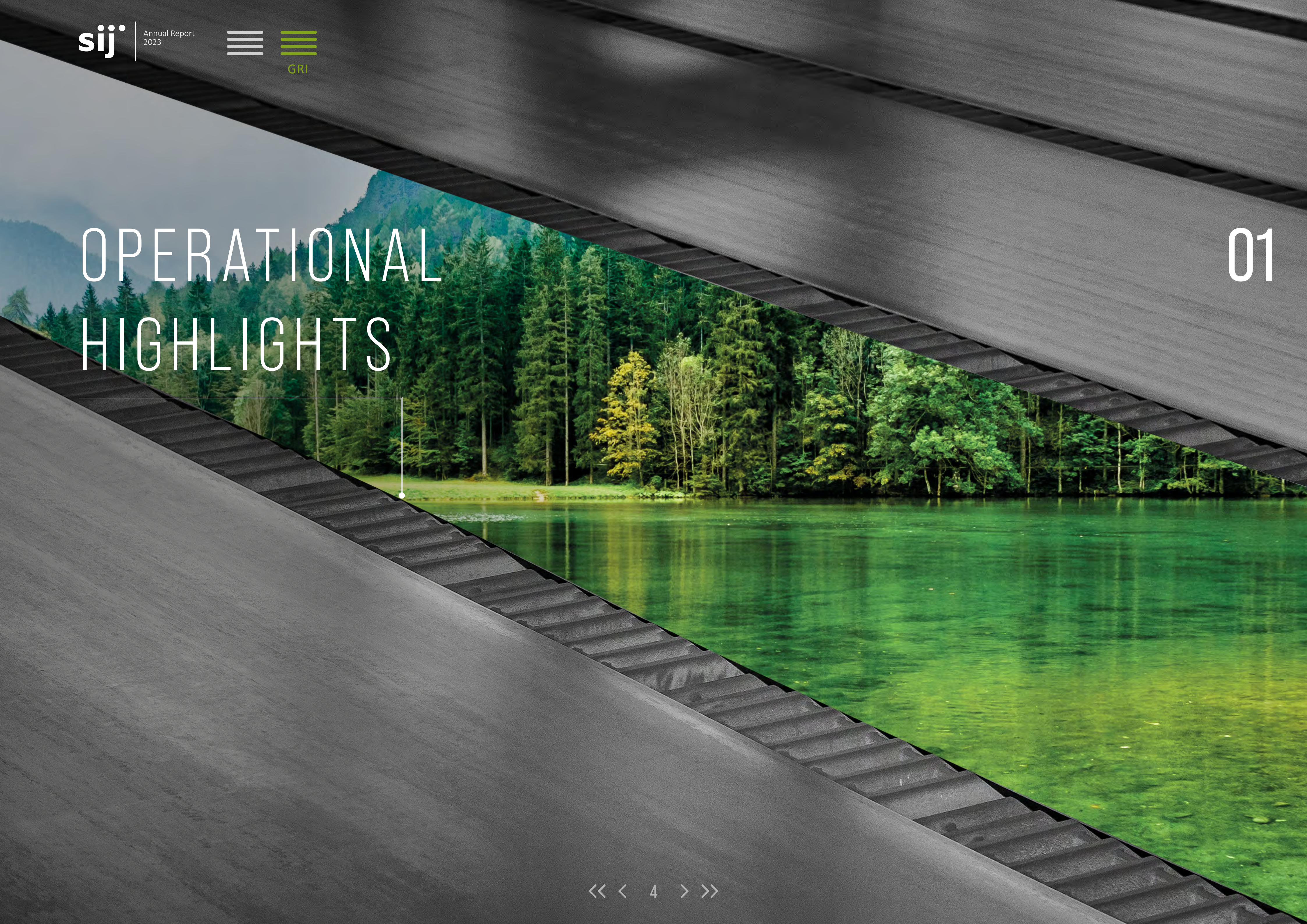
A responsible community community of European countries is thus introducing strict rules to reduce the environmental impacts of the industry.

Responsible investors focus on opportunities which integrate sustainability guidelines.

As responsible producers, we make our contribution to reducing environmental, social and corporate risks in the steelworking industry across the supply chain, raising awareness about the use of steel as a sustainable material.

As proof of our commitment to sustainability, SIJ Group has joined the international organisation **ResponsibleSteel** and has begun reporting our results in accordance with the **Global Reporting Initiative (GRI)** sustainability guidelines.

GRI *The green text in this report refers to meeting the requirements of specific GRI standards.*



OPERATIONAL HIGHLIGHTS

01

SIJ Group at a Glance

2023 in Numbers

Revenues (EUR million)	Adjusted EBITDA (EUR million)	Adjusted CAPEX (EUR million)	NFD/adjusted EBITDA
1,001.9	73.3	62.1	3.2
(2022: 1,301.9)	(2022: 179.9)	(2022: 61.4)	(2022: 1.3)

Steel production (thousand t)	Exports (percent)	Employees	Sustainability
378.6	84.7	3,498	Our environmental footprint is lower than 70% of the world's steel producers.
(2022: 437.6)	(2022: 84.6)	(2022: 3,775)	

MARKET POSITION IN 2023

Top 3

We are ranked among the top three producers of tool steels in the EU. We maintain our market position with nine proprietary product brands.

We remain a Top 3 producer of stainless steel quarto plates in the EU.

Realisation of Strategic Goals

BUSINESS GOALS

By the year 2025, SIJ Group will:

- retain leading market shares in niche steel markets;
- be a financially solid and profitable Group entity, which rises above the industry average;
- be a reputable employer with engaged employees.

SUSTAINABILITY GOALS

Leading up to the year 2030, we will reduce our carbon emissions by 51% compared to the benchmark year of 2020.

All six key Slovenian companies of SIJ Group will obtain the ISO 45001 occupational health and safety standard by 2026.

According to the independent organisation ISS (Second Party Opinion), the targets set are ambitious, but achievable.

The Sustainable Strategy objectives are further detailed in, and supported by, the Sustainable Finance Framework, SIJ Group Decarbonisation Plan 2020-2030-2050 and the related Investment Plan, Code of Ethics and SIJ Group Operating Policy. These documents were adopted in 2022 and 2023.

Our vision is to achieve sustainable growth and efficiency through focusing our efforts on our customers and producing products with a higher added-value and quality, with the help of our motivated staff.

Our mission is to produce a broad selection of steels and steel products, while keeping in mind the needs of all key stakeholders.

Letter of the President of the Management Board

Dear shareholders, business partners and employees of SIJ Group,

our financial report for 2023 reflects the challenges we have overcome in a business environment marked by changes in steel demand, increased energy costs and one-off extraordinary events. Nevertheless, we have maintained our market position and taken decisive new steps in sustainability, investing and innovating to make the green transition and increase efficiency. We achieved important sustainability milestones, such as the first issuance of sustainability-linked bonds, the achievement of ResponsibleSteel certification and the implementation of social programmes to restore the quality of life of our employees and local communities after the largest natural disaster in Slovenia's history.

According to the audited financial data for 2023, SIJ Group generated EUR 1 billion in sales revenue, a decrease of 23.1% compared to the preceding year. We achieved adjusted EBITDA of EUR 73.3 million, an adjusted EBITDA margin of 7.3%, and a loss of EUR 18.8 million. SIJ Group's net financial debt in 2023 was maintained at the same level as in the previous year. The NDF/adjusted EBITDA ratio stands at 3.2. We have traditionally ranked among the largest Slovenian export-oriented companies. Despite the changing geopolitical environment, we have managed to keep our exports at a high level of 84.7% of total sales, with Germany and Italy remaining our most important markets.

CHALLENGES OF INDIVIDUAL QUARTERS AND HALF-YEARS

The results were lower compared to the first half of 2022, but still comparable to the first half of 2021, which can be considered as a year with relatively normal business conditions. In the first quarter of 2023, when analysts' forecasts of a significant drop in steel demand did not materialise, we were not able to increase production in time to benefit fully from this.

The economic conditions were not favourable for steel production in Slovenia last year, or for materials producers and other energy-intensive companies in general, with high and uncompetitive energy prices, and for the second year in a row the cost of energy products was double that of previous years. In 2022 we were able to successfully pass these higher prices on to customers due to high demand, but in 2023 this was no longer possible. In the second half of the year the market cooled, with the continued high level of inflation causing a reduction in demand. In Europe, where our biggest export markets are, industrial production also shrunk sharply.

The second half of the year also saw some extraordinary one-off events that we could not have foreseen, but which had a significant impact on our business. To mention just two: the failure of the main engine of the rolling mill frame brought most of the production of our largest steel company, SIJ Acroni, to a standstill. However, with proper management of the incident and a dedicated team of employees and external partners the repair of the motor was arranged in just three months, and production restarted in line with our ambitious plans. This was a significant achievement to limit even more damage, as it would have taken at least a year to deliver a new engine. Additional days of lost production were caused by the extensive flooding in Slovenia that occurred in August and severely affected Koroška, thus impacting our two second largest companies and almost half of SIJ Group's employees. While the floods did not cause major damage to our production facilities or equipment, they did affect many employees who were unable to come to work. Even now, some logistics routes are still partially disrupted due to the destruction of local infrastructure.

Therefore, in terms of performance indicators and the circumstances that had a significant impact on them, we cannot be satisfied with the last financial year. But we have repeatedly demonstrated that, despite difficult business times, we can pursue our strategic objectives in the medium term and deliver on our business strategy for the period up to 2025, and this was also the case in 2023. We also achieved some important sustainability milestones.

WE ARE PURSUING OUR STRATEGIC OBJECTIVES AND INCREASING STEEL PRODUCTION FOR PROMISING GREEN AREAS

In 2023, we maintained our leading market shares in niche steel markets, which is our strategic objective. In line with our plans to diversify sales and strengthen competitiveness in selected metallurgical segments, we have started to increase the production of steels for promising green areas and developed some innovative steels.

Our CAPEX are linked to this, and we have earmarked EUR 62.1 million for 2023. All our CAPEX are planned and implemented according to the principles of Best Available Technology (BAT), therefore each of our investments also indirectly reduces our environmental impact.

Among the more visible CAPEX projects, we continued the renovation of the heat treatment line for non-oriented electrical sheets, which will open new possibilities for the production of the highest quality SIWATT electrical sheets for use in electric motors in the field of e-mobility. At SIJ Group, we manufacture electrical sheets according to the principles of the circular economy, from scrap steel, and we can therefore boast one of the lowest carbon footprints in the world for this product. We have also initiated all the activities needed to obtain the IATF 16949 standard for quality assurance of suppliers in the automotive industry.

We are proud to have won two national awards for innovation. The highest national awards for innovation for Slovenian companies and other organisations are awarded by the Slovenian Chamber of Commerce and Industry. The Gold Award went to SIMAXX 1100, which offers higher strength to make wind towers taller, thinner, and longer lasting, and to SINOXX 4404, an innovative stainless steel for the world's most ambitious, largest, complex and expensive project to date, the ITER fusion reactor. With achievements like these, we are demonstrating that we are also creating solutions for applications that will make a key contribution to the transition to a low-carbon society.

FIRST SUSTAINABILITY-LINKED BONDS

By maintaining a financial policy based on a high share of equity and adequate long-term resources, we have maintained a stable asset and resource structure in 2023. In October we completed the first issue of three-year sustainability-linked bonds with a total nominal value of EUR 19 million. This demonstrates the confidence that investors have in our sustainable business orientation, as green finance is increasingly leveraging the economy to accelerate the green transition of the European Union's economy to meet climate targets.

We have used the Sustainable Finance Framework developed in 2023 and the so-called Second Party Opinion, the opinion of the independent organisation ISS, as a basis for our approaches to financing with in line with sustainable development. According to the Opinion, SIJ Group's key sustainability objectives in terms of emission reductions and compliance with occupational health and safety requirements are ambitious but achievable and consistent with the Sustainable Development Strategy 2030, and also with the SIJ Group Decarbonisation Plan 2020-2030-2050, prepared in 2023. This was shown by benchmarking against 31 competitors.

COMMITMENT TO RESPONSIBLE STEEL PRODUCTION

While most European and global steel producers are yet to transition to more sustainable steel production, SIJ Group is already working according to the principles of the circular economy. SIJ Group is among the modern recycling steel mills using recycling technologies, where steel production is based on the reuse of secondary raw materials. Such steelworks produce on average almost four times less carbon dioxide than integral steelworks, which use natural resources (coke, iron ore) to produce steel.

In 2023, we have been working hard to achieve ResponsibleSteel certification, the first global initiative for standardisation and certification of responsible and sustainable practices in the steelworking industry. By receiving this certification at the beginning of the second quarter of 2024, we will be among the most responsible and sustainable steel producers in the world. The demanding ResponsibleSteel standard considers all three aspects of ESG in the way steel companies operate: management, environmental and social, and addresses the wider impact of the company on the social environment, both within the organisation and more broadly in the community.

A RESPONSIBLE AND RELIABLE EMPLOYER

In 2023, we once again responded responsibly to the rising cost of living in Slovenia and reached an agreement within the framework of the social dialogue to raise the gross basic salaries of employees under collective agreements in production companies by between 8.5% and 12.1%, depending on the different levels of average gross basic salaries in individual companies.

When we received the basic Family Friendly Company certificate we committed ourselves to implementing 14 activities to facilitate the harmonisation of employees' professional and private lives. We have already introduced some of these measures in 2023.

As the largest employer in the Koroška and Gorenjska regions, where the two largest steel companies of SIJ Group operate, we are also inextricably linked to the local communities in these areas. In 2023 we demonstrated our responsible attitude towards our employees and communities during the worst floods in Slovenia's history. SIJ Group paid solidarity grants to employees affected by August’s floods, and they also received humanitarian funds contributed by both employees and Group companies, who forwent corporate gifts as a result. Affected employees also received psychological support, while SIJ Group companies made donations to local communities to help them deal with the consequences of the floods.

We are also involved in sustainable projects, such as the use of excess heat from steel production to heat the town of Ravne na Koroškem, as well as the donation of heat to sports infrastructure in the local community. We have added our twenty-second steel outdoor gym, as developed and produced by SIJ Group, to the network of sustainable infrastructure for quality and active leisure time. The donation of slag, a certified by-product of the steel industry, has also enabled us to build two new pump tracks, thus contributing to improving the quality of life in the communities where our employees work and live.

RESPONSIBLE

In 2023, SIJ Group faced various challenges that impacted its business. Despite lower production volumes and revenues, we maintained our market position and committed to further sustainable development. Through continued investment, innovation, sustainable practices, and responsibility towards all stakeholders, we have built the foundations for a successful future.

Going forward, we will continue to pursue our strategic business and sustainability goals, increase steel production for promising green areas and carefully manage the resources and environmental impacts of our operations. Through our commitment to responsible business and sustainable development, we aim to become a role model in the industry and to create value for all our stakeholders.

Andrey Zubitskiy,
President of the Management Board

Report of the President of the Supervisory Board

GRI 2-12 GRI 2-18

Dear shareholders and stakeholders,

the Supervisory Board has given a positive opinion on the performance of the SIJ Group Management Board in 2023 under existing circumstances. In 2023, SIJ Group generated EUR one billion sales revenues, an adjusted EBITDA of EUR 73.3 million, an adjusted EBITDA margin of 7.3% and spent EUR 62.1 million for CAPEX. The overall business results are lower compared to 2022, which is reasonable given the exceptional circumstances and record-breaking KPIs of 2022.

The Supervisory Board considers that the Management Board acted responsibly in 2023 and took steps to implement the strategy outlined in 2019. SIJ Group continues its journey of sustainable development, keeping its focus on the needs of customers and key stakeholders. It works closely with them, creating synergies and consolidating its leading position in niche steel markets. SIJ Group is also achieving its key sustainability targets, as detailed in the SIJ Group Sustainability Strategy up to the year 2030 and the SIJ Group Decarbonisation Plan 2020-2030-2050.

By applying sustainability-focused approaches, SIJ Group is changing the key stakeholders' understanding of the steel industry's environmental impacts. From the partners and stakeholders' perspective, SIJ Group's non-financial performance reporting is becoming just as important as its financial performance. SIJ Group thus provides them with clear and transparent information on sustainability and its methods for managing environmental, social and governance risks.

In 2023, as the supervisory body watching over the operations of SIJ d.d. and SIJ Group, the Supervisory Board continued through its decisions to support the management's efforts to identify and take advantage of opportunities arising from various operational risks and sustainability-related topics. Despite lower results, we are confident that the targets outlined in the SIJ Group Sustainable Development Strategy and the Decarbonisation Plan are achievable.

GRI 2-12

STRUCTURE OF AND NOMINATION TO THE SUPERVISORY BOARD AND ITS COMMITTEES

GRI 2-9 GRI 2-10

In 2023, the members of the Supervisory Board were:

- **Evgeny Zverev,** President of the Supervisory Board,
- **Miha Resman,** Vice-President of the Supervisory Board (mag. Štefan Belingar held the position until April 2023),
- **Matej Bastič,** Member of the Supervisory Board,
- **Helena Ploj Lajovic,** Member of the Supervisory Board,
- **Maria Joye,** Member of the Supervisory Board,
- **Dmitry Davydov,** Member of the Supervisory Board,
- **Richard Pochon,** Member of the Supervisory Board.

When Štefan Belinger's mandate expired, Miha Resman was appointed as the new Member of the Supervisory Board. At the time of his appointment on 30 May 2023, Richard Pochon was also reappointed as a Member of the Supervisory Board for a new four-year term, after his previous term expired. On 18 July 2023, the members of the Supervisory Board appointed Miho Resman as Vice-President of the Supervisory Board.

Audit committee members

- **Miha Resman,** President of the Audit Committee,
- **Alan Maher,** Member of the Audit Committee,
- **Richard Pochon,** Member of the Audit Committee.

The Audit Committee has been active since its appointment on 18 July 2023.

COOPERATION WITH THE COMPANY'S MANAGEMENT BOARD

SIJ d.d.'s single-member Management Board arrangement continued in 2023. On 17 July 2023, the Supervisory Board reappointed Andrey Zubitskiy as President of the Management Board for an additional six-year term of office starting with 18 July 2023. As the sole independent member of the Management Board, Andrey Zubitskiy strategically implements the key objectives of SIJ d.d. and SIJ Group. Vice-Presidents Tibor Šimonka, Viacheslav Korchagin and Igor Malevanov are directly responsible for implementation of corporate decisions in the operations of the parent company SIJ d.d. and its subsidiaries, and at the same time they supervise the management of business processes, as decided by the Management Board and its top management at meetings and strategic collegium sessions.

The Management Board worked responsibly and provided the Supervisory Board with timely and comprehensive key information on the operational activities of the Company and the Group as a whole, as needed to ensure proper oversight and control over the operations of SIJ d.d. and SIJ Group in 2023. The Management Board's cooperation with the members of the Supervisory Board and the Audit Committee in this regard was satisfactory.

Members of the Supervisory Board and the Audit Committee have worked together to establish starting points for their work and for taking decisions within with their respective purviews. In 2023, Members of the Supervisory Board and the management of SIJ Group met at four regular sessions and one correspondence meeting of the Supervisory Board. The Audit Committee held six regular sessions and one correspondence meeting.

The materials submitted to the Supervisory Board were clear and comprehensive. Members had access to all the communication technology necessary in order to work and collaborate effectively. With the active involvement of the Audit Committee, the Supervisory Board constructively discussed substantial matters at its sessions, where members with their competences from various areas of expertise asked questions or discussed business issues from a variety of perspectives. This approach allowed for a better overview of how various risks are managed. Supervisory Board members have professional backgrounds and competences in the fields of controlling, finance, tax, legal, logistics, IT, etc. The two largest shareholders ensure that candidates with suitable educational profiles are nominated to the Supervisory Board. The integrity of the candidate and the absence of any circumstances which might increase reputational risk or create potential conflicts of interest are ascertained before a committee in a preliminary candidate interview. GRI 2-9 GRI 2-10

KEY ACTIVITIES

At its January meeting, the Supervisory Board approved the **Annual Business Plan,** which allowed the Management Board to implement its 2020-2025 five-year strategy smoothly in 2023. Early in the year, the supervisory activities were also linked to the volatile operating environment linked to higher-than-expected demand, which production processes were unable to adapt to immediately.

The Supervisory Board discussed and adopted the **2022 Annual Report of SIJ d.d. and SIJ Group** on 7 April 2023, and prior to its meeting, on the same day of 7 April 2023, the Audit Committee reviewed it. The Supervisory Board agreed with the Management Board's conservative proposal on the allocation of distributable profits. Despite the record results of 2022, a proposal was adopted to pay out **dividends to shareholders** in the amount of 4% of the share capital, or EUR 5,811,766.16, which matches the statutory payout amount. At the annual General Assembly of 30 May 2023, shareholders approved the proposal for EUR 5,811,766.16 of the distributable profit to be distributed for dividends, with EUR 96,849,427.23 remaining In the company as retained earnings.

At its April session, while adopting the Annual Report for the fiscal year 2022, the Supervisory Board also took note of the Audited Report on Relations with Related Parties and proposed a **Remuneration Policy,** which was approved by the shareholders at the General Assembly in May.

As the term of office of Andrey Zubitskiy, the President of the Management Board, expired in July, the members of the Supervisory Board, in a correspondence meeting, **re-appointed Mr Zubitskiy as President of the Management Board** of SIJ d.d. for an additional term of six-years. At the same time, they appointed Miha Resman as Vice-President of the Supervisory Board and appointed the new members of the Audit Committee.

At the September session the Supervisory Board discussed the situation surrounding the temporary shutdown of a major part of production at SIJ Acroni. Production was disrupted between July and October due to an accident related to one of the main engines.

STARTING POINTS FOR OPERATIONS IN 2024

Before year end 2023 the company issued its f**irst sustainability-linked bonds.** Therefore, in addition to tracking business targets, the Supervisory Board's work in 2024 will also include to a greater extent than before tracking how SIJ Group validates **the investors' trust through achieving key sustainability targets.** The Supervisory Board will responsibly guide the managements of SIJ d.d. and SIJ Group in preparation for the **implementation of the European Union's Corporate Sustainability Reporting Directive** ("CSRD"), which will also require the introduction of new ways of measuring sustainability and reporting on it. Reporting systems will be set up in such a way that the accuracy and authenticity of the information on SIJ Group's sustainability is both measurable and verifiable. The Audit Committee will play an important role in this endeavour. Sustainability reporting will be linked to internal control and risk management systems, as with financial reporting, and will be subject to independent review by a statutory auditor.

ACTIVITIES OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE

The Audit Committee was reconstituted in July 2023 due to the expiration of two members' mandates. The guidelines for its activities remain linked to SIJ Group's sustainable development and encouraging good business practices.
GRI 2-12

In 2023, the Audit Committee's work was primarily focused on monitoring the activities involved in the statutory audit of the 2022 annual accounts of SIJ d.d. and SIJ Group and on preparing reports for the Supervisory Board. The Committee also conducted self-assessments in 2023, using updated questionnaires provided by international audit firms. The well-established practice of self-assessment which, after having being used for several years, now enables drawing comparisons, thus contributing to the responsible verification of the confidence bestowed by the Supervisory Board. The self-assessments which have been carried out show that the conditions and the quality of the Audit Committee's work are improving. GRI 2-15

ANNUAL REPORT AND ADOPTION

The Supervisory Board is of the view that the Management Board of SIJ d.d. and SIJ Group has taken a responsible approach to implementing sustainable development projects in 2023. By honouring its commitments to transitioning to a sustainable and climate-neutral economy, it has upgraded its strategy and made its business model more resilient and better able to face the unknown geopolitical challenges of the future. In addition to the lower financial results, the performance of SIJ Group should also be measured by a large number of activities in the field of sustainable development, which are presented in this year's report and to which the Supervisory Board will pay even closer attention in the future.

Ljubljana, 25 April 2024

Evgeny Zverev,
President of the Supervisory Board

Notable Events of the Financial Year 2023

March

Centralisation of accounting and IT services

The IT-related services for all companies of SIJ Group (except those operating as part of RSC Holding) and accounting function for the production companies of the Steel Production and Manufacturing Divisions were centralised at SIJ Storitve (SIJ Services). Centralised services allow for the related processes to be harmonised, standardised and continuous.

April

Reporting according to the GRI international standard

On 21 April 2023, SIJ d.d. released the audited Annual and Sustainability Report of SIJ Group and SIJ d.d. for the year 2022. For the first time, the report was prepared in accordance with the internationally recognised Global Reporting Initiative (GRI) standard, which cross-links business performance indicators and provides additional insights by adding sustainable development indicators.

May

Higher wages through social dialogue

As part of the ongoing social dialogue, the SIJ Group management, directors of the production companies and representative trade unions of SIJ Group reached an agreement to increase gross base employee salaries in the collective agreements at the production companies SIJ Metal Ravne, SIJ Acroni, SIJ Ravne Systems and SIJ SUZ. Employees thus received wage increases ranging from 8.5% to 12.1% (depending on the average gross base salaries in their respective companies).

14 activities for a good work-life balance

SIJ Group is committed to continuously improving the working environment and the well-being of our employees in the workplace. On May 15, we were awarded the basic Family-Friendly Enterprise certificate. This certification is one of 14 planned activities to promote the work-life balance of our employees, which we will be integrating in our business practices over the next three years. ki jih bomo v poslovanje uvedli v prihodnjih treh letih.

SIJ Group's Vice-President stays on as President of the Slovenian Chamber of Commerce and Industry

On 17 May, the Members of the General of the Assembly of the Slovenian Chamber of Commerce and Industry (GZS) re-elected Tibor Šimonka as President of the Chamber of Commerce and Industry for a new four-year term. He will also continue performing his duties as Vice-President of SIJ Group.

Grievance and whistleblowing mechanism

Community members, organisations, employees and other interested parties can now share any actual or potential concerns, violations and irregularities in accordance with the SIJ Group Complaints Procedure Rules. Through a regulated grievance mechanism and by allowing for the submission of anonymous tips (i.e., whistleblowing), we prevent wrongful practices which can affect the business operations of SIJ companies and SIJ Group, its stakeholders, as well as business, community and other relations.

44th General Assembly

On 30 May, the General Assembly took note of the Annual and Sustainability Report of SIJ Group and SIJ d.d. for the year 2022 and unanimously granted a discharge to the Management Board and Supervisory Board for the financial year 2022. It decided that out of distributable profit in amount of EUR 102.7 million, EUR 5.8 million would be distributed for dividends and the remaining amount would be categorised as retained earnings.

Decarbonisation Plan

With the SIJ Group Decarbonisation Plan 2020-2030-2050, supported by a CAPEX plan estimated at EUR 70 million, we have set ourselves an ambitious new target: by 2030, we will have achieved a 51% reduction of steel production-specific emissions compared to 2020. We aim to achieve carbon neutrality by 2050.

July

SIJ Acroni production outage

On 13 July the main engine of the rolling mill stand suffered a major malfunction, resulting in a shutdown of most of the production processes at SIJ Acroni. While the shutdown, which lasted three months, had significant economic repercussions, SIJ Group and SIJ Acroni have adequate insurance coverage to protect against risks of this nature. No one was injured in the engine malfunction, and there were no layoffs as a result of the production outage.

August

Responsible flood response

The early August floods, which heavily affected the Koroška region of Slovenia in particular, also had an impact on the operations of SIJ Metal Ravne and SIJ Ravne Systems. However, by taking responsible action we were able to prevent large-scale damage. Production was gradually restarted even in the first days following the floods, and it was already running smoothly in all of the production facilities of both companies as early as 16 August. Other SIJ Group companies were not affected by flooding.

SIJ Group paid out solidarity aid to employees affected by the floods, and they also received funds from the humanitarian fund account of the Slovenj Gradec chapter of the Lions Club, which were contributed by both SIJ employees and Group companies. Psychological support was also provided for affected employees, while SIJ Group companies helped with donations to help local communities deal with the consequences of the floods.

September

Achievable targets and the Sustainable Finance Framework

According to the independent organisation ISS (ISS Corporate Solutions), whose report we published on 6 September as a Second Party Opinion, SIJ Group's key sustainability targets for emissions reduction and occupational health and safety compliance are ambitious but achievable, and are aligned with the Sustainable Development Strategy up to the year 2030 and the SIJ Group Decarbonisation Plan 2020-2030-2050. This was the result of an analysis comparing 31 competitors.

SIJ Group also published the Sustainable Finance Framework, which underpins approaches to financing in line with sustainable development. Inflows from sustainability-linked financial instruments will contribute to the Group's business, environmental and social objectives.

Business performance on par with 2021

The SIJ Group Half-Year Report showed lower business results compared to the first half of 2022, although the results were comparable to those for the first half of 2021. The results of the record-breaking year 2022 were driven by specific circumstances, which allowed us to relay the high energy prices to customers rather successfully, and to generate higher sales revenues at lower production volumes. Therefore, the results in 2022 are not directly comparable to those achieved in the first half of 2023.

Two national innovation gold awards

Two SIJ Group companies took home two national gold awards for innovation, awarded by the Chamber of Commerce and Industry of Slovenia. SIJ Acroni won the gold award for its SIMAXX 1100 steel, whose superior hardness allows for construction of taller and thinner wind turbine towers with an extended lifespan. The company SIJ Metal Ravne received an innovation award for its specialty steels and superalloys used at ITER, the world's largest fusion reactor. These achievements are proof that our solutions are also being used for applications which will play a key role in the transition to a low-carbon society.

October

Successful issuance of sustainability-linked bonds

On 13 October, SIJ d.d. issued its first sustainability-linked bonds. The bonds with a total nominal value of 19 million EUR are issued with a three-year maturity and a 7% annual coupon rate. The funds raised with the sale of SIJ8 bonds will be used to diversify long-term sources of financing, and financing long-term investments in production technologies, but will also be allocated to preserving the environment and increasing energy efficiency.

Notable Events After the end of the Reporting Period

February

New management of SIJ Ravne Systems

The third largest company in SIJ Group appointed a new Managing Director, and on 5 February the management of the company was thus transferred to Matjaž Hudopisk, the company's former Technical Director. Gregor Adler, the former Managing Director of SIJ Ravne Systems, left the position to take over the management of another large Slovenian company after ten years with SIJ Group.

Timely received a waiver regarding the compliance with financial covenants

The Group timely received a waiver from the lending banks in February 2024 regarding the compliance with financial covenants under the syndicated loan agreement for the period ending on 31 December 2023. Since the waiver regarding the compliance with financial covenants was received after the reporting date, which is after 31 December 2023, under IAS 1.74, the non-current portion of financial liabilities totaling EUR 99,250 thousand is classified as current financial liabilities, despite the timely confirmation of the waiver for financial covenants by the banks. According to the provisions of the syndicated loan agreement, compliance with financial covenants is tested upon delivery of financial statements and corresponding compliance certificates, which shall be submitted to the banks within 90 days after the end of the year (i.e., by 30 March 2024). Since the waiver for financial covenants was obtained before the mandatory submission date of financial statements and reporting compliance with financial covenants to the banks, on 31 December 2023 there was no breach of these covenants concerning the testing period of the covenants for the period ending on the reporting date.

April

SIJ Group receives ResponsibleSteel certificate

We are committed to global and European climate goals and operate according to the principles of the circular economy. We are a partner for Europe's green transition with our steels and products. Our sustainability commitment was confirmed at the end of March by our certification to the demanding ResponsibleSteel standard. This places us among the most responsible and sustainable steel producers in the world.

ORGANISATION OF SIJ d.d. AND SIJ GROUP

SIJ Group's organisational setup serves as a foundation for responsibly achieving our strategic and sustainability goals and reliably meeting our stakeholders' expectations. SIJ Group's vertically integrated structure harnesses the synergies between its different companies. Strategic management, coordination and monitoring of the activities of all SIJ Group subsidiaries, both domestic and international, with SIJ d.d. acting as the controlling enterprise, increases the flexibility of the entire SIJ Group.

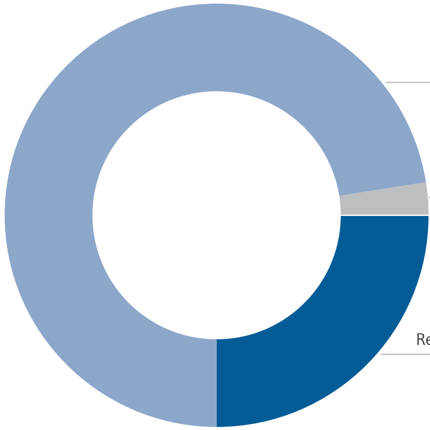
About SIJ d.d.

Basic information about SIJ d.d. GRI 2-1

Company name	SIJ – Slovenska industrija jekla, d.d.
Abbreviated company name	SIJ d.d.
Registered address	Gerbičeva ulica 98, 1000 Ljubljana, Slovenia
Entry no.	SRG 1/03550/00
Date of registration	6 February 1990
Registered share capital	EUR 145,266,065.75
No. of shares	994,616 ordinary no par value shares*
Ownership (qualifying and other holdings)	72.223% – DILON d.o.o., Gerbičeva ulica 98, Ljubljana 25.001% – Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana 0.001% – other shareholders 2.775% – treasury shares
Registration number:	5046432000
Tax number:	SI 51018535
Core business	70.100 Activities of head offices

** Shares are not traded on an organised market.*

Ownership structure as at 31 December 2023



The Company's **share capital is divided into 994,616 ordinary no par value shares of a single class,** which are issued in non-materialised form with the SIJR ticker symbol and are not traded on the regulated market. With the exception of for 27,600 treasury shares (the Management Board is authorised to purchase treasury shares to accumulate up to a total of 27,610 SIJR shares), the shares confer unrestricted voting rights to the holders. The company is not aware of any agreements among shareholders which could result in restrictions on the transfer of shares or voting rights.

In addition to voting rights, shareholders are also entitled to a share of the profits (dividends), the right to participation in the management of the Company and the right to a pro-rata share of the assets remaining after the winding-up or bankruptcy of the Company. All Company shares are freely transferrable, and the company has not issued any securities which provide special control rights, nor does it have any employee stock option schemes or contractually foresee any specific positions in the case of acquisitions.[1]

SIJ d.d. is a **controlling company,** with no registered branches and is the founder and either the direct or indirect owner of SIJ Group subsidiaries. Its principal Slovenian companies operate on a contractual concern basis. The Management Board of SIJ d.d. and its broader executive management team (divided into Strategic and Operational Collegiums) represent the management of the entire SIJ Group, which strategically manages, coordinates, and supervises the operations of all Group companies, both in Slovenia and abroad.

SIJ d.d. directly acts as the asset manager of its investments in SIJ Group companies, pursuant to the Management Agreement, which also regulates the terms of **providing centralised services for SIJ Group companies** and the decision-making process through the parent company's majority holdings, allowing the company to effectively manage the affairs of SIJ Group. Key business functions are managed in this way, in accordance with the outlined long-term strategy, and strategic decisions are taken at the level of individual Group companies, as well as at the level of SIJ Group as a whole. The company also has a Governance Systems Policy in order to implement its strategic goals, which is based on the fundamental values of business excellence.

1 SIJ d.d. is subject to the provisions of the law governing mergers and acquisitions, and as at 31 December 2023, no specific positions referred to in item 11 of the sixth paragraph of Article 70 of the Companies Act apply.

Operating Results of SIJ d.d.

The primary source of revenues of SIJ d.d. are the services it provides to the companies in SIJ Group and the dividends it receives as the owner of the companies in the Group. SIJ d.d. provides these companies with services related to strategic development, technology research, strategic procurement, marketing and sales, human resources, legal, financing, acquisition and management of financial resources, planning and analytical monitoring of operations, and corporate communication services.

In 2023, the Company generated sales revenue of EUR 17 million, which is EUR 15 million less than in the record year of 2022, due to lower revenues from services provided to Group companies as a result of the poorer operating results of subsidiaries. Other operating income is derived from dividends received. SIJ d.d.'s financial results are better than in the previous year. This is due to higher income from the reversal of impairment losses on loans granted. Labour costs are lower due to lower payments for salaries, reimbursements, bonuses, and other employee benefits. SIJ d.d.'s net profit for 2023 is therefore EUR 4.5 million.

SIJ d.d.'s capital remains at a high level. In 2023, the company paid out dividends in the amount of EUR 5.8 million. Profit reserves are established in accordance with the provisions of the Companies Act.

SIJ d.d.: key operating figures

	Unit	2022	2023
Net sales revenue	EUR thousand	31,899	16,968
Other operating income	EUR thousand	49.011	4.111
EBIT	EUR thousand	46,003	–4,446
EBITDA*	EUR thousand	50,136	851
Financial result	EUR thousand	1,952	8,606
Profit before taxes	EUR thousand	47,955	4,160
Net profit	EUR thousand	47,190	4,461
CAPEX	EUR thousand	930	641
Labour costs	EUR thousand	26,339	14,874
Average number of employees		147.3	137.3
Return on assets (ROA)	%	11.5	1.1
Return on equity (ROE)	%	17.5	1.7
Equity financing rate		0.7	0.7
Long-term liabilities-to-assets ratio		1.0	0.9
Long-term debt-to-assets ratio		0.1	0.1
Net profit or loss per employee	EUR thousand	320	32.5

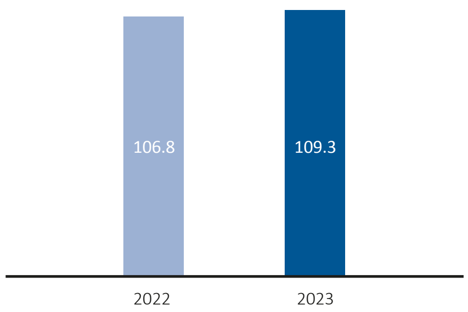
** Operating profit or loss before depreciation and amortisation and impairments of (profit/loss) operating receivables, tangible assets, investments and inventories.*

	Unit	31. 12. 2022	31. 12. 2023
Total assets	EUR thousand	397,756	395,693
Non-current assets	EUR thousand	317,975	334,294
Equity	EUR thousand	268,495	267,020
Non-current liabilities and current liabilities	EUR thousand	129,261	128,673
Non-current financial liabilities	EUR thousand	49,765	23,007
Current financial liabilities	EUR thousand	57,413	87,240
Cash and cash equivalents	EUR thousand	350	913
Net financial debt	EUR thousand	106,827	109,335

Stable Financial Position

As of the end of 2023, the net financial debt amounted to EUR 109.3 million, a EUR 2.5 million increase compared to the preceding year, and the company's financial position remains stable.

SIJ d.d.: Net financial debt (in EUR million)



Explanation of Performance Indicators

SIJ d.d. reports its operating performance in accordance with the performance criteria as defined by the ESMA.

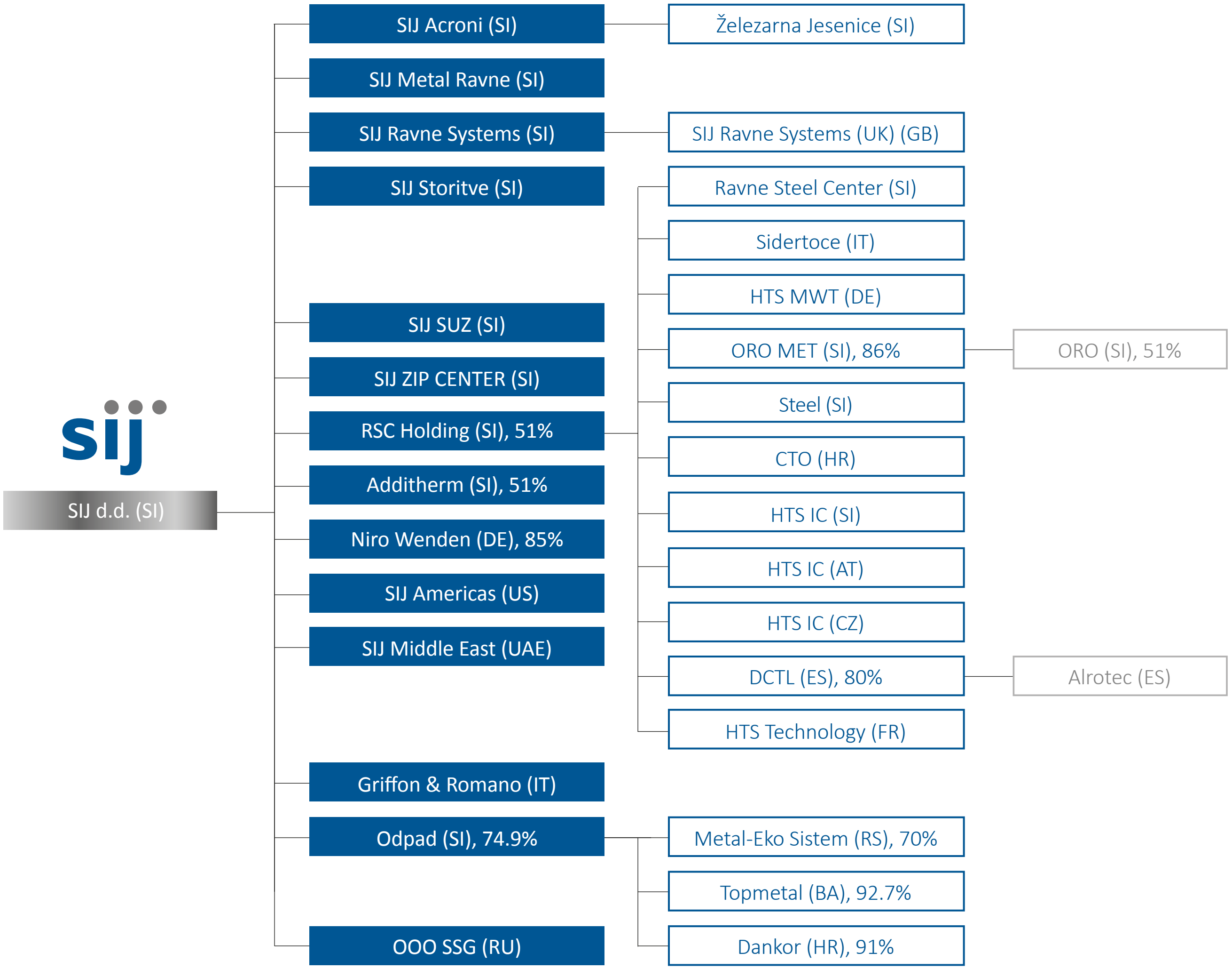
Indicator	Explanation of the calculation	Use
Return on assets (ROA)	Net profit or loss / Average assets	This indicator shows the efficiency with which the company's assets are used, i.e., how efficiently the company's assets are used to generate a net profit.
	Average assets are calculated as an average of the current and previous periods.	It also shows the company's effectiveness in generating returns on invested assets. The higher the indicator, the higher the returns on a smaller investment.
ROE	Net profit or loss / Average equity	The indicator shows the profitability of equity, or the company's effectiveness in generating net profits per unit of equity.
	Average equity is calculated as an average of the current and previous periods.	The higher the ratio, the more efficient the company is in generating a net profit.
Equity financing rate	Equity / Liabilities	A higher value indicates that the company uses more equity financing to fund its assets, which increases the confidence of stakeholders, mainly creditors. A higher equity financing rate translates to lower financing costs, and as a result it increases the effective taxation rate. It is important to keep the equity financing rate at a level which supports long-term, sustainable financing and long-term solvency.
Long-term liabilities-to-assets ratio	(Equity + Non-current financial liabilities) / Non-current assets	This ratio shows the quality of financing assets.
		The higher the indicator, the greater the share of current assets that is financed through non-current sources, which increases security for creditors and decreases the company's liquidity risk.
Long-term debt-to-assets ratio	Long-term financial liabilities / Assets	This indicator shows what percentage of assets the company could use to repay long-term debt in the event of the disposal of assets.
		The lower the indicator, the higher the security of creditors.

SIJ Group Companies

GRI 2-1 GRI 2-2 GRI 2-6

SIJ Group's vertical business model integrates 33 companies. The founder, or the direct or indirect owner of the subsidiaries of SIJ Group, is the controlling company SIJ d.d.

Organisational Structure



Companies where no percentage of ownership is indicated are under 100% ownership of either SIJ d.d. or its subsidiaries.

- *The new company **SIJ Middle East** was established in May 2023 to expand sales activities in the Middle East market.*
- *The liquidation of **SIJ Elektrode** was concluded in February 2023.*
- *In February 2023, **Topmetal** acquired its own stake in the business. As a result, the share of **Odpad** increased to 92.7%.*
- *In March 2023, the holding company **Holding PMP** was dissolved in a simplified procedure.*
- *In June 2023, RSCH Holding's equity stake in the company **ORO MET** increased to 86%. In November, the company **ORO MET** completed the acquisition of a 51% stake in its subsidiary **ORO.***

Programme Scheme: vertically integrated business model

SCRAP	PRODUCTION		DISTRIBUTION			SERVICES
SCRAP DIVISION	STEEL DIVISION	MANUFACTURING DIVISION	DISTRIBUTION AND PROCESSING DIVISION			HEADQUARTERS AND OTHER SERVICES
Odpad, Pivka (SI)	**SIJ Acroni,** Jesenice (SI)	**SIJ Ravne Systems,** Ravne na Koroškem (SI)	**Griffon & Romano,** Melzo (IT)	**RSC Holding,** Ljubljana (SI)	**HTS IC (SI),** Ljubljana (SI)	**SIJ d.d.,** Ljubljana (SI)
Dankor, Osijek (HR)	**SIJ Metal Ravne,** Ravne na Koroškem (SI)	**SIJ SUZ,** Jesenice (SI)	**Niro Wenden,** Wenden (DE)	**Ravne Steel Center,** Ljubljana (SI)	**HTS IC (AT),** Dunaj (AT)	**SIJ ZIP CENTER,** Ravne na Koroškem (SI)
Metal-Eko Sistem, Jagodina (RS)			**SIJ Americas,** New Jersey (US)	**Sidertoce,** Gravellona Toce (IT)	**HTS IC (CZ),** Praga (CZ)	**Železarna Jesenice,** Jesenice (SI)
Topmetal Banja Luka, (BA)			**SIJ Ravne Systems (UK),** Sittingbourne (GB)	**HTS MWT,** Landsberg am Lech (DE)	**DCTL,** Tarragona (ES)	**SIJ Storitve,** Ravne na Koroškem (SI)
			OOO SSG, Moskva (RU)	**ORO MET,** Košana (SI)	**Alrotec,** Tarragona (ES)	
			SIJ Middle East, (UAE)	**ORO,** (SI)	**HTS Technology,** Lyon (FR)	
				Steel, Ljubljana (SI)	**Additherm,** Ljubljana (SI)	
				CTO, Zagreb (HR)		

Scrap Division
The companies within this division collect, process, and sort metal scrap and prepare it for transport and melting in the Steel Division and sale to third parties.

Steel Division
The companies within this division produce steel for further processing of the flat and long lines. An important part of the business is developing new grades of steel tailored to our customers' needs.

Manufacturing Division
The companies within this division work to utilise existing synergies with steel production processes. They produce finished products and semi-products, such as industrial knives, rolls, ground and peeled steel bars.

Distribution and Processing Division
In key markets the companies within this division use distribution and other services to develop and strengthen direct contact with end customers. We are still upgrading our vertically integrated knowledge centre to develop the tooling industry through application of innovative technologies in the broader region.

Governance and Other Services
SIJ d.d. as the controlling company provides governance. Other companies implement various concession services and social assistance services linked to the employment of persons with disabilities.

Corporate Governance and Supervision of SIJ d.d.

GRI 2-9 GRI 2-10 GRI 2-15

We achieve our social, environmental and governance targets by applying the principles of responsible corporate governance, as defined by ResponsibleSteel, a global initiative for standardisation and certification of responsible and sustainable practices in the steelworking industry.

SIJ Group acts as a contractual concern with SIJ d.d. as the controlling entity. SIJ d.d. has a two-tier board system. In accordance with the law, the Articles of Association and internal company regulations, the company's governance is divided between the General Assembly, the Supervisory Board, and the Management Board. In the two-tier system the Management Board and Supervisory Board are autonomous and independent, with the executive management function exercised through the Management Board and the non-executive and supervisory functions exercised through the Supervisory Board. GRI 2-9

GENERAL ASSEMBLY

SIJ d.d.'s shareholders exercise their rights through the General Assembly. In accordance with the provisions of the Companies Act, the convening and activities of the General Assembly are regulated in the Company's Articles of Association. Due to the customary division of ownership between three shareholders, SIJ d.d. usually convenes General Assembly meetings in the form of a universal convention event and sends the shareholders direct invitations to the event. The adopted resolutions and information can be accessed through the SEOnet websites and the company's website.

At the 44th General Assembly meeting of 30 May 2023, the shareholders approved the Management Board and Supervisory Board's proposal to use the statutory minimum of EUR 5,811,766.16 for distribution of dividends, while out of the total distributable profits of EUR 102,661,193.39, the remaining EUR 96,849,427.23 of the distributable profits shall be categorised as retained earnings. The shareholders granted a discharge to the Management Board and Supervisory Board. Due to expiry of mandates in the Supervisory Board, and based on the shareholders' proposals, the shareholders appointed Miha Resman and Richard Pochon as members of the Supervisory Board for next four-year mandate. The General Assembly also approved the Remuneration Policy for Management and Supervisory Bodies of SIJ – Slovenska industrija jekla d.d. at the recommendation of the Management Board and Supervisory Board.

SUPERVISORY BOARD AND AUDIT COMMITTEE

In accordance with the Company's Articles of Association, SIJ d.d.'s Supervisory Board is comprised of seven members, whereas the Audit Committee is comprised of three. Members of the Supervisory Board are appointed by the General Assembly, whereas members of the Audit Committee, which is a committee supporting the work of the Supervisory Board, are appointed by members of the Supervisory Board. In line with the shareholders' agreement executed between the largest shareholders of SIJ Group, the Supervisory Board has five members as proposed by Dilon d.o.o. as the majority shareholder, and two members as proposed by the Republic of Slovenia. GRI 2-9 GRI 2-10

Despite the known shareholders' division for the number of representing members on the Supervisory Board, the Supervisory Board Members perform their function independently and free of personal bias. Together with the Management Board they share responsibility for the good performance of their duties and are subject to personal liability. During the election process, Supervisory Board members are subject to an interview and sign a statement confirming their independence and the absence of any conflicts of interest. Upon registration of the respective member's appointment in the court register, each member submits a certified personal affidavit confirming there are no circumstances which would contradict their appointment to the respective function. The members are responsible for carrying out their powers, as set out in the Companies Act, the Financial Operations of Companies Act, the Company's Articles of Association, the Supervisory Board by-laws and other applicable regulations. A more detailed presentation of the work of the Supervisory Board and the Audit Committee in 2023 is presented in the Supervisory Board's report. GRI 2-15 GRI 2-18

Members of the Supervisory Board and the Audit Committee of SIJ d.d. in 2023 GRI 2-10

Name	Function	Sex	Date of first appointment to the function	Current mandate	Professional background	References / Membership of supervisory bodies of other companies and ESG competences*
Evgeny Zverev	President of the Supervisory Board	M	30 Aug 2013	21 Feb 2022- 21 Feb 2026	Law, Mergers & Acquisitions	Management functions within SIJ Group. Contributes towards the effective corporate governance system of SIJ Group.
Miha Resman	Vice-President of the Supervisory Board and President of the Audit Committee	M	30 May 2023	30 May 2023- 30 May 2027	Economics, Finance, Insurance & Banking	Management functions in finance with a focus on insurance and banking. Contributes to effective monitoring of controls, risks and transparency of operations. As the member representing the equity of the controlling shareholder, he has an active role in coordinating the stakeholders' views regarding issues related to SIJ Group's operational activities.
Matej Bastič	Member of the Supervisory Board	M	29 Jul 2021	29 Jul 2021- 29 Jul 2025	Economics, Computers	Management and supervisory competences from various companies. Contributes towards close monitoring of business processes and their impacts on sustainability.
Maria (Mascha) Joye	Member of the Supervisory Board	F	29 Jul 2021	29 Jul 2021- 29 Jul 2025	Economics, Finance, Controlling	Management and supervisory functions in various enterprises in the area of finance and controlling. As an international member, she contributes towards a balance of internationally acquired qualifications and towards better gender representation in the supervisory body of a company operating in a male-dominated industry.
Dmitry Davydov	Member of the Supervisory Board	M	9 Jun 2017	21 Feb 2022- 21 Feb 2026	Book-Keeping, Logistics	Management functions at IMH Group, Russian Federation. With a solid logistical chain background, he contributes towards a more efficient, vertically integrated business model of SIJ Group.
Helena Ploj Lajovic	Member of the Supervisory Board	F	19 Feb 2018	21 Feb 2022- 21 Feb 2026	Civil & Corporate Law	Management functions within SIJ Group. With a solid background in corporate and labour law, she helps monitor stakeholder interests related to HR and social issues.
Richard Pochon	Member of the Supervisory Board and member of the Audit Committee	M	11 Apr 2019	30 May 2023- 30 May 2027	Economics, Finance & Taxes	Management functions in international finance and tax, director and partner at Léman Cabinet Fiscal SA, Pully, Switzerland. His expertise contributes to transparent tax reporting.
Alan Maher	Audit Committee Member (independent expert)	M	18 Apr 2016	18 Jul 2023 – until further notice	Economics, Taxes	Background in management and major international corporate restructuring projects, bankruptcy trustee. He contributes to the transparency in reporting and operations with his professional competences.

** ESG Competences: a role in implementing environmental and social responsibility and high-level corporate governance.*

SIJ d.d. and SIJ Group Corporate Governance System GRI 2-2

REMUNERATION OF MEMBERS OF EXECUTIVE AND SUPERVISORY BODIES GRI 2-19 GRI 2-20

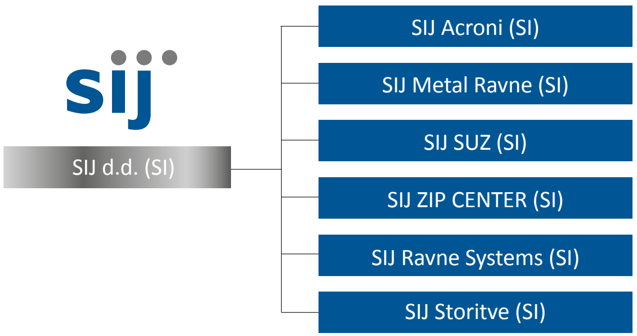
SIJ Group is an international steel group, and its complexity and market position are also reflected in its remuneration system for members of the executive and supervisory bodies. Adequate remuneration contributes to ensuring competent and professionally qualified staff with a high degree of professional and personal integrity, and to motivating them to work responsibly and productively. In 2023, the Management Board and Supervisory Board prepared the Remuneration Policy for Members of the Management and Supervisory Bodies of SIJ – Slovenska industrija jekla, d.d., which was approved by the shareholders at the 44th Annual General Assembly on 30 May 2023.

The two key shareholders exchange regular remuneration reports to communicate about the remuneration of members of the management and supervisory bodies subject to the principles of proportionality and the appropriateness of the level of remuneration based on their duties, expertise and responsibilities.

The Supervisory Board is responsible for setting remuneration levels for the Management Board, whereas members of the Supervisory Board receive compensation for their work in the form of attendance fees, fixed monthly payments and the relevant reimbursements, in line with the General Assembly's resolutions. Current remuneration levels for members of the Supervisory Board and Audit Committee were proposed by the two largest shareholders and approved by the 30th General Assembly of Shareholders of SIJ d.d. on 9 June 2017.

As the majority shareholder, SIJ d.d. strategically manages all the companies it owns, collectively referred to as SIJ Group. The Management Board of SIJ d.d., the vice-presidents, executive directors and directors of the sectors of SIJ d.d. take on strategic duties and responsibilities for managing, coordinating and supervising the operations of all SIJ Group companies, both in Slovenia and abroad, and at both the strategic and operational levels.

Integration of the companies of SIJ Group GRI 2-9



Most SIJ Group companies operate in Slovenia. In accordance with the business agreement concluded between SIJ d.d. as the parent company and six directly controlled limited liability subsidiaries in Slovenia (SIJ Acroni, SIJ Metal Ravne, SIJ Storitve, SIJ SUZ, SIJ ZIP CENTER and SIJ Ravne Systems), the activities of the subsidiaries are managed by the parent company. Other subsidiaries are registered in the European Union, Great Britain, Bosnia and Herzegovina, Serbia, Eastern Europe and the United States. As a rule, these companies are 100% owned or under the control of the parent company SIJ d.d. Most of them are organised as limited liability companies.

Contractual concern mechanisms include compulsory instructions or decisions being issued by the majority shareholder, and the consistent implementation of centralised processes and services. This helps us ensure that our business objectives are achieved across the various strategic areas of the Group as a whole.

COMPOSITION AND POWERS OF THE MANAGEMENT BOARD

SIJ d.d.'s Articles of Association stipulate that the company's Management Board consists of one to four members. It is chaired by the President of the Management Board. The members and the President of the Management Board are appointed by the Supervisory Board. They are appointed for a term of no more than six years, with the possibility of reappointment. The duration of the term is set out in each resolution on the appointment. GRI 2-9 GRI 2-10

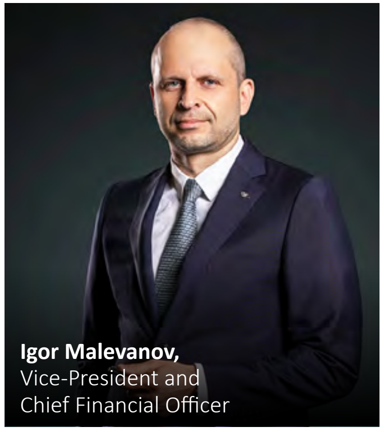
The President of the Management Board, as its sole member, has the power to represent the company independently. Because of the two-tier board system mandated by law, the executive management functions for all strategic areas are concentrated at the Management Board level. GRI 2-12

As the Management Board directs the business operations of the company independently and at its own liability, the elected member must fill out a formal statement confirming that he or she meets all the statutory requirements for appointment. The power of oversight for prevention of conflicts of interest is vested in the Audit Committee and the Supervisory Board. GRI 2-15


Andrey Zubitskiy,
President of the Management Board


Tibor Šimonka,
Senior Vice-President


Viacheslav Korchagin,
Vice-President and
Chief Executive Officer


Igor Malevanov,
Vice-President and
Chief Financial Officer

PRESIDENT OF THE MANAGEMENT BOARD

GRI 2-10 GRI 2-11

Andrey Zubitskiy's first appointment as President of the Management Board was in 2017. In his appointment, the shareholders based their decision on his expertise in the steel industry and his share of equity. Following the expiry of his first term of office, the Supervisory Board reappointed Mr Zubitskiy as President of the Management Board for an additional six-year term from 18 July 2023.

EXTENDED MANAGEMENT OF SIJ D.D.

GRI 2-9 GRI 2-12 GRI 202-2

SIJ Group operates within an international business environment and global market. Despite this, the majority of management positions are held by individuals from Slovenia. According to the corporate rules, the management staff of SIJ Group is defined as the broader management, comprising the President of the Management Board, Vice-Presidents, and Directors and Heads who report directly to either the President of the Management Board or the Vice-Presidents. This broader management team consists of 20 individuals, with 95%, i.e., 19 persons, being hired from Slovenia, and just over 5% of the key personnel, i.e. one person, is from abroad.

The Strategic Collegium and Operational Collegium have the task of overseeing the centralised management of SIJ Group's strategic business functions.

The Strategic Collegium is comprised of the vice-presidents and executive directors. They prepare SIJ Group's strategy and the yearly plan of SIJ d.d. and SIJ Group for the Management Board. They formulate strategic policies on mergers, acquisitions, divestments and major investments. Taking into account the sustainability strategy and the different areas of SIJ Group's activities, the Strategic Collegium issues opinions on sponsorships, donations and other major non-commercial matters. The Strategic Collegium is also responsible for setting up teams to undertake various projects of strategic importance for SIJ Group.

The Operational Collegium is responsible for the practical implementation of the strategic goals. The Operational Collegium operates under the supervision of the Chief Executive Officer, who is responsible for managing and overseeing the day-to-day operations of SIJ Group and all its subsidiaries.

Through the Operational and Strategic Collegium and management reviews, any critical concerns are also communicated to and discussed on the top management level. GRI 2-16

MEMBERSHIP OF ASSOCIATIONS GRI 2-28

In 2023, SIJ Group's management actively participated in international steel associations, while members of the Management Board did not engage in any activities outside SIJ Group which would have a significant impact on the Group. SIJ Group companies are members of various industry associations and other membership associations at the national, EU or global levels.

At the international level, SIJ Group regularly publishes its environmental projects and achievements in sustainability as part of the World Steel Association, the ResponsibleSteel global initiative, the European Steel Association (Eurofer), and the International Stainless Steel Forum.

SIJ d.d. is a representative member of the Slovenian Chamber of Commerce and Industry (GZS), where it is classified as the largest vertically integrated metallurgy group in Slovenia. Tibor Šimonka, Senior Vice-President at SIJ d.d., has served as the President of the Slovenian Chamber of Commerce since May 2021.

Either through its employees or its subsidiaries, SIJ Group is also a member of the Automotive Cluster of Slovenia (GIZ ACS) and various associations, such as the Public Relations Society of Slovenia (PRSS), Managers' Association of Slovenia, Slovenian Marketing Association, AmCham Slovenia, Slovenian Corporate Treasurers Association, Slovenian Corporate Security Association, Purchasing Association of Slovenia, Association of Employers of Slovenia, Green Network of Slovenian (Zeleno omrežje Slovenije), the Olympic Committee of Slovenia – Committee for Sustainability in Sport, the Slovenian Project Management Association, and Izvozniki.si ("Exporters.si"). Our memberships allow us to provide for additional education and training, the exchange of best practices, and bringing together stakeholders for the purpose of promoting sustainable development.

Corporate Governance Statement

EFFECTIVE MANAGEMENT OF FINANCIAL REPORTING GRI 2-12

SIJ d.d. has ongoing operational, financial and other internal controls and systems in place, whereby it is assured that the accuracy of financial reporting is effectively managed, and this thus prevents the risk of adverse effects on the operations of SIJ d.d. and SIJ Group as a whole.

SIJ Group's internal control system incorporates the execution and supervision of business processes, which are comprised of a set of rules and procedures defined in the company's internal regulations or decisions passed by the executive management of SIJ d.d. as the controlling entity of SIJ Group.

The internal control system, including risk and fraud detection controls, is set up in separate divisions of SIJ d.d. The management team regularly monitors activities at the operational and strategic levels. The internal control system is supported by software which allows for daily on-the-fly monitoring of all key parameters of SIJ Group subsidiaries, and real-time registration of events and operational data.

We manage risks associated with financial reporting at all levels with the help of carefully designed guidelines and internal control procedures. We take steps to ensure:

- a unified reporting system is in place, with extensive disclosures and notes,

- timely preparation and substantive presentation of financial statements and analyses, which are then used in the process of making business decisions,
- annual external audits.

For the purposes of exchanging data and information, SIJ d.d. and SIJ Group have a two-way vertical communication system in place. We provide timely, complete and accurate internal and external reporting, and ensure it complies with statutory requirements.

This conveyance of information is comprised of:

- reports from the managements of the various subsidiaries to the controlling entity SIJ d.d.;
- communication of the necessary information from the management to employees who are responsible for specific areas;
- notifying and reporting to institutions (Financial Administration of the Republic of Slovenia (FURS), AJPES, Securities Market Agency (ATVP), and other regulators).

SIJ Group's internal control system ensures that business objectives are being effectively achieved and makes sure that company operations comply with the law and guarantee fair and transparent reporting in all material respects.

DIVERSITY IN THE CORPORATE BODIES OF SIJ D.D. AND SIJ GROUP GRI 405

While SIJ d.d. has no formal diversity policy per se for members of its management and supervisory bodies, it implements diversity in its various internal regulations. Diversity in management and supervisory bodies is ensured through the functional roles of members with different professional expertise and by meeting the legal requirements for holding office. The Supervisory Board of SIJ Group has two female members. SIJ Group's senior management team has women occupying 50% of sector director positions. This percentage is comparable with our competitors and shows progress in adherence to the sustainability principles of gender diversity in steel, a traditionally male-dominated industry.

In 2023, we included our commitment to diversity in the SIJ Group Code of Ethics and the SIJ Operating Policy. We also adopted the Diversity Plan. In accordance with the adopted internal regulations, SIJ Group will create an inclusive environment for different categories of diversity across all levels of employment, with a particular focus on respect for human rights and the principles of non-discrimination and fair, transparent and reliable treatment. SIJ Group already has two companies (SIJ SUZ and SIJ ZIP CENTER) dedicated to employing people with disabilities, which prove that we are maintaining a responsible and inclusive approach to vulnerable groups of employees in our work processes.

CORPORATE RULES OF SIJ GROUP AND CORPORATE GOVERNANCE CODES

SIJ d.d.'s corporate governance is governed by the SIJ Group Corporate Rules as of May 2023. These Rules are consistent with the values of business excellence, as defined in the SIJ Group Corporate Rules, which were adopted in 2020. The new SIJ Group Corporate Rules set out in more detail the principles of business operations, the ways in which processes are managed within SIJ Group, and the decision-making process across all key governance bodies. As the leading internal corporate document regulating the activities of the management and governance bodies both within the parent company SIJ d.d. and in its subsidiaries, the Rules can be accessed on the intranet portal.

The various rules and guidelines for appropriate business conduct serve as the standard of corporate governance and management, both for efficient and transparent operation of the parent company SIJ d.d. and for the management and control of its subsidiaries. They are defined for all levels: from operational decision-making in individual companies to actions on the level of the management board and governance bodies, the Supervisory Board and Audit Committee, and the General Assembly of Shareholders.

The SIJ Group Corporate Rules overlap with applicable legislation and established business practices. In areas where they are aligned, they also comply with the Slovene Corporate Governance Code for Listed Companies and the Corporate Governance Code for State-Owned Enterprises, available at the Ljubljana Stock Exchange and Slovenian Sovereign Holding websites, respectively. The provisions of these two codes are understood by SIJ d.d. as recommendations for good practices vis-à-vis other stakeholders on the stock market, or for the implementation of recommendations issued by the Republic of Slovenia as the shareholder.

Andrey Zubitskiy,
President of the Management Board

Evgeny Zverev,
President of the Supervisory Board

BUSINESS REPORT

By responsibly reacting to the external environment, managing risks and identifying opportunities, we are also upgrading our competences with regard to sustainability.

Business Strategy Implementation

Our flexible approaches have helped us maintain our financial stability in 2023, reinforced our leading position in niche markets, and allowed us to engage in activities to further enhance our reputation as an employer of choice. These are the key topics of SIJ Group's Business Strategy, which was adopted in 2019.

ADVANTAGES OF SIJ GROUP'S BUSINESS STRATEGY

FLEXIBILITY	A modular strategy, tracking of key parameters in real-time	Making a distinction between essential and optional investments, and adapting to market conditions in a flexible manner. Adjusting the volume of production (flexibly, based on energy prices).	Prompt decision-making
VERTICAL INTEGRATION	Increased activity of our Scrap Division (record quantities in 2023)	Expanding distribution: • New sales company in the United Arab Emirates • Investments in expanding existing distribution centre capacities	
NICHE MARKETS	Focus on specialised niche markets	Established brands - nine product brands and four end product and service brands	Niche industries - aviation, oil and gas, energy

BRANDING AND MARKETING

SIJ Group is an established provider of branded steels and steel products, as well as certain field-specific services. Besides liaising with our end-customers, our marketing strategy mainly relies on trade show presentations, and in 2023 we presented our products at 19 trade shows in nine countries.

Our marketing activities and communications comply with the applicable regulations and ethical principles. We have had no incidents of non-compliance with any regulations or codes related to marketing and communications. GRI 417-3

We carefully safeguard our customer information in our marketing activities. So far, we have received no warranted complaints regarding any breaches of our customers' privacy or any loss of customer data. GRI 418-1

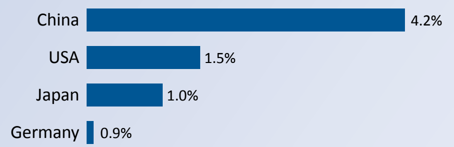
PROTECTION OF COMPETITION GRI 206-1

SIJ Group enterprises adhere to fair market practices. We have thus far not been involved in any administrative, legal or other proceedings involving the distortion of competition, restrictive agreements or abuse of a dominant position. We currently have no separate management position with regard to the protection of competition.

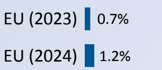
Impacts of the External Environment and SIJ Group Activities

GLOBAL ECONOMIC OUTLOOK

Economic growth projections for 2024



EU economic growth projections for 2023 and 2024



Observations and trends

3.0% global growth (GDP) in 2023

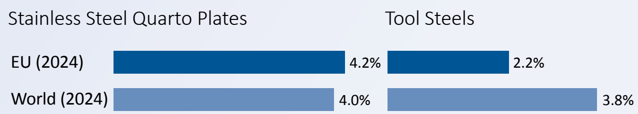
2.9% global growth (GDP) in 2024

Activities of SIJ Group

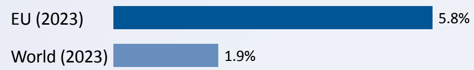
- Building stronger relationships with existing customers in the face of the general increase in prices of energy products and raw materials.
- Building a local presence and increasing sales in the US and the Middle East.
- Increasing sales activities in existing and new markets.
- Improving the supply chain leading to the end buyers.

NEW STEEL DEMAND TRENDS

Projection of the growth in steel consumption



Projected growth in steel demand



Observations and trends

2.2% projected growth in EU demand for tool steel (2024)

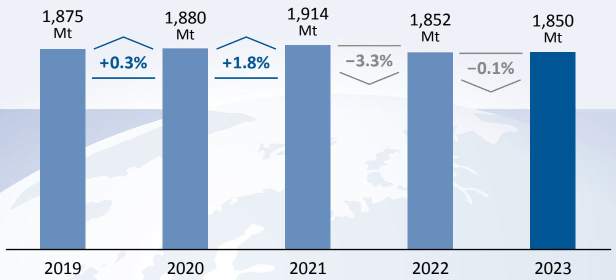
4.0% growth in global demand for stainless steel quarto plates (2024)

Activities of SIJ Group

- Efficiently passing rising raw material costs on to customers.
- Making adjustments and looking for opportunities as prices of energy products and raw materials increase.
- Keeping track of development-focused activities on the market and looking for new business opportunities oriented towards the environmentally sustainable production of steel.

GLOBAL MARKET CONDITIONS

Growth in Global Steel Production



Observations and trends

5.1% decline in projected EU steel consumption in 2023, which is expected to recover in 2024 (+5.8%)

1.9% projected growth in global steel demand in 2024 (2023: 1.8%)

Activities of SIJ Group

- Maintaining high production rates to meet the needs of the market.
- Optimising the product mix with a focus on the use of steel in sustainable end products.
- Strengthening and solidifying existing customer relations.

Sources:
a. European Commission. February 2023. European Economic Forecast: Winter 2023. Available at the following link (24 November 2023).
b. International Monetary Fund. October 2023. World Economic Outlook, October 2023. Available at the link (24 November 2023).
c. European Steel Association. October 2023. Economic and steel market outlook 2023-2024, fourth quarter. Available at the following link (24 November 2023).
d. SMR – Steel and Metals Market Research. December 2023. Stainless Steel Plate Mill Plate Market Data. Internal data.
e. SMR – Steel and Metals Market Research. December 2023. Alloy Tool Steel Market Data. Internal data.

Risk Management

Rapidly rising energy and raw material prices, inflation and general volatility in the markets are just some of the external factors that make production planning and the management of purchase and sales prices more difficult. In the face of the rapidly changing external environment, SIJ Group had already updated its risk management policy in 2022. The systemic management of top-ranked risks, including newly identified risks, was further enhanced in 2023. These updates ensure that risks and opportunities are identified and assessed in a timely manner, thus maintaining our ability to deliver on SIJ Group's strategy.

CENTRAL REGISTER AND RISK MANAGEMENT SYSTEM

The central register includes risks related to fields such as management and governance, economics, social responsibility, technological procedures, and the environment. The centralised risk management system includes all subsidiaries belonging to the Steel and Manufacturing Division, along with the parent company.

The register is part of a comprehensive risk management system, which is based on a cycle of planning, coordination, and reporting. It includes the identification and implementation of risk mitigation measures and monitoring the performance of risk management activities. We track the management of risks in different subsidiaries, and manage them at the parent-company level, as the need presents itself. Major risks which exist in all companies, or risks which can have a significant effect on a number of subsidiaries, are treated as risks facing SIJ Group as a whole. In our risk assessments we are also constantly identifying and assessing opportunities which can enhance our ability to meet and exceed our targets.

ESCALATED AND STRATEGIC RISKS

When assessing risks, we take into account the speed and likelihood of the risk manifesting itself. Taking into account our vulnerability to a risk manifesting itself, we assess the consequences and options for resolving the situation. The consequences are assessed on two levels: from the perspective of the individual subsidiary and from the perspective of SIJ Group as a whole. Risk exposures which were identified in multiple subsidiaries are categorised under Group-level risk exposures, with an escalation allowance. Besides escalated operational risks, we also recognise, assess and manage strategic risks which potentially directly impact the activities, reputation and business operations of SIJ Group as a whole. Based on the assessed severity of identified risks, we put in place numerous systemic safeguards and take action to prevent or manage the risk.

The risk which manifested itself in 2023

In 2022, we added new risks to the updated system and reassessed risks which were previously assessed as having a low probability of manifesting. Among these were some physical risks caused by climate change. This risk manifested itself as massive floods in August 2023. Particularly impacted by the natural disaster which affected two-thirds of Slovenia was the Koroška region, where our subsidiaries SIJ Metal Ravne, SIJ Ravne Systems, SIJ ZIP CENTER and SIJ Storitve operate. The flood-prevention measures we put in place in the previous period prevented major damage to property, and we already started gradually restarting production in the first days after the floods. Establishment of normal transport connections, which would also be suitable for freight traffic, was a particular challenge for the Koroška region's economy, and by extension for SIJ Group, too. The loss of transport infrastructure caused delays in the delivery and dispatch of end products, and also had an effect on our employees' ability to come to work.

Overview of Key Risks

PRODUCTION AND OPERATIONAL TECHNOLOGICAL RISKS

The risk of **unavailability of the means of production,** energy in particular, remains SIJ Group's highest-rated risk. The current geopolitical climate could lead to disruptions or outages in the supply of natural gas, a key energy source for steel production. This could lead to production stoppages and disruptions in the supply of input materials. As updating technological processes is a time-consuming endeavour which requires major investments, this risk cannot be mitigated quickly.

We also assess the **risk of unavailability of infrastructural resources and unavailability of work equipment** as a high-rated risk. This risk is linked to limited possibilities in the past to upgrade and maintain non-critical infrastructure and equipment, and to possible unpredictable breakdowns and mechanical failures, both of which can negatively impact our ability to fill customer orders within the agreed timeframes.

ECONOMIC AND COMMERCIAL RISKS

SIJ Group's second highest-rated risk is a commercial risk. The uncertain energy situation, with unpredictable electricity and natural gas prices, could lead to enormous increases in our product prices, which the market would be unwilling to accept. Increased market volatility presents challenges with regard to optimising procurement, production, and logistics processes in SIJ Group.

BUSINESS RISKS WITH MANAGEMENT AND GOVERNANCE RISKS

The third-highest ranked risk for SIJ Group is the lack of suitably qualified human resources. For many years we have faced a lack of qualified resources on the labour market, combined with a lack of interest among young people to choose professions and work in technical occupations and metallurgy. Retirements and staff transitions between companies (staff turnover) further exacerbate the situation.

CLIMATE CHANGE-RELATED RISKS GRI 201-2

The SIJ Group Sustainable Development Strategy takes into account existing and potential risks due to climate change. The identification, treatment and control of these risks and opportunities falls within the purview of a special working group appointed by the management of SIJ Group. The team also includes the Director for Quality, Sustainability and Corporate Governance, who regularly reports on the team's performance to the Management Board of SIJ d.d., the Chief Executive Officer and the Chief Financial Officer. Both executive directors are responsible for overseeing and coordinating the work of the team.

Risks and opportunities are divided into green transition risks, which are associated with achieving a low-carbon economy, and physical risks, which include the increased probability and impacts of extreme weather events.

PHYSICAL RISKS ASSOCIATED WITH CLIMATE CHANGE

SIJ Group companies operate in geographic areas where the probability of physical risks manifesting due to climate change is lower in both the short and medium term. However, the extensive 2023 flooding in Ravne na Koroškem, where several of SIJ Group's companies operate, has already caused significant disruptions to logistics routes and called into question historical forecasts of extreme weather events at individual SIJ Group sites. The latest projections show that Slovenia will also face more frequent heavy rainfall, longer and more intense heatwaves and droughts, and increasing heat stress for employees. Therefore, we estimate the physical risks of climate change in SIJ Group have a higher level of probability and greater expected impacts.

RISKS ASSOCIATED WITH THE GREEN TRANSITION

The green transition to a low-carbon circular economy, which is vital for the long-term resilience of society, is associated with political and legal risks, technological risks and market risks.

- **Political and legal risks** stem from European Union (EU) regulations. Steel producers in the EU face more stringent requirements compared to steel producers in other parts of the world. Increasing prices for emission allowances (EU ETS), increased emission reporting obligations and higher production costs due to volatile prices (of energy, for example) at the production chain entry points, as well as regulation of production process by-products or waste, make European producers less competitive on the global market. In order to tackle this risk, European steel producers will require assistance or appropriate actions from the EU, which can help by introducing protections for us on the European market and thus creating a more level playing field, and by introducing legislation mandating the use of more environmentally friendly steel grades.

- **Technological risks** are associated with the risk of delays in the development of technologies and infrastructure. These are SIJ Group's most significant risks linked to the implementation of the decarbonisation plan. An environmentally sound and at the same time commercially competitive transition to green steel technologies will depend on the timely development of technologies for the production of more environmentally friendly hydrogen at competitive prices and the development of infrastructure that will enable sufficient renewable energy at competitive prices.

- **Market risks** are posed by rising prices and potential shortages of steel scrap as an input material. Such shortages can be caused by decarbonisation plans in competing integrated steel plants, which are currently producing steel in blast furnaces from iron ore. In the process of restructuring and introducing recycling technologies in their electric arc furnaces, these plants will be replacing some of the pig iron with steel scrap. As a result, a rise in the prices of steel scrap and a decrease in its availability can be expected. If this forecast were to materialise, SIJ Group would be compelled to use hot briquetted iron in its electric arc furnaces for steel production, consequently increasing our carbon footprint.

An opportunity identified

In the context of the green transition, we identify opportunities for steel suppliers that meet strict environmental criteria. Even now, our carbon footprint is already below the global average. Compared to integrated steel mills, which extract steel from iron ore, our advantage is that we are already a fully recycling-based steel producer, operating under the principles of the circular economy. As decarbonisation targets tighten, we can use our steels to reach new customers who will be driven to use the steels we already produce today due to market demand and changes in legislation. Opportunities are also driving us to plan for the growth of low-GHG products and services and to take advantage of the opportunities offered by energy efficiency improvement programmes and measures. SIJ Group's commitment to sustainability thus creates new market opportunities. Sustainable action, certification, internal controls and external reviews are also helping to increase the available capital to deliver on the decarbonisation agenda and increase sales of products and services with a smaller carbon footprint.

OTHER RISKS

In addition to the key high and higher rated risks, SIJ Group manages risks with a lower assessed probability of occurrence, such as:

- business and governance risks linked to information leaks (uncontrolled distribution of confidential information);
- social risks linked to the employees' health and safety due to partially sub-optimal infrastructural conditions;
- technological risks in the field of research and development, caused by a lack of the human resources and know-how needed to perform and coordinate R&D projects;
- economic risks which might be caused by the needs of our customers due to changed geopolitical and economic circumstances; these risks are linked to the likelihood of insufficient new orders and insufficient fulfilment of our customers' orders; and to the sales risks arising from the intensifying trade protectionism measures enforced on our target markets.

Business Performance Analysis

QUARTERLY CHALLENGES

As a result of the forecasts of the European Steel Association and other reliable sources that the demand for steel would decrease significantly in the first quarter of 2023, SIJ Group adjusted the planned production and procurement volumes and optimised inventories accordingly. However, these forecasts did not materialise. In a situation when the market situation changed rapidly and demand did not fall, we were unable to increase production in the short term. As a result, production and sales volumes in the first quarter were lower than in the same period in 2022. This has had an impact on the overall performance of SIJ Group in the first half of 2023.

In the third quarter we suffered the three-month downtime of a major part of production at SIJ Acroni due to major damage to the main engine of the blooming mill. Partial production downtime and logistics issues were also caused by extensive flooding in Koroška, where several SIJ Group companies operate. These unforeseen situations almost halved production and sales in the third quarter. Uncontrollable delays also affected companies operating in the processing and distribution sector.

In the last quarter of 2023, the cooling of major retail markets led to a reduction in sales prices. Although sales in the fourth quarter were higher than a year earlier, they were on average lower than in previous years. This is also reflected in our business performance.

ADJUSTED EBITDA

The procedures for the payment of insurance sums and reimbursements for damages due to the floods at the end of 2023 have not yet been finalised, and the amounts of these reimbursements are therefore not shown in the revenue. As they relate to the financial year 2023, the estimated amounts are taken into account in the adjusted EBITDA, which allows for comparability of statements between years.

ACHIEVING FINANCIAL INDICATORS

The Group timely received a waiver from the lending banks in February 2024 regarding the compliance with financial covenants under the syndicated loan agreement for the period ending on 31 December 2023. Since the waiver regarding the compliance with financial covenants was received after the reporting date, which is after 31 December 2023, under IAS 1.74, the non-current portion of financial liabilities totalling EUR 99.2 million is classified as current financial liabilities, despite the timely confirmation of the waiver for financial covenants by the banks. For more details, please refer to the section 'Important Events After the End of the Reporting Period.' Following the timely receipt of the covenant waiver and to ensure comparability with previous years, the Group has included EUR 99.2 million in non-current financial liabilities in the performance analysis.

SIJ Group key performance figures

	Unit	2022	2023
Cast steel production	t	437,552	378,601
Revenue	EUR thousand	1,302,863	1,001,915
EBIT	EUR thousand	123,980	-8,203
EBIT margin %	%	9.5	-0.8
Depreciation and amortisation	EUR thousand	54,843	56,174
EBITDA	EUR thousand	179,888	56,588
Adjusted EBITDA*	EUR thousand	179,888	73,286
Adjusted EBITDA margin %	%	13.8	7.3
Adjusted EBITDA per employee	EUR	47,652	20,951
Profit or loss before taxes	EUR thousand	112,400	-25,316
Net profit	EUR thousand	95,365	-18,828
CAPEX	EUR thousand	61,386	62,074

	Unit	31. 12. 2022	31. 12. 2023
Total assets	EUR thousand	964,115	967,709
Equity	EUR thousand	444,915	417,892
Working capital	EUR thousand	222,282	163,649
Inventories	*EUR thousand*	*300,627*	*311,294*
Trade receivables	*EUR thousand*	*117,942*	*73,385*
Trade payables for operating assets	*EUR thousand*	*196,286*	*221,030*
Net financial debt	EUR thousand	237,806	237,183
Non-current and current financial liabilities	*EUR thousand*	*253,929*	*263,887*
Cash and cash equivalents	*EUR thousand*	*16,123*	*26,705*
NFD/EBITDA Adjusted		1.3	3.2
Average number of employees		3,775	3,498

** The procedures for the payment of insurance sums and reimbursements for damages due to the floods at the end of 2023 have not yet been finalised, and the amounts of these reimbursements are therefore not shown in revenue. As they relate to the financial year 2023, the estimated amounts are taken into account in the adjusted EBITDA, which allows comparability of statements between years.*

Direct economic value generated and distributed (in EUR million) GRI 201-1

	2021	2022	2023
Revenue*	972.4	1,311.3	1,027.5
Costs of goods, material and services	-765.3	-976.7	-822.5
Changes in the value of inventories	48.8	22.3	14.7
Labour costs	-138.2	-159.8	-150.6
Dividends and financial expenses	-21.3	-65.6	-25.8
Payments to government**	-6.8	-14.5	-3.7
Community investments	-0.4	-0.4	-0.6
Retained economic value	89.2	116.5	39.0

** Revenue comprises net sales revenues, other operating revenues, and financial revenues.*
*** Payments to government include taxes and income taxes for SIJ Group. 78.6% refers to payments in Slovenia.*

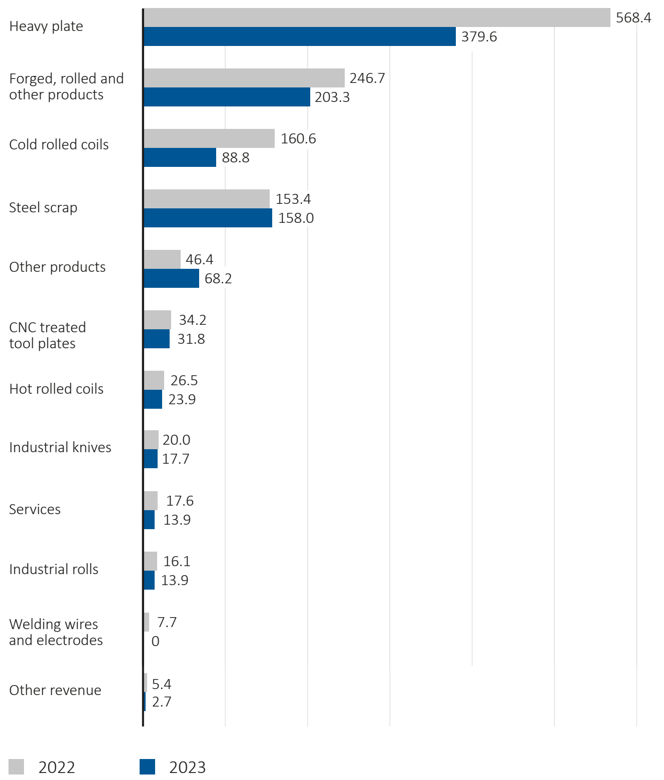
LOWER PRICES AND QUANTITIES

SIJ Group has an established model of adjusting prices to the actual prices of raw materials, energy products, and transport. As these prices were reduced in 2023, so were the selling prices. Extraordinary events reduced production and sales volumes, leading to lower revenues compared to 2022, which was SIJ Group's highest revenue year in history.

CHANGES IN THE STRUCTURE OF SALES

In terms of sales volumes, which were lower overall due to the above-mentioned extraordinary events and the economic environment, the main decrease compared to the previous year was in the sales of quarto plates, due to the production standstill. Compared to 2022, sales of steel scrap had a higher share, while sales of other product groups were comparable to previous periods.

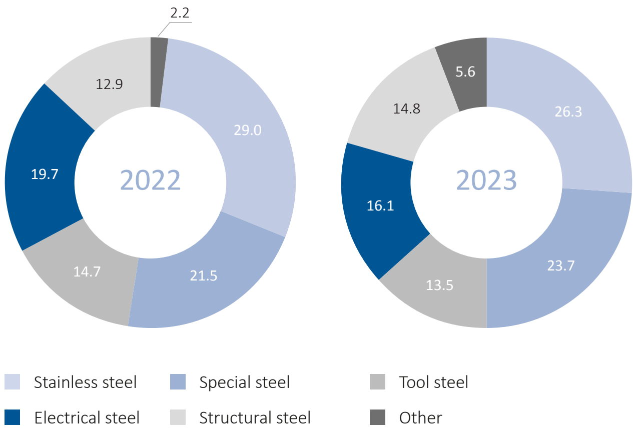
Sales by product groups (in EUR million)



INCREASE IN SALES OF SPECIAL STEELS

The production downtime decreased the sales of electrical steels, stainless steels, and tool steels. SIJ Group's long-term focus on new sales channels and new products for niche steel markets, which we are developing together with partners, is evident in special steels. In 2023, the share of sales of special steels increased by 2.1 percentage points.

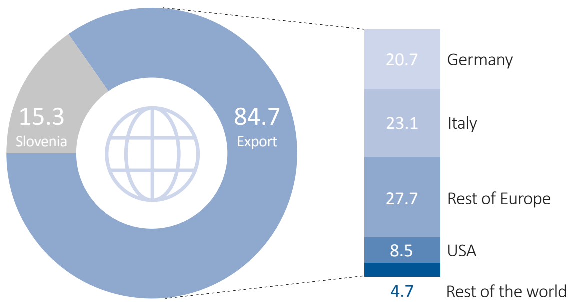
Share of sales volume of certain types of steel (in percentages)



CONTINUED EXPORT ORIENTATION

SIJ Group is one of Slovenia's largest exporters. It has maintained an export share of more than 80% for a decade, and in 2023 the export share was 84.7%. We are present in more than 70 countries worldwide and generated revenues of EUR 848.5 million from exports. The main export markets are Germany and Italy, followed by other European countries. In 2023 there was an increase in exports to Italy, the share of exports to Germany remained unchanged, and exports to other European countries decreased.

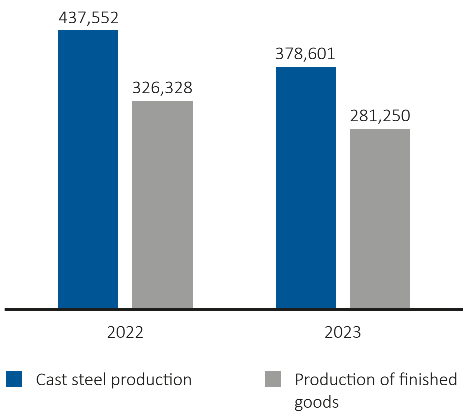
Share of revenues by market (in percentages)



LOWER PRODUCTION VOLUMES

As a consequence of the extraordinary events that marked 2023, SIJ Group produced less steel and finished products than in the preceding year. However, after the recovery from these production in the fourth quarter of 2023 was significantly higher than in the same period in 2022.

Cast and finished products production (in tonnes)



IMPACT OF BUSINESS DIVISIONS ON THE EBITDA

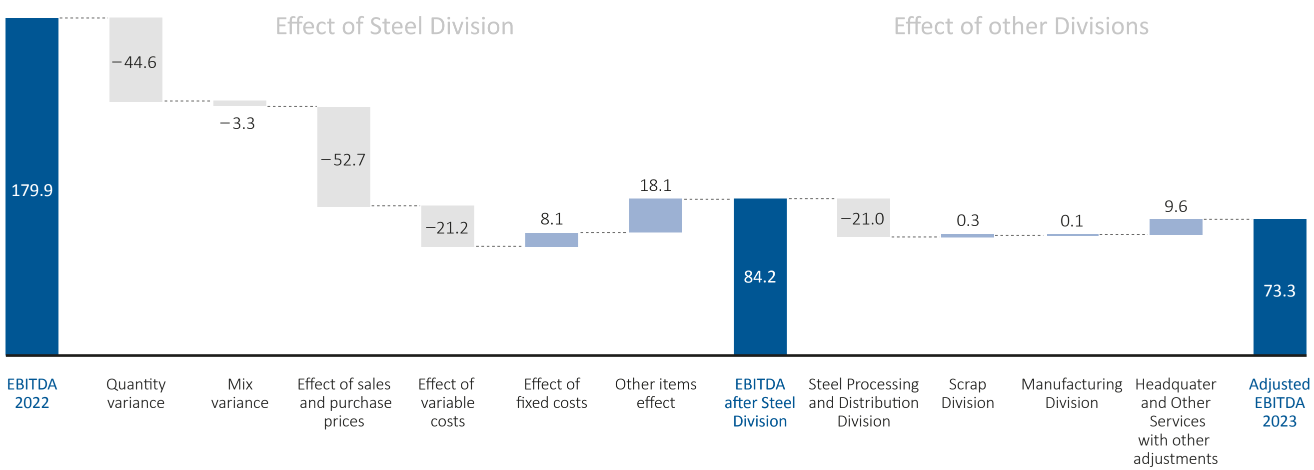
In favourable market conditions, SIJ Group generated record operating results in 2022. The year 2023 was significantly less favourable for SIJ Group due to external circumstances and production downtime. It is therefore difficult to compare the performance from these two years. Adjusted EBITDA for 2023 was EUR 73.3 million, significantly lower than in 2022.

The largest impact on SIJ Group's EBITDA comes from the **Steel Division.** Exceptional events in this area contributed to a decrease in EBITDA of EUR 95.7 million. Lower production volumes reduced EBITDA by EUR 44.6 million. Although we physically produced less in 2023, we paid about the same amount for energy as in 2022, which had a negative impact on the Steel Division. We discuss this in more detail below, under energy costs. EBITDA was also affected by lower sales prices. The prices of materials had a positive impact on EBITDA. Other operating impacts include compensation or indemnity of EUR 16.7 million, which had not yet been received in 2023.

The **Distribution and Processing** Divisions are strongly integrated with the Steel Division. EBITDA in 2023 is affected by lower volumes and lower sales prices in these areas.

The **Management and Other Services** Division affects EBITDA through labour costs, gains in inventories within SIJ Group and other consolidation adjustments.

EBITDA bridge (in EUR million)



PRICES OF KEY RAW MATERIALS

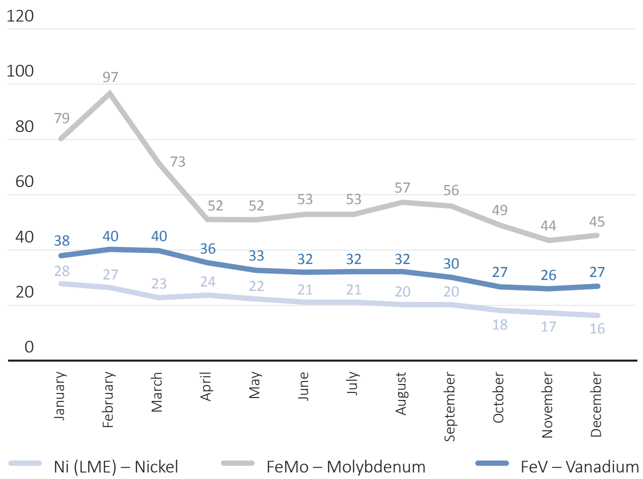
In the second half of 2023, the prices of key raw materials for the Metallurgy and Manufacturing Divisions mostly decreased, while the availability of raw materials was more stable than in previous years. The price developments reflected the cooling of the steel market.

Although demand for key raw materials decreased slightly at the beginning of 2023, there was no surplus of raw materials on the market. Producers of ferroalloys have reduced or stopped their processing activities in Europe due to higher costs. The availability of steel scrap also did not exceed demand, with lower activity in manufacturing and construction, and price of this raw material remained at relatively high levels.

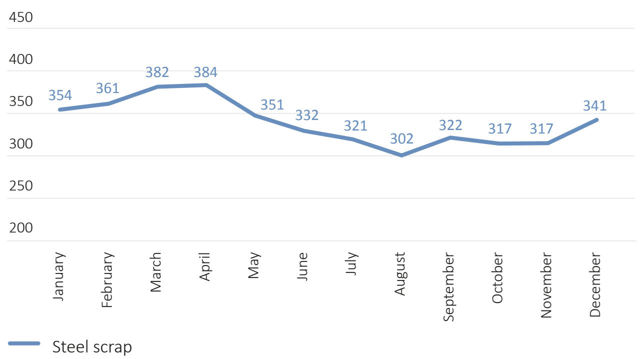
The nickel market was relatively stable compared to 2022. The divergence between the primary and unlisted nickel markets widened in the first quarter. Average monthly nickel prices showed a downward trend from the first quarter onwards. Continued tight liquidity has led to short-term price fluctuations. The same applies to vanadium, which peaked in the first quarter and then experienced a downward trend. Molybdenum prices soared in the first quarter of 2023 due to supply shortages, extraordinary events, and speculative purchases. The rapid growth was followed by a decline and prices stabilised at a relatively high level.

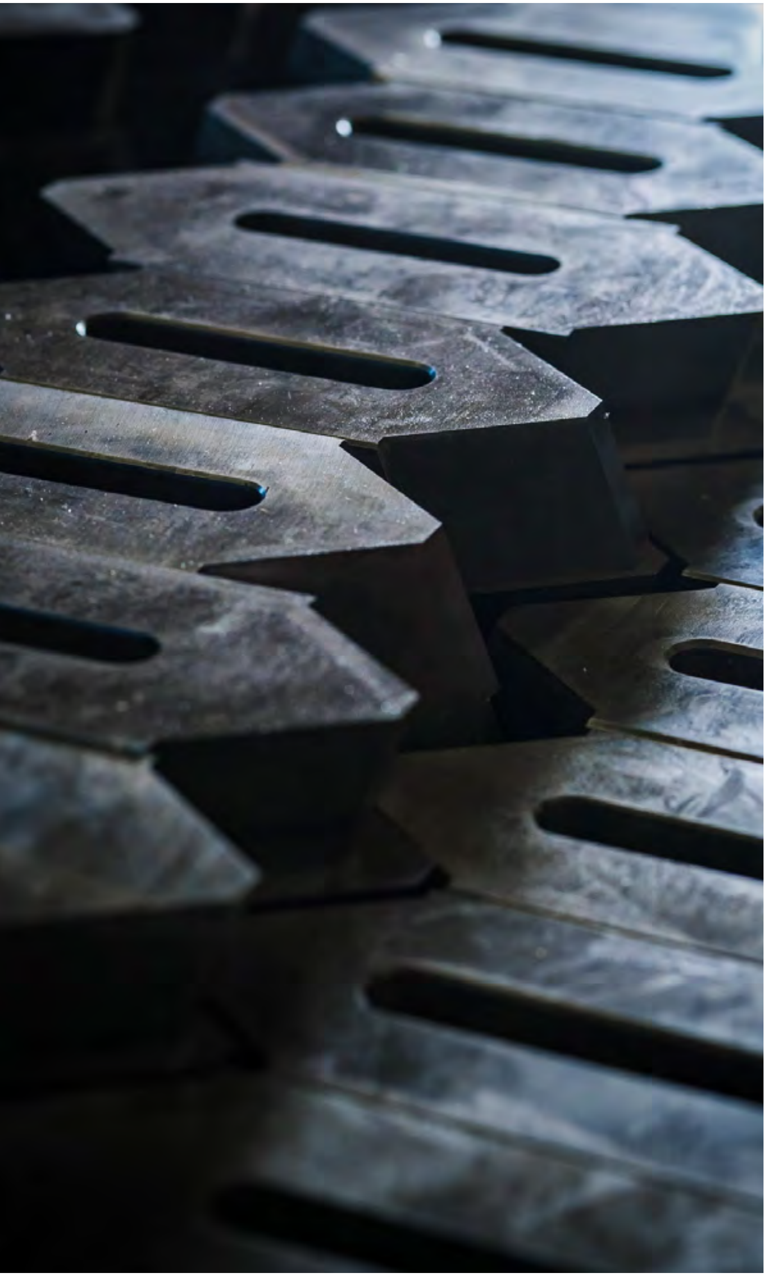
The market situation for **steel scrap** was more stable than in 2022. Reduced economic activity had an impact on the return of steel scrap. The changes between months were smaller and the expected seasonal impact is reflected in higher winter and lower summer price levels.

Movement of key raw material prices for the production of stainless and tool steels (in USD per kg)



Movement of steel scrap price (in EUR per tonne)

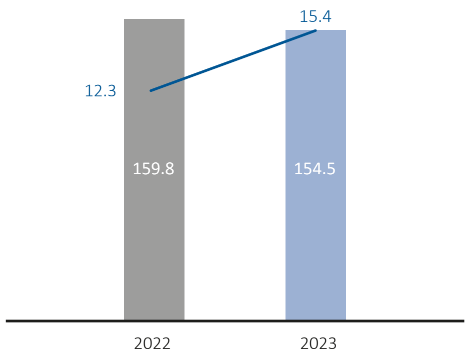




IMPACT OF ENERGY COSTS

In SIJ Group, the Steel and Manufacturing Divisions are the largest consumers of energy products. These divisions accounted for 13.2% fewer megawatt-hours of electricity and 15.2% fewer megawatt-hours of natural gas. Although we produced less in 2023, we paid about the same for energy products as in 2022. In 2022 and 2023, energy costs for SIJ Group doubled compared to 2021 – from EUR 80 million to more than EUR 150 million. Industrial production in Europe is shrinking sharply as the economy is cooling down, and the fact that Slovenia had high and uncompetitive energy prices compared to SIJ Group's foreign competitors meant that we were no longer able to pass on the higher energy costs to our customers in 2023. The share of these costs in operating income thus increased by 3.1 percentage points, which had an impact on SIJ Group's operating result.

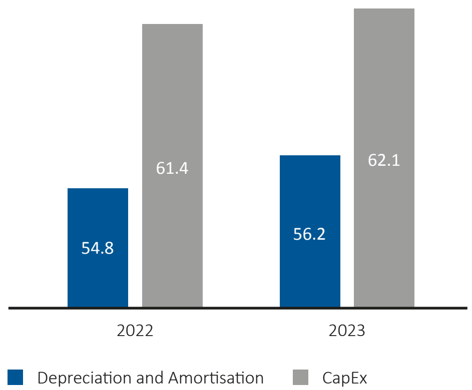
Energy costs (in EUR million) **and share in revenues** (in percentages)



INVESTMENTS, AMORTISATION, AND DEPRECIATION

In 2023, SIJ Group allocated EUR 62.1 million for CAPEX, which is comparable to the previous year. Capital expenditures are higher than amortisation and depreciation, which remain at a high level due to large-scale projects in the previous and current periods. In line with its strategic orientations, SIJ Group's investments until 2025 are geared towards increasing production efficiency, environmental projects, engagement in the circular economy, and energy efficiency.

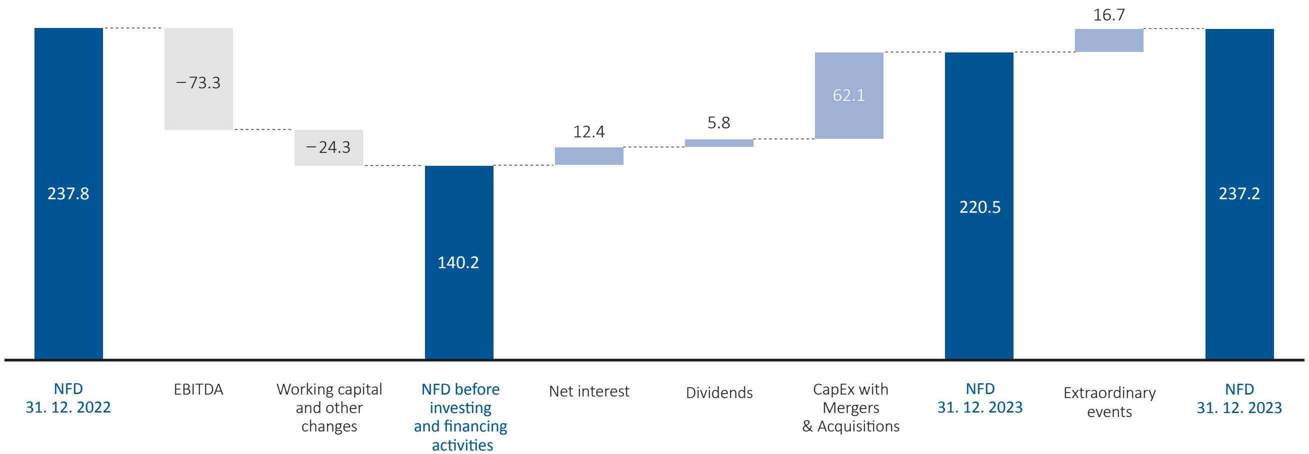
Amortisation and depreciation costs and CAPEX (in EUR million)



NET FINANCIAL DEBT

SIJ Group's net financial debt at the end of 2023 was EUR 237.2 million, which is a comparable level to 2022. The reduction in debt to EUR 220.5 million would have been achieved if 2023 had not been marked by extraordinary events and production downtime due to a major equipment breakdown and flooding.

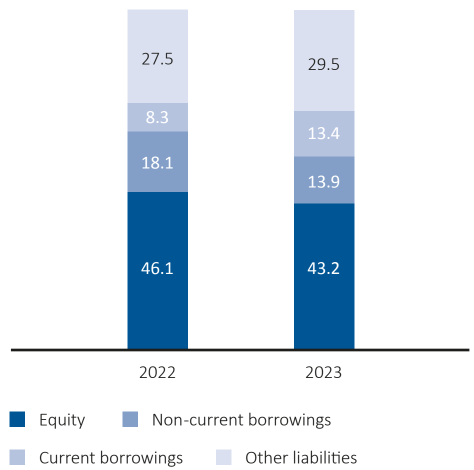
NFD bridge (in EUR million)



HIGH SHARE OF EQUITY

The share of equity remains at a high level. Compared to the previous year, the share of non-current borrowings decreased slightly and the share of current borrowings increased, mainly due to the maturity of the five-year SIJ6 bonds in 2024.

Debt structure as at 31 December (in percentages)*



** Following the timely receipt of the covenant waiver and to ensure comparability with previous years, the Group has included EUR 99.2 million in non-current financial liabilities in the performance analysis.*

DIVERSIFICATION OF SOURCES OF FUNDING

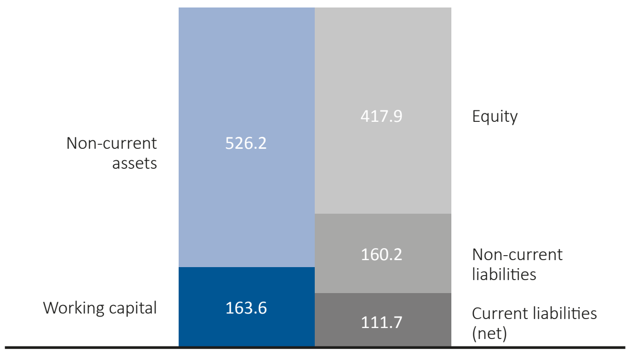
In November 2023, SIJ Group issued 3-year SIJ8 sustainability-linked bonds with a total nominal value of EUR 19 million. The eighth bond issue partially replaced the EUR 31.1 million SIJ7 bonds maturing in November 2023. The new sustainability-linked bonds, which help diversify long-term financing sources, are designed to finance long-term investments in production technology, environmental protection, and energy efficiency. SIJ6 and SIJ8 bonds with a total value of EUR 67.0 million are traded on the capital market.

SIJ Group will continue to issue debt securities in appropriate capital market conditions and is ensuring a sufficient liquidity buffer through, among other things, a long-term syndicated loan of EUR 230.0 million concluded in 2022. The European Bank for Reconstruction and Development (EBRD) is participating in the loan, alongside nine foreign and domestic banks.

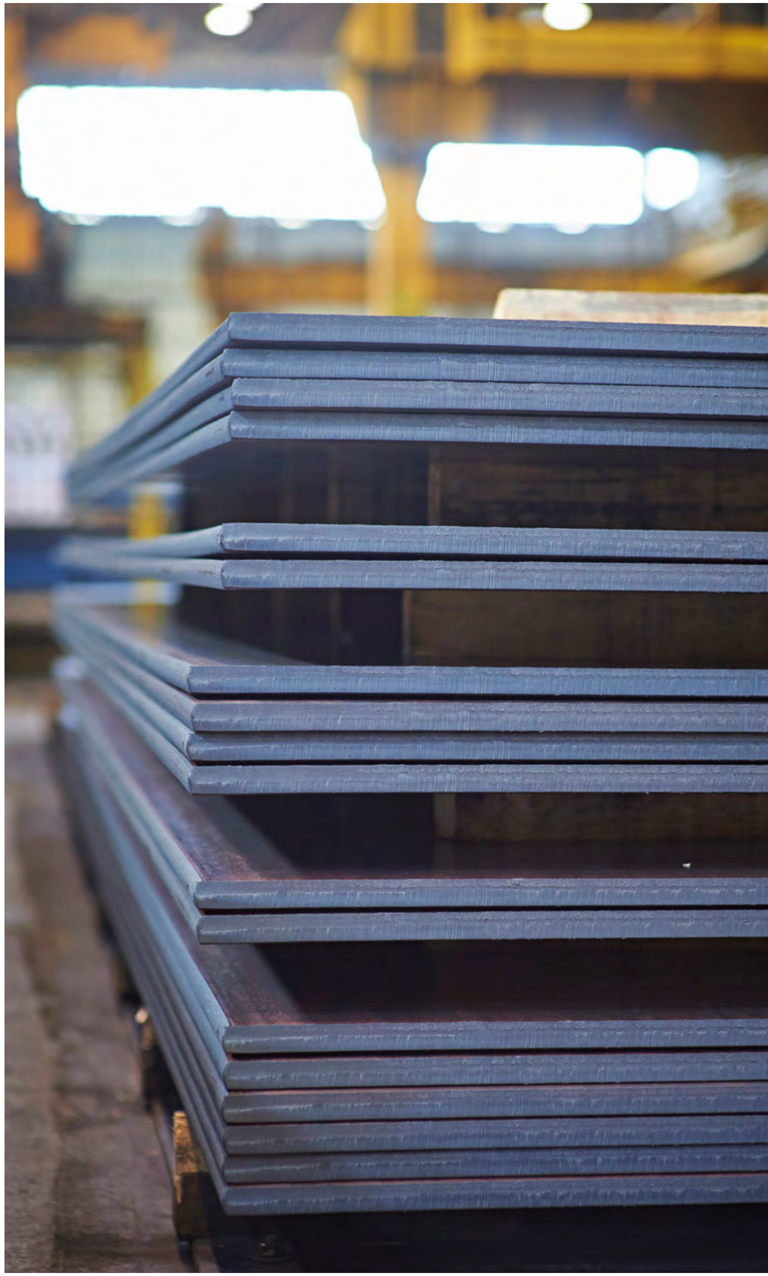
STABLE STRUCTURE OF ASSETS AND DEBT

SIJ Group uses long-term financing to enable long-term development, while current sources of financing are used to balance seasonal fluctuations in working capital. By maintaining a financial policy based on a high share of equity and adequate non-current sources, we maintain a stable structure of assets and sources. Non-current sources cover all non-current assets and 28.9% of the working capital.

Structure of financial position as at 31 December
(in EUR million)*



** Following the timely receipt of the covenant waiver and to ensure comparability with previous years, the Group has included EUR 99.2 million in non-current financial liabilities in the performance analysis.*

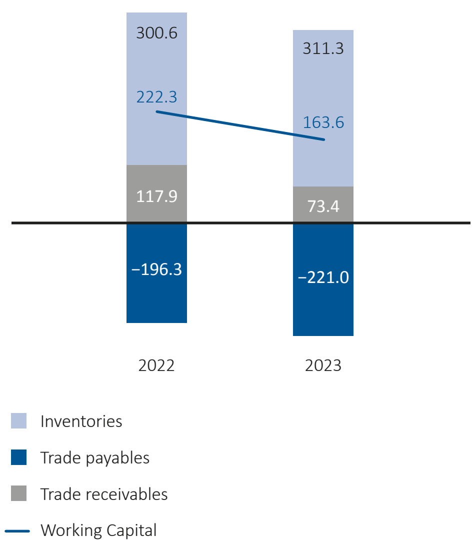


WORKING CAPITAL MANAGEMENT

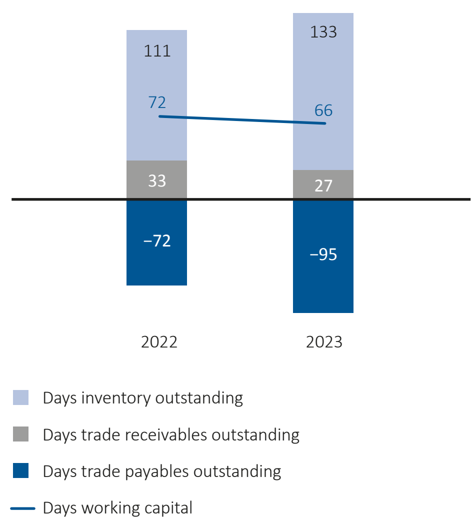
Year-on-year changes in working capital are managed through committed credit lines and effective daily monitoring of receivables and liabilities. As a result of lower sales, working capital in 2023 decreased from EUR 222.3 million to EUR 163.6 million compared to the previous year, and the number of days working capital outstanding also decreased. The slowdown in sales markets and the reduction in selling prices also led to a reduction in receivables due from customers, for which we also actively managed to reduce the days of customer receivables outstanding.

SIJ Group's liabilities to suppliers were lower in 2022 than in 2023. This was due to the optimisation of production. With last year's energy price increases and the uncertain situation, we reduced our purchases of materials and raw materials, and in 2023 we normalised these purchases again.

Working capital from operations as at 31 December (in EUR million)



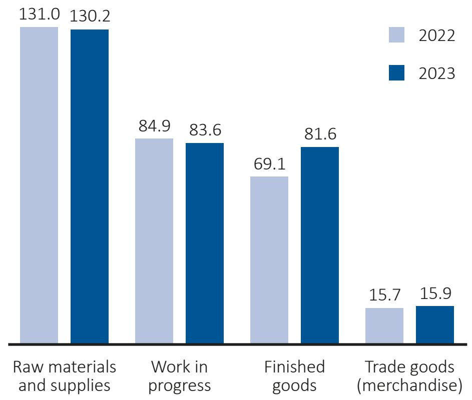
Days of operating working capital outstanding as at 31 December



ADJUSTING INVENTORY LEVELS

After an unfavourable 2023, SIJ Group was ready for a strong entry into 2024. This led to an increase in the inventories of finished products in December. The value of inventories at the end of the year was 3.5% higher than at the end of the preceding year.

Inventories by type as at 31 December (in EUR million)



ALTERNATIVE PERFORMANCE INDICATORS

SIJ Group reports its operating performance according to alternative performance indicators defined by the ESMA. The net sales revenue and net profit or loss indicators are defined according to International Financial Reporting Standards.

Explanation of performance indicators

Indicator	Explanation of the calculation	Application
Net sales revenue	Net sales revenue in the statement of comprehensive income (Disclosure 1).	Net sales revenue is part of the EBITDA margin and share of exports indicators.
Share of exports	Non-domestic net sales revenue compared to overall net sales revenue in the statement of comprehensive income (Disclosure 1).	Shows the level of integration in international exchanges and measures the share of exports of goods.
EBIT	Operating profit or loss in the statement of comprehensive income.	The EBIT shows the operating result and is part of the EBITDA indicator.
EBITDA	Operating profit or loss in the statement of comprehensive income before depreciation and amortisation (Disclosure 2) and impairments (profit/loss) of operating receivables in the statement of comprehensive income and impairment of tangible assets and impairment of inventories (Disclosure 4).	EBITDA is one of the indicators of the Group's performance, and it represents the average cash flows from its core business operations. A higher value of this indicator means a higher operating cash flow, which translates to a lower risk for investors.
Adjusted EBITDA	EBITDA plus or minus non-recurring events not recognised in operating profit in the statement of comprehensive income.	Adjusted EBITDA removes non-recurring and extraordinary items. The purpose of adjusted EBITDA is to obtain the normalised EBITDA.
Adjusted EBITDA margin	Share of adjusted EBITDA in net sales revenue in the statement of comprehensive income.	As a relative indicator, adjusted EBITDA margin is used for comparative analyses with similar companies in the industry.
Net profit or loss	Net profit or loss for the period in the statement of comprehensive income.	The net profit or loss is the mathematical difference between the total profit or loss, levied income tax, and deferred taxes, and it represents the profit available for use.
Net financial debt	The sum total of non-current and current financial liabilities minus cash and cash equivalents on the balance sheet.	Net financial debt is part of the NFD/adjusted EBITDA indicator.
NFD / Adjusted EBITDA	NFD / Adjusted EBITDA	Debt indicator showing the ratio between net financial debt and adjusted EBITDA. A lower value of this indicator means that the Group is able to repay its debts to a greater extent and faster, with a lower risk of default with regard to investors. For half-yearly data, adjusted EBITDA for the last 12 months is used.

Strategic CAPEX

In 2023, we delivered on our key planned CAPEX. The total value of CAPEX reached EUR 62.1 million and is comparable to 2022.

CAPEX AIMING TO REDUCE ENVIRONMENTAL IMPACTS

SIJ Group plans and executes all its CAPEX in line with the BAT (Best Available Technology) principle, therefore majority of our investments also indirectly reduces our environmental impact. However, we place particular emphasis on investments which directly reduce our environmental impacts. In 2023, the aggregate value of these investments was EUR 10.3 million, or 16.6% of total capital expenditures. As a first estimate, and in line with its decarbonisation plan, SIJ Group will invest EUR 70 million in sustainability and efficiency improvements by 2030.

It will achieve a reduction of its own emissions by modernising furnace and combustion technology, replacing gas with electricity, replacing gas with hydrogen, using excess heat and biomass, and optimising production through the use of advanced tools.

KEY PROJECTS IN 2023

Total value of the investment
18.2
EUR million

Value of investment in 2023
4.2
EUR million

CRNO line upgrade (SIJ Acroni)

PURPOSE
to increase production capacity and stability

IMPACT
production output increase of 7,500 tonnes per year

GOAL
to establish stable production of highly advanced non-oriented electrical steel for use in the automotive industry

Total value of the investment
59.3
EUR million

Value of investment in 2023
3.86
EUR million

Rolling Mill 4.0 Programme (SIJ Metal Ravne)

PURPOSE
increasing capacity and removing bottlenecks
optimisation and automation of production and support processes
optimising production costs

IMPACT
production output increase of 31,500 tonnes per year
optimising the headcount
improved results

GOAL
developing and increasing production of high-grade steels
changing the product mix

Direct environmental investments are focused on reducing the consumption of drinking water, protecting air quality by reducing diffuse emissions, increasing energy efficiency, increasing the use of secondary raw materials in steel production, and the development and utilisation of by-products. We are also reducing our environmental impact through research into products with a longer life cycle and other environmentally friendly properties.

Total value of the investment
7.82
EUR million

Value of investment in 2023
2.53
EUR million

Knives 2.0 Programme
(SIJ Ravne Systems)

PURPOSE
- increasing capacity and removing bottlenecks
- stabilisation, optimisation and automation of production and support processes
- optimising production costs

IMPACT
- production output increase of 290 tonnes per year
- value added per employee increased to EUR 48 thousand
- 23% increase in productivity

GOAL
modern, stable, safe, competitive, efficient, digitised and automated production of industrial knives

Total value of the investment
1.8
EUR million

Value of investment in 2023
0.7
EUR million

Upgrade of the WL1 and WL2 furnace
(SIJ Acroni)

CO_2

PURPOSE
- increasing capacities
- reducing gas consumption
- reducing CO_2 emissions

IMPACT
- 40% decrease in specific consumption
- 40% decrease in CO_2 emissions

GOAL
heat treatment of lower carbon footprint steels

INDIRECT ECONOMIC IMPACTS OF INVESTMENTS GRI 203

Indirect economic impacts include investments in infrastructure and support services and other measures to improve the environment and staff working conditions in steel companies.

Infrastructure investments and services supported GRI 203-1

INFRASTRUCTURAL MEASURES

		ENVIRONMENT (emissions, noise, effluents, etc.)	EMPLOYEES (improving working conditions, improving health and safety at work, etc.)
SIJ Acroni	Name of measure:	Demolition of a defunct regeneration facility	
	Type of impact:	Landscaping, transport of hazardous waste to a landfill site where it will be properly processed.	
	Timing:	Project completed.	
SIJ Acroni	Name of measure:	New road connection	
	Type of impact:	Reducing traffic in a populated area, improving the safety of residents.	
	Timing:	Project in progress.	
SIJ Metal Ravne	Name of measure:	Dedusting device - Phase 1	New dispatch department at SIJ Metal Ravne
	Type of impact:	Significant reduction in emissions of particulate matter (from the current 5 mg/m³ to 2 mg/m³).	Expected improvement of working conditions for employees.
	Timing:	Project completed.	Project in progress.
SIJ Metal Ravne	Name of measure:	Noise reduction measures on the northern side of the steelworks / VPP2 dedusting	
	Type of impact:	Reduction of noise generated by the dedusting device, from 53 dB to 48 dB.	
	Timing:	Project completed.	
SIJ Metal Ravne	Name of measure:	Closed-circuit water system in the rolling mill	
	Type of impact:	Obtaining expert studies for the preparation of a project to reduce wastewater pollution levels (impact of rolling mill waste water).	
	Timing:	Project currently in preparation phase.	

Measures with significant indirect economic impacts GRI 203-2

MEASURES WITH INDIRECT IMPACTS

		ENVIRONMENT (emissions, noise, effluents, etc.)	EMPLOYEES (improving working conditions, improving health and safety at work, etc.)
SIJ Acroni	Name of measure:	Upgrading ladle heating sites: oxy-fuel burners – Phase 2	Upgrade of the HTL (High Treatment Line) crane trolley
	Type of impact:	Reducing natural gas consumption with oxy-fuel burner technology and reducing the carbon footprint.	Ensuring safe crane operation (both for employees and the HTL production line).
	Timing:	Project in progress.	Project in progress.
SIJ Acroni	Name of measure:	Upgrading the WL1 and WL2 furnace	Energy-efficient lighting
	Type of impact:	Reducing natural gas consumption and reducing the carbon footprint.	Improving working conditions and workplace safety by providing adequate lighting and the option of increasing lighting levels for overhaul situations.
	Timing:	Project completed. Tracking impacts.	Project in progress.
SIJ Acroni	Name of measure:	Energy-efficient lighting	
	Type of impact:	Reduced energy consumption thanks to more energy-efficient light bulbs and smart lighting design.	
	Timing:	Project in progress.	
SIJ Metal Ravne	Name of measure:		Modernisation of the rolling mill; automation of handling operations
	Type of impact:		Partial automation (assisted handling) of hard and hazardous physical labour (hot billets) in production operations.
	Timing:		Project in progress.
SIJ Metal Ravne	Name of measure:		Straightening line for small-diameter products
	Type of impact:		The key impact of the project is the additional revenue stemming from higher production volumes. The indirect impacts of the project are to improve working conditions and safety at work; replacing manual work in the forging programme with machinery.
	Timing:		Project in progress.
SIJ Metal Ravne	Name of measure:		Manipulator for cleaning the threshold of the UHP furnace and pulling slag
	Type of impact:		Improvement of working conditions (exposure to heat, hard physical labour- removing slag from the furnace) and reducing the likelihood of hazardous incidents.
	Timing:		Project in progress.
SIJ Metal Ravne	Name of measure:		Repair of the base of the 40/45 MN Press
	Type of impact:		Reducing the risk of an emergency or hazardous incident.
	Timing:		Expected to be completed in 2025.

Research, Development and Innovation

Under the auspices of SIJ Group's R&D project office, which systemically coordinates experts from various R&D departments, we successfully identified, launched, coordinated and completed 37 projects in 2023. Through projects involving introducing new steels and products, developing new technologies and devices, and innovations, we are optimising the cost of both processes and products, encouraging digitalisation and reducing our carbon footprint in steel production.

In 2023, we focused on improving the conditions for creating higher value added. In addition to the innovative carbon dioxide capture and recovery project, we launched strategic projects to enter the nickel alloys market.

The SIJ R&D project office acts as an open innovation system, which encourages collaboration between experts within SIJ Group, external scientific institutions, industry partners and other experts from a variety of research fields.

AWARD-WINNING INNOVATIONS

Each year, SIJ Group's research and development teams receive recognition as recipients of the Slovenian Chamber of Commerce and Industry (GZS) innovation awards. Projects by SIJ Acroni and SIJ Metal Ravne were ranked among the top ten innovations in 2023, and both companies received a GZS Gold Award.

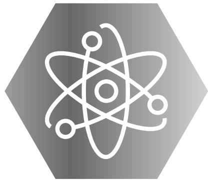
- **Steel for the world's largest fusion reactor, ITER**

  The ITER fusion reactor is one of the most ambitious, largest, advanced and expensive engineering projects in the world. The flange, which will be an integral element of ITER's tokamak (the fusion power generator), will be made from SINOXX 4404, a premium stainless steel produced by SIJ Metal Ravne. The fact that SIJ Group is the producer and supplier of this steel is proof that SIJ Group creates solutions for applications that will make a key contribution in the transition to a low-carbon society.

- **Longer-life steel**

  High-strength steels for higher-performance parts with a longer lifespan are usually produced from raw iron ore. This is also what makes SIMAXX 1100, a high-strength steel made from steel scrap according to the principles of the circular economy, a ground-breaking innovation on a global scale. The new steel from SIJ Acroni enables the production of thinner structural elements, such as taller and lighter wind turbine towers. Improved performance parts with a longer lifetime also have a smaller carbon footprint.

NEW STEELS AND STEEL PRODUCTS



For use in the energy and marine industries

We are expanding our range of stainless steel quarto plates with the non-magnetic austenitic stainless steel SINOXX 3964 and the martensitic steel SINOXX 4005. In addition to SINOXX 4541 and SINOXX 4044, we also developed a new process for the production of a superalloy, which is already used in regular production processes. In cooperation with the customer, we have also developed a new superferritic stainless steel, SINOXX S450, used in manufacturing electric motors in nuclear reactor drive-rod mechanisms. The new SIQUAL S136 structural steel is also intended for use in the nuclear industry.

For the most demanding applications in the aviation industry

We have been developing products for the aviation industry since March 2020, when we obtained the strict EN9100 standard. Many of the new products are made from SINOXX stainless steel, which is suitable for parts requiring high strength, corrosion and thermal resistance, and from SIQUAL alloy steel, which, in addition to its high strength, is characterised by its high wear resistance. For the most demanding applications in the aviation industry, such as aircraft landing gear, we develop products made from steel remelted using the ESR (Electro Slag Remelting) process.

For cold work and the aluminium industry

The dimension range of cold working tool steels offered under the SIHARD 2360 brand has been increased up to a diameter of 600 millimetres. We have also developed a new process for improving black forged rolls made from SIHARD 2375 steel. The new method, which refines rolls horizontally, replaces the more expensive and time-consuming process of refining machined rolls vertically. The new roll forming technology will gradually be transferred to other steel grades.

EMPLOYEE INNOVATION

In 2023, employees submitted 244 useful suggestions and 259 ideas, and we implemented nine technical improvements based on these. The total economic benefit of such innovation activities was as high as EUR 2,853,830. By putting an intense focus on innovation activities, we are improving SIJ Group’s competitive edge and increasing our resilience to fluctuations in the prices of materials, raw materials and energy.

In 2023 SIJ Group's internal innovation event – the Hackathon – also yielded three new feasible projects. The Hackathon brought together prospective colleagues from the fields of IT, manufacturing, technology and investment to address the challenges of digitalisation and artificial intelligence.

DEVELOPMENT PROJECTS IN CONSORTIA

INEVITABLE, providing digital support for the steel industry

In March 2023, after several years of cooperation between national and international research and development institutions, the INEVITABLE: Transformation of the Steel Industry Through Implementation of Digital Technologies project was concluded. The consortium, of which SIJ Acroni was a contributing member, was working on the digital transformation of the processes for the production of ordinary steels in the electric arc furnace (EAF) and the cold rolling of electrical steels on the ZRM rolling frame (Sendzimir).

High-tech auxiliary monitoring systems were developed for these technological processes as part of the project, which optimise the processes, improve productivity and reduce consumption of energy and raw materials.

PETRA for a lower consumption of energy products

SIJ Acroni and C3M, a high-tech company, are partnering on the R&D project Optimisation of the Carbon Footprint of Steel with the Digital Twin of Hot Rolling (PETRA). The new niche product is linked to improving the material and energy efficiency of the process route for the hot working of low niobium-alloyed structural steel quarto plates. Development of a digital twin for improved precision and control over the entire hot-processing process will make it possible to achieve the desired thick sheet metal microstructure. There will be less need for additional heat treatment and remanufacturing of finished products, reducing energy consumption.

GREMO and E-MOTION for electric mobility

The GREMO (GREen MObility) consortium, which also includes SIJ Acroni, brings together 12 Slovenian automotive companies. Since August 2022, it has been experimentally developing electric engines (e-MOTION). Investments aimed at the faster and more ambitious development of new products and technologies can improve the competitiveness of the Slovenian automotive industry. As a result of such investments, SIJ Acroni expects a breakthrough in the development of non-oriented electrical sheet for electric motor drives of electric and electrified vehicles.

Circular economy projects

- **GEORIS with white slag in paving stones**

  SIJ Acroni's processed white slag (Ekominit S) and granulated blast furnace slag from an external partner are involved in an international project to produce prototype pavements using innovative geopolymerisation technology (in Slovenia) and a geopolymer catalyst (in Greece). A feasibility study and an environmental impact assessment (LCA) of the production will be carried out for the paving stones made using these by-products.

- **RIS DustRec for recovery of metal fractions**

  Can metals other than zinc be recovered from the filter dust of an electric arc furnace (EAF)? This question is being answered by an international project in which the Jožef Stefan Institute is the leading partner. We expect that once the project is completed we will be able to use a combination of metal and metal oxide extraction methods to extract metal fractions rich in iron, manganese, nickel and chromium from metal powder in an innovative way, which could then be reused in an EAF. After processing, the zinc-rich fraction could be sold on the market.

- **Complete processing of grinding sludge**

  SIJ Ravne Systems participated as a consortium partner in a bid for R&D projects related to the National Recovery and Resilience Plan (NRRP). The aim of a zero waste project is to reintroduce the treated raw material back into the production process. The tailored treatment of internal metal grinding sludge is expected to produce a high-alloy material for use in metallurgical processes. The filings will be treated by drying or vacuum distillation with simultaneous heating using excess heat, and then briquetted.

SUSTAINABILITY REPORT

02

By acting responsibly now, SIJ Group plays a role in paving the way for a carbon-free society of the future. Sustainability is our core value of business excellence. We deliver on our commitments to our various stakeholders, to nature and to the future by opening our targets to external review and by credibly and verifiably reporting on our business performance and sustainability actions.

The Standard of Responsible Steel Producers

SIJ Group is ranked as one of the most responsible and sustainable steel producers in the world, a fact also demonstrated by our certification obtained under the strict ResponsibleSteel standards. Compliance with this standard gives credibility, transparency and traceability to our actions.

This independent certification standard is based on 12 principles, which are also reflected in key corporate and sustainability documents which guide the operations of the Group.

1 **Responsible corporate governance** is set out in the SIJ Group Corporate Rules, adopted in May 2023 (the rules are presented in the Corporate Governance Statement, page 26).

2 Within the framework of an effective **management system for achieving social, environmental and governance objectives,** a special working group is responsible for the implementation of the SIJ Group Sustainability Strategy and the monitoring of risks in this area (this is presented in the Climate Change Risks section, on page 34).

3 We are constantly and conscientiously caring for the **health and safety of our employees.**

SIJ Group Sustainability Strategy: In 2026, six key SIJ Group companies will have met the requirements of the ISO 45001 occupational health and safety standard.

4 We respect **workers' rights** and are committed to maintaining a social dialogue, which in 2023 led to, among other things, an increase in the basic wages of employees on collective agreements in production companies.

5 Respect for **human rights** is a core value embedded in our documents and actions at all levels.

6 We openly report on all issues of importance to stakeholders. We **involve and communicate with our stakeholders** in an effort to assess, prevent and remedy any potentially adverse impacts of our activities.

7 We respect the **rights and interests of local communities,** prevent and reduce the adverse impacts of our actions and support our communities' well-being. In addition to other forms of cooperation and support, we made additional donations to communities affected by the floods of 2023.

8 On the topic of **climate change and greenhouse gas emissions,** we are not only committing ourselves to meeting the global targets outlined in the Paris Agreement and to carbon neutrality by 2050, but are also setting additional ambitious targets of our own.

The goal of the Decarbonisation Plan: By 2030, we will have reduced our emissions by 51% compared to the baseline year of 2020.

9 We prevent and reduce **noise, emissions, wastewater and waste.** We operate according to the principles of the circular economy. By closing the material loop we are increasing the quantity of our own sorted waste, and as much as 97.9% of our industrial waste is reused, recycled, or otherwise recovered.

1 In terms of **water management,** we are committed to using natural resources responsibly and rationally by reducing the consumption of drinking water and monitoring any impacts on water quality through regular monitoring practices.

11 We are committed to protecting and conserving **biodiversity.** We have designed additional action plans to preserve biodiversity for the two largest production companies of SIJ Group, which operate in the vicinity of Natura 2000 nature conservation areas and have no significant impacts on the environment.

12 Part of SIJ Group's strategic approach is also to prevent or minimise any potential negative social, economic and environmental impacts **in the event of a full or partial shutdown of a production site.**

Reporting on SIJ Group's Activities with Regard to Sustainability

IMPROVED SUSTAINABILITY REPORTING

GRI 2-22

SIJ Group is committed to an improved level of reporting, in compliance with sustainable development standards. This reporting, which conforms to the GRI Standard requirements, is an integral part of the annual report.

We have already prepared a separate report in 2023, in line with the Taxonomy Regulation. By disclosing information we comply with the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives. This year, these themes are presented in a special section of the Annual Report.

We also include in the report climate-related financial disclosures (TCFD) and indicators disclosed in SIJ Group's Sustainable Financial Framework.

SUSTAINABILITY REPORTING BOUNDARIES

GRI 2-2

The list of companies included in the sustainability report differs from the list of companies included in the financial report. Sustainability reporting applies to six key SIJ Group companies (SIJ d.d., SIJ Acroni, SIJ Metal Ravne, SIJ Ravne Systems, SIJ SUZ, SIJ ZIP CENTER). The table below illustrates the reporting for each topic.

APPROACH TO PREPARATION OF THE REPORT

SIJ Group releases its financial and business disclosures on an annual and semi-annual basis. Whereas annual reports are prepared in accordance with the GRI standard, half-yearly reports are not. The present report applies to the period from 1 January to 31 December 2023. The present Annual Report contain detailed disclosures on sustainability and governance, in accordance with the GRI (Global Reporting Initiative) standards. The contact person for clarifications regarding the sustainability section of the Annual Report and the disclosures is Dr Tadeja Primožič Merkač, Director of Quality, Sustainability and Corporate Governance (tadeja.primozic@sij.si). GRI 2-3

RESPONSIBILITY FOR THE ANNUAL AND SUSTAINABILITY REPORT

The Management Board of SIJ d.d. is responsible for drawing-up the Annual and Sustainability Report for SIJ d.d. and SIJ Group, which includes reporting on non-financial topics, sustainability indicators and other key issues. After verification, review or adoption, the Board then submits the report to the certified auditor and certified assurance provider to

perform an audit. The audited Annual Report of SIJ d.d. is then presented to the Supervisory Board for discussion and review. The Supervisory Board reviews the Annual Report in accordance with the law and usually adopts the audited Annual Report of SIJ Group and SIJ d.d., and then prepares a report for the regular annual General Assembly of shareholders. GRI 2-14

As the Annual and Sustainability Report of SIJ Group and SIJ d.d. for 2023 has been prepared in accordance with the GRI Standards for the second year in a row, it is already subject to the obligation of disclosing changes in reporting compared to previous reporting periods. In 2023, there was no need to supplement or revise the disclosures compared to the 2022 report. The report made according to GRI standards is subject to external review. GRI 2-4

Reporting limits

DISCLOSURES		Steel Division	Manu-facturing Division	Headquarters and Other Services	Scrap Division	Distribution and Process-ing Division
2-1 through 2-5	The organisation and its reporting practices	●	●	●	●	●
2-6	Activities, value chain and other business relationships	●	●	●		
2-7 2-8	Employees Workers who are not employees	●	●	●		
2-9 through 2-20	Governance (excluding 2-17, 2-21)			● SIJ d.d.		
2-22 through 2-28	Strategy, policies and practices (excluding 2-25, 2-26 and 2-27)	●	●	●		
2-29 through 2-30	Stakeholder engagement	●	●	●		
201	Economic Performance (excluding 201-4)	●	●	●	●	●
202	Market Presence (excluding 202-1)	●	●	●		
203	Indirect Economic Impacts	●				
204	Procurement Practices	●	●			
205	Anti-corruption	●	●	●		
206	Anti-competitive Behaviour	●	●	●		
207	Tax (we do not report on this topic)					
301	Materials (excluding 301-1 and 301-3)	●				
302	Energy (excluding 302-2 and 302-5)	●	●			
303	Water and Effluents	●				
304	Biodiversity (3-3 only)	●				
305	Emissions (excluding 305-6)	●				
306	Waste	●	●			

DISCLOSURES		Steel Division	Manu-facturing Division	Headquarters and Other Services	Scrap Division	Distribution and Process-ing Division
308	Assessment of suppliers from the environmental perspective (excluding 308-2)	●				
401	Employment	●	●	●		
402	Labour / Management Relations	●	●	●		
403	Occupational Health and Safety	●	● SIJ Ravne Systems			
404	Training and Education (excluding 404-3)	●	●	●		
405	Diversity and Equal Opportunity (excluding 405-2)	●	●	●		
406	Non-discrimination	●	●	●		
407	Freedom of Association and Collective Bargaining	●	●	●		
408	Child Exploitation / Child Labour	●	●	●		
409	Forced or Compulsory Labour	●	●	●		
410	Security Practices	●	●	●		
411	Rights of Indigenous Peoples (we do not report on this topic)					
413	Local Communities	●	●	●		
414	Supplier Social Assessment (excluding 414-2)	●	●			
415	Public Policy (we do not report on this topic)					
416	Customer Health and Safety (we do not report on this topic)					
417	Marketing and Labelling (excluding 417-1 and 417-2)	●	●	●		
418	Customer Privacy	●	●	●		

A list of companies is provided in the programme scheme on page 21. Headquarters and Other Services does not include Železarna Jesenice.

EXTERNAL ASSURANCE IN SUSTAINABILITY REPORTING

The GRI reporting was verified by an external institution TÜV SÜD Polska, which was selected in a competitive bidding process based on references and whose selection was approved by the management of SIJ Group. Verification of the annual report was carried out in accordance with the limited assurance on the reliability of sustainability reporting. The assurance report is included as part of this Annual Report. GRI 2-5

TÜV SÜD

Assurance statement on third-party verification of sustainability information

No. of statement: **001/GRI/TSP/2024**

TÜV SÜD Sava d.o.o. *(hereinafter "TÜV SÜD" "we", "us", "our")* has been engaged by SIJ d.d. to perform a limited assurance verification of sustainability information in the Annual Report "Annual and Sustainability Report SIJ Group and SIJ d.d. 2023" of SIJ d.d. *(hereinafter "Company")* for the period from 01.01.2023 to 31.12.2023.

The verification was carried out according to the steps and methods described below.

Scope of the verification

The third-party verification was conducted to obtain limited assurance whether the sustainability information is prepared **in accordance with** the reporting criteria of the Sustainability Reporting Standards v. 2021 of the Global Reporting Initiative (hereinafter "Reporting Criteria").

The following selected sustainability disclosures are included in the scope of the assurance engagement:

- Qualitative and quantitative disclosures on sustainability published in Sustainability Reporting: "Annual and Sustainability Report SIJ Group and SIJ d.d. 2023.

Disclosures not part of our engagement are listed in the section "Limitations" below.

Responsibility of the Company

The legal representatives of the Company are responsible for the preparation of the sustainability information following the Reporting Criteria. This responsibility includes in particular the selection and use of appropriate methods for sustainability reporting, the collection and compilation of information and the making of appropriate assumptions or, where appropriate, the making of appropriate estimates. Furthermore, the legal representatives are responsible for necessary internal controls to enable the preparation of a sustainability information that is free of material - intentional or unintentional - erroneous information.

Verification methodology and level of assurance

The verification engagement has been planned and performed following the verification methodology developed by TÜV SÜD which is based upon the ISO 17029, ISAE 3000 and AA1000 Assurance Standard. The applied level of assurance was "limited assurance". Because the level of assurance obtained is a limited assurance, the engagement is lower than in a reasonable assurance engagement. The procedures the verification team performs in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the sustainability information and applying analytical and other limited assurance procedures.

Verification procedures performed

The verification was based on a systematic and evidence-based assurance process limited as stated above. The selection of assurance procedures is subject to the auditor's own judgment.

NR KRS: 0000040430
NIP PL 779-19-82-781
Registration company data: tuvsud.com/pl-pl/imprint

General Manager: Mieczysław Obiedziński

TÜV SÜD Polska Sp. z o.o.
Podwale 17 Street
00-252 Warsaw
Poland

tuvsud.com/pl-pl
Phone: +48 (22) 696 43 96

TÜV®

Detailed observations are raised in a separate report to the Company's management. These observations do not affect our conclusion reported below.

The procedures included amongst others:

- Inquiries of personnel who are responsible for the stakeholder engagement and materiality analysis to understand the reporting boundaries
- Evaluation of the design and implementation of the systems and processes for compiling, analysing, and aggregating sustainability information as well as for internal controls
- Inquiries of company's representatives responsible for collecting, preparing and consolidating sustainability information and performing internal controls
- Analytical procedures and inspection of sustainability information as reported at group level by all locations
- Assessment of local data collection and management procedures and control mechanisms through a sample evaluation at SIJ d.d.

Verification details

The verification focused on sampling of data, information and processes following the requirements necessary for a reporting in accordance with the Reporting Criteria:

- Application of reporting principles
- Report the disclosure in GRI 2 - General disclosure 2021
- Determination of material topics
- Report the disclosure in GRI 3 - Material Topics 2021
- Report disclosure from the GRI Topic standard for each material topic and sampling of Economic, Social and Governance indicators as defined material by the organization
- Reason for omissions
- Public GRI Content Index
- Statement of Use
- Notification to GRI

Our Opinion

On the basis of the verification procedures carried out from 09.01.2024 to 28.03.2024, TÜV SÜD Sava d.o.o. has not become aware of any facts that lead to the conclusion that the selected sustainability information has not been prepared, in all material aspects, in accordance with the Reporting Criteria defined by the Global Reporting Initiative (GRI) v. 2021.

Limitations

The assurance process was subject to the following limitations:

- The subject matter information covered by the engagement are described in the "scope of the engagement". Assurance of further information included in the sustainability reporting was not performed. Accordingly, TÜV SÜD do not express a conclusion on this information.
- Financial data were only considered to the extent to check the alignment with the economic indicators provided by the reporting criteria. The review of financial data or accounts was not within the scope of our work.

- The assurance scope excluded forward-looking statements, product- or service-related information, external information sources and expert opinions.
- The review of data referring to previous years was not within the scope of work.

Use of this Statement

The Company must reproduce the TÜV SÜD statement and possible attachments in full and without omissions, changes, or additions.

This statement is by the scope of the engagement solely intended to inform the Company as to the results of the mandated engagement. TÜV SÜD has not considered the interest of any other party in the selected sustainability information, this assurance report or the conclusions TÜV SÜD has reached. Therefore, nothing in the engagement or in this statement provides third parties with any rights or claims whatsoever.

Independence and competence of the verifier

TÜV SÜD Sava d.o.o. is member of the international TÜV SÜD Group, with accreditations also in the areas of social responsibility and environmental protection.

For the present Assurance engagement TÜV SÜD Sava d.o.o. is operating in line with TÜV SÜD Group procedures. The decision was taken by the Verification Body TÜV SÜD Polska Sp. z o.o.., part of TÜV SÜD Group.

The assurance team was selected based on the knowledge, experience and qualification of the verifiers. TÜV SÜD Sava d.o.o. hereby declares that there is no conflict of interest with the Company.

Date of Issuance: 04.04.2024

Andreja Kranjc	Artur Labus
Lead Assessor	Head of Verification Body
TÜV SÜD Sava d.o.o.	TÜV SÜD Polska Sp. z o.o.

NR KRS: 0000040430
NIP PL 779-19-82-781
Registration company data: tuvsud.com/pl-pl/imprint
General Manager: Mieczyslaw Obiedziński
TÜV SÜD Polska Sp. z o.o.
Podwale 17 Street
00-252 Warsaw
Poland
tuvsud.com/pl-pl
Phone: +48 (22) 696 43 96
TÜV®

Sustainability Strategies, Policies and Practices

The SIJ Group Sustainability Strategy, adopted in 2022, is the foundation for clearly defined policies on operations and ethical conduct, which are defined in a number of codes of conduct. It is also inextricably linked to SIJ Group's more detailed Decarbonisation Plan 2020-2030-2050, as complemented by the Investment Plan, and to the Sustainable Financial Framework, verified by way of a Second Party Opinion prepared by an independent organisation.

Statement on Sustainable Development Strategy GRI 2-22

The SIJ Group Sustainability Strategy serves as the foundation for systematic and controlled development planning, taking into account environmental and social impacts and the principles of excellence in corporate governance. The carefully defined strategic themes are based on the needs of SIJ Group and its stakeholders, while being aligned with the United Nations (UN) Sustainable Development Goals, as set out in the 2030 Agenda. The Strategy is binding for the signatory companies of the Contract on the Governance and Organisation of the Contractual Group, whereas all other SIJ Group member companies also follow the guidelines laid out in this strategy.

The Process to Determine Material Topics of the Sustainability Strategy

GRI 3-1

A list of key sustainability topics for all stakeholders, ranked by relevance, has been prepared through a series of guided discussions and brainstorming sessions. The chosen sustainable development topics are consistent with the key contents of the SIJ Group Sustainability Policy and with the priority areas of its corporate strategy.

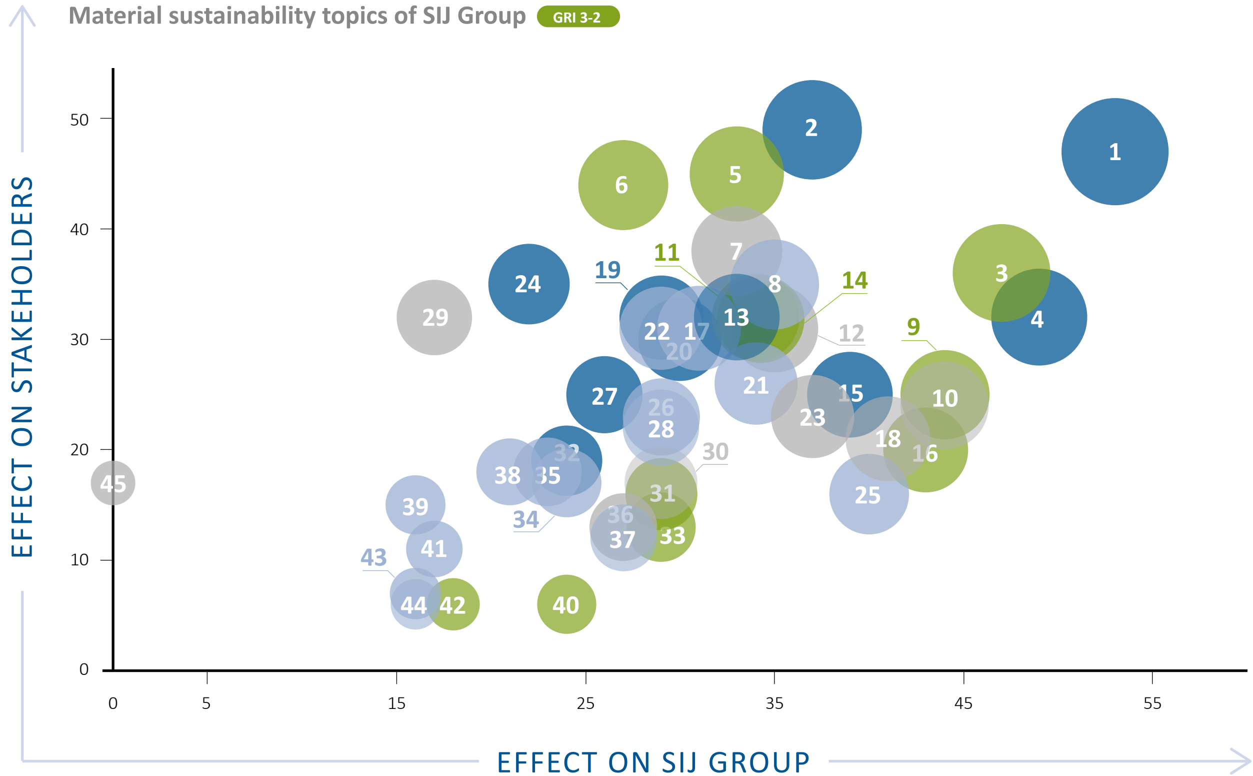
Process of defining material sustainability topics

Key Areas and Topics

A dedicated project team has defined the core themes of sustainable development, based on input from representatives of all key processes and external stakeholders. Its findings were tested in work environments, where employees provided feedback on and validated the proposed policies. We cross-referenced the stakeholders' expectations against topics of relevance to SIJ Group. The task force identified the following as key topics of sustainable development: employees, environment, circular economy, customer solutions, local community engagement and corporate leadership. The material topics identified for these areas were distilled into a matrix according to the impact of individual sustainability topics on SIJ Group stakeholders, and according to the estimated impact on SIJ Group's long-term performance.

The Materiality Matrix clearly shows in the upper-right quadrant that the foremost sustainability topics for SIJ Group and its stakeholders are related to employees (with particular emphasis on ensuring workplace health and safety) and the environment (with particular emphasis on reducing the carbon footprint). The Materiality Matrix also contains all the other sustainability topics, which helps SIJ Group plan and coordinate its sustainable development efforts.

Material sustainability topics of SIJ Group GRI 3-2



EMPLOYEES
1 Occupational safety and health
2 Workplace safety and cleanliness-production and overhead
4 Motivated and qualified employees
13 Number of accidents
15 Succession model and talent development
19 Preserving and aggregating organisational knowledge (open source)
20 Worker well-being
24 Employee training system
27 Employee engagement
32 Mentorship

ENVIRONMENTAL IMPACT
3 Carbon footprint
5 Water stewardship
6 Care for natural resources
9 Energy efficiency
11 Environmental disasters
14 Waste treatment
16 Waste management & recycling - sorted internal scrap volume
31 GHG emissions
33 'Fossil-free' steel- at least 1/2 of production volume by 2030
40 Carbon footprint Scope 3
42 Climate change

GOVERNANCE, LOCAL AND BROADER COMMUNITY, SUPPLY CHAIN
7 Improving living standards in the local community (coexistence)
10 Reputation and social responsibility
12 Cooperation with the community
18 Corporate culture
23 Ethical and transparent governance
29 Promoting integration
30 Risk management
36 Corporate governance- powers and responsibilities
45 Strategic partner development

SUSTAINABLE SOLUTIONS FOR CUSTOMERS
8 Innovation
27 Contractual partnerships with a specific purpose (e.g., circular economy, low carbon solutions, etc.)
21 Circular economy
22 In-time delivery
25 Automation and robotisation of production activities
26 Digitalisation
28 Search for sustainable solutions towards reducing product weight, narrowing tolerances, increasing material yields
34 Cost control
35 New product development to penetrate more demanding markets/industries
37 Increasing the number of development customers
38 Transition from product-based to needs-based selling
39 Product mix development
41 Business compliance
43 Reducing the concentration of certain customers
44 Liquidity and working capital

Sustainable Development Goals and Priority Objectives of SIJ Group

Taking into consideration our activities and the environment in which we operate, SIJ Group and its partners, customers and other stakeholders are making a significant contribution to the implementation of eight of the UN's 17 goals.

At the SIJ Group, we are committed to:

- caring for the health and well-being of our employees and the communities our companies are based in (3);
- ensuring quality education on equal terms and encouraging lifelong learning (4);
- supporting gender equality and strengthening the role of women (5);
- providing all employees with free access to water and sanitation, and making efforts to ensure the sustainable management of water sources (6);
- planning for sustainable economic growth and decent work for all (8);
- maintaining a robust and appropriate infrastructure, which promotes inclusive and sustainable industrialisation by accelerating innovation (9);
- ensuring sustainable consumption and production patterns (12); and
- taking steps to mitigate climate change by reducing the environmental impacts of our actions and implementing and duly considering environmental initiatives (13).

UN Sustainable Development Goals and SIJ Group's Eight Priority Goals

Source: United Nations. Available at this link (23. 1. 2024).

As early as 2015, SIJ Group signed the World Steel Association Sustainable Development Charter, which aims to reduce the environmental impact of the industry and focuses on adhering to seven commitments which overlap with the UN Sustainable Development Goals. We are preparing to sign up to the updated World Steel Sustainability Charter, which requires reporting on five additional indicators and the submission of life cycle analyses for products, processes and services.

We also manage the environmental, social and governance aspects of sustainability by following the principles set out by ResponsibleSteel, the first global initiative for standardisation and certification of responsible and sustainable practices in the steelworking industry.

Sustainable Development Stakeholders and Their Needs

GRI 2-29

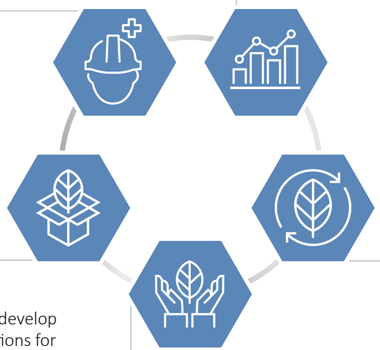
Stakeholders identified in the process of preparing the SIJ Group Sustainable Development Strategy

Employees

We develop SIJ Group and care for workplace safety by harnessing our knowledge and competence.

Shareholders, investors and financial institutions

In cooperation with and for them, SIJ Group is developing a sustainability policy, as well as upgrading and maintaining reporting transparency.



Suppliers

In our engagement with our suppliers, SIJ Group promotes the principles of the circular economy across our entire supply chain.

Customers

We provide and develop sustainable solutions for our customers and tailor them to their needs.

Social and natural environment

We are supporting the development of our local and broader communities and reducing our environmental impact. Stakeholders in the social environment include state and public authorities. By conducting our business in compliance with the rules and fulfilling our obligations to government authorities, we also demonstrate our respect for values of the state as an important stakeholder in the European Union, which is our primary market.

The carefully chosen key topics of the SIJ Group Sustainability Strategy are based on the stakeholder needs that were identified in the design process.

The Sustainable Development Strategy was approved and endorsed by the President of the Management Board of SIJ d.d., who was part of the team preparing the strategy. The Management Board, along with the executive and management team, cooperate with the identified stakeholders through established governance systems and communications channels. The management of SIJ Group keeps track of the effects of stakeholder engagement through feedback received at management reviews of governance systems, as well as through other communication channels.

Sustainability governance

GRI 2-9 GRI 2-13

Responsibility for strategic sustainability development and the approval of the sustainability strategy lies with the President of the Management Board. Sustainability management is part of his general responsibility for managing and coordinating the operations of SIJ Group.

The Strategic Collegium, which is composed of Vice-Presidents and Executive Directors, is responsible for **approving sustainability projects and investments** for SIJ Group and all of its subsidiaries. All Collegium members (29% of whom are women) have over ten years of experience in strategic management of steel companies and relevant backgrounds in sustainability.

The Sustainability Team is responsible for **identifying, addressing, and managing climate change-related risks and opportunities.** The team includes two Vice-Presidents (the CEO and the CFO), who are responsible for overseeing and coordinating the team's activities.

The Director for Quality Systems and Corporate Governance is responsible for the management of the Sustainability Team and for the **implementation of** the SIJ Group **Sustainability Strategy.**

Also part of the Sustainability Team, the Director of Production, Technology and Investments is responsible for **implementation of the SIJ Group Decarbonisation Plan 2020-2030-2050.**

The SIJ Group Operating Policy and Code of Ethics GRI 2-23 GRI 2-24

The SIJ Group Operating Policy, together with the SIJ Group Code of Ethics, set out the guidelines for employees involved in all activities of the six key Slovenian companies, as well as NIRO Wenden and Griffon & Romano. These guidelines also apply to all external contractors performing work on a regular basis on these companies' premises, or to those involved in SIJ Group projects.

Among other things, our Operating Policy and Code of Ethics require us to create an inclusive working environment and protect our employees' dignity, to comply with the law, respect human and labour rights and agreements with our employees, and to refrain from illegal business practices. These documents prohibit corruption, discrimination, forced or compulsory labour, child labour, trafficking in human beings and all forms of modern slavery.

The SIJ Group Operating Policy and Code of Ethics, which came into force in the first quarter of 2023, are published on the websites of SIJ d.d. and its subsidiaries. The binding commitments set out in the Operating Policy and Code of Ethics are communicated to employees through internal communications channels, and they are also given their own physical copies of both documents as part of attending special training courses. In 2023, 2,694 out of a total of 3,162 employees in the six key companies of SIJ Group had already attended these training courses.

Responsibility for implementation of the adopted policies GRI 2-24

The President of the Management Board of SIJ d.d. is responsible for implementation of the SIJ Group Operating Policy, while the vice-presidents, executive officers and directors of SIJ d.d. and the directors of its subsidiaries are responsible for integrating the Policy within their respective areas of responsibility.

Based on the applicable policy, SIJ d.d. adopts the relevant corporate regulations, while its subsidiaries regulate their operations through internal regulations.

We also deliver on our commitments through business relations with our suppliers and customers. Our suppliers are bound under the SIJ Group Supplier Code of Conduct and are also subject to routine assessments. We create sustainable solutions for our customers, tailored to their needs.

Grievance Mechanism and Whistleblowing

GRI 2-25 GRI 2-26 GRI 2-27 GRI 205

Launched in May 2023, the grievance mechanism allows community members, organisations, employees and other interested parties to report concerns, violations and irregularities they become aware of in SIJ Group companies. It encourages reporting of breaches of company policies, codes of ethics, deficiencies in occupational safety, environmental protection, personal data protection, non-compliance with governance standards which cannot be resolved internally, conflicts of interest in decision-making processes, human and labour rights violations, etc. The systematic receipt, investigation, and addressing of grievances in a timely, fair and consistent manner is set out in the rules on the grievance mechanism. These stipulate, inter alia, that employees who report in good faith violations of laws, the Code of Conduct or other internal rules and regulations will not be subject to retaliation or suffer any negative consequences as a result of their actions. Grievances are reviewed by an independent committee of 10 SIJ Group employees, appointed by the Management of SIJ Group, who are bound by a duty of confidentiality and secrecy. In 2023, it reviewed four grievances. We also allow all interested parties to submit an anonymous report (whistleblowing) via the FaceUp external platform, which is handled by a designated liaison of the respective company, in accordance with Slovenian law. In 2023, we reviewed three reports. Grievances raised through both mechanisms are reported to the management of SIJ Group. GRI 2-16

Anti-corruption GRI 205

A zero-tolerance approach to bribery and corruption is enshrined in the SIJ Group Operating Policy and the SIJ Group Code of Ethics. Following an analysis of corruption risks in our processes, we have taken additional measures to mitigate the risks where appropriate. In the SIJ Group's investment project office, where the risk analysis showed a higher potential for corruption, all employees received appropriate training on the subject, prepared by the Corporate Security Sector. Since November 2023, the parent company SIJ d.d. has also had a Compliance Manager, who, together with the Corporate Security Sector and the Risk Management Department, ensures a systematic approach to managing corruption risks within SIJ Group, while implementing second-level process controls at the same time.

European decarbonisation commitment and the SIJ Group Decarbonisation Plan

Both SIJ Group steel mills are modern European recycling steelworks that produce steel from secondary raw materials and their own steel scrap, using electric arc furnace technology. Around 40% of the steel in Europe is produced using this production method, which generally has a lower-than-average carbon footprint. However, in order to reach the decarbonisation target by 2050, European steel mills will require:

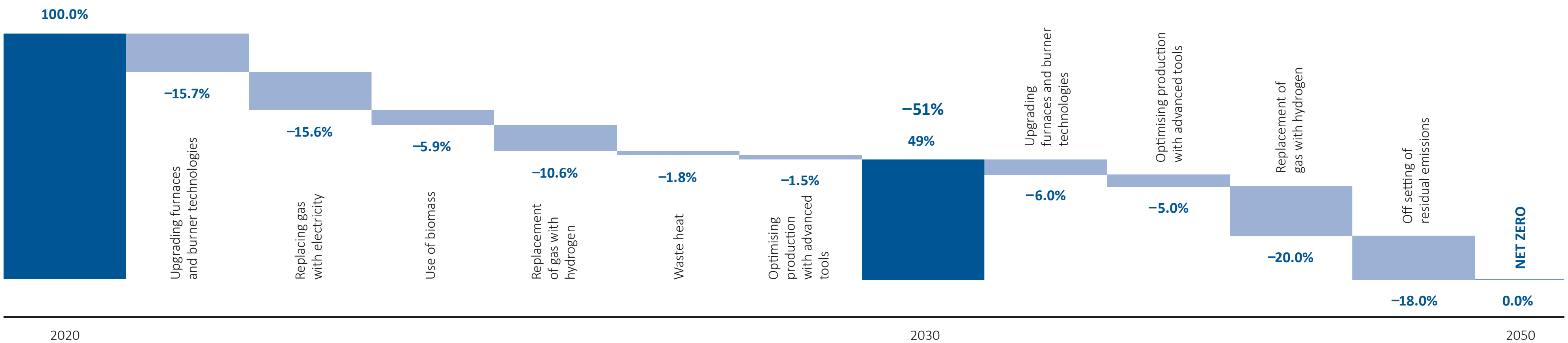
- access to financing,
- availability of affordable clean energy,
- development of the market, i.e. the demand for green steel, as well as
- maintaining a competitive status on an equal footing in the global market.

In line with its business strategy and plans, SIJ Group will be increasing its production output of steel and steel products, while continuing to reduce specific emissions. We plan to reduce our CO2 emissions by 51% by 2030, compared to the baseline year of 2020.

The plan includes measures for all scopes of emissions – emissions for which we are directly responsible (Scope 1), indirect emissions (Scope 2) and the effects of our activities on emissions along the supply chain (Scope 3). In the future, we will move from the current methodology of measuring the carbon footprint according to the international standard ISO 14404:2013.

We will continue to modernise and optimise production and increase energy efficiency with a view to reducing specific emissions. These targets are supported by the investments set out in the Business Report, Strategically important investments section, found on page 47.

Reduction of SIJ Group's specific emissions, Scope 1 (as a percentage)



Assessment of Impacts Across all Phases

We are working on documenting and improving the environmental profiles for SIJ Group's products. The Life Cycle Assessment (LCA) project, which has already been launched, will serve as a foundation for this. The assessment includes a detailed list of energy and materials across the entire industrial value chain of the respective product, process or service, and assesses the cumulative potential environmental impacts of each product by calculating the total emissions associated with it.

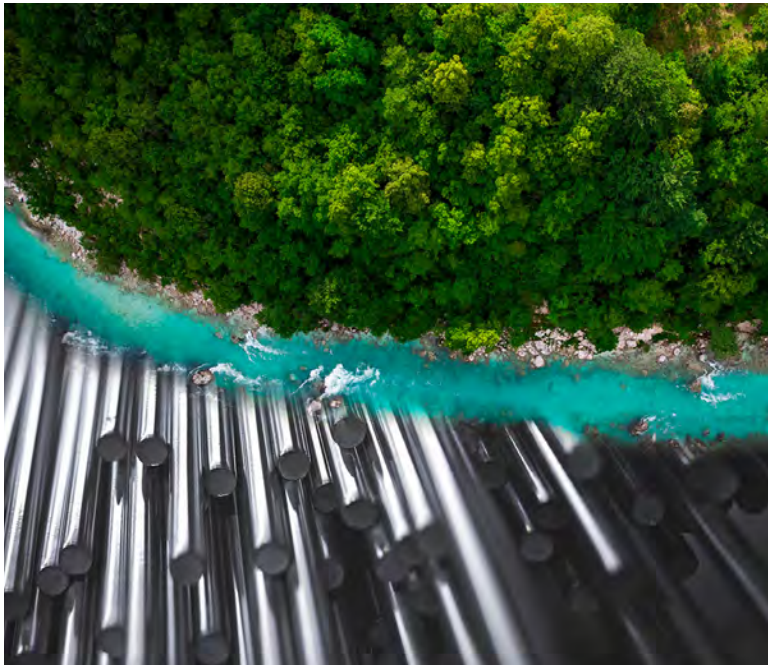
The sustainability Financial Framework and its Independent Quality Assessment

SIJ Group prepared the SIJ Group Sustainable Finance Framework in 2023, and has already issued its first sustainable financial instruments in accordance with it. The proceeds from these instruments will contribute to our business, environmental and social objectives.

The quality of SIJ Group's sustainability policies and the sustainability financial framework was confirmed by the opinion published in September by ISS-Corporate, an independent organisation responsible for the Second Party Opinion. In ISS-Corporate's assessment, the sustainability financing framework is aligned with the Sustainability Bond Guidelines (as formulated by the International Capital Market Association – ICMA) and the Sustainability-Linked Loan Principles (as formulated by the Loan Market Association (LMA)).

The independent opinion refers to SIJ Group's key sustainability goals, namely to reduce emissions and provide a healthy and safe working environment, which are also the foundations the Sustainable Finance Framework was built on. Based on a comparative analysis of SIJ Group's sustainability objectives against those of 31 steel and pig iron producing competitors, ISS-Corporate concluded that these two objectives are ambitious but achievable.

The analysis shows that SIJ Group is one of five companies with a clearly defined target for reducing its emissions (Scope 1). The specific emissions of SIJ Group, as the largest steel producer in Slovenia with the steel mills of SIJ Acroni and SIJ Metal Ravne, will be 51% lower by 2030 compared to the baseline year of 2020.



Reduction of CO_2 emissions in Scope 1

Metric / year		2021	2022	2023
Reduction of CO_2 emissions in Scope 1	Planned (cumulative reduction, by year)	–0.7%	–0.8%	–2.1%
	Achieved (cumulative reduction, by year)	–3.9%	–4.2%	–6.2%
Achieving the target in 2023				YES
Certified by an external institution				SIQ

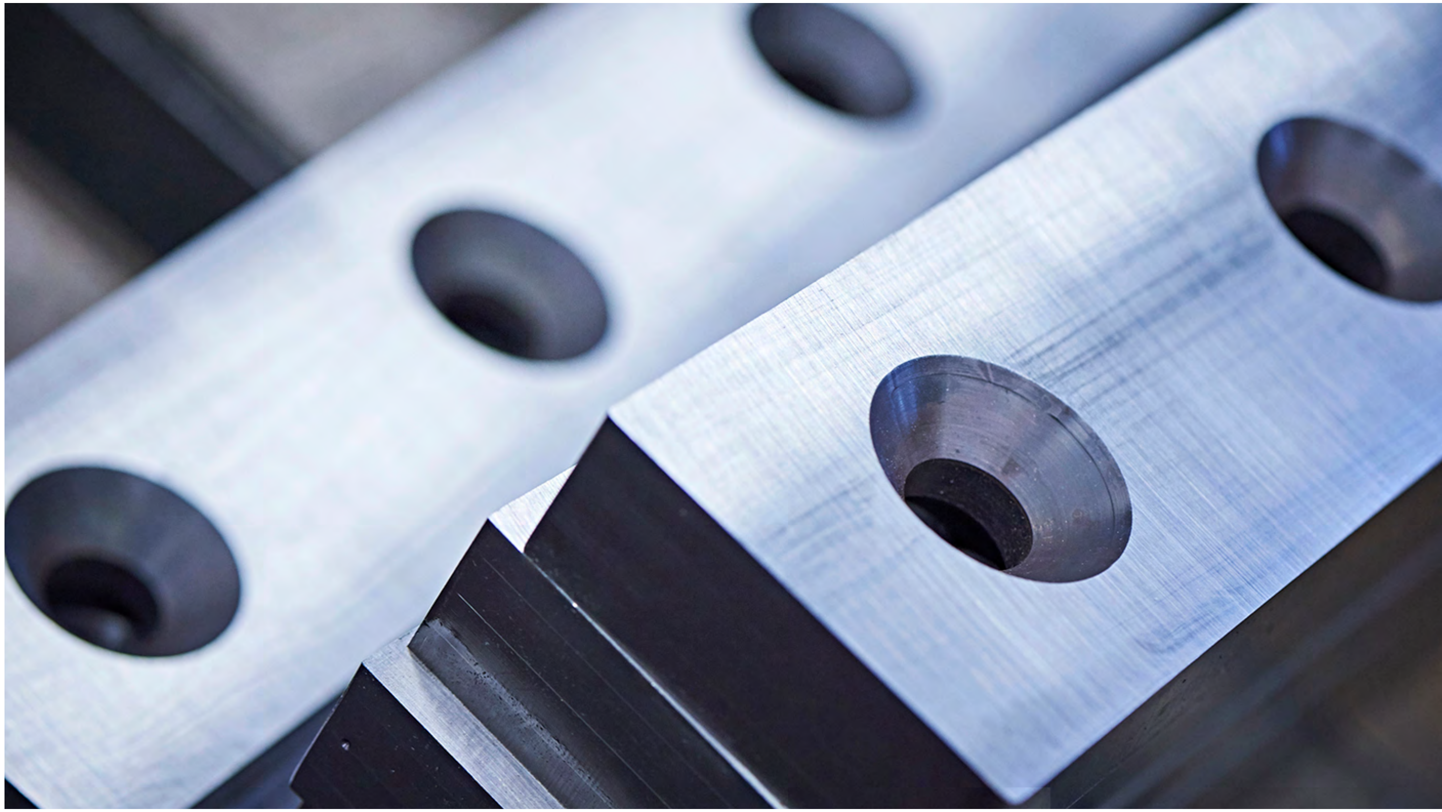
SIJ Group is committed to meeting the requirements of the ISO 45001 Occupational Health and Safety Standard in all six of its key companies, which is also a top priority of the world steel industry. ISS-Corporate notes that SIJ Group is one of only four steel companies out of 31 that publicly report the proportion of their operations certified under the ISO 45001 standard for ensuring a safe and healthy working environment. In the broader peer group of 75 companies, which also includes companies in the metal materials and processing sector, SIJ Group ranks among 11 peers with a similar certification level.

In addition to reducing emissions, one of the most important sustainability goals is certification of the six key companies according to the international standard for occupational health and safety management systems. Three of the key companies have already been ISO 45001 certified, and the others are expected to be certified by 2026.

Acquisition of ISO 45001 certification by key six companies of SIJ Group

Metric / year		2022	2023
% of key companies certified under ISO 45001 (certified key companies / all key companies)	Planned	33 %	50 %
	Achieved	33 %	50 %
Achieving the target in 2023			YES
Certified by an external institution			TÜV SÜD

Taxonomy



Report on environmentally sustainable economic activities and investments for SIJ Group and SIJ d.d. for 2023

Information is disclosed for SIJ Group and SIJ d.d. for 2023 on how and to what extent our activities are related to economic activities that are considered environmentally sustainable, in accordance with Articles 3 and 9 of the EU Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2018/2088). The disclosure also refers to Commission Delegated Regulation EU 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 by specifying the content and presentation of the information to be disclosed by undertakings to which Article 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation; and to Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 by specifying the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation, and for determining whether that economic activity causes no significant harm to any of the other environmental objectives. Regulation (EU) 2021/2139 was amended by Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation, and for determining whether those economic activities cause no significant harm to any of the other environmental objectives.

Regulation (EU) 2020/852 has been amended by Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, the transition to a circular economy, to pollution prevention and control, or the protection and restoration of biodiversity and ecosystems, and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

In preparing the 2023 report we have taken into account the Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the Taxonomy Regulation on the reporting of eligible economic activities and assets (2022/C385/01), published in the Official Journal of the EU on 6 October 2022, and the Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act, establishing technical screening criteria for economic activities that contribute substantially to climate change mitigation or climate change adaptation and do no significant harm to other environmental objectives (C/2023/267), published in the Official Journal of the EU on 20 October 2023.

Disclosures accompanying key performance indicators (KPIs), including accompanying information required to be disclosed in accordance with Annexes I and II to the Disclosure Regulation

Annex I to the Disclosures Delegated Act (EU 2021/2178, as subsequently amended) specifies that companies should apply the same accounting principles to calculate their Taxonomy-aligned revenue as are applied in the preparation of the consolidated annual accounts. This ensures comparability with the income reported in the consolidated financial statements of the company. Therefore, in preparing the consolidated statement of non-financial performance we exclude intercompany transactions and own-account income using the accounting principles of consolidation. The indicators are calculated on the basis of the definitions in Annex 1 – Key Performance Indicators for Non-Financial Undertakings of the Commission Delegated Regulation EU 2021/2178.

Specification of the disclosures accompanying the key performance indicators

SIJ d.d. is a controlling company and directly performs its function as manager of investments in SIJ Group companies. SIJ d.d. does not engage in any activities which would be considered as Taxonomy-eligible under the current EU Taxonomy regulation. Namely, the activities of the head offices are not considered relevant for the green transition. That is why it is also considered that SIJ d.d. has no Taxonomy-eligible investments.

The Taxonomy-eligible activity of SIJ Group is the production of iron and steel, which is defined as a taxonomically transitional activity. This includes the following relevant activities with NACE Standard Economic Classification codes:

- C24.10 Manufacture of basic iron and steel and of ferroalloys;
- C24.20 Manufacture of tubes, pipes, hollow profiles and related fittings, of steel;
- C24.31 Cold drawing of bars;
- C24.51 Casting of iron.

An economic activity is considered taxonomically sustainable where it contributes substantially to one or more environmental objectives, does not significantly harm any of the other environmental objectives, is carried out in accordance with the minimum safeguards and complies with the technical screening criteria set out in Commission Delegated Regulation EU 2023/2485 and, for certain activities, in its predecessor Delegated Regulation EU 2021/2139.

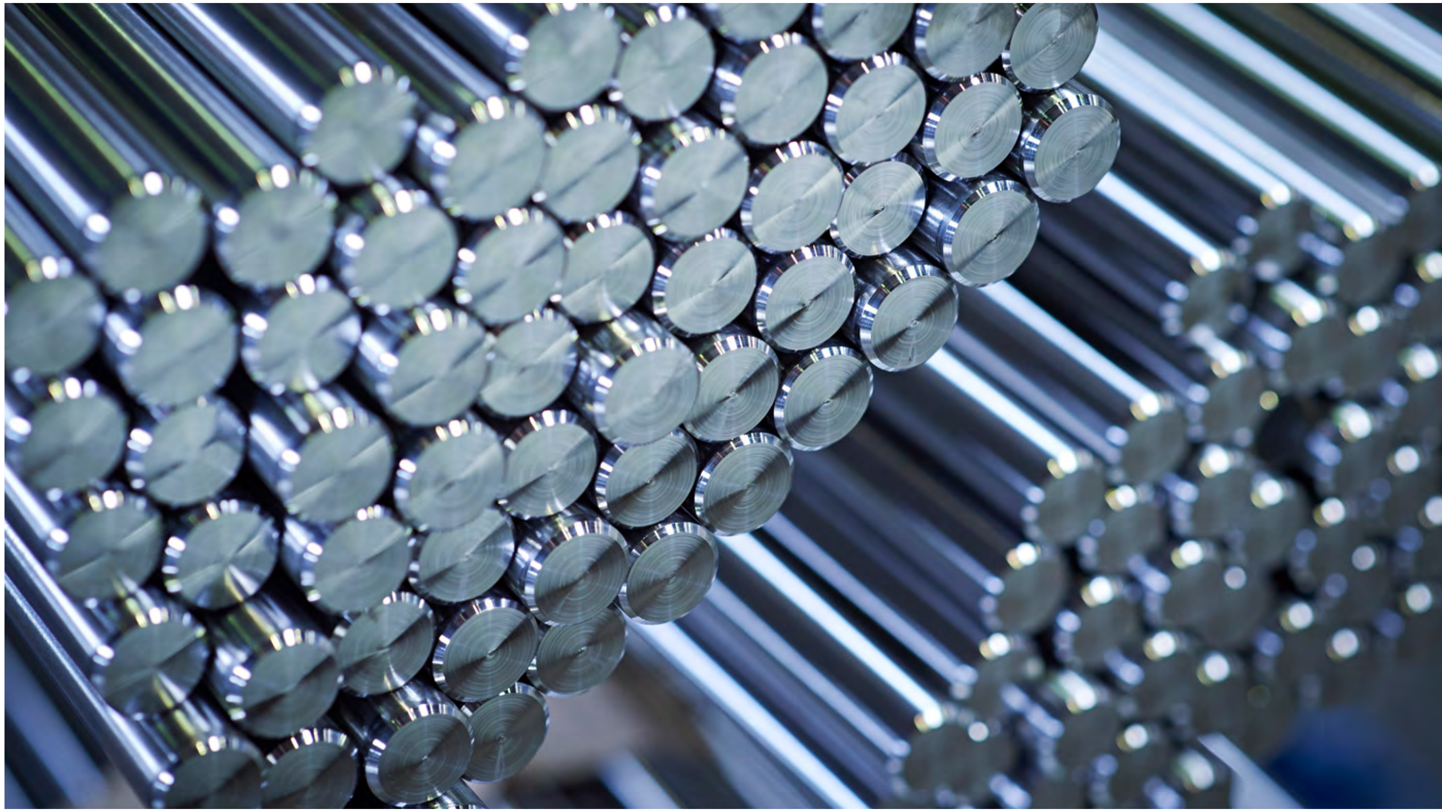
For the first two environmental objectives – climate change adaptation and climate change mitigation – SIJ Group considers activities C24.10, C24.20, C24.31, and C24.51 to be Taxonomy-eligible. These activities meet the technical screening criteria for review set out in EU Delegated Regulation 2021/2139. In our view, we also meet all the other required criteria, as detailed below.

As the activities in question are not defined in the Commission Delegated Regulation EU 2023/2486, they are not Taxonomy-eligible in terms of the remaining four environmental objectives (i.e. sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems). In the following, we explain the activities in the tables as derived from Annex II of the Disclosures Delegated Act.

SIJ Group: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

	Year 2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	NACE code	Absolute turnover in EUR thousand	Proportion of turnover, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) turnover, year 2022	Category (Enabling activity)	Category (Transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of iron, steel, and ferro-alloys, manufacture of tubes, hollow profiles and related fittings from steel, cold drawing of bars, iron casting (taxonomically coordinated input of scrap steel)	C24.10 C24.20 C24.31 C24.51	684,348	68	YES	YES	NEL	NEL	NEL	NEL	YES	YES	YES	YES	N/A	YES	YES	73	–	T
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		684,348	68	100	0	–	–	–	–	YES	YES	YES	YES	N/A	YES	YES	73	–	
Of which enabling		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Of which transitional		684,348	68	100						YES	YES	YES	YES	N/A	YES	YES	73		T
A.2 Taxonomy-eligible but are not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of iron, steel, and ferro-alloys, manufacture of tubes, hollow profiles and related fittings from steel, cold drawing of bars, iron casting (Taxonomy-aligned input of scrap steel)	C24.10 C24.20 C24.31 C24.51	30,030	3	EL	EL	NEL	NEL	NEL	NEL								4		
Turnover of Taxonomy-eligible activities but not environmentally sustainable (not Taxonomy-aligned activities) (A.2)		30,030	3	0	0	–	–	–	–								4		
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		714,378	71	100	0	–	–	–	–								77		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		287,537	29																
Total (A + B)		1,001,915	100																

**NEL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.*
**EL – Taxonomy eligible activity*



Among its activities, SIJ Group has assessed as Taxonomy-eligible the iron and steel production activity carried out by SIJ Acroni and SIJ Metal Ravne. This activity is defined in the Taxonomy as a transitional activity under Article 10(2) of Regulation (EU) 2020/852. In our assessment, it meets the technical screening criteria set out in section 3.9. of the EU Regulation 2021/2139 in the consolidated version in force on 31 December 2023.

The Taxonomy-eligible turnover is due to processes directly or indirectly related to electric arc furnaces (EAFs), secondary metallurgy, casting and cutting, post-combustion plants, dedusting plants, vessel heating racks, ingot preheating racks, slow cooling pits, and drying and preheating of scrap material.

After a careful review of the technical screening criteria, we have assessed that not all Taxonomy-eligible activities are also Taxonomy-aligned. The breakdown of steel production has been divided into activities that are aligned and those that are not aligned with the Taxonomy. The classification has been based upon:

- individual grades according to their alloying element content and
- proportion of steel scrap used to produce slabs of each grade.

The assessment of an activity as Taxonomy-aligned with the environmental objectives of climate change adaptation and climate change mitigation was made for those activities that meet the technical screening criteria prescribed for iron and steel production for both objectives.

In accordance with EU Delegated Regulation 2021/2139, a substantial contribution to the environmental objective of climate change mitigation is made if the activity produces steel in electric arc furnaces (EAF) producing EAF carbon steel or EAF high-alloy steel, as defined in Commission Delegated Regulation (EU) 2019/331 and where the steel scrap input relative to product output is not lower than 70% for the production of high-alloy steel or lower than 90% for the production of carbon steel. SIJ Group meets this criterion through its activities and thus makes a substantial contribution to the objective of climate change mitigation.

In the context of meeting the criteria for doing no significant harm (DNSH) to other objectives and for doing no significant harm to the objective of climate change adaptation, we have assessed that the activity meets the criteria set out in Appendix A to Annex I of the EU Delegated Regulation 2021/2139. We have developed a classification of climate-related hazards for both steel companies of SIJ Group and SIJ d.d. as the parent company. The identified risks have been assigned estimated values in terms of rapidity, likelihood of occurrence, vulnerability, remediation, and consequences. We then assessed the overall severity

of each risk. Our assessment identified the physical climate risks that could affect the viability of economic activity and their significance. For the risks identified, we have determined the necessary mitigating actions in line with our internal methodology. The latter is an additional requirement to meet the technical screening criteria for a substantial contribution to the environmental objective of climate change adaptation.

SIJ d.d. as the controlling company and its subsidiaries monitor the status of surface and groundwater by carrying out annual operational monitoring, thereby reducing the risks of potential contamination of water resources. The activity thus meets the criteria set out in Appendix B of Annex I of the EU Delegated Regulation 2021/2139 and does not significantly harm the objective of the sustainable use and protection of water and marine resources.

Under EU Delegated Regulation 2021/2139, the iron and steel production activity does not require an assessment of no significant harm for the environmental objective of the transition to a circular economy. Nevertheless, we would like to emphasise that SIJ Group promotes a circular economy at all levels, as production is 100% based on the use of waste raw materials or the reuse of steel. All waste raw materials are used in the circular economy process, ensuring zero-waste steel production. In this way SIJ Group conserves raw materials, reduces waste to landfill, and lowers emissions.

SIJ d.d. as the controlling company and its subsidiaries carry out activities that do not lead to the production, placing on the market, or use of substances listed in Appendix C to Annex I of the EU Delegated Regulation 2021/2139, which means that we do not significantly harm the objective of pollution prevention and control.

SIJ d.d. as the controlling company and its subsidiaries carry out regular periodic environmental impact assessments. In 2023 an assessment of the impact on biodiversity of the two largest production companies was carried out, which showed no significant impacts. The activity thus fulfils the criteria set out in Appendix D of Annex I of the EU Delegated Regulation 2021/2139 and does not significantly harm the objective of protection and restoration of biodiversity and ecosystems.

SIJ Group companies conduct their business activities in such a way that they comply with the requirements of the minimum safeguards derived from the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions referred to in the ILO Declaration on Fundamental Principles and Rights at Work and in the International Bill of Human Rights.

The key performance indicator for turnover was calculated as the proportion of net turnover derived from products or services, including intangible ones, related to economic activities aligned with the Taxonomy (numerator) divided by net revenue (denominator). Turnover is calculated in accordance with paragraph 82(a) of International Accounting Standards (IAS) 1 as adopted by Commission Regulation (EC) No 1126/2008.

SIJ Group: Proportion of CAPEX from products or services associated with Taxonomy-aligned economic activities

		Year 2023		Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	NACE code	Absolute turnover in EUR thousand	Proportion of turnover, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) turnover, year 2022	Category (Enabling activity)	Category (Transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of iron, steel, and ferro-alloys, manufacture of tubes, hollow profiles and related fittings from steel, cold drawing of bars, iron casting (taxonomically coordinated input of scrap steel)	C24.10 C24.20 C24.31 C24.51	32,309	43	YES	YES	NEL	NEL	NEL	NEL	YES	YES	YES	YES	N/A	YES	YES	48	–	T
CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		32,209	43	100	0	–	–	–	–	YES	YES	YES	YES	N/A	YES	YES	48		
Of which enabling		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Of which transitional		32,309	43	100						YES	YES	YES	YES	N/A	YES	YES	48		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of iron, steel, and ferro-alloys, manufacture of tubes, hollow profiles and related fittings from steel, cold drawing of bars, iron casting (Taxonomy-aligned input of scrap steel)	C24.10 C24.20 C24.31 C24.51	14,912	20	EL	EL	NEL	NEL	NEL	NEL								0		
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		14,912	20	0	0	–	–	–	–								0		
A. Naložbe v osnovna sredstva pri dejavnostih, sprejemljivih za taksonomijo (A.1 + A.2)		47,221	63	100	0	–	–	–	–								48		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CAPEX of Taxonomy-non-eligible activities (B)		28,299	37																
Total (A + B)		75,520	100																

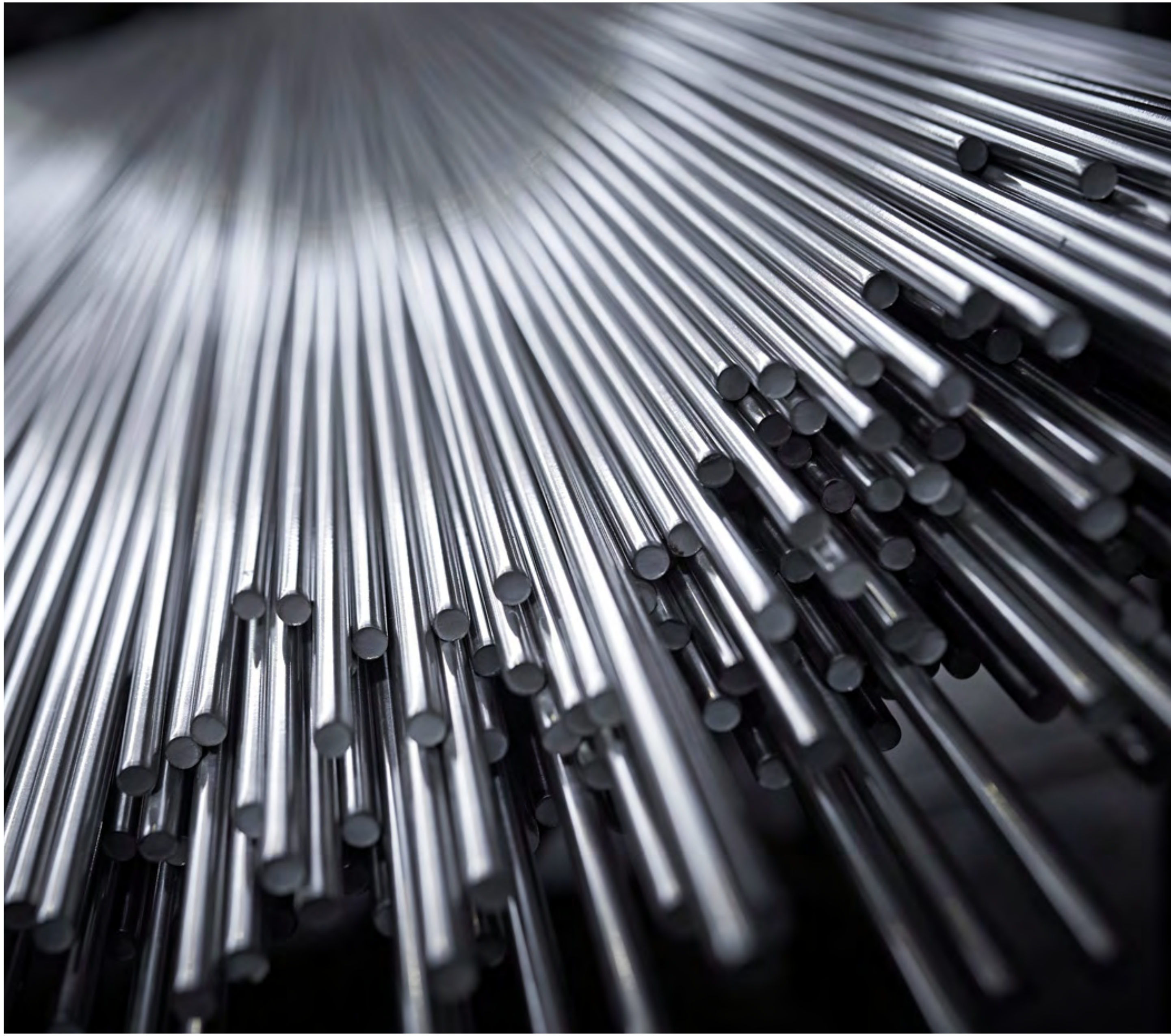
All Taxonomy-eligible (A1) CAPEX (Capital Expenditures) in SIJ Metal Ravne and SIJ Acroni were assessed in terms of alignment with each of the climate objectives. The possibility of double counting has been avoided by attributing the investment to the environmental objective to which the investment has contributed the most according to the internal assessment.

We used CAPEX to calculate the investment proportions, which include costs accounted on the basis of the following standards:

- acquisitions of property, plant and equipment (IAS 16);
- acquisitions of intangible assets (IAS 38);
- acquisitions of investment property (IAS 40);
- acquisition of rights to use leased assets (IFRS 16).

The sum of the above acquisitions is the denominator for the calculation of the proportions.

The numerator is equal to the part of CAPEX included in the denominator that is related to the assets or processes that are associated with the Taxonomy-aligned economic activities. The numerator includes the part of CAPEX that contributes substantially to any of the environmental objectives. The numerator provides a breakdown for the part of CAPEX assigned to the substantial contribution to each environmental objective. All other CAPEX that do not contribute substantially to any of the environmental objectives are considered as not Taxonomy-aligned.



SIJ Group: Proportion of OPEX in products or services associated with Taxonomy-aligned economic activities

		Year 2023		Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	**NACE code**	**Absolute turnover in EUR thousand**	**Proportion of turnover, year 2023**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) turnover, year 2022**	**Category (Enabling activity)**	**Category (Transitional activity)**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of iron, steel, and ferro-alloys, manufacture of tubes, hollow profiles and related fittings from steel, cold drawing of bars, iron casting (taxonomically coordinated input of scrap steel)	C24.10 C24.20 C24.31 C24.51	6,589	45	YES	YES	NEL	NEL	NEL	NEL	YES	YES	YES	YES	N/A	YES	YES	61	–	T
OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		6,589	45	100	0	–	–	–	–	YES	YES	YES	YES	N/A	YES	YES	61		
Of which enabling		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Of which transitional		6,589	45	100						YES	YES	YES	YES	N/A	YES	YES	61		T
A.2 Taxonomy-eligible but are not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of iron, steel, and ferro-alloys, manufacture of tubes, hollow profiles and related fittings from steel, cold drawing of bars, iron casting (Taxonomy-aligned input of scrap steel)	C24.10 C24.20 C24.31 C24.51	2,049	14	EL	EL	NEL	NEL	NEL	NEL								0		
OPEX of Taxonomy-eligible but are not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2,049	14	0	0	–	–	–	–								0		
A. OPEX of Taxonomy-eligible activities (A.1 + A.2)		8,638	59	100	0	–	–	–	–								61		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OPEX of Taxonomy-non-eligible activities (B)		5,933	41																
Total (A + B)		14,571	100																

The denominator for the determination of the key performance indicator for OPEX (Operating Expenditures) comprises the direct non-capitalised costs associated with the daily servicing of the tangible fixed assets by the undertaking or third party to whom the activities are outsourced, that are necessary to ensure the continued and effective functioning of such assets.

These are the costs associated with:

- research and development;
- building renovation;
- short-term leases;
- maintenance and repairs.

The costs quoted to calculate the proportion of OPEX eligible and aligned with the Taxonomy represent the denominator of the fraction.

The numerator is equal to the part of OPEX included in the denominator that is related to the assets or processes associated with the Taxonomy-aligned economic activities, including training and other human resource adaptation needs, and direct non-capitalised costs representing research and development. Research and development costs already accounted for in the KPIs for CAPEX are not considered as OPEX. The numerator includes the part of the investment in OPEX that contributes substantially to any of the environmental objectives. The numerator provides a breakdown for the part of the OPEX allocated to the substantial contribution to each environmental objective.

The possibility of double counting has been avoided by attributing the investment to the environmental objective to which the investment has contributed the most according to the internal assessment.

The disclosures provided have been prepared on the basis of an examination of the Taxonomy documents referred to above, our current understanding, the available data, and an assessment of the requirements. We recognise that the regulations will evolve and we will keep further interpretations and requirements under careful review to consider their impact on the further disclosure of our data.

SIJ D.D.

SIJ d.d., the controlling company, is registered for "Activities of head offices". This particular economic activity is not covered by the EU Taxonomy regulation. The European Commission has emphasised that the purpose of EU Taxonomy classification is to help direct investments to the economic activities most needed for the green transition.

SIJ d.d.: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

		Year 2023		Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	NACE code	Absolute turnover in EUR thousand	Proportion of turnover, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) turnover, year 2022	Category (Enabling activity)	Category (Transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Okoljsko trajnostne dejavnosti (usklajene s taksonomijo)																			
–	–	0	0	NEL	NEL	NEL	NEL	NEL	NEL	–	–	–	–	–	–	–	0	–	–
A.1 Environmentally sustainable activities (Taxonomy-aligned)		0	0	–	–	–	–	–	–	–	–	–	–	–	–	–	0		
Of which enabling		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Of which transitional		–	–	–						–	–	–	–	–	–	–	–		–
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
–		0	0	NEL	NEL	NEL	NEL	NEL	NEL								0		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0	–	–	–	–	–	–								0		
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		0	0	0	0	–	–	–	–								0		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		16,968	100																
Total (A + B)		16,968	100																

SIJ d.d.: Proportion of CAPEX from products or services associated with Taxonomy-aligned economic activities

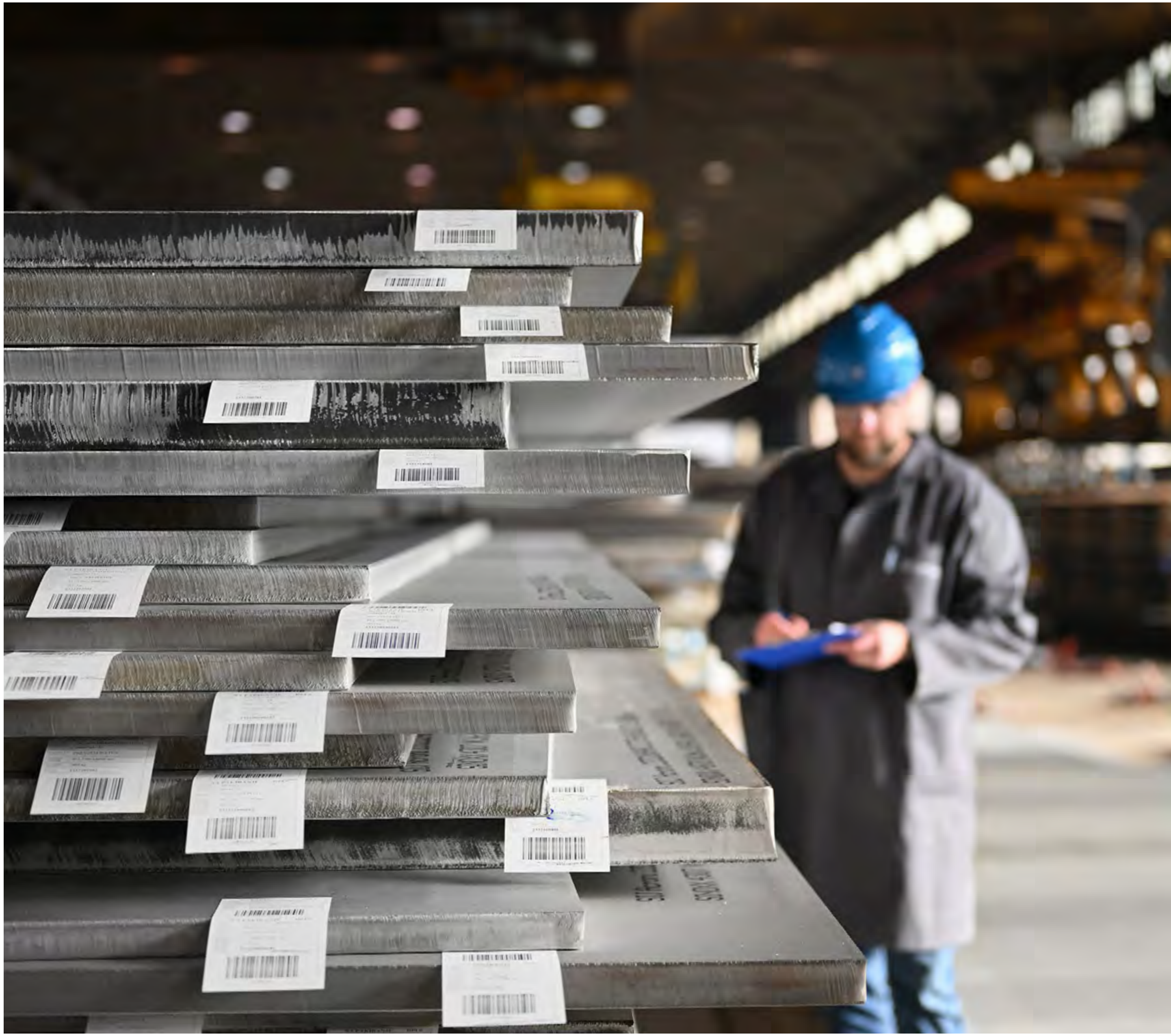
	Year 2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	NACE code	Absolute turnover in EUR thousand	Proportion of turnover, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) turnover, year 2022	Category (Enabling activity)	Category (Transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Okoljsko trajnostne dejavnosti (usklajene s taksonomijo)																			
–	–	0	0	NEL	NEL	NEL	NEL	NEL	NEL	–	–	–	–	–	–	–	0	–	–
CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0	–	–	–	–	–	–	–	–	–	–	–	–	–	0		
Of which enabling		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Of which transitional		–	–	–						–	–	–	–	–	–	–	–		–
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
–	–	0	0	NEL	NEL	NEL	NEL	NEL	NEL								0		
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0	–	–	–	–	–	–								0		
A. CAPEX of Taxonomy-eligible activities (A.1 + A.2)		0	0	–	–	–	–	–	–								0		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CAPEX of Taxonomy-non-eligible activities (B)		497	100																
Total (A + B)		497	100																

SIJ d.d.: Proportion of OPEX from products or services associated with Taxonomy-aligned economic activities

	Year 2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	NACE code	Absolute turnover in EUR thousand	Proportion of turnover, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) turnover, year 2022	Category (Enabling activity)	Category (Transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
–	–	0	0	NEL	NEL	NEL	NEL	NEL	NEL	–	–	–	–	–	–	–	0	–	–
OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0	–	–	–	–	–	–	–	–	–	–	–	–	–	0		
Of which enabling		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Of which transitional		–	–	–						–	–	–	–	–	–	–	–		–
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
–	–	0	0	NEL	NEL	NEL	NEL	NEL	NEL								0		
OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0	–	–	–	–	–	–								0		
A. OPEX of Taxonomy-eligible activities (A.1 + A.2)		0	0	0	0	–	–	–	–								0		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OPEX of Taxonomy-non-eligible activities (B)		790	100																
Total (A + B)		790	100																

Economic Impacts of SIJ Group's Efforts for Sustainability

Data on the economic impacts of sustainability-focused activities in SIJ Group are presented in the Operational Highlights and the Business Report. The Sustainability section focuses mainly on the indirect economic impacts of the Decarbonisation Plan. The indirect economic impacts of sustainable operations are included in the Business Report chapter, under Strategic Investments. Risks related to climate change are described in the Risk Management section of the Business Report chapter.



Environmental Impacts and Protection of the Environment

Materials GRI 2-6 GRI 301

RESPONSIBLE PURCHASING OF RAW MATERIALS

For companies in the Metallurgy Division the key raw materials are steel scrap, alloy scrap and ferroalloys, whereas for those in the Manufacturing Division the key raw materials are steel products and welding materials. The prices of raw materials were decreasing in the second half of 2023 due to reduced economic activity, a cooling-off of the steel market and decreased demand for raw materials used in steel production. Raw material availability was more stable compared to previous years.

In the steel scrap market, the trend has remained the same and the price level is still relatively high compared to other raw materials. Due to decreased activity in the manufacturing and construction industries, the availability of waste did not exceed demand.

INCREASING OUR RELIANCE ON INTERNAL RESOURCES GRI 2-6 GRI 204

Continuous monitoring of external circumstances affecting the global supply of raw materials, along with a thorough understanding of developments in the Chinese and European markets, as well as in the markets where strategic raw materials and materials are sourced, are all part of SIJ Group's active procurement risk management efforts.

Based on an assessment of new circumstances, SIJ Group has adjusted its strategic raw materials supply scenarios in 2023:

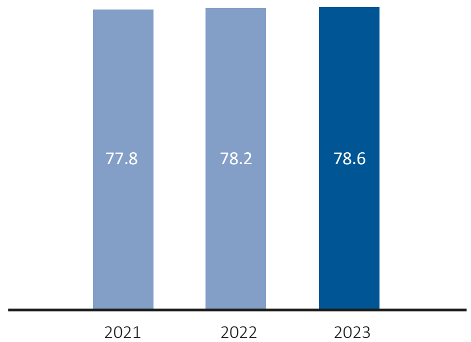
- we established geographic diversification of the warehouses of our most important alloys;
- we are continuing to introduce substitute materials and new suppliers;
- we manage the risks associated with non-delivery of steel scrap from outside the country by increasing reliance on internal resources through SIJ Group's vertical integration.

Reliance on internal resources and nearby markets also means shorter and more predictable transport channels, which provides us with greater flexibility in terms of adjusting supplies to meet our production needs. Depending on the origin of the goods, we source 65% of our key raw materials in the local environment, which the SIJ Group equates with the European Economic Area (EEA). Based on the availability and pricing of raw materials, SIJ Group will continue efforts to minimise the length of supply routes. GRI 204-1

RECYCLED INPUT MATERIALS USED GRI 301-2

SIJ Group uses steel scrap as the main raw material in steel production. Besides the stainless steel and non-alloy scrap that we purchase, we also use our own steel scrap left over in the steel production process as a resource, which is reclaimed for use in the production process after appropriate separation and preparation. This way of using raw materials is environmentally friendly and reduces the need for primary natural resources.

Recycled input materials used (as a percentage) GRI 301-2



ADJUSTING SUPPLIES TO MATCH PRODUCTION VOLUMES

We manage the risks of late delivery, inventory management and adapting to market trends with a thorough understanding of supply chains. With strategically thought-out management and by fostering long-term partnerships with a wide network of suppliers we are able to respond in a timely manner and react appropriately to the dynamics of production in metallurgical companies – both with global strategic raw materials and with additional materials of local origin and industrial gases.

RISK OF INCREASED PRICES AND NON-DELIVERY RISK

SIJ Group does not consider the risk of non-delivery to be high, since we have reduced supplies from known high-risk areas and diversified our supplier pool. Alongside the changing conditions on raw materials markets, the continuous coordination of purchases and sales is a key performance factor for the Metallurgy Division. We manage this risk with a business model that includes surcharges for alloys, which are then passed through to the sales prices, and we manage the time delay associated with passing on these costs with well-timed pre-purchases.

SUPPLIER ASSESSMENT GRI 2-6 GRI 308 GRI 414

All SIJ Group suppliers are required to abide by the principles set out in the Supplier Code of Ethics, which has a zero-tolerance policy with regard to unlawful practices and violations of established norms and ethical standards. In keeping with the ResponsibleSteel principles, we deepened our engagement and communication with our suppliers in 2023, and introduced them to our policy and revised Code of Ethics in more detail. All suppliers of strategic raw materials are also held to scrutiny against the Corruption Perceptions Index, the Human Rights and Rule of Law Index, and the Sustainability Index, based on the supplier's location and the origin of the goods concerned. Based on present criteria, the supplier is assigned an overall score which represents a low or high ESG risk. In cases when a high ESG risk is identified for a particular supplier, a sustainability assessment is carried out. Seventy-one percent of our suppliers have committed to upholding the ResponsibleSteel principles by signing the Code of Ethics. GRI 414-2

A team of SIJ Group in-house evaluators with professional backgrounds in fields such as quality assurance, production processes and procurement makes assessments according to a pre-determined schedule. In 2023, we conducted nine supplier assessments and reviewed two additional assessments based on the suppliers' questionnaire responses.

SIJ Group evaluates our suppliers according to a standardised assessment system across all of our production companies. Based on our assessment of all suppliers of raw materials and strategic materials, we gave 51% of our partners the highest A-rating, while only 1.1% of our suppliers received a C-rating. Our contracts with suppliers that received a D-rating (0.18% in 2023) will be terminated. We are introducing additional indicators for use in supplier assessment in accordance with the objectives of the Sustainability Strategy, the GRI standards and the ResponsibleSteel association’s principles. These include checking our suppliers' environmental policies and occupational health & safety systems. Of all suppliers included in the assessment, 41% meet the requirements. GRI 308-2

In our assessment of key suppliers we also consider their commitment to sustainability, which they include in their reports, and also conduct our own additional assessments. Forty-three percent of our key materials suppliers state that they have having their own sustainability policies.
GRI 308-1 GRI 414-1

New suppliers, who are not yet included in regular assessments, are held to criteria that include, among other things, a review of management system certificates. Among seven new suppliers of strategic raw materials and materials, 71% are signatories to the SIJ Group Supplier Code of Conduct.
GRI 2-6 GRI 414-1

SUBSTITUTES AND CERTIFIED SUPPLIERS OF SENSITIVE MATERIALS

We are introducing quality, cost-effective and environmentally friendly substitutes in our production, maintenance and general consumption processes. In 2023, we either tested or started testing 398 new additions across the board.

We apply the required supply chain due diligence when purchasing environmentally and socially sensitive materials which cannot be substituted, as required by the Regulation (EU) 2017/821 laying down supply chain due diligence obligations for European Union importers of natural minerals originating from conflict-affected areas. Such raw materials – for example, ferrotungsten is indispensable in the production of high-speed steels – are purchased exclusively from providers with appropriate certification and the RMI_CMRT report. In 2023, we worked with four certified suppliers of tungsten and ferrotungsten. GRI 308-2 GRI 414-2

7 AFFORDABLE AND CLEAN ENERGY

Supply of energy GRI 302

Due to the high energy price volatility in recent years, we have paid particular attention to sourcing electricity, natural gas and industrial gases as reliably and cost-effectively as possible. The strategy of quantity and price hedging of energy purchases with forwards may carry a higher risk in times of extreme wholesale price volatility. That is why we also keep a balance between forward locking on the upstream and downstream sides – accounting for the pricing and liquidity of the energy markets.

The announced changes to the network charge and balancing energy tariffs are pushing us towards increasing the accuracy of our consumption forecasts and balancing within SIJ Group companies. The green transition, which will also come with legislative and other regulatory changes, provides an additional incentive for SIJ Group's projects to reduce our use of fossil fuels, emissions and carbon footprint.

We plan to invest in a power storage facility (in combination with new sources of solar electricity), a hydrogen plant for the production of green hydrogen, and software tools which will allow us to efficiently regulate the (co-)operation of the generation consumers and the new facilities. After the liquefied petroleum gas (LPG) project was launched in 2022, we have continued laying the groundwork for a partial transition to LPG (besides the now-prevalent natural gas).

ENERGY CONSUMPTION GRI 302-1

SIJ Group is still ranked among Slovenia's largest consumers of natural gas and electricity due to the nature of its core business. The largest consumers of energy are SIJ Acroni and SIJ Metal Ravne, as well as the manufacturing companies SIJ Ravne Systems and SIJ SUZ. In 2023 these companies used approximately 414 thousand megawatt hours of electricity, and nearly 631 thousand megawatt hours of natural gas, down 15% relative to the preceding year 2022. Lower consumption levels are the result of production outages caused by engine failure at SIJ Acroni between July and October 2023, and of disruptions caused by flooding at the facilities located in the Koroška region in the first half of August 2023. The cost of energy in 2023 stood at 14.9% of total operating expenses, up by 1.6 percentage points compared to 2022.

Power consumption (in megawatt hours)

	2021	2022	2023
Natural gas consumption	845,604	743,812	630,661
Consumption of electricity from non-renewable sources	477,345	421,027	339,341
Total non-renewable sources	1,322,949	1,164,839	970,002
Consumption of electricity from renewable sources	62,821	55,410	74,242*
Electricity, heating and steam			
Electricity consumption	540,166	476,437	413,583**
Heat consumption (external)	10,047	9,837	8,992
Industrial steam consumption	3,224	2,755	3,629
Sale of excess heat ***	8,314	7,054	6,923
Total net energy consumption	1,390,727	1,225,787	1,049,942

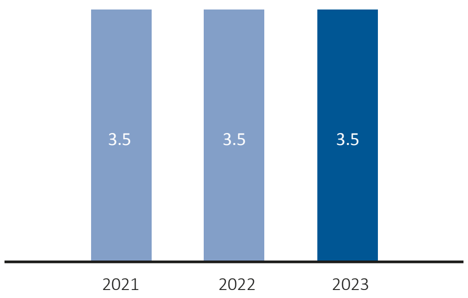
* *The Energy Agency of the Republic of Slovenia will provide the breakdown of the composition of primary electricity generation sources at the end of March for the previous year, so for the sake of calculation we used 2022 data (available at this link, 10 January 2024). In addition, we factored in the share of electrical power generated by the 166 kW solar power plant at the SIJ Acroni site.*

** *SIJ Group companies have for year 2023 additionally purchased Certificates of Origin for electricity from nuclear power plants, which is classified as emission-free source, in the amount of 118,275 MWh. Together with the share of nuclear power as derived from the composition of generation sources in the Republic of Slovenia in 2022, the total share of emission-free electricity sources amounts to 54.8% of all electricity consumed in the SIJ Group.*

*** *We only sell heat, but not electricity, cooling or steam.*

ENERGY INTENSITY GRI 302-3

Energy intensity (in megawatt hours per tonne of finished product) GRI 302-3



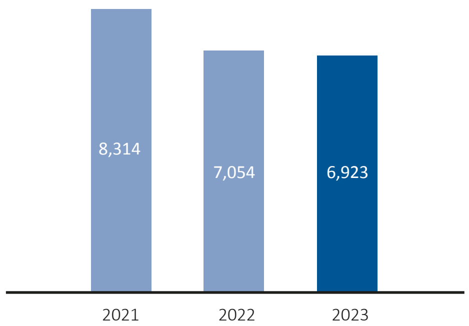
Specific energy consumption is reduced through modernisation of production facilities and other measures to improve energy efficiency. The planned introduction of a centralised energy management information system will allow us to monitor and control the procurement, consumption and increasingly important balancing between all energy sources.

ALTERNATIVE SOURCES FOR SIJ GROUP AND ITS LOCAL COMMUNITIES

We are improving the reliability of the supply of energy, in line with the principles of social responsibility and sustainable development. Project studies related to the green transition have been prepared for the solar power plant, hydrogen plant and power storage facility, and the paperwork for the use of excess heat project was finalised in 2023. In Jesenice, we carried out a pilot project to build a small solar power plant with a nominal capacity of 166 kW.

The ETEKINA[2] project, aimed at introducing innovative heat exchanger technology in an energy-intensive industry, has already produced 420.4 MWh of remote heating energy in 2023, while returning 847 MWh of heat back to the roll-heating process, reducing natural gas consumption by 4%. The introduction of an additional source of excess heat further increased the share of flue gas heat recovery used to supply heating to the town of Ravne na Koroškem.

Quantity of waste heat delivered (in megawatt hours) GRI 302-1



In 2023, SIJ Acroni generated 2,382 megawatt hours of electricity and 3,433 megawatt hours of thermal energy through cogeneration of heat and electricity. With cogeneration, which contributes to reducing emissions, we are partly self-sufficient in terms of the supply of heating and electricity.

As part of the international CREATORS project,[3] SIJ Acroni is laying the foundations for the Renewable Energy Community (REC), connecting energy-intensive industries with the local community. Communities of this type have already been integrated into the local energy policies of the Municipality of Jesenice, where SIJ Acroni operates.

At the SIJ Acroni demonstration site we are currently testing different options for using renewable energy sources (RES) and improving energy efficiency through controlled consumption and potential generation of electricity from RES. Feasibility studies for the introduction of specific green technologies include the installation of solar power plants at various locations at SIJ Acroni, small hydroelectric power plants and the use of excess heat. The excess heat simulation and electricity consumption prediction model has already entered the validation stage.

2 SIJ Metal Ravne, the Jožef Stefan Institute and international partners secured funding for the ETEKINA project, through a grant provided by the European Union's Horizon 2020 research and innovation fund.
3 The project received funding from the European Commission's Horizon 2020 research and innovation programme, Contract No 957815.

REDUCING ENERGY CONSUMPTION GRI 302-4

As we move towards a sustainable future, we are continuously looking for alternatives to non-renewable energy sources. One option that has proven to be very successful is the introduction of oxy-fuel burners. This type of technology makes an important contribution to reducing the consumption of natural gas, thereby reducing our carbon footprint, and operating sustainably.

In 2023, we introduced oxy-fuel burners in two Wellman furnaces at SIJ Acroni. The investment aimed at heat treatment, annealing, and quenching of steels brings an average annual reduction in natural gas consumption of 720,488 Sm3 or 39.6%. CO2 emissions are also reduced in the same proportion.

As part of the international CREATORS project, SIJ Acroni is laying the foundations for the Renewable Energy Community (REC), connecting energy-intensive industries with the local community. Communities of this type have already been integrated into the local energy policies of the Municipality of Jesenice, where SIJ Acroni operates.

At the SIJ Acroni demonstration site we are currently testing different options for using renewable energy sources (RES) and improving energy efficiency through controlled consumption and potential generation of electricity from RES. Feasibility studies for the introduction of specific green technologies include the installation of solar power plants at various locations at SIJ Acroni, small hydroelectric power plants and the use of excess heat. The excess heat simulation and electricity consumption prediction model has already entered the validation stage.

Water and effluents GRI 303

SIJ Group manages water in accordance with the law and environmental permits. The manufacturing companies SIJ Acroni and SIJ Metal Ravne operate in a region where the estimated probability of water shortages is low.[4] Our water management activities currently have no significant environmental impacts, and therefore we are not taking any specific measures to reduce them.

SIJ Group is committed to the rational use of all natural resources. For example, we are intensively reducing the use of drinking water in our industrial processes. We are replacing it with industrial water, and are also setting up closed-loop cooling circuits in order to reduce consumption. We closely track any potential impacts on water quality by carrying out monitoring procedures which comply with the requirements of the law or environmental permits.

INTERACTIONS WITH WATER AS A SHARED RESOURCE GRI 303-1

The two manufacturing companies of SIJ Group responsibly withdraw cooling and industrial water from catchments, whereas their drinking water is sourced through two suppliers. We are purposefully reducing the quantity of the water we draw, consume and discharge by carefully adhering to strict water management protocols, focusing on rational consumption and introducing technological improvements.

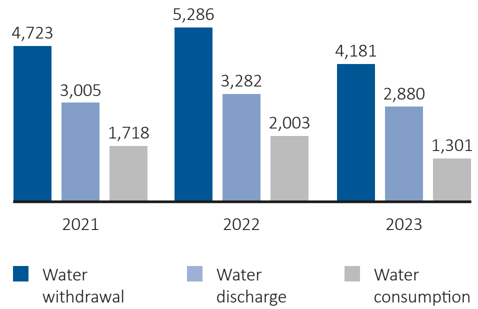
SIJ Acroni's consumption of both potable and cooling water was lower in 2023, which is mainly the result of a three-month production shutdown. During this time we inspected the cooling water pipelines and repaired leaks, which further reduced consumption.

At SIJ Metal Ravne a water valve in the Section Rolling Mill failed in March 2022, which could not be replaced until the July overhauls, and water consumption increased in the interim. As explained above, any comparison of water consumption levels in the years 2022 and 2023 is not entirely realistic. GRI 303-3

4 Source: World Resources Institute. Water Risk Atlas. Available at this link (14 December 2023).

WATER WITHDRAWAL GRI 303-3, WATER DISCHARGE GRI 303-4 AND WATER CONSUMPTION GRI 303-5

Water quantity (in megalitres)



WITHDRAWALS AND SUPPLIES OF INDUSTRIAL AND DRINKING WATER

In the city of Jesenice, SIJ Acroni is supplied with the water needed for its production processes in the catchments on the Sava River, the Javornik stream and the Trebež catchment. We supply cooling water via pipeline to the energy station, where the water is filtered and distributed among the users. The company is supplied with drinking water through a public utility company.

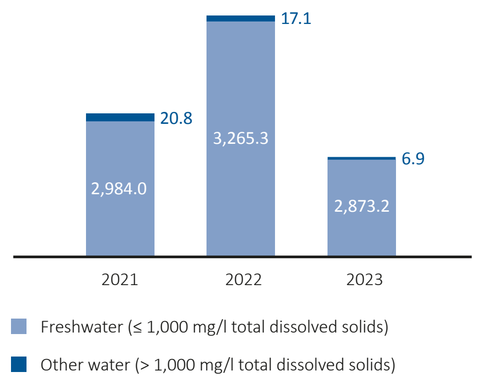
In the city of Ravne na Koroškem, SIJ Metal Ravne is supplied with cooling and drinking water through a partner supplier. The cooling water flows from an abandoned mine in Mežica to the Prevalje catchment, and from there it travels to the filtering station located on the industrial compound of the former Ravne Ironworks (Železarna Ravne). Once the rough particles are filtered out, the water is routed to the cooling facilities. In cases where more pressure is required in individual facilities, accelerator pumps are fitted at off-take points. We continuously measure our water consumption, any deviation from the anticipated consumption level is checked, and measures are taken to normalise the situation, as necessary. The drinking water is sourced from water wells managed by the supplier. The water wells are fully compliant with the HACCP standard and are connected into a circular feeding system. The metering stations are located at the points of entry where the water is introduced into the production halls.

WITHDRAWAL AND DISCHARGE MANAGEMENT

We constantly make improvements and efforts to reduce water consumption in our technological processes by developing internal projects. We are introducing sustainable solutions, and our efforts are also communicated to our local communities. We coordinate the potential effects of water consumption with our suppliers. The Trebež catchment, which is a priority source for SIJ Acroni due to its cleaner water, has a constant water level measuring system in place. If water levels are low, we do not use the water from this catchment.

In Jesenice we release used and cleaned water into the Sava River under controlled conditions, and in Ravne na Koroškem the used and cleaned water is released into the Meža River. As regards discharges at both sites, we maintain communication with the local fishing associations and communities.

Water discharge: discharge breakdown (in megalitres)
GRI 303-4



The wastewater quality parameters are defined in the environmental permits, which comply with the applicable Slovenian and EU legislation requirements. Oversight of wastewater quality is provided by certified institutions through regular monitoring activities, in compliance with the requirements set out in the environmental permits. GRI 303-2

The figures about water-related impacts are available at the Slovenian Ministry of the Environment and Spatial Planning website.[5]

5 Source: Ministry of the Environment, Climate and Energy Available at the following link (18 March 2024).

Quantity of hazardous substances released into waters by SIJ Metal Ravne
(in kilogrammes per year)

Parameter	2021	2022	2023
Zinc	103.14	98.68	99.20
Cobalt	0.01	0.00	0.00
Total chromium	42.19	84.30	108.10
Nickel	39.25	72.01	70.80
Lead	26.45	73.10	26.20
Fluorite	0.08	0.46	0.09
Total hydrocarbons (mineral oils)	301.79	375.37	349.50
Adsorbable organic halogens (AOX)	2.54	7.26	6.90
Phenols	0.87	0.54	0.58
Arsenic	0.17	0.16	0.06
Copper	0.57	0.30	0.16
Cadmium	0.13	0.17	0.11
Mercury	0.00	0.00	0.00
PAH	0.11	0.12	0.10
Fluoranthene	0.04	0.04	0.03
Benzo(a)pyrene	0.02	0.02	0.02
Sum of benzo(b)fluoranthene and benzo(k)fluoranthene	0.04	0.02	0.02
Sum of indeno(1,2,3-cd)pyrene and benzo(ghi)perylene	0.04	0.02	0.02

Data for 2023 are not yet verified by an external assurance provider.

Quantity of hazardous substances released into waters by SIJ Acroni
(in kilogrammes per year)

Parameter	2021	2022	2023
Copper	18.09	11.28	9.35
Zinc	57.26	58.16	44.50
Total chromium	28.93	15.96	33.36
Nickel	20.15	9.61	18.51
Fluorite	1,377.30	921.00	1,112.12
Total hydrocarbons (mineral oils)	251.69	77.50	220.35
AOX	10.69	15.78	14.41
Fluoranthene	0.00	0.01	0.00
Benzo(a)pyrene	0.00	0.00	0.00
PAH	0.00	0.00	0.00
LKCH	0.00	0.00	0.00
Tetrachloromethane	0.00	0.00	0.00
Trichloromethane	0.00	0.00	0.00
1,2-dichloroethane	0.00	0.00	0.00
Tetrachloroethene	0.00	0.00	0.00
Dichloromethane	0.00	0.00	0.00
Trichloroethene	0.00	0.00	0.00

Data for 2023 are not yet verified by an external assurance provider.

Biodiversity GRI 304

The key companies of SIJ Group operate in Slovenia, which is considered a country with one of the highest levels of biodiversity in the world. Natura 2000 special biodiversity conservation areas now cover more than 37% of Slovenia's territory.[6]

The two largest production companies of SIJ Group operate in the vicinity of three such conservation areas. SIJ Acroni operates near the Natura 2000 – Julian Alps area, which has been a conservation area since 2004, and Natura 2000 – Karavanke, a conservation area since 2012. SIJ Metal Ravne operates in the vicinity of the Natura 2000 – Votla Peč area, a conservation area since 2012.[7]

In 2022 we concluded an agreement with an external vendor to analyse the two companies' impacts on biodiversity in their respective areas of activity. An independent external analysis has shown that the Group's two largest manufacturing companies do not have a significant impact on biodiversity. Initiatives for minor environmental improvements, such as eradicating invasive alien plant species, reducing the impact on aquatic organisms and reducing light pollution, have been distilled into action plans. Some of these have already been implemented, while others form the basis for longer-term and more permanent efforts to conserve biodiversity.

6 Source: Natura 2000. Available at the following link (22 January 2024).
7 Source: Nature Conservation Atlas – Natura 2000. Available at the following link (22 January 2024).

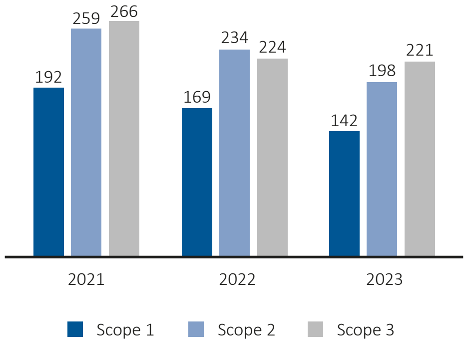
Greenhouse Gas Emissions

GRI 305

According to the World Steel Association, steel mills emitted an average of 1.84 tonnes of carbon dioxide per tonne of cast steel in 2022. Emissions from stainless steel production averaged 2.88 tonnes of carbon dioxide per tonne of cast steel.

As two of SIJ Group's steel plants account for a disproportionately larger share of greenhouse gas emissions compared to other SIJ Group companies, we report carbon dioxide emissions data for these two steel companies. The figures for Scope 1 are also verified by the CO_2 emissions monitoring verifier specified in the CO_2 emissions permit of both steel companies.

Emissions: Scope 1 GRI 305-1**, Scope 2** GRI 305-2 **and Scope 3** GRI 305-3 (in thousand tonnes CO_2)



Direct greenhouse gas emissions (Scope 1, GHG)
CO_2 emissions from the process are calculated using the carbon mass balance method. Combustion and heat emissions, calculated using RS factors, are reported to the United Nations Framework Convention on Climate Change (UNFCCC).

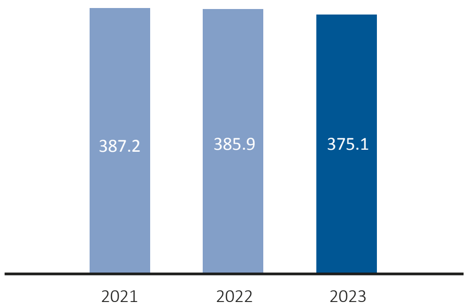
Indirect greenhouse gas emissions (Scope 2, GHG)
Our Scope 2 calculations are based on the World Steel Association (WSA) factors.

Other indirect greenhouse gas emissions (Scope 3, GHG)
Our Scope 3 calculations are based on the World Steel Association (WSA) factors.

GREENHOUSE GAS (GHG) EMISSIONS INTENSITY GRI 305-4

We continually review the effects of constant improvements based on the changes in intensity of direct carbon dioxide emissions (Scope 1) per tonne of cast steel produced (slabs and ingots – the first phase of steel after the liquid phase).

Intensity of greenhouse gas emissions (in kilogrammes of CO_2 per tonne of cast steel) GRI 305-4



REDUCTION OF GHG EMISSIONS GRI 305-5

Adopted in 2023, a more closely-detailed plan to reduce specific CO2 emissions from our production processes foresees that we will reduce these emissions by 51% by 2030, compared to 2020, through the introduction of new technologies and investments estimated at EUR 70 million.

Compared to the reference year 2019, we have already reduced our level of actual direct CO2 emissions by 48,000 tonnes in 2023. The investment in replacing the burners of the ladle heating and drying system with oxy-fuel burners reduced emissions by 1,925.55 tonnes. Replacing the burners on stainless steel heat treatment furnaces has helped reduce natural gas consumption by 40%, and consequently cut CO2 emissions by 917 tonnes. Investments with a lower carbon footprint also include the replacement of conventional natural gas-fired billet heating with a new induction heating system, which was introduced at SIJ Metal at the end of 2023. GRI 305-5

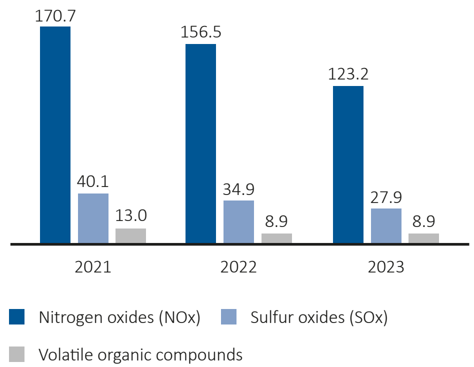
EMISSIONS OF OZONE-DEPLETING SUBSTANCES (ODS) GRI 305-6

SIJ Group's key companies do not produce ozone, nor do we import or export any such substances. However, because we use air conditioners which contain materials of this nature, we routinely perform checks to confirm their airtightness. This is done by authorised counsel service personnel, who report the results to the relevant authorities.

NITROGEN OXIDES (NO_X), SULFUR OXIDES (SO_X), AND OTHER SIGNIFICANT AIR EMISSIONS GRI 305-7

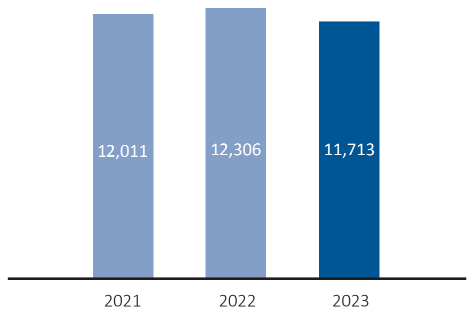
We perform monitoring of nitrogen oxides (NOx), sulfur oxides (SOx) and volatile organic compounds (VOC) in three-year cycles, in accordance with the law. We recalculate emissions to operating hours in the previous year.

Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions (in tonnes) GRI 305-7



Data for 2023 are not yet verified by an authorised contractor for monitoring air emissions. Nitrogen oxides and sulfur oxides emissions refer to emissions generated by the subsidiaries SIJ Acroni and SIJ Metal Ravne, whereas emissions of volatile compounds refer to the subsidiary SIJ Acroni.

Dispersed emissions (in kilogrammes per year)



Data for 2023 are not yet verified by an authorised contractor for monitoring air emissions.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Waste GRI 306

For the production of steel, SIJ Group uses purchased steel scrap as well as our own reclaimed steel scrap. The waste material produced in the steel production process is treated as by-products, which are used to manufacture new products. We are reducing the quantity of industrial waste, and we keep records on their origin and handling in a central database. Our long-term goal is to achieve Zero Waste to Landfill.

STEEL SCRAP AS A KEY RAW MATERIAL

GRI 306-1 GRI 306-2

Because steel is a uniquely durable material, which can be reused again and again without any loss of properties, it is fully recycled in the remelting process. Through the proper management of raw materials in steel production (mainly purchased steel scrap and our own reclaimed steel scrap), we are able to minimise environmental impacts and maximise economic benefits.

Use of Internal Steel Scrap

- We return all reclaimed steel scrap (material leftover in the steel production process), sorted by chemical properties and quality, back into the production process.
- We utilise the value of alloying elements.
- We reduce the proportion of virgin purchased raw materials.

Magnetic Separation

- Additional cleaning of steel scrap improves its usefulness and yield.
- Separation of purchased steel scrap where environmentally justified and economically viable.

Appropriate Storage of Steel Scrap

- Reducing chances of mistaking one material for another.
- Prevention of unjustified use of incorrect grades of steel.

Sorting Residual Non-magnetic Material after Separation

- Effective elimination of non-magnetic metals from leftover scrap.
- Beneficial application in own processes, or selling.
- Despite the increased proportion of non-hazardous waste that is sorted by magnetic separation due to cleaning or pre-separation, the positive ecological and economic impact of magnetic separation is significantly higher compared to the additional cost of handling this waste.

RECYCLING AND REUSE OF BY-PRODUCTS

GRI 306-1 GRI 306-2

In terms of quantity, the largest proportion of the materials produced in the steel production process is black steel slag and white slag made in the stainless steel production process. These two by-products were once considered ordinary industrial waste, but SIJ Group now uses them to produce useful certified products. Our goal is to reclaim all slag and find beneficial uses for it in our steel production processes, or sell it off for use in other industries. We are thus constantly looking for new possibilities for its beneficial use in other industries.

Use of by-products

BLACK SLAG	**Use after recycling:** • Bitumen mixtures • Road surface coating • Aggregate materials for use in road construction
WHITE SLAG	Ekominit S1 construction material (entered into the mineral materials registry)
METAL LEFTOVERS	Beneficial use in remelting

BENEFICIAL USE OF INDUSTRIAL WASTE

GRI 306-1 GRI 306-2

While modern technologies do not yet allow us to fully eliminate industrial waste, SIJ Group is making efforts to decrease the quantity of all types of waste (inert, non-hazardous and hazardous) and, where possible, find ways to recycle and reuse it. Around 2% of all waste was sent to landfill in 2023. Our long-term goals are to achieve the Zero Waste to Landfill target and economically sustainable waste management.

Since 2021, SIJ Group has maintained a central industrial waste database, which contains information about the origin and handling of waste for all production sites in Slovenia. For some types of industrial waste we have already identified possibilities for either reusing the waste materials in our own processes or passing them on to external customers, and we are still identifying options for other types of waste. We prioritise such efforts based on environmental and economic viability, and on the complexity and availability of technology for processing, mixing and augmenting materials.

NEW SOLUTIONS FOR THE RECOVERY AND USE OF INDUSTRIAL WASTE

In identifying solutions for industrial waste, we are focusing on key materials such as the metal residue in filter dust and neutralising sludge, as well as spent refractories that can partly replace other raw materials. The beneficial use of materials recovered from industrial waste is part of our efforts to close material flows in production processes.

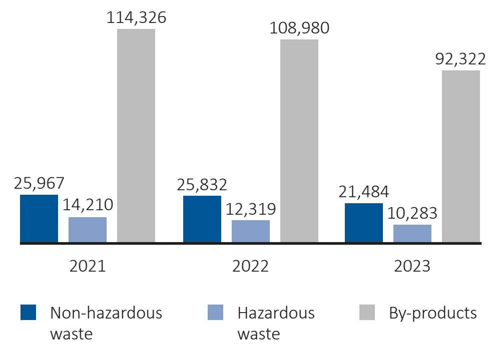
In 2023, we conducted extensive analyses on the filter dust produced in the steel scrap melting process. The quantity of this waste type is sizeable and cost-relevant. Our aim is to extract valuable metals such as iron, nickel, chromium and zinc from the powder through innovative processes and to either reuse them in smelting processes or sell them on the market. The project, which will consider economic impacts, investment costs and follow all relevant long-term guidelines, will be developed after the lab and small-scale industrial tests are concluded.

We are developing processes for reusing metals and other substances from the neutralising sludges produced in the stainless steel leaching processes and needed in the smelting processes. In these processes, we also want to maximise re-utilisation of the metals that would have been extracted from scale using reduction processes. We are also putting a particular focus on the processing and use of worn refractories to partly substitute some of the raw materials we are currently sourcing on the market.

An important part of our efforts is the development of innovative sorting, screening, shredding and separation processes for treating other forms of industrial waste produced in the steel-making processes. Proper preparation increases the usefulness of individual materials and the efficiency of reusing them.

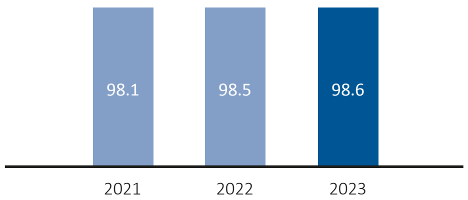
WASTE GENERATED AND WASTE DIVERTED FROM DISPOSAL (REUSE)

Waste generated and by-products (in tonnes) GRI 306-3

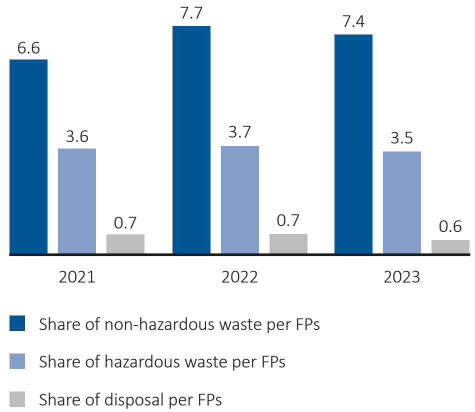


Waste (in kilogrammes per tonne of finished products) GRI 306-3

Share of reclamation of waste and by-products (as a percentage) GRI 306-4



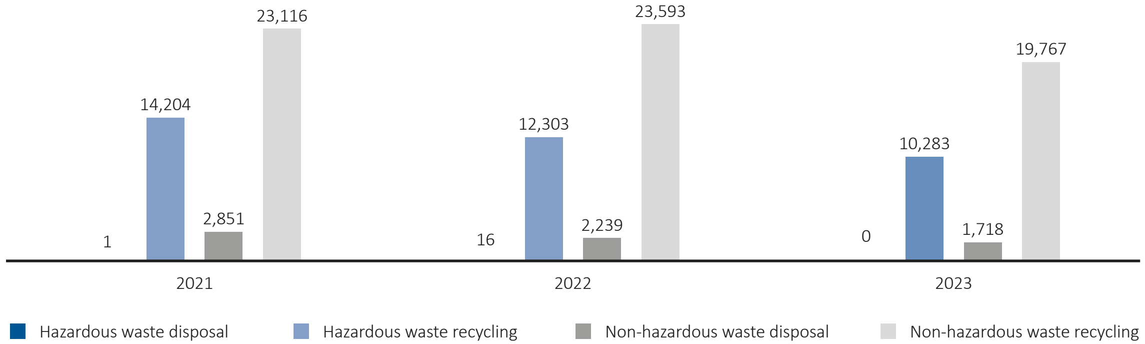
Share of waste per finished product (FP) (as a percentage) GRI 306-3 GRI 306-5



In 2023, approximately 75 kg of non-hazardous waste was produced per tonne of finished products, as well as 35 kg of hazardous waste, of which only 9 kg was landfilled. All waste for disposal is collected by certified waste management companies. Waste management costs per tonne of finished products produced are decreasing at the level of the entire SIJ Group, down 18% compared to 2021 and 8% compared to 2022. In 2023, we processed as much as 97.9% of waste and by-products. GRI 306-4 GRI 306-5

After reviewing the collections documentation, it was discovered that the disposal or diversion of a specific type hazardous waste was not accurately identified in the database. Consequently, the proportion of hazardous waste disposed of decreased, while the proportion of diverted waste increased. The data have been corrected for all reporting years. GRI 2-4

Recovery and disposal of hazardous and non-hazardous waste (in tonnes) GRI 306-4 GRI 306-5



Care for Employees and Social Impacts GRI 2-7

VALUES AND REPUTATION AS AN EMPLOYER OF CHOICE

Establishing, maintaining, and strengthening our reputation as an employer of choice are three of the most important strategic objectives of SIJ Group. Employee satisfaction and motivation to perform are seen as the most important sources of our reputation. We are a learning organisation which focuses on the transfer of knowledge and relevant information.

CULTURE OF COOPERATION AND EQUAL OPPORTUNITY

Employees are guaranteed equal opportunities regardless of gender, race, religion, sexual orientation, nationality or other circumstances. Because SIJ Group operates in diverse cultural environments, we are even more deliberate in creating a culture of mutual trust, respect, cooperation, and teamwork. We strive for a friendly, stimulating, and dynamic work environment with opportunities for employee development. These values were our guiding principles even in the uncertain geopolitical environment of 2023.

A PILLAR OF REGIONAL EMPLOYMENT

We are one of Slovenia's key employers based on the number of employees. We are the largest employer in the Koroška and Gorenjska regions, where two of SIJ Group's largest steelworking companies are based. Even in 2023, when we faced extraordinary events, we recruited intensively, welcoming 327 new employees, about one tenth of the total number in SIJ Group. All recruitment procedures are carried out in a transparent and non-discriminatory manner.

GRI 2-7

MONITORING EMPLOYEE SATISFACTION

Every third year, SIJ Group measures organisational climate and satisfaction and engagement of its employees. The internal climate measurements we conducted in the seven key companies in 2023 show improvements in 11 of the 12 categories included in the SiOK – Slovenian Organisational Climate survey. SIJ Group employees rated their satisfaction with quality, innovation and initiative, motivation, and engagement the highest. Twenty-three percent of employees stated they were engaged, which is 5% more than when measured in 2020. For the first time in 2023, we also measured new categories such as work-life balance and overall fulfilment in life. Both new categories were on average rated as satisfactory by our employees. Measures to improve the lower rated areas, such as SIJ Group recruitment recommendations and remuneration, are already included in the three-year HR management plan.

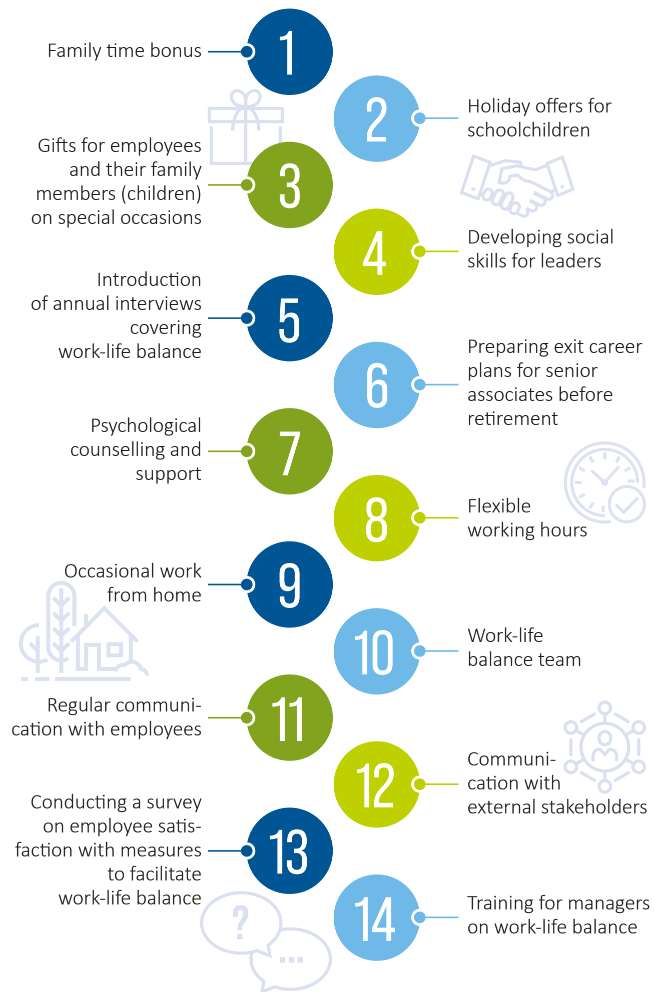
ACTIVE JOBS AND EMPLOYEES ENGAGING IN SPORTS

SIJ Group was among the first 14 companies to receive the European Workplace Active Certificate (WAC) in 2022. Physical activity for a healthy lifestyle has also been promoted for seven years by the SIJ Sports Club, whose members include employees, contractors, retired employees, and their family members. As of the end of 2023 the club had 174 members, who over the course of the year attended marathons and major running events, cycling festivals, challenges, and hiking events, as well as took part in the annual charity campaign.

RESPECT FOR OUR EMPLOYEES' FAMILY LIVES

All seven key companies of SIJ Group had already obtained the basic Family Friendly Company certification in May 2023. The plan for an even better work-life balance at SIJ Group, which was conceived at the end of 2022, envisages the gradual introduction of 14 measures and activities and the achievement of the full Family Friendly Company certification in all key companies by 2026. Fifty employees from seven SIJ Group companies were involved in the selection of the measures.

Fourteen measures for achieving work-life balance



Employees in Figures

Employment indicators in SIJ Group and the seven key companies as at 31 December GRI 2-7 GRI 2-8 GRI 2-30 GRI 201-3

	Unit	2021	2022	2023	Plan 2024
SIJ Group figures					
Employees	number	3,840	3,755	3,673	No data
Average age	in years	41.6	41.7	43.2	No data
Women	percentage	16.8	16.5	17.6	No data
Employees	number	3,352	3,264	3,162	3,260
Number of temp agency workers	number	0	0	0	0
Employees on an open-ended employment contract	number	3,095	3,041	3,000	3,109
Employees on an open-ended employment contract	percentage	92.3	93.2	94.9	95.4
Employees on a fixed-term employment contract	number	257	223	162	151
Zaposleni za določen čas	število	257	223	162	151
Employees on a fixed-term employment contract	percentage	7.7	6.8	5.1	4.6
Male employees	number	2,788	2,727	2,601	2,694
Male employees	percentage	83.2	83.6	82.3	82.6
Female employees	number	564	537	561	566
Female employees	percentage	16.8	16.5	17.7	17.4
Employees employed on a part-time basis	number	62	77	69	70
Employees employed on a part-time basis	percentage	7.9	2.4	2.2	2.15
Of which women employed on a part-time basis	number	26	32	34	34
Of which women employed on a part-time basis	percentage	0.8	1.0	1.1	1.0
Full-time employees	number	3,290	3,187	3,093	3,190
Full-time employees	percentage	98.2	97.6	97.8	97.9

Continuation of the table →

Continuation of the table

	Unit	2021	2022	2023	Plan 2024
Employees up to 30 years of age	number	524	533	527	591
Employees up to 30 years of age	percentage	15.6	16.3	16.7	18.1
Employees aged 30-50	number	1,578	1,496	1,517	1,544
Employees aged 30-50	percentage	47.1	45.8	48.0	47.4
Employees over 50 years of age	number	1,250	1,235	1,118	1,125
Employees over 50 years of age	percentage	37.3	37.8	35.4	34.5
Average age of employees	years	43.1	43.1	43.5	42.6
Employees covered under a collective bargaining agreement	number	3,044	2,911	2,768	2,862
Employees covered under a collective bargaining agreement	percentage	90.8	89.3	87.5	87.8
Employees not covered under the collective bargaining agreement	number	308	350	394	398
Employees not covered under the collective bargaining agreement	percentage	9.2	10.7	12.7	12.2
Employees enrolled in an additional pension insurance scheme	percentage	72.0	74.9	82.4	82.5
Contributions to the additional pension insurance scheme paid by the employer	EUR thousand	1,815	2,056	2,327	2,400

* *The figures for 2021 also include figures for employees of SIJ Elektrode Jesenice. The seven key companies listed on page 24.*

SPECIFICS OF THE METALLURGY INDUSTRY

The gender ratio varies between companies, but the marked male predominance is typical and expected due to the nature of work in the metallurgy sector. Women comprise 17.7% of employees in key companies. With regard to the activities of the companies in SIJ Group, this percentage will not change significantly even after the planned increase in the number of employees in 2024.

Almost half of our employees are aged between 30 and 50 years old, and the average is 43.5 years. More than a third of our employees are over 50. With expected retirements in this age group, we are facing intense challenges in recruiting young people entering the labour market and in recruiting foreign workers. Given the demographic trends and the state of the labour market in Slovenia, we will be recruiting even more foreign workers from all over the world in the future. In SIJ Group, 246 or 7.8% of employees have their permanent residence outside Slovenia. GRI 2-7

PROMOTING SECURE AND STABLE EMPLOYMENT

Almost 95% of employees in the seven key companies have a permanent contract. Only 2.2% of employees work part-time. In most cases, the part-time arrangement is due to disability. We conclude fixed-term employment contracts in cases of trainee work or onboarding, temporary increases of work volumes, and substitutions due to sickness and parental leave. We intend to continue implementing our HR policy going forward, providing employees with job security and stability.

EQUAL OPPORTUNITY FOR ALL

In our seven key companies there are no differences in the access to employee benefits for employees on an open-ended full-time employment contract and employees on a fixed-term part-time employment contract. There are also no pay differences between employees based on gender. GRI 401-2

SUPPLEMENTARY INSURANCE

With a secure future in mind, SIJ Group finances collective supplementary pension insurance, which in 2023 already covered more than 80% of employees from the seven key companies. The increase in the number of people enrolled increased the volume of contributions to supplementary pension insurance by just over 11%. On average, 2.89% of gross salary per covered employee was allocated to monthly contributions to supplementary insurance. GRI 201-3

Since 2022, SIJ Group has also offered employees of the seven key companies and their family members the opportunity to join the collective supplementary health insurance. By the end of 2023, almost 34% of employees were already covered. The family premium is paid by the employees themselves, but under the same favourable conditions. Employee premiums are paid in full by SIJ Group companies. The amount of payments in 2023 was EUR 88 thousand, a 30% increase compared to the preceding year.

REGULAR REMUNERATION AND FINANCIAL INCENTIVES GRI 2-20

SIJ Group involves its employees in financial incentives on the basis of the principle of equality and equity.

In 2023, employees could rely on regular monthly salary payments, set in proportion to the requirements of the job and the labour market. Twenty-one percent of employees in key companies had an increase in base salary in 2023, either due to a transfer to a more demanding post or in recognition of higher qualifications in an existing post. The value of the monthly bonuses paid to employees under the variable remuneration scheme is more than EUR 3.1 million in 2023.

In 2023, a significant agreement was reached with trade unions to increase the basic salaries of employees in four manufacturing companies. This resulted in a total wage bill increase of EUR 4,743,670 across these companies. We also made gross annual leave payments of EUR 1,800 to employees in the seven key companies.

PERFORMANCE AND CAREER DEVELOPMENT REVIEWS GRI 404-3

We are upgrading the performance and career development system so that all employees, regardless of age, gender, and other characteristics, can be included in it by 2025 at the latest. The importance of an integrated system is linked to the strategic definition that properly trained and motivated employees are the foundation of SIJ Group's success.

SOCIAL DIALOGUE AND COLLECTIVE BARGAINING AGREEMENTS GRI 2-30

There are three representative trade unions in the seven key companies of SIJ Group, with more than 25% of employees belonging to at least one of them. Social dialogue takes place regularly between the social partners and the management of the companies. SIJ Group fully complies with the terms of industry-specific collective bargaining agreements and corporate collective bargaining agreements.

In 2023, almost 90% of the employees of the key companies of SIJ Group were employed in line with corporate collective bargaining agreements. The exceptions are employees of SIJ d.d. and SIJ Support Activities, who are currently not covered by any collective bargaining agreement. In the remaining companies, the Collective Agreement for the Metal Products and Foundry Industry, the Collective Agreement for the Slovenian Metal Sector, and the Collective Agreement for the Slovenian Wood Industry are in force.

The management and management staff have individual employment agreements, which also include the rights stipulated in the industry-specific collective bargaining agreements.

LABOUR/MANAGEMENT RELATIONS

SIJ Group proactively communicates any important operational changes to employees. As a rule, this is done at least two weeks before any changes take effect. We communicate these changes in accordance with the law and the collective bargaining agreements, in coordination with the labour unions. GRI 402-1

5 GENDER EQUALITY

New Hires and Job Retention

GRI 2-7 GRI 401

One of SIJ Group's top three goals is to become an employer of choice with motivated employees by 2025. This is why business growth plans include measures such as making jobs more attractive to top professionals, ensuring a diverse pool of internal staff, and providing scholarships.

We provide all candidates with equal opportunities in our candidate selection procedures, regardless of gender, age, or other circumstances. We recruit candidates through various channels, including through external partners. We increase the effectiveness of our search for suitable staff by building up our own pool of job candidates and selecting the right people through psychological testing and in-depth interviews.

Due to the specific nature of the metallurgy sector, we continued to employ more men than women in 2023, mostly in the 30-50 age group. Employee turnover in the seven key companies was 13.9%. GRI 401-1

New hires, turnover, and parental leave in the seven key companies on 31 December

GRI 401-1 GRI 401-2 GRI 401-3 GRI 405-1

	Unit	2021	2022	2023
New hires, up to 30 years of age	number	206	180	172
Employees leaving, up to 30 years of age	number	119	112	126
New hires, aged 30-50	number	209	174	177
Employees leaving, aged 30-50	number	186	150	161
New hires, aged over 50	number	27	54	45
Employees leaving, aged over 50	number	145	116	171
Total new hires	number	442	408	394
Total employees leaving	number	450	378	458
New hires, men	number	383	333	304
New hires, women	number	59	75	90
Employees leaving, men	number	377	320	378
Employees leaving, Women	number	73	58	80
Employee turnover rate	percentage	15.1	11.6	13.9
Employee turnover rate, men	percentage	10.3	7.5	10.6
Employee turnover rate, women	percentage	4.8	2.4	3.3
Employee turnover rate, aged up to 30	percentage	2.8	2.7	3.2
Employee turnover rate, aged 30-50	percentage	6.0	5.2	5.2
Employee turnover rate, aged over 50	percentage	5.8	4.1	5.5
Men returning after parental leave	number	71	66	85
Women returning after parental leave	number	18	13	15
Employees returning after parental leave	number	89	79	100

Taking maternal, paternal, or parental leave, something all employees in Slovenia are entitled to by law, has no effect on employee turnover. The job retention rate after parental leave is 100%. All 100 employees who took parental leave in 2023 returned to work at SIJ Group. GRI 401-3

JOB SECURITY IN CASE OF A CHANGE IN AN EMPLOYEE'S ABILITY TO WORK GRI 405-1

Respecting employees' rights and ensuring equal opportunities is also linked to creating jobs for people with disabilities and special needs. In the event of changed or reduced work capacity, we provide suitable redeployment options.

We provide stable employment for people with disabilities in our SIJ SUZ and SIJ ZIP CENTER, entities which are fully integrated into the corporate governance of SIJ Group. In 2023, 9.4% of SIJ Group employees had disabled worker status.

Number of employees with disabled worker status and their proportional representation in the seven key companies as at 31 December

	2021	2022	2023
Number of employees with disabled worker status	219	305	297
Share (%) of total employees	9.5	9.3	9.4

Number of disabled persons and their percentage in SIJ SUZ

	2021	2022	2023
Number of employees with disabled worker status	70	68	71
Share (%) of total employees	55.6	51.9	55.9

Number of disabled persons and their percentage in SIJ ZIP CENTER

	2021	2022	2023
Number of employees with disabled worker status	60	59	58
Share (%) of total employees	53.6	51.3	51.8

REHABILITATION AND SOCIAL INCLUSION

As a concessionaire of the Ministry of Labour, Family and Social Affairs and Equal Opportunities, SIJ ZIP CENTER has been offering employment and workplace rehabilitation programmes since 2006. In 2023 an average of 27 users per month were enrolled in occupational rehabilitation, while the Slovenian Pension and Disability Insurance Institute referred nine insured persons for vocational rehabilitation.

The Koroška Rehabilitation Centre, an organisational unit of SIJ ZIP CENTER, has been operating a social inclusion programme since 2011. In 2023 the programme had 18 registered users.

Training and Education GRI 404

The functional training of employees required for the working processes and specific workstations is one of the key activities of the seven key companies of SIJ Group. We assess the effectiveness of our internal training seminars by measuring the employee satisfaction level, performing knowledge examinations, with employees advancing to higher levels, or through workplace flexibility, as well as through instructor ratings.

We place special emphasis on training seminars involving conflict resolution, interpersonal relations, and respectful communication. We take a planned approach to advancing the leadership competences of our management staff. We encourage employees to take part in part-time studies, which we co-finance through our annual internal calls for applications. In 2023, 35 SIJ Group employees attended part-time secondary school and university programmes.

EDUCATION AND TRAINING IN SIJ GROUP

In 2023, a total of 2,745 (more than 85%) of our employees took part in various educational programmes, including almost 90% of all managers. Besides professional subjects and those required by law, the main subjects involved included communications, sustainable business and social responsibility, motivation, ISO and ResponsibleSteel standards, the importance of quality, and computer skills.

In 2023, we allocated an average of EUR 176.8 per employee to employee training. GRI 404-1 GRI 404-2

Employees taking part in educational and training courses in the seven key companies GRI 404-1

	2021	2022	2023
Average number of hours of training per employee	12.3	9.0	11.0
Share (%) of revenue allocated to education and training	0.04	0.03	0.07
Average cost of education and training per employee (in EUR)	210.3	140.4	176.8

Participant structure in training programmes, by gender and job category, and average number of hours of training in 2023 for the seven key companies GRI 404-1 GRI 404-2

	Average number of hours of education and training	Percentage
Men enrolled in training programmes	2,251	86.5
Women enrolled in training programmes	495	88.2
Management staff (the Management Board and managements of the companies)	11	88.9
Other management staff	255	89.0
Administrative staff	621	84.7
Employees in manufacturing and services	1,859	87.3

LIFELONG LEARNING AND COACHING

Lifelong learning is an integral part of the plans of all seven key SIJ Group companies. Our internal training programmes are organised in the form of coaching new employees following recruitment or reassignment to new positions. We prepare an induction programme for each new employee joining us. Following a successful coaching programme, the coach is entitled to a 10% bonus, based on their base salary. Coaching is part of the programmes designed to make workers more employable and help them achieve their career goals. GRI 404-2

EDUCATIONAL GRANTS AND BUILDING A REPUTATION AMONG POTENTIAL JOB CANDIDATES

In 2023 we provided educational grants for 93 high school and university students. Over the course of this year, 26 of them had completed their studies and found employment in SIJ Group companies. Scholarships give students the opportunity to gain experience and undertake professional internships. We support students and young researchers with technical topics and expert knowledge. As lecturers, SIJ Group experts contribute to the development of study programmes at the undergraduate and graduate levels.

Besides employment grants, we also work with the Association of Sports Federations within the Olympic Committee of Slovenia to award sports grants to young athletes who are family members of SIJ Group employees. We also organise production facility tours and job presentations for schoolchildren in elementary schools and high schools.

3 GOOD HEALTH AND WELL-BEING

Occupational Health and Safety GRI 403

Health and safety at work is a particularly important value at SIJ Group. In 2023, when we recruited 327 new employees, we paid special attention to their ongoing training for safe and healthy work. As part of the digitisation process we introduced video instructions for safe and healthy working in several languages, which the user can choose from to ensure proper understanding of the content.

CERTIFIED HEALTH AND SAFETY MANAGEMENT SYSTEM

The certified occupational health and safety (OHS) management system, which includes all employees of SIJ Acroni and SIJ Metal Ravne, was upgraded in 2023 through certification of the controlling company SIJ d.d. The latter is already monitoring the situation concerning occupational safety and health. Introduction of the OHS system certification is also planned in other production companies of SIJ Group.

In the context of the OHS systems of subsidiaries, worker liaisons are elected by employees to oversee issues related to occupational safety and health. Liaisons represent the interests of employees, submit their own recommendations for improvements, and relay management feedback to employees. In 2023, new worker liaisons were elected and trained at SIJ Acroni, SIJ Metal Ravne, and SIJ Ravne Systems. We hold regular meetings with worker liaisons and involve them in the handling of workplace accidents. At SIJ d.d., we engage with employees through the employee consultation mechanism. GRI 403-1

MANAGEMENT OF HAZARDS, RISKS AND INCIDENTS

In our management of OHS risk systems, we act in accordance with the law and the ISO 45001 standard. We regularly update the Safety Declaration with Risk Assessment prepared for each company. Through involvement of our own properly qualified safety engineers and competent external providers, we assess the risks existing in all our production operations. We take appropriate measures to reduce risks and eliminate extraordinary incidents based on our assessment of these. New risks are identified in the course of regular rounds (Gemba walks) by safety engineers and management of SIJ Group, including the analysis of past incidents and work accidents. These analyses are performed in the context of the corporate incident detection system and by observing the A Minute for Safety protocol – a preventive protocol which is run at the start of each production shift, where employees and shift managers exchange any concerns or observations about potential new risks. Worker liaisons for OHS are also involved in the work of the incident investigation committee. GRI 403-2

OCCUPATIONAL HEALTH SERVICES

The certified occupational health service provider is responsible for the medical part of the risk assessment, which acts as the foundation for planning pre-emptive, preventive, targeted or peripheral medical examinations. These examinations are performed in accordance with the Health and Safety at Work Act and according to the workplace risks SIJ Group employees are exposed to. By analysing the employees' health, the occupational health services provider ensures that this is maintained while also preventing its decline. The authorised provider is also involved in managing the risks involving the use of hazardous chemicals, as well as other areas related to employee health.

Employees are provided with information about the chosen occupational health services provider in the course of their regular occupational health training sessions, and these details are clearly posted in various location in the production and working premises. GRI 403-3

WORKER PARTICIPATION, CONSULTATION, AND COMMUNICATION ON OHS

In all our production companies, the responsibility for the systematic collection of initiatives, observations, and suggestions related to OHS is vested in elected worker liaisons who forward the initiatives to the internal OHS service and communicate the feedback from this service back to the initiating parties. Updated OHS information is available to all employees on the My SIJ online portal and via noticeboards and electronic memos. Employees may also gain access to specific OHS-related documents upon special request. Information is also provided to employees through the labour union representatives, who conduct monthly meetings with the Management Board. GRI 403-4

The worker liaison responsible for OHS issues has the following rights:

- to submit requests for the employer to take appropriate OHS-related measures;
- to prepare proposals for eliminating and reducing OHS-related risks;
- to demand an audit from the competent inspection service in cases where they believe the employer had failed to ensure the necessary safety measures;
- to be present during the inspections performed by the OHS service, and to express his or her observations;
- to be regularly informed of the observations, recommendations or actions taken by supervisory bodies in relation to OHS issues;
- to participate in reviews of OHS topics during regular meetings with the highest management.

Opportunities for employee involvement in the development, implementation and assessment of the OHS system:

- the *A Minute for Safety* preventive protocol;
- liaising with the labour union and submitting proposals to the worker liaison for OHS-related issues;
- the I Have an Idea application for submitting various suggestions – including those related to OHS;
- participating at meetings for reviewing OHS topics (training seminars, work equipment, suggestions for improvements, etc.).

WORKER TRAINING ON OCCUPATIONAL HEALTH AND SAFETY GRI 403-5

SIJ Group companies regularly conduct theoretical and practical training in the areas of OHS and fire safety. The initial training seminar upon the start of employment is followed by regular refresher courses. We plan the frequency of these courses in accordance with the risk assessment document. Employees working in jobs associated with a higher number of risks undergo training on a biannual basis. We update the topics covered in these training seminars according to any new forms and types of hazards that have been identified. In cases of job positions involving risks not covered in basic training, we provide additional functional training workshops (e.g. on forklift operator safety procedures, using overhead traveling cranes or floor operated cranes, working at a height, chainsaw operating procedures, and so on). Any employee coming into contact with hazardous chemicals must also undergo a training course to learn the procedures for safe handling of these substances.

Ongoing training is also part of the A Minute for Safety preventive protocol, which is overseen by foremen and shift managers, who are updated on OHS matters in training programmes which they attend twice per year. In 2023 training was provided on, among other things, hazardous chemicals management and the involvement of worker liaisons, as well as on a range of other topics (managers' responsibilities, work equipment, ergonomics, identification of psychoactive substances, etc.)

After each extraordinary incident which has the potential to lead to accidents or any hazardous event, workers are informed about the causes and the procedures to follow in order to prevent such incidents going forward. They are also regularly informed about any incidents and selected OHS topics through digital notices displayed in the common areas at work (such as canteens and cafeterias).

Basic Set of OHS Training Courses:

- theoretical and practical training;
- training during the onboarding process;
- periodical refresher courses at least once every two years, or more frequently (depending on the risk assessment document);
- additional functional training courses (forklift operator training, work at height training, crane operator training etc.);
- chemical safety training;
- training foremen and shift managers in production processes, twice per year;
- updates on measures taken after work accidents and extraordinary incidents;
- *A Minute for Safety* – daily safety protocol before the start of each production shift. GRI 403-5

PERSONAL PROTECTIVE EQUIPMENT

In accordance with safety assessments for individual positions, workers are provided with all the personal protective equipment prescribed by regulations. In order to ensure the high quality of the PPE, the comfort of employees, and therefore a more consistent use of the PPE, we tested more than 70 different items from a new supplier in 2023 to ensure that the PPE conforms to quality standards.

PROMOTION OF WORKER HEALTH GRI 403-6

In 2023, we adopted a four-year Health Promotion Plan (2024-2028) in each of our key companies. Each company has a working group to prepare an annual health promotion implementation plan (each plan includes around 60 activities in 10 key areas) and an annual report on the actions and activities implemented. More than EUR 300 thousand will be spent on implementing these measures in the seven key companies in 2024.

We promote occupational health and safety with our traditional *Working Safely, Staying Healthy* campaign. The content of the annual campaign is designed by the wider OHS team. It includes SIJ Group representatives, who discuss OHS KPIs, exchange best practices, and make recommendations for improvements.

PREVENTION OF ADVERSE IMPACTS ON OHS

We reduce the risks and adverse impacts on OHS through technical and organisational measures. Based on the risk assessment documents and regular measurements of the adverse impacts of factors such as noise and lighting, SIJ Group companies monitor and make systematic improvements to the work environment, and actively address various risks for potential occupational diseases, or work-related ill health. In 2023, the companies or production programmes whose risk assessment documents indicate the presence of hazardous chemicals started taking measurements of the presence of these in the atmosphere.

GRI 403-7 GRI 403-10

OHS FOR ALL EMPLOYEES

Even by requirements of the law alone, the OHS management system includes all SIJ Group employees. The ISO 45001 standard-certified occupational health and safety management system includes all employees of SIJ Acroni and SIJ Metal Ravne. SIJ Ravne Systems, which already operates according to ISO 45001:2018, plans to formally introduce this standard in 2024. There are no persons working in the companies included in the report who are not employees but whose work is controlled by the organisation, and as such all employees are covered by the OHS system.

GRI 403-8

WORK-RELATED INJURIES GRI 403-9

In the last three years there have been no accidents resulting in death and no accidents during transportation to or from work organised by SIJ Group companies, while the number of other injuries is decreasing on average. Through well-thought-out preventive action and a comprehensive OHS system, we are working towards the goal of zero accidents at work.

We dedicate particular attention to new employees, who are assigned a coach when they take up their duties at SIJ Group's production companies and are additionally provided with high-visibility body armour (helmet stickers, armbands).

Safety declarations with risk assessments also include the risks of occupational injuries, and each SIJ Group company prepares an annual plan in accordance with these assessments. The programmes include check-ups of the flooring, fire extinguishers, working and personal protective equipment, improvements to the working environment and jobs, and three reviews of occupational health and safety conditions per year. Any non-conformities are logged in the audit database and resolved by the designated persons responsible. Each work accident is analysed, and a record of the measures adopted as a result is made in the incident-tracking app along with proof of any actions implemented.

Work-related injuries in the three production companies

SIJ Acroni	2021	2022	2023
The number of fatalities as a result of work-related injuries	0	0	0
The number of high-consequence work-related injuries	1	0	0
F2- frequency of high-consequence work-related injuries	no data	0	0
G1- severity of high-consequence work-related injuries	no data	0	0
The number of all recordable work-related injuries	26	18	15
The number of hours worked	2,470,749	2,050,167	1,857,357
F2- frequency of all recordable work-related injuries	10.5	8.8	8.1
G1- severity of all recordable work-related injuries	782	793	590
SIJ Metal Ravne	**2021**	**2022**	**2023**
The number of fatalities as a result of work-related injuries	0	0	0
The number of high-consequence work-related injuries	1	2	1
F2- frequency of high-consequence work-related injuries	no data	1.3	0.7
G1- severity of high-consequence work-related injuries	no data	243	65
The number of all recordable work-related injuries	61	60	47
The number of hours worked	1,598,435	1,595,353	1,517,105
F2- frequency of all recordable work-related injuries	38.2	37.6	31
G1- severity of all recordable work-related injuries	1,926	2,086	1,499
SIJ Ravne Systems	**2021**	**2022**	**2023**
The number of fatalities as a result of work-related injuries	0	0	0
The number of high-consequence work-related injuries	0	0	0
F2- frequency of high-consequence work-related injuries	no data	0	0
G1- severity of high-consequence work-related injuries	no data	0	0
The number of all recordable work-related injuries	13	9	14
The number of hours worked	818,164	790,615	723,114
F2- frequency of all recordable work-related injuries	15.7	11.04	19.59
G1- severity of all recordable work-related injuries	621	679	792.68

Data are based on the companies' annual OHS reports. Percentages are calculated based on 1,000,000 work hours. No employees were excluded from the formula.

Causes of work-related injuries in the three production companies (in percentages)

SIJ Acroni	2021	2022	2023
Moving vehicles	0	6	7
Work with cranes- transport and manual handling of loads	0	6	0
Person falling from a height	11	0	7
Work using work equipment, work instruments	19	6	33
Work with hand tools	4	11	13
Manual handling of loads, work instruments	15	6	13
Non-use of or unsuitable PPE	0	0	0
Work with hazardous substances	8	6	0
Explosion	4	6	0
Minor work-related injuries resulting from the work environment	27	28	13
Work equipment malfunctions	4	11	0
Organisation of workflow	4	0	13
Technological disruption	4	11	0
Contact with a high-temperature object, material, open flame	0	6	0
Miscellaneous, not classified elsewhere	0	0	0

SIJ Metal Ravne	2021	2022	2023
Moving vehicles	0	3	0
Work with cranes- transport and manual handling of loads	21	5	0
Person falling from a height	0	5	4
Work using work equipment, work instruments	0	15	38
Falling object	0	23	28
Falls of persons on the floor, in passages, on landings, or unsuitable floor surface in the work area	20	7	7
Non-use of or use of unsuitable tools (hammers, hatchets), preparations	1	12	0
Disruptions in the technological process, non-compliance, work equipment malfunctions	15	3	0
Work with hand tools	0	0	6
Inefficient, unreliable work performance by the worker	28	0	2
Manual handling of loads, work instruments	10	15	9
Non-use of or unsuitable PPE	5	7	0
Miscellaneous, not classified elsewhere	0	5	6

SIJ Ravne Systems	2021	2022	2023
Moving vehicles	0	11	7
Work with cranes- transport and manual handling of loads	8	0	0
Work using work equipment, work instruments	0	22	7
Falling object	0	11	0
Falls of persons on the floor, in passages, on landings, or unsuitable floor surface in the work area	15	22	14
Non-use of or use of unsuitable tools (hammers, hatchets), preparations	0	0	0
Disruptions in the technological process, non-compliance, work equipment malfunctions	0	0	7
Inefficient, unreliable work performance by the worker	15	0	14
Manual handling of loads, work instruments	39	22	29
Non-use of or unsuitable PPE	15	11	7
Miscellaneous, not classified elsewhere	8	0	14

Note: Due to the standardisation of the cause of injury code list in 2022, the data representation is not fully comparable with preceding years.

WORK-RELATED ILL HEALTH AND ABSENTEEISM

GRI 403-10

Work-related diseases are very rarely detected and diagnosed among employees of the seven key companies of SIJ Group. Over the past seven years, only one person was affected by a work-related disease. We manage risks and diseases documented in the work medicine health service providers' reports by implementing health promotion programmes and encouraging healthy lifestyles among employees in the workplace (regular exercise, nutrition, etc.)

In 2023, sick leave absenteeism was up just over one percent (1.4%) compared to the preceding year. In the seven key companies, the absenteeism rate was 9% in 2023.

5 GENDER EQUALITY 10 REDUCED INEQUALITIES

Diversity of Governance Bodies and Employees GRI 405-1

SIJ Group is an equal opportunity employer, regardless of gender, age, location of employment or other characteristics and circumstances of employees. While the proportion of women in the seven key companies of SIJ Group is less than one fifth due to the specific nature of the metallurgy sector, there is a higher percentage of women at higher levels – more than 46%. Across all levels of the organisational structure, employees aged between 30 and 50 are the predominant demographic in the key companies of SIJ Group.

RATIO OF BASIC SALARY AND EQUALITY OF REMUNERATION GRI 405-2

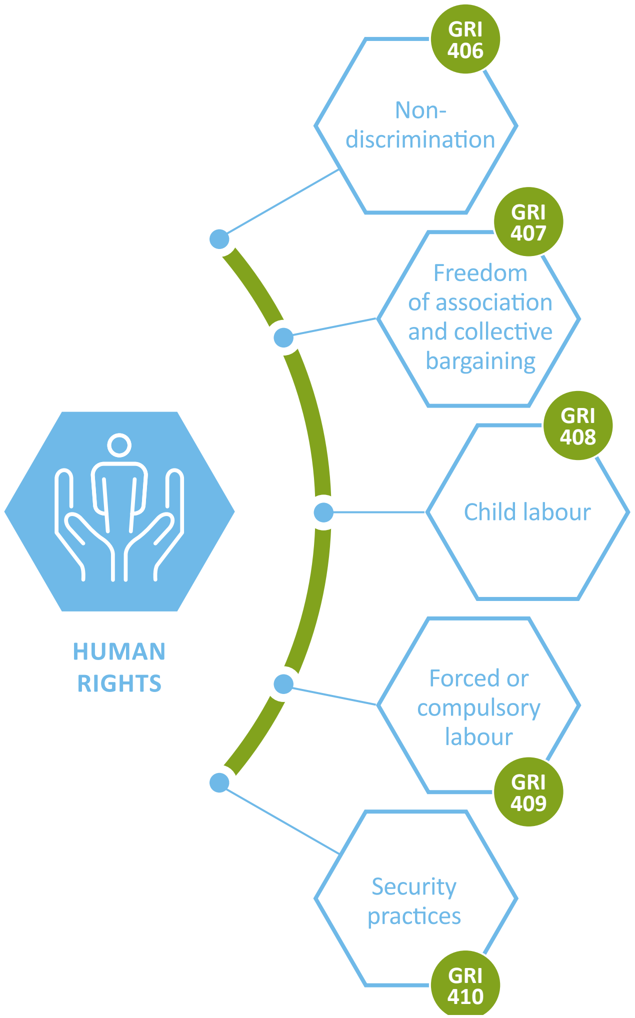
The level of salaries in key companies (except for the controlling company SIJ d.d.) is governed by collective bargaining agreements and internal regulations. An employee's salary depends on the complexity of the position, as determined with qualification matrices using the job position valuation methodology of a recognised international corporation, and on the employee's performance. In defining remuneration, employees have equal opportunities, regardless of gender, age or location of employment.

Employee diversity by gender as at 31 December GRI 405-1

	Men	Percentage	Women	Percentage	Total	Total percentage
Management staff (the Management Board and managements of the companies)	9	100	0	0.0	9	100
Other management staff	216	74.5	75	25.9	290	100
Administrative staff	392	53.5	340	46.4	733	100
Employees in manufacturing and services	1,982	93.0	148	7.0	2,130	100
TOTAL	2,599	82.2	563	16.6	3,162	100

Employee diversity by age as at 31 December GRI 405-1

	Up to 30 years	Percentage	30–50 years	Percentage	Over 50 years	Percentage	Total percentage
Management staff (the Management Board and managements of the companies)	0	0	6	66.7	3	33.4	100
Other management staff	7	2.4	155	53.5	128	44.1	100
Administrative staff	100	13.6	351	47.9	282	38.5	100
Employees in manufacturing and services	413	19.4	990	46.5	727	34.1	100
TOTAL	520	35.5	1,502	47.5	1,140	36.0	100



NON-DISCRIMINATION GRI 406

SIJ Group respects human rights and fundamental freedoms. We conduct our operations in accordance with the Slovenian constitution, the law, and all fundamental documents on human rights. We liaise with partners and other stakeholders who are committed to ethical conduct and respecting human rights in their operations. We have a zero tolerance policy for discrimination based on gender, nationality, political alignment or creed, age, sexual orientation, health condition, or other personal circumstances.

We have integrated the prohibition of discrimination and respect for diversity into the Code of Ethics and the SIJ Group Operating Policy. Respect for human rights is also a requirement set out in the SIJ Group Supplier Code of Conduct. There have been no reports of suspected discrimination to date.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING GRI 407

We support freedom of association and organise regular meetings with labour union representatives, both at the level of individual companies and at the level of SIJ Group as a whole. The companies comply with all their obligations, as set out in the collective and other agreements, and support the activities of representative labour unions. There have been no complaints or reports of obstruction of the freedom of association or labour union activities.

CHILD LABOUR AND FORCED OR COMPULSORY LABOUR GRI 408-1 GRI 409-1

SIJ respects and upholds human rights across all levels of its operations. Child labour, which is prohibited by law in Slovenia, is also explicitly prohibited in the SIJ Group Code of Ethics. SIJ Group does not hire children or persons younger than the statutory age limit in the Republic of Slovenia, and we comply with all applicable regulations governing the employment of minors. The same applies to forced and compulsory labour. In our own business conduct or in the business conduct of any business partner, including suppliers, we prohibit labour for persons under 15 years of age, as well as all forms of modern-day slavery and other forms of forced or compulsory labour and trafficking in human beings.

SECURITY PRACTICES GRI 410

We are introducing an integrated security system in order to provide corporate security as a key corporate function of SIJ Group, which falls under the responsibility of the Corporate Security Sector in terms of organisational structure. It is headed by a director with executive powers, who reports directly to the management.

The sector is responsible for detecting security risks and planning, recommending and implementing measures for the prevention, elimination and management of said risks. As part of its work, the sector liaises with external authorities and organisations such as the police, the public prosecutor's office, inspection agencies, municipal authorities, detective agencies and other, predominantly local organisations. It presents a general analysis and activity report to the management on an annual basis.

In established secured compounds, which are fenced-in and clearly designated, we follow established rules which apply equally to all parties. All persons entering and exiting the compounds are subject to security access checks and alarms. Video surveillance systems are managed in accordance with the law.[8] The processing of personal data is subject to strict regulation and supervision.

SIJ d.d. is a corporate member of the Slovenian Corporate Security Association (ICS).

LICENSED PHYSICAL SECURITY GRI 410-1

Physical security in the seven key companies of SIJ Group is provided by a licensed contract partner. Security personnel are trained in human rights policies and procedures. In order to ensure a higher level of professionalism of security staff and respect for SIJ Group's ethical principles, we are taking additional measures (daily contacts with security personnel, monthly internal training seminars and courses), which, combined with the contracted service provider's license, ensures that the entire security personnel has the necessary training in human rights.

The security personnel is uniformed and does not use any special tools in its arsenal, such as pepper spray, service dogs or firearms. Their work is subject to both internal and institutional oversight. No incidents of irregularities have thus far been detected in the field of protection of the individual's rights.

8 In particular, this is subject to regulation under the Personal Data Protection Act (ZVOP-1) and the EU General Data Protection Regulation (GDPR).

11 SUSTAINABLE CITIES AND COMMUNITIES

Local Community Partnerships GRI 413

The key companies of the international SIJ Group operate in Slovenia, which we therefore consider to be the primary local environment. Three of SIJ Group's key companies operate in Ravne na Koroškem, two are based in Jesenice, while the controlling undertaking is based in Ljubljana. The largest production companies are based in the Gorenjska and Koroška regions, where most of our employees come from. In these areas, where we are the largest economic entity and a key employer, we engage with the local communities through our activities and projects. We are open to forging various partnerships and finding new ways of cooperation. For this reason we both organise and attend meetings with representatives of local communities, municipalities, the closest district associations and non-governmental organisations active in fields such as the protection of the environment, cultural and technical heritage, education and humanitarian activities. GRI 2-7 GRI 413-1

IMPACT ASSESSMENT AND UNVEILING OF PLANS

Our potential impacts on the natural and social environments are the greatest in Jesenice and Ravne na Koroškem, where we manufacture and process steel. With any major project with potential impacts on the environment, we prepare an environmental impact analysis and present it to the local community by unveiling the relevant project at the municipality hall and presenting it to the stakeholders who have an active interest in the related issues. GRI 413-2

STAKEHOLDER ENGAGEMENT GRI 2-29

Good relations with the broader environment and local communities bring mutual benefits for the community and for SIJ Group alike. Through planned, active and long-term community involvement we are maintaining an ongoing dialogue and improving the quality of life for the communities and ensuring good business performance of SIJ Group. In 2023, we organised five meetings with representatives of local communities and local authorities and four events (opening ceremony for a pump track made using our slag, a community engagement day, etc.). We received 19 complaints about dust and noise emissions from local communities, 17 of which have already been resolved.

In 2023, we carried out our first ever survey on local community engagement and communications. We measured community perceptions of the impact of our operations, the environmental, infrastructural and social impacts, the effectiveness of communication channels and key issues of relevance to the local environment. Based on the results, we have developed a plan to involve stakeholders and expand existing methods of engagement and communication. We presented the plan to the local communities of the towns of Ravne na Koroškem and Jesenice.

DONATIONS, SPONSORSHIPS AND SOCIALLY RESPONSIBLE PROJECTS

We increase the local community's quality of life through socially responsible projects, sponsorships and donations. We select and manage these according to our standard guidelines, which apply to the entire SIJ Group and its related companies. Our priority focus is on sports, culture, education and humanitarian projects. We combine socially responsible projects under the Mind of Steel umbrella brand.

SPORTS ON THE NATIONAL AND LOCAL LEVELS

On the national level, we have a long-established form of cooperation with the Olympic Committee of Slovenia. In the 2022-2026 Olympic cycle, we will continue supporting Slovenia's top athletes and the Sports for All project. The Slovenian Olympic torch, which will once again travel across all of Slovenia in 2024, is made with SIJ Group steel, and Slovenia's top athletes – as chosen by the Slovenian Sports Journalists Association – are also awarded sculptures made from our steel.

We award sports scholarships to promising young athletes and children of SIJ Group employees. At the local community level, we sponsor sports clubs and sports programmes which our employees and their family members can join.

SUSTAINABLE SPORTS INFRASTRUCTURE

In collaboration with the Olympic Committee of Slovenia, we are building outdoor gyms and sustainability-minded pump tracks made of recycled slag across the country. In 2023 we expanded the network of sustainable infrastructure for quality and active leisure, adding our twenty-second steel outdoor gym to the list. The use of outdoor gyms is promoted by 25 sport ambassadors.

Our slag donation gave two municipalities in the Gorenjska region – Jesenice and Bled – an opportunity for a more cost-effective investment in sport infrastructure. Instead of using natural materials (crushed stone), SIJ Acroni's black steel slag, a certified by-product of the steel industry, was used to build the humps, curves and drainage systems of the pump tracks.

VOLUNTEER AND CHARITY WORK

SIJ Group employees are involved in local communities in volunteer and charity drives under the common name Bonds of Steel Between Us. The fourth edition of the Community Partnership Day event brought together 133 volunteers, including athletes from SIJ Group-sponsored clubs. The participants donated over 270 hours of volunteer work to carry out sustainable landscaping in local communities.

In 2023, members of the SIJ Sports Club organised the 4th virtual challenge in the spirit of charity. Over a five-month period their goal was to walk, run and cycle 40,075 kilometres, which is equivalent to the circumference of the Earth at the equator. Having reached 59,675 kilometres, they exceeded their target by a substantial amount. Three institutions also took part in pooling the kilometres, and they received a total of EUR 5,967 in donations.

WORKING TOGETHER FOR THE PLANET

On World Bee Day, celebrating bees as a key pollinator of plants used for human consumption, the traditional day of cooperation focused on the installation of SIJ's hive at the educational apiary at Jesenice. The surroundings of our companies and participating institutions have been cleaned, landscaped and enriched with the addition of honey plants. The high quality of honey produced by native Slovenian bees is an indicator of a clean environment, which is why SIJ Group will also focus on placing bees on or near our company sites as part of our environmental protection efforts. We will perform regular analyses to monitor the quality of the honey produced.

HUMANITARIAN AID AFTER WIDESPREAD FLOODING IN SLOVENIA

In the wake of the massive floods of August 2023, we provided on-the-ground assistance, as well as financial and mental health support to our affected employees. Eighty-seven of our employees received over EUR 170,000 of disaster relief in solidarity to repair damaged or destroyed homes and other losses.

Over EUR 40,000 was donated to local organisations in affected communities. The regional fire brigade of Koroška and volunteer fire brigades from the towns of Ravne, Prevalje, Črna, Mežica and Dravograd received funding to buy new firefighting equipment. SIJ ZIP CENTER produced new furniture for Železnice Ravne Wind Orchestra's music hall. We also helped the municipality of Ravne na Koroškem rebuild the castle park, which was damaged in the July storms, and we helped the municipality of Črna na Koroškem rebuild the base of the steel outdoor gym. We donated landslide stabilising material to the Municipality of Gorje.

STEELWORKING TRADITION AND CULTURE

SIJ Group is the proud bearer of more than 400 years of steelworking tradition in Slovenia. At the Ravne Gallery, the artist Viktor Popović organised the exhibition Untitled (Ravne Ironworks Archive) with support from SIJ Metal Ravne, and SIJ Acroni supported the photographic exhibition of Vitomir Pretnar entitled *Born of Fire.*

Disclosure Indices

We choose disclosures responsibly, in line with internationally recommended standards, regulations and based on our assessment of the benefits to shareholders and other stakeholders. SIJ Group's operations are fully transparent, both financially and non-financially.

TCFD Index

SIJ Group follows the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD*).** Reporting is based on the following four pillars of the TCFD: **Governance, Strategy, Risk Management and Metrics & Targets.**

The index table points to TCFD-recommended disclosures found in the respective chapters of the Annual Report.

TCFD Index

Topic	Recommended TCFD disclosure	Source; pg. / comment
Governance		
managing climate-related risks and opportunities.	Management oversight of climate-related risks and opportunities.	Sustainability management; p. 64 Risk management; p. 32 Climate change risk; p. 34
	The management's role in assessing and managing climate-related risks and opportunities.	Report of the President of the Supervisory Board; p. 9 Sustainability strategies, policies and practices; p. 61 Risk management; p. 32 Sustainability management; p. 64 Climate change risk; p. 34
Strategy		
Disclosure of current and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	Short-term, medium-term and long-term climate-related risks and opportunities.	Sustainability strategies, policies and practices; p. 61 The European Decarbonisation Commitment and SIJ Group's roadmap; p. 67 Risk management; p. 32 Climate change risk; p. 34
	The impact of climate-related risks and opportunities on an organisation's business, strategy and financial planning.	Risk management; p. 32 Climate change risk; p. 34 The physical risks of climate change; p. 33-34 Green transition risks; p. 34
	Resilience of the organisation's strategy under different climate-related scenarios, including the 2°C or less scenario.	SIJ Group is not yet disclosing the implementation of scenarios.

Continuation of the table →

Continuation of the table

Topic	Recommended TCFD disclosure	Source; pg. / comment
Risk management		
assessing and managing climate-related risks	The organisation's processes for identifying and assessing climate-related risks.	Risk management; p. 32 Climate change risk; p. 34 The physical risks of climate change; p. 33-34 Green transition risks; p. 34
	The organisation's processes for managing climate-related risks.	Risk management; p. 32 Climate change risk; p. 34
	Integrating processes for identifying, assessing and managing climate risks into the organisation's overall risk management system.	Risk management; p. 32 Climate change risk; p. 34
Metrics and targets		
Metrics and targets for assessing and managing relevant climate impacts and opportunities, where such information is relevant.	Metrics used by the organisation to assess climate-related risks and opportunities, in line with its risk management strategy and process.	The European Decarbonisation Commitment and SIJ Group's roadmap; p. 67 Greenhouse gas emissions; p. 92
	Scope 1, Scope 2 and, if applicable, Scope 3 greenhouse gas (GHG) emissions and associated risks.	The European Decarbonisation Commitment and SIJ Group's roadmap; p. 67 Greenhouse gas emissions; p. 92
	The targets which the organisation uses to manage climate-related risks and opportunities, and how well the organisation is meeting these targets.	The European Decarbonisation Commitment and SIJ Group's roadmap; p. 67 Greenhouse gas emissions; p. 92

* *TCFD, the Task Force on Climate-related Financial Disclosures, was established in 2015 by the Basel Committee on Financial Stability (FSB) to promote international financial stability. TCFD focuses on reporting about the organisation's impact on the global climate. It aims to make companies' climate-related disclosures more consistent and more mutually comparable. TCFD developed a reporting framework based on a set of consistent disclosure recommendations which enterprises use as a means to ensure transparency with regard to their exposure to investors, lenders and insurance underwriters in terms of climate-related risks.*

GRI Index

For the period from 1 January 2023 to 31 December 2023, SIJ Group reports in accordance with GRI standards (Consolidated Set of the GRI Standards 2021). No GRI sector-specific standard exists for our business activity.

GRI Index

GRI Disclosure		Page	Reason for omission	Notes
GENERAL STANDARD DISCLOSURES				
1. The company and reporting methods				
2-1	Organisational details	17, 20		
2-2	Entities included in the organisation's sustainability reporting	20, 24, 57		
2-3	Reporting period, frequency and contact point	57, 220		
2-4	Restatements of information	57, 97		
2-5	External assurance	59		
2. Activities and workers				
2-6	Activities, value chain and other business relationships	20, 83, 84	Not applicable.	We do not report for 2-6 d because no significant changes have occurred.
2-7	Employees	98, 99, 100, 101, 103, 117		
2-8	Workers who are not employees	100	Not applicable.	We do not report data on topics 2-8 b and 2-8 c, as the number of temp agency workers is 0, and these data are collected only for temp agency workers.
3. Governance				
2-9	Governance structure and composition	9, 10, 22, 24, 25, 64		
2-10	Nomination and selection of the highest governance body	9, 10, 22, 23, 25		
2-11	Chair of the highest governance body	25		
2-12	Role of the highest governance body in overseeing the management of impacts	9, 11, 25, 26		
2-13	Delegation of responsibility for managing impacts	64		
2-14	Role of the highest governance body in sustainability reporting	57	Not applicable.	We do not report on topic 2-14 b because the responsibility lies with the highest governance body.

Continuation of the table →

Continuation of the table

GRI Disclosure		Page	Reason for omission	Notes
2-15	Conflicts of interest	11, 22, 25	Not applicable.	We do not report for 2-15 b because no such event occurred. Link to the SIJ Group Code of Ethics.
2-16	Communication of critical concerns	26, 66		
2-17	Collective knowledge of the highest governance body		Data not available.	The data are not collected systematically.
2-18	Evaluation of the performance of the highest governance body	9, 22		
2-19	Remuneration policies	24	This information is confidential.	Partly personal data, part of the bonus system is disclosed.
2-20	Process to determine remuneration	24, 102	This information is confidential.	Partly personal data, part of the bonus system is disclosed.
2-21	Annual total compensation ratio		This information is confidential.	Partly personal data.
4. Strategies, policies and practices				
2-22	Statement on sustainable development strategy	57, 61		
2-23	Policy commitments	65		Link to the document (10 January 2024).
2-24	Embedding policy commitments	65		
2-25	Processes to remediate negative impacts	66	Data not available.	Grievance mechanism in place, data are not yet systematically collected.
2-26	Mechanisms for seeking advice and raising concerns	66	Data not available.	Grievance mechanism in place, data are not yet systematically collected.
2-27	Compliance with laws and regulations	66	Data not available.	We are in the process of setting up a system to detect non-compliance, but are not yet systematically collecting data.
2-28	Membership associations	26		

Continuation of the table →

Continuation of the table

GRI Disclosure		Page	Reason for omission	Notes
5. Stakeholder engagement				
2-29	Approach to stakeholder engagement	64, 117		
2-30	Collective bargaining agreements	100, 102		
Specific standard disclosures				
3-1	Process to determine material topics	61		
3-2	List of material topics	62		
ECONOMIC IMPACTS				
201 Economic performance				
3-3	Management of material topics			
201-1	Direct economic value generated and distributed	38	Data not available.	The data for 201-1 b are not collected systematically.
201-2	Financial implications and other risks and opportunities due to climate change	34		
201-3	Defined benefit plan obligations and other retirement plans	100, 101	Not applicable.	The pension plans, which are approved by the Minister of Labour in Slovenia, do not comprise separate insurance funds. We do not report on topics 201-3 b and c.
201-4	Financial assistance received from government		Data not available.	The data are not collected systematically.
202 Market Presence				
3-3	Management of material topic			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage		This information is confidential.	SIJ Group does not disclose details on salary levels.
202-2	Proportion of senior management hired from the local community	25		
203 Indirect Economic Impacts				
3-3	Management of material topics	49		
203-1	Infrastructure investments and services supported	49		
203-2	2 Significant indirect economic impacts	50		

Continuation of the table →

Continuation of the table

GRI Disclosure		Page	Reason for omission	Notes
204 Procurement Practices				
3-3	Management of material topics	83		
204-1	Proportion of spending on local suppliers	83		
205 Anti-corruption				
3-3	Management of material topics	66		
205-1	Operations assessed for risks related to corruption		Data not available.	An anti-corruption instruction is being prepared and is expected to be adopted in the first quarter of 2024.
205-2	Communication and training about anti-corruption policies and procedures		Data not available.	Training provided, data are not yet systematically collected.
205-3	Confirmed incidents of corruption and actions taken		Data not available.	The data are not collected systematically.
206 Anti-competitive behaviour				
3-3	Management of material topics			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	30	Not applicable.	We do not report on topic 206-1 b, as the number of incidents is 0.
207 Tax				
3-3	Management of material topics		This information is confidential.	
207-1	Approach to tax		This information is confidential.	
207-2	Tax governance, control, and risk management		This information is confidential.	
207-3	Stakeholder engagement and management of concerns related to tax		This information is confidential.	
207-4	Country-by-country reporting		This information is confidential.	
ENVIRONMENTAL IMPACTS				
301 Materials				
3-3	Management of material topics	83		
301-1	Materials used by weight or volume		This information is confidential.	We do not disclose the input material breakdown.

Continuation of the table →

Continuation of the table

GRI Disclosure		Page	Reason for omission	Notes
301-2	Recycled input materials used	83		
301-3	Reclaimed products and their packaging materials		Not applicable.	The input materials are supplied in bulk, without packaging. There is a very small proportion of packaging.
302 Energy				
3-3	Management of material topics	85		
302-1	Energy consumption within the organisation	85, 86		
302-2	Energy consumption outside of the organisation		Not applicable.	Activities external to the organisation do not have a significant impact on total energy consumption.
302-3	Energy intensity	86		
302-4	Reduction of energy consumption	87	This information is confidential.	We do not disclose for 302-4 c and d.
302-5	Reductions in energy requirements of products and services		Not applicable.	We do not sell products or services which consume energy.
303 Water and effluents				
3-3	Management of material topics	88		
303-1	Interactions with water as a shared resource	88		
303-2	Management of water discharge-related impacts	89		
303-3	Water withdrawal	88, 89		
303-4	Water discharge	89		
303-5	Water consumption	89		
304 Biodiversity				
3-3	Management of material topics	91		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Not applicable.	As we do not have significant impacts on biodiversity, systematic data collection is not meaningful.

Continuation of the table →

Continuation of the table

GRI Disclosure		Page	Reason for omission	Notes
304-2	Significant impacts of activities, products and services on biodiversity		Not applicable.	As we do not have significant impacts on biodiversity, systematic data collection is not meaningful.
304-3	Habitats protected or restored		Not applicable.	As we do not have significant impacts on biodiversity, systematic data collection is not meaningful.
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		Not applicable.	As we do not have significant impacts on biodiversity, systematic data collection is not meaningful.
305 Emissions				
3-3	Management of material topics	92		
305-1	Direct (Scope 1) GHG emissions	92		
305-2	Energy indirect (Scope 2) GHG emissions	92		
305-3	Other indirect (Scope 3) GHG emissions	92		
305-4	GHG emissions intensity	93		
305-5	Reduction of GHG emissions	93		
305-6	Emissions of ozone-depleting substances (ODS)	93	Data not available.	The data are not collected systematically.
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	93		
306 Waste				
3-3	Management of material topics	94		
306-1	Waste generation and significant waste-related impacts	94, 95, 96		
306-2	Management of significant waste-related impacts	94, 95, 96		

Continuation of the table →

Continuation of the table

GRI Disclosure		Page	Reason for omission	Notes
306-3	Waste generated	96, 97		
306-4	Waste diverted from disposal	97		
306-5	Waste directed to disposal	97		
308 Supplier Environmental Assessment				
3-3	Management of material topics	84		
308-1	New suppliers that were screened using environmental criteria	84		
308-2	Negative environmental impacts in the supply chain and actions taken	84	Data not available.	The data are not collected systematically for 308-2 c, d and e.
SOCIAL (SOCIETAL) IMPACTS				
401 Employment				
3-3	Management of material topics	103		
401-1	New employee hires and employee turnover	103		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	101, 103		
401-3	Parental leave	103, 104	Data not available.	Data are not collected systematically for 401-3 a, d and e.
402 Labour / Management Relations				
3-3	Management of material topics			
402-1	Minimum notice periods regarding operational changes	102		
403 Occupational health and safety				
3-3	Management of material topics	107		
403-1	Occupational health and safety management system	107		
403-2	Hazard identification, risk assessment and incident investigation	107		
403-3	Occupational health services	108		

Continuation of the table →

Continuation of the table

GRI Disclosure		Page	Reason for omission	Notes
403-4	Worker participation, consultation, and communication on occupational health and safety	108		
403-5	Worker training on occupational health and safety	109		
403-6	Promotion of worker health	109		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	110		
403-8	Workers covered by an occupational health and safety management system	110		
403-9	Work-related injuries	111	Not applicable	We do not report on topics 403-9 b and f, as we have no such workers.
403-10	Work-related ill health	110, 113	Not applicable	We do not report on topics 403-10 b, c, and d, as we have no such workers.
404 Training and education				
3-3	Management of material topics	105		
404-1	Average hours of training per year per employee	105	Data not available.	Data are not collected systematically for 404-1 a i and ii.
404-2	Programmes for upgrading employee skills and transition assistance programmes	105, 106	Data not available.	Data are not collected systematically for 404-2 b.
404-3	Percentage of employees receiving regular performance and career development reviews	102	Data not available.	We plan to introduce annual performance reviews across all our companies by 2025.
405 Diversity and equal opportunity				
3-3	Management of material topics	27		
405-1	Diversity of governance bodies and employees	103, 104, 114		
405-2	Ratio of basic salary and remuneration of women to men	114	This information is confidential.	We do not disclose details on salary levels.
406 Non-discrimination				
3-3	Management of material topics	115		

Continuation of the table →

Continuation of the table

GRI Disclosure		Page	Reason for omission	Notes
406-1	Incidents of discrimination and corrective actions taken		Not applicable	We do not report on topic 406-1 b, as the number of events is 0.
407 Freedom of association and collective bargaining				
3-3	Management of material topics	115		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		Information not fully available.	The supplier risk assessment mechanism has not yet been implemented.
408 Child exploitation / child labour				
3-3	Management of material topics			
408-1	Operations and suppliers at significant risk for incidents of child labour	115	Information not fully available.	We do not report for the supply chain.
409 Forced or compulsory labour				
3-3	Management of material topics			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	115	Information not fully available.	We do not report for the supply chain.
410 Security practices				
3-3	Management of material topics	115		
410-1	Security personnel trained in human rights policies or procedures	116		
411 Rights of Indigenous Peoples				
3-3	Management of material topics		Not applicable	There are no indigenous peoples living on our territory.
411-1	Incidents of violations involving rights of indigenous peoples		Not applicable	There are no indigenous peoples living on our territory.
413 Local communities				
3-3	Management of material topics	117		
413-1	Operations with local community engagement, impact assessments, and development programs	117		
413-2	Operations with significant actual and potential negative impacts on local communities	117		

Continuation of the table →

Continuation of the table

GRI Disclosure		Page	Reason for omission	Notes
414 Supplier Social Assessment				
3-3	Management of material topics	84		
414-1	New suppliers that were screened using social criteria	84		
414-2	Negative social impacts in the supply chain and actions taken	84	Data not available.	The data are not collected systematically for 414-2 c, d and e.
415 Public Policy				
3-3	Management of material topics		Not applicable	We do not donate funds for political causes.
415-1	Political contributions		Not applicable	We do not donate funds for political causes.
416 Customer Health and Safety				
3-3	Management of material topics		Not applicable	Not applicable due to the nature of our products.
416-1	Assessment of the health and safety impacts of product and service categories		Not applicable	Not applicable due to the nature of our products.
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		Not applicable	Not applicable due to the nature of our products.
417 Marketing and labelling				
3-3	Management of material topics			
417-1	Requirements for product and service information and labelling		Not applicable	Not applicable due to the nature of our products.
417-2	Incidents of non-compliance concerning product and service information and labelling		Not applicable	Not applicable due to the nature of our products.
417-3	Incidents of non-compliance concerning marketing communications	30		
418 Customer privacy				
3-3	Management of material topics			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	30		

FINANCIAL REPORT OF SIJ GROUP

03

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia

Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT

to the shareholders of SIJ – Slovenska industrija jekla, d.d.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the company SIJ – Slovenska industrija jekla, d.d. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities (EU Regulation). Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section* of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and other 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MAKING AN IMPACT THAT MATTERS since 1845

Deloitte.

Emphasis of Matter

We draw attention to Note B of the financial statements, which explains that due to the unavailability of waivers at the year-end, loans received from syndicate of banks were reclassified as current liabilities in the balance sheet. However, subsequent to the reporting date, appropriate waivers were received and amendments to the loan agreements were approved, permitting the reclassification of these liabilities back to non-current after the balance sheet date. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition in the financial statements

Key audit matter	How our audit addressed the key audit matter
As shown in the consolidated financial statements the Group generated net revenue from sales of goods and services on the domestic and foreign markets amounting to EUR 1,001,915 thousand in the year ending on 31 December 2023 (31.12.2022: EUR 1,302,863 thousand). As noted in note F *"Revenue from customer contracts" of Significant accounting policies*, revenues are recognized when control is transfered to the buyer in an amount that reflects the consideration that the group believes it will be entitled to in exchange for those goods or services. Revenue from sales is one of the key performance indicators of the Group. In light of their significance, a large quantity of data processed in addition to risks associated with the adequacy of revenue from sales and discounts recording procedures, this area was established as a key audit matter.	Audit procedures included an assessment of the adequacy of the accounting policies of the company associated with the recognition of revenue, their compliance with IFRS 15. The following audit procedures were performed: • the design and implementation of internal controls related to the revenue recognition in terms of the adequacy of their recording; • the operating effectiveness of the identified internal controls, which we assessed to be relevant for the audit; • on the basis of the selected sample, we checked in detail or analytically the adequacy of recording recognized revenues. We also reviewed the information in the consolidated financial statements to assess whether the disclosures regarding revenue from customer contracts are appropriate.

Deloitte.

Valuation of Goodwill

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2023, as disclosed in Note 8 – *Intangible Assets* to the consolidated financial statements, the Group had a goodwill of EUR 18,966 thousand (31.12.2022: EUR 19,252 thousand). As required by IAS 36 Impairment of assets, management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill. The recoverable amount is assessed on the basis of discounted cash flow models. Considering the significant portion of management judgement in determination of cash generating unit (hereinafter "CGU"), design of projections of future cash flows and calculation of net present value of relative CGUs, the impairment test of goodwill is considered as key audit matter. Management has provided further information about the assessment of the recoverable amount accounting policy in note *Application of Estimates and Judgements* and Note 8 – *Intangible Assets*.	Our audit procedures included assessing whether management's judgment is appropriate and whether the requirements of IAS 36 are met, including: - assessment of whether the CGUs are determined appropriately in compliance with IAS 36 requirements; - we made use of our experts to evaluate whether the methodology used by the management expert is appropriate and whether the significant assumptions used are adequate for given purposes; - validation of assumptions used to calculate the discount rates and review of methodological appropriateness and mathematical accuracy of calculations of discounts rates; - assessment of the calculation related to impairment of goodwill; - assessment whether information disclosed in the notes to the consolidated financial statements meet the requirements of applicable financial reporting standards.

Other information

Management is responsible for the other information. The other information comprises the information included in Annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances. In relation to this and based on our procedures performed, we report that:

- Other information is, in all material respects, consistent with the audited consolidated financial statements;
- Other information is prepared in compliance with applicable law or regulation; and
- Based on our knowledge and understanding of the Group and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Deloitte.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.

Deloitte.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the requirements of the Regulation (EU) No 537/2014 of the European Parliament and of the Council (Regulation EU 537/2014)

Confirmation to the Audit Committee
We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Prohibited Services
We confirm that no services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided and that the audit company fulfilled independence requirements.

Other services performed by the audit company
There are no services, in addition to the statutory audit, which the audit company provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

Deloitte.

Appointment of the Auditor and responsible certified auditor
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company and the Group on General Shareholders' Meeting held on 15 April 2022, while the president of the Supervisory Board signed the audit contract on 21 October 2022. The audit contract was signed for 3 years. Our total uninterrupted engagement as statutory auditors has lasted since 16 November 2019.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Yuri Sidorovich.

DELOITTE REVIZIJA d.o.o.
Dunajska cesta 165
1000 Ljubljana

Yuri Sidorovich
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 27 March 2024

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

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

Statement of the Management's Responsibility

The Management Board is responsible for the preparation of the consolidated financial statements, together with accounting policies and notes, for the year 2023, which give to the best of its knowledge and belief, a fair view of the development and results of the Group's operations and its financial position, including the description of material risks that the Group is exposed to.

The Management Board confirms that appropriate accounting policies have been applied consistently in the preparation of the consolidated financial statements, that accounting estimates were prepared based on the principles of fair value, prudence and sound management and that the consolidated financial statements give a true and fair view of the Group's financial position and the results of its operations in the year 2023.

The Management Board is also responsible for appropriate accounting and for taking adequate measures to protect the Group's property and other assets, and confirms that the consolidated financial statements, together with the notes thereto, have been prepared based on the going concern assumption and in accordance with applicable legislation and International Financial Reporting Standards as adopted by the European Union.

Anytime within 5 years after the end of the year in which the tax assessment should be made, the tax authorities can inspect the operations of the companies in the Group. This can result in the occurrence of additional tax liabilities, default interests and fines based on corporate income tax or other taxes and duties. No circumstance that could result in this type's possible liability is known to the Management Board.

Ljubljana, March 27, 2024

Andrey Zubitskiy,
predsednik uprave

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

in EUR thousand	Note	2023	2022
Revenue	1	1,001,915	1,302,863
Cost of sales	2	(853,138)	(991,887)
Gross profit		148,777	310,976
Distribution costs	2	(59,899)	(68,783)
General and administrative expenses	2	(109,883)	(119,106)
Other operating income	3	22,736	4,700
Other operating expenses	4	(9,554)	(3,316)
Loss from impairment of trade receivables		(380)	(491)
Operating (loss) profit		(8,203)	123,980
Finance income	5	2,855	3,786
Finance expenses	6	(19,968)	(14,585)
Finance expenses		(17,113)	(10,799)
Share in loss of associates		0	(781)
(Loss) profit before tax		(25,316)	112,400
Income tax	7	6,488	(17,035)
(Loss) profit for the period		(18,828)	95,365
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses) profit on pension programs		(844)	2,392

Continuation of the table →

Continuation of the table

in EUR thousand	Note	2023	2022
Fair value losses of financial assets at fair value through other comprehensive income	11	(3)	(70)
Income tax related to components of other comprehensive income	14	(2)	13
Items that may be reclassified subsequently to profit or loss			
Exchange rate difference on translating foreign operations		(370)	231
Total other comprehensive income		(1,219)	2,566
Comprehensive (loss) income		(20,047)	97,931
(Loss) or profit, attributed to:		(18,828)	95,365
Owners of the parent company		(21,537)	88,287
Non-controlling interest		2,709	7,078
Comprehensive (loss) income attributed to:		(20,047)	97,931
Owners of the parent company		(22,713)	90,748
Non-controlling interest		2,666	7,183

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

Consolidated Statement of Financial Position

in EUR thousand	Note	31 Dec. 2023	31 Dec. 2022
ASSETS			
Non-current assets		526,209	499,525
Intangible assets	8	30,572	32,410
Property, plant and equipment	9	403,800	386,511
Investment property	10	4,324	0
Investments in associates		0	1,095
Financial assets at fair value through other comprehensive income	11	1,310	1,312
Financial receivables	12	57,626	55,679
Trade receivables		526	898
Other assets	13	3,761	5,190
Deferred tax assets	14	24,290	16,430
Current assets		441,500	464,590
Assets (groups) held for sale		30	42
Inventories	15	311,294	300,627
Financial receivables	16	4,228	7,052
Trade receivables	17	89,592	138,095
Income tax assets		6,099	973
Cash and cash equivalents	18	26,705	16,123
Contract assets		883	137
Other assets	19	2,669	1,541
Total assets		967,709	964,115
EQUITY AND LIABILITIES			
Equity	20	417,892	444,915
Equity attributed to the owners of the parent company		*386,563*	*414,507*
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Other equity reserves		8,838	8,615

Continuation of the table →

Continuation of the table

in EUR thousand	Note	31 Dec. 2023	31 Dec. 2022
Fair value reserves		(1,178)	(377)
Translation differences		26	367
Retained earnings		222,150	249,175
Non-controlling interest		31,329	30,408
Non-current liabilities		60,987	192,328
Employee benefits	21	14,400	13,431
Other provisions		994	811
Deferred income	22	9,461	1,974
Financial liabilities	23	35,240	174,106
Trade payables		426	863
Contract liabilities		407	961
Deferred tax liabilities	14	59	182
Current liabilities		488,830	326,872
Financial liabilities	24	228,647	79,823
Trade payables	25	249,896	224,925
Income tax liabilities		248	8,365
Contract liabilities		1,498	1,461
Other liabilities	26	8,541	12,298
Total equity and liabilities		967,709	964,115

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

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity in 2023

	Equity attributed to the owners of the parent company									
in EUR thousand	Share capital	Capital surplus	Other equity reserves	Fair value reserves	Actuarial losses	Translation differences	Retained earnings	Total	Non-controlling interest	Total
Balance as at 31 Dec. 2022	145,266	11,461	8,615	403	(780)	367	249,175	414,507	30,408	444,915
Acquisition of company	0	0	0	0	0	0	0	**0**	1,141	**1,141**
Additional acquisition of non-controlling interest	0	0	0	0	0	0	581	**581**	(199)	**382**
Dividends paid	0	0	0	0	0	0	(5,812)	**(5,812)**	(2,687)	**(8,499)**
Total transactions with owners	0	0	0	0	0	0	(5,231)	(5,231)	(1,745)	(6,976)
(Loss) profit for the period	0	0	0	0	0	0	(21,537)	**(21,537)**	2,709	**(18,828)**
Other changes in comprehensive income	0	0	0	(4)	(797)	(341)	(34)	**(1,176)**	(43)	**(1,219)**
Total changes in comprehensive income	0	0	0	(4)	(797)	(341)	(21,571)	(22,713)	2,666	(20,047)
Creation of legal reserves	0	0	223	0	0	0	(223)	**0**	0	**0**
Total changes in equity	0	0	223	0	0	0	(223)	0	0	0
Balance as at 31 Dec. 2023	145,266	11,461	8,838	399	(1,577)	26	222,150	386,563	31,329	417,892

Consolidated Statement of Changes in Equity in 2022

	Equity attributed to the owners of the parent company									
in EUR thousand	Share capital	Capital surplus	Other equity reserves	Fair value reserves	Actuarial losses	Translation differences	Retained earnings	Total	Non-controlling interest	Total
Balance as at 31 Dec. 2021	145,266	11,461	6,255	460	(3,098)	139	213,843	374,326	25,672	399,998
Additional acquisition of non-controlling interest	0	0	0	0	0	0	424	**424**	(931)	**(507)**
Dividends paid	0	0	0	0	0	0	(50,991)	**(50,991)**	(1,516)	**(52,507)**
Total transactions with owners	0	0	0	0	0	0	(50,567)	(50,567)	(2,447)	(53,014)
Profit for the period	0	0	0	0	0	0	88,287	**88,287**	7,078	**95,365**
Other changes in comprehensive income	0	0	0	(56)	2,318	228	(29)	**2,461**	105	**2,566**
Total changes in comprehensive income	0	0	0	(56)	2,318	228	88,258	90,748	7,183	97,931
Creation of legal reserves	0	0	2,360	0	0	0	(2,360)	**0**	0	**0**
Total changes in equity	0	0	2,360	0	0	0	(2,360)	0	0	0
Balance as at 31 Dec. 2022	145,266	11,461	8,615	403	(780)	367	249,175	414,507	30,408	444,915

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

Consolidated Cash Flow Statement

in EUR thousand	2023	2022
Cash flow from operating activities		
(Loss) profit before tax	(25,316)	112,400
Adjusted for:		
Amortisation of intangible assets and depreciation of property, plant and equipment (Notes 8 and 9)	56,174	54,843
Share in loss of associates	0	781
Impairment of goodwill (Note 8)	1,003	0
Interest income (Note 5)	(2,681)	(3,639)
Interest expenses (Note 6)	13,617	10,663
Impairment of assets (Note 4)	7,233	573
Compensations	(17,084)	(540)
Creation of allowances and provisions	505	200
Net other expenses (income)	2,272	1,486
Operating cash flow before working capital adjustments	35,723	176,767
Total working capital adjustments		
Decrease (increase) in trade receivables	58,798	(24,201)
Increase in inventories	(14,280)	(18,990)
Increase (decrease) in trade payables	12,372	(71,089)
(Decrease) increase in taxes other than income tax	(3,572)	1,859
Total working capital adjustments	*53,318*	*(112,421)*
Receipts from government grant	10,440	1,574
Payments for retirement benefits and loyalty bonuses	(1,524)	(1,725)
Income tax paid	(14,550)	(8,118)
Net cash flow generated from operating activities	83,407	56,073
Cash flow from investing activities		
Payments for investments in subsidiaries	(1,408)	(439)

Continuation of the table →

Continuation of the table

in EUR thousand	2023	2022
Receipts from investments in associates	1,095	0
Payments for property, plant and equipment	(55,596)	(53,449)
Receipts from property, plant and equipment	2,000	4,014
Payments for intangible assets	(1,497)	(2,398)
Payments for loans issued (Notes 12 and 16)	(53)	(276)
Receipts from loans issued (Note 16)	3,314	24,351
Interests received	561	3,433
Dividends received	106	163
Receipts from other assets	24	0
Net cash flow used in investing activities	(51,454)	(24,601)
Cash flow from financing activities		
Receipts from borrowings (Notes 23 and 24)	585,851	622,234
Payments for borrowings (Notes 23 and 24)	(580,432)	(622,343)
Payments for lease (Note 24)	(4,740)	(5,046)
Interests paid	(12,993)	(7,557)
Dividends paid	(8,499)	(52,507)
Net cash flow used in financing activities	(20,813)	(65,219)
Cash and cash equivalents as at 1 Jan.	16,123	49,171
Translation differences	(558)	699
Net change in cash and cash equivalents	11,140	(33,747)
Cash and cash equivalents as at 31 Dec.	26,705	16,123

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

Notes to the Consolidated Financial Statements

Reporting Entity

Company SIJ – Slovenska industrija jekla, d.d. (hereinafter: SIJ d.d. or the parent company) is a company registered in Slovenia. The address of its registered office is Gerbičeva ulica 98, 1000 Ljubljana. Given below are the consolidated financial statements for the year ending on 31 December 2023.

Those consolidated financial statements are compiled by the parent company SIJ d.d. and cover all its subsidiaries (hereinafter: the Group). Consolidated financial statements for a broader group of subsidiaries are compiled by DILON Cooperatief U. A., the ultimate parent of SIJ d.d. The consolidated annual report for the Group DILON Cooperatief is available, when compiled, at the registered office of DILON Cooperatief U. A., John M. Keynesplein 10, 1066EP Amsterdam, the Netherlands.

Basis of Preparation

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

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

The Management Board approved the consolidated financial statements on 27 March 2024.

A. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) with associated notes, which are being adopted by International Accounting Standards Board (IASB), and the interpretations of the IFRS Interpretations Committee (IFRIC), adopted by the EU and in accordance with the Companies Act (ZGD).

Initial application of new amendments to the existing standards issued by IASB and adopted by the EU effective for the current reporting period

The following amendments to the existing standards issued by the IASB and adopted by the EU are effective for the current reporting period:

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued by IASB on 25 June 2020 – adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 "Insurance contracts"** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 "Income Taxes"** – International Tax Reform – Pillar Two Model Rules*

  ** Exception specified in amendments to IAS 12 (that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes) is applicable immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023.*

The adoption of amendments to the existing standards has not led to any material changes in the consolidated financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IFRS 16 "Leases"** – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU, do not significantly differ from regulations adopted by the IASB except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU on the date of publication of financial statements (the effective dates stated below are for IFRS as issued by IASB):

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Non-Current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 7– "Statement of Cash Flows"**- and IFRS 7 "Financial Instruments: Disclosures- – Supplier Finance Arrangements (affective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 21 – "Effects of Changes in Foreign Exchange Rates"**– Lack of Exchangeability (affective for annual periods beginning on or after 1 January 2025),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Group assesses that the adoption of these new standards, and the amendments of existing standards will not have any significant effect on the consolidated financial statement at their first application. The hedging instrument in connection with the portfolio of financial assets and liabilities, the principles of which the EU has not yet adopted, is still unregulated. According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the consolidated financial statements, if applied as at the Statement of financial position.

B. USE OF GOING CONCERN ASSUMPTION

In the preparation of the consolidated financial statements for 2023, the Management Board took into account the going concern assumption based on activities and actions that improve the Group's future operations in such a way that it will be able to generate cash flow to cover liabilities and provide investors with an adequate return on capital.

On 31 December 2023, the Group faces a gap between current assets and liabilities. Within the provisions of financial agreements, the Group is obliged to fulfil contractually determined financial commitments. The impact of one-off events on the Group's operations meant that it was not possible to fulfil the contractually agreed covenants. On 13 July 2023, a failure of the main engine of the rolling mill frame brought most of the production of SIJ Acroni to a standstill. The shutdown, which lasted for three months, caused major economic damage, for which SIJ Group and SIJ Acroni have appropriate insurance coverage. The floods, which particularly affected Carinthia at the beginning of August, also had a material negative impact on the Group's operations, resulting in limited operations at SIJ Metal Ravne and SIJ Ravne Systems.

The Group received a covenant waiver from the bank lenders for the period ending on 31 December 2023. Since the covenant waiver was obtained after the reporting date, i.e., after 31 December 2023, under IAS 1, the non-current portion of financial liabilities amounting to EUR 99,250 thousand is presented as current financial liabilities despite the banks' confirmation of the covenant waiver. As of 13 February 2024, the Group fully complies with the requirements of IAS1. Consequently, it has classified the current portion of financial liabilities that did not comply with the provisions of IAS1 on 31 December 2023, as non-current liabilities. This action has effectively eliminated the gap that existed on 31 December 2023.

Based on the aforementioned facts, the Management Board is confident that taking into account the going concern assumption is justified.

C. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared based on historical cost, except for the financial instruments which are measured at their fair value or amortised cost.

D. FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements in this report are presented in thousands of euros; the euro is also the functional currency of the parent company.

E. APPLICATION OF ESTIMATES AND JUDGMENTS

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

Since estimates are subject to subjective judgments and a certain degree of uncertainty, the subsequent actual results can differ from those estimated. Estimates are reviewed on an ongoing basis. Amendments to the accounting estimates are recognised during the period in which the estimates were revised if the amendment only applies to this period, or during the period of the amendment and future periods if the amendment applies to future periods.

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

<u>Estimate of the Useful Life of Assets Subject to Amortisation or Depreciation (Notes 8 and 9, and Policies I and J)</u>

When estimating the useful life of assets, the Group takes into account the expected physical wear and tear, the technical and economic obsolescence, as well as expected legal and other restrictions of use. In addition, the Group checks the useful life of significant assets in case the circumstances change and the useful life needs to be changed and amortisation and depreciation charges revalued.

<u>Impairment of Assets</u>

Information on significant uncertainty estimates and critical judgments that were prepared by the Management Board in the process of accounting policy implementation and which affect the amounts in the consolidated financial statements the most was used in the estimation of the value of:

- intangible assets (Note 8);
- property, plant and equipment (Note 9);
- goodwill (Note 8);
- financial assets at fair value through other comprehensive income (Note 11);
- financial assets measured at amortised cost (including trade receivables) (Policy L);
- financial receivables (Notes 12 and 16).

<u>Estimate of the Fair Value of Assets (Notes 11, 12, 16, 17 and Policies O and P)</u>

Fair value is used for financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. All other items in the consolidated financial statements represent the cost or the amortised cost.

In measuring the fair value of a non-financial asset, the Group must take into account a market participant's ability to generate economic benefits using the asset in its best use or by selling it to another market participant that would use the asset to the fullest and best possible extent. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, especially by applying appropriate market inputs and minimum non-market inputs.

All assets and liabilities measured and disclosed in the consolidated financial statements at fair value are classified within the fair value hierarchy based on the lowest level of input data that is significant to the fair value measurement as a whole:

Level 1 – quoted (unadjusted) prices in active markets for similar assets and liabilities;
Level 2 – valuation techniques that are based directly or indirectly on market data;
Level 3 – valuation techniques that are not based on market data.

For assets and liabilities disclosed in the consolidated financial statements in previous periods, the Group determines at the end of each reporting period whether transfers have occurred between levels by re-assessing the classification of assets based on the lowest level input that is significant to the fair value measurement as a whole.

The fair value hierarchy of assets and liabilities of the Group is presented in Note “Financial Instruments and Risks”.

Estimate of Created Provisions (Policy R)

A provision is recognised when the Group, due to a past event, has a legal or constructive obligation that can be reliably measured, and if it is probable that settling the obligation will require an outflow of resources embodying economic benefits. Possible obligations are not recognised in the consolidated financial statements as liabilities, as it has yet to be confirmed whether the Group has a present obligation that could lead to outflows of economic benefits. The Management Board is regularly checking whether the settling of the probable obligation will require an outflow of resources enabling economic benefits. If such outflow becomes probable, the possible obligation is reclassified when a degree of probability has changed by creating in the consolidated financial statements a provision for it.

Estimate of Provisions for Employee Post-Employment and Other Long-Term Benefits (Note 21 and Policy S)

Defined post-employment and other benefit obligations include the present values of post-employment benefits on retirement and jubilee benefits. They are recognised based on an actuarial calculation which is prepared by an authorised actuary and approved by the Management Board. An actuarial calculation is based on the assumptions and estimates applicable at the time of the calculation, and these may differ from the actual assumptions due to future changes. This mainly refers to determining the discount rate, the estimate of staff turnover, the mortality estimate, and the salary increase estimate. Due to the complexity of the actuarial calculation and the item's long-term nature defined benefit obligations are sensitive to changes in the said estimates.

Assessing the Possibility of Using Deferred Tax Assets (Note 14 and Policy H)

The Group recognises deferred tax assets in connection with provisions for jubilee benefits and post-employment benefits on retirement, Impairment of financial assets, Impairment of receivables, unused tax reliefs, tax losses.

On the day the consolidated financial statements are completed, the Group verifies the amount of recognised deferred tax assets and liabilities. Deferred tax assets are recognised if it is probable that future taxable net profit, against which the deferred tax asset can be utilised, will be available. Deferred taxes are derecognised by the amount for which it is unlikely to enforce the tax relief associated with the asset.

Critical Assessment of the Russian-Ukrainian Conflict

So far, the Group has not been particularly affected by the developments related to the Russian-Ukranian conflict. The Group is closely monitoring the situation and the potential impact of the current and announced sanctions. The level of uncertainty is high for the European economy as a whole and it is impossible to foresee all the consequences at this point.

Impact of Climate Change

The Group operates in geographical areas where the likelihood of physical risks from climate change materialising in the short to medium term is lower. In the context of climate change, the Group is moving towards a low-carbon economy. By responsibly managing and reducing its carbon footprint, the Group contributes to reducing the risks of climate change. The Group has reviewed significant accounting policies and estimates in areas that could be negatively impacted by climate change, in particular inventories, financial instruments, property, plant and equipment and financial covenants in loan terms and determined that there are no such impacts.

Composition of the Consolidated Group of Companies

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

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

in EUR thousand	Activity	% of voting rights 2023/2022	Value of assets as at 31 Dec. 2023	Value of equity as at 31 Dec. 2023	Profit (loss) for the period ending 31 Dec. 2023
Parent company of the Group					
SIJ – Slovenska industrija jekla, d. d., Gerbičeva ulica 98, Ljubljana, Slovenia	Activities of head offices		395,693	267,020	4,461
SIJ – subsidiaries					
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	418,263	199,837	1,737
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenija	Steel production	100	258,178	79,726	(26,157)
SIJ STORITVE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Renting and managing of own and leased real estate	100	2,182	(144)	(392)
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	14,046	5,093	(403)
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	2,150	523	(341)
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.9	43,855	12,011	718
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	19,657	1,115	2
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	Heat processing and special steel trade	100	26,663	5,062	(1,230)

Continuation of the table →

Continuation of the table

in EUR thousand	Activity	% of voting rights 2023/2022	Value of assets as at 31 Dec. 2023	Value of equity as at 31 Dec. 2023	Profit (loss) for the period ending 31 Dec. 2023
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	100	43,713	2,244	(3,203)
HOLDING PMP d.o.o., Gerbičeva 98, Ljubljana, Slovenia	Holding activity	0/100	0	0	24
SIJ AMERICAS Inc., 331 Newman Springs Road Suite, 104, Red Bank, New Jersey, USA	Trade	100	47,263	5,188	969
OOO SSG, Presnenskaya nab. 12, floor 59, office 10, Moscow, Russia	Trade	100	455	332	(1)
ADDITHERM d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Scientific and technical research	51	3,223	2,996	1
RSC HOLDING d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Holding company	51	65,488	48,624	3,982
SIJ MIDDLE EAST- FZCO, DSO-IFZA, IFZA Properties, Dubai Silicon Oasis, Dubai, United Arab Emirates	Trade	100	158	(257)	(260)
SIJ ACRONI – subsidiary					
ŽELEZARNA JESENICE, d.o.o., Cesta železarjev 8, Jesenice, Slovenia	Trading with own real estate	100	10,014	9,847	278
ODPAD – subsidiaries					
DANKOR, d.o.o., Vukovarska 436, Osijek, Croatia	Recovery of secondary raw materials from scrap	91	1,322	1,038	87
METAL-EKO SISTEM DOO JAGODINA, Put Kneza Mihaila 107, Jagodina, Serbia	Recovery of secondary raw materials from scrap	70	3,543	2,529	121
"TOPMETAL" d.o.o. Laktaši, Karađorđeva 69, Laktaši, Bosnia and Herzegovina	Recovery of secondary raw materials from scrap	92.7/51	0	0	592
RSC HOLDING – subsidiaries					
RAVNE STEEL CENTER d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Wholesale of metals end metal ores	100	17,182	9,646	2,006
SIDERTOCE S. p. A., Via XX. Settembre 198, C. P. 34, Gravellona Toce, Italy	Trade	100	13,349	6,728	123

Continuation of the table →

Continuation of the table

in EUR thousand	Activity	% of voting rights 2023/2022	Value of assets as at 31 Dec. 2023	Value of equity as at 31 Dec. 2023	Profit (loss) for the period ending 31 Dec. 2023
HTS MWT GmbH, Celsiusstrasse 17, Landsberg am Lech, Germany	Trade	100	3,025	763	27
ORO MET d.o.o., Neverke 56, Košana, Slovenia	Manufacture of tools	86/67	20,585	14,109	1,997
HTS IC d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Manufacture of metal constructions and their parts	100	9,852	5,500	111
HTS IC GmbH, Wienerbergstrasse 11/12A, Vienna, Austria	Production and trade	100	369	65	2
HTS IC s.r.o., Viktora Huga 377/4, Prague, Czech Republic	Trade	100	61	9	0
DCTL SL, Avda de les Puntes – Nave 3 Constanti, Tarragona, Spain	Production and trade	80	423	(19)	(8)
STEEL podporni center orodjarske industrije d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Manufacture of metal constructions and their parts	100	4,833	1,971	377
CENTAR TOPLINSKE OBRADE d.o.o., Slavonska avenija 22D, Zagreb, Croatia	Production and trade	100	1,252	736	241
HTS Technology, Lyon Plaza Part Dieu 93 Rue de la Vilette, Lyon, France	Trade	100	125	(162)	(8)
ORO MET – subsidiary					
ORO PRECIZNE CNC OBDELAVE d.o.o., Neverke 68, Košana, Slovenia	Production and trade	51	3,491	1,490	(41)
DCTL SL – subsidiary					
ALROTEC SL; Avada de les Puntes – Nave 5 (Esquina calle dinamarca) Poligono, Industrial de Consanti, Tarragona, Spain	Production and trade	100	1,556	957	168
SIJ RAVNE SYSTEMS – subsidiary					
SIJ Ravne Systems (UK) Limited, 12 Conqueror Court, Sittingbourne, Kent, Great Britain	Trade	100	589	149	40

In February 2023, the liquidation procedure for SIJ ELEKTRODE JESENICE was winded up.

In February 2023, “TOPMETAL” bought its treasury shares. Ownership of ODPAD increased to 92.7%.

At the beginning of March 2023, Holding PMP ceased to exist under fast-track procedures.

SIJ Middle East was established in May 2023 to expand sales activities in the Middle East.

In June 2023, RSCH Holding's share in ORO MET increased to 86%. In November of the same year, ORO MET completed the acquisition of a 51% stake in ORO PRECIZNE CNC.

Net Profit or Loss Attributed to Non-Controlling Interest

in EUR thousand	2023	2022
NIRO WENDEN	0	849
ODPAD	180	188
DANKOR	28	65
METAL-EKO SISTEM	58	78
"TOPMETAL"	181	(23)
ADDITHERM	0	5
RSC HOLDING Group	2,262	5,916
Net Profit or Loss Attributed to Non-Controlling Interest	2,709	7,078

Significant Accounting Policies Information

A. SUBSIDIARIES

Subsidiaries are entities controlled by the Group. Control exists when: i) an investor is exposed or has fights to variable returns from its involvement with the investee; ii) it has the ability to affect those returns through its power over that investee; iii) there is a link between power and returns. The financial statements of the subsidiaries are included in the Group's consolidated financial statements from the date on which control commences until the date that control ceases. The accounting policies of the subsidiaries are aligned with the Group's accounting policies.

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests, and any other components of the equity related to the subsidiary. Any surplus or deficit arising from loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, such interest is measured at fair value from the date on which control is lost. Subsequently, this interest is accounted for in equity as an investment in an associate (using the equity method) or as an investment in equity instruments in accordance with IFRS 9.

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

B. INVESTMENTS IN ASSOCIATES

Associates are those companies where the Group has a significant influence on their operations, but which it does not control.

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

C. BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at the date of the combination, which is the same as the acquisition date or the date on which control is transferred to the Group. In the consolidated financial consolidated financial statements, acquired assets and liabilities are recognised at fair value as at the acquisition date. The excess to the consideration over the net fair value of the acquired assets is presented as goodwill as part of intangible assets.

The Group measures goodwill at the fair value of the consideration transferred, plus the recognised amount of any non-controlling interest in the acquisition, plus the fair value of any pre-existing equity in the acquisition (if the business combination is achieved in stages), less the net recognised amount of the assets acquired and liabilities assumed, all measured as at the acquisition date. When the excess is negative, the effect is recognised immediately in profit or loss.

Acquisition costs, other than those associated with the issue of equity or debt securities, incurred in connection with a business combination, are listed as incurred expenses.
Contingent liabilities from business combinations are recognised at fair value at the acquisition date. If a contingent liability is classified as equity it is not remeasured, and the payment is calculated within the equity. Subsequent changes in the contingent liabilities are recognised in profit or loss. A contingent liability, which is a financial instrument and is classified as an asset or liability, is measured at fair value, and the changes in the fair value are recognised in profit or loss.

D. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Group accounts for the acquisition of non-controlling interests that do not involve a change in control of a company as transactions with owners and therefore no goodwill is recognised. Adjustments to non-controlling interests are based on a proportionate amount of the assets of the subsidiary. Any surplus, or the difference between the costs of additional investments and the carrying amount of assets, are recognised in equity.

E. FOREIGN CURRENCY CONVERSION

Transactions in foreign currencies are translated into the adequate functional currency at the ECB (European Central Bank) exchange rate on the trade date. The ECB last fixed the exchange rate of the Russian rouble on 1 March 2022. As of this date, transactions denominated in the Russian rouble are converted into functional currency at the exchange rate published by the European Commission. Cash assets and liabilities denominated in a foreign currency at the end of the period are translated into the functional currency at the exchange rate applicable at that time. Positive or negative exchange rate differences are the differences between the amortised cost in functional currency at the beginning of the period and the payments during the period, and the amortised cost in a foreign currency, calculated at the exchange rate at the end of the period. Non-cash assets and liabilities, denominated in foreign currency and measured at fair value, are translated into the functional currency at the exchange rate on the date when the fair value is set. Non-cash assets and liabilities, denominated in foreign currency and measured at cost, are translated into the functional currency at the exchange rate on the date of the transaction. Exchange rate differences are recognised in profit or loss.

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

Foreign exchange differences are recognised in comprehensive income and presented under translation differences in equity. In the case of non-wholly-owned subsidiaries abroad, the relevant proportion of the foreign exchange differences is allocated to non-controlling interests. When a foreign operation is disposed of in such a way that control or significant influence is lost, the relevant cumulative amount in the translation reserve is reclassified to profit or loss or as gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

F. REVENUE

Revenue from Contracts with Customers

The Group accounts for contracts with customers if all the following criteria according to IFRS 15 are met: i) contracting parties have approved a contract (in writing, orally, or in accordance with other standard business practices) and are obliged to fulfil their obligations, ii) the Group can identify the rights of each contracting party to the goods or services to be transferred, iii) the Group can identify payment terms and conditions for goods and services to be transferred, iv) the contract has commercial substance, v) it is probable that the Group will be entitled to consideration in exchange for the goods or services which will be transferred to a customer. At the beginning of a contract, the Group defines for each performance obligation whether it shall be satisfied over time or at a point in time. If a performance obligation is not being satisfied over time, it is satisfied at a point in time.

Revenue from contracts with customers is recognised at the moment of transfer of control over goods or services to a customer in the amount of consideration that the Group expects to be entitled to in exchange for transferring the goods or services. Revenue from contracts with customers is recognised at the fair value of received payments decreased by repayments, discounts, rebates for further sales, and quantity discounts.

Sale of Goods and Services

Revenue and other operating income are recognised when the service is performed, and the customer obtains control of that goods or services according to IFRS 15 as presented in the table below through a major revenue stream.

Revenue stream	Characteristics and timely fulfilment of performance obligations, significant payment terms	Clarification of the accounting policy
Sale of finished goods*	Control over products is transferred to a customer when products are delivered to have been accepted based on Incoterms rules agreed by the sale contract (order confirmation). Revenue is recognised at a point in time. In case discounts are agreed, revenue is reduced for amounts of discount. Customers do not have the right to return unless a discrepancy from the sale contract is identified. Discrepancies have to be confirmed and have to be in line with general sale terms. The payment term is agreed upon in the sale contract.	Revenue is recognised when products are delivered to and have been accepted at customer premises or when the customer collects products at the seller`s premises at a point in time.
Sale of steel scrap	Control over raw steel scrap materials is transferred to a customer, when materials are delivered to and have been quantitatively and qualitatively examined and accepted by the customer at their premises or when a customer collects materials at the seller`s premises. Revenue is recognised when control over products is transferred to the customer. In case discounts are agreed, revenue is reduced for amounts of discount. Customers do not have the right to return steel scrap. The payment term is agreed upon in the sale contract.	Revenue is recognised when scrap is delivered to and has been accepted at customer premises or when the customer collects products at the seller`s premises at a point in time.
Services (remelting, rolling, forging) and other revenue	Control over service is transferred to a customer when services are delivered in accordance with the sale contract. Revenue is recognised as a point in time, since services are not received simultaneously, and the customer consumes the benefits provided by the entity's performance after the entity performs. In case discounts are agreed, revenue is reduced for amounts of discount. Customers do not have the right to reject rendered services unless a discrepancy from the sale contract is identified. The payment term is agreed upon in the sale contract.	Revenue is recognised as a point in time after services are delivered to and have been accepted by the customer at the seller`s premises.

** Finished goods include products such as quarto plates, cold and hot rolled strips or sheets, forged and rolled products, industrial knives and industrial rolls.*

Revenue stream	Characteristics and timely fulfilment of performance obligations, significant payment terms	Clarification of the accounting policy
Other products	Control over other products such as machine-building is transferred to a customer when products are delivered to have been accepted based on Incoterms rules agreed by the sale contract (order confirmation). Revenue is recognised at a point in time. In case discounts are agreed, revenue is reduced for amounts of discount. Customers do not have the right to reject or return unless a discrepancy from the sale contract is identified. Discrepancies have to be confirmed and have to be in line with general sale terms. The payment term is agreed upon in the sale contract.	Revenue is recognised when products are delivered to and have been accepted at customer premises or when the customer collects products at the seller`s premises at a point in time.

Contract Assets

Contract asset is the right to consideration in exchange for goods or services that have been transferred to a customer, but not yet invoiced. Under contract assets, the Group states deferred income for goods and services, supplied to customers.

Contract Liabilities

Contract liability is a liability to transfer goods or services to a customer in exchange for consideration that the Group has received from the customer. Under contract liabilities, the Group states liabilities for received cautions, and liabilities from discounts granted and linked to volume thresholds. Contract liabilities are recognised as revenue when the Group satisfies its performance obligation under the contract.

Finance Income

Finance income comprises interest income and positive exchange rate differences resulting from financing and investing. Interest income is recognised during the term/life of financial instrument using the effective interest rate method.

G. EXPENSES

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

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

H. TAXATION

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

Current income tax liabilities are based on the taxable profit for the financial year. Taxable profit differs from net profit, reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's current income tax liability is calculated using the tax rates applicable on the reporting date.

Deferred tax is recognised in total by applying the liability method on temporary differences which arise from the tax values of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated by using the tax rates (and laws) that are applicable on the date of the statement of financial position and expected to be used when the deferred tax asset is realised or the deferred tax liability is recovered. A deferred tax asset is recognised to the extent that it is probable that future taxable profit, against which the deferred tax asset can be utilised, will be available. If in the future the available taxable profit is insufficient to create the deferred tax assets for the full amount of unused tax relief, they are created based on the maturity of tax relief utilisation possibilities in accordance with the legislation.

Deferred tax liability is recognised for all taxable temporary differences unless they come from initial goodwill recognition, or the initial recognition of an asset or liability in a business transaction other than a business combination and affects neither the accounting profit nor taxable profits (tax loss) during the transaction.

The Group does not compile consolidated income taxes. The companies in the Group are independently liable to compile and file the tax return in accordance with the regulations in the tax law of the country in which they are established. Income tax is calculated at the currently applicable tax rates on the tax bases established for each company in the Group.

I. INTANGIBLE ASSETS

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

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

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

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

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

Goodwill is recognised as an asset and is tested at least once a year for impairment. Each impairment is immediately recognised in the consolidated income statement and is not subsequently derecognised. On the disposal of a subsidiary, the relevant goodwill amount is included in the determination of profit or loss.

J. PROPERTY, PLANT AND EQUIPMENT

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

Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the tangible asset. The right-of-use assets are depreciated over the estimated period of the lease and useful life, depending on which is shorter. Land and unfinished construction are not depreciated. Depreciation is accounted for when an asset becomes available for use.

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

	Useful life
Property	10-60 years
Production equipment	5-25 years
Computer equipment	2-10 years
Motor vehicles	2-10 years
Other equipment	2-10 years

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

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

Carrying amount recognition of an item of property, plant and equipment is derecognised when disposed or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Disposal effects are recognised in other operating income or expenses.

Leases

The Group is using a single model for the majority of lease items in the Statement of Financial Position.

i. Group as a Lessee

When signing a contract, the Group assesses whether the contract is or contains a lease. The Group recognises a lease liability and the right-of-use asset if it deems that the leased asset is identified, and when it controls the use of the asset. The Group depreciates the right-of-use assets and attributes interests to the lease liabilities.

The Group follows exceptions allowed by the standard, namely for short-term leases with a lease term not exceeding 12 months and with no option to purchase, and for lower-valued leases, where the Group has taken into account new assets which do not individually exceed EUR 5 thousand. For these leases, the Group recognises the lease payments as expenses on a straight-line basis, unless another systematic basis is more representative.

Variable lease payments which do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets. The related payments are recognised in the period to which they relate as operating expenses.

On the date of the commencement of the lease term, the lease liability is measured at the present value of future leases and discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, an incremental borrowing rate is used. The Group remeasures lease liability by discounting modified lease payments using modified discount rates if a lease term or assessment of the exercise of the option to buy the leased asset had been changed. When doing so, the lessee determines the modified discount rate as an interest rate implicit in the lease for the remaining lease term.

On the date of the commencement of the lease term, an asset representing the right-of-use is measured at cost. Value of assets representing the right-of-use includes the value of initial measurement of lease liability, and lease payments paid on or before the commencement of the lease term decreased by lease incentives and increased by initial directly attributable costs. After the date of commencement of the lease term, an asset representing the right-of-use is measured at cost decreased by accumulated depreciation and amortisation and accumulated impairment losses, and corrected by remeasured lease liability if an index or a rate has changed.

The right-of-use asset is depreciated from the date of the commencement of lease until the end of the useful life or the end of the lease term, if it is shorter from useful life. If the

lease transfers ownership of the asset or the value of asset representing the right-of-use reflects an expectation that the Group will use the possibility to buy, the asset representing the right-of-use is depreciated from the date of the commencement of lease until the end of the useful life of a leased asset.

For determining whether the right-of-use asset is impaired and for other impairment related matters, the Group uses IAS 36.

ii. Group as a Lessor

The Group classifies each of its leases as operating or business leases. A lease is classified as finance lease if it includes the transfer of substantially all significant risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Group is only in a position of a lessor in operating leases.

Lease rental income from an operating lease is recognised on a straight-line basis. Initial directly attributable costs incurred from the acquisition of a lease are added to the carrying amount of the leased asset. These costs are recognised as an expense during a lease term on the same basis as lease rental income.

K. INVESTMENT PROPERTY

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

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

L. FINANCIAL INSTRUMENTS

Financial instruments include non-derivative financial assets, non-derivative financial liabilities, and derivative financial instruments. Financial instruments are carried at fair value and amortised cost. Fair value is a price that would be achieved by selling an asset or paid by transferring a liability in an orderly transaction between market participants at the date of measurement.

Non-Derivative Financial Assets

At initial recognition, a financial asset is classified into one of the following groups: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive, or cash and cash equivalents.

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

A more detailed explanation of the impairment of financial assets is disclosed in Note O.

i. Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income that have the nature of a debt instrument are the financial assets held by the Group that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. For debt instruments at fair value through other comprehensive income, interest income, foreign exchange differences and impairment losses or reversals are recognised in the statement of profit or loss and accounted for in the same manner as financial assets at amortised cost. The remaining fair value changes are recognised in the statement of other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is reclassified to profit or loss.

Financial assets at fair value through other comprehensive income that have the nature of an equity instrument are the financial assets that meet the definition of equity under IAS 32 "Financial Instruments" for which the Group elected to classify them irrevocably as equity instruments designated at fair value through other comprehensive income and which are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never reclassified to profit or loss.

Dividends are recognised as other revenue in the statement of profit or loss when the Group's right of payment has been established.

ii. Financial Assets at Amortised Cost

The Group's financial assets at amortised cost include financial assets held by the Group that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group's financial assets at amortised cost include loans given, trade and other receivables. Depending on their maturity, they are classified as current (maturity of up to 12 months from the date of the statement of financial position) or non-current financial assets (maturity of more than 12 months from the date of the statement of financial position). Borrowings and liabilities are initially recognised at fair value, increased by costs directly attributable to the business transaction. After initial recognition, they are measured at amortised cost using the effective interest method, less any expected credit losses Gains and losses are recognised in profit or loss when reversed, modified or impaired.

Trade receivables insurance is not considered as a specific financial instrument but as an integral part of receivables. Insurance policies are concluded periodically and are related to specific receivables and/or business partners. The concluded insurance policy is flexible. Business partners can be included or excluded from the insurance during the duration of the insurance policy. Insurance policies are related to trade receivables insurance exclusively.

iii. Cash and Cash Equivalents

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

Non-Derivative Financial Liabilities

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

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

Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value. Costs related to a business transaction are recognised in profit or loss when they are incurred. After the initial recognition, the derivative financial instruments are measured at fair value, with changes in fair value recognised in profit or loss.

Derivative financial instruments also include option agreements classified by the Group as financial assets or financial liabilities at fair value through profit or loss. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the date of measurement. If the transaction price is not equal to the fair value on the date of measurement, the difference in market assets is recognised in profit or loss or deferred and subsequently released to profit or loss in accordance with the policy.

Financial investments and financial liabilities, measured at fair value through profit or loss, are remeasured at fair value at least once per year, in the preparation of the annual financial statements. Profit or loss, arising from a change in fair value, are recognised in profit or loss.

M. ASSETS (GROUPS) HELD FOR SALE

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

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

Discontinued operations are the Group's integral part that was or will be disposed of under the coordinated plan. In the Statement of Comprehensive Income, the Group states profit or loss from discontinued operations separately from continuing operations. Upon sale, the Group derecognises an asset (group) for disposal/SALE??? and recognises the effect of the disposal among other operating income or expenses less costs directly attributable to the sale.

N. INVENTORIES

Inventories are measured at cost or net realisable value, whichever is the lowest. The cost value consists of the purchase price, import duties and direct purchase costs. The purchase price is reduced by any discounts given. Direct purchase costs are transport costs, costs of loading reloading and unloading, costs of monitoring goods, and other costs attributable to directly-purchased merchandise, materials or services. Purchase discounts are those that are stated on the invoice, or which are given later and refer to individual purchases. The value of finished and unfinished products refers to all production costs, which include the costs of manufacturing materials, labour costs, depreciation, services and other production costs.

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

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

O. IMPAIRMENT OF ASSETS

Financial Assets

According to IFRS 9, the Group uses the expected credit loss model. According to this model, it recognises not only incurred losses but also losses that are expected to be incurred in the future. The Group assesses indications of impairment of financial instruments. Impairment estimates are based on the expected credit losses associated with the probability of defaults of a financial instrument over the next 12 months if the credit risk has not increased significantly since initial recognition. For financial assets such as trade receivables that do not contain a significant component of financing, a simplified approach is used to calculate value adjustment as an amount equal to the expected credit losses over the life of the asset. The Group creates groups of receivables based on collateral, maturity of receivables and similar risk characteristics and repayments in previous years, corrected for the Management Board's assessment of whether actual losses due to current economic and credit conditions may be greater or less than the losses foreseen in the past development.

In case the credit risk has increased significantly since initial recognition, but there are no objective indications for assets impairment, the impairment estimates are based on the probability of default over the life of the financial asset. Expected credit losses represent the difference between the contractual cash flows that are due and all the cash flows that the Group expects to receive. For financial assets that show objective indications of impairment at the reporting date, an allowance for impairment losses due to expected credit losses is made in its entirety.

The Group recognises a write-off of a financial asset when it reasonably expects that the contractual cash flows will fail to recover. Objective evidence of the impairment of financial assets can include: default or delinquency by a debtor; restructuring of the amount owed to the Group, if the Group agrees; indications that the debtor will declare bankruptcy; and disappearance of the active market for such an instrument. The Group evaluates evidence of loan impairment on a loan-by-loan basis.

Financial assets measured at fair value through other comprehensive income include investments in equity securities or shares of other companies for which an irrevocable non-trading decision was made upon initial recognition. The fair value of quoted securities is measured at the stock exchange rate at the reporting date. Gains or losses on changes in fair value are recognised in other comprehensive income and are recognised directly in equity as the fair value reserve of financial instruments in net amount. The amounts presented in other comprehensive income may not be subsequently transferred to profit or loss. Accumulated profit or loss is transferred within equity.

Non-Financial Assets

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

The recoverable value of assets or cash-generating units (CGU) is their value in use or fair value, less cost to sell, whichever is greater. In assessing value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of cash and the risks specific to the asset. For the purpose of the impairment test, assets that cannot be tested individually are classified as the smallest possible group of assets that generate cash inflows from further use and which are largely independent of the inflow of other assets or groups of assets (CGUs). Each subsidiary represents a CGU. If goodwill is allocated to CGU, an impairment test is performed annually. The impairment is first allocated to goodwill. The residual impairment is proportionally allocated to assets within DUE on the basis of the carrying amount of individual assets. When allocating an impairment loss to individual assets within a CGU, the carrying amount of an individual asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero.

For a CGU to which no goodwill is allocated, an impairment test is performed if there are signs of impairment. identified impairment loss (if any) is allocated to individual assets of the CGUs proportionately.

The impairment of an asset or CGU is recognised if their carrying amount exceeds their recoverable value. The impairment is recognised in the income statement.

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

A goodwill impairment loss is not reversed.

The goodwill that forms part of the investment in an associate is not recognised separately and therefore is not separately tested for impairment. Instead, the full amount of the investment in an associate is tested for impairment as a single asset when there is an evidence that an investment in an associate can be impaired.

P. DETERMINATION OF FAIR VALUE

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

Fair value is the value achieved by selling the asset or paid by transferring the liability between two well-informed and willing parties in a regulated business transaction. The Group determines the fair value of financial instruments by taking into account the following fair value hierarchy:

- Level 1 comprises market prices in active markets for identical assets or liabilities;
- Level 2 comprises values other than market prices included within Level 1 that are observable either directly (prices for identical or similar assets or liabilities in markets that are less active or inactive) 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 comprises inputs for the asset or liability that are not based on observable market data. Unobservable inputs need to reflect the assumptions that market participants would use when determining a price for the asset or liability, including risk assumptions.

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

Intangible Assets

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

Property, Plant and Equipment

The fair value of property, plant and equipment is their market value. The market value of a property is equal to the estimated value at which the property could be sold on the date of valuation and after proper marketing. The market value of the equipment is based on the approach using quoted market prices for similar items. If there is no quoted market price, the method of discounted cash flows that are expected to arise from the use and possible disposal of the assets is used.

Investment Property

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

Financial Assets at Fair Value through Profit or Loss and Financial Assets at Fair Value through Other Comprehensive Income

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is determined by reference to the above fair value hierarchy for financial instruments.

Receivables and Loans Issued

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

Inventories

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

Non-Derivative Financial Liabilities

For reporting purposes, the fair value is calculated based on the present value of future principal payments and interest discounted at the market interest rate at the end of the reporting period.

Q. EQUITY

Share Capital

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

Capital Surplus

Capital surplus consists of the amounts received by the parent company or its subsidiaries from payments exceeding the lowest issue price per share that exceeds the carrying amount upon the disposal of previously-acquired own shares, the amounts based on a simplified decrease of share capital, and the amounts on the basis of reversal of general revaluation adjustment.

Reserves

Reserves include legal reserves, other equity reserves, fair value reserves, and actuarial gains and losses.

Treasury Shares

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

Dividends

Until approved at the General Meeting of Shareholders, the planned dividends are treated as retained earnings.

R. PROVISIONS

Provisions are recognised if the Group, due to a past event, has a legal or constructive obligation that can be reliably measured, and if it is probable that settling the obligation will require an outflow of resources enabling economic benefits.

S. EMPLOYEE BENEFITS

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

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

T. DEFERRED INCOME

Deferred income is expected to cover the estimated expenses during a period exceeding one year.

Government and other grants, received for covering expenses, are consistently recognised as revenue in periods in which the respective expenses, which the grant should cover, are incurred.

Based on the status of an assigned company, subsidiaries of the Group create deferred income in the amount of calculated but not paid contributions from salary and compulsory contributions (assigned contributions). They are intended to cover the expenses in accordance with the Vocational Rehabilitation and Employment of Disabled Persons Acts.

U. CASH FLOW STATEMENT

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

V. SEGMENT REPORTING (NOTE 27)

Segments are identified on the basis of the Group's internal management and reporting. The segments are presented in the business part of the annual report and in the accounting policies.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in notes to the consolidated financial statements. Segment profit represents the operating profit earned by each segment without allocation of the share of profits of associates, costs of Headquarters and Other Services, finance income and finance expenses. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

The share of the result of the associate is contained in the result of equity-accounted investment in the corresponding segment.

Non-current business assets consist of property, plant and equipment, investments property and intangible assets. Non-current business assets are reported based on the geographic area of corresponding assets. Additions to non-current assets consist of new additions to intangible assets, property, plant and equipment (without the right-of-use assets), and investment property. Taxes, assets and liabilities are not allocated to those segments as they are managed on a Group basis. Inter-segment revenue is eliminated on consolidation.

Adjustments and Reconciliations

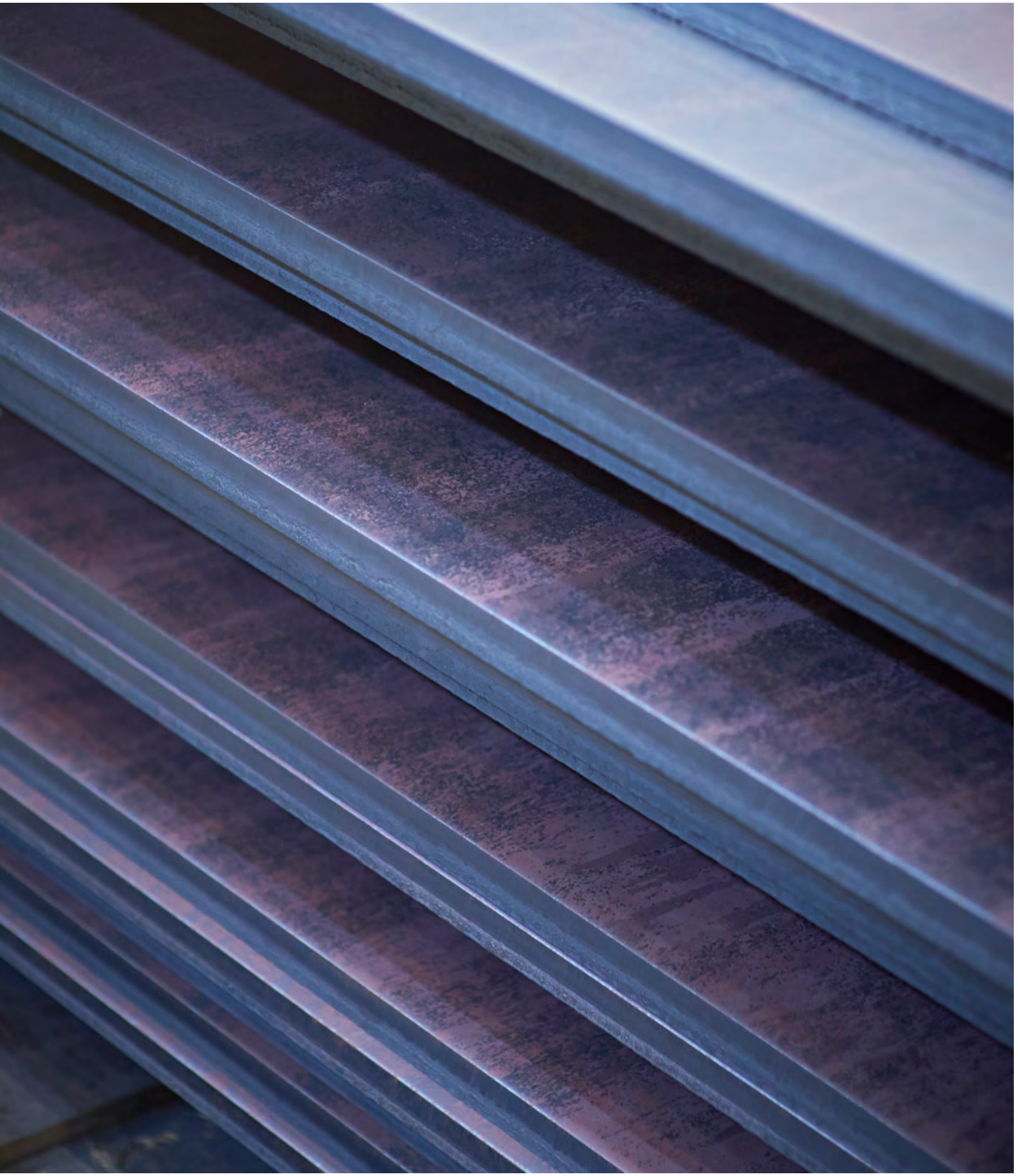
The reconciliation contains activities that do not constitute segments and consolidation adjustments between the segments. Inter-segment revenue is eliminated on consolidation.

Segments

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

- Steel Division: the Group's activity that consists of the production of steel plates and strips of different dimensions and grades from stainless, structural, electrical and special steels, and the production of steel profiles from alloyed, non-alloyed, special, tool and structural steels.
- Steel Processing and Distribution Division is a division, representing a downstream vertical integration of the Group. It allows the Group to have direct contact with end-customers, and provide them with fast delivery of steels of required dimensions and quality, as well as with other services and after-sales support.
- Scrap Division: collection, processing and sorting scrap metal, and its preparation for transportation and basic processing by the Steel Division.
- Manufacturing Division: production of finished and semi-finished products from steel, exploiting the synergy with Steel Division production processes.
- Headquarters and Other Services: business, financial and other consulting for companies in the Group, as well as various concessionary services and social assistance services linked to the employment of disabled persons.

The segments are presented in more detail in the business part of the annual report in the chapter SIJ GROUP COMPANIES.



Notes to Individual Items in the Consolidated Financial Statements

1. REVENUE

in EUR thousand	2023	2022
In Slovenia	153,438	200,320
In other countries:	848,477	1,102,543
- Germany	*207,175*	*275,270*
- Italy	*231,382*	*253,772*
- USA	*84,994*	*105,003*
- Austria	*26,782*	*36,570*
- Croatia	*5,540*	*7,490*
- other countries	*292,604*	*424,438*
Revenue	1,001,915	1,302,863

Revenue by Products and Segments for 2023

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Revenue
Quarto plates	307,936	71,692	0	0	379,628	0	379,628
Cold rolled strip and sheets	84,262	4,567	0	0	88,829	0	88,829
Hot rolled strip and sheets	18,992	4,902	0	0	23,894	0	23,894
Forged, rolled, and other products	136,926	55,830	0	10,536	203,292	0	203,292
Industrial knives	0	2,301	0	15,393	17,694	0	17,694
Industrial rolls	0	0	0	13,851	13,851	0	13,851
Steel scrap	153	674	156,914	481	158,222	0	158,222
CNC-treated tool plates	0	31,833	0	0	31,833	0	31,833
Services and other revenue	3,138	47,509	171	32,033	82,851	1,821	84,672
Revenue	551,407	219,308	157,085	72,294	1,000,094	1,821	1,001,915

Revenue by Products and Segments for 2022

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Revenue
Quarto plates	456,087	112,316	0	0	568,403	0	568,403
Cold rolled strip and sheets	153,412	7,163	0	0	160,575	0	160,575
Hot rolled strip and sheets	17,829	8,672	0	0	26,501	0	26,501
Forged, rolled, and other products	179,505	54,682	0	12,535	246,722	0	246,722
Industrial knives	0	2,021	0	17,958	19,979	0	19,979
Industrial rolls	0	709	0	15,407	16,116	0	16,116
Welding wires and electrodes	0	0	0	7,691	7,691	0	7,691
Steel scrap	202	352	152,498	308	153,360	0	153,360
CNC-treated tool plates	0	34,152	0	0	34,152	0	34,152
Services and other revenue	8,249	51,279	247	7,862	67,637	1,727	69,364
Revenue	815,284	271,346	152,745	61,761	1,301,136	1,727	1,302,863

2. OPERATING EXPENSES

in EUR thousand	2023	2022
Cost of goods, materials and services	822,516	976,732
Labour costs	150,575	159,823
- wages and salaries	*111,258*	*121,805*
- social security costs	*20,154*	*20,675*
- other labour costs	*19,163*	*17,343*
Depreciation and amortisation costs	56,174	54,843
Other costs	8,345	10,634
Changes in the value of inventories	(14,690)	(22,256)
Operating expenses	1,022,920	1,179,776

Review of Costs by Type in 2023

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Cost of goods, materials and services	738,200	51,435	32,881	**822,516**
Labour costs	79,366	7,732	63,477	**150,575**
Depreciation and amortisation costs	47,422	587	8,165	**56,174**
Other costs	2,840	145	5,360	**8,345**
Changes in the value of inventories	(14,690)	0	0	**(14,690)**
Operating expenses	853,138	59,899	109,883	1,022,920

Review of Costs by Type in 2022

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Cost of goods, materials and services	886,694	60,532	29,506	**976,732**
Labour costs	75,301	7,622	76,900	**159,823**
Depreciation and amortisation costs	47,233	443	7,167	**54,843**
Other costs	4,915	186	5,533	**10,634**
Changes in the value of inventories	(22,256)	0	0	**(22,256)**
Operating expenses	991,887	68,783	119,106	1,179,776

In 2023, the costs of annual reports auditing amounted to EUR 306 thousand (2022: EUR 278 thousand). The costs for other authorised services amounted to EUR 10 thousand (2022: EUR 5 thousand). The costs for non-audit services amounted to EUR four thousand (2022: EUR 11 thousand).

Average Number of Employees by Level of Formal Education

	2023	2022
Primary school	445.3	517.6
2.5-year vocational school	281.1	321.8
Secondary vocational school	984.3	1,065.1
Secondary general school	896.3	953.8
1st cycle degree – Bachelor's degree	510.4	518.8
2nd cycle degree – Master's degree	318.3	330.4
3rd cycle degree – Doctoral degree	62.7	67.7
Total	3,498.4	3,775.2

3. OTHER OPERATING INCOME

in EUR thousand	2023	2022
Income from received subsidies (Note 22)	3,433	3,264
Received compensations	17,084	540
Gain from sale of property, plant and equipment	482	0
Reversal of provisions	533	0
Other income	1,204	896
Other operating income	22,736	4,700

4. OTHER OPERATING EXPENSES

in EUR thousand	2023	2022
Expenses for donations and sponsorships	565	385
Impairment of inventories (Note 15)	7,233	573
Impairments of goodwill (Note 8)	1,003	0
Loss from sale of property, plant and equipment	0	698
Expenses for lawsuits and damages	373	1,032
Other expenses	380	628
Other operating expenses	9,554	3,316

5. FINANCE INCOME

in EUR thousand	2023	2022
Interest income	2,681	3,639
Other income	174	147
Finance income	2,855	3,786

6. FINANCE EXPENSES

in EUR thousand	2023	2022
Interest expenses	13,617	10,663
Other expenses	6,351	3,922
Finance expenses	19,968	14,585

Other finance expenses refer to expenses for the bond issue and origination fees for borrowings, expenses for the sale of trade receivables, guarantee fees and fees for letters of credit.

7. INCOME TAX

in EUR thousand	2023	2022
Current income tax expense	(1,579)	(12,606)
Deferred income tax	8,067	(4,429)
Income tax	6,488	(17,035)

in EUR thousand	2023	2022
Loss (profit) before tax	(25,316)	112,400
Tax at effective tax rate 19% (2022: 19%)	(4,810)	21,356
Tax effects from:		
- non-taxable income	*(25)*	*(359)*
- tax non-deductible expenses	*981*	*885*
- tax relief	*(5,596)*	*(1,630)*
- tax losses for which no deferred tax assets were recognised	*5,640*	*1,139*
- tax reliefs for which deferred tax assets were (reconised) derecognised	*0*	*(2,801)*
- change in tax rates to 22%	*(2,820)*	*0*
- different tax rates in foreign companies	*142*	*(1,555)*
Income tax	(6,488)	17,035
Effective tax rate	0%	15.16%

8. INTANGIBLE ASSETS

Movement of Intangible Assets in 2023

in EUR thousand	Software	Goodwill	Assets under construction	Total
Cost as at 31 Dec. 2022	31,817	31,001	1,029	63,847
Acquisition of company	63	717	0	**717**
New additions	0	0	1,498	**1,498**
Transfer from assets under construction	783	0	(783)	**0**
Disposals	(57)	0	0	**(57)**
Translation differences	15	0	0	**15**
Transfer from property, plant and equipment	8	0	0	**8**
Cost as at 31 Dec. 2023	32,629	31,718	1,744	66,091
Accumulated amortisation and impairment as at 31 Dec. 2022	(19,688)	(11,749)	0	(31,437)
Depreciation	(3,132)	0	0	**(3,132)**
Disposals	57	0	0	**57**
Transfer from property, plant and equipment	(4)	0	0	**(4)**
Impairment	0	(1,003)	0	**(1,003)**
Accumulated depreciation and impairment as at 31 Dec. 2023	(22,767)	(12,752)	0	(35,519)
Carrying amount as at 31 Dec. 2022	12,129	19,252	1,029	32,410
Carrying amount as at 31 Dec. 2023	9,862	18,966	1,744	30,572

In 2023, the Group recognised acquired intangible assets of EUR 763 thousand (2023: EUR 4,195 thousand). Major new additions refer to purchase and set-up of new manufacturing and key business processes management IT systems. In 2023, the Group capitalised EUR 202 thousand (2022: EUR 290 thousand) of costs for development of new products. Carrying amount of capitalised costs for development amounts to EUR 1,169 thousand (2022: EUR 1,289 thousand).

As at 31 December 2023, the Group has EUR 98 thousand (2022: EUR 96 thousand) of outstanding liabilities for the purchase of intangible assets. In 2023, the Group has no already known contractual obligations (2022: EUR 0 thousand). As at 31 December 2023 and 31 December 2022, no intangible assets are pledged as security for liabilities.

The Group reviewed the value of intangible assets, and established that in 2023 and 2022 the carrying amount does not exceed the recoverable amount.

Impairment Test for Goodwill

in EUR thousand	31 Dec. 2023	31 Dec. 2022
ODPAD	1,397	1,397
METAL-EKO SISTEM	0	1,003
DANKOR	154	154
RSC HOLDING Group	16,698	16,698
ORO PRECIZNE CNC	717	0
Carrying amount of goodwill	18,966	19,252

Goodwill was tested for impairment on 31 December 2023. The valuation of the recoverable amount of the investments was carried out by a business appraiser certified by the Slovenian Institute of Auditors. Recoverable amounts represent the valuation of fair values, decreased by the costs of sale and determined using the present value of the estimated free cash flows method. When determining the recoverable amount, the present value of the estimated free cash flows method is applied. This method attempts to project, based on the analysis of past operations and the estimate of future business possibilities, the owners' future returns in cash, which are subsequently translated to the carrying amount by using the corresponding discount rate. The thus-calculated value based on the free cash flows represents the return required by the risk inherent in the investment. This is theoretically and practically the most appropriate and useful method of valuation of a company, as it concentrates on what is the most important to investors, i.e. return in the form of cash flow.

All projections were prepared from the majority shareholder perspective. Given the object of the valuation, a 5% marketability discount was applied to ODPAD, METAL-EKO SISTEM, and DANKOR, while a 10% marketability discount was applied to RSC HOLDING (including the cost of sale). The discount rate used is defined as the weighted average cost of capital (WACC). It reflects current market assessments of the time value of cash and the risks specific to the valuated asset. The projections took into account all the facts known up to the drawing up the annual report.

In 2023, it was determined that there was a need to impair the goodwill of METAL-EKO SISTEM.

A review of the determination of the recoverable amount of CGUs to which goodwill is allocated for 2023 and 2022 is given below.

Review of the Determination of the Recoverable Amount of CGUs to Which Goodwill is allocated for 2023

	Material assumptions used							Sensitivity analysis					
Goodwill	Valuation date	Projection of operations	Financial year	Discount rate (WACC)	Long-term growth rate	Target EBITDA margin	Revenue growth	Recoverable amount (in EUR thousand)	Upper bound of the range (in EUR thousand)	Change in discount rate (WACC) +/-0.5% (in EUR thousand)	Change in long-term growth rate+/-0.5 % (in EUR thousand)	Impairment loss (in EUR thousand)	Goodwill after impairment test (in EUR thousand)
ODPAD* (Scrap Division)	31 Dec. 2023	2024–2029	2023	9.44%	2%	2.7%	CAGR-1.03%	8,986	9,840	+1,194/-1,038	+848/-742	0	1,397
METAL-EKO SISTEM* (Scrap Division)	31 Dec. 2023	2024–2029	2023	12.45%	2%	5.1%	CAGR-2.86%	1,731	1,791	+82/-74	+46/-42	1,003	0
DANKOR* (Scrap Division)	31 Dec. 2023	2024–2029	2023	9.60%	2%	8.7%	CAGR-0.10%	759	784	+40/-35	+4/-7	0	154
RSC HOLDING Group** (Steel Processing and Distribution Division)	31 Dec. 2023	2024–2029	2023	9.56%	2%	5.1%	CAGR 4.8%	51,972	54,122	+1,134/-1,101	+2,958/-2,587	0	16,698

** Valuation of the fair value, less sale costs, by using the method of present value of the estimated free cash flows.*
*** Valuation of the fair value, less cost of sale, was made by using the discounted cash flow method.*

Review of the Determination of the Recoverable Amount of CGUs to Which Goodwill is allocated for 2022

Goodwill	Material assumptions used							Sensitivity analysis				Impairment loss (in EUR thousand)	Goodwill after impairment test (in EUR thousand)
	Valuation date	Projection of operations	Financial year	Discount rate (WACC)	Long-term growth rate	Target EBITDA margin	Revenue growth	Recoverable amount (in EUR thousand)	Upper bound of the range (in EUR thousand)	Change in discount rate (WACC) +/-0.5% (in EUR thousand)	Change in long-term growth rate+/-0.5 % (in EUR thousand)		
ODPAD* (Scrap Division)	31 Dec. 2022	2023–2028	2022	10.9%	2.5%	2.9% – achieved in the last few years	–11.4% in the first and –35.3% in the second year, following with 2.0%, 1.5%, 1.0%, and 2.5%	8,529	9,034	-766/+857	+87/-78	0	1,397
METAL-EKO SISTEM* (Scrap Division)	31 Dec. 2022	2023–2028	2022	12.5%	2.5%	4.1% – achieved in the last few years	–33.2% in the first year, following with –10.7%, 2.0%, 1.5%, 1.0%, and 2.5%	2,440	2,513	-101/+111	+35/-33	0	1,003
DANKOR* (Scrap Division)	31 Dec. 2022	2023–2028	2022	10.2%	2.5%	7.6%	3.4% in the first year, following with –29.0%, 1.9%, 1.5%, 1.0%, and 1.0%	1,012	1,060	-50/+58	+37/-32	0	154
RSC HOLDING Group** (Steel Processing and Distribution Division)	31 Dec. 2022	2023–2028	2022	10.8%	2.5%	-	-	46,839	49,785	-4,911/+6,238	+1,751/-1,375	0	16,698

** Valuation of the fair value, less sale costs, by using the method of present value of the estimated free cash flows.*
*** Valuation of the fair value, less cost of sale, was made by using the discounted cash flow method.*

Movement of Intangible Assets in 2022

in EUR thousand	Software	Goodwill	Assets under construction	Total
Cost as at 31 Dec. 2021	28,970	31,001	1,999	61,970
New additions	0	0	3,285	**3,285**
Transfer from assets under construction	4,195	0	(4,195)	**0**
Disposals	(1,371)	0	(65)	**(1,436)**
Translation differences	23	0	0	**23**
Transfer from property, plant and equipment	0	0	5	**5**
Cost as at 31 Dec. 2022	31,817	31,001	1,029	63,847
Accumulated amortisation and impairment as at 31 Dec. 2021	(18,073)	(11,749)	0	(29,822)
Amortisation	(2,742)	0	0	**(2,742)**
Disposals	1,131	0	0	**1,131**
Translation differences	(4)	0	0	**(4)**
Accumulated amortisation and impairment as at 31 Dec. 2022	(19,688)	(11,749)	0	(31,437)
Carrying amount as at 31 Dec. 2021	10,897	19,252	1,999	32,148
Carrying amount as at 31 Dec. 2022	12,129	19,252	1,029	32,410

9. PROPERTY, PLANT AND EQUIPMENT

Movement of Property, Plant and Equipment in 2023

in EUR thousand	Land	Buildings	Equipment	Other	Assets under con-struction	Total
Cost as at 31 Dec. 2022	34,298	308,058	993,061	53,244	21,795	1,410,456
Acquisition of company	123	1,224	1,209	421	30	**3,007**
New additions	0	0	0	0	74,021	**74,021**
Transfer from assets under construction	100	8,114	42,404	6,504	(57,122)	**0**
Disposals	(257)	(1,023)	(7,440)	(1,726)	(853)	**(11,299)**
Translation differences	(1)	(92)	(79)	(23)	0	**(196)**
Change in lease agreements	0	(155)	(145)	(59)	0	**(359)**
Transfer to intangible assets	0	0	0	(8)	0	**(8)**
Transfer to investment property	(913)	(3,656)	0	0	0	**(4,569)**
Cost as at 31 Dec. 2023	33,350	312,472	1,029,010	58,349	37,871	1,471,053
Accumulated depreciation and impairment as at 31 Dec. 2022	(1,770)	(229,779)	(749,945)	(42,451)	0	(1,023,945)
Depreciation	(16)	(5,279)	(44,460)	(3,249)	0	**(53,004)**
Disposals	40	864	6,751	1,459	0	**9,113**
Translation differences	0	27	73	6	0	**106**
Impairment	0	100	132	34	0	**265**
Transfer to intangible assets	0	0	0	4	0	**4**
Transfer to investment property	0	208	0	0	0	**208**
Accumulated depreciation and impairment as at 31 Dec. 2023	(1,746)	(233,859)	(787,449)	(44,194)	0	(1,067,253)
Carrying amount as at 31 Dec. 2022	32,528	78,279	243,116	10,793	21,795	386,511
Carrying amount as at 31 Dec. 2023	31,603	78,612	241,559	14,155	37,871	403,800

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

- rebuilding of Wellman 1 and Wellman 2 furnaces,
- work rolls for Steckel and Plate Mill rolling mills in Hot Rolling Mill,
- covered raw materials warehouse,
- new metering substation
- reparation of the AC electric motor in Hot Rolling Mill,
- peeling and polishing line,
- production hall,
- reconstruction and modernisation of a hardening line,
- current upgrades of production equipment

Major assets under construction include:

- upgrade of CRNO line in the Cold Rolling Mill,
- cutting centre in the Quarto Plate Processing Plant,
- LPG transfer station,
- covered raw materials warehouse,
- reparation of the DC electric motor in Hot Rolling Mill,
- energy-efficient lighting in the Cold Rolling Mill,
- improvement of working conditions,
- current upgrades of production equipment

Disposals of property, plant and equipment mostly refer to the sale and write-off of equipment connected with the renovation of basic production capacities and the write-off of unusable and outdated equipment. Property, plant, and equipment, whose carrying amount as at 31 December 2023 is EUR 4,932 thousand (2022: EUR 3,630 thousand), are pledged as security for liabilities. In 2023 and 2022, the Group did not capitalise borrowing costs.

As at 31 December 2023, the Group has EUR 11,942 thousand (2022: EUR 5,461 thousand) of outstanding liabilities to purchase property, plant and equipment and EUR 11,828 thousand (2022: EUR 26,458 thousand) of contractual commitments for purchase known in advance.

Movement of Property, Plant and Equipment in 2022

in EUR thousand	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec. 2021	34,345	305,319	972,704	50,859	19,228	1,382,455
New additions	0	0	0	0	53,270	**53,270**
Transfer from assets under construction	79	3,315	41,401	5,265	(50,060)	**0**
Disposals	(126)	(306)	(20,803)	(2,871)	(638)	**(24,744)**
Translation differences	0	151	56	7	0	**214**
Change in lease agreements	0	(421)	(297)	(16)	0	**(734)**
Transfer to intangible assets	0	0	0	0	(5)	**(5)**
Cost as at 31 Dec. 2022	34,298	308,058	993,061	53,244	21,795	1,410,456
Accumulated depreciation and impairment as at 31 Dec. 2021	(1,836)	(225,155)	(722,009)	(41,905)	0	(990,905)
Depreciation	(11)	(5,086)	(44,161)	(2,843)	0	**(52,101)**
Disposals	77	304	16,174	2,285	0	**18,840**
Translation differences	0	(12)	(48)	(5)	0	**(65)**
Change in lease agreements	0	170	99	17	0	**286**
Accumulated depreciation and impairment as at 31 Dec. 2022	(1,770)	(229,779)	(749,945)	(42,451)	0	(1,023,945)
Carrying amount as at 31 Dec. 2021	32,509	80,164	250,695	8,954	19,228	391,550
Carrying amount as at 31 Dec. 2022	32,528	78,279	243,116	10,793	21,795	386,511

The right-of-use asset is not stated as a separate item in the statement of financial position. It is included in property, plant and equipment.

Movement of the Right-Of-Use Asset in 2023

in EUR thousand	Land	Buildings	Equipment	Other	Total
Cost as at 31 Dec. 2022	81	5,564	13,268	4,076	22,989
Acquisition of company	0	0	236	0	**236**
New additions	0	66	6,009	3,096	**9,171**
Reversal of right-of-use asset	(40)	(72)	(2,816)	(564)	**(3,492)**
Translation differences	0	(92)	(11)	(1)	**(104)**
Recalculation of lease agreements	0	(155)	(145)	(59)	**(359)**
Cost as at 31 Dec. 2023	41	5,311	16,542	6,547	28,441
Accumulated depreciation and impairment as at 31 Dec. 2022	(51)	(1,875)	(4,171)	(1,294)	(7,391)
Depreciation	(16)	(704)	(1,819)	(872)	**(3,411)**
Reversal of right-of-use asset	40	79	1,635	440	**2,194**
Translation differences	0	27	4	1	**32**
Recalculation of lease agreements	0	100	132	34	**265**
Accumulated depreciation and impairment as at 31 Dec. 2023	(27)	(2,373)	(4,218)	(1,691)	(8,309)
Carrying amount as at 31 Dec. 2022	30	3,689	9,097	2,782	15,598
Carrying amount as at 31 Dec. 2023	14	2,938	12,324	4,856	20,132

Movement of the Right-Of-Use Asset in 2022

in EUR thousand	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec. 2021	61	5,168	10,902	4,214	1,716	22,061
New additions	5	654	4,872	1,535	(1,716)	**5,350**
Reversal of right-of-use asset	0	0	(2,147)	(1,726)	0	**(3,873)**
Translation differences	0	178	6	1	0	**185**
Recalculation of lease agreements	0	0	4	2	0	**6**
Early lease termination	0	(421)	(301)	(18)	0	**(740)**
Redistribution	15	(15)	(68)	68	0	**0**
Cost as at 31 Dec. 2022	81	5,564	13,268	4,076	0	22,989
Accumulated depreciation and impairment as at 31 Dec. 2021	(25)	(1,247)	(3,393)	(1,857)	0	(6,522)
Depreciation	(11)	(775)	(1,425)	(598)	0	**(2,809)**
Reversal of right-of-use asset	0	0	544	1,150	0	**1,694**
Translation differences	0	(38)	(2)	0	0	**(40)**
Early lease termination	0	170	99	17	0	**286**
Redistribution	(15)	15	6	(6)	0	**0**
Accumulated depreciation and impairment as at 31 Dec. 2022	(51)	(1,875)	(4,171)	(1,294)	0	(7,391)
Carrying amount as at 31 Dec. 2021	36	3,921	7,509	2,357	1,716	15,539
Carrying amount as at 31 Dec. 2022	30	3,689	9,097	2,782	0	15,598

On 31 December 2023, the Group leases assets which include buildings, equipment and cars. In 2023, the interest expenses for lease liabilities amounted to EUR 489 thousand (2022: EUR 331 thousand) and were fully repaid.

Analysis of the maturity of lease liabilities and the lowest sum of future lease payments are described in Notes 23 and 24. The Group follows exceptions allowed by the standard, namely for short-term and for leases of low-value assets. In 2023, the total expenses related to these leases amounted to EUR 1,383 thousand (2022: EUR 1,091 thousand).

10. INVESTMENT PROPERTY

in EUR thousand	2023	2022
Cost as at 1 Jan.	34	34
Transfer from property, plant and equipment	4,569	0
Cost as at 31 Dec.	4,603	34
Accumulated depreciation and impairment as at 1 Jan.	(34)	(34)
Depreciation	(37)	0
Transfer from property, plant and equipment	(208)	0
Accumulated depreciation and impairment as at 31 Dec.	(279)	(34)
Carrying amount as at 1 Jan.	0	0
Carrying amount as at 31 Dec.	4,324	0

In 2023, the Group generated EUR 21 thousand of income in investment properties (2022: EUR 0 thousand) and EUR 54 thousand of expenses (2022: EUR 0 thousand). Investment property is not pledged as security for liabilities.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Investments and shares in companies	1,310	1,312
Financial assets at fair value through other comprehensive income	1,310	1,312

Finance assets measured at fair value through other comprehensive income represent shares of Slovenian insurance companies with the intends to receive cash flows from dividends and sale of shares. Financial assets at fair value through other comprehensive income are measured at fair value. Due to the revaluation of shares at lower fair value, the value of the financial asset decreased by EUR 2 thousand (2022: decrease by EUR 70 thousand). In 2022 and 2023, the Group did not sell any financial assets at fair value through other comprehensive income. In 2023, the Group received dividends totalling EUR 107 thousand (2022: EUR 163 thousand).

12. NON-CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Loans issued	57,626	55,679
Non-current financial receivables	57,626	55,679

Non-current financial receivables refer to loans issued to the majority shareholder of the parent company amounting to EUR 48,063 (2022: EUR 48,613 thousand) and the related non-current interest amounting to EUR 9,563 thousand (2022: EUR 7,067 thousand). The loans issued will be repaid from dividends. Dividend payments are expected to be made in accordance with the Group's long-term business projections and are conditional on the Group achieving leverage of less than 3.75. Minimum dividends may always be paid if the conditions laid down in the applicable legislation are met.

The interest rate for the loans issued is fixed and amounts to 5%.

Movement of Non-Current Loans Issued

in EUR thousand	2023	2022
Balance as at 1 Jan.	55,679	81,186
Change in interest receivables	2,497	(317)
Reclassification to current loans issued	(550)	(25,190)
Balance as at 31 Dec.	57,626	55,679

13. OTHER NON-CURRENT ASSETS

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Other assets	3,761	5,190
Other non-current assets	3,761	5,190

Other assets include CO_2 emissions allowances, cautions and other non-current assets.

14. DEFERRED TAX ASSETS AND LIABILITIES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Deferred tax assets	24,290	16,430
Deferred tax liabilities	(59)	(182)
Deferred tax assets (liabilities), net	24,231	16,248

Movement of Deferred Tax Assets and Liabilities in 2023

in EUR thousand	31 Dec. 2022	Acquisition of company	Translation differences	Changes in profit and loss	Changes in the comprehensive income	31 Dec. 2023
Property, plant and equipment	(211)	0	0	87	0	(124)
Other deferred liabilities	29	0	0	36	0	65
Deferred tax liabilities	(182)	0	0	123	0	(59)
Other provisions	247	0	(77)	(7)	0	163
Unused tax losses	9,437	0	(2)	5,808	0	15,243
Inventories	2,298	0	(1)	(1,752)	0	545
Trade receivables	326	1	(1)	(28)	0	298
Employee benefits	1,446	1	0	436	0	1,883
Property, plant and equipment	836	0	(3)	447	0	1,280
Financial assets at fair value through other comprehensive income	(95)	0	0	0	(2)	(97)
Unused tax reliefs	1,935	0	0	3,040	0	4,975
Deferred tax assets	16,430	2	(84)	7,944	(2)	24,290
Deferred tax assets (liabilities), net	16,248	2	(84)	8,067	(2)	24,231

On 31 December 2023, the value of unused tax losses for which deferred tax assets are recognised amounted to EUR 69,626 thousand (2022: EUR 49,269 thousand). The value of unused tax losses for which deferred tax assets are not recognised amounts to EUR 101,451 thousand (2022: EUR 91,002 thousand), while unrecognised deferred tax assets amount to EUR 22,419 thousand (2022: EUR 17,859 thousand).

Movement of Deferred Tax Assets and Liabilities in 2022

in EUR thousand	31 Dec. 2021	Translation differences	Changes in profit and loss	Changes in the comprehensive income	31 Dec. 2022
Property, plant and equipment	(321)	0	110	0	(211)
Other deferred liabilities	39	0	(10)	0	29
Deferred tax liabilities	(282)	0	100	0	(182)
Other provisions	132	58	57	0	247
Unused tax losses	13,359	7	(3,929)	0	9,437
Inventories	1,052	2	1,244	0	2,298
Trade receivables	370	2	(46)	0	326
Employee benefits	1,894	0	(448)	0	1,446
Property, plant and equipment	715	0	121	0	836
Financial assets at fair value through other comprehensive income	(108)	0	0	13	(95)
Unused tax reliefs	3,463	0	(1,528)	0	1,935
Deferred tax assets	20,877	69	(4,529)	13	16,430
Deferred tax assets (liabilities), net	20,595	69	(4,429)	13	16,248

15. INVENTORIES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Raw material	130,228	130,973
Work in progress	83,563	84,892
Finished products	81,583	69,074
Merchandise	15,920	15,688
Inventories	311,294	300,627

On 31 December 2023, the Group reviewed the value of inventories. It found that the net realisable value of raw materials and finished goods inventories is lower that their production value, and impaired them by EUR 7,233 thousand (2022: EUR 573 thousand). On 31 December 2023, no inventories are pledged as security for liabilities (2022: EUR 0 thousand).

16. CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Loans issued	3,838	6,960
Other financial receivables	390	92
Current financial receivables	4,228	7,052

The major part of current financial receivables refers to loans issued to the majority shareholder of the parent company totalling EUR 3,099 thousand (2022: EUR 5,799 thousand) and the corresponding current interests totalling EUR 717 thousand (2022: EUR 1,130 thousand). Loans issued to the majority shareholder will be repaid from dividends. Dividend payments are expected to be made in accordance with the Group's long-term business projections and are conditional on the Group achieving leverage of less than 3.75. Minimum dividends may always be paid if the conditions laid down in the applicable legislation are met.

The interest rate for the loans issued is fixed and amounts to 5%.

Movement of Current Loans Issued

in EUR thousand	2023	2022
Balance as at 1 Jan.	6,960	5,318
Loans issued	53	276
Repayment of loans issued	(3,314)	(24,351)
Allowances for loans issued	1	0
Change in interests	(412)	527
Transfer from non-current loans issued	550	25,190
Balance as at 31 Dec.	3,838	6,960

17. CURRENT TRADE RECEIVABLES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Trade receivables	76,065	120,805
Allowances for trade receivables	(2,680)	(2,863)
Receivables from government and other institutions	7,965	7,434
Issued advance payments and cautions	6,227	11,384
Other receivables	2,041	1,365
Allowances for other receivables	(24)	(30)
Current trade receivables	89,592	138,095

The majority of the Group's trade receivables are insured against commercial risks with an insurance company. On 31 December 2023, no trade receivables are pledged as security for liabilities (2022: EUR 0 thousand).

Movement of Allowance for Receivables from Customers

in EUR thousand	2023	2022
Balance as at 1 Jan.	2,863	2,829
Changes with impact on profit or loss	385	491
Changes without impact on profit or loss	(568)	(457)
Balance as at 31 Dec.	2,680	2,863

18. CASH AND CASH EQUIVALENTS

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Cash in national currency	22,465	9,008
Cash in foreign currency	4,239	7,114
Restricted cash	1	1
Cash and cash equivalents	26,705	16,123

On 31 December 2023, the Group had no deposits with up to 3-month maturity (2022: EUR 142 thousand).

19. CURRENT ASSETS

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Deferred expenses	2,098	1,522
Accrued revenue	571	19
Other current assets	2,669	1,541

Current deferred expenses refer to advance payments of costs, which will debit against profit or loss in 2024.

20. EQUITY

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Equity attributed to the owners of the parent company	*386,563*	*414,507*
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Reserves	7,686	8,605
Retained earnings	222,150	249,175
Non-controlling interest	*31,329*	*30,408*
Equity	417,892	444,915

The share capital of the parent company is recognised in the amount of EUR 145,266 thousand and is distributed among 994,616 shares. The face value of each share is EUR 146.05. The number of shares did not change in 2023 and 2022.

Ownership Structure of the Parent Company

Shareholder	Number of shares 31 Dec. 2023	Number of shares 31 Dec. 2022
DILON, d.o.o., Gerbičeva ulica 98, Ljubljana, Slovenia	718,351	718,351
Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana, Slovenia	248,655	248,655
SIJ d.d., Gerbičeva ulica 98, Ljubljana, Slovenia	27,600	27,600
UNIOR, d. d., Kovaška cesta 10, Zreče, Slovenia	10	10
Total	994,616	994,616

The ownership structure of the parent company did not change in 2023 and 2022.

Capital Surplus

The capital surplus amounting to EUR 11,461 thousand was formed during the simplified decrease of the parent company's capital.

Reserves

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Legal reserves	*11,093*	*10,870*
Treasury shares	*(6,009)*	*(6,009)*
Reserves for treasury shares	*3,754*	*3,754*
Other equity reserves	8,838	8,615
Fair value reserve due to financial assets at fair value through other comprehensive income	*493*	*498*
Deferred tax liabilities	*(94)*	*(95)*
Fair value reserve due to financial assets, net	*399*	*403*
Net actuarial losses on pension programs	*(1,577)*	*(780)*
Fair value reserves	(1,178)	(377)
Translation differences	26	367
Reserves	7,686	8,605

The parent company acquired treasury shares amounting to EUR 2,255 thousand on the basis of the Act Regulating the Incurrence and Settlement of Liabilities of Slovenske železarne as regards the Restructuring Programme (Official Gazette of the RS, No. 111/2001) and in line with the Privatization of Slovenske železarne Act (Official Gazette of the RS, No. 13/1998). Treasury shares were acquired by exchanging interests in subsidiaries for shares of the parent company, owned by authorised companies. The shares were acquired ex lege and not in line with the Companies Act, which is why the parent company did not establish a treasury shares fund. Shares are recognised at cost.

In 2023, the parent company created legal reserves from net profit amounting to EUR 223 thousand (2022: EUR 2,360 thousand).

Distributable Profit

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

Non-Controlling Interest

On 31 December 2023, the gross value of non-controlling interest amounts to EUR 33,304 thousand (2022: EUR 34,408 thousand). The gross value decreased by EUR 1,975 thousand (2022: EUR 4,000 thousand) corresponding to the carrying amount of the 14% share in a subsidiary OROMET (2022: 33% share). In 2023, the Group partially exercised the option and acquired a 19% share. The option agreement for the acquisition of a 14% share is still in force, according to which on 31 December 2023 the liability for the acquisition amounts to EUR 1,392 thousand (2022: EUR 3,896 thousand).

21. EMPLOYEE BENEFITS

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Provisions for severance pay	12,213	11,453
Provisions for jubilee benefits	1,902	1,778
Provisions for post-employment benefits	285	200
Employee benefits	14,400	13,431

The actuarial calculation was made on the basis of the actuarial model and assumptions, derived from the life expectancy tables in Slovenia from 2007, separately for men and women, decreased by 10% (active population), growth of wages in the Republic of Slovenia and the Group, and the yield curve, which represents the relationship between market yields on government bonds in the Eurozone and the time remaining to maturity. The average discount rate considered in the calculations was 3.4%.

Employee benefits are calculated by an authorized actuary. The change in employee benefits had a direct effect on the income statement, except for actuarial gains which affect comprehensive income.

Movement of Employee Benefits in 2023

in EUR thousand	31 Dec. 2022	Acquisition of company	Creation	Reversal and utilisation	31 Dec. 2023
Provisions for severance pay	11,453	11	1,502	(753)	12,213
Provisions for jubilee benefits	1,778	6	159	(41)	1,902
Provisions for post-employment benefits	200	0	101	(16)	285
Employee benefits	13,431	17	1,762	(810)	14,400

Movement of Employee Benefits in 2022

in EUR thousand	31 Dec. 2021	Creation	Reversal and utilisation	31 Dec. 2022
Provisions for severance pay	13,980	183	(2,710)	11,453
Provisions for jubilee benefits	1,964	77	(263)	1,778
Provisions for post-employment benefits	244	0	(44)	200
Employee benefits	16,188	260	(3,017)	13,431

Sensitivity Analysis of Actuarial Assumptions

in EUR thousand		31 Dec. 2023		31 Dec. 2022	
Actuarial assumption	Change in assumption (pp)	Post-employment benefits on retirement	Jubilee benefits	Post-employment benefits on retirement	Jubilee benefits
Yield	0,5	(401)	(56)	(359)	(53)
	–0,5	432	60	386	57
Salary growth	0,5	439	60	411	57
	–0,5	(410)	(57)	(384)	(54)
Fluctuation	0,5	(422)	(60)	(379)	(57)
	–0,5	283	55	256	52

22. NON-CURRENT DEFERRED INCOME

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Assigned contributions	1,103	916
Subsidies for property, plant and equipment	1,646	1,052
Green subsidies	6,129	0
Other deferred income	583	6
Non-current deferred income	9,461	1,974

Movement of Non-Current Deferred Income in 2023

in EUR thousand	31 Dec. 2022	Creation	Decrease in expenses	Reversal and utilisation	31 Dec. 2023
Assigned contributions	916	1,992	0	(1,805)	1,103
Subsidies for property, plant and equipment	1,052	769	0	(175)	1,646
Green subsidies	0	6,129	0	0	6,129
Other deferred income	6	4,502	(2,472)	(1,453)	583
Non-current deferred income	1,974	13,392	(2,472)	(3,433)	9,461

Movement of Non-Current Deferred Income in 2022

in EUR thousand	31 Dec. 2021	Creation	Reversal and utilisation	31 Dec. 2022
Assigned contributions	912	2,115	(2,111)	916
Subsidies for property, plant and equipment	916	439	(303)	1,052
Other deferred income	8	848	(850)	6
Non-current deferred income	1,836	3,402	(3,264)	1,974

23. NON-CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Borrowings	5,904	117,968
Liabilities for bonds issued (SIJ8; SIJ6)	18,920	47,986
Liabilities from lease	10,416	8,152
Non-current financial liabilities	35,240	174,106

Borrowings include loans from domestic and foreign banks. Borrowings amounting to EUR 3,392 thousand (2022: 3,493 thousand) are secured with real estate and movable property. Other borrowings are not secured. The interest rate for the majority of non-current financial liabilities is flexible and based on EURIBOR.

Within the provisions of financial agreements, the Group is obliged to fulfil contractually determined financial commitments. The impact of one-off events (damage to the main engine in a subsidiary in Jesenice and flooding in Carinthia) on the Group's operations could lead to a deviation from achieving contractually agreed financial commitments. The Group received a covenant waiver from the bank lenders for the period ending on 31 December 2023. Since the covenant waiver was obtained after the reporting date, i.e., after 31 December 2023, under IAS 1.74, the non-current portion of financial liabilities amounting to EUR 99,250 thousand is presented as current financial liabilities despite the banks' confirmation of the covenant waiver.

Movement of Non-Current Borrowings

in EUR thousand	2023	2022
Balance as at 1 Jan.	117,968	78,292
Acquisition of company	711	0
New borrowings	31,000	136,536
Repayments of borrowings	0	(26,689)
Amortisation of origination fee	72	(611)
Transfer to current borrowings	(143,847)	(69,560)
Balance as at 31 Dec.	5,904	117,968

Liabilities for Bonds Issued

The parent company issued bonds with the ticker symbol of SIJ8 with the total nominal value of EUR 19,000 thousand in November 2023. The entire bond issue contains 190 denominations of EUR 100 thousand. The bond maturity date is 2 November 2026. The interest rate for the bonds is fixed, i.e. 7.0% per annum. If the sustainability conditions are not met, a surcharge of 0.3% per annum applies. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange.

Movement of Non-Current Liabilities Arising from Lease

in EUR thousand	2023	2022
Balance as at 1 Jan.	8,152	8,909
Acquisition of company	173	0
New leases	8,190	4,603
Transfer to current liabilities from lease	(6,045)	(5,292)
Translation differences	(64)	133
Change in lease agreements	10	(201)
Balance as at 31 Dec.	10,416	8,152

The lowest sum of future leases due for payment in the next 1 to 5 years amounts to EUR 10,376 thousand (2022: EUR 7,501 thousand). After 5 years it amounts to EUR 844 thousand (2022: EUR 1,237 thousand).

The net present value of future leases due for payment in the next 1 to 5 years, amounts to EUR 9,623 thousand (2022: EUR 7,013 thousand). After 5 years it amounts to EUR 793 thousand (2022: EUR 1,140 thousand).

24. CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Borrowings	174,092	43,195
Liabilities for bonds issued (SIJ6; SIJ7)	47,951	31,560
Liabilities from lease	4,868	3,613
Other financial liabilities	1,736	1,455
Current financial liabilities	228,647	79,823

Borrowings include loans from domestic and foreign banks. Borrowings amounting to EUR 1,551 thousand (2022: 2,709 thousand) are secured with real estate and movable property. Other borrowings are not secured. The interest rate for the majority of current financial liabilities is fixed.

Within the provisions of financial agreements, the Group is obliged to fulfil contractually determined financial commitments. The impact of one-off events (damage to the main engine in a subsidiary in Jesenice and flooding in Carinthia) on the Group's operations could lead to a deviation from achieving contractually agreed financial commitments. The Group received a covenant waiver from the bank lenders for the period ending on 31 December 2023. Since the covenant waiver was obtained after the reporting date, i.e., after 31 December 2023, under IAS 1.74, the non-current portion of financial liabilities amounting to EUR 99,250 thousand is presented as current financial liabilities despite the banks' confirmation of the covenant waiver.

Movement of Current Borrowings

in EUR thousand	2023	2022
Balance as at 1 Jan.	43,195	51,782
Acquisition of company	245	0
New borrowings	535,851	485,698
Repayments of borrowings	(549,332)	(565,654)
Amortisation of origination fee	0	1,176
Transfer from non-current borrowings	143,847	69,560
Translation differences	286	633
Balance as at 31 Dec.	174,092	43,195

Liabilities for Bonds Issued

The parent company issued bonds with the ticker symbol SIJ6 with a total nominal value of EUR 40,000 thousand in November 2019. In December 2021, it issued, through a further issue, additional bonds with a total nominal value of EUR 8,000 thousand. The entire bond issue contains 480 denominations of EUR 100 thousand. The bond maturity date is 25 November 2024. The interest rate for the bonds is fixed, i.e. 2.8% per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange.

The parent company repaid the bonds with the ticker symbol SIJ7, amounting to EUR 31,100 thousand, on the maturity day in November 2023.

Liabilities for Commercial Papers Issued

A parent company repaid the 8th issue of commercial papers with the ticker symbol SIK08 amounting to EUR 30,000 thousand on the maturity day in December 2022.

Movement of Current Liabilities Arising from Lease

in EUR thousand	2023	2022
Balance as at 1 Jan.	3,613	3,607
Acquisition of company	63	0
Repayments of liabilities arising from lease	(4,740)	(5,046)
Transfer from non-current liabilities arising from lease	6,045	5,292
Translation differences	(12)	15
Change in lease agreements	(101)	(255)
Balance as at 31 Dec.	4,868	3,613

The lowest sum of future leases due for payment in the next financial year amounts to EUR 5,396 thousand on 31 December 2023 (2022: EUR 3,910 thousand), and the net present value of future leases amounts to EUR 4,868 thousand on the same date (2022: EUR 3,613 thousand).

25. CURRENT TRADE PAYABLES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Payables to suppliers for fixed assets	12,040	5,557
Payables to suppliers for working capital	221,029	196,286
Liabilities to employees	6,844	6,342
Received advance payments and cautions	2,902	6,099
Tax liabilities	5,785	9,357
Other liabilities	1,296	1,284
Current trade payables	249,896	224,925

26. OTHER CURRENT LIABILITIES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Accrued expenses for unused annual leave	2,892	2,233
Accrued expenses for lawsuits	694	658
Accrued expenses for CO2 emissions allowances	995	2,352
Liabilities arising from purchase of non-controlling interest (Note 20)	1,392	3,896
Other liabilities	1,027	870
Deferred revenues from recording magnetic separation and slag recovery waste	1,358	1,931
Other deferred income	183	358
Other current liabilities	8,541	12,298

27. SEGMENT REPORTING

Segment Reporting for 2023

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total	Eliminations	Consolidated financial statements
Operating income (external)	551,407	219,308	157,085	72,294	1,000,094	1,821	1,001,915	0	1,001,915
Operating income (between segments)	163,515	5,124	29,803	10,233	208,676	21,593	230,269	(230,269)	0
Revenue	714,923	224,432	186,888	82,527	1,208,770	23,414	1,232,184	(230,269)	1,001,915
Operating profit (loss)	(10,365)	7,081	1,457	(2,214)	(4,041)	(4,162)	(8,203)	0	(8,203)
Interest income (loss)	262	76	3	0	342	4,833	5,174	(2,494)	2,681
Interest expenses	9,435	1,418	960	932	12,745	3,375	16,121	(2,504)	13,617
Amortisation and depreciation	45,439	5,823	822	3,085	55,169	1,178	56,347	(172)	56,174
Impairment of assets	7,272	333	1,002	(5)	8,602	15	8,617	0	8,617
Goodwill	0	0	1,003	0	1,003	0	1,003	0	1,003
Inventories	7,233	0	0	0	7,233	0	7,233	0	7,233
(Profit) loss from impairment of trade receivables	39	333	(1)	(5)	3.66	15	380	0	380
Purchase of non-current assets	55,129	4,256	1,265	2,451	63,101	372	63,473	0	63,473
Non-current business assets based on geographic area	334,357	61,041	9,696	24,249	429,343	9,353	438,696	0	438,696
Slovenia	334,357	43,031	6,727	24,249	408,364	9,353	417,718	0	417,718
Other countries	0	18,010	2,969	0	20,979	0	20,979	0	20,979

Segment Reporting for 2022

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total	Eliminations	Consolidated financial statements
Operating income (external)	815,284	271,346	152,745	61,761	1,301,136	1,727	1,302,863	0	1,302,863
Operating income (between segments)	194,557	7,482	47,591	12,755	262,385	33,922	296,307	(296,307)	0
Revenue	1,009,841	278,828	200,336	74,516	1,563,521	35,649	1,599,170	(296,307)	1,302,863
Operating profit (loss)	94,944	31,868	2,324	(2,853)	126,283	(2,303)	123,980	0	123,980
Interest income	150	6	1	17	174	5,600	5,774	(2,135)	3,639
Interest expenses	7,171	937	501	868	9,477	3,342	12,819	(2,156)	10,663
Amortisation and depreciation	44,583	5,711	779	2,823	53,896	1,089	54,985	(142)	54,843
Impairment of assets	266	702	43	(40)	971	93	1,064	0	1,064
Inventories	188	290	0	0	478	95	573	0	573
Profit (loss) from impairment of trade receivables	78	412	43	(40)	493	(2)	491	0	491
Share in loss of associates	(781)	0	0	0	(781)	0	(781)	0	(781)
Purchase of non-current assets	41,709	6,007	1,263	6,560	55,539	591	56,130	0	56,130
Non-current business assets based on geographic area	320,331	55,458	10,657	22,436	408,882	10,039	418,921	0	418,921
Slovenia	320,331	39,923	7,410	22,436	390,100	10,039	400,139	0	400,139
Other countries	0	15,535	3,247	0	18,782	0	18,782	0	18,782

Income Reconciliation by Segments

in EUR thousand	2023	2022
Operating income by segments	1,208,770	1,563,521
Operating income (between segments)	(208,676)	(262,385)
Operating income (external)	1,000,094	1,301,136
Operating income – Headquarters and Other Services Division	23,414	35,649
Eliminations	(21,593)	(33,922)
Operating income from contracts with customers	1,001,915	1,302,863

Operating Income (External) by Geographical Areas

in EUR thousand	2023	2022
In Slovenia	151,618	198,600
In other countries:	848,477	1,102,536
- Germany	207,175	275,270
- Italy	231,382	253,772
- USA	84,994	105,003
- Croatia	5,541	7,487
- Austria	26,781	36,568
- other countries	292,604	424,436
Operating income from contracts with customers	1,000,094	1,301,136

The above information on operating income is based on the location of customers. The Group has a wide range of customers and does not depend on just a few major customers.

Reconciliation of Operating Profit (Loss)

in EUR thousand	2023	2022
(Loss) profit by segments	(4,041)	126,283
Operating loss of Headquarters and Other Services	(4,162)	(2,303)
Operating (loss) profit	(8,203)	123,980
Finance income	2,855	3,786
Finance expenses	(19,968)	(14,585)
Share in loss of associates	0	(781)
(Loss) profit before tax	(25,316)	112,400

28. CONTINGENT ASSETS AND LIABILITIES

On 31 December 2023, the contingent liabilities amount to EUR 90 thousand (2022: EUR 76 thousand) and refer to guarantees for good work performance, lawsuits, customs bond guarantees and excise guarantees. The Group expects no outflows from the guarantees issued.

On 31 December 2023, the contingent assets amount to EUR 2,164 thousand (2022: EUR 1,835 thousand), and refer to received guarantees and bills for the elimination of errors in the warranty period. The Group expects no inflows from received guarantees.

In July 2021, the parent company concluded with the other member an option agreement related to interests in RSC HOLDING and ADDITHERM, namely:i) call option 1 in favour of the other member to buy a 2% share in RSC HOLDING and a 51% share in ADDITHERM; ii) call option 2 in favour of the other member to buy a 51% share in ADDITHERM; iii) call option in favour of the parent company to buy a 49% share of the other member in RSC HOLDING and a 49% share of the other member in ADDITHERM; iv) put option 1 in favour of the other member to sell a 49% shares of the other member in RSC HOLDING and ADDITHERM; v) put option 2 in favour of the other member to sell a 49% share of the other member in RSC HOLDING.. The options can be exercised under the terms and conditions set out in the option agreement. On 31 December 2023 and 31 December 2022, the parent company reviewed the fair value of option agreements and assessed that the fair value was minimal or equal to zero. It will review the fair value annually and recognise possible changes in profit or loss.

29. BUSINESS COMBINATIONS

In November 2023, ORO MET acquired a 51% share in ORO PRECIZNE CNC. In 2023 the Group considered temporary fair values of acquired assets as fair for the initial accounting for the business combination of purchasing the companies.

The Group considered carrying amounts of acquired assets, liabilities and potential liabilities as fair for the initial accounting for the business combination of purchasing the company, in accordance with the first clause of IFRS 3.45. Within 12 months of the acquisition date, it will resume initial accounting and adjust initial recognition accordingly.

The statement of financial position of company ORO PRECIZNE CNC on the date, when the Group acquired control, is given below.

in EUR thousand	Fair value	Temporary fair value
ASSETS		
Cash and cash equivalents	117	117
Property, plant, equipment, and intangible assets	3,070	3,070
Inventories	117	117
Trade receivables	257	257
Other assets	34	34
EQUITY AND LIABILITIES		
Financial liabilities	1,194	1,194
Trade payables	244	244
Other liabilities	622	622
NET ASSETS	1,535	1,535
Non-controlling interest (49 %)	752	-
ACQUIRED NET ASSETS	783	-
Acquisition price	1,500	-
Carrying amount of acquired net assets	783	-
GOODWILL	717	-

Related Parties

Related parties are the parent company of the Group, its majority shareholder and the ultimate parent (including companies in their groups), subsidiaries, associates, other related parties and the management of companies.

Transactions with the Majority Shareholder

in EUR thousand	2023	2022
Revenue	2,651	3,627

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Receivables	61,457	62,624

Transactions with Other Related Parties

in EUR thousand	2023	2022
Revenue	28,736	9,063
Expenses	2,603	4,883

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Receivables	5,268	4,598
Liabilities	1,585	2,068

Transactions with Management

The total amount of the receipts of the Supervisory Board members and the receipts of the Group's key management personnel for the performance of functions or tasks based on the business management contracts

in EUR thousand	2023	2022
Key management personnel	11,343	25,503
Members of the Supervisory Board	178	147

In 2023, the Group did not grant any loans, issue any guarantees or make any advance payments to the key management personnel or the members of the Supervisory Board. On 31 December 2023, the Group has no receivables or liabilities towards the key management personnel, except for liabilities for December salaries paid January 2024.

Financial Instruments and Risks

Credit Risk

The credit risk is assessed as accordingly managed. Exposure to credit risks is assessed based on receivables insurability, data and information, predicting risk of losses (financial information on customers and their financial statements, media available information, earlier business relations with customers, and forward-looking information). The Group actively and systematically monitors the receivables structure, executes intensive communication with customers and accurately monitors possible indicators of increased retail credit risk.

The major portion of trade receivables are receivables from the sale of products in domestic and foreign countries. The trade receivables are diversified and secured with first-class insurances, such as credit insurance by an insurance company and bank guarantees. On the reporting date, 82% of all trade receivables are secured with first-class insurance (2022: 80%). The control system is also managed by the protocol for assigning internal limits. The effects of expected future losses of trade receivables are measured by using the allowances matrix, where the loss allowance is measured by using the simplified model at an amount equal to 12-month expected credit losses.

The majority of financial receivables and deposits represent loans issued to the majority shareholder of the parent company. For loans issued, with no significant increase in credit risk since initial recognition, the reporting date has not been, the impairment assessment is based on expected credit losses linked to a default on loans that is possible within the next 12 months (group 1). For those loans issued for which there has been a significant increase in credit risk since initial recognition, the Group recognises a loss allowance on a case by case basis (group 3). All loans issued by the Group are categorized in group 1. There was no movement between groups in 2023.

Age Structure of Financial Assets

in EUR thousand		Overdue				
31 Dec. 2023	Not-over due	Up to 3 months	3 months to 1 year	1 year to 3 years	Over 3 years	Total
Trade receivables	64,434	9,264	440	468	1,459	76,065
Financial receivables and deposits	61,859	0	10	0	0	61,869
Other operating receivables	2,512	6	15	17	19	2,569
Total	128,805	9,270	465	485	1,478	140,503

in EUR thousand		Overdue				
31 Dec. 2022	Not-over due	Up to 3 months	3 months to 1 year	1 year to 3 years	Over 3 years	Total
Trade receivables	103,520	14,064	1,013	767	1,441	120,805
Financial receivables and deposits	62,740	7	0	0	0	62,747
Other operating receivables	2,189	11	7	3	55	2,265
Total	168,449	14,082	1,020	770	1,496	185,817

Movement of Allowances for Financial Assets

in EUR thousand	Allowance as at 31 Dec. 2022	Changes with impact on profit or loss	Changes without impact on profit or loss	Allowance as at 31 Dec. 2023
Trade receivables	2,863	385	(568)	2,680
Financial receivables and deposits	15	0	0	15
Other operating receivables	32	(5)	0	27
Total	2,910	380	(568)	2,722

in EUR thousand	Allowance as at 31 Dec. 2021	Changes with impact on profit or loss	Changes without impact on profit or loss	Allowance as at 31 Dec. 2022
Trade receivables	2.829	491	(457)	2.863
Financial receivables and deposits	21	(6)	0	15
Other operating receivables	63	0	(31)	32
Total	2.913	485	(488)	2.910

Liquidity Risk

The Group ensures liquidity by ensuring that it has sufficient liquid assets at all times to settle its liabilities on an ongoing basis. The Group manages liquidity risk as follows:

- through centralised management of the Group's liquidity,
- by actively planning and managing cash flows on a daily, monthly and annual basis,
- by maintaining a liquidity reserve in the form of approved credit lines with various commercial banks,
- by ensuring appropriate maturity and diversification of financial debt, and by financing within the Group,
- by reconciling the maturity of receivables and payables on an ongoing basis, and by optimising working capital,
- by consistently collecting overdue receivables.

Special attention is paid to preparing various liquidity scenarios and working capital projections. The parent company continuously monitors and plans the management of the Group's liquidity resources. Liquidity risk is additionally managed by the receivables securitisation program.

The majority of financial liabilities refers to the outstanding principal of the long-term syndicated loan totalling EUR 118,500 thousand (2022: EUR 125,500 thousand) and to bonds issued totalling EUR 67,000 thousand (2022: EUR 79,100 thousand).

Within the provisions of financial agreements, the Group is obliged to fulfil contractually determined financial commitments. The impact of one-off events (damage to the main engine in a subsidiary in Jesenice and flooding in Carinthia) on the Group's operations could lead to a deviation from achieving contractually agreed financial commitments. Nevertheless, the Group received from all bank lenders a waiver or a change in financial commitments and financial indicators. In 2023, the Group therefore fully complied with all commitments set in loan agreements. Since the waiver regarding the compliance with financial covenants was received after the reporting date, which is after 31 December 2023, under IAS 1.74, the non-current portion of financial liabilities totaling EUR 99,250 thousand is classified as current financial liabilities, despite the timely confirmation of the waiver for financial covenants by the banks.

in EUR thousand		Contractual cash flows				
31 Dec. 2023	Carrying amount	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Payables to suppliers	233,496	226,350	6,720	426	0	**233,496**
Financial liabilities	263,887	36,837	100,680	137,435	11,113	**286,065**
Contract liabilities	1,906	1,499	0	407	0	**1,906**
Other liabilities, w/o liabilities to the state and employees and advanced payments	1,720	1,294	0	426	0	**1,720**
Total liabilities	501,009	265,980	107,400	138,694	11,113	523,187

in EUR thousand		Contractual cash flows				
31 Dec. 2022	Carrying amount	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Payables to suppliers	202,706	191,100	11,426	0	180	**202,706**
Financial liabilities	253,929	20,737	65,791	164,209	23,437	**274,174**
Contract liabilities	2,421	3	1,457	961	0	**2,421**
Other liabilities, w/o liabilities to the state and employees and advanced payments	1,283	837	53	393	0	**1,283**
Total liabilities	460,339	212,677	78,727	165,563	23,617	480,584

Foreign Exchange Risk

The Group assesses its foreign exchange risk as moderate and accordingly managed. The Group is exposed to changes in exchange rates especially due to volatility of the US dollar, and due to currency fluctuations on some local markets with lower exposure. Amounts in the tables are shown in EUR thousand.

31 Dec. 2023	EUR	USD
Cash and cash equivalents	25	4,172
Trade receivables	110	10,506
Trade payables	(25)	(32,654)
Financial liabilities	0	(2,208)
Exposure	110	(20,184)

31 Dec. 2022	EUR	USD
Cash and cash equivalents	68	5,147
Trade receivables	0	5,903
Trade payables	0	(47,605)
Exposure	68	(36,555)

The euro is the functional currency and does not represent exposure to exchange rate change risk.

The Group manages the risk with internal methods of exchange rate risk management, notably through the price policy method by integrating the exchange rate into a price difference, and by balancing sales and purchasing. In balancing, it seeks to neutralize foreign exchange risk by using natural protection or seeking a balance between inflows and outflows by currency. It is not using derivative financial instruments to protect exchange rates. On 31 December 2023, the value of US dollar expressed in euro increased by 3.6% compared to 31 December 2022. In 2023, the average value of US dollar was 2.7% higher than in 2022. Sensitivity analysis is prepared for US dollar.

Sensitivity analysis and presentation of US dollar exchange rate impact on profit before tax.

in EUR thousand	2023		2022	
Change of exchange rate by	10%	-10%	10%	-10%
US dollar (USD)	1,827	(1,827)	3,427	(3,427)

The change in the value of the US dollar by 10% compared to the euro on 31 December 2023 or 31 December 2022 would result in a change of profit or loss before tax by the amounts stated below. In the calculation of the change of US dollar exchange rate impact, the Group included a balance of cash and cash equivalents, receivables, liabilities and loans nominated in local currencies. Exposure to other currencies is low and does not represent material risk.

In 2023 and 2022, the following exchange rates were material for the Group:

Currency	31 Dec. 2023	31 Dec. 2022	Average exchange rate in 2023	Average exchange rate in 2022
EUR / USD	1.1050	1.0666	1.0813	1.0530
EUR / GBP	0.8691	0.8869	0.8698	0.8528
EUR / RUB	97.6914	63.3008	90.2010	73.2172
EUR / HRK	-	7.5365	-	7.5349
EUR / CZK	24.7240	24.1160	24.0040	24.5660

Exchange rates used to translate the balance items as at 31 December are equal to the ECB reference exchange rate as at 31 December, except for the Russian rouble. The exchange rate for the Russian rouble was last set by the European Central Bank on 1 March 2022. After that date, the exchange rate is available on the European Commission's website.

Interest Rate Risk

The Group estimates the exposure to interest rate risk to be moderate. The current trend of high interest rates on financial markets is putting additional pressure on cash flows and is harming the Group's performance. The Group considers its interest rate risk to be manageable due to the diversification of its borrowings between variable and fixed interest rates. It manages it by maintaining an appropriate proportion of fixed-rate borrowings and by regularly and actively monitoring financial market conditions.

Financial liabilities at variable interest rates represent 62% of the Group's total financial liabilities (2022: 57%). Variable interest rates consist of the variable interest rate EURIBOR and interest margin.

A change in interest rate by 100 or 50 basis points on the reporting date would result in a decrease of profit or loss by the amounts stated below. The analysis assumes that all other variables remain unchanged.

The analysis for 2022 was prepared in the same manner.

in EUR thousand	2023	2022
Change in profit/loss if increased by 100 bp	(1,641)	(1,447)
Change in profit/loss if increased by 50 bp	(820)	(723)
Change in profit/loss if decreased by 50 bp	820	9
Change in profit/loss if decreased by 100 bp	1,641	20

Equity Management

The Group's main purpose of equity management is to achieve an adequate volume of capital to ensure confidence of its creditors to financial stability, long-term solvency, as well as proper payment of dividends to its owners. On 31 December 2022, the parent company owns 27,600 treasury shares.

In the structure of total indebtedness, the share of equity value remains at a high level, as the Group continues to implement the current financial policy to ensure long-term development through long-term sources.

The level of debt on equity represents the ratio between equity and financial liabilities.

in EUR thousand	2022	Debt increase by 10 %	Debt decrease by 10 %
Level of debt on equity	63.15	69.46	56.83
Equity	417,892	417,892	417,892
Financial liabilities	263,887	290,276	237,498

Carrying Amounts and Fair Values of Financial Instruments

Presentation of Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

in EUR thousand	31 Dec. 2023		31 Dec. 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,310	1,310	1,312	1,312
Financial receivables	61,854	61,854	62,731	62,731
Trade receivables	90,119	90,119	138,993	138,993
Cash and cash equivalents	26,704	26,704	16,123	16,123
Financial liabilities	(263,887)	(263,887)	(253,929)	(257,632)
Trade payables	(250,322)	(250,322)	(225,788)	(225,778)

Presentation of Financial Assets and Liabilities, Disclosed at Fair Value According to Fair Value Determination Hierarchy

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Financial assets at fair value through other comprehensive income	894	896
Financial assets at fair value of first level	894	896
Financial assets at fair value through other comprehensive income	416	416
Financial assets at fair value of third level	416	416
Bonds and commercial papers	(66,871)	(83,143)
Financial liabilities at fair value of second level	(66,871)	(83,143)
Borrowings	(179,996)	(161,267)
Leases	(15,283)	(11,766)
Other financial liabilities	(1,736)	(1,456)
Financial liabilities at fair value of third level	(197,016)	(174,489)

The third level of liabilities at fair value includes borrowings, leases, and interest liabilities, representing, according to the valuation model, carrying amounts of discounted expected future payments with adjusted risk level.

In 2023, there were no transfers of financial instruments between different levels.

Events After the Reporting Date

The Group timely received a waiver from the lending banks in February 2024 regarding the compliance with financial covenants under the syndicated loan agreement for the period ending on 31 December 2023. Since the waiver regarding the compliance with financial covenants was received after the reporting date, which is after 31 December 2023, under IAS 1.74, the non-current portion of financial liabilities totaling EUR 99,250 thousand is classified as current financial liabilities, despite the timely confirmation of the waiver for financial covenants by the banks. According to the provisions of the syndicated loan agreement, compliance with financial covenants is tested upon delivery of financial statements and corresponding compliance certificates, which shall be submitted to the banks within 90 days after the end of the year (i.e., by 30 March 2024). Since the waiver for financial covenants was obtained before the mandatory submission date of financial statements and reporting compliance with financial covenants to the banks, on 31 December 2023 there was no breach of these covenants concerning the testing period of the covenants for the period ending on the reporting date.

There were no other events after the reporting date that could influence the presented consolidated financial statements.

FINANCIAL REPORT SIJ d.d.

04

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia

Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT

to the shareholders of SIJ – Slovenska industrija jekla, d.d.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of the company SIJ – Slovenska industrija jekla, d.d. (hereinafter 'the Company'), which comprise the separate statement of financial position as at 31 December 2023, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities (EU Regulation). Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Separate Financial Statements section* of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International

MAKING AN IMPACT THAT MATTERS since 1845

Ethics Standards Board for Accountants (IESBA Code) and other 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the year ended 31 December 2023. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investments in Subsidiaries

Key audit matter	How our audit addressed the key audit matter
Investments in subsidiaries amount to EUR 244,959 thousand as of 31 December 2023 (31.12.2022: EUR 239,730 thousand) in the Company's separate financial statements. As required by the applicable accounting standards – IAS 36 Impairment of assets, Management conducts annual impairment tests to assess the recoverability of the carrying value of investments. The recoverable amount of investments is determined in accordance with IAS 36 as value in use and the present value of expected future cash flows to be generated by the subsidiary is assessed. Significant management judgment is involved in determination of critical assumptions and design of expected cash flows, accordingly, the impairment test of these assets is considered to be a key audit matter. Management has provided further information about the valuation related to subsidiaries in note 10 – *Investments in Subsidiaries*.	As part of our audit procedures, we assessed the adequacy of the company's accounting policies regarding impairments of investments in subsidiaries. Our audit procedures included assessing whether management's judgment is appropriate and whether the requirements of IAS 36 are met, including: - evaluation whether the model used by management to calculate the value in use of individual investments comply with the requirements of IAS 36 Impairment of assets and whether assumptions used are reasonable and supportable given the current macroeconomic climate and expected future performance; - we made use of our experts to evaluate whether the methodology used by the management expert is appropriate and whether the significant assumptions used are adequate for given purposes; - assessment whether information disclosed in the notes to the separate financial statements meet the requirements of applicable financial reporting standards.

Other information

Management is responsible for the other information. The other information comprises the information included in Annual report, other than the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we express no assurance thereon.

Deloitte.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the separate financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances. In relation to this and based on our procedures performed, we report that:

- Other information is, in all material respects, consistent with the audited separate financial statements;
- Other information is prepared in compliance with applicable law or regulation; and
- Based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 separate financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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.

Deloitte.

- 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the requirements of the Regulation (EU) No 537/2014 of the European Parliament and of the Council (Regulation EU 537/2014)

Confirmation to the Audit Committee
We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Prohibited Services
We confirm that no services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided and that the audit company fulfilled independence requirements.

Deloitte.

Other services performed by the audit company
There are no services, in addition to the statutory audit, which the audit company provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

Appointment of the Auditor and responsible certified auditor
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 15 April 2022, while the president of the Supervisory Board signed the audit contract on 21 October 2022. The audit contract was signed for 3 years. Our total uninterrupted engagement as statutory auditors has lasted since 16 November 2019.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Yuri Sidorovich.

DELOITTE REVIZIJA d.o.o.
Dunajska cesta 165
1000 Ljubljana

Yuri Sidorovich
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 27. March 2024

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

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

Statement of the Management's Responsibility

The Management Board is responsible for the preparation of the separate financial statements, together with accounting policies and notes, for the year 2023, which give to the best of its knowledge and belief, a fair view of the development and results of the Company's operations and its financial position, including the description of material risks the Company is exposed to.

The Management Board confirms that appropriate accounting policies have been applied consistently in the preparation of the separate financial statements, that accounting estimates were prepared based on the principles of fair value, prudence and sound management, and that the separate financial statements give a true and fair view of the Company's financial position and the results of its operations in the year 2023.

The Management Board is also responsible for appropriate accounting and for taking adequate measures to protect the Company's property and other assets, and confirms that the Separate financial statements, together with the notes thereto, have been prepared based on the going concern assumption and in accordance with applicable legislation and International Financial Reporting Standards as adopted by the European Union.

Anytime within 5 years after the end of the year in which the tax assessment should be made, the tax authorities can inspect the operations of the Company. This can result in the occurrence of additional tax liabilities, default interests and fines based on corporate income tax or other taxes and duties. No circumstance that could result in this type's possible liability is known to the Management Board.

Ljubljana, March 27, 2024

Andrey Zubitskiy,
President of the Management Board

Separate Financial Statements

Separate Statement of Comprehensive Income

in EUR thousand	Note	2023	2022
Revenue	1	16,968	31,899
Gross profit		**16,968**	**31,899**
General and administrative expenses	2	(20,967)	(31,058)
Other operating income	3	4,111	49,011
Other operating expenses	4	(4,423)	(3,847)
Loss from impairment of trade receivables	15	(135)	(2)
Operating (loss) profit		**(4,446)**	**46,003**
Finance income	5	12,953	7,674
Finance expenses	6	(4,347)	(5,722)
Finance income		**8,606**	**1,952**
Profit before tax		**4,160**	**47,955**
Income tax	7	301	(765)
Profit for the period		**4,461**	**47,190**
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses) profit on pension programs		(119)	167
Fair value losses of financial assets at fair value through other comprehensive income		(2)	(70)
Income tax related to components of other comprehensive income		(3)	13
Total other comprehensive income		**(124)**	**110**
Comprehensive income		**4,337**	**47,300**

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

Separate Statement of Financial Position

in EUR thousand	Note	31 Dec. 2023	31 Dec. 2022
ASSETS			
Non-current assets		**334,294**	**317,975**
Intangible assets	8	282	419
Property, plant and equipment	9	5,669	6,143
Investments in subsidiaries	10	244,959	239,730
Financial assets at fair value through other comprehensive income	11	1,298	1,300
Financial receivables	12	80,800	69,290
Deferred tax assets	13	1,286	1,093
Current assets		**61,399**	**79,781**
Assets (groups) held for sale		31	31
Financial receivables	14	59,355	55,978
Trade receivables	15	920	23,043
Cash and cash equivalents	16	913	350
Other assets		180	379
Total assets		**395,693**	**397,756**

Continuation of the table →

Continuation of the table

in EUR thousand	Note	31 Dec. 2023	31 Dec. 2022
EQUITY AND LIABILITIES			
Equity	**17**	**267,020**	**268,495**
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Other equity reserves		8,838	8,615
Fair value reserves		368	492
Retained earnings		101,087	102,661
Non-current liabilities		**34,950**	**62,106**
Employee benefits	18	953	881
Financial liabilities	19	23,007	49,765
Other liabilities	20	10,990	11,460
Current liabilities		**93,723**	**67,155**
Financial liabilities	21	87,240	57,413
Trade payables	22	3,454	7,142
Income tax liabilities		133	911
Other liabilities	23	2,896	1,689
Total equity and liabilities		**395,693**	**397,756**

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

Separate Statement of Changes in Equity

Separate Statement of Changes in Equity in 2023

in EUR thousand	Share capital	Capital surplus	Other equity reserves	Fair value reserves	Retained earnings	Total
Balance as at 31 Dec. 2022	**145,266**	**11,461**	**8,615**	**492**	**102,661**	**268,495**
Dividends paid	0	0	0	0	(5,812)	**(5,812)**
Transactions with owners	**0**	**0**	**0**	**0**	**(5,812)**	**(5,812)**
Profit for the period	0	0	0	0	4,461	**4,461**
Other changes in comprehensive income	0	0	0	(124)	0	**(124)**
Total changes in comprehensive income	**0**	**0**	**0**	**(124)**	**4,461**	**4,337**
Creation of legal reserves	0	0	223	0	(223)	**0**
Total changes in equity	**0**	**0**	**223**	**0**	**(223)**	**0**
Balance as at 31 Dec. 2023	**145,266**	**11,461**	**8,838**	**368**	**101,087**	**267,020**

Separate Statement of Changes in Equity in 2022

in EUR thousand	Share capital	Capital surplus	Other equity reserves	Fair value reserves	Retained earnings	Total
Balance as at 31 Dec. 2021	**145,266**	**11,461**	**6,255**	**382**	**108,822**	**272,186**
Dividends paid	0	0	0	0	(50,991)	**(50,991)**
Transactions with owners	**0**	**0**	**0**	**0**	**(50,991)**	**(50,991)**
Profit for the period	0	0	0	0	47,190	**47,190**
Other changes in compre-hensive income	0	0	0	110	0	**110**
Total changes in compre-hensive income	**0**	**0**	**0**	**110**	**47,190**	**47,300**
Creation of legal reserves	0	0	2,360	0	(2,360)	**0**
Total changes in equity	**0**	**0**	**2,360**	**0**	**(2,360)**	**0**
Balance as at 31 Dec. 2022	**145,266**	**11,461**	**8,615**	**492**	**102,661**	**268,495**

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

Separate Cash Flow Statement

in EUR thousand	2023	2022
Cash flow from operating activities		
Profit before tax	**4,160**	**47,955**
Adjusted for:		
Amortisation of intangible assets and depreciation of property, plant and equipment (Notes 8 and 9)	976	857
Interest income (Note 5)	(4,836)	(5,601)
Interest expenses (Note 6)	3,452	3,651
(Reversal) creation of impairments	(2,161)	3,275
Creation of allowances and provisions	96	1,210
Revenue from dividends (Note 3)	(2,904)	(48,747)
Net other expenses (income)	(2,194)	(779)
Operating cash flow before working capital adjustments	**(3,411)**	**1,821**
Working capital adjustment		
Decrease (increase) in trade receivables	22,246	(20,095)
Decrease in trade payables	(8,555)	(3,001)
(Decrease) increase in taxes other than income tax	(3,828)	2,868
Total working capital adjustments	***9,863***	***(20,228)***
Payments for retirement benefits and loyalty bonuses	(48)	(193)
Receipts from government grant	111	251
Income tax (paid) received	(672)	195
Net cash flow generated (used) in operating activities	**5,843**	**(18,154)**
Cash flow from investing activities		
Payments for investments in subsidiaries	(17,103)	(10,200)
Receipts from investments in subsidiaries	8,450	0
Payments for property, plant and equipment	(110)	(373)

Continuation of the table →

Continuation of the table

000 EUR	2023	2022
Receipts from property, plant and equipment	277	278
Payments for intangible assets	(51)	(60)
Payments for loans issued (Notes 12 and 14)	(84,572)	(97,461)
Receipts from loans issued (Note 14)	78,283	138,858
Interests received	2,637	5,434
Dividends received (Notes 10 and 11)	2,904	48,747
Net cash flow (used) generated in investing activities	**(9,285)**	**85,223**
Cash flow from financing activities		
Receipts from borrowings (Notes 19 and 21)	147,108	78,055
Payments for borrowings (Note 21)	(135,320)	(103,352)
Receipts from financial services	1,879	2,179
Payments for lease	(480)	(501)
Interests paid	(3,370)	(3,220)
Dividends paid	(5,812)	(50,991)
Net cash flow from generated (used) in financing activities	**4,005**	**(77,830)**
Cash and cash equivalents as at 1 Jan.	**350**	**11,111**
Net change in cash and cash equivalents	563	(10,761)
Cash and cash equivalents as at 31 Dec.	**913**	**350**

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

Notes to the Separate Financial Statements

Reporting Entity

SIJ – Slovenska industrija jekla, d.d (hereinafter: the Company) is a company with its registered office in Slovenia. The address of its registered office is Gerbičeva ulica 98, 1000 Ljubljana. Given below are the separate financial statements for the period ending on 31 December 2023.

The consolidated financial statements are issued at the same date. Consolidated financial statements for a broader group of subsidiaries are compiled by DILON Cooperatief U. A., the ultimate parent of SIJ d.d. The consolidated annual report for the Group DILON Cooperatief is available, when compiled, at the registered office of DILON Cooperatief U. A., John M. Keynesplein 10, 1066EP Amsterdam, the Netherlands.

Basis of Preparation

The separate financial statements are presented in thousands of euros. Due to the rounding of the value amounts, there may be insignificant deviations to the sums given in tables.

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

The Management Board approved the separate financial statements on 27 March 2024.

A. STATEMENT OF COMPLIANCE

The separate financial statements have been prepared following the International Financial Reporting Standards (IFRS) with associated notes, which are being adopted by the International Accounting Standards Board (IASB), and the interpretations of the IFRS Interpretations Committee (IFRIC), adopted by the EU and in accordance with the Companies Act (ZGD).

Initial application of new amendments to the existing standards issued by IASB and adopted by the EU effective for the current reporting period

The following amendments to the existing standards issued by the IASB and adopted by the EU are effective for the current reporting period:

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued by IASB on 25 June 2020 – adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 "Insurance contracts" – Initial Application of IFRS 17 and IFRS 9** – Comparative Information adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 "Income Taxes"** – International Tax Reform – Pillar Two Model Rules*

** Exception specified in amendments to IAS 12 (that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes) is applicable immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023.*

The adoption of amendments to the existing standards has not led to any material changes in the separate financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU, do not significantly differ from regulations adopted by the IASB except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU on the date of publication of financial statements (the effective dates stated below are for IFRS as issued by IASB):

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Non-Current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 7– "Statement of Cash Flows"** – and IFRS 7 "Financial Instruments: Disclosures" – Supplier Finance Arrangements (affective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 21 – "The Effects of Changes in Foreign Exchange Rates"** – Lack of Exchangeability (affective for annual periods beginning on or after 1 January 2025),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company assesses that the adoption of these new standards, and the amendments of existing standards will not have any significant effect on the separate financial statements at their first application. Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. The Company assesses that the accounting of hedging instrument in connection with financial assets and liabilities in accordance with the requirements of IAS 39 – "Financial Instruments: Recognition and Measurement" would not have a significant influence on the financial statements if it was used on the date of the statement of financial position.

B. USE OF GOING CONCERN ASSUMPTION

In the preparation of the separate financial statements for 2023, the Management Board took into account the going concern assumption based on activities and actions that that improve the Company's future operations in such a way that it will be able to generate cash flow to cover liabilities and provide investors with an adequate return on capital.

C. BASIS OF MEASUREMENT

The separate financial statements have been prepared based on historical cost, except for the financial instruments which are measured at their fair value or amortised cost.

D. FUNCTIONAL AND PRESENTATION CURRENCY

The separate financial statements in this report are presented in thousands of euros; the euro is also the functional currency of the Company.

E. APPLICATION OF ESTIMATES AND JUDGMENTS

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

Since estimates are subject to subjective judgments and a certain degree of uncertainty, the subsequent actual results can differ from those estimated. Estimates are reviewed on an ongoing basis. Amendments to the accounting estimates are recognised during the period in which the estimates were revised if the amendment only applies to this period, or during the period of the amendment and future periods if the amendment applies to future periods.

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

Estimate of the Useful Life of Assets Subject to Amortisation or Depreciation (Notes 8 and 9, and Policies E and F)

When estimating the useful life of assets, the Company takes into account the expected physical wear and tear, the technical and economic obsolescence, as well as expected legal and other restrictions of use. In addition, the Company checks the useful life of significant

assets in case the circumstances change and the useful life needs to be changed and amortisation and depreciation charges revalued.

Impairment of Assets

Information on significant uncertainty estimates and critical judgments that were prepared by the Management Board in the process of accounting policy implementation and which affect the amounts in the financial statements the most was used in the estimation of the value of:

- intangible assets (Note 8),
- property, plant and equipment (Note 9);
- investments in subsidiaries (Note 10);
- financial assets at fair value through other comprehensive income (Note 11);
- financial assets measured at amortised cost (including trade receivables) (Policy H);
- financial receivables (Notes 12 and 14).

Estimate of the Fair Value of Assets (Policies J and K)

Fair value is used for financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. All other items in the financial statements represent the cost or the amortised cost.

In measuring the fair value of a non-financial asset, the Company must take into account a market participant's ability to generate economic benefits using the asset in its best use or by selling it to another market participant that would use the asset to the fullest and best possible extent. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, especially by applying appropriate market inputs and minimum non-market inputs.

All assets and liabilities measured and disclosed in the financial statements at fair value are classified within the fair value hierarchy based on the lowest level of input data that is significant to the fair value measurement as a whole:

Level 1 – quoted (unadjusted) prices in active markets for similar assets and liabilities;
Level 2 – valuation techniques that are based directly or indirectly on market data;
Level 3 – valuation techniques that are not based on market data.

For assets and liabilities already disclosed in the financial statements in previous periods, the Company determines at the end of each reporting period whether transfers have occurred between levels by re-assessing the classification of assets based on the lowest level input that is significant to the fair value measurement as a whole.

The fair value hierarchy of assets and liabilities of the Company is presented in Note 'Financial Instruments and Risks'.

Estimate of Created Provisions (Policy M)

A provision is recognised when the Company, due to a past event, has a legal or constructive obligation that can be reliably measured, and if it is probable that settling the obligation will require an outflow of resources embodying economic benefits. Possible obligations are not recognised in the financial statements, as their actual existence will only be confirmed when events will or will not occur in an unpredictable future, which is something the Company cannot influence. The Management Board is regularly checking whether the settling of the probable obligation will require an outflow of resources enabling economic benefits. If such outflow becomes probable, the possible obligation is reclassified when a degree of probability has changed by creating in the consolidated financial statements a provision for it.

Estimate of Provisions for Employee Post-Employment and Other Long-Term Benefits (Note 18 and Policy N)

Defined post-employment and other benefit obligations include the present value of post-employment benefits on retirement and jubilee benefits. They are recognised based on an actuarial calculation which is prepared by an authorised actuary and approved by the Management Board. An actuarial calculation is based on the assumptions and estimates applicable at the time of the calculation, and these may differ from the actual assumptions due to future changes. This mainly refers to determining the discount rate, the estimate of staff turnover, the mortality estimate, and the salary increase estimate. Due to the complexity of the actuarial calculation and the item's long-term nature defined benefit obligations are sensitive to changes in the said estimates.

Assessing the Possibility of Using Deferred Tax Assets (Note 13 and Policy D)

The Company recognises deferred tax assets in connection with provisions for jubilee benefits and post-employment benefits on retirement, Impairment of financial assets, Impairment of receivables, unused tax reliefs, tax losses.

On the day the financial statements are completed, the Company verifies the amount of recognised deferred tax assets and liabilities. Deferred tax assets are recognised if it is probable that future taxable net profit, against which the deferred tax asset can be utilised, will be available. Deferred taxes are derecognised by the amount for which it is unlikely to enforce the tax relief associated with the asset.

Critical Assessment of the Russian-Ukrainian Conflict

So far, the Company has not been particularly affected by the developments related to the Russian-Ukranian conflict. The Company is closely monitoring the situation and the potential impact of the current and announced sanctions. The level of uncertainty is high for the European economy as a whole and it is impossible to foresee all the consequences at this point.

Significant Accouniting Policies Information

A. FOREIGN CURRENCY CONVERSION

Transactions in foreign currencies are translated into the adequate functional currency at the ECB (European Central Bank) exchange rate on the trade date. The ECB last fixed the exchange rate of the Russian rouble on 1 March 2022. As of this date, transactions denominated in the Russian rouble are converted into functional currency at the exchange rate published by the European Commission. Cash assets and liabilities denominated in a foreign currency at the end of the period are translated into the functional currency at the exchange rate applicable at that time. Positive or negative exchange rate differences are the differences between the amortised cost in functional currency at the beginning of the period and the payments during the period, and the amortised cost in a foreign currency, calculated at the exchange rate at the end of the period. Non-cash assets and liabilities, denominated in foreign currency and measured at fair value, are translated into the functional currency at the exchange rate on the date when the fair value is set. Non-cash assets and liabilities, denominated in foreign currency and measured at cost, are translated into the functional currency at the exchange rate on the date of the transaction. Exchange rate differences are recognised in profit or loss.

B. REVENUE

The Company is a holding company and is managing its subsidiaries. The Company accounts for contracts with customers if all the following criteria according to IFRS 15 are met: i) contracting parties have approved a contract (in writing, orally, or in accordance with other standard business practices) and are obliged to fulfil their obligations, ii) the Company can identify the rights of each contracting party to the services to be transferred, iii) the Company can identify payment terms and conditions for services to be transferred, iv) the contract has commercial substance, v) it is probable that the Company will be entitled to a consideration in exchange for the services that will be transferred to a customer.

Revenue from contracts with customers is recognised at the moment of transfer of control over services to a customer in the amount of consideration that the Company expects to be entitled to in exchange for transferring the services. Revenue from contracts with customers is recognised at the fair value of received payments decreased by repayments, discounts, rebates for further sales, and quantity discounts.

Sales of Services

Revenue and other operating income are recognised when the service is performed, and the customer obtains control of that goods or services according to IFRS 15.

The Company is a holding managing its subsidiaries. From this, it also generates revenue which is recognised over time. Revenue is recognised equally during the period when a service is provided. The buyer receives and enjoys the benefits provided by the Company.

Within the sale of services, the largest portion represent management fees charged to the subsidiaries. The management fees are charged according to the achieved revenue of each subsidiary, where the percentage of the fee charged also depends on the size of the subsidiary. For sales of services, a performance obligation arises during the period when the services are provided, being charged on a monthly basis.

Finance Income

Finance income comprises interest income and positive exchange rate differences resulting from financing and investing. Interest income is recognised during the term/life of financial instrument using the effective interest rate method.

C. EXPENSES

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

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

D. TAXATION

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

Current income tax liabilities are based on the taxable profit for the financial year. Taxable profit differs from net profit, reported in the income statement, because it excludes items of income or expenses that are taxable or deductible in other years, and items that are never taxable or deductible. The Company's current income tax liability is calculated using the tax rates applicable on the reporting date.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profit,against which the deferred tax asset can be utilised, will be available. If in the future the available taxable profit is insufficient to create the deferred tax assets for the full amount of unused tax relief, they are created based on the maturity of tax relief utilisation possibilities in accordance with the legislation.

Deferred tax liability is recognised for all taxable temporary differences, unless they come from initial goodwill recognition, or the initial recognition of an asset or liability in a business transaction other than a business combination and affects neither the accounting profit nor taxable profits (tax loss) during the transaction.

Tax loss in a tax period can be covered by reducing the tax base in the subsequent tax periods. In reducing the tax base due to tax losses from preceding tax periods, the tax base shall first be reduced by the oldest tax loss. A reduction of the tax base due to tax losses from preceding tax periods may only be allowed to a maximum of 50% of the tax base for the tax period.

Tax base may be reduced by legally imposed percentage of the amount invested in equipment, intangible assets and for the amount invested in research and development, along with utilisation of unused portion of the tax relief from preceding tax periods, not exceeding 63 percent of the tax base. For the unused part of the tax relief in the tax period, the Company can reduce the tax base in the subsequent five tax periods. In reducing the tax base due to the unused portion of the tax relief from preceding tax periods, the tax base shall first be reduced by the oldest unused portion of the tax relief.

E. INTANGIBLE ASSETS

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

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

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

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

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

F. PROPERTY, PLANT AND EQUIPMENT

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

Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the tangible asset. The right-of-use assets are depreciated over the estimated period of lease and useful life, depending on which is shorter. Land and unfinished construction are not depreciated. Amortisation is accounted for when an asset becomes available for use.

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

	Useful life
Property	20–55 years
Computer equipment	2–5 years
Motor vehicles	3–8 years
Other equipment	2–10 years

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

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

Carrying amount recognition of an item of property, plant and equipment is derecognised when disposed or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Disposal effects are recognised in other operating income or expenses.

Leases

The Company is using a single model for the majority of lease items in the Statement of Financial Position.

i. Company as a Lessee

When signing a contract, the Company assesses whether the contract is or contains a lease. The Company recognises a lease liability and the right-of-use asset if it deems that the leased asset is identified, and when it controls the use of the asset. The Company depreciates the right-of-use assets and attributes interests to the lease liabilities.

The Company follows exceptions allowed by the standard, namely for short-term leases with a lease term not exceeding 12 months and with no option to purchase, and for lower-valued leases, where the Company has taken into account new assets which do not individually exceed EUR 5 thousand. For these leases the Company recognises the lease payments as operating expenses on a straight-line basis, unless another systematic basis is more representative.

Variable lease payments which do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets. The related payments are recognised in the period to which they relate as operating expenses.

On the date of the commencement of the lease term, the lease liability is measured at the present value of future leases and discounted at interest rate implicit in the lease. If this rate cannot be readily determined, an incremental borrowing rate is used. The Company remeasures lease liability by discounting modified lease payments using modified discount rates if a lease term or assessment of the exercise of the option to buy the leased asset had been changed. When doing so, the lessee determines the modified discount rate as an interest rate implicit in the lease for the remaining lease term.

On the date of the commencement of the lease term, an asset representing the right-of-use is measured at cost. Value of assets representing the right-of-use includes the value of initial measurement of lease liability, and lease payments paid on or before the commencement of the lease term decreased by lease incentives and increased by initial directly attributable costs. After the date of commencement of the lease term, an asset representing the right-of-use is measured at cost decreased by accumulated depreciation and amortisation and accumulated impairment losses, and corrected by remeasured lease liability if an index or a rate has changed.

The right-of-use asset is depreciated from the date of the commencement of the lease until the end of the useful life or the end of the lease term if it is shorter from the useful life. If the lease transfers ownership of the asset or the value of asset representing the right-of-use reflects an expectation that the Company will use the possibility to buy, the asset representing the right-of-use is depreciated from the date of the commencement of lease until the end of the useful life of a leased asset.

For determining whether the right-of-use asset is impaired and for other impairment-related matters, the Company uses IAS 36.

ii. Company as a Lessor

The Company classifies each of its leases as an operating or business lease. A lease is classified as a finance lease if it includes the transfer of substantially all significant risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Company is only in a position of a lessor in operating leases.

Lease rental income from an operating lease is recognised on a straight-line basis. Initial directly attributable costs incurred from the acquisition of a lease are added to the carrying amount of the leased asset. These costs are recognised as an expense during a lease term on the same basis as lease rental income.

G. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are recognised at cost. The cost may also include contingent consideration which depends on future events agreed in the purchase agreement. The consideration should be recognised at fair value. Changes in the fair value of the consideration arising from events after the date of purchase are recognised in profit or loss.

The Company recognises revenue from financial investments in the amount arising from the distribution of the accumulated profit after the date of the acquired financial investment.

If a loss made by a subsidiary requires the investment to be impaired, the impairment loss is measured as the difference between the investment's carrying amount and recoverable value.

H. FINANCIAL INSTRUMENTS

Financial instruments include non-derivative financial assets, non-derivative financial liabilities, and derivative financial instruments. Financial instruments are carried at fair value and amortised cost. Fair value is a price that would be achieved by selling an asset or paid by transferring a liability in an orderly transaction between market participants at the date of measurement.

Non-Derivative Financial Assets

At initial recognition a financial asset is classified into one of the following groups: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income or cash.

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

A more detailed explanation of the impairment of financial assets is disclosed in Note J.

i. Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income that have the nature of a debt instrument are the financial assets held by the Company that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. For debt instruments at fair value through other comprehensive income, interest income, foreign exchange differences and impairment losses or reversals are recognised in the statement of profit or loss and accounted for in the same manner as financial assets at amortised cost. The remaining fair value changes are recognised in the statement of other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is reclassified to profit or loss.

Financial assets at fair value through other comprehensive income that have the nature of an equity instrument are the financial assets that meet the definition of equity under IAS 32 “Financial Instruments” for which the Company elected to classify them irrevocably as equity instruments designated at fair value through other comprehensive income and which are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never reclassified to profit or loss.

Dividends are recognised as other revenue in the statement of profit or loss when the Company's right of payment has been established.

ii. Financial Assets at Amortised Cost

The Company's financial assets at amortised cost include financial assets held by the Company that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company’s financial assets at amortised cost include loans issued, trade and other receivables. Depending on their maturity, they are classified as current (maturity of up to 12 months from the date of the statement of financial position) or non-current financial assets (maturity of more than 12 months from the date of the statement of financial position). Borrowings and liabilities are initially recognised at fair value increased by costs directly attributable to the business transaction. After initial recognition, they are measured at amortised cost using the effective interest method, less any expected credit losses Gains and losses are recognised in profit or loss when reversed, modified or impaired.

Trade receivables insurance is not considered as a specific financial instrument, but as an integral part of receivables. Insurance policies are concluded periodically and are related to specific receivables and/or business partners. The concluded insurance policy is flexible. Business partners can be included or excluded from the insurance during the duration of the insurance policy. Insurance policies are related to trade receivables insurance exclusively.

iii. Cash and Cash Equivalents

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

Non-Derivative Financial Liabilities

Non-derivative financial liabilities include operating, financial and other liabilities. Financial liabilities are initially recognised on the transaction date on which the Company becomes a contracting party in relation to the instrument. The Company derecognises a liability when the contractual obligations are fulfilled, annulled or expired.

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

Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value. Costs related to a business transaction are recognised in profit or loss when they are incurred. After the initial recognition, the derivative financial instruments are measured at fair value, with changes in fair value recognised in profit or loss.

Derivative financial instruments also include option agreements classified by the Company as financial assets or financial liabilities at fair value through profit or loss. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the date of measurement. If the transaction price is not equal to the fair value on the date of measurement, the difference in market assets is recognised in profit or loss or deferred and subsequently released to profit or loss in accordance with the policy.

Financial investments and financial liabilities, measured at fair value through profit or loss, are remeasured at fair value at least once per year, in the preparation of the annual financial statements. Profit or loss, arising from a change in fair value, are recognised in profit or loss.

I. ASSETS (GROUPS) HELD FOR SALE

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

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

Upon sale, the Company derecognises an asset (group) for disposal and recognises the effect of the disposal among other operating income or expenses less costs directly attributable to the sale.

J. IMPAIRMENT OF ASSETS

Financial Assets

According to IFRS 9, the Company uses the expected credit loss model. According to this model, it recognises not only incurred losses but also losses that are expected to be incurred in the future. The Company assesses indications of impairment of financial instruments. Impairment estimates are based on the expected credit losses associated with the probability of defaults of a financial instrument over the next 12 months if the credit risk has not increased significantly since initial recognition. For financial assets such as trade receivables that do not contain a significant component of financing, a simplified approach is used to calculate value adjustment as an amount equal to the expected credit losses over the life of the asset. The Company creates groups of receivables based on collateral, maturity of receivables and similar risk characteristics and repayments in previous years, corrected for the Management Board's assessment of whether actual losses due to current economic and credit conditions may be greater or less than the losses foreseen in the past development.

In case the credit risk has increased significantly since initial recognition, but there are no objective indications for assets impairment, the impairment estimates are based on the probability of default over the life of the financial asset. Expected credit losses represent the difference between the contractual cash flows that are due and all the cash flows that the Company expects to receive. For financial assets that show objective indications of impairment at the reporting date, an allowance for impairment losses due to expected credit losses is made in its entirety.

The Company recognises a write-off of a financial asset when it reasonably expects that the contractual cash flows will fail to recover. Objective evidence of the impairment of financial assets can include: default or delinquency by a debtor; restructuring of the amount owed to the Company, if the Company agrees; indications that the debtor will declare bankruptcy; and disappearance of the active market for such an instrument. The Company evaluates evidence of loan impairment on a loan-by-loan basis.

Financial assets measured at fair value through other comprehensive income include investments in equity securities or shares of other companies for which an irrevocable non-trading decision was made upon initial recognition. The fair value of quoted securities is measured at the stock exchange rate at the reporting date. Gains or losses on changes in fair value are recognised in other comprehensive income and are recognised directly in equity as the fair value reserve of financial instruments in net amount. The amounts presented in other comprehensive income may not be subsequently transferred to profit or loss. Accumulated profit or loss is transferred within equity.

Non-Financial Assets

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

The recoverable value of assets or cash-generating units (CGU) is their value in use or fair value, less cost to sell, whichever is greater. In assessing value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of cash and the risks specific to the asset. For the purpose of the impairment test, assets that cannot be tested individually are classified as the smallest possible group of assets that generate cash inflows from further use and which are largely independent of the inflow of other assets or groups of assets (cash-generating units).

The impairment of an asset or CGU is recognised if its carrying amount exceeds its recoverable value. The impairment is recognised in the income statement.

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

K. DETERMINATION OF FAIR VALUE

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

Fair value is the value achieved by selling the asset or paid by transferring the liability between two well-informed and willing parties in a regulated business transaction. The Company determines the fair value of financial instruments by taking into account the following fair value hierarchy:

- Level 1 comprises market prices in active markets for identical assets or liabilities;
- Level 2 comprises values other than market prices included within Level 1 that are observable either directly (prices for identical or similar assets or liabilities in markets that are less active or inactive) 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 comprises inputs for the asset or liability that are not based on observable market data. Unobservable inputs need to reflect the assumptions that market participants would use when determining a price for the asset or liability, including risk assumptions.

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

Intangible Assets

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

Property, Plant and Equipment

The fair value of property, plant and equipment is their market value. The market value of a property is equal to the estimated value at which the property could be sold on the date of valuation and after proper marketing. The market value of the equipment is based on the approach using quoted market prices for similar items. If there is no quoted market price, the method of discounted cash flows that are expected to arise from the use and possible disposal of the assets is used.

Financial Assets at Fair Value through Profit or Loss and Financial Assets at Fair Value through Other Comprehensive Income

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is determined by reference to the above fair value hierarchy for financial instruments.

Receivables and Loans Issued

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

Non-Derivative Financial Liabilities

For reporting purposes, the fair value is calculated based on the present value of future principal payments and interest discounted at the market interest rate at the end of the reporting period.

L. EQUITY

Share Capital

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

The equity of the Company is its liability to its owners, which falls due if the Company discontinues its operations, in which the equity volume is adjusted according to the currently attainable price of total assets. It is defined by the amounts invested by the owners, and the amounts that appeared during operation and belong to the owners. It is decreased by the loss from operations and payments to owners, and increased by the profit generated in the period.

Capital Surplus

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

Reserves

Reserves include other equity reserves and other reserves. Other equity reserves represent legal reserves, statutory reserves, and reserves for treasury shares. Other reserves represent fair value reserves, reserves for actuarial gains, and losses on pension programmes.

Treasury Shares

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

Dividends

Until approved at the General Meeting of Shareholders, the planned dividends are treated as retained earnings.

M. PROVISIONS

Provisions are recognised if the Company, due to a past event, has a legal or constructive obligation that can be reliably measured, and if it is probable that settling the obligation will require an outflow of resources enabling economic benefits.

N. EMPLOYEE BENEFITS

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

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

O. DEFERRED INCOME

Deferred income is expected to cover the estimated expenses during a period exceeding one year.

Government and other grants, received for covering expenses, are consistently recognised as revenue in periods in which the respective expenses, which the grant should cover, are incurred.

P. CASH FLOW STATEMENT

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

Notes to Individual Items in the Separate Financial Statements

1. REVENUE

in EUR thousand	2023	2022
In Slovenia	16,961	31,892
In other countries	7	7
Revenue	**16,968**	**31,899**

2. OPERATING EXPENSES

in EUR thousand	2023	2022
Cost of goods, materials and services	4,875	3,615
Labour costs	14,874	26,339
- wages and salaries	*11,966*	*21,581*
- social security costs	*2,004*	*3,562*
- other labour costs	*904*	*1,196*
Depreciation and amortisation costs	976	857
Other costs	242	247
Operating expenses	**20,967**	**31,058**

In 2023, the costs of annual report auditing amounted to EUR 38 thousand (2022: EUR 37 thousand). The costs for other authorised services amounted to EUR six thousand (2021: EUR 1 thousand). The costs for non-audit services amounted to EUR four thousand (2022: EUR 10 thousand).

Average Number of Employees by Level of Formal Education

	2023	2022
Primary school	0	0.5
Secondary vocational school	1.8	2.4
Secondary general school	6.8	9.3
1st cycle degree – Bachelor's degree	41.7	40.6
2nd cycle degree – Master's degree	65.3	73.4
3rd cycle degree – Doctoral degree	21.7	21.1
Total	**137.3**	**147.3**

3. OTHER OPERATING INCOME

in EUR thousand	2023	2022
Profit from sale of property, plant and equipment	202	26
Revenues from dividends (Notes 10 and 11)	2,904	48,747
Income from received subsidies	111	189
Gain on liquidation of a subsidiary	855	0
Other income	39	49
Other operating income	**4,111**	**49,011**

4. OTHER OPERATING EXPENSES

in EUR thousand	2023	2022
Expenses for donations and sponsorships	227	151
Impairment of investments	4,186	3,275
Compensations	0	136
Other expenses	10	285
Other operating expenses	**4,423**	**3,847**

5. FINANCE INCOME

in EUR thousand	2023	2022
Interest income	4,836	5,601
Revenues from issued guarantees	1,770	2,046
Reversal of impairments of loans issued (Notes 12 and 14)	6,347	0
Exchange rate differences	0	27
Finance income	**12,953**	**7,674**

6. FINANCE EXPENSES

in EUR thousand	2023	2022
Interest expenses	3,452	3,651
Impairments of loans issued (Notes 12 and 14)	0	1,150
Discounting of trade payables	758	863
Exchange rate differences	17	0
Other expenses	120	58
Finance expenses	**4,347**	**5,722**

Other finance expenses refer to expenses for the bond issue and origination fees for borrowings and expenses for the sale of trade receivables.

7. INCOME TAX

in EUR thousand	2023	2022
Profit before tax	**4,160**	**47,955**
Tax at effective tax rate 19% (2022: 19%)	790	9,111
Tax effects from:		
- non-taxable income	*(1,321)*	*(9,503)*
- tax non-deductible expenses	*802*	*2,088*
- tax relief	*(572)*	*(931)*
Income tax	**(301)**	**765**
Effective tax rate	**0%**	**1.60%**

8. INTANGIBLE ASSETS

Movement of Intangible Assets in 2023

in EUR thousand	Software	Assets under construction	Total
Cost as at 31 Dec. 2022	**1,398**	**2**	**1,400**
New additions	0	43	**43**
Transfer from assets under construction	45	(45)	**0**
Cost as at 31 Dec. 2023	**1,443**	**0**	**1,443**
Accumulated amortisation and impairment as at 31 Dec. 2022	**(980)**	**0**	**(980)**
Amortisation	(181)	0	**(181)**
Accumulated amortisation and impairment as at 31 Dec. 2023	**(1,161)**	**0**	**(1,161)**
Carrying amount as at 31 Dec. 2022	**417**	**2**	**419**
Carrying amount as at 31 Dec. 2023	**282**	**0**	**282**

The increase in intangible assets refers to the purchase of software. On 31 December 2023, the Company's unsettled liabilities to suppliers for the purchase of intangible assets amounted to EUR 5 thousand (2022: EUR 13 thousand). The intangible assets are not pledged as security for liabilities.

The Company reviewed the value of intangible assets and established that the carrying amount does not exceed the recoverable amount.

Movement of Intangible Assets in 2022

in EUR thousand	Software	Assets under construction	Total
Cost as at 31 Dec. 2021	**1,325**	**17**	**1,342**
New additions	0	58	**58**
Transfer from assets under construction	73	(73)	**0**
Cost as at 31 Dec. 2022	**1,398**	**2**	**1,400**
Accumulated amortisation and impairment as at 31 Dec. 2021	**(812)**	**0**	**(812)**
Amortisation	(168)	0	**(168)**
Accumulated amortisation and impairment as at 31 Dec. 2022	**(980)**	**0**	**(980)**
Carrying amount as at 31 Dec. 2021	**513**	**17**	**530**
Carrying amount as at 31 Dec. 2022	**417**	**2**	**419**

9. PROPERTY, PLANT AND EQUIPMENT

Movement of Property, Plant and Equipment in 2023

in EUR thousand	Land	Buildings	Equipment	Assets under construction	Total
Cost as at 31 Dec. 2022	**717**	**5,296**	**4,340**	**10**	**10,363**
New additions	0	0	0	454	**454**
Transfer from assets under construction	0	1	463	(464)	**0**
Disposals	0	0	(453)	0	**(453)**
Cost as at 31 Dec. 2023	**717**	**5,297**	**4,350**	**0**	**10,364**
Accumulated depreciation and impairment as at 31 Dec. 2022	**0**	**(1,823)**	**(2,397)**	**0**	**(4,220)**
Depreciation	0	(168)	(627)	0	**(795)**
Disposals	0	0	320	0	**320**
Accumulated depreciation and impairment as at 31 Dec. 2023	**0**	**(1,991)**	**(2,704)**	**0**	**(4,695)**
Carrying amount as at 31 Dec. 2022	**717**	**3,473**	**1,943**	**10**	**6,143**
Carrying amount as at 31 Dec. 2023	**717**	**3,306**	**1,646**	**0**	**5,669**

The increase in property, plant and equipment results from the purchase of computer equipment, office furniture, vehicle leasing, and business premises. Disposals include sales of vehicles and computer equipment.

Items of property, plant and equipment are not pledged as security for liabilities. On 31 December 2023, the Company has EUR 46 thousand (2022: EUR 36 thousand) of outstanding liabilities for the purchase of property, plant and equipment. The Company did not capitalise borrowing costs in 2023 and 2022.

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

Movement of Property, Plant and Equipment in 2022

in EUR thousand	Land	Buildings	Equipment	Assets under construction	Total
Cost as at 31 Dec. 2021	**717**	**5.203**	**4.032**	**0**	**9.952**
New additions	0	0	0	1.188	**1.188**
Transfer from assets under construction	0	93	1.085	(1.178)	**0**
Disposals	0	0	(777)	0	**(777)**
Cost as at 31 Dec. 2022	**717**	**5.296**	**4.340**	**10**	**10.363**
Accumulated depreciation and impairment as at 31 Dec. 2021	**0**	**(1.664)**	**(2.355)**	**0**	**(4.019)**
Depreciation	0	(159)	(529)	0	**(688)**
Disposals	0	0	487	0	**487**
Accumulated depreciation and impairment as at 31 Dec. 2022	**0**	**(1.823)**	**(2.397)**	**0**	**(4.220)**
Carrying amount as at 31 Dec. 2021	**717**	**3.539**	**1.677**	**0**	**5.933**
Carrying amount as at 31 Dec. 2022	**717**	**3.473**	**1.943**	**10**	**6.143**

The right-of-use asset is not stated as a separate item in the statement of financial position. It is included in property, plant and equipment.

Movement of the Right-Of-Use Asset in 2023 and 2022

in EUR thousand	2023	2022
Cost as at 31 Dec. 2022/2021	**1,967**	**2,484**
New additions	334	803
Termination of lease agreements	(381)	(1,320)
Cost as at 31 Dec. 2023/2022	**1,920**	**1,967**
Accumulated depreciation and impairment as at 31 Dec. 2022/2021	**(612)**	**(1,144)**
Depreciation	(414)	(330)
Termination of lease agreements	270	862
Accumulated depreciation and impairment as at 31 Dec. 2023/2022	**(756)**	**(612)**
Carrying amount as at 31 Dec. 2022/2021	**1,355**	**1,340**
Carrying amount as at 31 Dec. 2023/2022	**1,164**	**1,355**

The Company has cars and business premises under lease. Average lease term is four years (2022: 5 years). Analysis of the maturity of lease liabilities and the lowest sum of future lease payments are described in Notes 19 and 21. In 2023, the interest expenses for lease liabilities amounted to EUR 37 thousand (2022: EUR 25 thousand) and were fully repaid.

The Company follows exceptions allowed by the standard, namely for short-term leases, and for lower-valued leases. In 2023, the total cost of leases amounted to EUR 131 thousand (2022: EUR 146 thousand).

10. INVESTMENTS IN SUBSIDIARIES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
SIJ ACRONI	111,337	111,337
SIJ METAL RAVNE	84,214	67,714
GRIFFON & ROMANO	0	0
RSC HOLDING	31,545	31,545
NIRO WENDEN	0	0
SIJ STORITVE	505	505
ODPAD	5,581	4,981
SIJ ELEKTRODE JESENICE	0	0
SIJ SUZ	616	616
SIJ ZIP CENTER	68	68
SIJ RAVNE SYSTEMS	2,519	6,705
HOLDING PMP	0	7,687
SIJ AMERICAS	2,670	2,670
SSG	0	0
ADDITHERM	5,902	5,902
SIJ MIDDLE EAST	2	0
Investments in subsidiaries	**244,959**	**239,730**

In February 2023, the liquidation procedure for SIJ ELEKTRODE JESENICE was winded up.

At the beginning of March 2023, Holding PMP ceased to exist under fast-track procedures.

In May 2023, the Company established SIJ MIDDLE EAST where it has a 100-percent share.

In 2023, the Company received dividends totalling EUR 2,797 thousand (2022: EUR 48,584 thousand).

Information on Subsidiaries as at 31 December 2023

in EUR thousand	Activity	% of voting rights 2023/2022	Value of equity as at 31 Dec. 2023	Profit (loss) for the period ending 31 Dec. 2023
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	199,837	1,737
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	79,726	(26,157)
SIJ STORITVE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Renting and managing of own and leased real estate	100	(144)	(392)
SIJ ELEKTRODE JESENICE d.o.o. – in liquidation, Cesta železarjev 8, Jesenice, Slovenia	Welding materials production	100	-	-
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	5,093	(403)
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	523	(341)
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.9	12,011	718
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	1,115	2
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	Heat processing and special steel trade	100	5,062	(1,230)
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	100	2,244	(3,203)
HOLDING PMP d.o.o., Gerbičeva 98, Ljubljana, Slovenia	Holding activity	100	-	24
SIJ AMERICAS Inc., 331 Newman Springs Road Suite, 104, Red Bank, New Jersey, USA	Trade	100	5,188	969
OOO SSG, Presnenskaya nab. 12, floor 59, office 10, Moscow, Russia	Trade	100	332	(1)
ADDITHERM d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Scientific and technical research	51	2,996	1
RSC HOLDING d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Holding company	51	48,624	3,982
SIJ MIDDLE EAST- FZCO, DSO-IFZA, IFZA Properties, Dubai Silicon Oasis, Dubai, United Arab Emirates	Trade	100	(257)	(260)

As part of the preparation of the annual report for 2023, the Company performed an impairment test for the investment into SIJ Ravne Systems, for which the examination of indications of impairment under IAS 36 showed the need for impairment.

The valuation of the recoverable amount of the investment was carried out by a business appraiser certified by Slovenian Institute of Auditors. The recoverable amount of the investments was determined as a fair value less cost of sale. The valuation took into account the going concern assumption. Investments represents a separate cash-generating unit (CGU). That is how the Management Board monitors the Group's operations since each company represents the lowest level of identifiable independent cash inflows.

Method of Present Value of the Estimated Free Cash Flows

When determining the recoverable amount, the Company applied the method of present value of the estimated free cash flows. This method attempts to project, based on the analysis of past operations and the estimate of future business possibilities, the future returns of owners in cash, which are subsequently translated to the carrying amount by using the correspondent discount rate. The so-calculated value of the company based on the free cash flows represents the return requested by the risk embedded in the investment. This is theoretically and practically the most appropriate and useful method of valuation of a company, as it concentrates on what is the most important to investors, i.e. return in the form of cash flow.

Projections were prepared from the perspective of the majority shareholder. Given the object of the valuation, a 2 or 5 percent marketability discount was used (including the cost of sale). The discount rate used is defined as the weighted average cost of capital (WACC). It reflects current market assessments of the time value of cash and the risks specific to the valuated asset.

As a control method the method of comparable companies listed on stock excange of bonds was applied. Due to a limited number of comparable companies listed on stock exchange and since there are not many comparable companies engaged in a similar business and with the same characteristics, this method was used only as a control method for the results, obtained with the method of present value of the estimated free cash flows.

The impairment test as of 31 December 2023 showed that the investment in SIJ RAVNE SYSTEMS should be impaired by EUR 4,186 thousand. The determination of the recoverable amount for 2022 and 2023 is given below.

Review of the Determination of the Recoverable Amount for 2023

				Material assumptions used						Sensitivity analysis					
Subsidiary	Financial year	Indications of impairment	Determination of recoverable amount	Valuation date	Projection of operations	Discount rate (WACC)	Long-term growth rate	Target EBITDA margin	Revenue growth	Recoverable amount (in EUR thousand)	Upper bound of the range (in EUR thousand)	Change in discount rate (WACC) +/–0.5% (in EUR thousand)	Change in long-term growth rate +/–0.5% (in EUR thousand)	Impairment loss (in EUR thousand)	Value of investment after being impaired (in EUR thousand)
SIJ RAVNE SYSTEMS (Manufacturing Division)	2023	The company ended 2023 with loss.	A	31 Dec. 2023	2024-2037	9.20%	2.0%	6.0% from 2034 onwards	CAGR 0.7%	2,508	2,726	+331/–340	+138/–148	4,186	2,519

A – Valuation of the fair value less cost of sale by using the method of present value of the estimated free cash flows.

Review of the Determination of the Recoverable Amount for 2022

				Material assumptions used						Sensitivity analysis					
Subsidiary	Financial year	Indications of impairment	Determination of recoverable amount	Valuation date	Projection of operations	Discount rate (WACC)	Long-term growth rate	Target EBITDA margin	Revenue growth	Recoverable amount (in EUR thousand)	Upper bound of the range (in EUR thousand)	Change in discount rate (WACC) +/–0.5% (in EUR thousand)	Change in long-term growth rate +/–0.5% (in EUR thousand)	Impairment loss (in EUR thousand)	Value of investment after being impaired (in EUR thousand)
SIJ RAVNE SYSTEMS (Manufacturing Division)	2022	The company ended 2023 with a loss.	A	31 Dec. 2022	2023–2033	10.30%	2.50%	5.9% – in 2023 it had achieved 6.4%, comparable with companies with the same activity in Europe.	49.5% in the first year due to a change in the business model, then 0.2% and 1.0%, and then 2.5 % by the end of the projection period.	6,705	7,325	–810/+862	+378/–354	2,240	6,705
SSG (Steel Processing and Distribution Division)	2022	Due to the geopolitical situation, the investment was impaired without a valuation to a value of EUR 0.													

A – Valuation of the fair value less cost of sale by using the method of present value of the estimated free cash flows.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Investments and shares in companies	1,298	1,300
Financial assets at fair value through other comprehensive income	**1,298**	**1,300**

Finance assets measured at fair value through other comprehensive income represent shares of Slovenian insurance company with intends to receive cash flows from dividends and from sale of shares. Financial assets at fair value through other comprehensive income are measured at fair value. Due to the revaluation of shares at lower fair value, the value of the financial asset decreased by EUR 2 thousand (2022: decrease by EUR 70 thousand). In 2023 and 2022, there was no decrease from sale of assets. In 2023, the Company received dividends totalling EUR 107 thousand (2022: EUR 163 thousand).

12. NON-CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Loans issued	80,800	69,290
Non-current financial receivables	**80,800**	**69,290**

Non-current financial receivables refer to loans issued to the majority shareholder and subsidiaries and approved for their liquidity purposes. Loans issued to the to the majority shareholder amount to EUR 48,063 thousand (2022: EUR 48,613 thousand), and the related non-current interest to EUR 9,563 thousand (2022: EUR 7,067 thousand). Loans issued to the majority shareholder will be repaid from dividends. Dividend payments are expected to be made in accordance with with the Group's long-term business projections and are conditional on the Group achieving leverage of less than 3.75. Minimum dividends may always be paid if the conditions laid down in the applicable legislation are met. Loans issued to subsidiaries amount to EUR 23,109 thousand (2022: EUR 13,610 thousand), and the related non-current interest to EUR 65 thousand (2022: EUR 0). The subsidiaries will repay them from current liquidity in line with long-term business projections.

The interest rates for loans issued are fixed as well as flexible and vary between 1.60 and 5.92% (2022: from 1.60 to 5.00%). The loans issued are not pledged as security for liabilities.

Movement of Non-Current Loans Issued

in EUR thousand	2023	2022
Balance as at 1 Jan.	**69,290**	**95,757**
Loans issued	13,600	10,922
Exchange rate differences	(7)	(3)
Change in interest receivables	2,561	(323)
Reclassification to current loans issued	(4,642)	(38,901)
(Creation) reversal of impairments	(2)	1,838
Balance as at 31 Dec.	**80,800**	**69,290**

13. DEFERRED TAX ASSETS AND LIABILITIES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Deferred tax assets	1,383	1,188
Deferred tax liabilities	(97)	(95)
Deferred tax assets (liabilities), net	**1,286**	**1,093**

Movement of Deferred Tax Assets and Liabilities in 2023

in EUR thousand	31 Dec. 2022	Changes in profit and loss	Changes in the comprehensive income	31 Dec. 2023
Financial assets at fair value through comprehensive income	(95)	0	(2)	(97)
Deferred tax liabilities	**(95)**	**0**	**(2)**	**(97)**
Unused tax losses	1,118	25	0	1,143
Employee benefits	70	140	0	210
Trade receivables	0	30	0	30
Deferred tax assets	**1,188**	**195**	**0**	**1,383**
Deferred tax assets (liabilities), net	**1,093**	**195**	**(2)**	**1,286**

On 31 December 2023, the total unused tax loss amounts to EUR 36,738 thousand (2022: EUR 36,670 thousand). The value of unused tax losses for which deferred tax assets are not recognised amounted to EUR 31,540 thousand (2022: EUR 30,788 thousand), while unrecognised deferred tax assets amounted to EUR 6,938 thousand (2022: EUR 5,850 thousand).

Movement of Deferred Tax Assets and Liabilities in 2022

in EUR thousand	31 Dec. 2021	Changes in profit and loss	Changes in the comprehensive income	31 Dec. 2022
Financial assets at fair value through comprehensive income	(108)	0	13	(95)
Deferred tax liabilities	**(108)**	**0**	**13**	**(95)**
Unused tax losses	1,118	0	0	1,118
Employee benefits	70	0	0	70
Deferred tax assets	**1,188**	**0**	**0**	**1,188**
Deferred tax assets (liabilities), net	**1,080**	**0**	**13**	**1,093**

14. CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Loans issued	58,814	55,502
Other	541	476
Current financial receivables	**59,355**	**55,978**

Current financial receivables refer to loans issued to the majority shareholder and subsidiaries and approved for their liquidity purposes. Loans issued to the majority shareholder amount to EUR 3,099 thousand (2022: EUR 5,799 thousand), and the corresponding current interests totalling EUR 717 thousand (2022: EUR 1,130 thousand). Loans issued to the majority shareholder will be repaid from dividends. Dividend payments are expected to be made in accordance with the Group's long-term business projections and are conditional on the Group achieving leverage of less than 3.75. Loans issued to subsidiaries amount to EUR 54,781 thousand (2022: EUR 48,407 thousand), and the related interest to EUR 216 thousand (2022: EUR 166 thousand). The subsidiaries will repay them from current liquidity in line with long-term business projections.

The interest rates for loans issued are fixed as well as flexible and vary between 1.60 and 8.02% (2022: from 1.60 to 5.00%). The loans issued are not pledged as security for liabilities.

Movement of Current Loans Issued

in EUR thousand	2023	2022
Balance as at 1 Jan.	**55,502**	**71,389**
Loans issued	70,972	86,539
Repayment of loans issued	(78,283)	(138,858)
Write-offs of loans issued	0	(2,692)
Exchange rate differences	(5)	30
Change in interest receivables	(363)	483
Transfer from non-current loans issued	4,642	38,901
Reversal (creation) of impairments	6,349	(2,988)
Reversal of impairments	0	2,698
Balance as at 31 Dec.	**58,814**	**55,502**

15. CURRENT TRADE RECEIVABLES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Trade receivables	955	22,889
Allowances for trade receivables	(123)	(2)
Issued advance payments and cautions	24	67
Other receivables	64	89
Current trade receivables	**920**	**23,043**

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

Movement of Allowance for Receivables from Customers

in EUR thousand	2023	2022
Balance as at 1 Jan.	**(2)**	**0**
Changes with impact on profit or loss	(121)	(2)
Balance as at 31 Dec.	**(123)**	**(2)**

16. CASH AND CASH EQUIVALENTS

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Cash in national currency	913	350
Cash and cash equivalents	**913**	**350**

Cash in national currency includes cash in a current account. On 31 December 2023 the Company had no deposits with up to 3-month maturity (2022: EUR 92 thousand).

17. EQUITY

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Other equity reserves	8,838	8,615
Fair value reserves	368	492
Retained earnings	101,087	102,661
Equity	**267,020**	**268,495**

The share capital is recognised amounting to €145,266 thousand and is distributed among 994,616 shares. The face value of each share is EUR 146.05. The number of shares did not change in 2023.

In 2023, the Company paid EUR 5,812 thousand of dividends (2022: EUR 50,991 thousand).

Ownership Structure

Shareholder	Number of shares 31 Dec. 2023	Number of shares 31 Dec. 2022
DILON, d.o.o., Gerbičeva ulica 98, Ljubljana, Slovenia	718,351	718,351
Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana, Slovenia	248,655	248,655
SIJ d.d., Gerbičeva ulica 98, Ljubljana, Slovenia	27,600	27,600
UNIOR, d. d., Kovaška cesta 10, Zreče, Slovenia	10	10
Total	**994,616**	**994,616**

Capital Surplus

The capital surplus amounting to EUR 11,461 thousand was formed during the simplified decrease of the Company's capital.

Other Equity Reserves

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Legal reserves	11,093	10,870
Treasury shares	(6,009)	(6,009)
Reserves for treasury shares	3,754	3,754
Other equity reserves	**8,838**	**8,615**

The Company acquired treasury shares amounting to EUR 2,255 thousand on the basis of the Act Regulating the Incurrence and Settlement of Liabilities of Slovenske železarne as regards the Restructuring Programme (Official Gazette of the RS, No. 111/2001) and in line with the Privatization of Slovenske železarne Act (Official Gazette of the RS, No. 13/1998). Treasury shares were acquired by exchanging interests in subsidiaries for shares of the Company, owned by authorised companies. The shares were acquired ex-lege and not in line with the Companies Act, which is why the Company did not establish a treasury shares fund. Shares are recognised at cost.

In 2023, the Company created legal reserves from net profit amounting to EUR 223 thousand (2022: EUR 2,360 thousand).

Fair Value Reserves

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Fair value reserve due to financial assets at fair value through comprehensive income	492	498
Deferred tax liabilities	(93)	(95)
Net actuarial (losses) profit on pension programs	(31)	89
Fair value reserves	**368**	**492**

Distributable Profit

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Retained earnings	96,849	57,831
Profit for the period	4,461	47,190
Creation of legal reserves	(223)	(2,360)
Distributable profit	**101,087**	**102,661**

18. EMPLOYEE BENEFITS

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Provisions for severance pay	862	784
Provisions for jubilee benefits	91	97
Employee benefits	**953**	**881**

The actuarial calculation in 2023 was made on the basis of the actuarial model and assumptions, derived from the life expectancy tables in Slovenia from 2007, separately for men and women, decreased by 10 percent (active population), growth of wages in the Republic of Slovenia and in the Company, and the yield curve, which represents the relationship between market yields on government bonds in the Eurozone and the time remaining to maturity. The average discount rate considered in the calculations was 3.1 percent.

Employee benefits are calculated by an authorized actuary. The change in employee benefits had a direct effect on the income statement, except for actuarial gains which affect comprehensive income.

Movement of Employee Benefits in 2023

in EUR thousand	31 Dec. 2022	Creation	Reversal	31 Dec. 2023
Provisions for severance pay	784	78	0	862
Provisions for jubilee benefits	97	0	(6)	91
Employee benefits	**881**	**78**	**(6)**	**953**

Movement of Employee Benefits in 2022

in EUR thousand	31 Dec. 2021	Creation	Reversal	31 Dec. 2022
Provisions for severance pay	807	0	(23)	784
Provisions for jubilee benefits	55	42	0	97
Employee benefits	**861**	**42**	**(23)**	**881**

Sensitivity Analysis of Actuarial Assumptions for 2023 and 2022

in EUR thousand		31 Dec. 2023		31 Dec. 2022	
Actuarial assumption	Change in assumption (pp)	Post-employment benefits on retirement	Jubilee benefits and severance pays	Post-employment benefits on retirement	Jubilee benefits and severance pays
Yield	+0.5	(41)	(3)	(36)	(3)
	–0.5	45	3	39	3
Salary growth	+0.5	45	4	39	4
	–0.5	(41)	(4)	(36)	(4)
Fluctuation	+0.5	(43)	(3)	(38)	(4)
	–0.5	28	3	24	4

19. NON-CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Borrowings	3,500	999
Liabilities for bonds issued (SIJ8; SIJ6)	18,920	47,986
Liabilities from lease	587	780
Non-current financial liabilities	**23,007**	**49,765**

Movement of Non-Current Borrowings

in EUR thousand	2023	2022
Balance as at 1 Jan.	**999**	**2,364**
New borrowings	5,000	0
Transfer to current borrowings	(2,500)	(1,367)
Amortisation of origination fee	1	2
Balance as at 31 Dec.	**3,500**	**999**

Liabilities for Bonds Issued

The Company issued bonds with the ticker symbol of SIJ8 with a total nominal value of EUR 19,000 thousand in November 2023. The entire bond issue contains 190 denominations of EUR 100 thousand. The bond maturity date is 2 November 2026. The interest rate for the bonds is fixed, i.e. 7.0% per annum. If the sustainability conditions are not met, a surcharge of 0.3% per annum applies. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange.

Borrowings include borrowings from commercial banks. Borrowings are secured with bills. The Company fully complies with the liabilities and conditions stated in loan contracts.

Movement of Non-Current Liabilities Arising from Lease

in EUR thousand	2023	2022
Balance as at 1 Jan.	**780**	**493**
New leases	333	800
Transfer to current liabilities from lease	(526)	(513)
Balance as at 31 Dec.	**587**	**780**

The lowest sum of future leases due for payment in the next 1 to 5 years amounts to EUR 607 thousand (2022: EUR 810 thousand).

The net present value of future leases due for payment in the next 1 to 5 years, amounts to EUR 587 thousand (2022: EUR 780 thousand).

20. NON-CURRENT OTHER LIABILITIES

in EUR thousand	2023	2022
Liabilities for contingent and deferred contribution	10,990	11,460
Non-current other liabilities	**10,990**	**11,460**

Pursuant to the shareholders' agreement, the Company recognised an obligation to pay contingent consideration to grant RSC HOLDING a loan on market terms. The loan must be issued within 3 months after the general meeting resolution for the year in which the indicator set out in the shareholders' agreement will be exceeded. The obligation is valid for the period from 2023 to 2024. If the indicator set out in the shareholder's agreement will be exceeded in the period from 2025 to 2027, the Company will convert the principal and interest into the capital of the subsidiary as a subsequent payment without the right to demand the return of such subsequent payment.

Pursuant to the shareholders' agreement, the Company also recognised an obligation to pay deferred consideration to grant ADDITHERM additional subsequent payments, executed within 5 years. Subsequent payments will be executed in equal annual installments based on the resolution concluded by both members every time the liability will fall due.

Changes in the fair value of the obligation to pay contingent consideration due to new information that will relate to changes in events after the acquisition date will be recognised in profit or loss.

21. CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Borrowings	38,355	25,418
Liabilities for bonds issued (SIJ6; SIJ7)	47,951	31,128
Liabilities from lease	412	366
Other current financial liabilities	522	501
Current financial liabilities	**87,240**	**57,413**

Current borrowings include loans from domestic banks and companies of the Group. The interest rates for borrowings and leases are fixed as well as flexible. Borrowings are secured with bills. The Company fully complies with the liabilities and conditions stated in loan contracts.

Liabilities for Bonds Issued

The Company issued bonds with the ticker symbol of SIJ6 with the total nominal value of EUR 40,000 thousand in November 2019. In December 2022 it issued, through a further issue, additional bonds with a total nominal value of EUR 8,000 thousand. The entire bond issue contains 480 denominations of EUR 100 thousand. The bond maturity date is 25 November 2024. The interest rate for the bonds is fixed, i.e. 2.8% per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange.

The Company repaid the bonds with the ticker symbol SIJ7, amounting to EUR 31,100 thousand, on the maturity day in November 2023.

Liabilities for Commercial Papers Issued

The company repaid the 8th issue of commercial papers with the ticker symbol SIK08 amounting to EUR 30,000 thousand on the maturity day in December 2022.

Movement of Current Borrowings

in EUR thousand	2023	2022
Balance as at 1 Jan.	**25,418**	**19,340**
New borrowings	123,108	78,055
Repayments of borrowings	(104,220)	(73,352)
Transfer from non-current borrowings	2,500	1,367
Amortisation of origination fee	(1)	8
Liquidation of subsidiary	(8,450)	0
Balance as at 31 Dec.	**38,355**	**25,418**

Movement of Current Liabilities Arising from Lease

in EUR thousand	2023	2022
Balance as at 1 Jan.	**366**	**354**
Repayments of liabilities arising from lease	(480)	(501)
Transfer from non-current liabilities arising from lease	526	513
Balance as at 31 Dec.	**412**	**366**

The lowest sum of future leases due for payment in the next financial year amounts to EUR 441 thousand on 31 December 2023 (2022: EUR 395 thousand), and the net present value of future leases amounts to EUR 412 thousand on the same date (2022: EUR 366 thousand).

22. CURRENT TRADE PAYABLES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Payables to suppliers	2,204	1,949
Liabilities to employees	443	556
Tax liabilities and other liabilities	807	4,637
Current trade payables	**3,454**	**7,142**

23. CURRENT OTHER LIABILITIES

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Accrued expenses for unused annual leave	481	473
Current portion of liability for deferred contribution (Note 20)	2,400	1,200
Other liabilities	15	16
Current other liabilities	**2,896**	**1,689**

24. CONTINGENT LIABILITIES

Contingent liabilities for issued guarantees amount to EUR 194,637 thousand on 31 December 2023 (2022: EUR 181,176 thousand). The total amount of issued guarantees was issued to the companies of the Group. The Company expects no outflows from the issued guarantees.

Related Parties

Related parties are the majority shareholder and the ultimate parent (including companies in their groups), subsidiaries, associates, other related parties and the management of companies.

Posli/transakcije z večinskim lastnikom

in EUR thousand	2023	2022
Revenue	2,651	3,627

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Receivables	61,457	62,624

Transactions with Subsidiaries

in EUR thousand	2023	2022
Revenue	24,637	84,631
Expenses	1,282	4,749

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Receivables	93,945	106,250
Liabilities	22,163	25,686

Transactions with Other Related Companies

in EUR thousand	2023	2022
Revenue	20	20
Expenses	125	148

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Receivables	2	2
Liabilities	7,833	7,427

Transactions with Management

The total amount of the receipts of the Supervisory Board members and the receipts of the Company's key management personnel for the performance of functions or tasks based on the business management contracts:

in EUR thousand	2023	2022
Key management personnel	6,895	21,099
Members of the Supervisory Board	178	147

The receipts include gross salaries, paid reimbursements related to work in accordance with the regulation, and bonuses.

In 2023, the Company did not grant any loans, issue any guarantees or make any advance payments to the key management personnel or the members of the Supervisory Board. On 31 December 2023, the Company has no receivables or liabilities towards the key management personnel, except for liabilities for December salaries paid January 2023.

All other employees of the Company, who do not represent key management personnel, also have individual contracts, as the Company has not signed any collective agreements. The disclosed labour costs, therefore, represent the employee benefits based on individual contracts under Article 69 of the Companies Act.

Financial Instruments and Risks

Credit Risk

The Company assesses credit risk as accordingly managed. Exposure to credit risks is assessed based on receivables insurability, data and information, predicting a risk of losses (financial information on customers and their financial statements, media available information, earlier business relations with customers, and forward-looking information).

The effects of expected future losses from trade receivables are measured by using allowances matrix, where the loss allowance is measured by using the simplified model at an amount equal to 12-month expected credit losses.

Financial receivables include loans issued to subsidiaries and the majority shareholder. For loans issued, with no significant increase in credit risk since initial recognition, the reporting date has not been, the impairment assessment is based on expected credit losses linked to a default on loans that is possible within the next 12 months (group 1). For those loans issued for which there has been a significant increase in credit risk since initial recognition, the Company recognises a loss allowance on a case by case basis (group 3).

Balance of Financial Receivables and Deposits and Impairments by Groups

in EUR thousand	31 Dec. 2023 Gross amount	31 Dec. 2023 Impairment	31 Dec. 2023 Total	31 Dec. 2022 Gross amount	31 Dec. 2022 Impairment	31 Dec. 2022 Total
Group 1	135,260	(36)	**135,224**	120,556	(32)	**120,524**
Group 3	19,236	(14,343)	**4,893**	25,529	(20,693)	**4,836**
TOTAL	**154,496**	**(14,379)**	**140,117**	**146,085**	**(20,725)**	**125,360**

Age Structure of Financial Assets

in EUR thousand 31 Dec. 2023	Not-overdue	Overdue: Up to 3 months	Overdue: 3 months to 1 year	Overdue: 1 year to 3 years	Overdue: Over 3 years	Total
Trade receivables	794	43	118	0	0	**955**
Financial receivables and deposits	154,521	1	10	0	0	**154,532**
Total	**155,315**	**44**	**128**	**0**	**0**	**155,487**

in EUR thousand 31 Dec. 2022	Not-overdue	Overdue: Up to 3 months	Overdue: 3 months to 1 year	Overdue: 1 year to 3 years	Overdue: Over 3 years	Total
Trade receivables	22,887	0	2	0	0	**22,889**
Financial receivables and deposits	146,055	12	14	4	0	**146,085**
Total	**168,942**	**12**	**16**	**4**	**0**	**168,974**

Movement of Allowances for Financial Assets

in EUR thousand	Accumulated allowance as at 31 Dec. 2022	Changes with impact on profit or loss	Changes without impact on profit or loss	Accumulated allowance as at 31 Dec. 2023
Trade receivables	2	121	0	123
Financial receivables and deposits	20,725	(6,349)	0	14,376
Total	**20,727**	**(6,228)**	**0**	**14,499**

in EUR thousand	Accumulated allowance as at 31 Dec. 2021	Changes with impact on profit or loss	Changes without impact on profit or loss	Accumulated allowance as at 31 Dec. 2022
Trade receivables	0	2	0	2
Financial receivables and deposits	22,272	1,150	(2,698)	20,725
Total	**22,272**	**1,152**	**(2,698)**	**20,727**

Liquidity Risk

The Company ensures liquidity by ensuring that it has sufficient liquid assets at all times to settle its liabilities on an ongoing basis. The Company manages liquidity risk as follows:

- through centralised management of liquidity across the Group's companies.
- by actively planning and managing cash flows on a daily, monthly and annual basis,
- by maintaining a liquidity reserve in the form of approved credit lines with various commercial banks,
- by ensuring appropriate maturity and diversification of financial debt, and by financing within the Group,
- by reconciling the maturity of receivables and payables on an ongoing basis, and by optimising working capital,
- by consistently collecting overdue receivables.

Special attention is paid to preparing various liquidity scenarios and working capital projections. The Company continuously monitors and plans the management of the liquidity resources of the companies in the Group.

The majority of financial liabilities refers to bonds issued totaling EUR 67,000 thousand. The Company assesses its exposure to financial markets and banks as low. The Company fully complies with the liabilities and conditions stated in loan contracts.

in EUR thousand		Expected cash flows				
31 Dec. 2023	Carrying amount	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Payables to suppliers	2,204	2,192	10	2	0	**2,204**
Financial liabilities	110,248	15,766	74,765	25,921	0	**116,452**
Other liabilities, w/o liabilities to the state and employees and advanced payments	10,990	0	0	10,990	0	**10,990**
Total liabilities	**123,442**	**17,958**	**74,775**	**36,913**	**0**	**129,646**

in EUR thousand		Expected cash flows				
31 Dec. 2022	Carrying amount	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Payables to suppliers	1,949	1,915	32	2	0	**1,949**
Financial liabilities	107,178	6,244	53,695	51,150	0	**111,089**
Other liabilities, w/o liabilities to the state and employees and advanced payments	11,463	0	3	11,460	0	**11,463**
Total liabilities	**120,590**	**8,159**	**53,730**	**62,612**	**0**	**124,501**

Foreign Exchange Risk

Since the majority of inflows and outflows are in the national currency – euro, the Company assesses its foreign exchange risk as low and accordingly managed. Other currencies are represented to a lesser extent, therefore a change in exchange rates would not have a material influence on the Company's profit or loss. Consequently, the Company does not prepare a sensitivity analysis on foreign exchange risk.

	USD		AED	
in EUR thousand	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
Trade receivables	12	12	28	80
Financial receivables	333	502	0	0
Trade payables	(17)	(4)	(65)	0
Exposure	328	510	(37)	80

In 2023 and 2022, the following exchange rates were material for the Company:

Currency	31 Dec. 2023	31 Dec. 2022	Average exchange rate in 2023	Average exchange rate in 2022
EUR/USD	1.1050	1.0666	1.0813	1.0530
EUR/AED	4.0141	3.8111	3.9651	3.8779

Exchange rates used to translate the balance items as at 31 December correspond to the European Central Bank exchange rates on that day.

Interest Rate Risk

The Company estimates the exposure to interest rate risk to be moderate. The current trend of high interest rates on financial markets is putting additional pressure on cash flows and is having an adverse impact on the Company's performance. The Company considers its interest rate risk to be manageable due to the diversification of its borrowings between variable and fixed interest rates. It manages it by maintaining an appropriate proportion of fixed-rate borrowings and by regularly and actively monitoring financial market conditions. A change in interest rate by 100 or 50 basis points on the reporting date would result in a decrease of profit or loss by the amounts stated below. The analysis assumes that all other variables remain unchanged. The analysis for 2022 was prepared in the same manner.

In 2022, considering the Company's exposure to the interest risk, a change in interest rate by 100 or 50 basis points would result in a change of profit or loss by less than EUR 50 thousand.

In 2023, considering the Company's exposure to the interest risk, the exposure slightly increased as a change in interest rate by 100 or 50 basis points would result in a change of profit or loss by less than EUR 250 thousand.

Equity Management

The Company's main purpose of equity management is to achieve an adequate volume of capital to ensure confidence of its creditors, financial stability and long-term solvency, as well as proper dividends to its owners. On 31 December 2023, the Company owns 27,600 treasury shares.

In the structure of total indebtedness, the share of equity value remains at a high level, as the Company continues to implement the current financial policy to ensure long-term development through long-term sources.

in EUR thousand	2023	Debt increase by 10%	Debt decrease by 10%
Level of debt on equity	41.29	45.42	35.93
Equity	267,020	267,020	267,020
Financial liabilities	110,248	121,273	99,223

Carrying Amounts and Fair Values of Financial Instruments

Presentation of Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

in EUR thousand	31 Dec. 2023		31 Dec. 2022	
Type of financial instrument	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,298	1,298	1,300	1,300
Financial receivables	140,154	140,154	125,268	125,268
Trade receivables	920	920	23,043	23,043
Cash and cash equivalents	913	913	350	350
Financial liabilities	(110,248)	(110,248)	(107,178)	(111,207)
Trade payables	(14,444)	(14,444)	(18,602)	(18,602)

Presentation of Financial Assets and Liabilities, Disclosed at Fair Value According to Fair Value Determination Hierarchy

in EUR thousand	31 Dec. 2023	31 Dec. 2022
Financial assets at fair value through other comprehensive income	894	896
Financial assets at fair value of first level	**894**	**896**
Financial assets at fair value through other comprehensive income	404	404
Financial assets at fair value of third level	**404**	**404**
Bonds and commercial papers	(66,871)	(83,143)
Financial liabilities at fair value of second level	**(66,871)**	**(83,143)**
Borrowings	(41,855)	(26,417)
Leases	(999)	(1,146)
Other financial liabilities	(523)	(501)
Financial liabilities at fair value of third level	**(43,377)**	**(28,064)**

The third level of liabilities at fair value includes borrowings, leases, and interest liabilities, representing, according to the valuation model, carrying amounts of discounted expected future payments with adjusted risk level.

In 2022 and 2023, there were no transfers of financial instruments between different levels.

Events After the Reporting Date

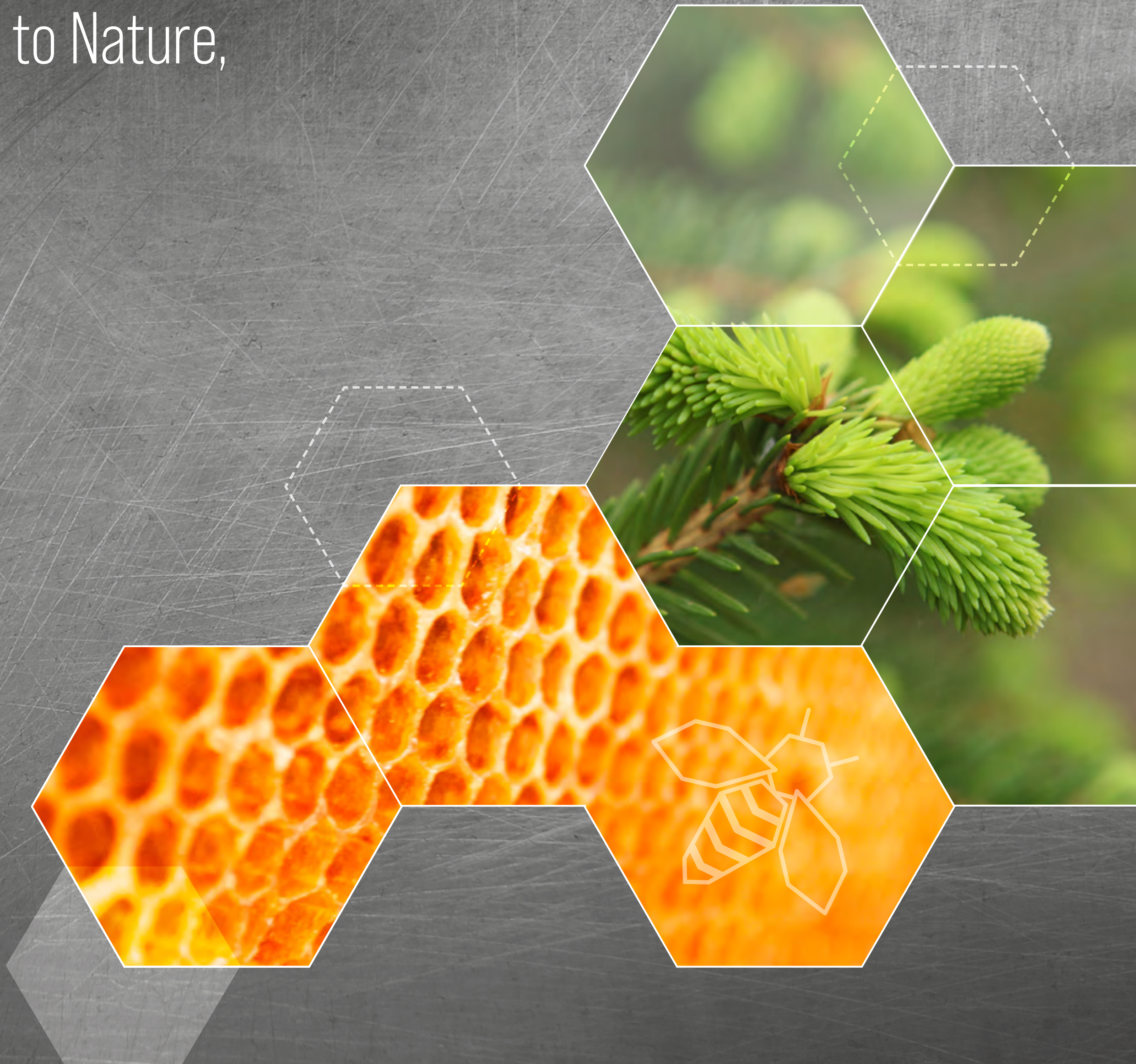
There were no events after the reporting date that could influence the presented separate financial statements.

We Maintain a Responsible Approach to Nature, People and the Future

SIJ Group's responsible sustainability planning, which marked the 2023 financial period, is merely an extension of the centuries-old links among the Slovenian iron and steelworking tradition, nature and people. We have always been aware of our responsibility to protect the environment and our communities.

SIJ Group's key companies operate in Slovenia, the land of the beekeeping tradition, which is listed as a way of life in the UNESCO Representative List of the Intangible Cultural Heritage of Humanity. At SIJ Group, we are aware that we share our living environment with an indigenous bee species – the Carniolan honey bee – which is known for its high yield, resilience and good adaptability to changes in the environment, which are also the qualities that underpin our plans for the future. The Carniolan honey bee remind us of these qualities daily at our company sites, starting from 2023.

In Slovenia, beekeeping is embedded in the life of all local communities in which we work and with which we engage responsibly. We see these as the homes of people who associate SIJ Group with their quality of life, among other aspects of life.



SIJ – Slovenska industrija jekla, d.d.
Gerbičeva 98, 1000 Ljubljana
www.sij.si
T: +386 (0)1 242 98 00
E: info@sij.si

Content design and editing: SIJ d.d. and Ines Drame
Language editing: mag. Andreja Čibron Kodrin
Translated by: Tadej Reissner and GORR d.o.o.
Layout and implementation: Media Vox d.o.o., Andreja Trbuha Kukec
Sustainability graphic design: Sans, Andrej Knez
Photo credits: SIJ archives, Planapark, Shutterstock
Published: 25 April 2024 GRI 2-3