

BUSINESS PERFORMANCE IN 2018

Ljubljana, Friday, 14 June 2019 – **Publishing audited operating results of SIJ Group in 2018.**

According to the audited operating data, the SIJ Group¹ created EUR 802.8 million from sales (6.3 percent more than in 2017), of that 84.6 percent on foreign markets. EBITDA amounted to EUR 50.2 million (32.8 percent less than in 2017), and the EBITDA margin 6.3 percent (3.6 percentage points less than in 2017). SIJ Group operated positively and generated EUR 4.9 million of net profit (66 percent less than in 2017). Despite poorer performance, SIJ Group's operation is still stable:

"In 2018, SIJ Group has steadily increased steel production and retained a high sales share of steels with higher added value which take the leading positions on niche steel markets. We have increased the sales value, and have, as an export-oriented company, generated most of our revenues on foreign markets. However, we cannot be satisfied with the achieved operating results. Incidents – including two longer production stopages in both steelmaking companies – have caused major disruption in the production process. This, along with high prices of raw materials, especially energy-generating products and graphite electrodes, is the key factor which has affected the deterioration of results. If we disregard the impact of these one-time incidents, SIJ Group's operations in 2018 are comparable to the operations in the previous year," said **Andrey Zubitskiy, President of the Management Board of SIJ Group.**

In accordance with the business plan, SIJ Group focused a lot of effort on disposal of the Poultry Division – Perutnina Ptuj Group. On 21 November 2018, SIJ Group concluded a contract to sell Perutnina Ptuj to MHP Group. SIJ Group will allot the proceeds from the sale for reducing the indebtedness that resulted from the ten-year intensive investments in Metallurgy Division and the further development of the Group's primary activity – the production of technologically advanced steels and finished products. SIJ Group already reduced its indebtedness in 2018.

In line with the strategy, the investment cycle has slowed down. In 2018, funds were earmarked for projects which are an extension of major investments from the past years, and are intended for the production of technologically more advanced products. The Group allotted EUR 37 million for investments in 2018. The investments were rounded out by the start of the heat treatment line in the rolling mill of SIJ Metal Ravne, which indirectly enables a larger production of tool steels, a product with which the largest Slovenian steel group retained the third largest market share in the European Union in 2018. Other than that, SIJ Group has retained the leading share on the stainless steel quarto plates market in the European Union, and is ranked among the top ten producers of industrial knives in the world.

SIJ Group is highly export-oriented and has generated most of its revenues in 2018 on foreign markets. The value of exports amounted to EUR 679.3 million or 84.6 percent of all sales revenue. The key markets are still the countries of the European Union, predominantly Germany and Italy. In a year of uncertain trade conditions, with the notable example of the U.S. implementing 25 percent tariff on imported steel as a protectionist measure, SIJ Group managed to maintain approximately the same level of exports to the U.S. market as in the previous year with various activities.

¹ The presented key operating figures show SIJ Group's business operations excluding the Poultry Division – Perutnina Ptuj Group.

In 2019, it is estimated that the operation of the steel industry will be marked by relatively favourable external circumstances. Despite the first signs of economic cooling, moderate economic growth is forecast for all key markets of SIJ Group. The forecasts show moderate growth in demand and consumption of steel both globally and in the European Union.

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