CONNECTED FOR A BETTER TOMORROW.

Annual and Sustainability Report of SIJ Group and SIJ d.d. 2022

2022

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THE FIRST REPORTING ACCORDING TO GRI STANDARDS

"We believe that by 2030, SIJ Group will be recognised as a reference in sustainable development in the international environment of the World Steel Association. This is our goal."

Andrey Zubitskiy, President of the Management Board

SIJ Group Sustainable Development Strategy focuses on maintaining and reinforcing the best sustainable development practices from modern steel companies. Even today, SIJ Group's production companies are generating carbon emission levels which are significantly under the global average. As proof of our commitment to sustainability, we have joined the international organisation Responsible Steel™, the first global initiative for standardisation and certification of responsible and sustainable practices in the steelworking industry, and starting from this year's annual report we will begin reporting 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.*

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OPERATIONAL HIGHLIGHTS

The success of SIJ Group and SIJ d.d. is reflected beyond its financial indicators alone. It comes from a combination of economic, environmental and social factors. It all comes together to form a whole.

Every target reached, every market position secured, every comparative advantage achieved – it all comes from the hard work of many people, because we are more successful when we work together as a tightly knit unit.

SIJ GROUP AT A GLANCE

top 3

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

top 3

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

2022 IN NUMBERS

1,302.9	2021: 962.7	**Revenues** (EUR mio.)
84.6	2021: 85.2	**Share of export** (percent)
179.9	2021: 100.8	**EBITDA** (EUR mio.)
437.6	2021: 495.4	**Cast steel** (thousands t)
61.4	2021: 56.0	**Investments** (EUR mio.)
3,755	2021: 3,840	**Employees**
1.3 x	2021: 2.0 x	**NFD / EBITDA**
78.2	2021: 77.8	**Use of recycled materials** (percent)

Our vision: Connectedness

We produce a wide range of steel and steel products by considering the needs of all key stakeholders involved. Keeping our focus on the customer, we achieve sustainable growth with higher value-added products and engaged employees.

Exceeding Expectations with a Focus on Niche Markets

- Trademarked high added-value steels.
- Custom-made products tailored to specific uses come from innovations developed by our internal development teams.
- Entering cutting-edge industries.
- Exceeding our customers' standards and expectations.

Efficient and Environmentally Responsible

- Reduced environmental impact (CO2 emissions well under industry average levels).
- Better utilisation of energy products, raw materials, and other resources.
- Investing in efficiency.
- Eliminating bottlenecks in the production process.

Creating a Supportive Working Environment

- Employer of choice.
- Excellent working conditions and an inspiring environment.
- One of the region's largest employers.

LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders, Business Partners, and Employees of SIJ Group:

In 2022, we achieved the best financial result in our history to date. High demand for products, which we harnessed in the first half of last year, was overshadowed by a particularly challenging business environment. Faced with increased energy prices, which we have successfully transferred to the prices of our products as per our business model, energy markets volatility, disruptions in the supply chain, rising prices of raw materials and the impact of geopolitical events, SIJ Group was once again called upon to prove its ability to adapt. Our strategic focus on niche markets, constant investments in improvements of efficiency and new, decisive strides towards sustainable development have all proved to be the way forward. SIJ Group closed the year as a financially stable and resilient organisation, able to meet the challenges of a constantly changing situation.

Thanks to our flexible approaches and swift decision-making processes, we have proved once again that we are able to manage risks and continue implementing our business strategy set out until the year 2025. We continued pursuing our goals, strengthening our financial stability, reinforcing our position as a leader in niche markets, and maintaining our reputation as an employer of choice. We further expanded our business objectives by adding our commitment to sustainability to the list.

THE FIRST REPORT PREPARED IN COMPLIANCE WITH THE GRI INTERNATIONAL STANDARD

Our business objectives and goals have long been interwoven with sustainability. Last year, we wrote them down in our sustainability strategy for the 2022-2030 period, which has been aligned with our business strategy. SIJ Group's Sustainable Development Strategy focuses on maintaining and reinforcing the best sustainable development practices from modern steel companies. We believe that by 2030, we will be recognised as a reference in sustainable development in the international environment of the World Steel Association.

Sustainability disclosures has been further expanded in the present annual report, providing our stakeholders with sufficient information about SIJ Group's sustainability practices to be able to make informed decisions. Furthermore, for the first time ever, we are reporting according to the internationally established Global Reporting Initiative (GRI) standard, and the accuracy of reported data has been confirmed by authorised third-party verifiers.

REVENUES BREACH THE ONE BILLION EURO THRESHOLD FOR THE FIRST TIME

According to audited financial results, SIJ generated EUR 1,302.9 million in sales revenue in 2022, which is a 35.3 percent increase from the preceding year. We achieved an EBITDA of EUR 180.2 million, an EBITDA margin of 13.8%, and generated a net profit of EUR 95.4 million. SIJ Group's net financial debt increased by EUR 34.5 million in 2022, driven by investments and liquidity financing. In addition, we improved our NFD/EBITDA ratio from 2.0 to 1.3. We traditionally rank among Slovenia's largest exporters. Our share of exports remained high, reaching as high as 84.6 percent. Germany and Italy remain our largest export markets.

SUCCESSFUL RISK MANAGEMENT THROUGH FLEXIBILITY

We mitigated the impact of high energy market prices by maintaining a high share of pre-purchased energy aligned with the planned production volumes, which has proved to be a suitable strategy. Thus, we enabled our largest steel companies in particular to produce at lower prices than the current market prices of energy. It is telling that despite having pre-purchased energy at below-market cost, SIJ Group's cost of energy products was still double that of the preceding year due to a surge in energy prices.

In accordance with our business model, higher energy prices were transferred to customers. Even with lower quantities, we were able to generate higher sales revenues compared to 2021 and improve other financial indicators.

Energy markets, where prices of energy products peaked in July and August, also caused uncertainty on the side of our customers. Concerns and uncertainty were further driven by high inflation and a significant growth in interest rates, and consequently increased liquidity financing cost. Customers became more risk-averse, buying only as much as they needed, and strictly limiting their purchases to essentials only.

Due to the situation on global markets, declining demand and the recent years' performance, it became necessary for us to liquidate SIJ Elektrode Jesenice. Most employees have been offered re-assignment in SIJ Group's other subsidiaries.

In the second half of the year, we implemented a temporary reduction in the production volumes, as most of Europe's steel companies have done, as well. Under the changing geopolitical and economic circumstances, it was necessary to introduce short-term planning and management of our operations.

GEOPOLITICAL EVENTS

In the past year, the business environment has also required special caution due to the variable circumstances related to geopolitical events regarding the Russian-Ukrainian conflict. SIJ Group has not been exposed to any direct consequences, both in terms of the ownership structure as well as financing and the otherwise extremely small presence in some Eastern foreign markets. The impact of sanctions on the business of SIJ Group was the same as for the entire European and global economy.

RETAINING OUR LEADING MARKET SHARES AND INCREASING STEEL PRODUCTION FOR PROSPECTIVE GREEN SEGMENTS

We proved our niche market focus by retaining our market shares in terms of sale quantities of stainless steel, tool steels and specialty steels. In line with our plans to diversify sales and strengthen competitiveness in selected segments of metallurgy, we began improving steel production for prospective new segments, particularly electro steel used in EV mobility.

Our capital expenditure is aligned with this, where we allocated EUR 61.5 million for investments in 2022. Our investments were proceeding as planned, with the upgrade of the CRNO Line at SIJ Acroni as one of the foremost investment projects, planned for completion in 2024. The investment objective is to set up stable production of highly advanced non-oriented electrical steels for use in the automotive industry, an objective we pursue through our involvement in the Slovenian automotive industry cluster and the GREMO (GREen MObility) project, which aims to become a strong ecosystem for developing green mobility solutions.

Our second-largest company, SIJ Metal Ravne, completed implementation of the information system allowing for integration of production and business processes, optimisation, higher quality standards, and efficient customer support. The value of the investment in the new IT architecture with leading global solutions in their respective segments is EUR three million.

In 2022, we put a special focus on investments in energy efficiency and sustainable development across SIJ Group. SIJ Group plans and executes all its investments in line with the BAT (best available technology) principle, therefore each of our investments also indirectly reduces our environmental impact.

Even today, SIJ Group's production processes generate carbon emission levels which are noticeably below the global average. We are shutting down more and more material cycles, increasing the volume of sorted own steel scrap, and in 2022 SIJ Group reused, recycled, or otherwise utilised more than 97.6 percent of its industrial waste produced, putting us solidly on the path toward zero-waste status. Although we already rank among the best, we are constantly working to decrease our carbon footprint. To this end, we are guided by the SIJ Group Decarbonisation Plan, which we are planning to adopt in the first half-year period of 2023.

FINANCIAL STABILITY

In the beginning of 2022, banks, which are increasingly funding the European Union's transition towards the Green Economy to support efforts to achieve environmental, mainly climate-focused goals, gave our sustainability strategy a show of confidence. An international syndicate of nine international and domestic banks, including the European Bank for Reconstruction and Development (EBRD) with NLB as the principal underwriter, signed a seven-year syndicated loan agreement with SIJ Group's two largest steel companies. The EUR 230 million loan will provide adequate liquidity and reserves for future years, as well as funding for investments to improve production efficiency, develop environmental projects, promote sustainable development and follow the principles of a circular economy.

SIJ Group has high liquidity, even after settling the SIK08 commercial papers in 2022 for EUR 30 million. With SIJ Group achieving a record-breaking business result, high financial liquidity and alternative sources of financing, re-issue of commercial papers would be a step away from optimising financing costs.

A RESPONSIBLE AND RELIABLE EMPLOYER

These achievements could not have been realised without our employees, who are the pillars of our success. In 2022, we reacted responsibly and provided extra earnings to our employees in order to address increased cost of living. We are one of Slovenia's first companies to employ an Engagement and Happiness Manager. In 2023 we will launch a programme which will link workplace happiness to health, social and economic security, a positive organisational culture and work which instils a sense of meaningfulness. When planning our SIJ Group's sustainability strategy, employees and care for our employees' health and safety were ranked as the very top priority.

We are the largest employer in the Koroška and Gorenjska regions, where two of SIJ Group's largest steelworking companies are based. SIJ Group's activities are inseparably linked to the local communities in these regions. Our activities, partnerships and various projects form an integral part of these local communities' development. We also forge partnerships through sustainability projects, such as exploitation of waste heat produced in steel production processes to provide the city of Ravne na Koroškem with heating. Thanks to the new waste heat capturing system, SIJ Metal Ravne has been able to reach an efficiency rate as high as 47 percent in 2022, instead of the projected 40 percent.

We also make connections through innovative sports infrastructure- in 2022, we donated our 20th steel outdoor gym to our community, produced by SIJ Group. From a pool of our employees, our sports organisation partners and Slovenian Olympians, we selected and honoured 13 exceptional individuals whose exceptional feats are worthy of praise – proving they have Minds of Steel.

CONNECTED FOR A BETTER TOMORROW

In the past year, we have proved that a Mind of Steel is part of our DNA. By having a character as firm as steel and by working together, SIJ Group has proved many times we have the will and ability to navigate through times of strife which put our steel resolve to the test, time and time again. Joined together. We take this journey together with you, dear shareholders and business partners.

Andrey Zubitskiy,
President of the Management Board

REPORT OF THE PRESIDENT OF THE SUPERVISORY BOARD

Dear Shareholders and Stakeholders, GRI 2-12 GRI 2-18

in 2022, in consultation with the Audit Committee and based on the Management Board's reports, the Supervisory Board passed decisions within its competence, in accordance with the law, the Company's Articles of Association and other applicable regulations. In its capacity as a supervisory body, the Supervisory Board has supported the Group's focus on ESG (environment, social and corporate governance) principles and welcomes the adoption of the SIJ Group's Sustainable Development Strategy. The Supervisory Board will continue closely monitoring SIJ Group's reports on environmental and socially responsible activities, and its compliance with strict governance standards.

The Supervisory Board is satisfied with the good performance of the Management Board in 2022. Due to increasing demand SIJ Group has been achieving higher sales prices and generating record sales revenues by applying appropriate operating practices. Product pricing was significantly affected by the prices of raw materials, energy products and transportation, but the management skilfully navigated in such conditions and effectively managed yields from closing sales to end-customers. The Management Board successfully coordinated the activities of all key functions, which are involved with the implementation of its business strategy and helping to maintain financial stability.

The Management Board has been efficiently connecting stakeholders across different processes. The banks' continued confidence in SIJ Group in 2022 is a reflection of this. Namely, in February, SIJ Group was granted a EUR 230 million long-term syndicated loan to maintain a high level of liquidity. The loan will be an important tool for managing risks in the next financial year, which is already overshadowed by uncertainty in adequate supply of energy products and raw materials.

By informing all key stakeholders, the management has made transparent adjustments to production volumes in the last quarter of 2022, and informed the stakeholders accordingly. SIJ Group continues to act as an active link between the incumbent and coming generations of steelworkers and the local communities in which it operates. SIJ Group will continue to implement its long-term vision of sustainable development and the circular economy.

COMPOSITION OF AND APPOINTMENTS TO THE SUPERVISORY BOARD AND COMMITTEES

GRI 2-9 GRI 2-10

There were no changes to the composition of the Supervisory Board in 2022. At the 41st General Assembly of shareholders, which took place on 21 February 2022, Evgeny Zverev, Dmitry Davydov and Helena Ploj Lajovic, whose mandate had expired, were re-appointed as members of the Supervisory Board for an additional four-year term. During the session of 23 March 2022, Supervisory Board members also endorsed the decision for Evgeny Zverev to stay on as President of the Supervisory Board. There were no changes to the Audit Committee in 2022, either. The Committee will thus continue its activities with the same composition.

Supervisory Board:

- Evgeny Zverev, President
- Štefan Belingar, Vice-President
- Matej Bastič
- Maria Joye
- Dmitry Davydov
- Helena Ploj Lajovic
- Richard Pochon

Audit Committee:

- Štefan Belingar (President)
- Richard Pochon
- Alan Maher

We deem the cooperation between members of the Supervisory Board and the Audit Committee to be satisfactory in 2022. The Supervisory Board and the Audit Committee worked together to put down the key points for exercising the supervisory function.

COOPERATION WITH THE COMPANY MANAGEMENT

Cooperation with the Company management was also satisfactory. In 2022, members of the executive and supervisory bodies convened at five Supervisory Board meetings and seven Audit Committee sessions. The activities of the Supervisory Board and the Audit Committee continue to be supported by the respective members' diverse competencies and suitable communication tools, which enable members to work closely together and take part in sessions even in the event of individual members' need to work remotely.

SIJ d.d.'s single-member management arrangement continued in 2022. The President of the Management Board, Andrey Zubitskiy, continued to lead with regard to the key strategic functions of SIJ Group, while the Vice-Presidents (Tibor Šimonka, Viacheslav Korchagin and Igor Malevanov) were in charge of implementation on the strategic and operational levels.

Clear and detailed discussion materials for Supervisory Board sessions kept the members fully updated on all the relevant fields of business. Supervisory Board members closely monitored business activities, supported by their interdisciplinary competencies and by engaging in discussions during sessions. They are actively supported by the Audit Committee, allowing them to critically assess reports delivered to them on an ongoing basis. The membership of the Supervisory Board includes a variety of educational backgrounds and ensures equal representation of the shareholders' interests.

KEY OPERATIONAL AND SUPERVISORY HIGHLIGHTS

In 2022, operational supervision was marked by changing circumstances due to geopolitical developments caused by geopolitical events related to the Russian-Ukrainian conflict and the associated high product demand and high energy prices, which reached record levels in July and August. Management activities thus required particular care due to the uncertainty on the customer side caused by these conditions. At the end of the year, the Management Board also took temporary provisional measures to reduce production volume. Based on the Management Board's reports, the Supervisory Board monitored that the proposed decisions helped successfully mitigate the risks. At Supervisory Board meetings, the Management Board presented regular reports about SIJ Group's key performance indicators and the developments in the broader environment. Additional indications of the management's focus on sustainability are the investment in implementing new digital processes at SIJ Metal Ravne, and a particularly responsible reaction to the increasing cost of living. With regard to the latter, SIJ Group, one of Slovenia's leading employers, has taken active steps to protect the most vulnerable categories of production workers by implementing additional remuneration arrangements.

SUPERVISORY BOARD DECISIONS

In February, the Supervisory Board approved the proposed financing with a long-term syndicated loan of EUR 230 million. The loan will allow SIJ Group to implement its five-year strategy for the period 2020-2025, and provide it with sufficient liquidity to meet the challenges posed by the changing market prices of energy products and raw materials.

During its April session, the Supervisory Board also approved the management's proposal for the distribution of profits, and during the 42nd General Assembly session which took place on 15 April 2022, the shareholders approved the motion to distribute EUR 20,993,917.36 in dividends, out of the total distributable profit of EUR 108,821,579.68. At its October session, the Supervisory Board agreed to the shareholders' proposal for additional distribution of dividends out of the portion of undistributed profits carried over from 2019.

In the process of adopting the annual report, the Supervisory Board also took note of the audited report on relations with related entities. In accordance with the Audit Committee's prior proposal, the Supervisory Board presented a proposal to the General Assembly to appoint Deloitte revizija d.o.o. as the Company's certified auditor for the financial years 2022, 2023, and 2024. The shareholders approved the proposal at the 42nd General Assembly session on 15 April 2022.

CONSIDERATIONS FOR 2023

SIJ Group's strategy is geared towards maximising the benefits of vertical integration. As a corporate governance body, the Supervisory Board will remain focused on monitoring the activities of the Management Board and the management of SIJ Group in pursuance of this strategy. Its contributions will help appropriately address the challenges facing European steel companies due to their involvement in an energy-intensive industry. It will continue closely monitoring the management's activities involving the environmental, social and other aspects of sustainable development, as well as those involving strengthening the relevant ties with stakeholders.

ACTIVITIES OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE

The Audit Committee's work in 2022 was primarily focused on monitoring the activities involved in the compulsory audit of the 2022 annual accounts of SIJ d.d. and SIJ Group. Besides reviewing the management's financial and non-financial reports, the Audit Committee was actively involved in following the legislation on the treatment of transactions with related parties.

The Audit Committee performs an annual self-assessment of its activities for the financial year, a further contribution to best practices in demonstrating excellence in the context of carrying out the function and preventing any conflicts of interest. GRI 2-15

For the purposes of performing self-assessment, the Audit Committee uses sample questionnaires provided by top audit firms. The Audit Committee is also looking forward to the development of self-assessment criteria in sustainability. This will help its self-assessment process to more easily assess its contribution to SIJ Group's sustainability-focused activities, strategies, policies and goals. GRI 2-12

SUPERVISORY AND MANAGEMENT BOARD

The Supervisory Board is of the view that the Management Board of SIJ d.d. and SIJ Group demonstrated reliable performance in 2022, connecting all of its key financial and non-financial functions on the domestic and international market. The Supervisory Board is confident that SIJ Group will keep its status as a reliable business partner even under more intense conditions in which European steelworkers will feel even greater effects of volatility in the energy market and supply chains, as well as changes in market demand. Among other factors, mitigation of these adverse effects will depend on a stable structure of resources, which SIJ Group has made preparations for in 2022.

Evgeny Zverev,
President of the Supervisory Board

NOTABLE EVENTS OF THE FINANCIAL YEAR

January

New CEO of SIJ Metal Ravne

On 1 January 2022, SIJ Metal Ravne received a new CEO, Jernej Močnik, who previously served as the company's Chief Financial Officer since September 2020. Borut Urnaut, the company's previous CEO, will continue his professional career with the company, where he will stay on as a member of the management team.

February

Syndicated Loan for Further Development

An international syndicate of nine international and domestic banks, including NLB, signed a seven-year syndicated loan agreement with SIJ Group's two largest steel companies, SIJ Acroni and SIJ Metal Ravne. The EUR 230 million loan will ensure adequate liquidity and fund investments to improve production efficiency, develop environmental projects, promote sustainable development and follow the principles of a circular economy.

41st General Assembly of Shareholders

At the 41st General Assembly of shareholders, which took place on 21 February 2022, Evgeny Zverev, Dmitry Davydov and Helena Ploj Lajovic, whose mandate had expired, were re-appointed as members of the Supervisory Board for an additional four-year term. As a result, there were no changes to the Supervisory Board.

March

Liquidation of Electrode Production

Due to the situation on global markets, declining demand and the recent years' performance, the Management Board of SIJ d.d. proposed that the company SIJ Elektrode Jesenice be liquidated. The Supervisory Board approved the motion for voluntary liquidation of the company on 23 March 2022, and the production shutdown at SIJ Elektrode Jesenice was concluded as of the end of April. All stakeholders were compensated by the end of the year 2022.

2021 Annual Report Confirmed

On 30 March 2022, the Supervisory Board reviewed and adopted SIJ Group and SIJ d.d.'s Audited Annual Report for the fiscal year 2021.

April

42nd General Assembly of Shareholders

On 15 April 2022, the General Assembly unanimously granted discharge to the Management Board and Supervisory Board for the fiscal year 2021. The General Assembly passed the decision that, out of EUR 108,821,579.68 total distributable profits, EUR 20,993,917.36 will be used for dividend payouts, while the rest will remain undistributed. This audit firm Deloitte Revizija d.o.o. was selected as the auditor of the financial statements of SIJ – Slovenska industrija jekla, d.d., and the consolidated financial statements of SIJ – Slovenska industrija jekla, for the financial periods 2022, 2023, and 2024.

June

New Digital Production Architecture

SIJ Metal Ravne completed implementation of the information system allowing for integration of production and business processes, optimisation, higher quality standards, and efficient customer support. The value of the investment in the new IT architecture with leading global solutions in their respective segments, tailored to the needs of SIJ Metal Ravne, is EUR 3.0 million.

Best Innovation Awards

SIJ Metal Ravne, SIJ Ravne Systems and SIJ Acroni received three gold and four silver regional innovation awards awarded by the Slovenian Chamber of Commerce and Industry. In the International Stainless Steel Forum (ISSF)'s international competition, SIJ Acroni took third place among innovations from the whole world competing in the Best Technology segment.

Sustainable Development Strategy until 2030

The SIJ Group Sustainable Development Strategy, which defines SIJ Group's sustainability policy and commitments leading up to the year 2030, was formally adopted on 23 June 2022. We will keep track of our progress on reaching sustainable development goals using environmental, social and corporate governance (ESG) criteria and reporting in accordance with GRI standards. We also expect to demonstrate our sustainability-focused approach in steel production using ResponsibleSteel™ certification standards by the year 2023.

August

SIJ Ravne Systems' New CEO

Since 1 August 2022, the new CEO of SIJ Ravne Systems has been Gregor Adler, who has been with SIJ Group since 2014. Even after taking over as the CEO of the company, he will continue to be responsible for the operations and development of SIJ Group's distribution centres as director of the Steel Processing Division.

September

Achievements of the First Half-Year Period

The results of the first half-year period of 2022 reflect that SIJ Group has successfully adapted to the changing geopolitical and economic circumstances, and took advantage of strong demand on the steel market. In spite of the price shocks in the raw materials and energy markets, we reached record levels of production of steel and end products in the first half-year period.

Adjustment of Production Volume

In response to extremely high energy prices, the effects of the developments in Ukraine, and uncertainty on the side of our customers resulting from new pricing terms being implemented, SIJ Group made adjustments to its production volumes. In September 2022, we reduced production volume by 30 percent and announced a 40 percent reduction in production volume in the final quarter.

Silver National Innovation Award

SIJ Acroni was presented the Silver National Award from the Slovenian Chamber of Commerce and Industry for its SIDUR 400 brand of steel. Steel with a lower proportion of alloying elements has a positive effect on reducing our impact on the environment. This has further strengthened our position among competing producers of wear-resistant steel.

October

43rd General Assembly of Shareholders

On 27 October 2022, the General Assembly of Shareholders adopted the decision to distribute an additional EUR 29,996,836.32 of the EUR 108,821,579.68 of distributable profits for 2021, as already reduced by the dividends paid out to shareholders under the decision at the 42nd General Meeting of Shareholders of 15 April 2022 to pay out additional dividends from undistributed profits from 2019, so that the gross dividend per share is EUR 31.02 (treasury shares excluded).

New CEO of SIJ ZIP CENTER

Following the retirement of Alenka Stres, who successfully managed the company recognised as a sheltered workshop, the management of SIJ ZIP CENTER was taken over by Luka Debeljak, who has a track record in management spanning many years, including within SIJ Group.

New Brands

With the introduction of brands such as SIROLLS for high-alloy steel rolls, SIKNIVES for industrial knives, SIMATEC for machine maintenance and construction, and SILABS for laboratory services, SIJ Ravne Systems will further improve the recognition of its products and services.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

March 2023

IT and Accountancy Incorporated under SIJ Storitve

On 1 March, SIJ Group launched a new company, SIJ Storitve. It will centrally provide unified accounting services for the production companies (Steel, Manufacturing), and unified IT services for all the companies in the Group, except for those operating within RSC Holding. By transferring the two activities to one company, we will gradually unify processes and ensure their standardisation and continuity.

Organisation and Governance

SIJ Group's vertical business model has been strengthening integrations among the Group's different companies and operating divisions. We are increasing efficiency through centralised services and our unified governance systems policy, while our Sustainable Development Strategy helps us strengthen our connections with the local communities in which we operate, and keeps us in touch with our environment and our future.

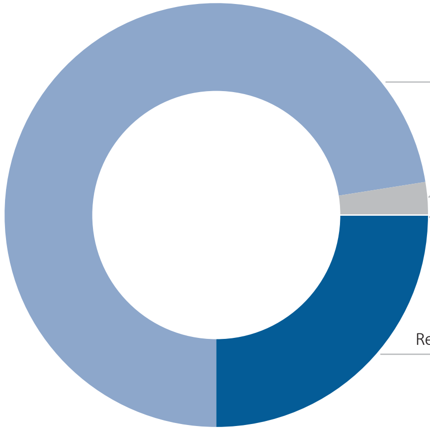
ABOUT SIJ d.d.

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

Company name:	SIJ – Slovenska industrija jekla, d.d.
Abbreviated company name:	SIJ d.d.
Registered seat:	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 with the ticker symbol SIJR*
Registration number:	5046432000
Tax number:	SI 51018535
Core business:	70.100 Activities of head offices

** The shares are not traded on an organised securities market*

Ownership Structure as at 31 December 2022



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. All shares give their holders unrestricted voting rights. Treasury shares are an exception, where the Management Board is authorised to purchase up to a total of 27,610 shares. The Company is not aware of any agreements between 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. 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.

SIJ d.d. is a **controlling company** with no registered branch offices. It is the founder and either the direct or indirect owner of all SIJ Group subsidiaries.

SIJ d.d. directly acts as the asset manager of its investments in the companies of the SIJ Group. Its principal Slovenian companies operate on a contractual concern basis, which was most recently renewed in 2020. The Management Agreement also regulates the terms of **providing centralised services for SIJ Group companies** and the decision-making process through the parent company's majority holdings. In this way, key business functions are managed, and strategic decisions are taken in accordance with the outlined long-term strategy at the level of individual Group companies, as well as at the level of SIJ Group as a whole.

The Management Board of SIJ d.d. and its broader executive management team, which is divided into a Strategic and an Operational Collegium, thus 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. The Company also has a governance systems policy which is based on the fundamental values of business excellence, and focuses on achieving the Group's strategic goals.

OPERATING RESULTS OF SIJ d.d.

SIJ d.d. is the controlling company, founder and either the direct or indirect owner of the subsidiaries of SIJ Group. The company's main source of revenue are service fees from services performed for the benefit of SIJ Group companies, and dividends paid out by SIJ Group companies. The company SIJ d.d. provides its Group companies with strategic development, technological research & development, strategic procurement, marketing and sales, human resources, as well as legal and IT services, financing services, financial assets acquisition and management, planning and business analytics services and corporate communications services.

In 2022, the company realised a record profit of EUR 47.2 million. Due to a record-breaking financial result in the fiscal period, revenues stemming from services performed for the benefit of SIJ Group companies amounted to EUR 31.9 million. Other operating revenues represent dividends received. Cost of labor is higher compared to 2021, partly due to a larger headcount, and partly due to performance bonus payouts. On the other hand, the financial result is higher compared to 2021 due to smaller loan impairments in 2022.

Profit reserves were set aside in accordance with the Companies Act (ZGD). In 2022, the company paid out dividends in the amount of EUR 51.0 million. The company's equity remains at a high level.

Key Operating Figures

	Unit	2021	2022
Revenue	EUR thousand	15,636	31,899
Other operating income	EUR thousand	8,237	49,011
EBIT	EUR thousand	4,508	46,003
EBITDA*	EUR thousand	6,238	50,136
Financial result	EUR thousand	-2,114	1,952
Profit or loss before taxes	EUR thousand	2,394	47,955
Net profit or loss	EUR thousand	2,382	47,190
CapEx	EUR thousand	722	930
Labour costs	EUR thousand	13,789	26,400
Average number of employees		120.0	137.6
Return on assets (ROA)	%	0.6	11.5
Return on equity (ROE)	%	0.9	17.5
Participation rate of equity		0.6	0.7
Long-term liabilities-to-assets ratio		1.0	1.0
Long-term debt-to-assets ratio		0.2	0.1
Net profit or loss per employee	EUR thousand	20	343

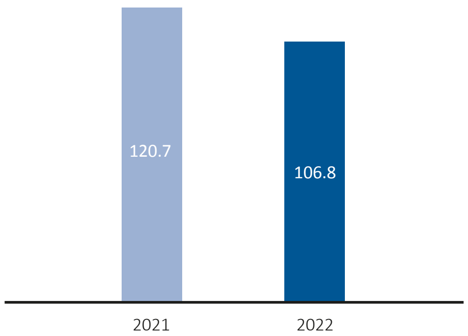
**Operating profit or loss before depreciation and amortisation and impairments of (profit/loss) operating receivables, tangible assets, investments and inventories.*

	Unit	31.12.2021	31.12.2022
Total assets	EUR thousand	425,277	397,756
Non-current Assets	EUR thousand	338,674	317,975
Equity	EUR thousand	272,186	268,495
Non-current liabilities and current liabilities	EUR thousand	153,091	129,261
Non-current financial liabilities	EUR thousand	81,970	49,764
Short-term financial liabilities	EUR thousand	49,882	57,413
Cash and cash equivalents	EUR thousand	11,111	350
Net financial debt	EUR thousand	120,741	106,827

Stable Financial Position

As of the end of 2022, the net financial debt amounted to EUR 106.8 million, a EUR 13.9 million decrease compared to the preceding year. The decrease in the level of financial debt was mainly influenced by dividends received.

SIJ d.d.: Net Financial Debt (in EUR million)



Alternative Performance Indicators

The company SIJ d.d. also reports its performance results according to the performance indicators defined by the European Securities and Markets Authority (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.
Participation rate of equity	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

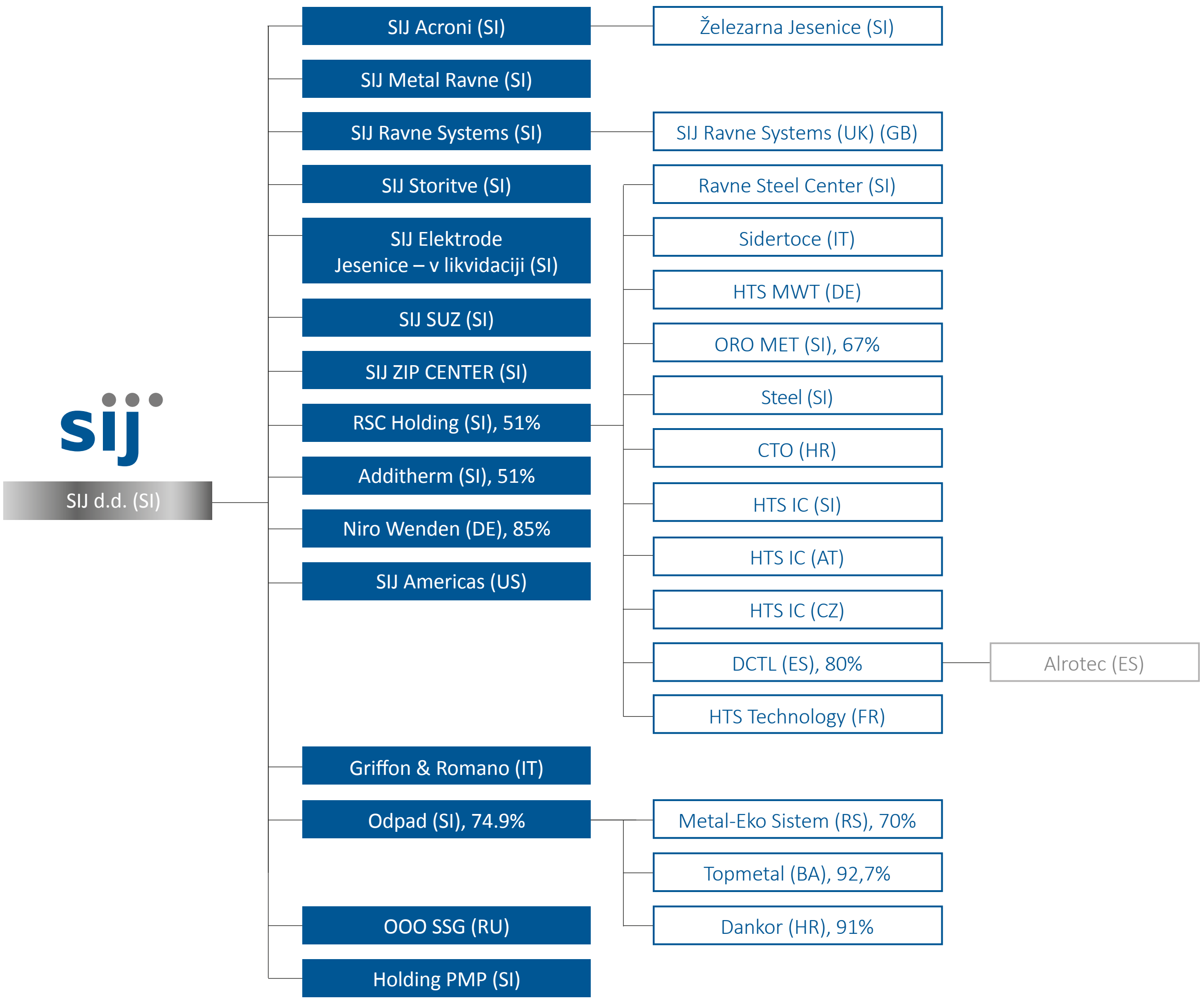
GRI 2-2 GRI 2-6

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-percent ownership of either SIJ d.d. or its subsidiaries.

Significant changes:

*2 February 2022: **KOPO International** was renamed **SIJ Americas**.*
*17 May 2022: **SIJ MWT** was renamed **HTS MWT**.*
*23 September 2022: **Noži Ravne** was renamed **SIJ Storitve**.*
*30 December 2022: **HTS IC (SI)** and **Kaldera** merged as of 30 June 2022*
Due to the merger, Kaldera ceased to exist.
*9 February 2023: Liquidation of **SIJ Elektrode Jesenice** was completed.*
*21 February 2023: **Topmetal** bought a 45% own share, and ownership of **Odpad Pivka** increased to 92.7%.*
*13 March 2023: **Holding PMP** ceased to exist under fast-track procedures.*

Programme Scheme: Vertically Integrated Business Model

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),** Vienna (AT)	**SIJ ZIP CENTER,** Ravne na Koroškem (SI)
Metal-Eko Sistem, Jagodina (RS)		**SIJ Elektrode Jesenice,** v likvidaciji (SI)	**SIJ Americas,** New Jersey (US)	**Sidertoce,** Gravellona Toce (IT)	**HTS IC (CZ),** Prague (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, Moscow (RU)	**ORO MET,** Košana (SI)	**Alrotec,** Tarragona (ES)	**Holding PMP,** Ljubljana (SI)
				Steel, Ljubljana (SI)	**HTS Technology,** Lyon (FR)	
				CTO, Zagreb (HR)	**Additherm,** Ljubljana (SI)	

Scrap Division
The companies within this division collect, process, and sort metal scrap and prepare it for transport and basic processing in the Steel Division.

Steel Division
Steel companies produce steel for further processing of the flat and long lines and develop new types of steel tailored to the customers' needs.

Manufacturing Division
Harnessing synergies with the Steel Division production processes, companies produce finished products and semi-finished products such as industrial knives, rolls, welding materials and drawn, ground and peeled steel bars.

Distribution and Processing Division
In key markets, the companies use distribution and other services to develop and strengthen direct contact with end customers. We are upgrading the state-of-the-art, vertically integrated knowledge centre supporting the tooling industry through the use 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

SIJ Group acts as a contractual concern with SIJ d.d. as the controlling enterprise. We are a member of the international organisation ResponsibleSteel™, a global initiative for standardisation and certification of responsible and sustainable practices in the steelworking industry. The standardisation which we are striving to promote includes the principles of responsible corporate governance.

Governance Bodies

SIJ d.d. has a two-tier system. In accordance with the law, the Articles of Association and internal Company regulations, the Company's supervisory and management functions are divided among the General Assembly, the Supervisory Board, and the Management Board. In the two-tier system, the Management Board and the Supervisory Board are autonomous and independent. The executive governance function is vested in the Management Board, while the non-executive and supervisory function is vested in the Supervisory Board.

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. Given the division of ownership between three shareholders, SIJ d.d. usually convenes its General Assembly sessions in the form of a universal convention event and sends the shareholders direct invitations. The adopted resolutions and information are available on Ljubljana Stock Exchange's SEOnet website and on the Company's website.

Three General Assembly sessions were convened in 2022.

At the 41st General Assembly of shareholders, which took place on 21 February 2022, Evgeny Zverev, Dmitry Davydov and Helena Ploj Lajovic, whose mandate had expired, were re-appointed as members of the Supervisory Board for an additional four-year term.

At the 42nd General Assembly meeting of 15 April 2022, the shareholders approved the Management Board and the Supervisory Board's proposal to use EUR 20,993,917.36 of the EUR 108,821,579.68 of distributable profits for dividends. The shareholders granted a discharge letter to the Management Board and the Supervisory Board. At the Supervisory Board's proposal, the General Assembly adopted the resolution appointing the company Deloitte revizija d.o.o. as the certified auditor for the financial years 2022, 2023 and 2024.

On 27 October 2022, the 43rd General Assembly of Shareholders once again decided on the issue of distribution of profits, upon the shareholders' request. It allocated an additional EUR 29,996,836.32 for payout of dividends, while the residual distributable profit in the amount of EUR 57,830,826.00 remained unallocated.

SUPERVISORY BOARD AND AUDIT COMMITTEE

In accordance with the Company's Articles of Association, SIJ d.d.'s Supervisory Board consists of seven members. The Audit Committee, which is a committee supporting the work of the Supervisory Board, consists of three members. Members of the Supervisory Board are appointed by the General Assembly, whereas members of the Audit Committee are appointed by members of the Supervisory Board. In line with the shareholders' agreement executed between the SIJ Group's largest shareholders, the Supervisory Board has five members representing the majority shareholder, DILON d.o.o., and two members representing the Republic of Slovenia.

Despite the known distribution of members according to the shareholders' interests, the Supervisory Board Members are obliged to perform their function independently and free of personal interests. Their powers are set out in the Companies Act, the Financial Operations of Companies Act, the Company's Articles of Association, and other applicable regulations. Supervisory Board and Management Board members are liable for carrying out their functions against their private assets. In the process of their appointment, they carry out an interview or sign a statement confirming their independence and the non-existence of any conflicts of interest. In accordance with registration regulations, each member submits a certified personal statement to the court register, confirming that there are no circumstances which would prevent their appointment to the respective function. GRI 2-15

The Supervisory Board supervises the work of the Management Board. At the end of each financial year and after reviewing the annual report, it draws up its report to be presented to the General Meeting, in which it presents its work and assesses the performance of the Management Board. GRI 2-18

The work of the Supervisory Board and the Audit Committee in 2022 is presented in more detail in the Supervisory Board's report, in which the Supervisory Board expresses a positive view of the Management Board's performance in the financial year 2022, without highlighting any necessary measures to be taken or guidelines for its work activities. GRI 2-18

Members of the Supervisory Board and the Audit Committee of SIJ d.d. in 2022

Name and surname	Function	Sex	Date of first appointment to the function	Current mandate	Professional background	ESG COMPETENCES* References and competences
Evgeny Zverev	President of the Supervisory Board	M	30. 8. 2013	19. 2. 2018 – 21. 2. 2026	Law, Mergers & Acquisitions	• management functions within SIJ Group • contributes towards the effective corporate governance system of SIJ Group
Štefan Belingar	Vice-president of the Supervisory Board and President of the Audit Committee	M	11. 4. 2019	11. 4. 2019 – 11. 4. 2023	Economics, Finance and Banking	• management functions in finance with a focus on banking • contributes towards effective monitoring of controls, risks and transparency of operations • as the member representing the equity of the controlling shareholder, he has an active coordinating role aligning the stakeholders' views regarding issues related to SIJ Group's operational activities
Matej Bastič	Member of the Supervisory Board	M	29. 7. 2021	29. 7. 2021 – 29. 7. 2025	Economics, Computers	• management and supervisory competences in various enterprises • contributes towards close monitoring of business processes and their impacts on sustainability
Maria Joye	Member of the Supervisory Board	F	29. 7. 2021	29. 7. 2021 – 29. 7. 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 industry
Dmitry Davydov	Member of the Supervisory Board	M	9. 6. 2017	19. 2. 2018 – 21. 2. 2026	Book-keeping, Logistics	• management functions at IMH Group, Russian Federation • with a sound understanding of logistical chains, he contributes towards a more efficient, vertically integrated business model of SIJ Group
Helena Ploj Lajovic	Member of the Supervisory Board	F	19. 2. 2018	19. 2. 2018 – 21. 2. 2026	Civil and Corporate Law	• management functions within SIJ Group, • with a solid background in corporate and labour law, she helps keep track of the stakeholders' interests with regard to HR and social issues
Richard Pochon	Member of the Supervisory Board and member of the Audit Committee	M	11. 4. 2019	11. 4. 2019 – 11. 4. 2023	Economics, Finance and Taxes	• management functions in international finance and tax, director and partner at Léman Cabinet Fiscal SA, Pully, Switzerland • competences in the field of tax reporting transparency
Alan Maher	Audit Committee Member (independent expert)	M	18. 4. 2016	as an independent expert until revoked by the Supervisory Board	Economics, Taxes	• background in management and major international corporate restructuring projects, bankruptcy trustee • competences in transparency of reporting and operations

**ESG Competences: role in implementation of environmental and social responsible and high-level corporate governance*

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

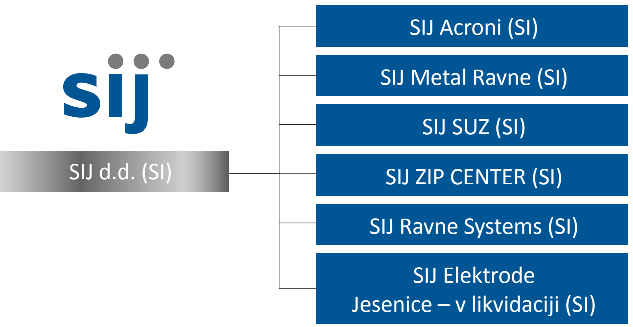
Remuneration of members of SIJ Group's executive and supervisory bodies is based on factoring in SIJ Group's complexity and its market position. Our system of remuneration ensures that the Management Board and the Supervisory Board members have the necessary professional qualifications and competences, with a high degree of professional and personal integrity and a motivation for responsible and active involvement. We did not yet implement a specific remuneration policy in 2022, but the main shareholders routinely update each other about the remuneration paid out to members of the executive and supervisory bodies.

The Supervisory Board is responsible for setting the 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 relevant reimbursements. These line items are defined in the General Assembly resolutions. Most recently, the remuneration of members of the Supervisory Board and the Audit Committee was defined at the initiative of the two largest shareholders in the resolutions of the 30th sitting of the General Assembly of SIJ d.d., which took place on 9 June 2017. Taking into consideration the principles of proportionality and justification, the level of remuneration is based on the members' assigned tasks, professional qualifications and responsibilities. A more detailed account of remuneration is provided in the remuneration annual report, which is prepared and audited along with the Annual Report, in accordance with the law.

SIJ d.d. AND SIJ GROUP CORPORATE GOVERNANCE SYSTEM GRI 2-2

As the majority shareholder, SIJ d.d. strategically manages all the companies it owns, collectively referred to as SIJ Group. The Company also has a governance systems policy which is based on the fundamental values of business excellence and focuses on achieving strategic goals. The Management Board of SIJ d.d., its Vice-Presidents or executive directors, together with the executive management team, are responsible for managing, coordinating and supervising the operations of all SIJ Group companies, both in Slovenia and abroad, at strategic as well as 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 seven directly controlled limited liability subsidiaries in Slovenia, and the activities of the subsidiaries are managed by the parent company. In this year's annual report according to GRI standards, the reporting primarily refers to the six key companies of SIJ Group (SIJ d.d., SIJ Acroni, SIJ Metal Ravne, SIJ Ravne Systems, SIJ SUZ, SIJ ZIP CENTER).

The business goals, defined for individual strategic areas for the Group as a whole, and consistent application of centralised corporate mechanisms used across the entire SIJ Group, are achieved through contractual concern mechanisms – by way of the majority shareholder issuing mandatory instructions or passing decisions.

Other subsidiaries are registered in the European Union, Great Britain, Bosnia Herzegovina, Serbia, Eastern Europe and the United States. As a rule, companies are 100-percent owned or under the influence of the parent company SIJ d.d. Most of them are organised as limited liability companies. (Overview showing all enterprises: see SIJ Group Companies.)

COMPOSITION AND POWERS OF THE MANAGEMENT BOARD

According to SIJ d.d.'s Articles of Association, SIJ d.d.'s Management Board may have between one and four members, and is presided over 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

SIJ d.d.'s single-member Management Board arrangement continued in 2022. As President of the Management Board, the 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 and the risk management functions 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

Evgeny Zverev,
Vice-President and
Chief Legal and Corporate
Governance Officer

PRESIDENT OF THE MANAGEMENT BOARD

GRI 2-10 GRI 2-11

President of the Management Board is Andrey Zubitskiy. His mandate expires on 18 July 2023. He was first appointed to the single-member Management Board in 2017 by a coordinated decision of the shareholders.

The decision to appoint Andrey Zubitskiy, an expert in technology, metallurgy, and economics with references in management positions, was based on his background in the steel industry and capital participation.

EXTENDED MANAGEMENT OF SIJ d.d.

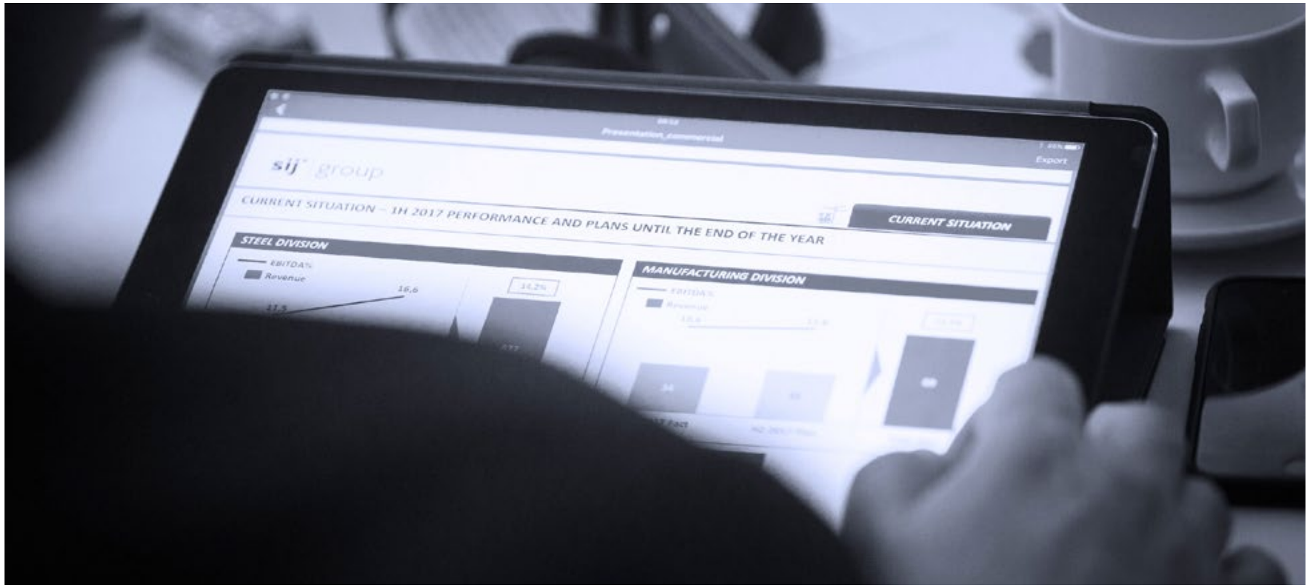
GRI 2-9 GRI 2-12

The centralised management of SIJ Group's strategic business functions is divided between the Strategic and Operational Collegium.

The Strategic Collegium together with the Vice-Presidents and Chief Executive Officers prepares the strategy of the SIJ Group, the economic plan of the Company and the Group, and formulates the strategic policy on mergers, acquisitions, and divestments of companies and major assets. With consideration to the sustainability strategy and the various areas of the SIJ Group's activities, it makes assessments about sponsorships, donations and other major non-commercial matters related to the Group. The Strategic College is also responsible for forming teams to implement various projects of importance to the 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.

Critical concerns are communicated and addressed at the top-level management through the Operational and Strategic Collegium and management reviews. In 2023, we plan to establish a complaints mechanism for all types of stakeholders. GRI 2-16



CORPORATE GOVERNANCE STATEMENT

IMPROVED SUSTAINABILITY REPORTING GRI 2-22

SIJ Group is proudly committed to an improved level of reporting, in compliance with sustainable development standards. We conduct our operations in a socially responsible manner and manifest our role as an intermediary between various stakeholders. We place particular focus on the activities of the local communities in which we operate, as well as on humanitarian work, sports and environmentally responsible actions. On 23 June 2022, we adopted the SIJ Group Sustainable Development Strategy, which defines SIJ Group's sustainable development parameters leading up to the year 2030.

In 2022, SIJ d.d. successfully launched activities for reporting according to the European Union's guidelines on non-financial reporting, aligned with the EU Taxonomy Regulation. For SIJ Group and SIJ d.d., we will disclose information for 2022 on how and to what extent our activities are related to economic activities that are considered environmentally sustainable under the Regulation in a separate report to be published on www.sij.si by 30 June 2023. Disclosure refers to Commission Delegated Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 of the European Parliament and the Council by specifying the technical screening criteria for determining the conditions under which an economic activity is considered to contribute significantly to mitigating or adapting to climate change, and for determining whether that economic activity does not significantly undermine any of the other environmental objectives.

As members of ResponsibleSteel™, the first global initiative for standardisation and certification of responsible and sustainable practices in the steelworking industry, we anticipate meeting the requirements of the organisation's standards by 2023.

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 in all material aspects, 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 enterprise 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 routinely monitors its activities at the operational and strategic levels, across the entirety of SIJ Group. The internal control system is supported by IT solutions, which allow for daily on-the-fly monitoring of all key operational parameters of SIJ Group subsidiaries, and by business intelligence solutions which allow the Company to track events and operational records in real time, directly at the operational level.

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

- we have a unified reporting system 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;
- regular 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 our reporting complies with statutory requirements.

This conveyance of information is comprised of:

- reports from the managements of the various subsidiaries to the parent company SIJ d.d.;
- transmittal 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 achieved effectively and successfully, as well as 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 currently SIJ d.d. does not yet have a formally codified diversity policy per se, it does observe the concept in the composition of its executive and supervisory bodies. Proof of this is the composition of the highest governance bodies, which consist of members with a variety of qualifications, professional backgrounds and other complementary characteristics to ensure they perform their work effectively. Diversity is also reflected in SIJ Group's other structures. With two of its member companies dedicated to employing persons with disabilities, SIJ Group is also an employer of socially vulnerable groups. Employees working in production subsidiaries are given the opportunity to exercise their rights and interests through the labour union, which represents them in collective negotiations between the Management Board of SIJ d.d. and the employees. While the Company's management does not include workers' representatives, we ensure diversity in management or supervisory bodies according to the Company's actual needs, and through the election proposals for membership on the Supervisory Board presented by shareholders, which are geared towards the diversification of competencies – particularly in the fields of metallurgy, economics, law, finance and controlling.

We plan to formalise the adoption of a diversity policy in the coming years, along with a number of corporate policies on the quality assurance systems of SIJ Group as a whole.

SUBSTANTIVE OBSERVATION OF CORPORATE GOVERNANCE CODES

During the period from 1 January 2022 to 31 December 2022, the framework of SIJ d.d.'s corporate governance activities was provided by the optional corporate governance recommendations, as defined in the Slovenian Corporate Governance Code[1] and the Corporate Governance Code for Companies with Capital Assets of the State . SIJ d.d. did not formally implement these Codes, but substantively observes their principles where they overlap with the law and good business customs.

These Codes were not implemented in a more formal fashion in 2022 due to the Group having a clear shareholder structure. Responsible corporate governance is made possible and coordinated by the shareholders' agreement, contractual concern mechanisms, and SIJ d.d.'s majority stakes in other companies.

The corporate governance standards geared towards reaching the goals of SIJ Group are therefore based on governance through a parent company aligned between the two main shareholders, whereas SIJ Group transparently updates all stakeholders about key events involved in the management of SIJ Group by making public announcements.

At the end of 2020, SIJ Group also adopted a Governance Systems Policy as part of the corporate quality system, and thus formalised its values of business excellence. This is another example of SIJ Group implementing responsible corporate governance standards in compliance with the law and established business customs, while maintaining a responsible relationship with stakeholders.

Andrey Zubitskiy,
President of the Management Board

Evgeny Zverev,
President of the Supervisory Board

1 As of the time of writing, the current version of the Slovenian Corporate Governance Code is available online at the Ljubljana Stock Exchange website: www.ljse.si.
2 As of the time of writing, the current version of the Corporate Governance Code for Companies with Capital Assets of the State is available online at the Slovenian Sovereign Holding (SDH) website:www.sdh.si.

Business Report

We strengthen our focus on our chosen niche markets in collaboration with our customers and other stakeholders. We execute our investments in efficiency and reducing environmental impacts in collaboration with our chosen partners. Our employees form the foundation of our success.

BUSINESS STRATEGY IMPLEMENTATION

In 2022, we continued implementing the strategy adopted in 2019. We continue efforts to strengthen our financial stability, reinforce our position as a leader in niche markets, and maintain our reputation as an employer of choice with motivated and engaged employees. In an uncertain market (due to the pandemic, developments in Ukraine, and volatile energy prices), we are reaching our set targets partly thanks to our flexibility and vertical integration. We increase our brand awareness through the development of new product brands. Our fast reaction times and flexibility have allowed us to maintain a high level of profitability in the second part of the year 2022.

ADVANTAGES OF SIJ GROUP'S BUSINESS STRATEGY

FLEXIBILITY	A modular strategy, tracking of key parameters in real-time	Adjusting the timeframe for meeting investment targets (accelerated investments in 2022) Adjusting the volume of production (flexibly, based on energy prices).	Prompt decision-making
VERTICAL INTEGRATION	Increased activity of our Scrap Division (record profits in 2022)	Expanding distribution: • new warehouse in the USA, in Chicago, Illinois • fast supply of the highest-quality Slovenian steels	
NICHE MARKETS	Focus on specialised niche markets	Established steel brands, nine product brands	In 2022, three new product brands were introduced: • SIKNIVES for industrial knives • SIROLLS for rolls • SIMATEC for engineering and maintenance)

BRANDING AND MARKETING

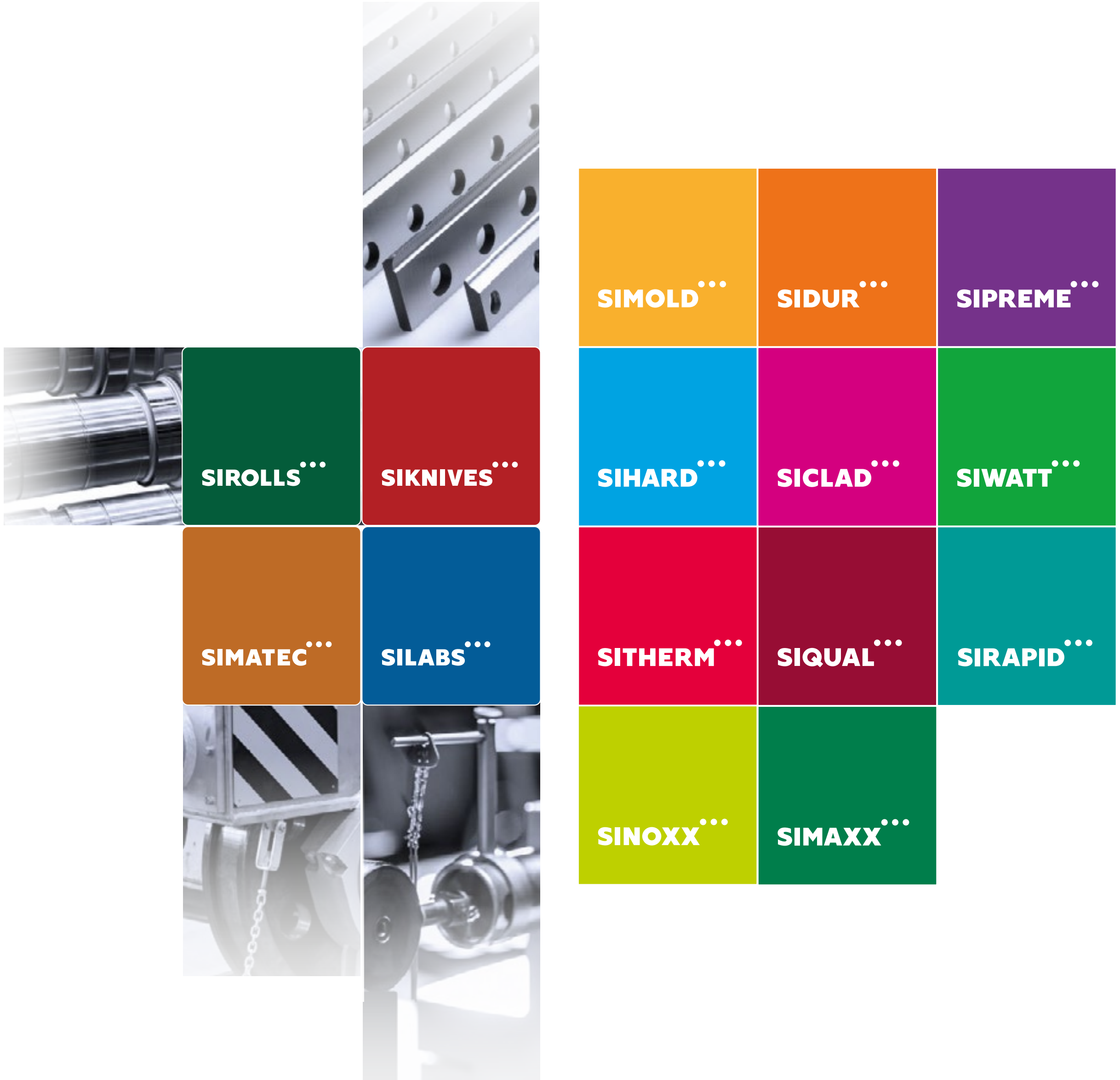
SIJ Group is an established provider of branded steel, intended for specific applications. In 2022, we introduced a number of additional end-product and service brands. Besides liaising with our end-customers, our marketing strategy rests mainly on trade show presentations. In 2022 we presented our offering at 21 trade shows in nine countries.

Our marketing activities and communications comply with applicable regulations and general 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 of any breaches of our customers' privacy or any loss of customer data. GRI 418-1

PROTECTION OF COMPETITION GRI 206-1

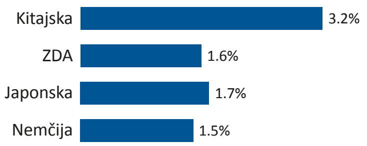
SIJ Group enterprises adhere to fair market practices. We have thus far not been involved in any administrative, legal or other proceedings involving the distortion of competition, restrictive agreements or abuse of a dominant position. As there has not been any need for this in the past, we currently do not manage the area of protection of competition separately.



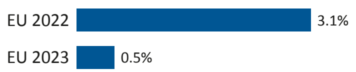
IMPACTS OF THE EXTERNAL ENVIRONMENT AND SIJ GROUP ACTIVITIES

GLOBAL ECONOMIC OUTLOOK

Economic Growth Forecast for 2022



Economic Growth Forecast for 2022 and 2023



Observations and Trends

3.2% global growth of GDP in 2022

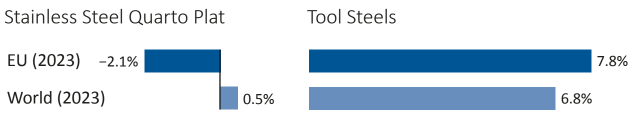
2.7% global growth of GDP in 2023

SIJ Group Activities

- 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 USA.
- Increasing sales activities in existing and new markets.
- Improving the supply chain leading to the end-buyers.

NEW STEEL DEMAND TRENDS

Growth Forecast in Steel Consumption



Growth Forecast in Steel Demand

Observations and Trends

7.8% growth forecast in steel demand for tool steel in the EU (2023)

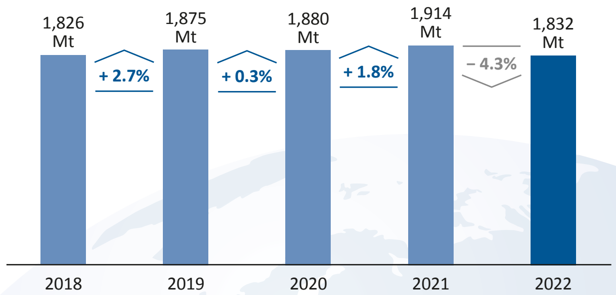
0.5% global growth forecast in steel demand for stainless steel (2023)

SIJ Group Activities

- 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 leaning towards environmentally sustainable production of steel.

SITUATION ON THE WORLD MARKET

Global Growth in Steel Production



Observations and Trends

1.6% decrease in steel consumption forecast in the EU in 2023, expected to recover in 2024 (+1.6%)

1.0% global growth forecast in steel demand in 2023 (2022: -2.3%)

SIJ Group Activities

- Maintaining high production rates to meet the needs of the market.
- Product mix optimisation.
- Strengthening and solidifying relations with existing customers.

Sources:

a. European Commission. July 2022. European Economic Forecast 2022: Summer 2022. Available at link (30. 3. 2023).
b. International Monetary Fund. April 2022. World Economic Outlook April 2022: War Sets Back the Global Recovery. Available at link (30. 3. 2023).
c. World Steel Association. May 2022. April 2022 Crude Steel Production – Press Release. Available at link (30. 3. 2023).
d. SMR – Steel and Metals Market Research. December 2022. Stainless Steel Plate Mill Plate Market Data. Internal data.
e. SMR – Steel and Metals Market Research. December 2022. Alloy Tool Steel Market Data. Internal data.

RISK MANAGEMENT

ADDRESSING NEW UNCERTAINTY

Due to external circumstances in recent years, we at SIJ Group have revised our approach to risk management, and added a number of recognised high-risk items to the list, which would have been unimaginable in the context of SIJ Group operations even just a few years ago. In the business world, the lack of control over external factors creates uncertainty, which strongly affects the confidence of corporate entities and consumers. The surging prices of energy and raw materials, inflation and general market volatility are causing issues in planning production and managing purchase and sales prices. In the future, reducing uncertainty will depend predominantly on how the situation in the Russian-Ukrainian conflict develops, which is a factor beyond SIJ Group's control.

CENTRAL RISK REGISTER

Due to SIJ Group being exposed to similar risks across different subsidiaries, we have dedicated particular attention to this issue in 2022, taking a systemic approach to managing risk at the highest level.

We standardised the risks in special risk categories. The central register includes risks in 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. By identifying and assessing risks and opportunities at all levels in a timely manner, we retain our ability to achieve SIJ Group's strategy.

COMPREHENSIVE RISK MANAGEMENT SYSTEM

Risk exposure is routinely monitored, at both the individual company and Group levels. We track the management of identified 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. The system is based on a cycle of planning, coordination, and reporting, and includes the identification and implementation of risk mitigation measures, as well as monitoring the effectiveness of these measures.

ESCALATED AND STRATEGIC RISKS

A standard risk identification and assessment methodology was implemented in 2022. In making our assessment, we consider the speed of the risk manifesting, the probability of the risk manifesting, exposure in case of the potential risk manifesting, the estimated resources needed to resolve the situation, and the consequences of the risk manifesting. We assess the consequences separately at two levels: the first applies at the subsidiary level, while the second applies at the level of SIJ Group as a whole.

Most companies maintain its own separate risk register, whereas significant risks are compared between the subsidiaries. Equally significant risk exposures identified in multiple subsidiaries are categorised under Group-level risk exposures, with an escalation ponder. Besides escalated risks, SIJ Group also recognises, assesses and manages strategic risks which potentially directly impact the activities, reputation and business operations of SIJ Group as a whole. Such risks are assessed using on a chosen base-level risk, which is comparable to a critical degree of risk in the Company, plus the addition of the potential consequences across the entire SIJ Group. Based on the identified risks and their level of severity, numerous systemic safeguards were introduced, as well as measures to prevent or manage the risk-inducing phenomenon.

ASSESSMENT OF OPPORTUNITIES

Risk assessment is constantly associated with identifying and assessing opportunities that enhance our ability to meet and exceed our goals. In our assessment efforts, we consider a broad range of products destined for different markets, the diversification of business divisions and their vertical integration, as well as the restrictions present in specific geographic regions. We adjust our strategic plans and decisions with all this in mind.

Overview of Key Risks

PRODUCTION AND OPERATIONAL TECHNOLOGICAL RISKS

The highest-rated risk is the risk of unavailability of the means of production, energy in particular. Geopolitical circumstances can potentially lead to a partial or complete outage of natural gas, which is a key energy-generating product in the steel production technological process. Potential outages in the supply of natural gas from Russia could lead to reductions or terminations of gas supplies to non-critical consumers, which includes our industry. As a result, this could potentially cause shutdowns or partial shutdowns of supplies of input materials coming from suppliers. As it is impossible to change technological processes and substitute natural gas with an alternative energy source overnight, this increases uncertainty in the area of managing technological risks.

Further examples of risks with a relatively high identified level of severity include the risk of unavailability of infrastructural resources and the risk of unavailability of working equipment due to limited ability in the past for investments in modernisation and maintenance of non-critical infrastructure or working equipment, i.e. in the event of unforeseen mechanical damage or malfunction. Both can lead to the inability to fill customer orders within the anticipated timeframe.

ECONOMIC AND COMMERCIAL RISKS

The second-highest ranked risk for SIJ Group is the commercial risk, which is also linked to uncertain circumstances when it comes to energy. Increasing prices of electricity and natural gas, which we would have no control over, could lead to an enormous surge in the prices of our own products, which the market would not be able to accept.

BUSINESS RISKS WITH MANAGEMENT AND GOVERNANCE RISKS

The third-highest ranked risk for SIJ Group is the risk of a lack of suitably qualified human resources. For an extended period of time, we have been facing a lack of qualified resources on the labour market, combined with a lack of interest in young people to choose professions and work in technical occupations and metallurgy. These circumstances are further aggravated by the moving of human resources between companies (the rate of fluctuation on the labour market) and retirement.

Lower-ranked risks include:

- the business and governance risk associated with corporate 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 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

By actively managing and adapting to market developments, SIJ Group was able to even exceed results of the previous, record year. Like many other European steel companies SIJ Group decided to optimise the scale of production in the last quarter. Thanks to our appropriate response to market conditions and the situation made worse by developments in Ukraine, surging natural gas and electricity prices, increasing inflation, higher cost of raw materials and customer uncertainty, we were able to improve sales, increase steel production for prospective new business segments, and maintain high export levels. We remain financially stable and have high liquidity.

SIJ Group Key Performance Figures

	Unit	2021	2022
Cast steel production	t	495,368	437,552
Revenue	EUR thousand	962,698	1,302,863
EBIT	EUR thousand	44,553	123,980
EBIT margin	%	4.6	9.5
Depreciation and amortisation	EUR thousand	52,732	54,843
EBITDA	EUR thousand	100,801	179,888
EBITDA margin	%	10.5	13.8
EBITDA per employee	EUR	26,431	47,662
Profit or loss before taxes	EUR thousand	33,986	112,400
Net profit	EUR thousand	29,231	95,365
CapEx	EUR thousand	55,992	61,386
Average number of employees		3,814	3,775

	Unit	31 12 2021	31 12 2022
Total assets	EUR thousand	985,760	964,115
Equity	EUR thousand	399,998	444,915
Working capital	EUR thousand	114,784	222,282
Inventories	*EUR thousand*	*282,271*	*300,627*
Trade receivables	*EUR thousand*	*100,238*	*117,942*
Trade payables for operating assets	*EUR thousand*	*267,726*	*196,286*
Net financial debt	EUR thousand	203,287	237,806
Non-current financial liabilities	*EUR thousand*	*166,315*	*174,106*
Current financial liabilities	*EUR thousand*	*86,143*	*79,823*
Cash and cash equivalents	*EUR thousand*	*49,171*	*16,123*
NFD/EBITDA		2.0	1.3

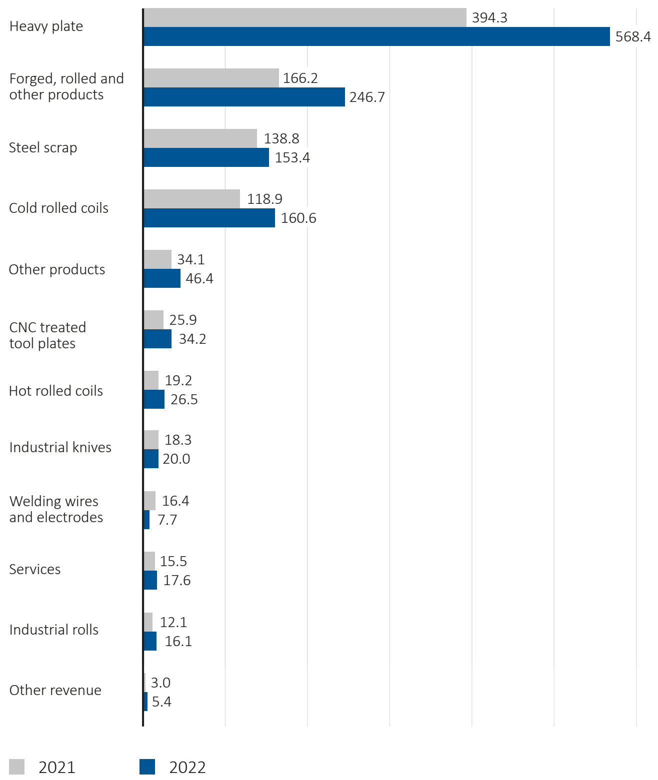
Higher Sales Revenue

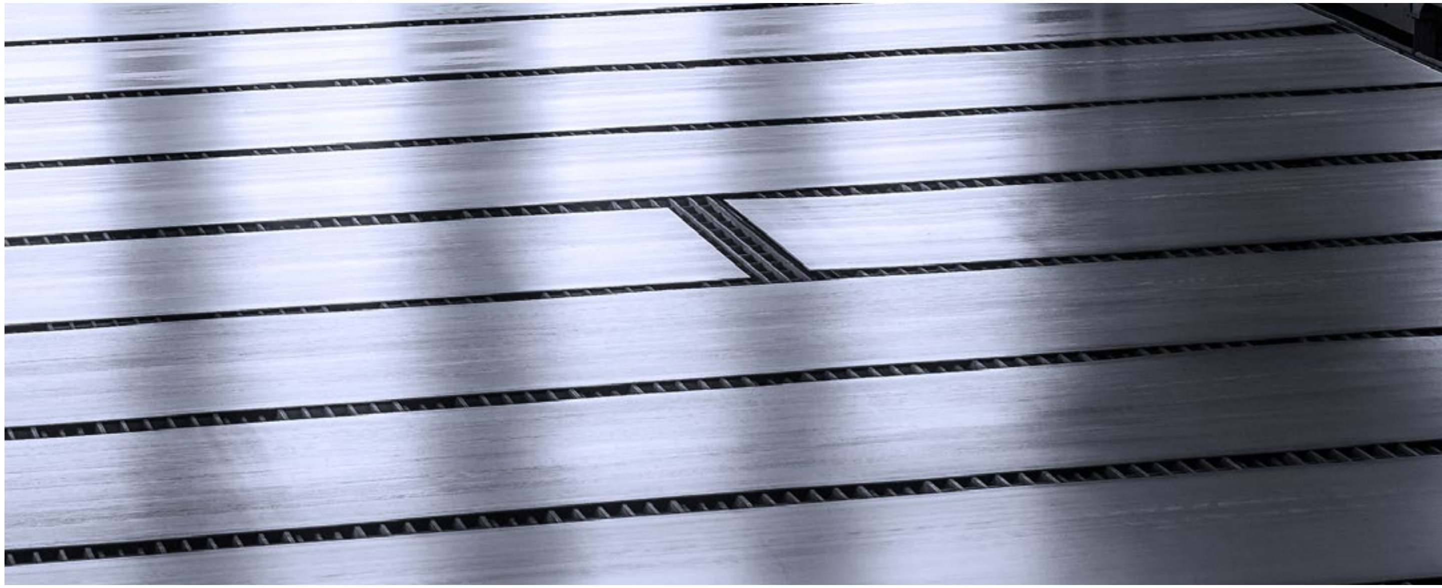
In 2022, we improved net sales revenue by 35.3 percent compared to the year before. In order to optimise production quantities in the last quarter, quantities of goods sold were down 4.6 percent compared to 2021. We increased revenues mainly through sales of high value-added steels. At the same time, we kept market shares on par with the past five years in the segments of stainless steel quarto plates and tool steels.

Sales Structure

Compared to 2021, we increased our sales by more than one-third in the quarto plates segment (44.2 percent) and nearly one-half in the wrought steel, rolled steel and other products segments (48.4 percent). As a result of winding down the production programme, sales of welding wires and electrodes decreased by over one-half (53.0 percent). The total structure of sales remains on par with the previous year.

Sales by Product Groups (in EUR million)



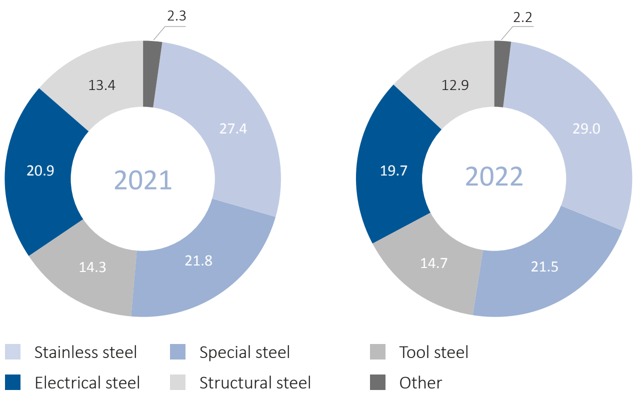


Growth of Prospective Segments

Together with our partners we are constantly looking for new sales channels and developing new products for the future. Our quality products focus mainly on niche steel markets, while maintaining our leading market positions in specific segments. The core of our manufacturing operations consists of stainless steels, tool steels and special steels. Compared to the previous year, the share of stainless steel sales in our overall sales structure increased by 1.6 percentage points, while the share of tool steels sales increased by only 0.4 percentage points, since we focused on higher value-added products when optimising our production volumes. The slight decrease in electro steels is also partly due to supply chain delays linked to electro-mobility.

This change is part of implementation of the plans to diversify sales and increase competitiveness in selected segments of metallurgy.

Share of Sales Volume of Certain Types of Steel (in percentages)



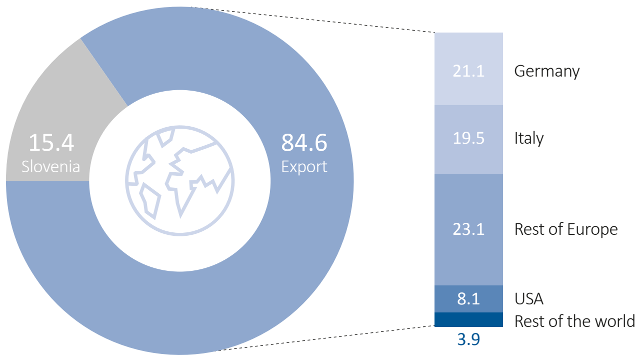
Changes in the Structure of Exports

In the last decade, SIJ Group has been generating more than four-fifths of its total revenues on markets in 70 countries worldwide. Even during the years of challenging international circumstances, we remain at the very apex of Slovenian exporters with our 84.6 percent share of exports.

Germany and Italy remain SIJ Group's foremost export markets. In 2021, our exports to the German market increased by 28.3 percent, while our exports to the Italian market have increased by 18.3 percent compared to 2021. Germany and Italy's share in the structure of exports is lower in 2022 due to the increase of sales to other European countries, France and Hungary in particular.

Exports to the USA also make up a greater share of the overall structure of exports, as we were able to increase sales on that market due to market conditions and due to easing of customs quotas and tariff procedures.

Share of Revenues by Market for the Year 2022 (in percentages)

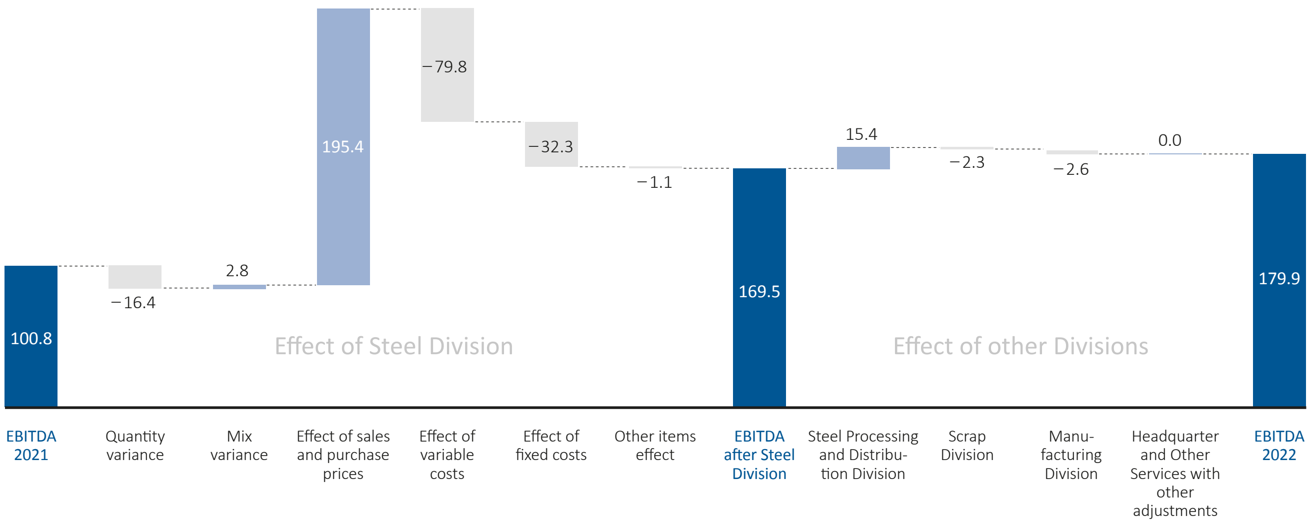


Record EBITDA

Despite higher purchase prices of raw materials and energy, our prompt action in response to beneficial circumstances on the steel markets helped increase our EBITDA KPI by as much as EUR 79.1 million, reaching as high as EUR 179.9 million.

Higher sales prices had a positive impact on the EBITDA. We were able to transfer higher prices of raw materials to the Steel Processing and Distribution Division. Changes in energy prices and labor costs had the greatest negative impact on the EBITDA. We were able to offset the effects of surging energy prices by pre-purchasing quantities of electricity and natural gas, and by introducing the energy bonus. Higher labour costs are attributable to the payout of business performance bonuses and extra earnings to our employees in order to address increased cost of living.

EBITDA Bridge (in EUR million)



Effect of the Steel Division

The Steel Division, which has the greatest impact on SIJ Group's overall EBITDA, generated an EBITDA EUR 68.7 million higher compared to the preceding year.

The EBITDA growth was affected by the ratio between sales prices and purchase prices and higher demand for higher value-added products. The optimisation of our production volumes in the final quarter resulted in a 10.9 reduction in quantities of production, and also allowed us to offset the negative effect of variable costs due to increased electricity and natural gas prices. The measure thus had an overall positive effect on EBITDA.

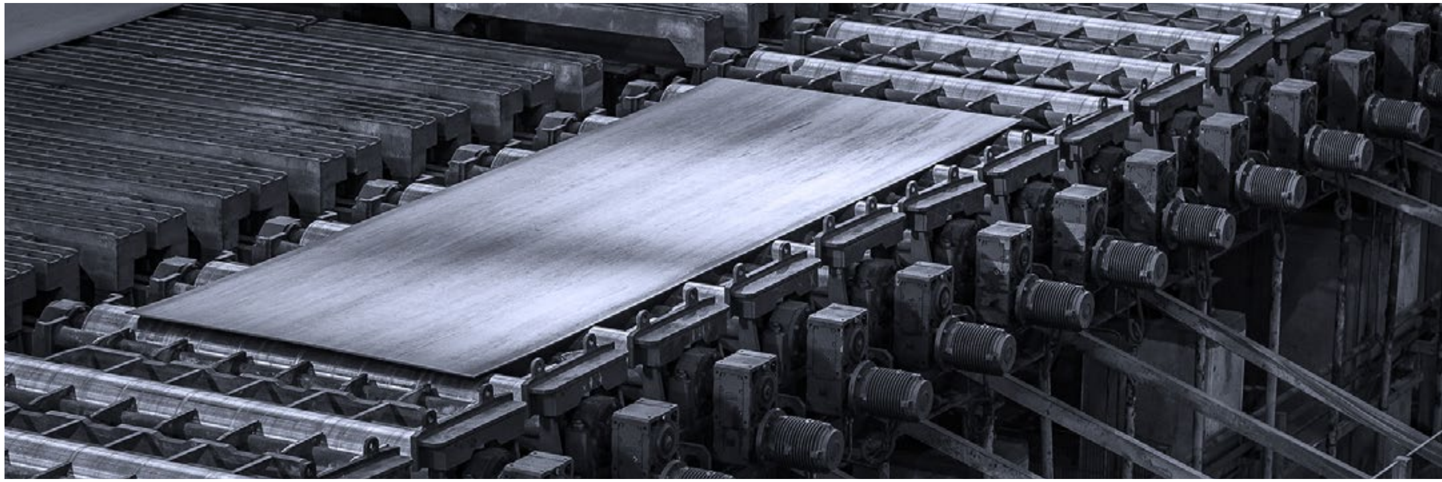
Fixed costs increased due to higher costs of labour, and due to the general increase in prices of maintenance, increased environmental costs and increased cost of transport services.

Effect of the Distribution and Processing Division

In the Steel Processing and Distribution Division, which follows along the trends of development in the steel-working industry, increased demand, higher sales prices, combined with a 9.8 reduction in quantities sold and increased cost-effectiveness, prompted a EUR 15.4 million boost in EBITDA.

Effect of the Scrap Division

The Scrap Division was faced with the prices subsiding, which, combined with the 5.1 percent reduction in production quantities, had a negative effect on EBITDA to the tune of EUR 2.3 million.



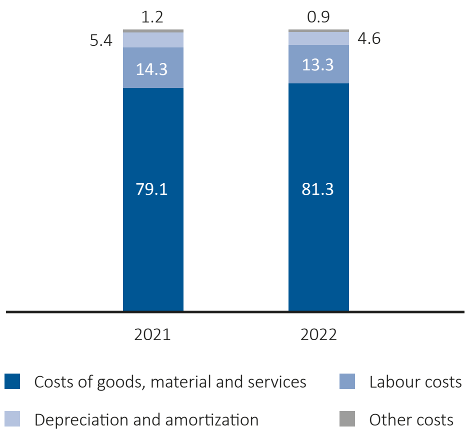
Effect of the Manufacturing Division

Due to a disproportionate increase in prices of raw materials, the Manufacturing Division recorded a negative EBITDA growth.

Changes in Operating Costs

Within the structure of SIJ Group's operating expenses, the increased prices of input materials, energy and services resulted in a higher share of costs of goods, materials and services within the structure of expenses, compared to the previous year. As a result, other the share of other operating costs decreased in terms of their overall structure.

Structure of Operating Costs (in percentages)

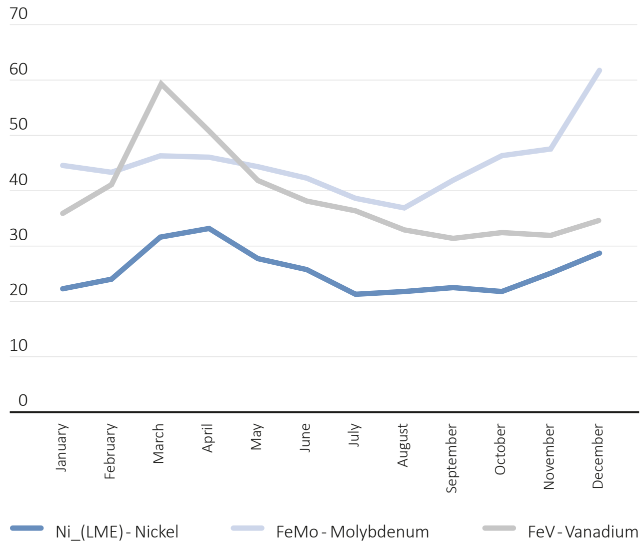


Prices of Raw Materials

The start of the year was marked by surging prices of raw materials, which mostly peaked in the first quarter. In the third quarter, price levels maintenance was influenced by the energy crisis, a modest economic growth in China, and a worsening of economic projections. In some categories of raw materials, even declining supply and demand, and the correlated decrease in consumption, did not result in any surpluses. When it comes to these raw materials, among which molybdenum, for example, is of particular importance in the steel industry, disruptions of supply are normally soon reflected in price surges.

In the special stainless steels production segment, nickel is one of the key raw materials, the price of which peaked in April. After the trading suspension in the London Metals Exchange and introduction of a number of measures to prevent speculative trading, the price of nickel settled above the projected and anticipated price level. Low availability of primary nickel on the commodities exchange does not reflect the estimated surplus of all other products which are not comprised in availability of raw materials on the commodity exchange.

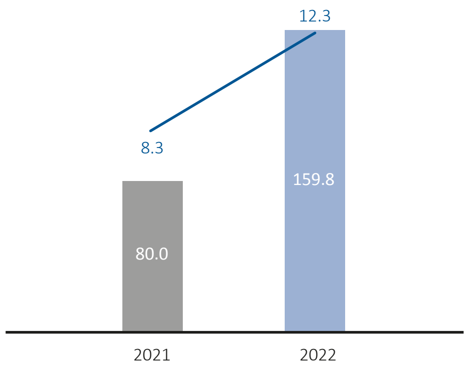
Movement of Key Raw Material Prices for the Production of Stainless and Tool Steels (in USD per kilogram)



Energy Products

In the SIJ Group, the Steel and Manufacturing Divisions are the largest consumers of energy products. Due to a substantial increase in prices, the cost of energy in these Divisions doubled compared to the preceding year. In the Steel and Manufacturing Divisions, we consumed 480 thousand megawatt hours of electricity and 744 thousand megawatt hours of natural gas.

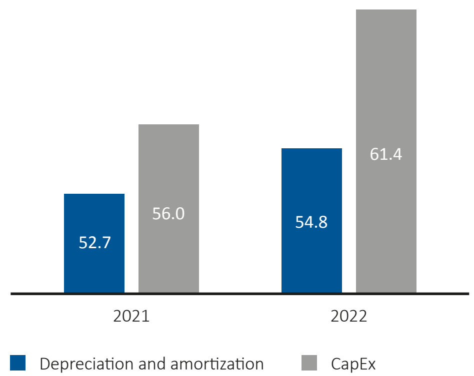
Energy Costs (in millions of euros) and Share in Revenues (in percentages)



CapEx

Business results have allowed us to allocate EUR 61.4 million to capital expenditure in 2022, an increase of 9.6 percent compared to the preceding year. Due to circumstances caused by the pandemic, we prolonged and pushed forward non-critical capital expenditure in the year 2020, and in 2021, the level of expenditure was once again above amortisation and depreciation. We are successfully implementing the capital expenditure strategy until the year 2025, with flexible resource management practices.

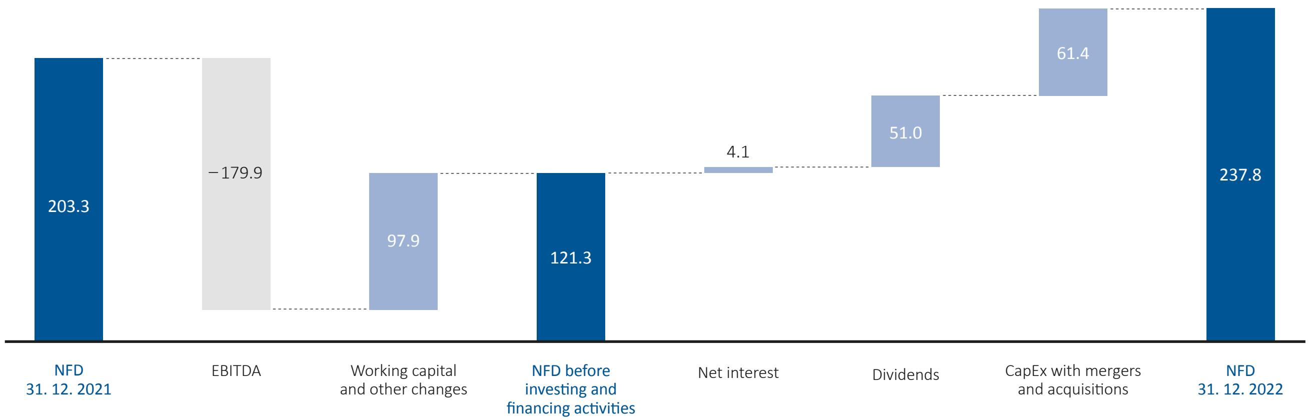
Depreciation and Amortisation and CapEx (in EUR million)



Net Financial Debt

SIJ Group's net financial debt increased by EUR 34.5 million in 2022. All regular operations and the dividends which were paid out due to SIJ Group's exceptional performance and financial stability were fully financed using EBITDA. Net debt increased mainly as a result of investments made.

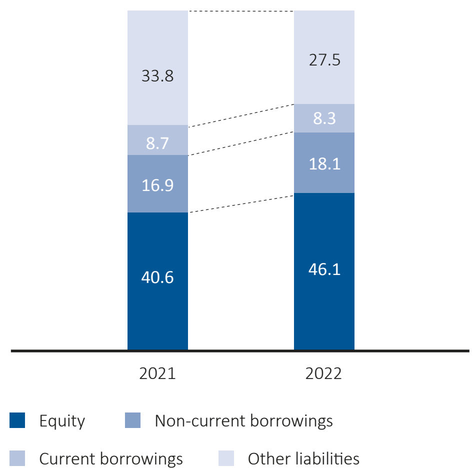
NFD Bridge as at 31 December (in EUR million)



High share of equity

The share of equity in the debt structure remains at a high level. Despite dividend payouts and investments carried out, the exceptional business results in 2022 resulted in further increase of equity. While the share of capital in total liabilities to sources of funds increased, the share of other liabilities decreased both in terms of proportional share and value. Compared to the previous year, the share of current financial liabilities decreased somewhat, while the share of non-current financial liabilities increased somewhat as a result of a new long-term syndicated loan.

Debt Structure as at 31 December (in percentages)



High Liquidity

SIJ Group prides itself on its high liquidity. We were able to keep a high level of liquidity even after repayment of commercial papers at the end of 2022. Sufficient liquidity reserve for the coming years is ensured partly by the long-term syndicated loan agreement worth EUR 230 million, which an international syndicate of nine international and domestic banks under the coordination of the NLB bank signed with our companies SIJ Acroni and SIJ Metal Ravne, SIJ Group's largest steel companies. The loan, granted under more favourable terms, is intended for refinancing our existing loan portfolio, ensuring adequate liquidity reserves for long-term development, and funding investments to improve environmental efficiency. The loan syndicate includes the European Bank for Reconstruction and Development (EBRD), which provides additional assurance of the banks' confidence in SIJ Group's sustainable growth. In accordance with SIJ Group's strategy until the year 2025, SIJ Group's investment projects are geared towards increasing production efficiency, environmental projects, circular economy principles and energy efficiency.

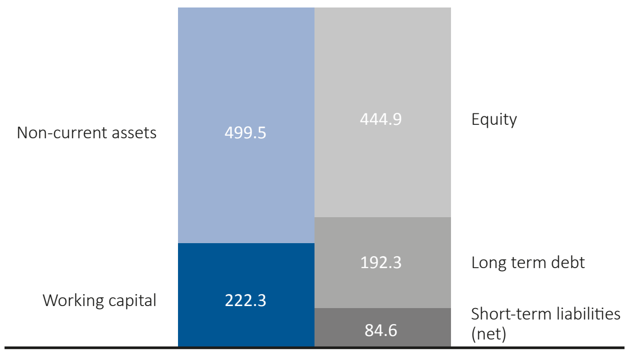
In 2022, SIJ Group paid out SIK08 commercial papers in the total amount of EUR 30 million, without refinancing. With SIJ Group achieving a record-breaking business result, high financial liquidity and alternative sources of financing, re-issue of commercial papers at the end of 2022 would constitute a step away from optimal financing cost.

SIJ Group maintains a presence in the capital market with the issued SIJ6 and SIJ7 bonds for a total of EUR 79.1 million. We monitor developments on capital markets closely. Provided market conditions are favourable, SIJ Group will continue regularly issuing debt securities.

Stable Financial Structure

SIJ Group uses long-term financing for long-term development, while short-term 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 long-term sources, we maintain a stable structure of assets and sources. All of the fixed assets and 62.0 percent of the working capital is covered through long-term sources.

Structure of Financial Position: Asset-to-Debt Ratio as at 31 December (in EUR million)



Working Capital Management

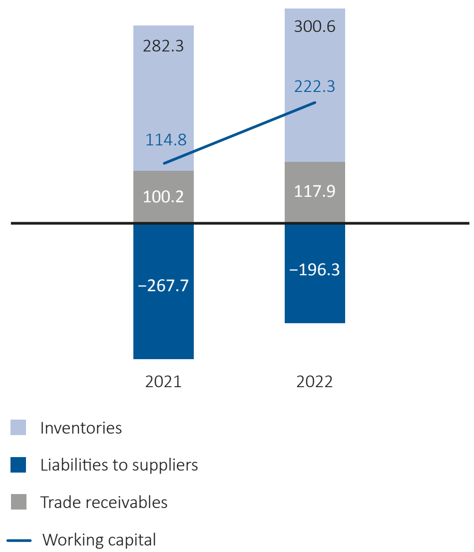
SIJ Group dedicates particular attention to managing its working capital. 2022 was a very challenging year in terms of working capital management, where we saw extreme growth in prices of raw materials, and unprecedented growth in energy prices.

In 2022, the Days Working Capital figure increased by 27 days compared to last year. The increase working capital is mainly due to a decrease in trade payables and consequently shorter Days Payables Outstanding compared to the preceding year. Despite the rise in prices of energy and raw materials, the balance of trade payables as at the end of 2022 decreased compared to the preceding year. This is mainly due to optimisation of production in the final quarter of 2022, where the production volume was adjusted accordingly, decreasig due to extremely high prices of energy and uncertainty linked to the customers' acceptance of such pricing terms. In light of developments in Ukraine during the first quarter of 2022, we increased our reserves of materials and raw materials as a precaution to ward against the potential risk of shortage of raw materials on the market. The reduction in production volume implemented in the final quarter of 2022 and a sufficient level of materials and raw materials are the reason for a decline in the purchasing of materials and raw materials by the end of the year, which led to a reduction of trade payables at year-end.

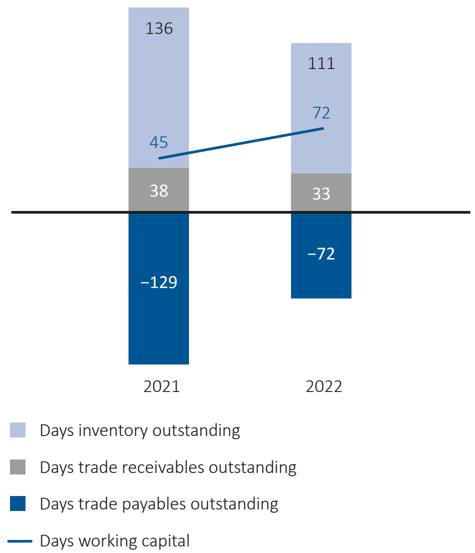
The balance of trade receivables was slightly higher compared to the preceding year due to higher prices. By actively managing our receivables, we were able to further reduce our Days Sales Outstanding. Inventory levels at year-end were higher as a result of higher prices of materials, however the Days in Inventory indicator was shortened mainly due to optimisation of production.

Changes in working capital over the course of the year are managed using our approved credit lines, and effective day-to-day monitoring of receivables and liabilities.

Working Capital from Operations as at 31 December (in EUR million)



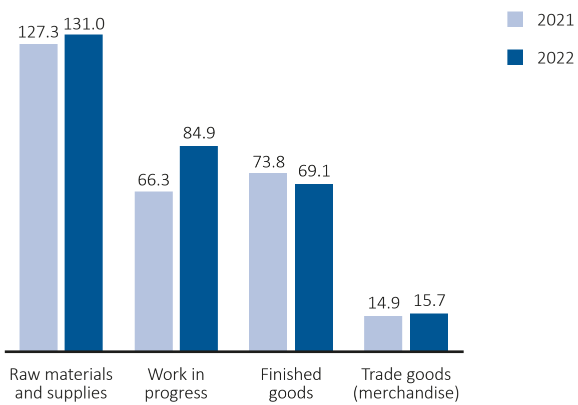
Days Working Capital from Operations as at 31 December



Adjusting inventory levels

The level of inventories as at 2022 year-end was up 6.5 percent compared to the preceding year. The reason for the increase in the value of inventories of raw materials and work-in-progress is mainly due to increased raw materials and energy prices. At the end of the year, the value of inventories would have been higher due to higher prices of raw materials and energy, however we lowered this by gradually tapering off the quantity of inventories toward the end of the year.

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



Direct Economic Value Generated and Distributed (in EUR million) GRI 201-1

	2020	2021	2022
Revenue*	711.9	972.4	1,311.3
Costs of goods, material and services	-525.1	-765.3	-976.7
Changes in the value of inventories	-16.2	48.8	22.3
Labour costs	-117.6	-138.2	-159.8
Dividends and financial expenses	-12.2	-21.3	-65.6
Payments to government**	-4.0	-6.8	-14.5
Community investments	-0.4	-0.4	-0.4
Direct economic value generated and distributed	36.3	89.2	116.5

* *Revenue include net sales revenues, other operating revenues and financial revenues.*
** *Payments to the Government include taxes and income taxes for SIJ Group. 76.7 percent refers to payments in Slovenia.*

Alternative Performance Indicators

SIJ d.d. 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.

Notes to the Performance Indicators

Indicator	Explanation of the calculation	Use
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.	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 means a higher operating cash flow, which translates to a lower risk for investors.
EBIT margin	Share of EBITDA in net sales revenue in the statement of comprehensive income.	As a relative indicator, this 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 mathematical difference of 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/EBITDA indicator.
NFD/EBITDA	NFD/EBITDA	A financial indicator which compares the net financial debt and EBITDA. The indicator shows the Company's ability to repay its financial debts. 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.

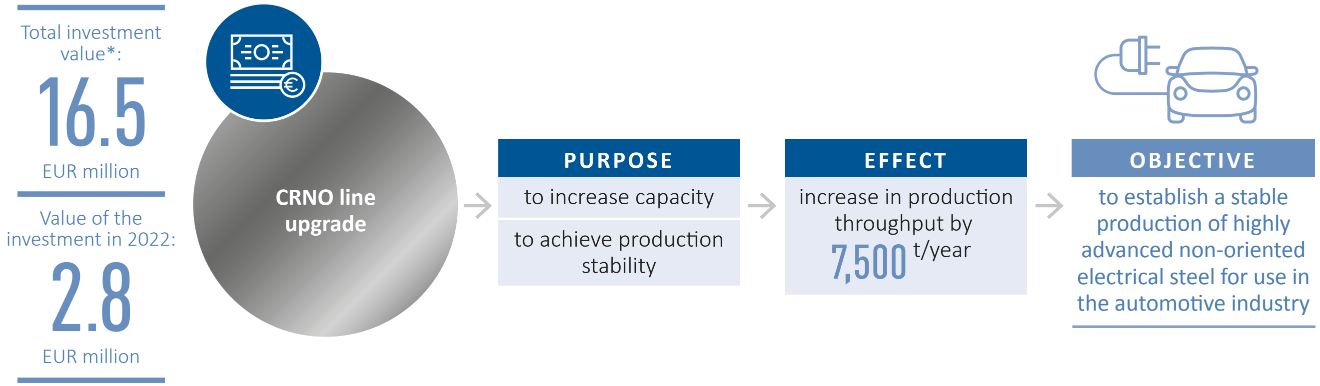
STRATEGIC INVESTMENTS

All key planned investments were implemented in 2022. The value of investments reached EUR 61.4 million and it is comparable to 2021, when we increased investments relative to the preceding year. The reason for this was the delay in the execution of projects which could not be realised in 2020 during the COVID-19 pandemic. During that time, we undertook a comprehensive overhaul of the investment project management system, and the Ravne na Koroškem and Jesenice project offices were opened for business as of 2022.

Due to developments in the Eastern European market and surging energy prices, we once again revised all investment projects in the second half of 2022, putting particular emphasis on projects which aim to improve energy efficiency.

Key Investments in 2022

Investments in SIJ Acroni



*project to be completed in 2024

Total investment value:
3.0
EUR million

Value of the investment in 2022:
2.6
EUR million

Pickling line upgrade

PURPOSE	EFFECT	OBJECTIVE
to increase the capacity and production stability	elimination of bottlenecks in the production process	increased annual production volume

Investments in SIJ Metal Ravne

Total investment value:
3.0
EUR million

Value of the investment in 2022:
2.6
EUR million

Straightening line for small dimensions

PURPOSE	EFFECT	OBJECTIVE
to increase productivity	reduction of specific natural gas consumption, reduction of the carbon footprint	to improve the handling of steel plates by straightening them

INVESTMENTS AIMING TO REDUCE ENVIRONMENTAL IMPACTS

SIJ Group plans and executes all its investments in line with the BAT (best available technology) principle, therefore each of our investments also indirectly reduces our environmental impact. However, we place particular emphasis on investments which directly reduce our environmental impacts. In 2022, the aggregate value of these investments was EUR 2.67 million, or 4.4 percent of all capital expenditure.

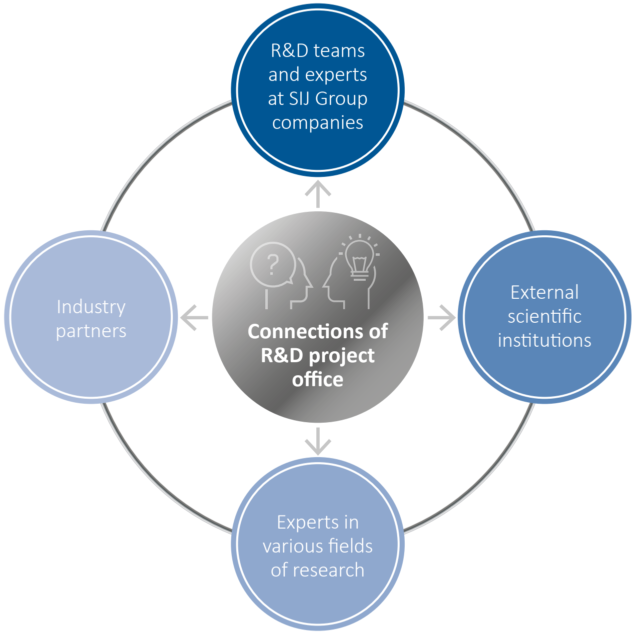
Direct environmental investments are focused on reducing the consumption of drinking water, protecting air quality by reducing diffuse emissions, increasing energy efficiency, increasing the use of secondary raw materials in steel production, development and utilisation of by-products. We are also reducing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

RESEARCH, DEVELOPMENT AND INNOVATION

Under the auspices of the SIJ Group's project office for research and development projects, which systemically coordinates experts from various R&D departments, we successfully identified, launched, coordinated and completed 35 projects in 2022. Through projects involving the introduction of new steels and products, development of new technologies and devices, and our numerous innovations, we are improving the conditions for creating higher added value, we are optimising the cost of processes and products, encouraging digitalisation and reducing our carbon footprint in steel production.

Experts with specific skillsets involved in various projects are constantly educating themselves. For example, in 2022 they received training to use software for advanced statistical analytics in the industrial environment, which will assist them in accelerating innovation processes.

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.



RECOGNISED ACHIEVEMENTS AND AWARDS

Each year, SIJ Group's research and development teams receive recognition as recipients of the Slovenian Chamber of Commerce and Industry's innovation awards. In 2022, these teams won one silver national award, as well as three gold and four silver regional awards.

One of the key achievements on the national level is the research project **SIDUR 400 – achieving more with less**, where we improved the quality of high-durability wear-resistant structural steel and achieved an even lower environmental impact by using a lower proportion of alloying elements. By introducing a new composition and new technological processes, we stabilised the manufacturing process and cut production costs.

The project **Technological Development of Heat and Surface Treatment on Duplex and Super Duplex Stainless Steels** was developed by SIJ Acroni, which won an excellent third place at the International Stainless Steel Forum (ISSF), competing against innovations from the entire world in the segment of best technology awards. With our innovation, we reduced production costs, improved the final quality of our products, increased productivity and significantly reduced the impact on the environment.

Another award-winning project is the **marketing and product innovation for use in the aviation industry**, a segment we have been certified for under the EN9100 standard since the beginning of 2020. The project was developed at SIJ Metal Ravne. Besides the development of new products from stainless and alloyed SINOXX and SIQUAL structural steels, another particular advantage of working with SIJ Group is access to its technical support and consultancy services. We are a certified supplier of the foremost manufacturers in the aviation industry.

In 2022, SIJ Ravne Systems won an award for laser-welded knives and for a **device to carry out impact testing of slice durability, which tests the durability** and stress on the slices of various industrial knives in simulated realistic conditions with sudden loads in contact with the actual materials the knives are processing. With a custom selection of testing parameters and other properties, the device shortens the time for introducing knives from test materials to the market, and reduces customer risk in industrial tests.

NEW STEELS

In the energy industry segment, we are establishing ourselves as a producer of steels used in the production of drive-rod mechanisms for use in nuclear reactors. These steels are part of our SINOXX brand. In collaboration with a well-known customer, we are developing products from various steels, in compliance with stricter sustainability criteria. Among other achievements, we developed a new procedure for producing a special superalloy, and manufactured the first batch. We also developed new products from construction steel, and the technology for new products made out of super-ferritic stainless steel.

For hot work, we developed a new tool steel, SITHERM S140R, for which a patent is currently pending. Our steel with extremely high thermal conductivity at increased temperatures of up to 500 degrees Celsius has already proved itself, showing exceptional properties in real conditions.

For use in chloride environments, i.e. in environments where there is an increased need for resistance to corrosion in a variety of media (e.g. the oil industry), we are successfully introducing a new group of superaustenitic stainless steels, a group of steels with the highest degree of complexity of the production process. In 2022, we carried out the entire laboratory characterisation of a new grade of steel and manufactured, cast and processed the first test batch of the new steel.

We have a strong R&D link to the automotive industry through our involvement in the Slovenian automotive industry cluster and the GREMO (Green Mobility) project, which aims to become a strong ecosystem for developing green mobility solutions and includes the development of products, technologies, automation and digitalisation with the aim of reducing the environmental impact. Through sampling and material characterisation in the regular production process, SIJ Group completed the first phase of the project Development of Technology for Production of Ready-made Non-oriented Electrical Steels with Low Electromagnetic Losses in 2022, and successfully carried out some testing.

IDENTIFICATION, DEVELOPMENT AND USE OF ALTERNATIVE MATERIALS

SIJ Group is making efforts to use materials with the least environmental impact possible. In 2022, through a systematic approach and testing, we almost completely eliminated the use of the mineral calcium fluoride (CaF2), which poses a risk to the environment and human health, from the carbon steel and stainless steel production process. Having identified an alternative material and introduced it into the production process, we were also able to achieve significant financial benefits.

The integrated connections of the various SIJ Group subsidiaries also makes it possible to undertake the development of new materials as a collaborative effort. In 2022, as part of the project entitled **Development of a Product Made from Two Different Materials**, SIJ Ravne Systems and SIJ Acroni collaborated on developing a bimetal carbon- and stainless-steel-grade input material needed in the production of wear plates for rolling mills. We have successfully introduced production of carbon-quality steel clads and developed the technology of rolling thinner packets. Next year we will also be introducing stainless steel-grade qualities, which are also suitable for end products with higher grades of thickness.

EMPLOYEE INNOVATION

SIJ Group encourages the spirit of innovation, looking for technical improvements, making useful suggestions and ideas. In 2022, we implemented 36 technical improvements, while employees submitted 28 useful suggestions and 340 ideas. The total economic benefit of such innovation activities reached as high as EUR 3.4 million. The intense focus on innovation is helping to increase SIJ Group's competitiveness and flexibility in times when the prices of raw materials and energy are volatile and uncertain.

02

SUSTAINABILITY REPORT

We share our planet's destiny. We honour our international commitments. We are responsibly reducing our environmental impacts and using our resources carefully. We are actively involved in the development of our local communities.

We encourage our employees, suppliers, customers and other stakeholders to act sustainably.

REPORTING ON SIJ GROUP'S ACTIVITIES WITH REGARD TO SUSTAINABILITY

WE ACT IN ACCORDANCE WITH OUR ADOPTED SUSTAINABLE DEVELOPMENT STRATEGY

SIJ Group performs its activities in a socially responsible manner, in accordance with high standards of corporate governance. In 2022, we distilled our sustainability commitments, principles, best practices and plans into the SIJ Group Sustainable Development Strategy for the 2022-2030 period. Now formally adopted, the strategy sets out our sustainability objectives, the ways to reach them, and the vision of SIJ Group with a focus on a sustainability. The SIJ Group Sustainable Development Strategy is binding for all 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. GRI 2-22

RECOGNISING THE NEEDS OF OUR STAKEHOLDERS GRI 2-12

The strategy with carefully defined key topics is based on the needs of the stakeholders which have been identified in conceiving the strategy. 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, are identifying stakeholders and working with them through established governance systems and communications channels. We dedicate special attention to in-depth collaboration with the local communities in places where SIJ Group companies operate. Our liaising with stakeholders is mainly focused on the promotion of a healthy lifestyle and care for the environment.

The top-level management team keeps track of the effects of stakeholder relations based on the feedback they receive at executive reviews of governance systems, as well as through other channels, especially through feedback provided by our Corporate Communications department, which has the closest contact with external stakeholders. The newly established Sector for Quality, Sustainability and Corporate Governance also plays a special role in the information flow.

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 SIJ Group's six key companies (SIJ d.d., SIJ Acroni, SIJ Metal Ravne, SIJ Ravne Systems, SIJ SUZ, and SIJ ZIP CENTER), whereas when it comes to certain topics, the division reporting breakdown is shown in table below.

Reporting Boundaries

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 2-13, 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 (excluding 204-1)	●	●			
205	205 Anti-corruption (we do not report on this topic)					
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 (3-3 only)	●	●			
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	●	●	●		

List of companies is presented in Programme Scheme on page 21.

APPROACH TO PREPARATION OF THE REPORT

SIJ Group releases its financial and business disclosures on an annual and half-yearly basis. We prepare annual reports for the period from 1 January to 31 December of each calendar year. The most recent Annual Report was issued in April 2022. This year, for the first time, the 2022 Annual Report contains detailed disclosures on sustainability and governance, in accordance with the GRI (Global Reporting Initiative) standards. The contact point for questions about sustainability issues is Dr. Tadeja Primožič Merkač, Director of Quality, Sustainability and Corporate Management (tadeja.primozic @sij.si). GRI 2-3

The Management Board of SIJ d.d. is responsible for drawing-up the annual report of SIJ d.d. and SIJ Group, which includes reporting on non-financial topics, sustainability indicators and other key topics. After it is verified, reviewed or adopted, it is then submitted to the certified auditor and approved verifiers for review. The audited annual report of SIJ d.d. is then presented to the Supervisory Board, which reviews it and discusses it. 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 prepares a report for the regular annual General Assembly of shareholders. GRI 2-14

As the 2022 Annual Report features the first report of SIJ d.d. and SIJ Group prepared according to GRI standards, the obligation to report restatements of information made from previous reporting periods does not yet apply. The report made according to GRI standards is subject to external review. GRI 2-4

EXTERNAL ASSURANCE IN SUSTAINABILITY REPORTING

The reporting made according to GRI standards has been externally verified by TÜV SÜD, which was selected on the basis of an evaluation of bids and references, with final approval from the broader management. The assurance report is included as part of this Annual Report. GRI 2-5

Italia

Assurance statement on third-party verification of sustainability information

No. of statement: IT-VER-0001 issued by TÜV Italia Srl

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 Report SIJ Group and SIJ d.d. 2022" of SIJ d.d. *(hereinafter "Company")* for the period from 01.01.2022 to 31.12.2022.

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 Report SIJ Group and SIJ d.d. 2022.

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.

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

TÜV SÜD Italia

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 25.01.2023 to 07.02.2023, 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.

TÜV SÜD Italia

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 Italia Srl, 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: 01.03.2023

Andreja Kranjc	Francesco Scarlata
Lead Assessor	Managing Director of Verification Body
TÜV SÜD Sava d.o.o.	TÜV Italia Srl

SUSTAINABILITY STRATEGIES, POLICIES AND PRACTICES

Statement on Sustainable Development Strategy GRI 2-22

With the adoption of the Sustainable Development Strategy in 2022, SIJ Group is now taking an even more systematic and controlled approach to planning its development with consideration of the environmental and social impacts and in line with the principles of excellence in corporate governance. While our business objectives and goals have been interwoven with sustainability for a long time, we have now integrated this area into our Sustainable Development Strategy, which, combined with our business strategy, serves as our guide towards sustainability and sustainable development. This strategy is aligned with the sustainable development objectives of the United Nations (2030 Agenda for Sustainable Development, Sustainable Development Goals). 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 out of a total of 17 objectives.

UN SUSTAINABLE DEVELOPMENT GOALS AND SIJ GROUP'S EIGHT PRIORITY GOALS

Source: United Nations. Available at link (30. 03. 2023).

At SIJ Group, we care for the health and well-being of our employees and the local communities our companies are based in (3), ensure quality education on equal terms and encourage lifelong learning (4), support gender equality and strengthen the role of women (5), provide all employees with free access to water and sanitation and make efforts to ensure the sustainable management of water sources (6), plan for sustainable economic growth and decent work for all (8), maintain a robust and appropriate infrastructure, and promote inclusive and sustainable industrialisation by accelerating innovation (9), ensure sustainable consumption and production patterns (12), and are taking steps to mitigate climate change by reducing environmental impacts and implementing and duly considering environmental initiatives (13).

We are signatories to the Sustainable Development Charter of the World Steel Association. We also manage the environmental, social and governance (ESG) 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. By 2023 at the latest, we are planning to become formally certified under the ResponsibleSteel™ standard, which is set to take effect in 2023.

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

At the end of 2022, the Management Board of SIJ d.d. adopted, formulated and prepared the revised SIJ Group Business Conduct Policy, which, in combination with SIJ Group's Code of Ethics, outlines the guidelines for the conduct of employees involved in all activities of the six key companies, NIRO Wenden and GRIFFON & ROMANO. These guidelines also apply to all other workers working in these companies, and to external contractors performing work on a regular basis at these companies' premises or those involved in the projects of SIJ Group.

Our adopted Policy and Code of Ethics, inter alia, require us to create an inclusive working environment and to protect our employees' the dignity, comply with the law, respect human and labour rights, agreements with our employees, and 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's Operating Policy and Code of Ethics are expected to come into force in the first quarter of 2023 and will be publicly published on the websites of SIJ d.d. in tab *"Sustainability"* and on the websites of aforementioned companies. The binding commitments set out in the SIJ Group Operating Policy and the Code of Ethics will be communicated to employees through internal communications channels, and they will also receive their own physical copy of both documents as part of attending special training courses. After the training, they will confirm their acceptance of the commitments set out in the Code of Ethics by signing a special statement.

Responsibility for Implementation of the Adopted Policies GRI 2-24

Responsibility for adoption of the SIJ Group Operating Policy is vested in the President of the Management Board of SIJ d.d. The responsibility for correct implementation of the Policy is vested in the Vice-Presidents, executive directors and directors of SIJ d.d. and the directors of the subsidiaries. On the basis of the SIJ Group Operating Policy, SIJ d.d. adopts the relevant Group-wide policies, while subsidiaries adopt internal organisational policies which regulate business conduct in the context of the companies' respective field of activity. Outwardly, we implement our commitments in conducting our supplier and customer relations. Our suppliers are bound under the SIJ Group Supplier Code of Conduct, and our suppliers are also subject to routine assessments. We create sustainable solutions for our customers, tailored to their needs.

Membership in Associations GRI 2-28

SIJ Group companies are members of various industry associations and other membership associations at the national, EU or global levels. 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. SIJ Group is actively collaborating with related companies abroad. SIJ Group routinely publishes its environmental efforts and achievements in sustainability on an international forum, as part of the **World Steel Association**, the **ResponsibleSteel™** global initiative, the European Steel Association (Eurofer), and the **International Stainless Steel Forum**.

In 2022, the Management Board continued to actively participate in the work of international steel associations, while outside of SIJ Group, Members of the Management Board did not conduct any activities which could significantly influence on the SIJ Group.

Either through its employees or through 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 Directors' Association, Slovenian Corporate Security Association, Purchasing Association of Slovenia, Association of Employers of Slovenia, Green Network of Slovenia (Zeleno omrežje Slovenije), and Izvozniki.si ("Exporters.si"). Our memberships allow us to provide for additional education and training, exchange of best practices and bringing together stakeholders for the purpose of promoting sustainable development.

KEY LOCAL HUMAN RESOURCES

Although SIJ Group operates in an international business environment and on the global market, the senior management staff is predominantly made up of representatives from the local community - Slovenia. The senior management of SIJ Group consists of the President of the Management Board, vice-presidents, members of the Supervisory Board, all directors of SIJ d.d., and directors from its seven key companies. The senior management team consists of 26 members. A good 95 percent (or 25 members) of the senior management team were engaged from the local community, while one member (or just under 4 percent) of the senior management team is international. GRI 202-2

Stakeholder Engagement GRI 2-29

At SIJ Group, we are aware that good relationships with the wider and local community bring benefits to both the community and SIJ Group. Through planned, active, and long-term involvement in the community, we maintain mutual dialogue and improve the quality of life within it, while ensuring successful business operations for SIJ Group. In 2022, we organized four meetings with representatives of local communities and authorities, and four events on various occasions (two handover of a donation – a steel outdoor gym, celebration of 30 years of SIJ Acroni, volunteer action Bonds of Steel Between Us). We received 13 complaints from local communities regarding dust and noise emissions. We resolved 8 of them, and one case is being resolved over a longer period.

Stakeholders Identified in the Process of Preparing the SIJ Group Sustainable Development Strategy

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.

Employees

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

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, where which is our primary market.

In 2023, we will establish a more developed stakeholder engagement plan, building on our current methods of involvement and communication.

Contents of Specific Disclosures and Defining the Boundaries of Sustainability Reporting GRI 3-1

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

LIST OF TOPICS

The first list of SIJ Group's sustainable development topics was being prepared in 2017 by a project team made up of representatives of all key corporate processes. In carrying out their task, team members included the results of analyses and surveys, as well as interviews with key external stakeholders, and they tested the findings of the project taskforce in their working environments, where the employees would comment on and confirm the proposed guidelines.

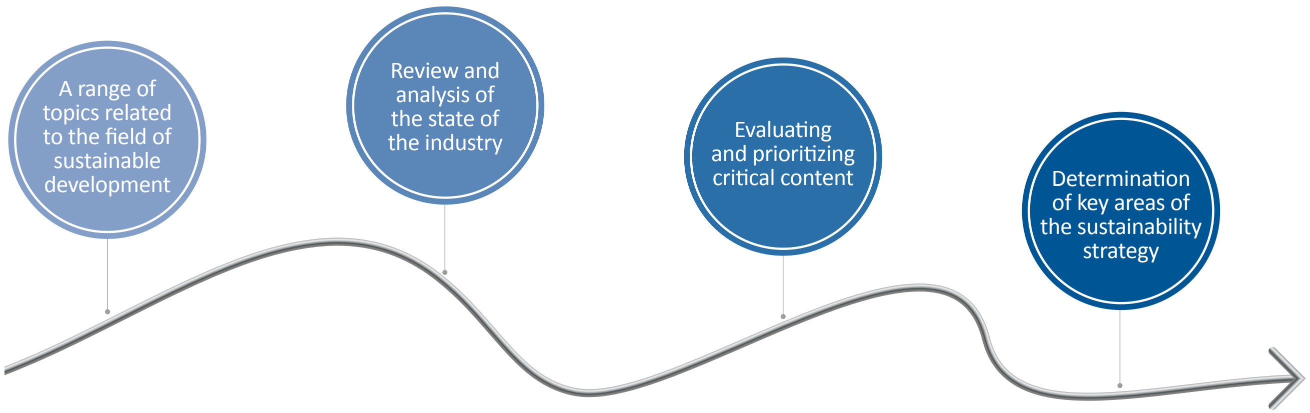
STATUS ANALYSIS

In 2022, the new project team made the relevant revisions, to account for new trends, current global guidelines in sustainable development, and the sustainability practices of our competitors and leading producers in related industries. We updated our analyses by integrating the conclusions from our internal workshops. We checked the positions our stakeholders (employees, customers, suppliers, community and environmental representatives, financial institutions, shareholders) hold on sustainability topics, and ensured the local communities' involvement in revising sustainability topics through the involvement of the mayors of Jesenice and Ravne na Koroškem. We cross-referenced the stakeholders' expectations against topics of relevance to SIJ Group.

KEY AREAS AND TOPICS

The project team assessed the key topics of sustainable development by taking account of the changes in SIJ Group's development in recent years, from the current economic and social environment perspective. It 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.

Process of Defining Material Sustainability Topics

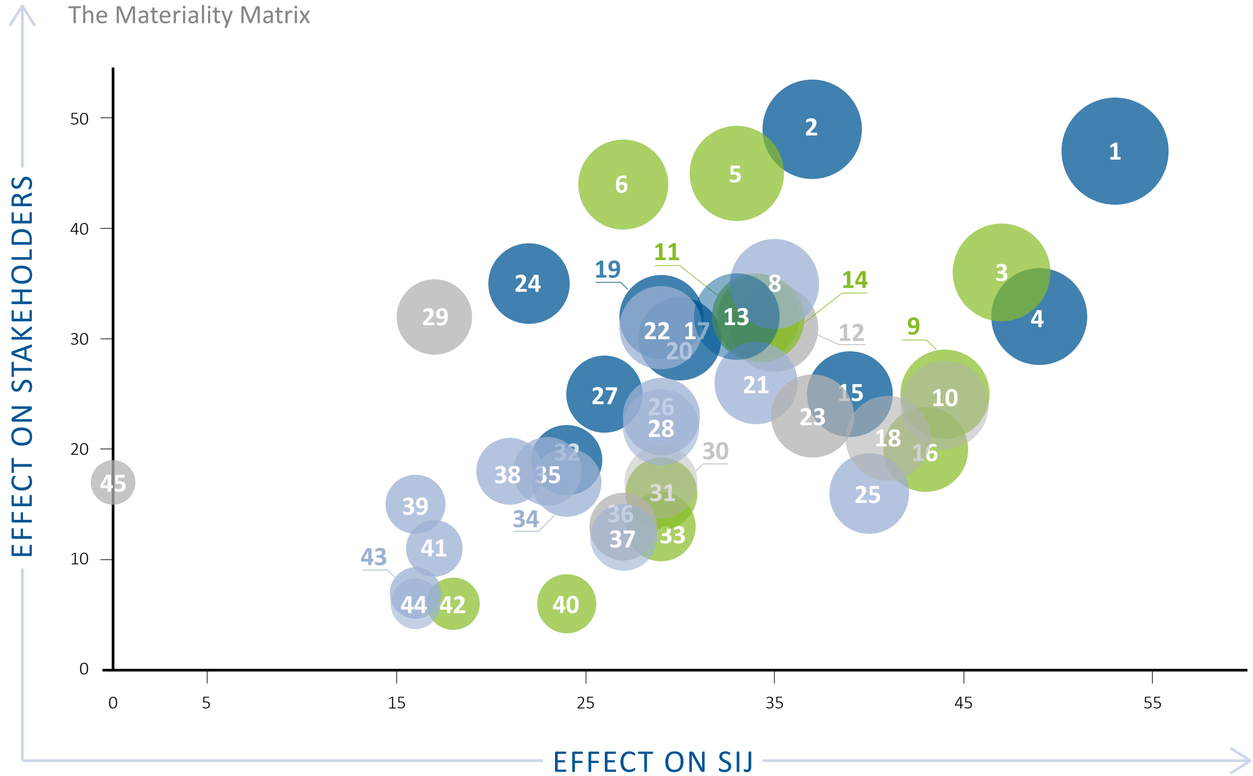


MATERIAL SUSTAINABILITY TOPICS OF SIJ GROUP

GRI 3-2

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 (ensuring workplace health and safety in particular) and the environment (reducing the carbon footprint in particular). The Materiality Matrix also contains all the other previously mentioned topics, which helps SIJ Group plan and coordinate its sustainable development efforts.

The Materiality Matrix



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

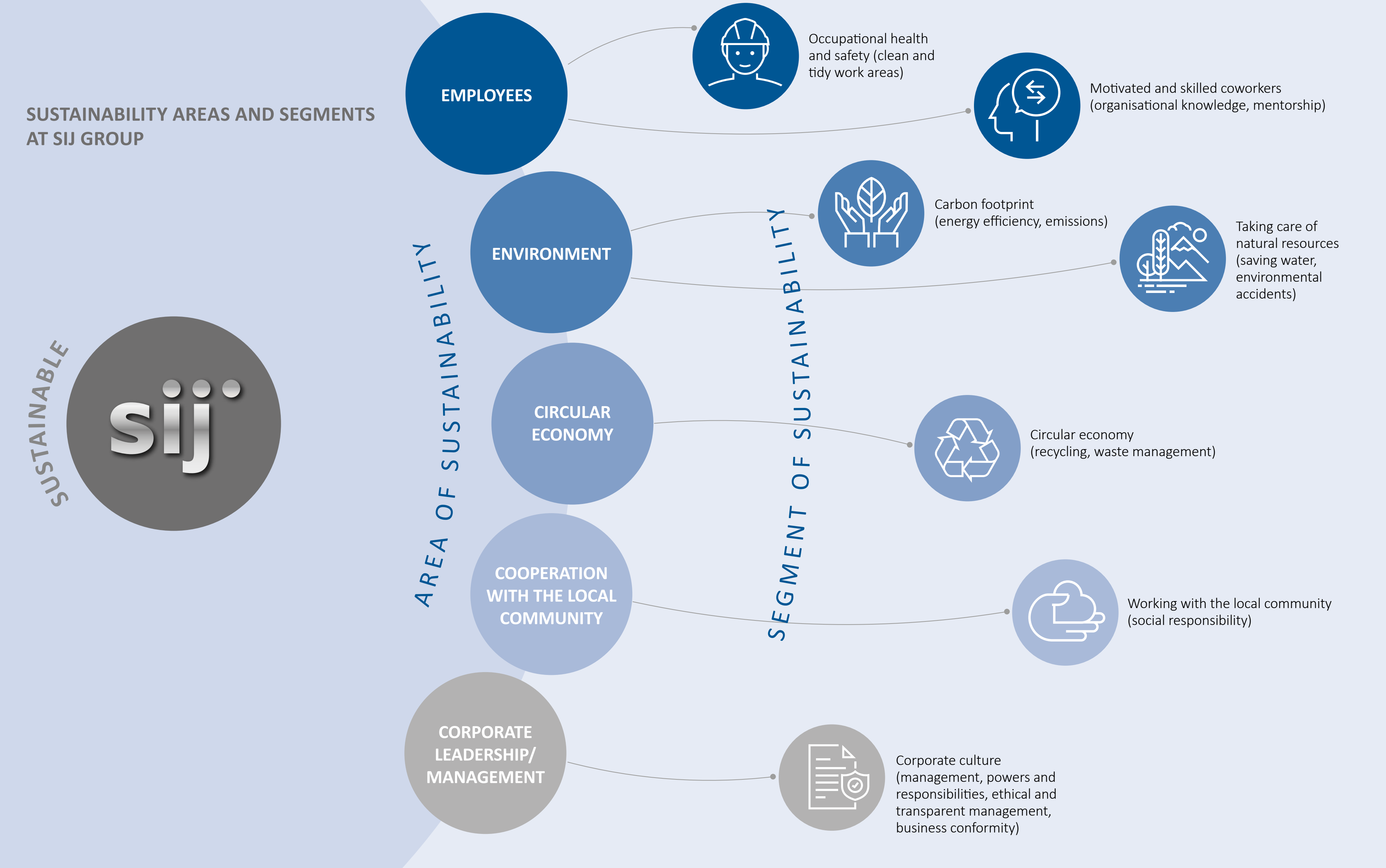
GOVERNANCE, LOCAL AND BROADER COMMUNITY, SUPPLY CHAIN

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

SUSTAINABILITY AREAS AND SEGMENTS AT SIJ GROUP



ECONOMIC IMPACTS OF SIJ GROUP'S EFFORTS FOR SUSTAINABILITY

The sustainability report is part of the annual report of SIJ d.d. and SIJ Group. Most of the economic performance data is presented in the Operational Highlights and Business Report sections. The Sustainability section focuses mainly on the indirect economic impacts, the risks associated with climate change, and indirect economic impacts.

Risks due to Climate Change GRI 201-2

The SIJ Group Sustainable Development Strategy takes into account existing and potential risks due to climate change. SIJ Group companies operate in geographic areas where the probability of the manifestation of physical risks due to climate change is lower over the short and medium term.

We associate risks with opportunities. With regard to climate change, we are focusing our efforts towards a low-carbon economy. By observing responsible governance practices and reducing our carbon footprint, we are contributing towards reducing climate change-related risks for the general society.

Both steel-producing companies of SIJ Group are taking part in the EU Emissions Trading System (EU ETS)[3]. The third trading period is ending as of the end of 2020. As part of our preparations for the new trading period of 2021-2030, we prepared a more detailed strategy in 2021, whose focus on reducing the carbon footprint and the circular economy coincides with the adopted SIJ Group strategy until the year 2025, and is also aligned with the National Energy and Climate Plan (NEPN), adopted in 2020.

Over the past three decades, SIJ Group has already significantly reduced direct carbon dioxide emissions per tonne of cast steel. In the first half of 2023, SIJ Group will adopt a detailed SIJ Group Decarbonization Plan.

Indirect Economic Impacts GRI 203

We are improving the state of the environment and our employees' working conditions in our steel-producing companies by making capital investments in infrastructure and taking other relevant measures.

3 The EU Emissions Trading System (ETS).

Infrastructure Investments and Services Supported GRI 203-1

	ENVIRONMENT (emissions, noise, effluents, etc.)	EMPLOYEES (work conditions improvements, occupational health and safety improvements, etc.)
SIJ Acroni	Koroška Bela Sanitation System	New locker-room facility
	Prevention of environmental pollution; preventing the seepage of urban waste water into the Sava river, rerouting to the municipal wastewater treatment plant	Improvement of working conditions for employees
	Project ends on 31 December 2024	Implementation complete November 2023
SIJ Acroni	JE2 water treatment plant	Refurbishment of canteens and cafeterias
	Prevention of environmental pollution; preventing seepage of hexavalent chromium from industrial waters into the groundwater and the Sava river	Improvement of working conditions for employees
	Project ends on 31 December 2024	Project completed in December 2022
SIJ Metal Ravne	Dedusting device - Phase 1	
	Significant reduction of emissions of dust particles into the environment from 5 mg/m³ (currently) to 2 mg/m³	
	Monitoring of achieved effects in 2022	
SIJ Metal Ravne	Noise reduction measures on the northern side of the steelworks / VPP2 dedusting	
	Reduction of noise generated by the dedusting device, from 53 to 48 dB	
	Monitoring the effects starts December 2022.	
SIJ Metal Ravne	Closed-circuit water system in the rolling mill	
	Decreasing the wastewater pollution level.	
	Monitoring the effects starts November 2023	

Significant Indirect Economic Impacts GRI 203-2

	ENVIRONMENT (emissions, noise, effluents, etc.)	EMPLOYEES (work conditions improvements, occupational health and safety improvements, etc.)
SIJ Acroni	Utilisation of CRNO waste heat	Modification of the suction of PDP pickling baths
	Supplying thermal energy to the local community. Production of steam or hot water for industrial use and redirecting waste heat into the internal or external teleheating network. Reducing the carbon footprint.	Improvement of working conditions.
	Project ends December 2023	Project implementation ends January 2023
SIJ Metal Ravne		Modernisation of the rolling mill; automation of handling operations
		Automation of hard and hazardous physical labour (hot billets) in production operations
		Project ends October 2022
SIJ Metal Ravne		Small-scale straightening line
		Improvement of working conditions and work safety: substituting manual labour with machine labour in the metalworks programme.
		Project ends October 2024
SIJ Metal Ravne		Manipulator for cleaning the EAF deslagging door and deslagging
		Improvement of working conditions (exposure to heat, hard physical labour).
		Project ends January 2024

ENVIRONMENTAL IMPACTS AND PROTECTION OF THE ENVIRONMENT

Materials GRI 301 GRI 2-6

RESPONSIBLE PURCHASING OF RAW MATERIALS

For metallurgy companies the key raw materials are steel scrap, alloy scrap and ferroalloys, whereas for the Manufacturing Division companies the key raw materials are steel products and welding materials. Demand continued to increase on the raw materials purchasing market at the beginning of 2022, and later the market was experiencing shocks due to developments in Ukraine. The prices of raw materials traditionally exported by Russia and Ukraine surged immediately. The upsurge in prices was partly the result of expected disruptions in availability and partly attributable to the increase in production costs driven by the high prices of energy products, and to higher costs of logistics due to redirection to more remote markets.

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

SIJ Group actively manages its procurement risks. During the COVID-19 pandemic we intensified and expanded our observation of events in the Chinese, European and other markets, where our strategic raw materials and other materials are sourced. In 2022, we once again adjusted our scenarios for ensuring our supply of strategic raw materials, accounting for the new circumstances:

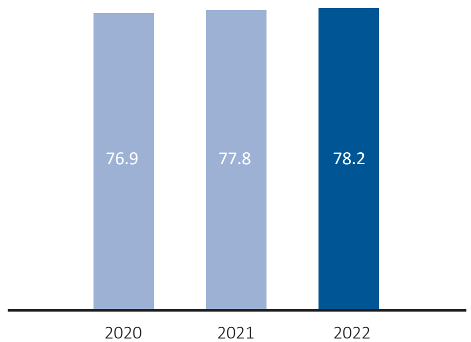
- we established geographic diversification of the warehouses of our most important alloys;
- as transport restrictions gradually increased, we increased the minimum stock of raw materials originating from critical areas;
- we redoubled efforts for introduction of alternative materials and suppliers, even in areas where the risk level of non-delivery was lower in the past;
- we managed 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 also means shorter and more predictable transport channels. It provides us with flexibility in terms of adjusting supplies to meet our production needs. SIJ Group will continue relying on the domestic market for supplies, based on the availability and pricing of raw materials.

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. Our proprietary material recycling technologies allow us to constantly increase the use of secondary raw materials.

Recycled Input Materials Used (as a percentage) GRI 301-2



ADJUSTING SUPPLIES TO MATCH PRODUCTION VOLUMES

We manage the risk of late delivery, inventory management and adapting to market trends with a thorough understanding of supply chains. With strategically thought-out management and fostering long-term partnerships with a wide network of suppliers, we can 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. We overcame the unpredictable challenges emerging in 2022 with good partner communications and in coordination with our suppliers.

RISK OF INCREASED PRICES AND NON-DELIVERY RISKS

The risk of increased prices depends on geopolitical developments. The imposition of further sanctions on raw materials produced in Russia could once again spark price volatility and – until supply chains adapt to the new circumstances – cause supply disruptions. SIJ Group does not consider the risk of non-delivery to be high, since we have reduced supplies from 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 on to the sales prices, and we manage the time delay associated with passing on these costs with well-timed pre-purchases.

SUPPLIER ASSESSMENT GRI 308-1 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 all of its production companies, SIJ Group evaluates its suppliers according to a standardised assessment system. Based on our assessment of all our suppliers of raw materials and strategic materials, we gave 39.7 percent of our partners the rating of A, while only 1.58 percent of our suppliers received a rating of C. We are introducing additional indicators for use in supplier assessment in accordance with the objectives of the Sustainable Development Strategy, the GRI standards and the ResponsibleSteel™ association's principles.

In assessing our main global suppliers we consider their commitments to sustainability, which they include in their reports, and we also conduct our own additional assessments. A team of SIJ Group evaluators with qualifications in the fields of quality assurance, production processes and procurement in metallurgy companies makes assessments according to a pre-determined schedule. We performed nine supplier assessments in 2022.

As we are constantly keeping abreast of progress and innovations, we are constantly introducing quality, cost-effective and environmentally friendly alternatives in our production processes when it comes to the supply of raw and other materials. In 2022, we either tested or started testing 205 new materials and suppliers in our metallurgy operations.

The new suppliers, which have not yet been inducted into the process of regular assessments, are assessed according to pre-determined criteria, including a review of certificates. Changing the requirements expected from suppliers is linked to the development of new products and higher value-added products. GRI 2-6

APPROPRIATELY CERTIFIED SUPPLIERS

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 2022, we worked with four certified suppliers of tungsten and ferrotungsten. GRI 414

7 AFFORDABLE AND CLEAN ENERGY

Supply of energy GRI 302

Due to the nature of its operations, SIJ Group ranks among Slovenia's largest consumers of natural gas and electricity. Thanks to well-timed purchases of the majority of both energy sources required for the projected production volume, we were better prepared to face the extreme surge in prices in 2022.

The trend of increasing prices of energy, which began in the second half of 2021, gradually intensified due to a worsening of the geopolitical situation and low water levels – and thus less hydroelectric power– in the summer of 2022. Expecting further increases in energy prices, SIJ Group is focusing its efforts on energy source diversification. With the Liquefied Petroleum Gas project launched in 2022, we plan to lay the groundwork for a partial transition to LPG (besides the now-prevalent natural gas).

The cost of energy in 2022 stood at 13.3 percent of total operating expenses in 2022, which is up by 5.5 percentage points relative to 2021. The largest users of energy are the two steel-producing companies SIJ Acroni and SIJ Metal Ravne, as well as the manufacturing companies SIJ Ravne Systems and SIJ SUZ. In 2022 these companies used nearly 480 thousand megawatt hours of electricity, and nearly 744 thousand megawatt hours of natural gas, down 12 percent relative to the previous year. Lower consumption is linked to a reduction in production volume in the fourth quarter of 2022.

ENERGY CONSUMPTION GRI 302-1

In 2022, the Steel and Manufacturing Divisions of SIJ Group consumed approx. 480 GWh of electricity, while our consumption of natural gas was 744 GWh.

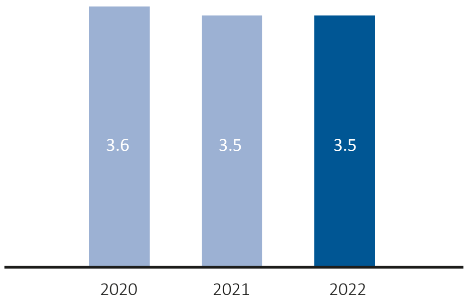
Energy Consumption (in Megawatt Hours)

	2020	2021	2022
Natural gas consumption	801,807	845,604	743,812
Electricity from non-renewable sources	482,285	477,345	421,027
Total non-renewable fuel	1,284,092	1,322,949	1,164,839
Renewable electricity consumed	15,635	62,821	55,410*
Electricity, heating, and steam			
Electricity consumption	497,920	540,166	476,437
Heating consumption (external)	9,879	10,047	9,837
Waste heat sold**	7,144	8,314	7,054
Total net energy consumption	1,302,462	1,387,503	1,223,032

* *The Energy Agency will provide the share of primary sources in the electricity mix at the end of March for the previous year, therefore the calculation is based on 2021 data. Available at link (30. 3. 2023).*
** *We only sell heat, we do not sell electricity, cooling, or steam.*

ENERGY INTENSITY GRI 302-3

Energy Intensity (in Megawatt Hours per Tonne of Final Product) GRI 302-3



While we are among Slovenia's larger consumers of energy-generating products, we have been able to decrease our specific energy consumption by implementing modernisation in numerous areas and taking measures to increase energy efficiency in recent years. In 2022 it was not possible to reduce our energy intensity due to our inability to maintain a continuous production process (caused by high energy prices). The efficiency of energy consumption is monitored and managed through a unified and centralised energy management IT system.

ALTERNATIVE SOURCES FOR SIJ GROUP AND ITS LOCAL COMMUNITIES

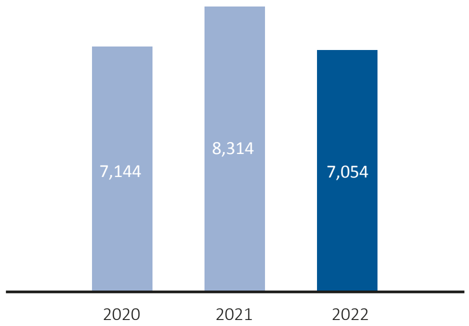
Due to improvements with respect to energy efficiency, we are achieving savings, improving the reliability of the energy supply and reducing our environmental impact in accordance with the principles of socially responsibility and sustainable development.

The detailed studies we undertook in 2021 to explore the possibility of using alternative resources, such as increasing the use of our surplus heat, a photovoltaic power station and our own hydrogen power plant, provide a solid basis for future projects. In 2022 we prepared the project documentation for waste heat utilisation and launched a pilot project to build a small photovoltaic power station.

As part of the Etekina project[4] focusing on introducing the innovative heat exchanger technology in an energy-intensive industry, we launched a new flue gas waste heat recovery system in Ravne na Koroškem in September 2021 to harness heat from flue gases released in the heating process of billets in the Allino furnace at SIJ Metal Ravne, and in 2022 we measured the effects. The results indicate that the planned 40-percent efficiency threshold was exceeded, as efficiency was measured at 47 percent. Through the addition of a new source of waste heat, the percentage of dedicated heating for the city of Ravne na Koroškem will be further increased.

4 SIJ Metal Ravne and 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.

Quantity of Waste Heat Delivered (in Megawatt Hours) GRI 302-1

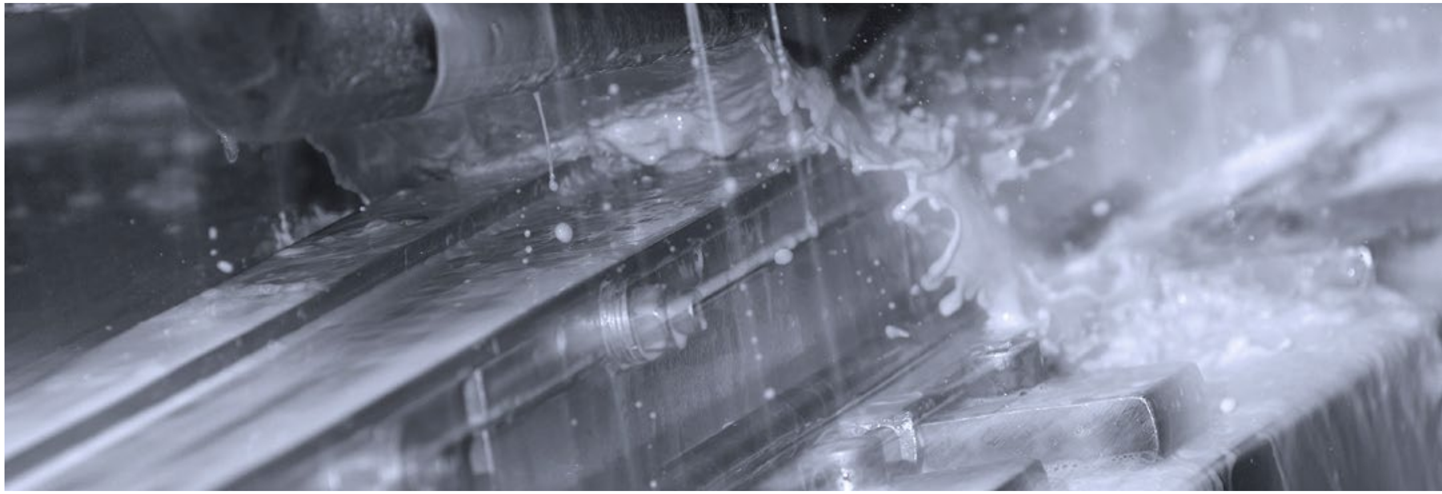


In 2022, we co-generated 2,641 megawatt hours of electricity and 3,767 megawatt hours of thermal energy through cogeneration of heat and electricity in the city of Jesenice, where SIJ Acroni operates. We have achieved partial self-sufficiency in the area of heating and supplying electricity through cogeneration, while contributing at the same time to the reduction in greenhouse gas emissions.

SIJ Acroni is also an industrial partner in the CREATORS project,[5] which focuses on planning local energy communities in urban environments with an energy-intensive industrial presence. It is responsible for demonstration and testing of the energy platform being created as part of the three-year project.

It is also involved in the preparation of a feasibility study for a smart energy community in the local environment of Jesenice.

5 SIJ Acroni and its partners from Slovenia and abroad secured funding for the CREATORS project through a Horizon 2020 grant.



6 CLEAN WATER AND SANITATION
14 LIFE BELOW WATER

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 shortage is low.[6] Our water management activities currently have no significant environmental impacts, and therefore we are not taking any specific measures to reduce negative impacts of any kind.

At the level of SIJ Group we have made a commitment to rational consumption of 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.

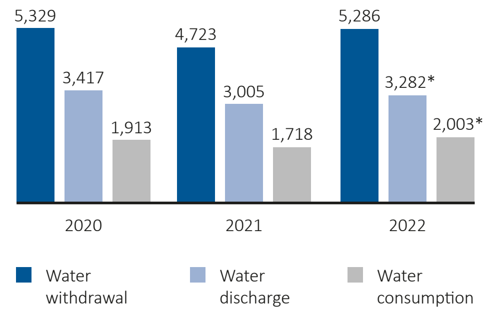
INTERACTIONS WITH WATER AS A SHARED RESOURCE GRI 303-1

The two manufacturing companies of SIJ Group responsibly withdraw cooling and industrial water from catchments, whereas their drinking water is supplied through public utility companies or suppliers. While we are purposefully reducing the quantity of the water we withdraw, consume and discharge by following careful water management protocols, focusing on rational consumption and introducing technological improvements, we withdrew more water in 2022 compared to previous years. To ensure stability of withdrawing cooling water, SIJ Acroni added another water withdrawal site, which we began using in April 2021, after a water permit was issued. This means that in 2021, we only used the third withdrawal site for nine months, while we withdrew water from all three sources throughout 2022. In addition, due to extreme drought, water levels dropped at the HV Javornik site, where the water temperature is 6°C. As a result, we increased withdrawal of water from the Sava river, which has a temperature of 20°C. Due to the differences in temperature, a larger quantity of water was used to achieve the same cooling effect. In March 2022, there was a water valve leak in the profile rolling mill at SIJ Metal Ravne. It was only replaced during the annual overhaul, in July, increasing water consumption above normal levels during the period concerned. For reasons explained above, the comparison of water consumption in the years 2021 and 2022 is not entirely realistic. GRI 303-3

6 World Resources Institute. Water Risk Atlas. Available at link. (30. 3. 2023)

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

Water Quantity (in Megalitres)



* Data has not yet been checked by a third-party verifier.

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. All metering stations are equipped with flow meters.

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 the 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 measure our water consumption continuously. 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.

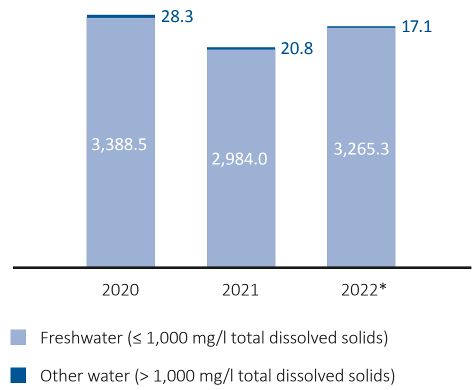
WITHDRAWAL AND DISCHARGE MANAGEMENT

By developing internal projects, we constantly make improvements and efforts to reduce water consumption in our technological processes. We are introducing sustainable solutions, and our efforts are also communicated to the local community. 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. When the water level is too low, water from this catchment is not used.

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. In terms of emissions, SIJ Metal Ravne has established channels of communication with the local community and the fishermen's association.

Water Discharge: Discharge Breakdown (in Megalitres)

GRI 303-4



** Data has not yet been checked by a third-party verifier.*

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

Data about water-related impacts is available to the general public on the Slovenian Ministry of the Environment and Spatial Planning website[7].

7 Ministry of the Environment, Climate and Energy. Available at link (30. 3. 2023).

Biodiversity GRI 304

Six key companies of SIJ Group operate in one of the most biodiverse countries in the world. More than half of Slovenia's territory is occupied by nature conservation areas, areas of natural value, and other areas of particular value or importance. Natura 2000, the European network of special biodiversity conservation areas, covers more than 37 percent of Slovenia's territory.[8]

The two largest production companies of SIJ Group operate in the vicinity of 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.[9]

In 2022 we concluded an agreement with an external vendor to perform an analysis of the two companies' impacts on biodiversity in their respective areas of activity. Based on the findings of the analysis, we will take appropriate measure to contribute to the preservation of the natural environment. A report on the findings and measures taken will be provided in 2023.

8 Natura 2000. Available at link (30. 3. 2023).

9 Conservation areas can be viewed at link (30. 3. 2023).

Greenhouse Gas Emissions

GRI 305

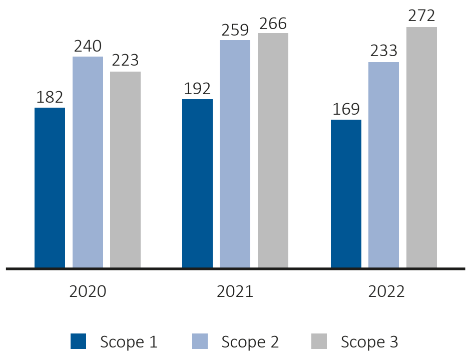
SIJ Group's carbon emissions rank us among the top 30 percent of the world's most efficient steel producers included in the measurements. Even now, our emissions are significantly lower than the global average.

Internationally, most steel is still produced from raw ore, which has major environmental impacts at the stage of excavation and higher carbon dioxide emissions per tonne of cast steel produced due to the use of coking coal as an energy source. According to World Steel Association (WSA) statistics, in 2020 one tonne of cast steel released as much as 1.84 tonnes of carbon dioxide, whereas this figure was even higher in terms of production per tonne of stainless-quality steel, averaging as high as 2.88 tonnes.

We use steel scrap as the main raw material in our steel production process. This is because steel can be recycled completely, and the production of steel in electric arc furnaces causes significantly lower emissions of carbon dioxide into the atmosphere. As a result of well-planned investments and optimisations, we are able to reduce our direct and indirect carbon dioxide emissions.

In our disclosures of SIJ Group emissions, we report indicators for the steel-producing companies SIJ Acroni and SIJ Metal Ravne, where direct emissions data are subject to additional verification performed by authorised verifiers in accordance with the law.

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)
Carbon dioxide emissions generated by the process are calculated based on the mass balance of carbon and the required combustion and thermal energy, being performed in accordance with the carbon monitoring plan included in the Greenhouse Gas Emissions Permit.

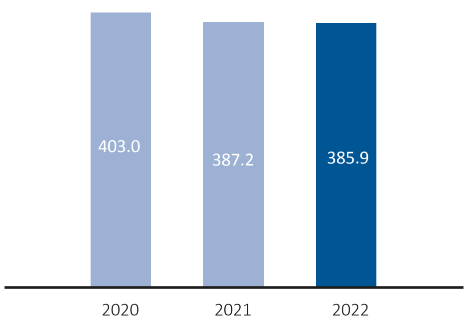
Other indirect greenhouse gas emissions (Scope 3, GHG)
We use the World Steel Association (WSA) factors in the calculation of Scope 2.

Other indirect greenhouse gas emissions (Scope 3, GHG)
We use the WSA factors in the calculation of Scope 3.

GREENHOUSE GAS (GHG) EMISSIONS INTENSITY

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. Cast steel is the first phase of steel to come after its liquid phase (slabs, ingots). In previous years, we measured this indicator per tonne of dilute melted material. We introduced measurements per tonne of cast steel to allow for easier comparability with data reported by other companies in the steel industry.

Intensity of Greenhouse Gas Emissions (in Kilogrammes of CO_2 per Tonne of Cast Steel) GRI 305-4



REDUCTION OF GREENHOUSE GAS (GHG) EMISSIONS GRI 305-5

Our measures to reduce greenhouse gas emissions resulted in a more than 10% reduction in direct greenhouse gas emissions compared to the reference year 2019. Replacing burners at one of the heating stations (heating pans with oxy-fuel burners) helped us cut annual natural gas consumption by approximately 4,300 Megawatt hours, which translates to a reduction in annual carbon emissions of 860 tonnes. We are planning to overhaul other heating stations, as well. GRI 302-4

Our investment in magnetic separation of lower-quality steel scrap has resulted in lower consumption of electricity in the furnace, thus reducing indirect emissions attributable to electricity. In addition, we simultaneously reduced our own emissions due to cutting the consumption of graphite electrodes. By optimising the process of alloying carbon-carrying materials, we reduced our own carbon emissions by 619 tonnes in 2022. GRI 305-5

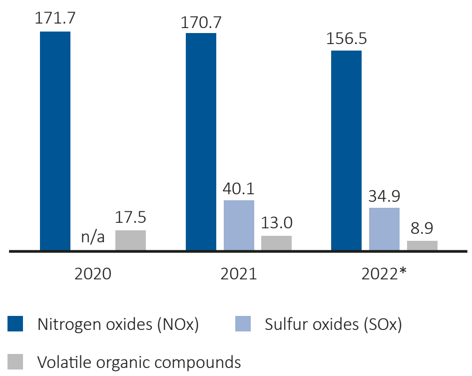
EMISSIONS OF OZONE-DEPLETING SUBSTANCES (ODS) GRI 305-6

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 substances of this nature, we routinely perform checks to confirm their airtightness. These checks are performed by authorised service providers, who also report their findings to state authorities.

NITROGEN OXIDES (NOx), SULFUR OXIDES (SOx), 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 GRI 305-7 **



* Data has not yet been checked by a third-party verifier.
** Nitrogen oxides and sulfur oxides emissions refer emissions generated by the subsidiaries SIJ Acroni and SIJ Metal Ravne, whereas emissions of volatile compounds refer to the subsidiary SIJ Acroni.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Waste

GRI 306

For 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 in the manufacturing of 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. SIJ Group operates according to the principles of the circular economy, and we are closing our material cycles.

STEEL SCRAP AS A KEY RAW MATERIAL

GRI 306-1 GRI 306-2

In terms of quantity, the largest proportion of raw materials used in SIJ Group's steel production processes consists of purchased steel scrap. 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 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.

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 and white slag made in the stainless steel production process. These two were once considered ordinary industrial waste, but they are now used to produce useful and certified products. The goal of SIJ Group 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 beneficial use in other industries. In 2022, we landfilled less than 2 percent of total waste produced.

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

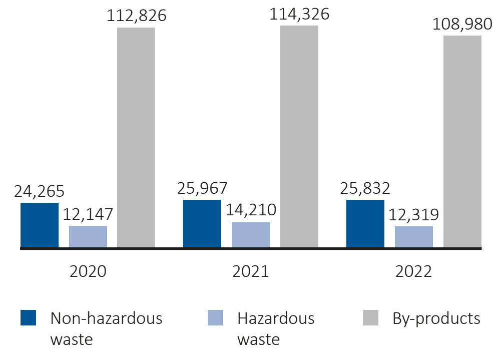
While modern technologies do not yet allow us to fully eliminate the production of industrial waste, SIJ Group is making efforts to decrease the quantity of waste of all types (inert, non-hazardous and hazardous) and, where possible, find ways to recycle them for use in its own primary processes or in the process of manufacturing or reselling to buyers for beneficial use in other industries. Our long-term goals are to achieve Zero Waste to Landfill and economically sustainable waste management.

In 2021, SIJ Group introduced a central database of industrial waste, which contains information about the origin and handling of waste for all production sites in Slovenia. Analysing this data allows us to prioritise activities for individual waste items having the greatest environmental and economic impact.

For certain types of industrial waste we have already implemented recycling methods, while for others we are still researching potential ways to give the waste material sufficient value to be viable for use in our own processes or to be of interest to outside buyers. We prioritise such efforts based on environmental and economic viability, and on the complexity and availability of technology for processing, mixing and augmenting materials.

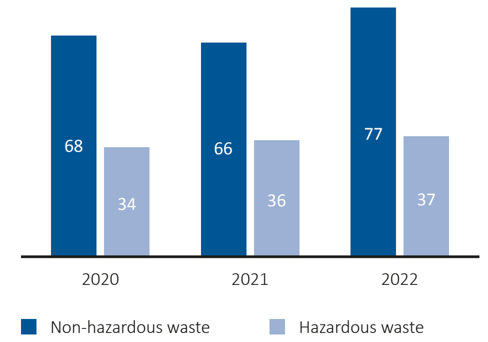
WASTE GENERATED AND WASTE DIVERTED FROM DISPOSAL (REUSE)

Waste Generated and By-Products (in Tonnes) GRI 306-3



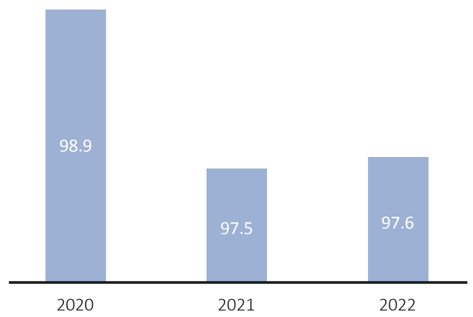
Waste (in Kilogrammes per Tonne of Finished Products)

GRI 306-3

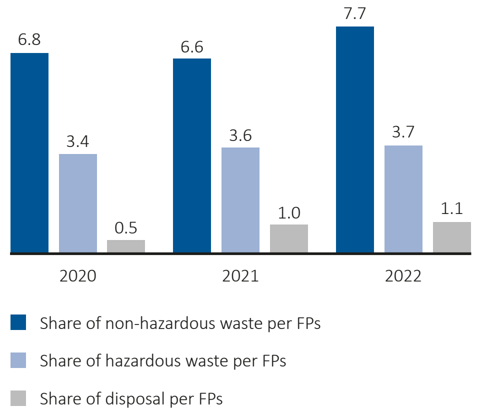


In 2022, approximately 77kg of non-hazardous waste was produced per tonne of finished products, as well as 37 kg of hazardous waste, of which 11 kg was disposable waste. The generation of non-hazardous waste per tonne of finished products has slightly increased due to the sorting of this waste at the magnetic separation plant. Other waste quantities remained at the same level compared to previous years, which is attributed to the fact that certain types of waste are unavoidable despite a decrease in production of finished products. In 2022, we processed as much as 97.6 percent of waste and by-products. The cost of waste management per ton of finished products produced across the entire group is decreasing. Compared to 2020, it has decreased by 40 percent, and compared to 2021, it has decreased by 16 percent. GRI 306-4 GRI 306-5

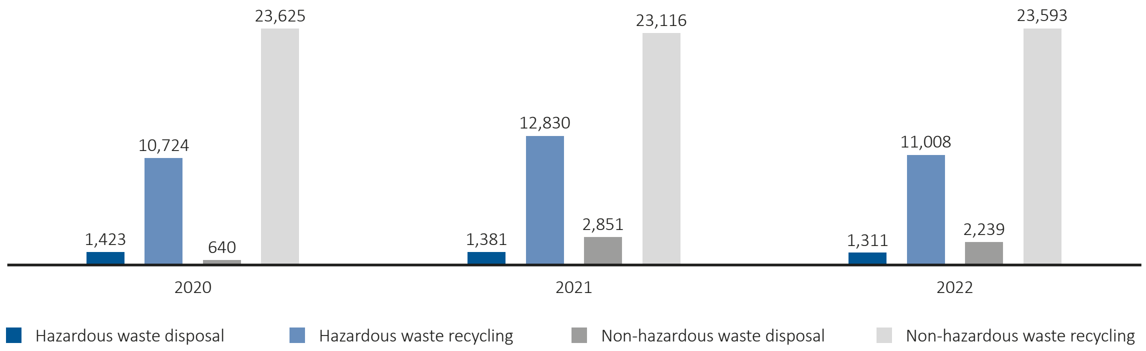
Share of Processed Waste and By-Products (in Percentage Terms) GRI 306-4



Share of Waste per Finished Product (FP) (in Percentage Terms) GRI 306-3 GRI 306-5



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

SIJ Group encourages the professional and personal development of employees and cooperation among them. We are a learning organisation which focuses on the transfer of knowledge and relevant information. We consider the satisfaction and motivation of our employees for superior work performance as a foundation for our reputation as an employer of choice. This reputation is one of SIJ Group's foremost strategic objectives.

CULTURE OF COOPERATION AND EQUAL OPPORTUNITY

Even in times of uncertainty, we are proving to be a reliable and trustworthy employer. Because SIJ operates in a variety of cultural environments, we are all the more focused on creating a culture of mutual trust, respect, cooperation and teamwork, constant learning, responsible work and efficiency. We are an employer committed to equal opportunity, regardless of gender, race, creed, sexual orientation, ethnic background or other cultural differences.

We endeavour to create a friendly, stimulating and dynamic working environment, with opportunities for employee development. These values have provided guidance even in the uncertain geopolitical and energy situation of 2022.

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. We were recruiting intensively in 2022, and a total of 408 new employees were onboarded, which is more than one-tenth of the SIJ Group's total headcount. All our recruitment procedures are conducted with full transparency and without discrimination.
GRI 2-7

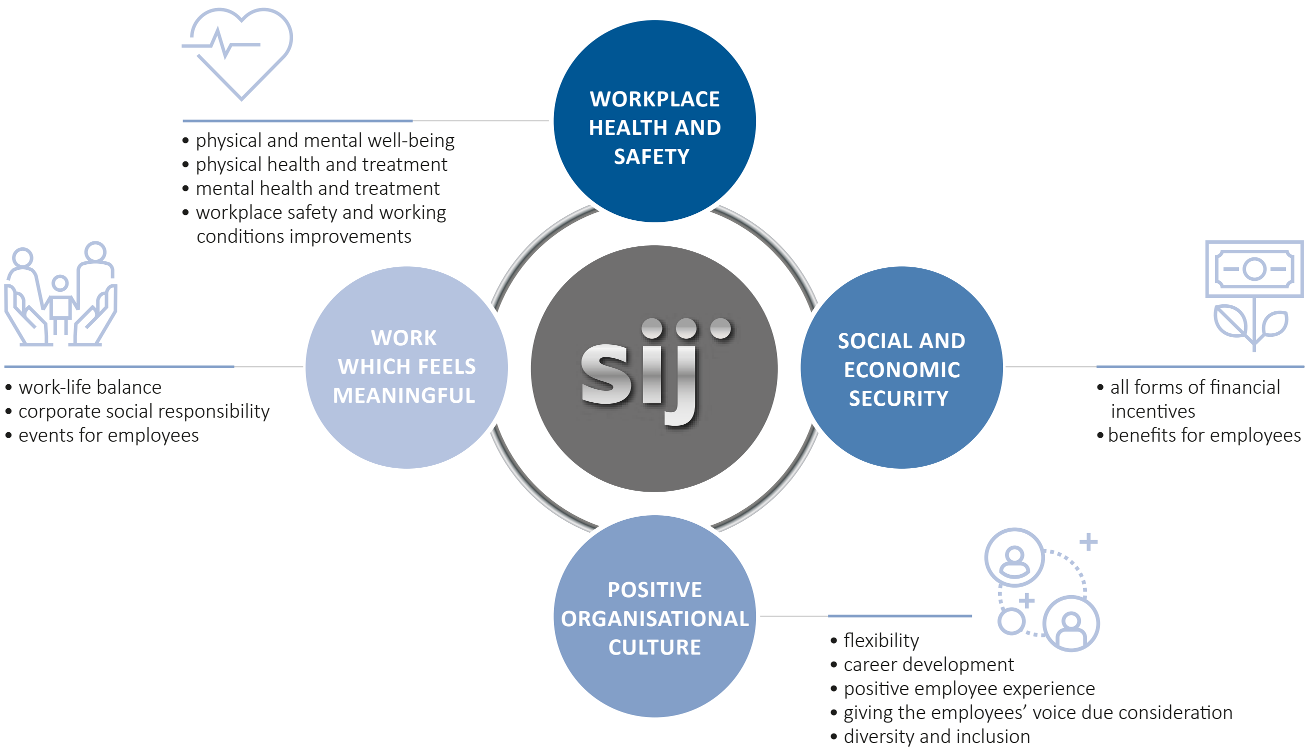
MONITORING EMPLOYEE SATISFACTION

We routinely track the performance of our HR management practices. Every three years, we conduct a survey to measure the organisational climate, employee satisfaction and engagement, and in 2022 we started assessing our foremen and shift managers according to the 360° methodology for the first time in our six key companies. The findings of these measurements and assessments provide a basis for improvements, which help produce a more efficient and creative environment, while systematic HR management efforts help us create a positive working environment and achieve good business results.

ENCOURAGING EMPLOYEE ENGAGEMENT AND WORKPLACE HAPPINESS

In collaboration with the managements of our Group companies and social partners, we implement projects which aim to improve working conditions, increase employee engagement and build our reputation. We are one of the first in Slovenia to employ an Engagement and Happiness Manager. In 2023 we will launch a programme which will link workplace happiness to health, social and economic security, a positive organisational culture and work which instils a sense of meaningfulness.

SIJ Group's Programme to Promote Employee Satisfaction, Engagement and Workplace Happiness



ACTIVE JOBS AND EMPLOYEES ENGAGING IN SPORTS

SIJ Group is among the first 14 companies in Europe to get the European Workplace Active Certificate (WAC). As one of 28 pioneering companies, we were already involved in the process of shaping the workplace active certification, which was designed as part of a EU project co-funded through the European Commission's Erasmus+ programme. The project included European organisations which actively encourage workplace health and wellbeing by encouraging physical activity among employees.

Opportunities for physical activity and maintaining a healthy lifestyle are available through the SIJ Sports Club, which maintains a running and cycling section, as well as a Nordic walking section. The members of the Club are our employees, contractors, retired employees and their family members. As of the end of 2022, the club had 168 members, who, over the course of the year attended marathons and major running events, cycling festivals and challenges and hiking events.

RESPECT FOR OUR EMPLOYEES' FAMILY LIVES

At the end of 2022, SIJ Group's six key companies started the certification process to get the Family-Friendly Enterprise base-level certificate. This certificate, which the companies are expected to receive in the first half of 2023, encourages finding suitable solutions to ensure a good work to life balance for employees. The positive effects are reflected in decreased turnover and sickness-related absenteeism, a lower number of accidents, improved satisfaction, motivation and loyalty of employees.

Employees in Figures

Employee KPIs in the Six Key Companies of SIJ Group as of 31 Dec GRI 2-7 GRI 2-8 GRI 2-30 GRI 201-3

		2020	2021	2022	Plan 2023
SIJ Group figures					
Employees	number	3,818	3,840	3,755	
Average age	in years	44.3	41.6	41.7	
Women	percentage	16.0	16.8	16.5	
Figures for 6 key companies*					
Employees	number	3,358	3,352	3,264	3,265
Number of temp agency workers	number	0	0	0	0
Employees on an open-ended employment contract	number	3,133	3,095	3,041	3,082
Employees on an open-ended employment contract	percentage	93.3	92.3	93.2	94.4
Employees on a fixed-term contract	number	225	257	223	183
Employees on a fixed-term contract	percentage	6.7	7.7	6.8	5.6
Male employees	number	2,794	2,788	2,727	2,718
Male employees	percentage	83.2	83.2	83.6	83.3
Female employees	number	564	564	537	547
Female employees	percentage	16.8	16.8	16.5	16.8
Employees employed on a part-time basis	number	62	62	77	84
Employees employed on a part-time basis	percentage	7.9	7.9	2.4	2.6
Of which women employed on a part-time basis	number	25	26	32	33
Of which women employed on a part-time basis	percentage	0.7	0.8	1.0	1.0

Continuation of the table →

Continuation of the table

		2020	2021	2022	Plan 2023
Full-time employees	number	3,296	3,290	3,187	3,181
Full-time employees	percentage	98.2	98.2	97.6	97.4
Employees up to 30 years of age	number	498	524	533	627
Employees up to 30 years of age	percentage	14.8	15.6	16.3	19.2
Employees aged 30-50	number	1,607	1,578	1,496	1,515
Employees aged 30-50	percentage	47.9	47.1	45.8	46.4
Employees over 50 years of age	number	1,253	1,250	1,235	1,123
Employees over 50 years of age	percentage	37.3	37.3	37.8	34.4
Average age of employees	years	43.6	43.1	43.1	44.0
Employees covered under a collective bargaining agreement	number	3,046	3,044	2,911	2,914
Employees covered under a collective bargaining agreement	percentage	90.7	90.8	89.3	89.3
Employees not covered under the collective bargaining agreement	number	312	308	350	351
Employees not covered under the collective bargaining agreement	percentage	9.3	9.2	10.7	10.8
Employees enrolled in an additional pension insurance scheme	percentage	74.3	72.0	74.9	75.0
Contributions to the additional pension insurance scheme paid by the employer	in thousands of euros	1,511	1,815	2,056	2,550

** The figures for 2021 and 2020 also include figures for employees of SIJ Elektrode Jesenice.*

SPECIFICS OF THE METALLURGY INDUSTRY

Among the employees with an average age of 43.1 as of the end of 2022, 83.6 percent were men, and 16.4 women. The gender ratio varies between companies, and the predominantly male structure is typical and expected due to the nature of the work in the metallurgy industry. We are expecting to keep the number of employees unchanged in 2023, and that the share of women will remain about the same.

The largest share of our employees falls into the 30-50 age group (45.8 percent). There is also a high percentage of employees over 50 years of age (37.8 percent). Along with the anticipated retirement of older employees in the coming years, we are facing some challenges with the employment of young people entering the labour market. The demographic trends in Slovenia indicate there will continue to be a falling number of potential recruitments of those aged between 15 and 19.

We tackle the issue of the lack of labour with various approaches in our six key companies, including the recruitment of international workers, who predominantly come from countries of ex-Yugoslavia. The Slovenian labour market situation indicates that the number of recruitments of foreign nationals will further increase going forward.

STABLE EMPLOYMENT AND REDEPLOYMENTS

The company SIJ Elektrode Jesenice was liquidated in 2022, and its employees were offered redeployments within SIJ Group. Out of 152 employees of the liquidated company as at the end of 2021, 49 percent accepted our redeployment offers. The majority (29) of them are now employed in SIJ Acroni, while others accepted employment in SIJ SUZ and SIJ d.d.

Over 90 percent of our employees in our six key companies are employed on an open-ended employment contract. We intend to continue implementing of our HR policy going forward, providing employees with job security and stability.

FIXED-TERM AND PART-TIME EMPLOYMENT

We conclude fixed-term employment contracts in cases of trainee work or onboarding, or in cases of a temporary influx of work volumes and substitutions due to sickness and parental leave. Across our six key companies, only 2.4 percent of our employees are engaged on a part-time basis. In most cases, the part-time arrangement is due to disability.

EQUAL OPPORTUNITY FOR ALL

In our six 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

ADDITIONAL PENSION INSURANCE

One of the ways we care for our employees' future is by funding a collective pension plan, which almost 75 percent of employees of our six key companies were enrolled in in 2022. Upon retirement, the pension plan will provide our employees with extra income in addition to their regular pension. The percentage of employees enrolled in the additional pension insurance plan is somewhat lower in 2022 relative to the year before, whereas the scale of payments into the additional pension insurance plan increased by over 11 percent. In 2022, we allocated an average of 2.43 percent of the gross monthly salary per employee to collective additional pension insurance. GRI 201-3

REGULAR REMUNERATION AND FINANCIAL INCENTIVES GRI 2-20

SIJ Group is living up to its commitment to providing decent work and pay for its employees. Subject to their fulfilment of certain criteria, we provide financial incentives for our employees on an equal basis, without discrimination. This also encourages good work performance and loyalty.

In 2022, our employees continued receiving regular monthly salaries, which are set according to the requirements of the job and labour market conditions.

The base salaries of 15 percent of employees employed in key companies increased in 2022, either because they have been promoted to more advanced positions, or as a result of recognition of their improved competencies in their existing positions. In 2022 the monthly bonus payouts that employees have access to under the variable remuneration system amounted to EUR 3 million. Our most loyal and dedicated employees are also paid jubilee bonuses on a regular basis.

In recognition of good business performance in the first half-year period, we paid out a business performance bonus to our employees, in agreement with the labour unions. In 2022, our six key companies allocated a total of more than EUR 6 million for additional income payments, which also helped mitigate the rapidly increasing cost of living.

We also paid our employees the annual leave allowance, which was over 43 percent higher relative to 2021.

In the second half of 2022, we provided the employees of these six companies and their family members with the option of enrolling in a collective additional health insurance

plan, which provides them with faster access to diagnostic procedures and treatment, and thus faster recovery. By the end of 2022, 34 percent of the employees had enrolled in this scheme. The six key companies paid full premiums for their employees. In 2022, these payments totalled EUR 60,730, and in 2023 we are expecting more members to join and intend to allocate over EUR 70,000 for the premiums. The premiums for the family members are paid by the employees themselves, but under equally advantageous terms.

PERFORMANCE AND CAREER DEVELOPMENT REVIEWS GRI 404-3

As qualified and motivated employees are a cornerstone of SIJ Group's performance, one of our strategic priority goals is setting up an employee performance and career development review system. We plan to launch a system which will include all employees, regardless of age, gender or other characteristics, and which will be operational by 2025 at the latest.

SOCIAL DIALOGUE AND COLLECTIVE BARGAINING AGREEMENTS GRI 2-30

SIJ Group fully complies with the terms of industry-specific collective bargaining agreements and corporate collective bargaining agreements. There is ongoing social dialogue between social partner representatives and the management of SIJ Group companies. There are three representative labour unions active in our six companies, where more than 27 percent of our employees are members of at least one of the representative labour unions.

In 2022, almost 90 percent of the employees of the key companies of SIJ Group were employed in line with corporate collective bargaining agreements. The exception are employees of SIJ d.d., who are currently not covered under any collective bargaining agreement. In the remaining companies, the Collective Agreement for the Metal Products and Foundry Industry and the Collective Agreement for the Slovenian Metal Sector 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 401 GRI 2-7

SIJ Group is achieving its strategic objectives with qualified and highly motivated employees. Part of growing a business is the attractiveness of employment to top external experts, diversity of internal human resources, and access to educational grants.

We provide all candidates equal opportunities in our candidate selection procedures, regardless of gender, age, or other circumstances. We recruit candidates through various channels, including through partner providers. Our internal hiring candidate database is also of assistance in this regard, allowing for fast and efficient searches. We select candidates with the help of various psychological testing and in-depth interviews.

Due to the specific nature of the metallurgical industry we continued to employ more men than women in 2022, mostly in the 30-50 age group. The employee turnover rate in six key companies was 11,5 percent. This is lower relative to the year before, as the employee turnover rate reached 15 percent, which is mainly attributable to the liquidation of SIJ Elektrode Jesenice. GRI 401-1

New Hires, Turnover and Parental Leave in Six Key Companies as at 31 December

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

		2020	2021	2022	Plan 2023
New hires, up to 30 years of age	number	90	206	180	
Employees leaving, up to 30 years of age	number	93	119	112	
New hires, aged 30-50	number	124	209	174	
Employees leaving, aged 30-50	number	152	186	150	
New hires, aged over 50	number	25	27	54	
Employees leaving, aged over 50	number	129	145	116	
Total new hires	number	248	442	408	292
Total employees leaving	number	374	450	378	279
New hires, men	number	211	383	333	
New hires, women	number	37	59	75	
Employees leaving, men	number	325	377	320	
Employees leaving, women	number	49	73	58	
Employee turnover rate	percentage	11.4	15.1	11.6	
Employee turnover rate, men	percentage	9.3	10.3	7.5	
Employee turnover rate, women	percentage	2.1	4.8	2.4	
Employee turnover rate, aged up to 30	percentage	2.1	2.8	2.7	
Employee turnover rate, aged 30-50	percentage	5.7	6.0	5.2	
Employee turnover rate, aged over 50	percentage	3.7	5.8	4.1	
Men returning after parental leave	number	65	71	66	
Women returning after parental leave	number	12	18	13	
Employees returning after parental leave	number	77	89	79	

Employee turnover calculation formula = number of employees leaving/total headcount x 100. The figures for 2021 and 2020 include employees of SIJ Elektrode Jesenice.

SIJ Group is proudly committed to being a family-friendly company, where 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 percent. All 79 employees who took parental leave in 2022 returned to their jobs. GRI 401-3

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

In our six key companies we respect the rights of all employees and provide them with equal opportunities, regardless of gender or other circumstances. We also create job opportunities for persons 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 2022, 9.3 percent of SIJ Group employees had disabled worker status.

Number of Employees with Disabled Worker Status, and their Proportional Representation in the Six Key Companies as at 31 December

	2020	2021	2022
Number of employees with disabled worker status	309	219	305
Share (%) of total employees	9.2	9.5	9.3

Number of Disabled Persons and their Percentage in SIJ SUZ

	2020	2021	2022
Number of employees with disabled worker status	67	70	68
Share (%) of total employees	55.4	55.6	51.9

Number of Disabled Persons and their Percentage in SIJ ZIP CENTER

	2020	2021	2022
Number of employees with disabled worker status	65	60	60
Share (%) of total employees	54.6	53.6	50.9

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. After being renewed once again, the concession agreement is now in place until the end of 2027. In 2022, 35 users per month on average were enrolled in employment rehabilitation services, while the Pension and Disability Insurance Company (ZPIZ) referred 11 beneficiaries to take part in occupational rehabilitation programmes.

The Koroška Rehabilitation Centre, an organisational unit of SIJ ZIP CENTER, has been operating a social inclusion programme since 2011. The programme had 17 registered users in 2022.

From 2018 until the end of 2022, SIJ ZIP CENTER was also involved in the national partnership working on the project Induction of Special-Needs Youth into the Labour Market. In 2022, six special-needs youths joined on as members of the project, and just as many successfully completed the project.

4 QUALITY EDUCATION

Training and Education GRI 404

SIJ Group employees regularly attend training and education programmes in various fields of expertise. They gain knowledge at universities, institutes and other institutions, both domestic and international, and in workplace training programmes. The functional training of employees required for the working processes and specific workstations is one of the key activities for the six key companies of SIJ Group. We augment traditional forms of education with online learning. We assess the effectiveness of our internal training seminars by measuring the 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 2022, 87 employees of SIJ Group attended part-time secondary school and university programmes.

LEADERSHIP DEVELOPMENT PROGRAMME AND OTHER EDUCATIONAL COURSES IN SIJ GROUP

In 2022, a total of 2,130 (more than 67 percent) of our employees took part in various educational programmes, including more than 90 percent of all managers. Besides professional subjects and subjects required by law, the main subjects involved included communications, problem-solving, motivation, ISO standards, the importance of quality, and computer skills. For professional subjects, we looked for alternatives for independent learning, such as online platforms.

In 2022, the second edition of the SIJ Leadership Development Programme was in session, where 93 current and future forepersons and shift managers attended training provided in cooperation with external lecturers and experts.

In 2022, we allocated an average of EUR 140 per employee to staff training. The average hours of training per employee was 9 hours. GRI 404-1 GRI 404-2

Employees Taking Part in Educational and Training Courses in Six Key Companies GRI 404-1

	2020	2021	2022
Average number of hours of training per employee	7.9	12.3	9.0
Share (%) of revenue allocated to training and education	0.03	0.04	0.03
Average cost of training and education per employee (in EUR)	120.5	210.3	140.4

Participant Structure in Training Programmes, by Gender and Job Category, and Average Number of Hours of Training in 2022 for the Six Key Companies GRI 404-1 GRI 404-2

	Average number of hours of training	Percentage
Men enrolled in training programmes	1,839	67.4
Women enrolled in training programmes	299	55.7
Management staff (the Management Board and management of the companies)	4	50.0
Other management staff	238	94.4
Administration	382	53.1
Workers in production and services	1,467	64.2

LIFELONG LEARNING AND COACHING

A large share of our internal training programmes is 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-percent bonus, based on their base salary. We understand coaching as part of the training and lifelong learning programmes, which assist in ensuring the individual employee's employability or allow them to pursue their career goals. Lifelong learning is considered one of the strategic goals in our six key companies. GRI 404-2

EDUCATIONAL GRANTS AND BUILDING A REPUTATION AMONG POTENTIAL JOB CANDIDATES

In 2022 we provided educational grants for 30 high school and university students. Over the course of this year, 22 of them had completed their studies and found employment in SIJ Group companies.

We award educational grants to students of secondary schools and universities who demonstrated specific talents and abilities over the course of their education. We systematically engage with our grant recipients. We provide them with opportunities to build experience and attend professional traineeship programmes, where they can develop their skills and qualifications and get acquainted with the work processes. We support students and young researchers writing their final theses by providing them with expert topics and knowledge resources. 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.

Occupational safety and health GRI 403

OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT SYSTEM

The certified occupational health and safety ("OHS") management system, which includes all employees of SIJ Acroni and SIJ Metal Ravne, will be upgraded in 2023 through certification of the controlling undertaking SIJ d.d. Even now, the latter is already monitoring the situation concerning occupational safety and health. Introduction of OHS system certification is also planned in other production companies of SIJ Group. When planning our systems, we take into consideration previously identified risks, the legislation and best practices. In the context of OHS systems, labour union liaisons are elected by employees to oversee issues of occupational safety and health. Liaisons represent their interests and submit their own recommendations for improvements. 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. A Statement on the Risk with a Risk Assessment is prepared for each company, which we update on a regular basis. 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 top management, as well as analysing 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 representatives are also involved in the work of the incident investigation committee. GRI 403-2

OCCUPATIONAL MEDICINE

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 the 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, via noticeboards and electronic memos, and 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 company management. 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 safety precautions 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

As required by the Health and Safety at Work Act, SIJ Group companies conduct regular theoretical and practical training programmes related to 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 safety protocol, as production workers review current OHS topics of relevance in their department daily, at the start of each shift. The protocol is overseen by foremen and shift managers, who are updated on OHS matters in training programmes which they attend twice per year. In 2022, they received training for practical demonstration of the proper handling procedures to employees in the workplace.

After each extraordinary incident which has the potential to lead to accidents, or any hazardous event which could potentially result in injury, 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 on the monitors 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

PROMOTION OF WORKER HEALTH GRI 403-6

We promote occupational health and safety with our traditional Working Safely, Staying Healthy campaign. New campaign topics aiming to raise awareness among employees are developed by an extended occupational health and safety working group, which started working in 2021. It consists of SIJ Group representatives, who discuss OHS KPIs, exchange best practices and make recommendations for improvements.

In accordance with the Health and Safety at Work Act, we are planning and actively promoting occupational health and safety with an allocated budget and defined follow-up protocol. To protect and improve our workers' physical and mental health, we provide options for workplace exercise, healthy food options, organise blood sugar level testing, blood pressure measurements, as well as other health measurements. We also provide exercise options free of charge, along with sporting events.

We encourage our employees to join our extra health insurance plan to ensure faster access to specialist and other health services, which is also available to their family members.

PREVENTION OF ADVERSE IMPACTS ON OHS

SIJ Group companies reduce the risks and adverse impacts on OHS through certain technical and organisational measures. In accordance with safety assessments for individual positions, workers are provided with all personal protective equipment prescribed by regulations. Based on the risk assessment documents and regular measurements of the adverse impacts of factors such as noise and lighting, SIJ Group companies are monitoring and making systematic improvements to the work environment, and are actively addressing 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 will start 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 occupational health and safety 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. It is foreseen that SIJ Ravne Systems will introduce ISO 45001:2018 certification in 2023. 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

By intensively taking preventive action and following a well-conceived OHS system, SIJ Group is striving towards reaching the objective of zero work accidents. In recent years there were no accidents resulting in death, and over the past three years there were no accidents during transportation to or from work organised by SIJ Group companies, while the number of other injuries is decreasing, on average.

After each work accident is analysed, a record of the measures adopted as a result is made in the incident-tracking app, along with proof of actions implemented. We manage the risk of work accidents with a branched OHS system. We dedicate particular attention to new employees, who are assigned a coach when they take up their duties at SIJ Group's production companies.

The Specific Safety Declarations made for SIJ Group also define the existing risks of work-related injuries. At the beginning of each year, each company will prepare an action plan for implementation of the OHS programme in the coming year based on the assessed risks. The programme – which is also intended to prevent work-related injuries – includes targeted 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. Based on the activities performed in this context, any irregularities that are detected are registered in the assessments database, after which the irregularities are assigned to the persons responsible for their resolution.

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

Work-Related Injuries in the Three Production Companies

	2020	2021	2022
SIJ Acroni			
The number of fatalities as a result of work-related injury	0	0	0
The number of high-consequence work-related injuries	0	1	0
F2- major injury frequency rate	/	/	0
G1- severity of major injuries	/	/	0
The number of recordable work-related injuries	22	26	18
The number of hours worked	2,064,157	2,470,749	2,050,167
Rate of recordable work-related injuries	10.7	10.5	8.8
Rate of high-consequence work-related injuries (excluding fatalities)	1,264	782	793
SIJ Metal Ravne			
The number of fatalities as a result of work-related injury	0	0	0
The number of high-consequence work-related injuries	1	1	2
F2- major injury frequency rate	/	/	1.3
G1- severity of major injuries	/	/	243
The number of recordable work-related injuries	54	61	60
The number of hours worked	1,511,765	1,598,435	1,595,353
Rate of recordable work-related injuries	35.7	38.2	37.6
Rate of high-consequence work-related injuries (excluding fatalities)	1,867	1,926	2,086
SIJ Ravne Systems			
The number of fatalities as a result of work-related injury	0	0	0
The number of high-consequence work-related injuries	0	0	0
F2- major injury frequency rate	/	/	0
G1- severity of major injuries	/	/	0
The number of recordable work-related injuries	19	13	9
The number of hours worked	830,380	818,164	790,615
Rate of recordable work-related injuries	22.60	15.70	11.04
Rate of high-consequence work-related injuries (excluding fatalities)	811	621	679

Causes of Work-Related Injuries at SIJ Acroni (in Percentage)

	2020	2021	2022
Moving vehicles	/	/	6
Working with cranes – transport and manual manipulation of loads	/	/	6
Person falling from a height	/	11	/
Work using work equipment, work instruments	4	19	6
Work with hand tools	11	4	11
Manual handling of loads, work instruments	12	15	6
Non-use of or unsuitable PPE	8	/	/
Working with hazardous substances	/	8	6
Explosion	/	4	6
Minor work-related injuries resulting from the work environment	19	27	28
Work equipment malfunctions	/	4	11
Organisation of workflow	/	4	/
Technological disruption	/	4	11
Contact with a high-temperature object, material, open flame	39	/	6
Miscellaneous, not classified elsewhere	8	/	/

Note: due to standardisation of the registry of causes of injury, the figures are not entirely comparable to previous years' figures.

Causes of Work-Related Injuries at SIJ Metal Ravne (in Percentage)

	2020	2021	2022
Moving vehicles	/	/	3
Work with cranes- transport and manual handling of loads	18	21	5
Person falling from a height	/	/	5
Work using work equipment, work instruments	/	/	15
Falling object	/	/	23
Falls of persons on the floor, in passages, on landings, or unsuitable floor surface in the work area	30	20	7
Non-use or use of unsuitable tools (hammers, hatchets), preparations	2	1	12
Disruptions in the technological process, non-compliance, work equipment malfunctions	11	15	3
Work with hand tools	/	/	/
Inefficient, unreliable work performance by the worker	30	28	/
Manual handling of loads, work instruments	9	10	15
Non-use of or unsuitable PPE	0	5	7
Miscellaneous, not classified elsewhere	/	/	5

Note: due to standardisation of the registry of causes of injury, the figures are not entirely comparable to previous years' figures.

Causes of Work-Related Injuries at SIJ Ravne Systems (in percentage)

	2020	2021	2022
Moving vehicles	/	/	11
Work with cranes- transport and manual handling of loads	18	8	/
Work using work equipment, work instruments	/	/	22
Falling object	/	/	11
Falls of persons on the floor, in passages, on landings, or unsuitable floor surface in the work area	30	15	22
Non-use of or use of unsuitable tools (hammers, hatchets), preparations	2	/	/
Disruptions in the technological process, non-compliance, work equipment malfunctions	11	/	/
Inefficient, unreliable work performance by the worker	30	15	/
Manual handling of loads, work instruments	9	39	22
Non-use of or unsuitable PPE	0	15	11
Miscellaneous, not classified elsewhere	/	8	/

Note: due to standardisation of the registry of causes of injury, the figures are not entirely comparable to previous years' figures.

WORK-RELATED ILL HEALTH AND ABSENTEEISM

GRI 403-10

Work-related diseases are very rarely detected and diagnosed among employees of the six 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 2022, sick leave absenteeism was down just under one percent (0.8 percent) compared to the preceding year, which corresponds to the Slovenian average (an increase of 0.9 percent). In 2022, the rate of absenteeism across our six key companies was 10.41 percent, compared to 9.62 percent in 2021. There was a decrease of nine percent in sick leave covered by employer, who covers sick leave up to 20 business days, while the rest of the sick leave is covered by the national Health Insurance Institute (ZZZS).

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 of employees. While the percentage of women in the six key companies of SIJ Group is only 17 percent due to the specific nature of the metallurgy activity, there is a higher percentage of women at higher levels. The share of women among administrative staff is 42 percent, and 29 percent among the leadership. Across all levels of the organisational structure in the six key companies of SIJ Group, employees aged between 30 and 50 are the predominant demographic.

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

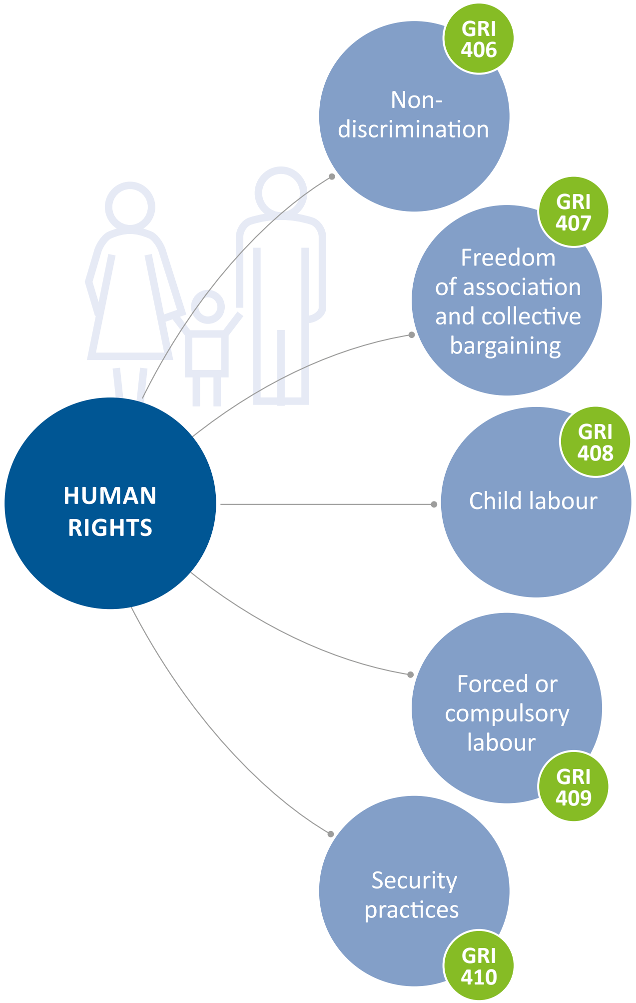
In defining remuneration and other benefits, employees in the six key companies of SIJ Group have equal opportunities, regardless of gender, age or location of employment. Salaries in key companies (except the controlling undertaking SIJ d.d.) are regulated by the collective bargaining agreements and internal rules. An employee's salary depends on the complexity of the position, as determined with qualification matrices using the job position valuation methodology of a recognized international corporation, and on the employee's performance.

Employee Diversity by Gender as at 31 December 2022 GRI 405-1

	Men	Percentage	Women	Percentage	Total	Percentage
Management staff (the Management Board and management of the companies)	8	100	0	0.0	8	100
Other management staff	181	71.8	72	28.6	252	100
Administrative staff	388	54.0	330	45.9	719	100
Employees in manufacturing and services	2,145	93.9	140	6.1	2,285	100
TOTAL	**2,722**	**83.4**	**542**	**16.6**	**3,264**	**100**

Employee Diversity by Age as at 31 December 2022 GRI 405-1

	Aged 30 and under	Percentage	Aged 30-50	Percentage	Over 50	Percentage	Total percentage
Management staff (the Management Board and managements of the companies)	0	0.0	5	62.5	3	37.5	100
Other management staff	9	3.6	134	53.2	110	43.7	100
Administrative staff	86	12.0	355	49.4	277	38.5	100
Employees in manufacturing and services	449	19.7	1,037	45.4	799	35.0	100
TOTAL	**544**	**35.2**	**1,531**	**49.9**	**1,189**	**36.4**	**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 integrated the prohibition of discrimination and respect for diversity into the SIJ Group 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

The Company supports freedom of association and organises 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.[10] 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 six key companies of SIJ Group is provided by a licensed contract partner, and this includes security personnel trained in human rights policies or 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.

10 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

Partnerships with Local Communities

GRI 413

The six key companies of SIJ Group operate in Slovenia, which we as an international Group consider as the 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 (93.59 percent of all SIJ Group employees). SIJ Group's activities are inseparably linked to the local communities in these regions. Our activities, partnerships and various projects form an integral part of these local communities' development. We are open to forging new 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 413-1 GRI 2-7

IMPACT ASSESSMENT AND UNVEILING OF PLANS

In Jesenice and Ravne na Koroškem, where we manufacture and process steel, our potential impacts on the natural and social environment are the greatest. In these regions we are the largest economic entity and a key employer. For this reason, maintaining appropriate partnerships with the local communities is important for both our own operations and the activities of these communities, as well as the general quality of life of the local population. 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

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 trademark.

SPORTS ON THE NATIONAL AND LOCAL LEVELS

On the national level, we have an established cooperation with the Olympic Committee of Slovenia. Over the next four years, we will continue supporting Slovenia's top athletes and the Sports for All project. The Slovenian Olympic torch 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 young athletes, the 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.

INNOVATIVE SPORTS INFRASTRUCTURE

In collaboration with the Olympic Committee, we are building outdoor gyms and sustainability-minded pump tracks made of recycled slag across Slovenia. In 2022, we contributed the 20th outdoor gym to the network of innovative infrastructure for quality outdoor leisure time activities. These outdoor gyms are now promoted by 23 athlete ambassadors.

EXPANDING THE MIND OF STEEL

With our Moments of a Mind of Steel campaign, we selected 13 exceptional individuals in 2022 made famous by their exceptional, unrepeatable achievements. At the special awards ceremony, which took place at the Slovenian Olympic Educational Centre, these individuals received unique sculptures from Petra Majdič, Olympic medallist and Mind of Steel ambassador. The first candidate selection took place in collaboration with the national radio station in February 2022, during the Beijing Olympics. This was followed by voting in six key companies of SIJ Group, as well as in six sports clubs sponsored by SIJ Group.

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. For the 3rd edition of the Day of Cooperation with the Local Community, which took place in May 2022, we spent the day with the wards of various institutions while doing landscaping on selected premises, painting fences and the like. More than 100 volunteers donated over 200 hours of volunteer work in the context of the Day of Cooperation.

In 2022, members of the SIJ Sports Club organised the 3rd virtual challenge in the spirit of charity. From May to October, they walked, ran and cycled a combined length of 38,087 kilometres. They collected 981 activities, attended by more than half of the Club's members. Joined under the slogan Taking Steps for Our Little Heroes, they walked, ran and cycled for the children of the Juričev Drejček Elementary School in the city of Ravne na Koroškem, for the children associated with the Jesenice Association of Friends of Youth, and for the children of the Kolezija Kindergarten's Murgle unit, all of which also received grants to fund their activities as part of the charity drive.

STEELWORKING TRADITION AND CULTURE

SIJ Group is the proud successor of more than 400 years of steelworking in Slovenia. In 2022, we donated one of the first Kamag pallet lift transporters from the former Ravne Ironworks (Železarna Ravne) to the Koroška Regional Museum to add to its historical collection of transport vehicles. At the Ravne Gallery, the artist Tobias Putrih put together the Steel Industry exhibit in collaboration with SIJ Metal Ravne. In the city of Ravne, the street open-air sculpture exhibit honours the city's steel tradition with a collection of 36 steel sculptures displayed around the city and surrounding area. SIJ Group also works closely with the Ravne Ironworkers Brass Band, which marked its 120th anniversary with the premiere performance of Steelworkers' Rhapsody, a composition commissioned by SIJ Metal Ravne.

GRI CONTENT INDEX

SIJ Group reported data for the period from 1 January 2022 to 31 December 2022 in accordance with the Consolidated Set of the GRI Standards 2021. There is no specific GRI Sector Standard for our sector.

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GRI disclosure		Page	Reason for not reporting	Notes
GENERAL DISCLOSURES				
1. The organisation and its reporting practices				
2-1	Organisational details	17		
2-2	Entities included in the organization's sustainability reporting	20, 25, 51		
2-3	Reporting period, frequency and contact point	53, 190		
2-4	Restatements of information	53		
2-5	External assurance	54		
2. Activities and workers				
2-6	Activities, value chain and other business relationships	20, 64, 65		
2-7	Employees	75, 76, 77, 81, 92		
2-8	Workers who are not employees	77	Not applicable	We do not report data on topics 2-8b and 2-8c, as the number of temp agency workers equals 0. This data is collected only for agency workers.
3. Governance				
2-9	Governance structure and composition	10, 22, 25, 26		
2-10	Nomination and selection of the highest governance body	10, 22, 25, 26	Confidentiality constraints	We do not report on topics 2 10b. Professional secrecy.
2-11	Chair of the highest governance body	26		
2-12	Role of the highest governance body in overseeing the management of impacts	9, 11, 25, 26, 27, 51		
2-13	Delegation of responsibility for managing impacts		Not applicable	The data is not collected systematically.
2-14	Role of the highest governance body in sustainability reporting	53	Not applicable	We do not report on topics 2 14b.
2-15	Conflicts of interest	11, 22, 25		
2-16	Communication of critical concerns	26	Information unavailable / incomplete	We do not report on topics 2 16b.

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GRI disclosure		Page	Reason for not reporting	Notes
2-17	Collective knowledge of the highest governance body		Not applicable	The data is not collected systematically.
2-18	Evaluation of the performance of the highest governance body	9, 22		
2-19	Remuneration policies	24	Confidentiality constraints	Partially personal data. A part of remuneration policy is disclosed.
2-20	Process to determine remuneration	79	Confidentiality constraints	Partially personal data. A part of remuneration policy is disclosed.
2-21	Annual total compensation ratio		Confidentiality constraints	Partially personal data.
4. Strategy, policies and practices				
2-22	Statement on sustainable development strategy	27, 51, 56		
2-23	Policy commitments	57		
2-24	Embedding policy commitments	57		
2-25	Processes to remediate negative impacts		Information unavailable / incomplete	We are setting up a centralised complaint mechanism, implementation is planned for 2023.
2-26	Mechanisms for seeking advice and raising concerns		Information unavailable / incomplete	We are setting up a centralised complaint mechanism, implementation is planned for 2023.
2-27	Compliance with laws and regulations		Information unavailable / incomplete	We are setting up a centralised complaint mechanism, implementation is planned for 2023.
2-28	Membership associations	58		
5. Stakeholder engagement				
2-29	Approach to stakeholder engagement	58		
2-30	Collective bargaining agreements	77, 80		
Topic Specific Disclosures				
3-1	Process to determine material topics	59		
3-2	List of material topics	60		

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GRI disclosure		Page	Reason for not reporting	Notes
ECONOMY				
201 Economic Performance				
3-3	Management of material topics			
201-1	Direct economic value generated and distributed	44		
201-2	Financial implications and other risks and opportunities due to climate change	62		
201-3	Defined benefit plan obligations and other retirement plans	77, 79	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		Information unavailable / incomplete	The data is not collected systematically.
202 Market presence				
3-3	Management of material topics			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage		Confidentiality constraints	SIJ Group does not disclose data on salaries.
202-2	Proportion of senior management hired from the local community	58		
203 Indirect economic impacts				
3-3	Management of material topics	62		
203-1	Infrastructure investments and services supported	63		
203-2	Significant indirect economic impacts	63		
204 Procurement practices				
3-3	Management of material topics	64		
204-1	Proportion of spending on local suppliers		Not applicable	The data is not collected systematically.
205 Anti-corruption				
3-3	Management of material topics		Information unavailable / incomplete	We are setting up a centralised complaint mechanism, implementation is planned for 2023.

Continuation of the table →

Continuation of the table

GRI disclosure		Page	Reason for not reporting	Notes
205-1	Operations assessed for risks related to corruption		Information unavailable / incomplete	We are setting up a centralised complaint mechanism, implementation is planned for 2023.
205-2	Communication and training about anti-corruption policies and procedures		Information unavailable / incomplete	We are setting up a centralised complaint mechanism, implementation is planned for 2023.
205-3	Confirmed incidents of corruption and actions taken		Information unavailable / incomplete	We are setting up a centralised complaint mechanism, implementation is planned for 2023.
206 Anti-competitive behavior				
3-3	Management of material topics			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	31	Not applicable	We do not report on topic 206-1 b, as the number of events equals 0.
207 Tax				
3-3	Management of material topics		Confidentiality constraints	
207-1	Approach to tax		Confidentiality constraints	
207-2	Tax governance, control, and risk management		Confidentiality constraints	
207-3	Stakeholder engagement and management of concerns related to tax		Confidentiality constraints	
207-4	Country-by-country reporting		Confidentiality constraints	
ENVIRONMENT				
301 Materials				
3-3	Management of material topics	64		
301-1	Materials used by weight or volume		Confidentiality constraints	We do not disclose the structure of input material.
301-2	Recycled input materials used	64		
301-3	Reclaimed products and their packaging materials		Not applicable	The materials for processing are supplied in bulk, without packaging. There is a very small proportion of packaging.

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Continuation of the table

GRI disclosure		Page	Reason for not reporting	Notes
302 Energy				
3-3	Management of material topics	66		
302-1	Energy consumption within the organization	66, 67		
302-2	Energy consumption outside of the organization		Not applicable	Activities external to the company do not have a significant impact on total energy consumption.
302-3	Energy intensity	67		
302-4	Reduction of energy consumption	71		
302-5	Reductions in energy requirements of products and services		Not applicable	We do not offer products or services which consume energy.
303 Water and effluents				
3-3	Management of material topics	68		
303-1	Interactions with water as a shared resource	68		
303-2	Management of water discharge-related impacts	69		
303-3	Water withdrawal	68		
303-4	Water discharge	68, 69		
303-5	Water consumption	68		
304 Biodiversity				
3-3	Management of material topics	69		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Information unavailable / incomplete	The data is not collected systematically.
304-2	Significant impacts of activities, products and services on biodiversity		Information unavailable / incomplete	The data is not collected systematically.
304-3	Habitats protected or restored		Information unavailable / incomplete	The data is not collected systematically.
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		Information unavailable / incomplete	The data is not collected systematically.

Continuation of the table →

Continuation of the table

GRI disclosure		Page	Reason for not reporting	Notes
305 Emissions				
3-3	Management of material topics	70		
305-1	Direct (Scope 1) GHG emissions	70		
305-2	Energy indirect (Scope 2) GHG emissions	70		
305-3	Other indirect (Scope 3) GHG emissions	70		
305-4	GHG emissions intensity	71		
305-5	Reduction of GHG emissions	71		
305-6	Emissions of ozone-depleting substances (ODS)	71	Information unavailable / incomplete	The data is not collected systematically.
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	71		
306 Waste				
3-3	Management of material topics	72		
306-1	Waste generation and significant waste-related impacts	72, 73		
306-2	Management of significant waste-related impacts	72, 73		
306-3	Waste generated	73, 74		
306-4	Waste diverted from disposal	74		
306-5	Waste directed to disposal	74		
308 Supplier environmental assessment				
3-3	Management of material topics			
308-1	New suppliers that were screened using environmental criteria	65		
308-2	Negative environmental impacts in the supply chain and actions taken		Information unavailable / incomplete	The data is not collected systematically.

Continuation of the table →

Continuation of the table

GRI disclosure		Page	Reason for not reporting	Notes
SOCIAL				
401 Employment				
3-3	Management of material topics	81		
401-1	New employee hires and employee turnover	81		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	79, 81		
401-3	Parental leave	81, 82		
402 Labour/management relations				
3-3	Management of material topics			
402-1	Minimum notice periods regarding operational changes	80		
403 Occupational health and safety				
3-3	Management of material topics	84		
403-1	Occupational health and safety management system	84		
403-2	Hazard identification, risk assessment, and incident investigation	85		
403-3	Occupational health services	85		
403-4	Worker participation, consultation, and communication on occupational health and safety	85		
403-5	Worker training on occupational health and safety	85, 86		
403-6	Promotion of worker health	86		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	86		
403-8	Workers covered by an occupational health and safety management system	86		
403-9	Work-related injuries	87	Not applicable	We do not report on topic 403-9 b, as we have no such workers.

Continuation of the table →

Continuation of the table

GRI disclosure		Page	Reason for not reporting	Notes
403-10	Work-related ill health	86, 89	Not applicable	We do not report on topic 403-10 b, as we have no such workers.
404 Training and education				
3-3	Management of material topics	83		
404-1	Average hours of training per year per employee	83	Information unavailable / incomplete	We do not report on topic 404-1 a ii, as such data is not collected systematically.
404-2	Programs for upgrading employee skills and transition assistance programs	83, 84		
404-3	Percentage of employees receiving regular performance and career development reviews	80	Information unavailable / incomplete	We plan to introduce annual performance reviews across all our companies by 2025.
405 Diversity and equal opportunity				
3-3	Management of material topics	28		
405-1	Diversity of governance bodies and employees	81, 82, 90		
405-2	Ratio of basic salary and remuneration of women to men	90	Confidentiality constraints	SIJ Group does not disclose information on salaries.
406 Non-discrimination				
3-3	Management of material topics	91		
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 equals 0.
407 Freedom of association and collective bargaining				
3-3	Management of material topics	91		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		Information unavailable / incomplete	The supplier risk assessment mechanism has not yet been implemented.
408 Child labour				
3-3	Management of material topics			
408-1	1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	91	Information unavailable / incomplete	We do not report on the supply chain.

Continuation of the table →

Continuation of the table

GRI disclosure		Page	Reason for not reporting	Notes
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	91	Information unavailable / incomplete	We do not report on the supply chain.
410 Security practices				
3-3	Management of material topics	91		
410-1	Security personnel trained in human rights policies or procedures	92		
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	92		
413-1	Operations with local community engagement, impact assessments, and development programs	92		
413-2	Operations with significant actual and potential negative impacts on local communities	93		
414 Supplier social assessment				
3-3	Management of material topics	65		
414-1	New suppliers that were screened using social criteria		Information unavailable / incomplete	The data is not collected systematically.
414-2	Negative social impacts in the supply chain and actions taken		Information unavailable / incomplete	The data is not collected systematically.
415 Public policy				
3-3	Management of material topics		Not applicable	We do not donate funds for political means.
415-1	Political contributions		Not applicable	We do not donate funds for political means.

Continuation of the table →

Continuation of the table

GRI disclosure		Page	Reason for not reporting	Notes
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	31		
418 Customer privacy				
3-3	Management of material topics			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	31		

03 FINANCIAL REPORT OF SIJ GROUP

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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 SIJ – Slovenska industrija jekla, d.d. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and their financial performance and 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 (ISAs) 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. 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 consolidated 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.

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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 2022. 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 1,302,863 thousand in the year ending on 31 December 2022 (31.12.2021: EUR 962,698 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.

Valuation of Goodwill

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2022, as disclosed in Note 8 – *Intangible Assets* to the consolidated financial statements, the Group had a goodwill of EUR 19,252 thousand (31.12.2021 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.	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;

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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*.	- 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. We obtained other information before the date of the auditor's report, except for the report of the supervisory board and the non-financial report of the SIJ Group according to the EU Taxonomy, which will be available later.

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 are, in all material respects, consistent with the audited consolidated financial statements;
- other information are prepared in compliance with applicable law or regulation; and
- based on our knowledge and understanding of the Group and their 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 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 their 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 and for approving audited annual report.

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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 auditing rules will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing rules, 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 Group'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 Group to cease to continue as a going concern.
- 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, related safeguards.

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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.

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)

Appointment of the Auditor and the Period of Engagement
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 15 April 2022. Our total uninterrupted engagement has lasted 4 years.

Confirmation to the Audit Committee
We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Group, which we issued on 16. March 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Group, and which have not been disclosed in the Annual Report.

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

DELOITTE REVIZIJA d.o.o.

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

Yuri Sidorovich
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 20. March 2023

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 2022, 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 2022.

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 20, 2023

Andrey Zubitskiy,
President of the Management Board

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

in EUR thousand	Note	2022	2021
Revenue	1	1,302,863	962,698
Cost of sales	2	(991,887)	(759,193)
Gross profit		310,976	203,505
Distribution costs	2	(68,783)	(57,745)
General and administrative expenses	2	(119,106)	(102,002)
Other operating income	3	4,700	5,627
Other operating expenses	4	(3,316)	(4,842)
(Loss) profit from impairment of trade receivables		(491)	10
Operating profit		123,980	44,553
Finance income	5	3,786	4,025
Finance expenses	6	(14,585)	(14,592)
Net finance expenses		(10,799)	(10,567)
Share of loss in associates	10	(781)	0
Profit before tax		112,400	33,986
Income tax	7	(17,035)	(4,755)
Profit for the year		95,365	29,231
Items that will not be reclassified subsequently to profit or loss			
Net actuarial gains (losses) on pension programs		2,392	(184)

Continuation of the table →

Continuation of the table

in EUR thousand	Note	2022	2021
Fair value (losses) gains of financial assets at fair value through other comprehensive income	11	(70)	215
Income tax related to components of other comprehensive income	14	13	(35)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences from foreign operations		231	238
Total other comprehensive income		2,566	234
Comprehensive income		97,931	29,465
Profit, attributed to:		95,365	29,231
Owners of the parent company		88,287	25,822
Non-controlling interest		7,078	3,409
Comprehensive income attributed to:		97,931	29,465
Owners of the parent company		90,748	26,027
Non-controlling interests		7,183	3,438

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. 2022	31 Dec. 2021
ASSETS			
Non-current assets		499,525	532,765
Intangible assets	8	32,410	32,148
Property, plant and equipment	9	386,511	391,550
Investments in associates	10	1,095	1,876
Financial assets at fair value through other comprehensive income	11	1,312	1,382
Financial receivables	12	55,679	81,186
Trade receivables		898	7
Other assets	13	5,190	3,739
Deferred tax assets	14	16,430	20,877
Current assets		464,590	452,995
Assets (groups) held for sale		42	30
Inventories	15	300,627	282,271
Financial receivables	16	7,052	5,380
Trade receivables	17	138,095	113,606
Income tax assets		973	611
Cash and cash equivalents	18	16,123	49,171
Contract assets		137	473
Other assets	19	1,541	1,453
Total assets		964,115	985,760
EQUITY AND LIABILITIES			
Equity	20	444,915	399,998
Equity attributed to the owners of the parent company		*414,507*	*374,326*
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Other equity reserves		8,615	6,255
Fair value reserves		(377)	(2,638)
Translation differences		367	139
Retained earnings		249,175	213,843
Non-controlling interest		30,408	25,672
Non-current liabilities		192,328	186,973
Employee benefits	21	13,431	16,188
Other provisions		811	484
Deferred income	22	1,974	1,836
Financial liabilities	23	174,106	166,315
Trade payables		863	1,116
Contract liabilities		961	752
Deferred tax liabilities	14	182	282
Current liabilities		326,872	398,789
Financial liabilities	24	79,823	86,143
Trade payables	25	224,925	294,850
Income tax liabilities		8,365	3,509
Contract liabilities		1,461	2,160
Other liabilities	26	12,298	12,127
Total equity and liabilities		964,115	985,760

Continuation of the table →

Continuation of the table

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 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 year	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
Movement 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

Consolidated Statement of Changes in Equity in 2021

	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. 2020	145,266	11,461	6,136	312	(2,889)	(72)	194,382	354,596	26,685	381,281
Additional acquisition of non-controlling interest	0	0	0	0	(1)	0	(253)	**(254)**	(3,820)	**(4,074)**
Dividends paid	0	0	0	0	0	0	(6,043)	**(6,043)**	(631)	**(6,674)**
Total transactions with owners	0	0	0	0	(1)	0	(6,296)	(6,297)	(4,451)	(10,748)
Profit for the year	0	0	0	0	0	0	25,822	**25,822**	3,409	**29,231**
Other changes in comprehensive income	0	0	0	148	(208)	211	54	**205**	29	**234**
Total changes in comprehensive income	0	0	0	148	(208)	211	25,876	26,027	3,438	29,465
Movement of legal reserves	0	0	119	0	0	0	(119)	**0**	0	**0**
Total changes in equity	0	0	119	0	0	0	(119)	0	0	0
Balance as at 31 Dec. 2021	145,266	11,461	6,255	460	(3,098)	139	213,843	374,326	25,672	399,998

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 Cash Flows

in EUR thousand	2022	2021
Cash flow from operating activities		
Profit before tax	112,400	33,986
Adjusted for:		
Amortisation of intangible assets and depreciation of property, plant and equipment (Notes 8 and 9)	54,843	52,732
Share of loss in associates (Note 10)	781	0
Interest income (Note 5)	(3,639)	(3,919)
Interest expenses (Note 6)	10,663	10,195
Impairment of assets (Note 4)	573	3,526
Creation of allowances and provisions	200	540
Net other expenses (income)	946	(1,313)
Operating cash flow before working capital adjustments	176,767	95,747
Working capital adjustments		
Increase in trade receivables	(24,201)	(28,021)
Increase in inventories	(18,990)	(88,072)
(Decrease) increase in trade liabilities	(71,089)	93,835
Increase in taxes other than income tax	1,859	2,079
Total working capital adjustments	*(112,421)*	*(20,179)*
Payments for disposal of provisions	(4)	(12)
Receipts from government grant	1,574	2,017
Payments for retirement benefits and loyalty bonuses	(1,725)	(1,636)
Income tax (paid) received	(8,118)	1,006
Net cash flow from operating activities	56,073	76,943
Cash flow from investing activities		
Payments for investments in subsidiaries	(439)	(1,361)
Receipts for financial assets at fair value through other comprehensive income	0	92
Payments for property, plant and equipment	(53,449)	(50,029)
Receipts from property, plant and equipment	4,014	1,014
Payments for intangible assets	(2,398)	(1,858)
Payments for loans issued (Notes 12 and 16)	(276)	(2,001)
Receipts from loans issued (Note 16)	24,351	899
Interests received	3,433	3,849
Dividends received	163	62
Payments for other assets	0	(64)
Net cash flow used in investing activities	(24,601)	(49,397)
Cash flow from financing activities		
Receipts from borrowings (Notes 23 and 24)	622,234	631,354
Payments for borrowings (Notes 23 and 24)	(622,343)	(631,465)
Payments for lease (Note 24)	(5,046)	(4,404)
Interests paid	(7,557)	(8,381)
Dividends paid	(52,507)	(6,675)
Net cash flow used in financing activities	(65,219)	(19,571)
Cash and cash equivalents as at 1 Jan.	49,171	41,364
Less cash and cash equivalents of discontinued operations	0	(156)
Translation differences	699	(12)
Net change in cash and cash equivalents	(33,747)	7,975
Cash and cash equivalents as at 31 Dec.	16,123	49,171

Continuation of the table →

Continuation of the table

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 2022.

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., Keizersgracht 520H, 1107 EK 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 20 March 2023.

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:

- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018–2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021. (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.)

The adoption of amendments to the existing standards has not led to any material changes in the Group's 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:

- **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).

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 2023),
- **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 IFRS 16 "Leases"** – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **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 anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the consolidated financial statement in the period of initial application. Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains 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 2022, the Management Board took into account the going concern assumption based on activities and actions that 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.

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:

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

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.

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 consolidated 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 associate (Note 10);
- 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).

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

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 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 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 Circumstances Related to the Russian-Ukrainian Conflict

So far, the Group has not been particularly affected by the developments in the Russian-Ukrainian 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 in time.

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 2022/2021	Value of assets as at 31 Dec. 2022	Value of equity as at 31 Dec. 2022	Profit (loss) for the period ending 31 Dec. 2022
Parent company of the Group					
SIJ – Slovenska industrija jekla, d. d., Gerbičeva ulica 98, Ljubljana, Slovenia	Activities of head offices		397,756	268,495	47,190
SIJ – subsidiaries					
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	428,459	198,267	72,699
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	248,090	8,597	8,645
SIJ Storitve d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Renting and managing of own and leased real estate	100	743	248	(110)
SIJ ELEKTRODE JESENICE d.o.o. – v likvidaciji (SI), Cesta železarjev 8, Jesenice, Slovenia	Welding materials production	100	19	(279)	(2,080)
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	14,705	5,540	1,200
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	2,288	903	34
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.9	39,565	11,275	750
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	20,385	1,198	5,661

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in EUR thousand	Activity	% of voting rights 2022/2021	Value of assets as at 31 Dec. 2022	Value of equity as at 31 Dec. 2022	Profit (loss) for the period ending 31 Dec. 2022
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	Heat processing and special steel trade	100	31,159	6,282	3,549
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	100	40,717	5,556	(1,281)
HOLDING PMP d.o.o., Gerbičeva 98, Ljubljana, Slovenia	Holding activity	100	8,518	8,518	107
SIJ AMERICAS Inc., 331 Newman Springs Road Suite, 104, Red Bank, New Jersey, USA	Trade	100	54,745	4,392	1,784
OOO SSG, Presnenskaya nab. 12, floor 59, office 10, Moscow, Russia	Trade	100	519	514	80
ADDITHERM d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Scientific and technical research	51	3,100	2,996	9
RSC HOLDING d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Holding company	51	55,810	50,126	3,182
SIJ ACRONI – subsidiary					
ŽELEZARNA JESENICE, d.o.o., Cesta železarjev 8, Jesenice, Slovenia	Trading with own real estate	100	10,034	9,569	164
ODPAD – subsidiaries					
DANKOR, d.o.o., Vukovarska 436, Osijek, Croatia	Recovery of secondary raw materials from scrap	91	1.295	951	205
METAL-EKO SISTEM DOO JAGODINA, Put Kneza Mihaila 107, Jagodina, Serbia	Recovery of secondary raw materials from scrap	70	3.264	2.411	164
"TOPMETAL" d.o.o. Laktaši, Karađorđeva 69, Laktaši, Bosnia and Herzegovina	Recovery of secondary raw materials from scrap	51	362	(568)	(37)
RSC HOLDING – subsidiaries					
Ravne Steel Center d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Wholesale of metals end metal ores	100	18,786	10,145	5,707

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in EUR thousand	Activity	% of voting rights 2022/2021	Value of assets as at 31 Dec. 2022	Value of equity as at 31 Dec. 2022	Profit (loss) for the period ending 31 Dec. 2022
SIDERTOCE S. p. A., Via XX. Settembre 198, C. P. 34, Gravellona Toce, Italy	Trade	100	16,143	7,631	2,181
HTS MWT GmbH, Celsiusstrasse 17, Landsberg am Lech, Germany	Trade	100	2,555	736	384
ORO MET d.o.o., Neverke 56, Košana, Slovenia	Manufacture of tools	67	19,979	12,120	2,321
HTS IC d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Manufacture of metal constructions and their parts	100	10,257	5,406	614
HTS IC GmbH, Wienerbergstrasse 11/12A, Vienna, Austria	Production and trade	100	367	64	50
HTS IC s.r.o., Viktora Huga 377/4, Prague, Czech Republic	Trade	100	78	10	3
DCTL SL, Avda de les Puntes – Nave 3 Constanti, Tarragona, Spain	Production and trade	80	420	(13)	(7)
STEEL podporni center orodjarske industrije d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Manufacture of metal constructions and their parts	100	5,963	2,094	476
CENTAR TOPLINSKE OBRADE d.o.o., Slavonska avenija 22D, Zagreb, Croatia	Production and trade	100	1,249	746	180
KALDERA d.o.o.,* Kolodvorska ulica 33A, Slovenska Bistrica, Slovenia	Manufacture of tools	80	4,442	2,859	(26)
HTS Technology, Lyon Plaza Part Dieu 93 Rue de la Vilette, Lyon, France	Trade	100	348	(106)	(81)
DCTL SL – subsidiary					
ALROTEC SL; Avada de les Puntes – Nave 5 (Esquina calle dinamarca) Poligono, Industrial de Consanti, Tarragona, Spain	Production and trade	100	1,318	788	203
RAVNE SYSTEMS – subsidiary					
SIJ Ravne Systems (UK) Limited, 12 Conqueror Court, Sittingbourne, Kent, Great Britain	Trade	100	365	106	(9)

** Data for the period ended as at June 30th, 2022*

In February 2022, KOPO International was renamed SIJ Americas.

In May 2022, SIJ MWT was renamed HTS MWT.

In September 2022, NOŽI RAVNE was renamed SIJ STORITVE d.o.o.

At the end of December 2022, HTS IC and Kaldera have merged. Merger transaction date is 30 June 2022. KALDERA ceased to exist as a company while HTS IC became its legal successor. Merger transaction date is 30 June 2022.

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.

Net Profit or Loss Attributed to the Non-Controlling Interest

in EUR thousand	2022	2021
NIRO Wenden	849	295
ODPAD	188	637
DANKOR	65	72
METAL-EKO SISTEM	78	222
TOPMETAL	(23)	(265)
ADDITHERM	5	8
RSC HOLDING Group	5,916	2,440
Net Profit or Loss Attributed to Non-Controlling Interest	7,078	3,409

Significant Accounting Policies

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 a 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 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.
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 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.

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

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 arising from the tax values of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated by using the tax rates (and laws) 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. Amortisation 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 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 the 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

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 lease payments and discounted at 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 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 Groups 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 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 value 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 amounting to 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.

On the basis of the status of a 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 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 location 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 the Group basis. Inter-segment revenue is eliminated on consolidation.

Adjustments and Reconciliations

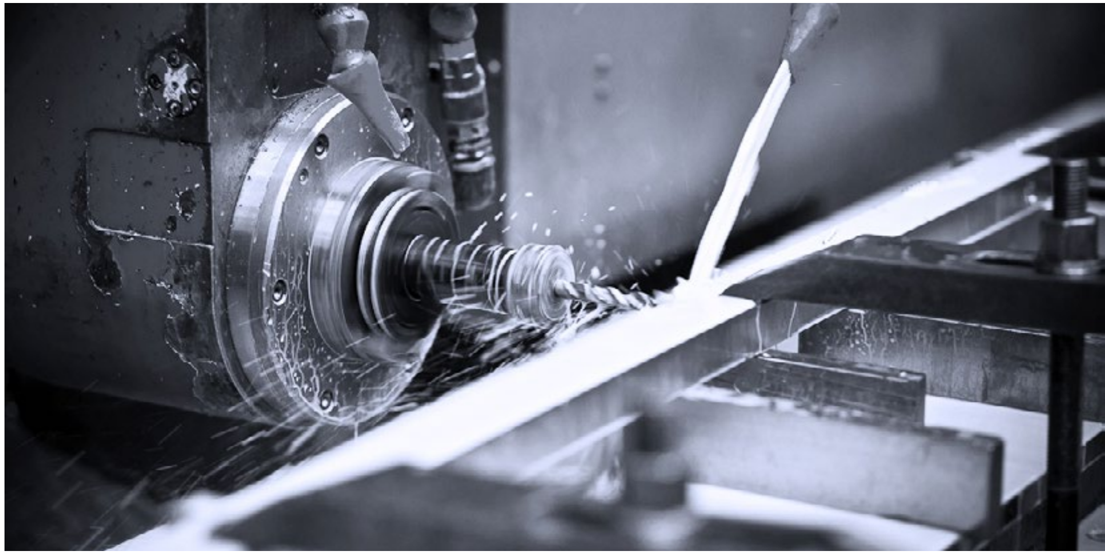
The reconciliation contains activities that do not constitute segments, and consolidation adjustments between the segments. Inter-segment revenue is eliminated on consolidation.

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 from production of steel plates and strips of different dimensions and grades from stainless, structural, electrical and special steels, and 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, 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 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 Organization of companies in the SIJ Group.



Notes to Individual Items in the Consolidated Financial Statements

1. REVENUE

in EUR thousand	2022	2021
In Slovenia	200,320	142,267
In other countries:	1,102,543	820,431
- Germany	*275,270*	*214,582*
- Italy	*253,772*	*241,534*
- USA	*105,003*	*62,731*
- Croatia	*7,490*	*5,881*
- Austria	*36,570*	*24,635*
- other countries	*424,438*	*271,068*
Revenue	1,302,863	962,698

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

Revenue by Products and Segments for 2021

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Revenue
Quarto plates	312,685	81,628	0	0	394,313	0	394,313
Cold rolled strip and sheets	114,354	4,507	0	0	118,861	0	118,861
Hot rolled strip and sheets	14,182	4,998	0	0	19,180	0	19,180
Forged, rolled and other products	121,745	34,389	0	10,108	166,242	0	166,242
Industrial knives	0	2,322	0	15,965	18,287	0	18,287
Industrial rolls	0	0	0	12,072	12,072	0	12,072
Welding wires and electrodes	0	5	0	16,369	16,374	0	16,374
Steel scrap	250	368	137,925	274	138,817	0	138,817
CNC-treated tool plates	0	25,919	0	0	25,919	0	25,919
Services and other revenue	3,887	40,362	56	6,771	51,076	1,557	52,633
Revenue	567,103	194,498	137,981	61,559	961,141	1,557	962,698

2. OPERATING EXPENSES

in EUR thousand	2022	2021
Cost of goods, materials and services	976,732	765,250
Labour costs	159,823	138,211
- wages and salaries	*121,805*	*103,651*
- social security costs	*20,675*	*18,351*
- other labour costs	*17,343*	*16,209*
Depreciation and amortisation costs	54,843	52,732
Other costs	10,634	11,538
Changes in the value of inventories	(22,256)	(48,791)
Operating expenses	1,179,776	918,940

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

Review of Costs by Type in 2021

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Cost of goods, materials and services	689,478	50,251	25,521	**765,250**
Labour costs	70,580	6,914	60,717	**138,211**
Depreciation and amortisation costs	44,447	425	7,860	**52,732**
Other costs	3,479	155	7,904	**11,538**
Changes in the value of inventories	(48,791)	0	0	**(48,791)**
Operating expenses	759,193	57,745	102,002	918,940

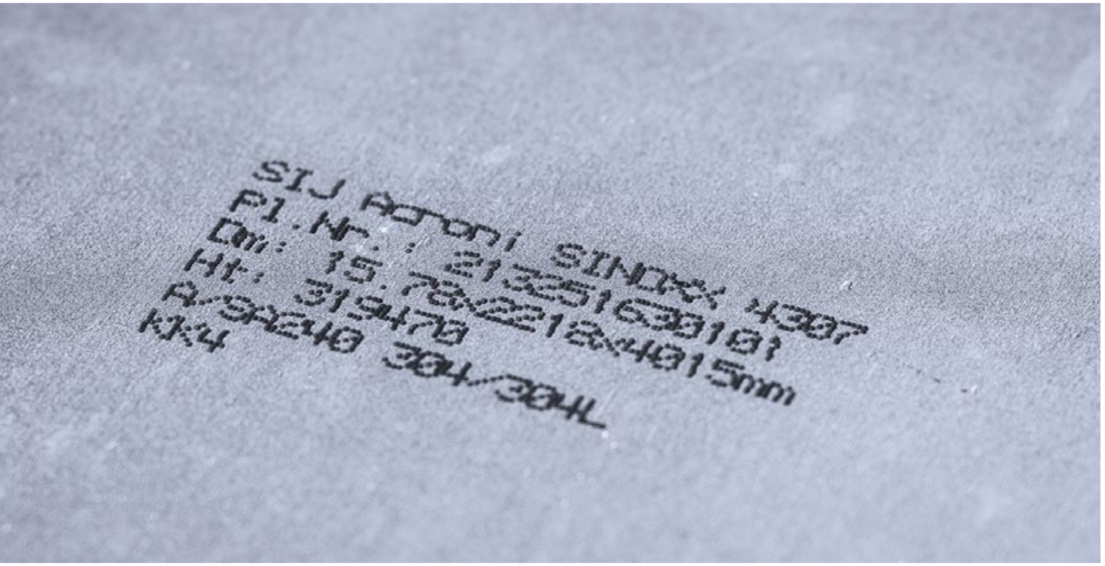
In 2022, the costs of annual reports auditing amounted to EUR 278 thousand (2021: EUR 305 thousand). The costs for other authorised services amounted to EUR 5 thousand (2021: EUR 282 thousand). The costs for non-audit services amounted to EUR 11 thousand (2021: EUR 11 thousand).

Average Number of Employees by Level of Education

	2022	2021
Primary school	518	553
2.5-year vocational school	321	332
Secondary vocational school	1,065	1,059
Secondary general school	954	977
1st cycle degree – Bachelor's degree	519	492
2nd cycle degree – Master's degree	330	330
3rd cycle degree – Doctoral degree	68	71
Total	3,775	3,814

3. OTHER OPERATING INCOME

in EUR thousand	2022	2021
Income from received subsidies (Note 22)	3,264	2,901
Received compensations	540	647
Profit from sale of property, plant and equipment	0	1,095
Reversal of provisions	0	59
Other income	896	925
Other operating income	4,700	5,627



4. OTHER OPERATING EXPENSES

in EUR thousand	2022	2021
Expenses for donations and sponsorships	385	406
Impairment of inventories (Note 15)	573	3,351
Impairments of intangible assets and property, plant and equipment	0	176
Loss from sale of property, plant and equipment	698	0
Expanses for lawsuits and damages	1,032	486
Other expenses	628	423
Other operating expenses	3,316	4,842

5. FINANCE INCOME

in EUR thousand	2022	2021
Interest income	3,639	3,919
Other income	147	106
Finance income	3,786	4,025

6. FINANCE EXPENSES

in EUR thousand	2022	2021
Interest expenses	10,663	10,195
Other expenses	3,922	4,397
Finance expenses	14,585	14,592

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	2022	2021
Current income tax expense	(12,606)	(4,722)
Deferred income tax	(4,429)	(33)
Income tax	(17,035)	(4,755)

in EUR thousand	2022	2021
Profit before tax	112,400	33,986
Tax at effective tax rate 19% (2021: 19%)	21,356	6,457
Tax effects from:		
- non-taxable income	*(359)*	*(21)*
- tax non-deductible expenses	*885*	*1,183*
- tax relief	*(1,630)*	*(3,018)*
- tax losses for which no deferred tax assets were recognised	*1,139*	*510*
- tax reliefs for which deferred tax assets were (reconised) derecognised	*(2,801)*	*306*
- lower tax rates in foreign companies	*(1,555)*	*(662)*
Income tax	17,035	4,755
Effective tax rate	15.16%	13.99%

8. INTANGIBLE ASSETS

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

In 2022, the Group recognised acquired intangible assets of EUR 4,195 thousand (2021: EUR 243 thousand). Major new additions refer to purchase and set-up of new manufacturing and key business processes management IT systems. In 2022, the Group capitalised EUR 290 thousand (2021: EUR 157 thousand) of costs for development of new products. Carrying amount of capitalised costs for development amounts to EUR 1,289 thousand (2021: EUR 1,172 thousand).

On 31 December 2022, the Group has EUR 96 thousand (2021: EUR 244 thousand) of outstanding liabilities for the purchase of intangible assets. In 2022, the Group has no already known contractual obligations (2021: EUR 0 thousand). On 31 December 2022 and 31 December 2021, no intangible assets are pledged as security for liabilities.

The Group reviewed the value of intangible assets, and established that in 2022 the carrying amount does not exceed the recoverable amount. In 2021, the carrying amount of the non-current property rights had to be impaired by a total of EUR 39 thousand.

Presentation of assets, for which the fair value less cost of sale was determined:

in EUR thousand	Basis for fair value less cost of sales	Impairment in 2022	Impairment in 2021
Non-current property rights	Cost method	0	39
Total		0	39

Impairment Test for Goodwill

in EUR thousand	31 Dec. 2022	31 Dec. 2021
ODPAD	1,397	1,397
METAL-EKO SISTEM	1,003	1,003
DANKOR	154	154
RSC HOLDING Group	16,698	16,698
Carrying amount of goodwill	19,252	19,252

Goodwill was tested for impairment on 31 December 2022. 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 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. The projections took into account all the facts known up to the drawing up the annual report.

In 2022 and 2021, no need to impair goodwill was determined.

A review of the determination of the recoverable amount of CGUs to which goodwill is allocated for 2022 and 2021 is given below.

Review of the Determination of the Recoverable Amount of CGUs to Which Goodwill is allocated for 2022

Goodwill	Material assumptions used							Sensitivity analysis					
	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. 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.*

Review of the Determination of the Recoverable Amount of CGUs to Which Goodwill is allocated for 2021

Goodwill	Material assumptions used							Sensitivity analysis					
	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. 2021	2022–2027	2021	9.63%	1.9%	2.7% – achieved in the last few years	−6.0% in the first and −26.7% in the second year, following with 0.2%, 2.0%, 0.0% and 1.9%	7,965	8,437	-741/+819	+43/-43	0	1,397
METAL-EKO SISTEM* (Scrap Division)	31 Dec. 2021	2022–2027	2021	9.57%	1.6%	4.0% – achieved in the last few years	−9.7% in the first year, following with −34.2%, 0.2%, 2.0%, 0.0% and 1.5%	2,459	2,636	-134/+148	+8/-8	0	1,003
DANKOR* (Scrap Division)	31 Dec. 2021	2022–2027	2021	9.04%	1.1%	8.7%	4.5% in the first year, following with −34.2%, 0.2%, 2.0%, 1.0% and 1.1%	973	1,014	-58/+65	+3/-3	0	154
RSC HOLDING Group** (Steel Processing and Distribution Division)	31 Dec. 2021	-	2021	-	-	-	-	39,364	41,674	-	-	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 accumulation method (i.e. net asset value method).*

Movement of Intangible Assets in 2021

in EUR thousand	Software	Goodwill	Assets under construction	Total
Cost as at 31 Dec. 2020	28,700	31,158	736	60,594
Change due to recalculation of acquisition	10	(1,160)	0	**(1,150)**
New additions	0	0	1,506	**1,506**
Transfer from assets under construction	243	0	(243)	**0**
Disposals	(36)	0	0	**(36)**
Translation differences	30	0	0	**30**
Other changes	23	0	0	**23**
Transfer from assets (groups) held for sale	0	1,003	0	**1,003**
Cost as at 31 Dec. 2021	28,970	31,001	1,999	61,970
Accumulated amortisation and impairment as at 31 Dec. 2020	(15,283)	(11,749)	0	(27,032)
Amortisation	(2,759)	0	0	**(2,759)**
Disposals	36	0	0	**36**
Translation differences	(5)	0	0	**(5)**
Other changes	(23)	0	0	**(23)**
Impairment	(39)	0	0	**(39)**
Accumulated amortisation and impairment as at 31 Dec. 2021	(18,073)	(11,749)	0	(29,822)
Carrying amount as at 31 Dec. 2020	13,417	19,409	736	33,562
Carrying amount as at 31 Dec. 2021	10,897	19,252	1,999	32,148

9. PROPERTY, PLANT AND EQUIPMENT

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

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

- line for magnetic separation of steel scrap in the Steel Plant,
- new engine for Steckel rolling mill in the Hot Rolling Mill,
- new main engine controller of the Plate Mill in the Hot Rolling Mill,
- new casting crane in the Steel Plant,
- current upgrades of production equipment,
- renovation of dining area,
- renovation of forging machines,
- Rolling Mill modernisation.

Major assets under construction include:

- rebuilding of Wellman 1 and Wellman 2 furnaces,
- work rolls for Steckel and Plate Mill rolling mills in Hot Rolling Mill,
- new road link Javornik – Koroška Bela,
- covered raw materials warehouse,
- 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 write-off of unusable and outdated equipment. Property, plant, equipment, whose carrying amount on 31 December 2022 is EUR 3,630 thousand (2021: EUR 7,183 thousand), are pledged as security for liabilities.

On 31 December 2022, the Group has EUR 5,461 thousand (2021: EUR 5,356 thousand) of outstanding liabilities to purchase property, plant and equipment and EUR 26,458 thousand (2021: EUR 6,964 thousand) of contractual commitments for purchase known in advance.

Movement of Property, Plant and Equipment in 2021

in EUR thousand	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec. 2020	33,805	299,756	938,882	49,728	21,266	1,343,437
Change due to recalculation of acquisition	9	381	2,296	111	0	**2,797**
New additions	0	0	0	0	50,757	**50,757**
Transfer from assets under construction	26	5,438	44,533	2,798	(52,795)	**0**
Disposals	(630)	(472)	(14,474)	(1,899)	0	**(17,475)**
Translation differences	4	130	28	41	0	**203**
Change in lease agreements	0	(13)	(9)	(47)	0	**(69)**
Transfer from assets (groups) held for sale	1,131	99	1,448	127	0	**2,805**
Cost as at 31 Dec. 2021	34,345	305,319	972,704	50,859	19,228	1,382,455
Accumulated depreciation and impairment as at 31 Dec. 2020	(1,809)	(220,142)	(693,671)	(40,891)	0	(956,513)
Depreciation	(13)	(5,301)	(41,868)	(2,791)	0	**(49,973)**
Disposals	0	458	14,458	1,879	0	**16,795**
Translation differences	0	(17)	(15)	(8)	0	**(40)**
Impairment	0	(137)	0	0	0	**(137)**
Transfer from assets (groups) held for sale	(14)	(16)	(913)	(94)	0	**(1,037)**
Accumulated depreciation and impairment as at 31 Dec. 2021	(1,836)	(225,155)	(722,009)	(41,905)	0	(990,905)
Carrying amount as at 31 Dec. 2020	31,996	79,614	245,211	8,839	21,266	386,924
Carrying amount as at 31 Dec. 2021	32,509	80,164	250,695	8,954	19,228	391,550

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 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
Pre-termination of lease	0	(421)	(301)	(18)	0	(740)
Reclassifications	15	(15)	(68)	68	0	0
Cost as at 31 Dec. 2022	81	5,564	13,268	4,076	0	22,989
Accumulated depreciation 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)
Pre-termination of lease	0	170	99	17	0	286
Reclassifications	(15)	15	6	(6)	0	0
Accumulated depreciation 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

Movement of the Right-Of-Use Asset in 2021

in EUR thousand	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec. 2020	35	2,797	10,047	3,535	0	16,414
New additions	26	2,250	1,251	742	1,716	5,985
Reversal of right-of-use asset	0	(17)	(396)	(19)	0	(432)
Translation differences	0	151	9	3	0	163
Recalculation of lease agreements	0	(13)	(9)	(47)	0	(69)
Cost as at 31 Dec. 2021	61	5,168	10,902	4,214	1,716	22,061
Accumulated depreciation as at 31 Dec. 2020	(14)	(625)	(2,411)	(1,281)	0	(4,331)
Depreciation	(11)	(608)	(1,356)	(594)	0	(2,569)
Reversal of right-of-use asset	0	0	377	19	0	396
Translation differences	0	(14)	(3)	(1)	0	(18)
Accumulated depreciation as at 31 Dec. 2021	(25)	(1,247)	(3,393)	(1,857)	0	(6,522)
Carrying amount as at 31 Dec. 2020	21	2,172	7,636	2,254	0	12,083
Carrying amount as at 31 Dec. 2021	36	3,921	7,509	2,357	1,716	15,539

On 31 December 2022, the Group leases assets which include buildings, equipment and cars. In 2022, the interest expenses for lease liabilities amounted to EUR 331 thousand (2021: EUR 264 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 2022, the total expenses related to these leases amounted to EUR 1,091 thousand (2021: EUR 691 thousand).

10. INVESTMENTS IN ASSOCIATES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Razvojni center Jesenice, Cesta Franceta Prešerna 61, Jesenice, Slovenia	1,095	1,876
Investments in associates	1,095	1,876

in EUR thousand	Activity	% of voting rights	Value of assets as at 31 Dec. 2022	Value of equity as at 31 Dec. 2022	Revenue 2022	Loss for 2022 attributed to the Group
Razvojni center Jesenice	Development	24.95	7,029	4,047	736	(781)

in EUR thousand	Activity	% of voting rights	Value of assets as at 31 Dec. 2021	Value of equity as at 31 Dec. 2021	Revenue 2021	Profit for 2021 attributed to the Group
Razvojni center Jesenice	Development	24.95	8,721	6,816	1,404	0

The investment in associate is valued on the basis of equity method. The company's principal activity is development of new materials and raw materials. The company has no obligation to be audited. At the beginning of March 2023, the investment in associates was sold.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Investments and shares in companies	1,312	1,382
Financial assets at fair value through other comprehensive income	1,312	1,382

Finance assets measured at fair value through other comprehensive income represent shares of Slovenian insurance companies 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 a revaluation of shares to a lower fair value, the value of the financial asset decreased by EUR 70 thousand (2021: increase by EUR 183 thousand). In 2022, the Group did not sale any financial assets at fair value through other comprehensive income (2021: sale amounting to EUR 61 thousand). In 2022, the Group received dividends totalling EUR 163 thousand (2021: EUR 62 thousand).

12. NON-CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Loans issued	55,679	81,186
Non-current financial receivables	55,679	81,186

Non-current financial receivables refer to loans issued to the majority shareholder of the parent company amounting to EUR 48,613 (2021: EUR 73,797 thousand) and the related non-current interest to amounting to EUR 7,066 thousand (2021: EUR 7,389 thousand). The loans issued 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.

The interest rate for the loan issued is fixed and amounts to 5 percent.

Movement of Non-Current Loans Issued

in EUR thousand	2022	2021
Balance as at 1 Jan.	81,186	81,340
Loans issued	0	480
Change in interest receivables	(317)	2,581
Reclassification to current loans issued	(25,190)	(3,215)
Balance as at 31 Dec.	55,679	81,186

13. OTHER NON-CURRENT ASSETS

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Other assets	5,190	3,739
Other non-current assets	5,190	3,739

Other assets include CO_2 emissions allowances, cautions and other non-current assets.

14. DEFERRED TAX ASSETS AND LIABILITIES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Deferred tax assets	16,430	20,877
Deferred tax liabilities	(182)	(282)
Deferred tax assets (liabilities), net	16,248	20,595

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

On 31 December 2022, the value of unused tax losses for which deferred tax assets are recognised amounted to EUR 49,269 thousand (2021: EUR 62,029 thousand). The value of unused tax losses for which deferred tax assets are not recognised amounts to EUR 91,002 thousand (2021: EUR 110,805 thousand), while unrecognised deferred tax assets amount to EUR 17,859 thousand (2021: EUR 21,166 thousand).

Movement of Deferred Tax Assets and Liabilities in 2021

in EUR thousand	31 Dec. 2020	Transfer from assets held for sale	Change due to recalculation of acquisition	Translation differences	Changes in profit and loss	Changes in the comprehensive income	31 Dec. 2021
Property, plant and equipment	(103)	(5)	(533)	0	320	0	(321)
Other deferred liabilities	0	0	0	0	39	0	39
Deferred tax liabilities	(103)	(5)	(533)	0	359	0	(282)
Other provisions	123	0	0	3	6	0	132
Unused tax losses	14,639	0	0	9	(1,289)	0	13,359
Inventories	121	0	0	4	927	0	1,052
Trade receivables	475	0	0	2	(107)	0	370
Employee benefits	1,961	0	0	0	(67)	0	1,894
Property, plant and equipment	507	0	0	13	195	0	715
Financial assets at fair value through other comprehensive income	(73)	0	0	0	0	(35)	(108)
Unused tax reliefs	3,520	0	0	0	(57)	0	3,463
Deferred tax assets	21,273	0	0	31	(392)	(35)	20,877
Deferred tax assets (liabilities), net	21,170	(5)	(533)	31	(33)	(35)	20,595

15. INVENTORIES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Raw material	130,973	127,303
Work in progress	84,892	66,254
Finished products	69,074	73,838
Merchandise	15,688	14,876
Inventories	300,627	282,271

On 31 December 2022, 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 573 thousand (2021: EUR 3,351 thousand). On 31 December 2022 no inventories are pledged as security for liabilities (2021: EUR 0 thousand).

As of the end of 2022, the value of inventories was up 6.5 percent compared to the preceding year. The increase is partly due to higher prices for raw materials and finished products, and partly to higher volumes of work in progress.

16. CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Loans issued	6,960	5,318
Other financial receivables	92	62
Current financial receivables	7,052	5,380

The major part of current financial receivables refers to loans issued to the majority shareholder of the parent company totalling EUR 5,799 thousand (2021: EUR 4,684 thousand) and the corresponding current interests totalling EUR 1,130 thousand (2021: EUR 601 thousand). Loans issued to the majority shareholder of the parent company 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.

The interest rate for the loan issued is fixed and amounts to 5 percent.

Movement of Current Loans Issued

in EUR thousand	2022	2021
Balance as at 1 Jan.	5,318	3,993
Loans issued	276	1,521
Repayment of loans issued	(24,351)	(899)
Allowances for loans issued	0	(1)
Change in interests	527	(2,511)
Transfer from non-current loans issued	25,190	3,215
Balance as at 31 Dec.	6,960	5,318

17. CURRENT TRADE RECEIVABLES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Trade receivables	120,805	103,067
Allowances for trade receivables	(2,863)	(2,829)
Receivables from government and other institutions	7,434	7,120
Issued advance payments and cautions	11,384	4,829
Other receivables	1,365	1,480
Allowances for other receivables	(30)	(61)
Current trade receivables	138,095	113,606

The majority of the Group's trade receivables are insured against commercial risks with an insurance company. On 31 December 2022, no trade receivables are pledged as security for liabilities (2021: EUR 7,059 thousand).

Movement of Allowance for Receivables from Customers

in EUR thousand	2022	2021
Balance as at 1 Jan.	2,829	3,405
Changes with impact on profit or loss	491	(10)
Changes without impact on profit or loss	(457)	(578)
Transfer from assets (groups) held for sale	0	12
Balance as at 31 Dec.	2,863	2,829

18. CASH AND CASH EQUIVALENTS

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Cash in national currency	9,008	41,890
Cash in foreign currency	7,114	7,280
Restricted cash	1	1
Cash and cash equivalents	16,123	49,171

Deposits amounting to EUR 142 thousand are in the national currency and have a maturity of up to three months (2021: EUR 100 thousand). The interest rate for deposits is fixed.

19. OTHER CURRENT ASSETS

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Deferred expenses	1,522	1,308
Accrued revenue	19	145
Other current assets	1,541	1,453

Current deferred expenses refer to advance payments of costs, which will debit against profit or loss in 2023.

20. EQUITY

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Equity attributed to the owners of the parent company	*414,507*	*374,326*
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Reserves	8,605	3,756
Retained earnings	249,175	213,843
Non-controlling interest	*30,408*	*25,672*
Equity	444,915	399,998

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 2022.

Ownership Structure of the Parent Company

Shareholder	Number of shares 31 Dec. 2022	Number of shares 31 Dec. 2021
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 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. 2022	31 Dec. 2021
Legal reserves	*10,870*	*8,510*
Treasury shares	*(6,009)*	*(6,009)*
Reserves for treasury shares	*3,754*	*3,754*
Other equity reserves	8,615	6,255
Fair value reserve due to financial assets at fair value through other comprehensive income	*498*	*568*
Deferred tax liabilities	*(95)*	*(108)*
Fair value reserves due to financial assets, net	403	460
Net actuarial losses on pension programs	(780)	(3,098)
Fair value reserves	(377)	(2,638)
Translation differences	367	139
Reserves	8,605	3,756

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 2022, the parent company created legal reserves from net profit amounting to EUR 2,360 thousand (2021: EUR 119 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 2022, the gross value of non-controlling interest amounts to EUR 34,408 thousand (2021: 28,897 thousand). The gross value is decreased by EUR 4,000 thousand (2021: 3,225 thousand) corresponding to the carrying amount of the 33 percent share of the subsidiary OROMET. The Group has entered an option agreement to purchase this share. Under the option agreement, the liability to purchase the 33 percent share amounts to EUR 3,896 thousand on 31 December 2022 (2021: 3,828 thousand).

21. EMPLOYEE BENEFITS

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Provisions for severance pay	11,453	13,980
Provisions for jubilee benefits	1,778	1,964
Provisions for post-employment benefits	200	244
Employee benefits	13,431	16,188

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 percent (active population), growth of wages in the Republic of Slovenia and in 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 3.8 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 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

Movement of Employee Benefits in 2021

in EUR thousand	31 Dec. 2020	Transfer to liabilities held for sale	Creation	Reversal and utilisation	31 Dec. 2021
Provisions for severance pay	13,743	7	653	(423)	13,980
Provisions for jubilee benefits	2,083	0	53	(172)	1,964
Provisions for post-employment benefits	224	0	36	(16)	244
Employee benefits	16,050	7	742	(611)	16,188

Sensitivity Analysis of Actuarial Assumptions

in EUR thousand		31 Dec. 2022		31 Dec. 2021	
Actuarial assumption	Change in assumption (pp)	Post-employment benefits on retirement	Loyalty bonuses	Post-employment benefits on retirement	Loyalty bonuses
Yield	0.5	(359)	(53)	(543)	(67)
	–0.5	386	57	590	72
Salary growth	0.5	411	57	606	71
	–0.5	(384)	(54)	(570)	(69)
Fluctuation	0.5	(379)	(57)	(559)	(70)
	–0.5	256	52	399	65

22. NON-CURRENT DEFERRED INCOME

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Subsidies for assigned contributions	916	912
Subsidies for property, plant and equipment	1,052	916
Other deferred income	6	8
Non-current deferred income	1,974	1,836

Movement of Non-Current Deferred Income in 2022

in EUR thousand	31 Dec. 2021	Creation	Reversal and utilisation	31 Dec. 2022
Subsidies for 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

Movement of Non-Current Deferred Income in 2021

in EUR thousand	31 Dec. 2020	Creation	Reversal and utilisation	31 Dec. 2021
Subsidies for assigned contributions	962	1,757	(1,807)	912
Subsidies for property, plant and equipment	629	378	(91)	916
Other deferred income	58	953	(1,003)	8
Non-current deferred income	1,649	3,088	(2,901)	1,836

23. NON-CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Borrowings	117,968	78,292
Liabilities for bonds issued (SIJ6, SIJ7)	47,986	79,114
Liabilities from lease	8,152	8,909
Non-current financial liabilities	174,106	166,315

Borrowings include loans from domestic and foreign banks. Borrowings amount to EUR 3,493 thousand (2021: 4,146 thousand) are secured with real estate and movable property. Other borrowings are not secured. The interest rate for majority of borrowings and liabilities arising from finance lease is flexible and based on EURIBOR.

Within the provisions of financial agreements, the Group is obliged to fulfil contractually determined financial commitments. In 2022, the Group fully complied with all financial commitments.

Movement of Non-Current Borrowings

in EUR thousand	2022	2021
Balance as at 1 Jan.	78,292	85,524
New borrowings	136,536	126,218
Repayments of borrowings	(26,689)	(11,733)
Amortisation of origination fee	(611)	(1,439)
Transfer to current borrowings	(69,560)	(120,278)
Balance as at 31 Dec.	117,968	78,292

Liabilities for Bonds Issued

The parent company issued bonds with the ticker symbol of SIJ6 with the 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 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange.

Movement of Non-Current Liabilities Arising from Lease

in EUR thousand	2022	2021
Balance as at 1 Jan.	8,909	7,703
Transfer from liabilities included in disposal groups	0	41
New leases	4,603	5,878
Transfer to current liabilities from lease	(5,292)	(4,767)
Translation differences	133	97
Change in lease agreements	(201)	(43)
Balance as at 31 Dec.	8,152	8,909

The lowest sum of future leases due for payment in the next 1 to 5 years amounts to EUR 7,501 thousand (2021: EUR 8,057 thousand). After 5 years it amounts to EUR 1,237 thousand (2021: EUR 1,516 thousand).

The net present value of future leases due for payment in the next 1 to 5 years, amounts to EUR 7,013 thousand (2021: EUR 7,540 thousand). After 5 years it amounts to EUR 1,140 thousand (2021: EUR 1,369 thousand).

24. CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Borrowings	43,195	51,782
Liabilities for bonds issued (SIJ7)	31,560	0
Liabilities for commercial papers issued (SIK08)	0	30,074
Liabilities from lease	3,613	3,607
Other financial liabilities	1,455	680
Current financial liabilities	79,823	86,143

Borrowings include loans from domestic and foreign banks. Borrowings amounting to EUR 2,709 thousand (2021: 12,704 thousand) are secured with real estate and movable property. Other borrowings are not secured. The interest rate for the majority of borrowings and liabilities arising from finance lease is flexible and based on EURIBOR.

Within the provisions of financial agreements, the Group is obliged to fulfil contractually determined financial commitments. In 2022, the Group fully complied with all financial commitments.

Movement of Current Borrowings

in EUR thousand	2022	2021
Balance as at 1 Jan.	51,782	60,532
Transfer from liabilities included in disposal groups	0	218
New borrowings	485,698	462,137
Repayments of borrowings	(565,654)	(593,032)
Amortisation of origination fee	1,176	1,037
Transfer from non-current borrowings	69,560	120,278
Translation differences	633	612
Balance as at 31 Dec.	43,195	51,782

Liabilities for Bonds Issued

The parent company issued bonds with the ticker symbol of SIJ7 with the total nominal value of EUR 26,100 thousand in November 2020. In December 2021, it issued, through a further issue, additional bonds with a total nominal value of EUR 5,000 thousand. The entire bond issue contains 311 denominations of EUR 100 thousand. The bond maturity date is 2 November 2023. The interest rate for the bonds is fixed, i.e. 3.9 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange.

Liabilities for Commercial Papers Issued

The Group 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	2022	2021
Balance as at 1 Jan.	3,607	3,152
Transfer to liabilities included in disposal groups	0	11
New leases	0	92
Repayments of liabilities arising from lease	(5,046)	(4,404)
Transfer from non-current liabilities arising from lease	5,292	4,767
Translation differences	15	15
Change in lease agreements	(255)	(26)
Balance as at 31 Dec.	3,613	3,607

The lowest sum of future leases due for payment in the next financial year amounts to EUR 3,910 thousand on 31 December 2022 (2021: EUR 3,895 thousand), and the net present value of future leases amounts to EUR 3,613 thousand on the same date (2021: EUR 3,607 thousand).

25. CURRENT TRADE PAYABLES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Payables to suppliers for fixed assets	5,557	5,600
Payables to suppliers for working capital	196,286	267,726
Liabilities to employees	6,342	9,322
Received advance payments and cautions	6,099	3,659
Tax liabilities	9,357	7,518
Other liabilities	1,284	1,025
Current trade payables	224,925	294,850

26. OTHER CURRENT LIABILITIES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Accrued expenses for unused annual leave	2,233	2,947
Accrued expenses for lawsuits	658	343
Accrued expenses for CO2 emissions allowances	2,352	3,332
Liabilities arising from purchase of non-controlling interest (Note 20)	3,896	3,828
Other liabilities	870	1,355
Deferred income from the recording of unused waste from the magnetic separation and the slag processing process	1,931	0
Other deferred income	358	322
Other current liabilities	12,298	12,127

27. SEGMENT REPORTING

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
External revenues	815,284	271,346	152,745	61,761	1,301,136	1,727	1,302,863	0	1,302,863
Inter-segment revenues	194,557	7,482	47,591	12,755	262,385	33,922	296,307	(296,307)	0
Segment 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 of loss in 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 location	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

Segment Reporting for 2021

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total	Eliminations	Consolidated financial statements
External revenues	567,103	194,498	137,981	61,559	961,141	1,557	962,698	0	962,698
Inter-segment revenues	134,790	5,656	36,010	11,773	188,229	17,207	205,436	(205,436)	0
Segment revenue	701,893	200,154	173,991	73,332	1,149,370	18,764	1,168,134	(205,436)	962,698
Operating profit (loss)	29,472	12,616	4,366	(378)	46,076	(1,523)	44,553	0	44,553
Interest income	5	27	9	13	54	5,927	5,981	(2,062)	3,919
Interest expenses	7,401	676	448	774	9,299	3,050	12,349	(2,154)	10,195
Amortisation and depreciation	41,870	6,276	672	3,110	51,928	1,063	52,991	(259)	52,732
Impairment of assets	2,326	661	464	128	3,579	(62)	3,517	0	3,517
Property, plant and equipment and intangible assets	0	0	0	176	176	0	176	0	176
Inventories	2,435	504	400	12	3,351	0	3,351	0	3,351
Profit (loss) from impairment of trade receivables	(109)	157	64	(60)	52	(62)	(10)	0	(10)
Purchase of non-current assets	37,389	5,736	1,598	1,852	46,575	285	46,860	0	46,860
Non-current business assets based on geographic location	327,463	52,266	10,160	23,780	413,669	10,030	423,699	0	423,699
Slovenia	327,463	37,095	6,838	23,780	395,176	10,030	405,206	0	405,206
Other countries	0	15,171	3,322	0	18,493	0	18,493	0	18,493

Revenue Reconciliation by Segments

in EUR thousand	2022	2021
Segment revenue	1,563,521	1,149,370
Inter-segment revenue	(262,385)	(188,229)
Segment revenue	1,301,136	961,141
Headquarters and Other Services Division revenue	35,649	18,764
Eliminations	(33,922)	(17,207)
Revenue from contracts with customers	1,302,863	962,698

External Revenues by Geographical Locations

in EUR thousand	2022	2021
In Slovenia	198,600	140,715
In other countries:	1,102,536	820,426
- Germany	275,270	214,582
- Italy	253,772	214,534
- USA	105,003	62,731
- Croatia	7,487	5,880
- Austria	36,568	24,633
- other countries	424,436	298,066
Revenue from contracts with customers	1,301,136	961,141

The above information on revenue 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	2022	2021
Profit by segments	126,283	46,076
Loss – Headquarters and Other Services Division	(2,303)	(1,523)
Operating profit	123,980	44,553
Finance income	3,786	4,025
Finance expenses	(14,585)	(14,592)
Share of loss in associates	(781)	0
Profit before tax	112,400	33,986

28. CONTINGENT ASSETS AND LIABILITIES

On 31 December 2022, the contingent liabilities amount to EUR 76 thousand (2021: EUR 131 thousand) and refer to guarantees for good work performance, lawsuits, customs bond guarantees and excise guarantees. The Group expects no outflows from the issued guarantees.

On 31 December 2022, the contingent assets amount to EUR 1,835 thousand (2021: EUR 1,204 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 percent share in RSC HOLDING and a 51 percent share in ADDITHERM; ii) call option 2 in favour of the other member to buy a 51 percent share in ADDITHERM; iii) call option in favour of the parent company to buy a 49 percent share of the other member in RSC HOLDING and a 49 percent share of the other member in ADDITHERM; iv) put option 1 in favour of the other member to sell a 49 percent shares of the other member in RSC HOLDING and ADDITHERM; v) put option 2 in favour of the other member to sell a 49 percent 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 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.

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 of the Parent Company

in EUR thousand	2022	2021
Revenue	3,627	3,902

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Receivables	62,624	86,492

Transactions with Other Related Parties

in EUR thousand	2022	2021
Revenue	9,063	12,944
Expenses	4,883	5,813

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Receivables	4,598	3,886
Liabilities	2,068	895

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	2022	2021
Key management personnel	25,503	9,804
Members of the Supervisory Board	147	145

In 2022, the Group did not grant any loans, issue any guarantees nor make any advance payments to the key management personnel or the members of the Supervisory Board. On 31 December 2022, the Group has no receivables or liabilities towards the key management personnel, except for liabilities for December salaries paid January 2023.

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, 80 percent of all trade receivables are secured with first-class insurance (2021: 77 percent). 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 2022.

Age Structure of Financial Assets

in EUR thousand		Overdue				
31 Dec. 2022	Not-overdue	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

in EUR thousand		Overdue				
31 Dec. 2021	Not-overdue	Up to 3 months	3 months to 1 year	1 year to 3 years	Over 3 years	Total
Trade receivables	91,362	5,953	3,220	778	1,754	103,067
Financial receivables and deposits	86,560	0	28	0	0	86,588
Other operating receivables	1,254	1	171	8	55	1,489
Total	179,176	5,954	3,419	786	1,809	191,144

Movement of Allowances for Financial Assets

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

in EUR thousand	Allowance as at 31 Dec. 2020	Acquisition of company	Changes with impact on profit or loss	Changes without impact on profit or loss	Allowance as at 31 Dec. 2021
Trade receivables	3,739	12	(10)	(912)	2,829
Financial receivables and deposits	20	0	(1)	2	21
Other operating receivables	61	0	2	0	63
Total	3,820	12	(9)	(910)	2,913

Liquidity Risk

The Group ensures liquidity by ensuring that it always has sufficient liquid assets 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 Group continuously monitors and plans the management of the Group's liquidity resources.

The majority of financial liabilities refers to the outstanding principal of the long-term syndicated loan totalling EUR 125.5 million (2021: EUR 83.1 million) and to bonds issued totalling EUR 79.1 million (2021: bonds and commercial papers totalling EUR 109.1 million (liabilities in 2021 relates to bonds issued and commercial papers, which were repaid in total in 2022)). The total liquidity reserves in form of unused short and long term credit lines amounted to EUR 124.6 million on 31 December 2022, which significantly reduces the liquidity risk (2021: EUR 94.2 million).

Within the provisions of financial agreements, the Group is obliged to fulfil contractually determined financial commitments. In 2022, the Group fully complied with all financial commitments.

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

in EUR thousand		Contractual cash flows				
31 Dec. 2021	Carrying amount	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Payables to suppliers	274,442	266,227	7,848	366	1	**274,442**
Financial liabilities	252,458	21,484	72,495	162,039	15,576	**271,594**
Contract liabilities	2,912	387	1,773	752	0	**2,912**
Other liabilities, w/o liabilities to the state and employees and advanced payments	1,025	874	151	0	0	**1,025**
Total liabilities	530,837	288,972	82,267	163,157	15,577	549,973

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 tables are shown in EUR thousand.

31 Dec. 2022	EUR	USD
Cash and cash equivalents	68	5,147
Trade receivables	0	5,903
Financial receivables	0	0
Trade payables	0	(47,605)
Financial liabilities	0	0
Exposure	68	(36,555)

31 Dec. 2021	EUR	USD	GBP
Cash and cash equivalents	20	7,190	0
Trade receivables	37	14,936	81
Financial receivables	0	509	0
Trade payables	(30)	(45,691)	0
Financial liabilities	(822)	0	0
Exposure	(795)	(23,056)	81

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 2022, the value of US dollar expressed in euro decreased by 5.8 percent compared to 31 December 2021. In 2022, the average value of US dollar was 11 percent lower than in 2021. Sensitivity analysis is prepared for US dollar.

Sensitivity Analysis and Presentation of US Dollar Exchange Rate Impact on Profit Before Tax

in EUR thousand	2022		2021	
Change of exchange rate by	10%	-10%	10%	-10%
US dollar (USD)	3,427	(3,427)	(2,036)	2,036

The change in the value of US dollar by 10 percent compared to euro on 31 December 2022 or 31 December 2021 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 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 2022 and 2021, the following exchange rates were material for the Group:

Currency	31 Dec. 2022	31 Dec. 2021	Average exchange rate in 2022	Average exchange rate in 2021
EUR / USD	1.0666	1.1326	1.0530	1.1827
EUR / GBP	0.8869	0.8403	0.8528	0.8596
EUR / RUB	63.3008	85.3004	73.2172	87.1527
EUR / HRK	7.5365	7.5156	7.5349	7.5284
EUR / CZK	24.1160	24.8580	24.5660	25.6400

Exchange rates used to translate the balance items as at 31 December are equal to 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 rising trend in interest rates on financial markets is putting additional pressure on cash flows and is having an adverse impact on 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 rate represent 57 percent of the Group's total financial liabilities (2021: 56 percent). 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 2021 was prepared in the same manner.

in EUR thousand	2022	2021
Change in profit/loss if increased by 100 bp	(1,447)	(1,109)
Change in profit/loss if increased by 50 bp	(723)	(555)
Change in profit/loss if decreased by 50 bp	9	49
Change in profit/loss if decreased by 100 bp	20	99

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	57.07	62.78	51.37
Equity	444,915	444,915	444,915
Financial liabilities	253,929	279,322	228,536

Carrying Amounts and Fair Values of Financial Instruments

The table shows the carrying amounts and fair values of financial assets and financial liabilities. Fair values of financial and trade receivables, cash and cash equivalents, and trade payables are not shown, since their carrying amount is adequate approximation of their fair value.

in EUR thousand	31 Dec. 2022		31 Dec. 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,312	1,312	1,382	1,382
Financial receivables	62,731	62,731	86,566	85,566
Trade receivables	138,993	138,993	113,613	113,613
Cash and cash equivalents	16,123	16,123	49,171	49,171
Financial liabilities	(253,929)	(257,632)	(252,458)	(251,380)
Trade payables	(225,788)	(225,778)	(295,966)	(295,966)

Presentation of Financial Assets and Liabilities, Disclosed at Fair Value According to Fair Value Determination Hierarchy

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Financial assets at fair value through other comprehensive income	896	966
Financial assets at fair value of first level	896	966
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	(83,143)	(108,109)
Financial liabilities at fair value of second level	(83,143)	(108,109)
Borrowings	(161,267)	(130,074)
Lease liabilities	(11,766)	(12,516)
Other financial liabilities	(1,456)	(680)
Financial liabilities at fair value of third level	(174,489)	(143,270)

The third level of liabilities at fair value include borrowings, leases and interest liabilities, representing, according to the valuation model, carrying amounts of discounted expected future payments with adjusted risk level.

In 2022, 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 consolidated financial statements.

04

FINANCIAL REPORT OF SIJ d.d.

Deloitte.

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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 SIJ – Slovenska industrija jekla, d.d. (hereinafter 'the Company'), which comprise the separate statement of financial position as at 31 December 2022, and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, 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 (ISAs) 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. 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 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

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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 2022. These matters were addressed in the context of our audit of the 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 239,730 thousand as of 31 December 2022 (31.12.2021: EUR 234,004 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.

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We obtained other information before the date of the auditor's report, except for the report of the supervisory board and the non-financial report of the SIJ Group according to the EU Taxonomy, which will be available later.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on 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 are, in all material respects, consistent with the audited financial statements;
- other information are 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 and for approving audited annual report.

Auditor's Responsibilities for the Audit of the 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 auditing rules will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

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)

Appointment of the Auditor and the Period of Engagement
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 15 April 2022. Our total uninterrupted engagement has lasted 4 years.

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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 of the Company, which we issued on 16. March 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company and which have not been disclosed in the Annual Report.

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

DELOITTE REVIZIJA d.o.o.

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

Yuri Sidorovich
Certified auditor

Ljubljana, 20. March 2023

For signature please refer to the original Slovenian version.

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STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY

The Company's Management Board is responsible for the preparation of the sepatare financial statements, together with accounting policies and notes, for the year 2022, 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 sepatare financial statements, that accounting estimates were prepared based on the principles of fair value, prudence and sound management, and that the sepatare financial statements give a true and fair view of the Company's financial position and the results of its operations in the year 2022.

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 sepatare 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 20, 2023

Andrey Zubitskiy,
President of the Management Board

SEPARATE FINANCIAL STATEMENTS

Separate Statement of Comprehensive Income

in EUR thousand	Note	2022	2021
Revenue	1	31,899	15,636
Gross profit		**31,899**	**15,636**
General and administrative expenses	2	(31,058)	(17,954)
Other operating income	3	49,011	8,237
Other operating expenses	4	(3,847)	(1,477)
(Loss) profit from impairment of trade receivables	15	(2)	66
Operating profit		**46,003**	**4,508**
Finance income	5	7,674	8,732
Finance expenses	6	(5,722)	(10,846)
Net finance income (expenses)		**1,952**	**(2,114)**
Profit before tax		**47,955**	**2,394**
Income tax	7	(765)	(12)
Profit for the year		**47,190**	**2,382**
Items that will not be reclassified subsequently to profit or loss			
Net actuarial gains on pension programs		167	23
Fair value (losses) gains of financial assets at fair value through other comprehensive income		(70)	214
Income tax related to components of other comprehensive income		13	(35)
Total other comprehensive income		**110**	**202**
Comprehensive income		**47,300**	**2,584**

Continuation of the table →

Continuation of the table

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

Separate Statement of Financial Position

in EUR thousand	Note	31 Dec. 2022	31 Dec. 2021
ASSETS			
Non-current assets		**317,975**	**338,674**
Intangible assets	8	419	530
Property, plant and equipment	9	6,143	5,933
Investments in subsidiaries	10	239,730	234,004
Financial assets at fair value through other comprehensive income	11	1,300	1,370
Financial receivables	12	69,290	95,757
Deferred tax assets	13	1,093	1,080
Current assets		**79,781**	**86,603**
Assets (groups) held for sale		31	31
Financial receivables	14	55,978	71,848
Trade receivables	15	23,043	3,072
Income tax assets		0	201
Cash and cash equivalents	16	350	11,111
Other assets		379	340
Total assets		**397,756**	**425,277**
EQUITY AND LIABILITIES			
Equity	**17**	**268,495**	**272,186**
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Other equity reserves		8,615	6,255
Fair value reserves		492	382
Retained earnings		102,661	108,822
Non-current liabilities		**62,106**	**94,628**
Employee benefits	18	881	861
Financial liabilities	19	49,765	81,970
Other liabilities	20	11,460	11,797
Current liabilities		**67,155**	**58,463**
Financial liabilities	21	57,413	49,882
Trade payables	22	7,142	6,866
Income tax liabilities		911	0
Other liabilities	23	1,689	1,715
Total equity and liabilities		**397,756**	**425,277**

Continuation of the table →

Continuation of the table

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

Separate Statement of Changes in Equity

Separate Statement of Changes in Equity for 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 year	0	0	0	0	47,190	**47,190**
Other changes in comprehensive income	0	0	0	110	0	**110**
Total changes in comprehensive income	**0**	**0**	**0**	**110**	**47,190**	**47,300**
Movement 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**

Separate Statement of Changes in Equity for 2021

in EUR thousand	Share capital	Capital surplus	Other equity reserves	Fair value reserves	Retained earnings	Total
Balance as at 31 Dec. 2020	**145,266**	**11,461**	**6,136**	**211**	**112,340**	**275,414**
Dividends paid	0	0	0	0	(5,812)	**(5,812)**
Transactions with owners	**0**	**0**	**0**	**0**	**(5,812)**	**(5,812)**
Profit for the year	0	0	0	0	2,382	**2,382**
Other changes in comprehensive income	0	0	0	171	31	**202**
Total changes in comprehensive income	**0**	**0**	**0**	**171**	**2,413**	**2,584**
Movement of legal reserves	0	0	119	0	(119)	**0**
Total changes in equity	**0**	**0**	**119**	**0**	**(119)**	**0**
Balance as at 31 Dec. 2021	**145,266**	**11,461**	**6,255**	**382**	**108,822**	**272,186**

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

Separate Statement of Cash Flows

in EUR thousand	2022	2021
Cash flow from operating activities		
Profit before tax	**47,955**	**2,394**
Adjusted for:		
Amortisation of intangible assets and depreciation of property, plant and equipment (Notes 8 and 9)	857	839
Interest income (Note 5)	(5,601)	(5,945)
Interest expenses (Note 6)	3,651	3,236
Impairment of assets	3,275	957
Creation of allowances and provisions	1,210	5,653
Revenue from dividends (Note 3)	(48,747)	(8,094)
Net other expenses (income)	(779)	(846)
Operating cash flow before working capital adjustments	**1,821**	**(1,806)**
Working capital adjustment		
Increase in trade receivables	(20,095)	(2,373)
Decrease in trade payables	(3,001)	(849)
Increase in taxes other than income tax	2,868	844
Total working capital adjustments	***(20,228)***	***(2,378)***
Payments for retirement benefits and loyalty bonuses	(193)	(124)
Receipts from government grant	251	180
Income tax received	195	1,702
Net cash flow used in operating activities	**(18,154)**	**(2,426)**
Cash flow from investing activities		
Payments for investments in subsidiaries (Notes 10 and 20)	(10,200)	(12,190)
Receipts from investments in subsidiaries	0	101
Payments for property, plant and equipment	(373)	(176)

Continuation of the table →

Continuation of the table

in EUR thousand	2022	2021
Receipts from property, plant and equipment	278	5
Payments for intangible assets	(60)	(86)
Payments for loans issued (Notes 12 and 14)	(97,461)	(93,607)
Receipts from loans issued (Note 14)	138,858	84,916
Interests received	5,434	5,839
Dividends received (Notes 10 and 11)	48,747	18,394
Receipts from other assets	0	93
Net cash flow from investing activities	**85,223**	**3,289**
Cash flow from financing activities		
Receipts from borrowings (Note 21)	78,055	129,442
Payments for borrowings (Note 21)	(103,352)	(114,758)
Receipts from financial services	2,179	3,208
Payments for lease	(501)	(460)
Interests paid	(3,220)	(2,984)
Dividends paid	(50,991)	(5,812)
Net cash flow (used in) from financing activities	**(77,830)**	**8,636**
Cash and cash equivalents as at 1 Jan.	**11,111**	**1,612**
Net change in cash and cash equivalents	(10,761)	9,499
Cash and cash equivalents as at 31 Dec.	**350**	**11,111**

The notes to the sepatare financial statements are an integral part of the sepatare 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 2022.

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., Keizersgracht 520H, 1107 EK Amsterdam, the Netherlands.

Basis of Preparation

The separate 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 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 20 March 2023.

A. STATEMENT OF COMPLIANCE

The separate 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:

- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018–2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021. (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.)

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:

- **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).

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 2023),
- **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 IFRS 16 "Leases"** – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **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 anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the separate financial statements in the period of initial application. Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Company'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 separate financial statements, if applied as at the Statement of financial position.

B. USE OF GOING CONCERN ASSUMPTION

In the preparation of the separate financial statements for 2022, 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 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, 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 Circumstances Related to the Russian-Ukrainian Conflict

So far, the Group has not been particularly affected by the developments in the Russian-Ukrainian 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 in time.

Significant Accounting Policies

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 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. 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	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 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 Group 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 carrying amount 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 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 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 operating or business lease. 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 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 posi-

tion) 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, the 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 carrying amount 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 their carrying amount exceeds their 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 carrying amount 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 carrying amount 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	2022	2021
In Slovenia	31,892	15,629
In other countries	7	7
Revenue	**31,899**	**15,636**

2. OPERATING EXPENSES

in EUR thousand	2022	2021
Cost of goods, materials and services	3,615	3,220
Labour costs	26,339	13,789
- wages and salaries	*21,581*	*11,227*
- social security costs	*3,562*	*1,635*
- other labour costs	*1,196*	*927*
Depreciation and amortisation costs	857	839
Other costs	247	106
Operating expenses	**31,058**	**17,954**

Labour costs are higher compared to 2021, partly due to a larger headcount, and partly due to performance bonus payouts.

In 2022, the costs of annual report auditing amounted to EUR 37 thousand (2021: EUR 34 thousand). The costs for other authorised services amounted to EUR 1 thousand (2021: EUR 278 thousand). The costs for non-audit services amounted to EUR 10 thousand (2021: EUR 11 thousand).

Average Number of Employees by Level of Education

	2022	2021
Primary school	0.5	0.0
Secondary vocational school	2.4	2.0
Secondary general school	9.3	7.8
1st cycle degree – Bachelor's degree	40.6	16.7
2nd cycle degree – Master's degree	73.4	69.7
3rd cycle degree – Doctoral degree	21.1	21.1
Total	**147.3**	**117.3**

3. OTHER OPERATING INCOME

in EUR thousand	2022	2021
Profit from sale of property, plant and equipment	26	31
Revenues from dividends (Notes 10 and 11)	48,747	8,094
Income from received subsidies	189	85
Other income	49	27
Other operating income	**49,011**	**8,237**

4. OTHER OPERATING EXPENSES

in EUR thousand	2022	2021
Expenses for donations and sponsorships	151	171
Impairment of investments (Note 10)	3,275	957
Compensations	136	126
Other expenses	285	223
Other operating expenses	**3,847**	**1,477**

5. FINANCE INCOME

in EUR thousand	2022	2021
Interest income	5,601	5,945
Revenues from issued guarantees	2,046	1,544
Reversal of financial receivables discounting	0	1,209
Exchange rate differences	27	34
Finance income	**7,674**	**8,732**

6. FINANCE EXPENSES

in EUR thousand	2022	2021
Interest expenses	3,651	3,236
Impairments of loans issued (Notes 12 and 14)	1,150	5,493
Discounting of trade payables	863	579
Other expenses	58	1,538
Finance expenses	**5,722**	**10,846**

Other finance expenses refer to expenses for the bond issue and origination fees for borrowings and expenses for the sale of trade receivables.

7. TAXES

in EUR thousand	2022	2021
Current income tax expense	(765)	0
Deferred income tax	0	(12)
Income tax	**(765)**	**(12)**

in EUR thousand	2022	2021
Profit before tax	**47,955**	**2,394**
Tax at effective tax rate 19% (2021: 19%)	9,111	455
Tax effects from:		
- non-taxable income	*(9,503)*	*(2,955)*
- tax non-deductible expenses	*2,088*	*1,342*
- tax losses for which no deferred tax assets were recognised	*0*	*1,170*
- tax relief	*(931)*	*0*
Income tax	**765**	**12**
Effective tax rate	**1.60%**	**0.50%**

8. INTANGIBLE ASSETS

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 as at 31 Dec. 2021	**(812)**	**0**	**(812)**
Amortisation	(168)	0	**(168)**
Accumulated amortisation 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**

The increase in intangible assets refers to purchase of software. On 31 December 2022, the Company's unsettled liabilities to suppliers for the purchase of intangible assets amounted to EUR 13 thousand (2021: EUR 16 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 2021

in EUR thousand	Software	Assets under construction	Total
Cost as at 31 Dec. 2020	**1,276**	**0**	**1,276**
New additions	0	66	**66**
Transfer from assets under construction	49	(49)	**0**
Cost as at 31 Dec. 2021	**1,325**	**17**	**1,342**
Accumulated amortisation as at 31 Dec. 2020	**(651)**	**0**	**(651)**
Amortisation	(161)	0	**(161)**
Accumulated amortisation as at 31 Dec. 2021	**(812)**	**0**	**(812)**
Carrying amount as at 31 Dec. 2020	**625**	**0**	**625**
Carrying amount as at 31 Dec. 2021	**513**	**17**	**530**

9. PROPERTY, PLANT AND EQUIPMENT

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 con-struction	0	93	1,085	(1,178)	**0**
Disposals			(777)	0	**(777)**
Cost as at 31 Dec. 2022	**717**	**5,296**	**4,340**	**10**	**10,363**
Accumulated depreciation 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 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 increase in property, plant and equipment results from the purchase of computer equipment, office furniture, vehicles 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 2022, the Company has EUR 36 thousand (2021: EUR 20 thousand) of outstanding liabilities for the purchase of property, plant and equipment. The Company did not capitalise borrowing costs in 2022 and 2021.

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 2021

in EUR thousand	Land	Buildings	Equipment	Assets under construction	Total
Cost as at 31 Dec. 2020	**717**	**5,231**	**3,706**	**0**	**9,654**
New additions	0	0	0	383	**383**
Transfer from assets under construction	0	19	364	(383)	**0**
Disposals	0	(47)	(38)	0	**(85)**
Cost as at 31 Dec. 2021	**717**	**5,203**	**4,032**	**0**	**9,952**
Accumulated depreciation as at 31 Dec. 2020	**0**	**(1,543)**	**(1,866)**	**0**	**(3,409)**
Amortisation	0	(150)	(527)	0	**(677)**
Disposals	0	29	38	0	**67**
Accumulated depreciation as at 31 Dec. 2021	**0**	**(1,664)**	**(2,355)**	**0**	**(4,019)**
Carrying amount as at 31 Dec. 2020	**717**	**3,688**	**1,840**	**0**	**6,245**
Carrying amount as at 31 Dec. 2021	**717**	**3,539**	**1,677**	**0**	**5,933**

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 2022 and 2021

in EUR thousand	2022	2021
Cost as at 31 Dec. 2021/2020	**2,484**	**2,252**
New additions	803	242
End of lease agreements	(1,320)	(10)
Cost as at 31 Dec. 2022/2021	**1,967**	**2,484**
Accumulated depreciation as at 31 Dec. 2021/2020	**(1,144)**	**(792)**
Depreciation	(330)	(362)
End of lease agreements	862	10
Accumulated depreciation as at 31 Dec. 2022/2021	**(612)**	**(1,144)**
Carrying amount as at 31 Dec. 2021/2020	**1,340**	**1,460**
Carrying amount as at 31 Dec. 2022/2021	**1,355**	**1,340**

The Company has cars and business premises under a lease. The average lease term is 5 years (2021: 3 years). Analysis of the maturity of lease liabilities and the lowest sum of future lease payments are described in Notes 19 and 21. In 2022, the interest expenses for lease liabilities amounted to EUR 25 thousand (2021: EUR 26 thousand) and were fully repaid.

The Company follows exceptions allowed by the standard, namely for short-term leases, and for lower-valued leases. In 2022, the total cost of leases amounted to EUR 146 thousand (2021: EUR 163 thousand).

10. INVESTMENTS IN SUBSIDIARIES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
SIJ ACRONI	111,337	111,337
SIJ METAL RAVNE	67,714	58,714
GRIFFON & ROMANO	0	0
RSC HOLDING	31,545	31,545
NIRO Wenden	0	0
SIJ STORITVE	505	505
ODPAD	4,981	4,981
SIJ ELEKTRODE JESENICE	0	0
SIJ SUZ	616	616
SIJ ZIP CENTER	68	68
SIJ RAVNE SYSTEMS	6,705	8,945
HOLDING PMP	7,687	7,687
SIJ AMERICAS	2,670	2,670
SSG	0	1,034
ADDITHERM	5,902	5,902
Investments in subsidiaries	**239,730**	**234,004**

In June and in December 2022, the Company provided its subsidiary SIJ METAL RAVNE with an additional contribution totalling EUR 9,000 thousand. Due to the additional payment, the registered capital of the subsidiary nor the existing share of the member did not increase.

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 2022, the Company received dividends totalling EUR 48,584 thousand (2021: EUR 8,032 thousand).

Information on Subsidiaries as at 31 December 2022

in EUR thousand	Activity	% of voting rights 2022/2021	Value of equity as at 31 Dec. 2022	Profit (loss) for the period ending 31 Dec. 2022
Parent company of the Group				
SIJ – Slovenska industrija jekla, d. d., Gerbičeva ulica 98, Ljubljana, Slovenia	Activities of head offices		268,495	47,190
SIJ – subsidiaries				
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	196,948	71,380
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	88,114	7,163
SIJ STORITVE d.o.o.,* Koroška cesta 14, Ravne na Koroškem, Slovenia	Renting and managing of own and leased real estate	100	248	(110)
SIJ ELEKTRODE JESENICE d.o.o. – v likvidaciji (SI), Cesta železarjev 8, Jesenice, Slovenia	Welding materials production	100	(279)	(2,080)
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	5,540	1,200
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	903	34
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.9	11,275	750
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	1,198	5,661
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	Heat processing and special steel trade	100	6,282	3,549
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	100	5,556	(1,281)
HOLDING PMP d.o.o., Gerbičeva 98, Ljubljana, Slovenia	Holding activity	100	8,518	107
SIJ AMERICAS Inc.,* 331 Newman Springs Road Suite, 104, Red Bank, New Jersey, USA	Trade	100	4,392	1,784

Continuation of the table →

Continuation of the table

in EUR thousand	Activity	% of voting rights 2022/2021	Value of equity as at 31 Dec. 2022	Profit (loss) for the period ending 31 Dec. 2022
OOO SSG, Presnenskaya nab. 12, floor 59, office 10, Moskva, Russia	Trade	100	514	80
ADDITHERM d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Scientific and technical research	51	2,996	9
RSC HOLDING d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Holding company	51	50,126	3,182

* *In February 2022, KOPO Internationa Inc. was renamed SIJ AMERICAS Inc.*
** *In September 2022, NOŽI Ravne d.o.o. was renamed SIJ STORITVE d.o.o.*

Due to the geopolitical situation, the Company impaired without a valuation its investment in SSG to a value of EUR 0.

As part of the preparation of the annual report for 2, the Company performed an impairment test for the investments 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 exchange 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 at 31 December 2021 showed that the investment in SIJ RAVNE SYSTEMS should be impaired by EUR 2,240 thousand. The determination of the recoverable amount for 2022 and 2021 is given below.

Review of the Determination of the Recoverable Amount for 2022

Subsidiary	Financial year	Indications of impairment	Determination of recoverable amount	Material assumptions used						Sensitivity analysis				Impairment loss (in EUR thousand)	Value of investment after being impaired (in EUR thousand)
				Valuation date	Projection of operations	Discount rate (WACC)	Long-term growth rate	Target EBITDA margin	Revenue growth	Recoverable amount (in EUR thosand)	Upper bound of the range (in EUR thosand)	Change in discount rate (WACC) +/−0,5% (in EUR thosand)	Change in long-term growth rate +/−0,5% (in EUR thosand)		
SIJ RAVNE SYSTEMS (Manufacturing Division)	2022	The company ended 2022 with loss.	A	31 Dec. 2022	2023–2033	10.30%	2.50%	5.9% – in 2022 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 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.

Review of the Determination of the Recoverable Amount for 2021

				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 thosand)	Upper bound of the range (in EUR thosand)	Change in discount rate (WACC) +/–0,5% (in EUR thousand	Change in long-term growth rate +/–0.5% (in EUR thosand)	Impairment loss (in EUR thousand)	Value of investment after being impaired (in EUR thousand)	Note
SIJ ACRONI (Steel Division)	2021	The company ended 2020 with loss.	A	31 Dec. 2021	2022–2027	9.35%	0.9%	9.6%	in the first year 37.5%, following with-29.7%, 9.9%, 0.2%, 0.4% and 1.0%	224,359	235,418	-13,380/+14,884	+795/-795	0	111,337	
SIJ METAL RAVNE (Steel Division)	2021	The company ended 2020 with loss.	A	31 Dec. 2021	2022–2028	8.95%	0.8%	11.7% – before 2018 it had achieved 12.5%, comparable with companies with the same activity in the same industry	in the first year 38.2%, following with –21.9%, 4.9%, 1.8%, 1.0%, 0.8% and 0.8%	78,993	84,651	-6,702/+7,466	+343/-343	0	58,714	In order to calculate as accurate as possible the effective tax rate at the end of the projection period, which will also be a good basis for the calculation of the residual value and the discount rate, the projections for SIJ METAL RAVNE and SIJ RAVNE SYSTEMS have been extended by so many years that the tax loss from the previous years is fully offset and in the last year of the projections only the investment tax relief is taken into account.
SIJ RAVNE SYSTEMS (Manufacturing Division)	2021	The company ended 2020 with loss.	A	31 Dec. 2021	2022–2032	9.15%	1.1%	8.3% – before 2018 it had achieved 9.3%, comparable with companies with the same activity in Europe.	in the first year 12.7%, following with 6.2%, –0.8%, 3.0%, 2.5%, following with 1.1% by the end of the projection period	9,107	10,175	-1,443/+1,613	+56/-56	0	8,945	
SIJ ELEKTRODE JESENICE (Manufacturing Division)	2021	The company ended 2020 with loss.	A	31 Dec. 2021	2022–2027	9.20%	1.3%	3.8%	in the first year 48.5%, following with-27.7%, 1.5%, 2.5%, 0.4% and 1.3%	0	/	/	/	957	0	
SIJ AMERICAS (Steel Processing and Distribution Division)	2021	The company ended 2020 with loss.	A	31 Dec. 2021	2022–2027	9.67%	1.9%	1.8%	in the first year 14.0%, following with 27.2%, 3.9%, 2.5%, 0.3% and 2.0%	2,739	3,105	-619/+687	+38/-38	0	2,670	
SSG (Steel Processing and Distribution Division)	2021	The company ended 2020 with loss.	A	31 Dec. 2021	2022–2027	11.06%	2.0%	1.9%	in the first year 866.4%, following with 10.0%, 5.5%, 3.0%, 1.5% and 2.0%	985	1,046	-43/+47	+3/-3	0	1,034	Impaired to upper bound of the range, as the Management Board assesses that the company will move beyond the projections applied in the assessment. The sensitivity analysis is made within a change range of +/–1.0%.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Investments and shares in companies	1,300	1,370
Financial assets at fair value through other comprehensive income	**1,300**	**1,370**

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 a revaluation of shares to a lower fair value, the value of the financial asset decreased by EUR 70 thousand (2021: increase by EUR 183 thousand). In 2022, there was no decrease from sale of assets (2021: sale amounting to EUR 61 thousand). In 2022, the Company received dividends totalling EUR 163 thousand (2021: EUR 62 thousand).

12. NON-CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Loans issued	69,290	95,757
Non-current financial receivables	**69,290**	**95,757**

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 48,613 thousand (2021: EUR 73,797 thousand), and the related non-current interest to EUR 7,067 thousand (2021: EUR 7,389 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 13,610 thousand (2021: EUR 14,571 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 5.00% (2021: 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	2022	2021
Balance as at 1 Jan.	**95,757**	**98,983**
Loans issued	10,922	3,880
Exchange rate differences	(3)	34
Change in interest receivables	(323)	2,580
Transfer from current loans issued	0	5,627
Reclassification to current loans issued	(38,901)	(6,638)
Reversal (creation) of impairments	1,838	(4,582)
Transfer of impairments from current loans issued	0	(4,127)
Balance as at 31 Dec.	**69,290**	**95,757**

13. DEFERRED TAX ASSETS AND LIABILITIES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Deferred tax assets	1,188	1,188
Deferred tax liabilities	(95)	(108)
Deferred tax assets (liabilities), net	**1,093**	**1,080**

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
Trade receivables	0	0	0	0
Deferred tax assets	**1,188**	**0**	**0**	**1,188**
Deferred tax assets (liabilities), net	**1,080**	**0**	**13**	**1,093**

On 31 December 2022, the total unused tax loss amounts to EUR 36,670 thousand (2021: EUR 41,135 thousand). The value of unused tax losses for which deferred tax assets are not recognised amounts to EUR 30,788 thousand (2021: EUR 35,252 thousand), while unrecognised deferred tax assets amount to EUR 5,850 thousand (2021: EUR 6,698 thousand).

Movement of Deferred Tax Assets and Liabilities in 2021

in EUR thousand	31 Dec. 2020	Changes in profit and loss	Changes in the comprehensive income	31 Dec. 2021
Financial assets at fair value through comprehensive income	(73)	0	(35)	(108)
Deferred tax liabilities	**(73)**	**0**	**(35)**	**(108)**
Unused tax losses	1,118	0	0	1,118
Employee benefits	70	0	0	70
Trade receivables	12	(12)	0	0
Deferred tax assets	**1,200**	**(12)**	**0**	**1,188**
Deferred tax assets (liabilities), net	**1,127**	**(12)**	**(35)**	**1,080**

14. CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Loans issued	55,502	71,389
Other	476	459
Current financial receivables	**55,978**	**71,848**

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 5,799 thousand (2021: EUR 4,684 thousand), and the corresponding current interests totalling EUR 1,130 thousand (2021: EUR 601 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 48,407 thousand (2021: EUR 65,892 thousand), and the related interest to EUR 166 thousand (2021: EUR 213 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 6.00% (2021: from 1.60 to 5.00%). The loans issued are not pledged as security for liabilities.

Movement of Current Loans Issued

in EUR thousand	2022	2021
Balance as at 1 Jan.	**71,389**	**64,825**
Loans issued	86,539	89,727
Repayment of loans issued	(138,858)	(84,916)
Write-offs of loans issued	(2,692)	0
Exchange rate differences	30	0
Change in interest receivables	483	(2,474)
Transfer to current loans issued	0	(5,627)
Transfer from non-current loans issued	38,901	6,638
Transfer of impairments to current loans issued	0	4,127
Impairments	(2,988)	(911)
Write-off of impairments	2,698	0
Balance as at 31 Dec.	**55,502**	**71,389**

15. CURRENT TRADE RECEIVABLES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Trade receivables	22,889	3,002
Allowances for trade receivables	(2)	0
Receivables from government and other institutions	0	39
Issued advance payments and cautions	67	7
Other receivables	89	24
Current trade receivables	**23,043**	**3,072**

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	2022	2021
Balance as at 1 Jan.	**0**	**(66)**
Changes with impact on profit or loss	(2)	66
Balance as at 31 Dec.	**(2)**	**0**

16. CASH AND CASH EQUIVALENTS

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Cash in national currency	350	11,111
Cash and cash equivalents	**350**	**11,111**

Cash in national currency includes cash in a current account. On 31 December 2022, the Company had deposits with up to 3-month maturity totalling EUR 92 thousand (2021: EUR 99 thousand).

17. EQUITY

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Other equity reserves	8,615	6,255
Fair value reserves	492	382
Retained earnings	102,661	108,822
Equity	**268,495**	**272,186**

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 2022.

In 2022, the Company paid EUR 50,991 thousand of dividends (2021: EUR 5,812 thousand).

Ownership Structure

Shareholder	Number of shares 31 Dec. 2022	Number of shares 31 Dec. 2021
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. 2022	31 Dec. 2021
Legal reserves	10,870	8,510
Treasury shares	(6,009)	(6,009)
Reserves for treasury shares	3,754	3,754
Other equity reserves	**8,615**	**6,255**

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 2022, the Company created legal reserves from net profit amounting to EUR 2,360 thousand (2021: EUR 119 thousand).

Fair Value Reserves

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Fair value reserve due to financial assets at fair value through comprehensive income	498	568
Deferred tax liabilities	(95)	(108)
Net actuarial losses on pension programs	89	(78)
Fair value reserves	**492**	**382**

Distributable Profit

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Retained earnings	57,831	106,559
Profit for the period	47,190	2,382
Creation of legal reserves	(2,360)	(119)
Distributable profit	**102,661**	**108,822**

18. EMPLOYEE BENEFITS

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Provisions for severance pay	784	807
Provisions for jubilee benefits	97	54
Employee benefits	**881**	**861**

The actuarial calculation in 2022 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 3.8 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 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**

Movement of Employee Benefits in 2021

in EUR thousand	31 Dec. 2020	Creation	31 Dec. 2021
Provisions for severance pay	712	94	807
Provisions for jubilee benefits	53	2	55
Employee benefits	**765**	**96**	**861**

Sensitivity Analysis of Actuarial Assumptions for 2022 and 2021

in EUR thousand		31. 12. 2022		31. 12. 2021	
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	(36)	(3)	(45)	(2)
	−0,5	39	3	49	2
Salary growth	+0,5	39	4	49	2
	−0,5	(36)	(4)	(45)	(2)
Fluctuation	+0,5	(38)	(4)	(47)	(2)
	−0,5	24	4	31	2

19. NON-CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Borrowings	999	2,364
Liabilities for bonds issued (SIJ6, SIJ7)	47,986	79,113
Liabilities from lease	780	493
Non-current financial liabilities	**49,765**	**81,970**

Movement of Non-Current Borrowings

in EUR thousand	2022	2021
Balance as at 1 Jan.	**2,364**	**734**
New borrowings	0	3,000
Transfer to current borrowings	(1,367)	(1,367)
Amortisation of origination fee	2	(3)
Balance as at 31 Dec.	**999**	**2,364**

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 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 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange.

Borrowings include borrowings from commercial banks. Borrowings are secured with bills.

Movement of Non-Current Liabilities Arising from Lease

in EUR thousand	2022	2021
Balance as at 1 Jan.	**493**	**643**
New leases	800	239
Transfer to current liabilities from lease	(513)	(389)
Balance as at 31 Dec.	**780**	**493**

The lowest sum of future leases due for payment in the next 1 to 5 years amounts to EUR 810 thousand (2021: EUR 510 thousand).

The net carrying amount of future leases due for payment in the next 1 to 5 years, amounts to EUR 780 thousand (2021: EUR 493 thousand).

20. NON-CURRENT OTHER LIABILITIES

in EUR thousand	2022	2021
Liabilities for contingent and deferred contribution	11,460	11,797
Non-current other liabilities	**11,460**	**11,797**

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 2022 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. 2022	31 Dec. 2021
Borrowings	25,418	19,340
Liabilities for bonds issued (SIJ7)	31,128	0
Liabilities for commercial papers issued (SIK08)	0	30,074
Liabilities from lease	366	354
Other current financial liabilities	501	114
Current financial liabilities	**57,413**	**49,882**

Current borrowings include loans from domestic banks, companies in the Group, and other parties. The interest rate for the majority of borrowings and leases is fixed. Borrowings are secured with bills.

Liabilities for Bonds Issued

The Company issued bonds with the ticker symbol of SIJ7 with the total nominal value of EUR 26,100 thousand in November 2020. In December 2021 it issued, through a further issue, additional bonds with a total nominal value of EUR 5,000 thousand. The entire bond issue contains 311 denominations of EUR 100 thousand. The bond maturity date is 2 November 2023. The interest rate for the bonds is fixed, i.e. 3.9 percent per annum. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond. The bonds are traded on the Ljubljana Stock Exchange.

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	2022	2021
Balance as at 1 Jan.	**19,340**	**22,612**
New borrowings	78,055	83,441
Repayments of borrowings	(73,352)	(88,058)
Transfer from non-current borrowings	1,367	1,367
Amortisation of origination fee	8	(22)
Balance as at 31 Dec.	**25,418**	**19,340**

Movement of Current Liabilities Arising from Lease

in EUR thousand	2022	2021
Balance as at 1 Jan.	**354**	**425**
Repayments of liabilities arising from lease	(501)	(460)
Transfer from non-current liabilities arising from lease	513	389
Balance as at 31 Dec.	**366**	**354**

The lowest sum of future leases due for payment in the next financial year amounts to EUR 395 thousand on 31 December 2022 (2021: EUR 371 thousand), and the net carrying amount of future leases amounts to EUR 366 thousand on the same date (2021: EUR 354 thousand).

22. CURRENT TRADE PAYABLES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Payables to suppliers	1,949	2,077
Liabilities to employees	556	3,018
Tax liabilities and other liabilities	4,637	1,771
Current trade payables	**7,142**	**6,866**

23. OTHER CURRENT LIABILITIES

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Accrued expenses for unused annual leave	473	456
Current portion of liability for deferred contribution (Note 20)	1,200	1,200
Other liabilities	16	59
Current other liabilities	**1,689**	**1,715**

24. CONTINGENT LIABILITIES

Contingent liabilities for issued guarantees amount to EUR 181,176 thousand on 31 December 2022 (2021: EUR 172,721 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.

Transactions with the Majority Shareholderof the Parent Company

in EUR thousand	2022	2021
Revenue	3,627	3,902

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Receivables	62,624	86,492

Transactions with Subsidiaries

in EUR thousand	2022	2021
Revenue	84,631	28,536
Expenses	4,749	1,119

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Receivables	106,250	106,358
Liabilities	25,686	22,973

Transactions with Other Related Companies

in EUR thousand	2022	2021
Revenue	20	22
Expenses	148	126

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Receivables	2	2
Liabilities	7,427	8,106

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	2022	2021
Key management personnel	21,099	5,402
Members of the Supervisory Board	147	145

The receipts include gross salaries, paid reimbursements related to work in accordance with the regulation, and bonuses.

In 2022, the Company did not grant any loans, issue any guarantees nor make any advance payments to the key management personnel or the members of the Supervisory Board. On 31 December 2022, 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. 2022			31 Dec. 2021		
	Gross amount	Impairments	Total	Gross amount	Impairments	Total
Group 1	120,556	(31)	120,525	159,487	(41)	159,446
Group 3	25,529	(20,693)	4,836	30,489	(22,231)	8,258
TOTAL	146,085	(20,720)	125,361	189,976	(22,272)	167,704

Age Structure of Financial Assets

in EUR thousand		Overdue				
31 Dec. 2022	Not overdue	Up to 3 months	3 months to 1 year	1 year to 3 years	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

in EUR thousand		Overdue				
31 Dec. 2021	Not overdue	Up to 3 months	3 months to 1 year	1 year to 3 years	Over 3 years	Total
Trade receivables	1,587	1,413	2	0	0	3,002
Financial receivables and deposits	189,900	8	45	23	0	189,976
Total	191,487	1,421	47	23	0	192,978

Movement of Allowances for Financial Assets

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	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**

in EUR thousand	Allowance as at 31 Dec. 2020	Changes with impact on profit or loss	Allowance as at 31 Dec. 2021
Trade receivables	66	(66)	0
Financial receivables and deposits	16,779	5,493	22,272
Total	**16,845**	**5,427**	**22,272**

Liquidity Risk

The Company ensures liquidity by ensuring that it always has sufficient liquid assets to settle its liabilities on an ongoing basis. The Company manages liquidity risk as follows:

- through centralised management of the companies of the Group 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 Company continuously monitors and plans the management of the companies of the Group liquidity resources.

The majority of financial liabilities refers to bonds issued totaling EUR 79.1 million. 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. 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**

in EUR thousand		Expected cash flows				
31 Dec. 2021	Carrying amount	Up to 3 months	3 months to 1 year	1 year t 5 years	Over 5 years	Total
Payables to suppliers	2,077	2,054	23	0	0	**2,077**
Financial liabilities	131,852	253	54,239	83,995	0	**138,487**
Other liabilities, w/o liabilities to the state and employees and advanced payments	11,802	0	0	0	11,802	**11,802**
Total liabilities	**145,731**	**2,307**	**54,262**	**83,995**	**11,802**	**152,366**

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. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Trade receivables	12	12	80	0
Financial receivables	502	509	0	0
Trade payables	(4)	0	0	0
Exposure	510	521	80	0

In 2022 and 2021, the following exchange rates were material for the Group:

Currency	31 Dec. 2022	31 Dec. 2021	Average exchange rate in 2022	Average exchange rate in 2021
EUR/USD	1.0666	1.1326	1.0530	1.1827
EUR/GBP	0.8869	0.8403	0.8528	0.8596
EUR/CZK	24.1160	24.8580	24.5660	25.6400
EUR/AED	3.8111	4.1736	3.8779	4.3688

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 rising trend in 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.

The Company's borrowings have fixed interest rate, variable interest rate is used only for a small portion.

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 2021 was prepared in the same manner.

In 2021, 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 2022, considering the Company's exposure to the interest risk was similar: a change in interest rate by 100 or 50 basis points would also result in a change of profit or loss by less than EUR 50 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 2022, 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	2022	Debt increase by 10%	Debt decrease by 10%
Level of debt on equity	39.92	43.91	35.93
Equity	268,495	268,495	268,495
Financial liabilities	107,178	117,895	96,460

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. 12. 2022		31. 12. 2021	
Type of financial instrument	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,300	1,300	1,370	1,370
Financial receivables	125,268	125,268	167,605	167,605
Trade receivables	23,043	23,043	3,072	3,072
Cash and cash equivalents	350	350	11,111	11,111
Financial liabilities	(107,178)	(110,775)	(131,852)	(130,774)
Trade payables	(18,602)	(18,602)	(15,081)	(15,081)

Presentation of Financial Assets and Liabilities, Disclosed at Fair Value According to Fair Value Determination Hierarchy

in EUR thousand	31 Dec. 2022	31 Dec. 2021
Financial assets at fair value through other comprehensive income	896	966
Financial assets at fair value of first level	**896**	**966**
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	(83,143)	(108,109)
Financial liabilities at fair value of second level	**(83,143)**	**(108,109)**
Borrowings	(26,417)	(21,704)
Leases	(1,146)	(847)
Other financial liabilities	(501)	(114)
Financial liabilities at fair value of third level	**(28,064)**	**(22,665)**

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 2021 and 2022, 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 seperate financial statements.

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Content and editorship: SIJ d.d., in Ines Drame
Translation: Tadej Reissner
Design: Media Vox d.o.o., Andreja Trbuha Kukec
Photographies: Tomo Jeseničnik, Dobran Laznik, Barbara Reya, Jana Safronova, Anže Vrabl, Sandi Fišer, BattCrew, archieve SIJ Acroni, archieve SIJ, Shutterstock, Istock
Published: 20. March 2023 GRI 2-3

Translation only, Slovene original prevails.