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ENVIRONMENT. PEOPLE. GOVERNANCE.

Annual Report of SIJ Group and SIJ d.d.

2024

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OPERATIONAL HIGHLIGHTS

SIJ Group at a Glance

2024 IN NUMBERS

Sales revenue (EUR million)	EBITDA (EUR million)	CAPEX (EUR million)	NFD/EBITDA
1,055.4	48.2	66.1	5.3
(2023: 1,001.9)	(2023: 56.6)	(2023: 62.1)	(2023: 4.2)

Steel production (thousand t)	Share of exports (percent)	Employees (average nr.)	Sustainability
456.7	86.9	3,554	We have achieved certification under the ResponsibleSteel standard for sustainable steel production.
(2023: 378.6)	(2023: 84.7)	(2023: 3,498)	

Our **vision** is to achieve sustainable growth and efficiency:

- by focusing on the customer,
- with higher value added products,
- with dedicated employees.

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

MARKET POSITION IN 2024

We ranked among four producers of tool steels in the EU.

We maintained our position as one of the top three producers of stainless steel quarto plates in the EU.

Letter of the President of the Management Board

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

2024 was one of the most challenging years in the history of European steelmaking. Geopolitical tensions, reduced demand in key markets, high energy costs and the spillover of Asian steel into the European market due to global overcapacity have had a major impact on our business results. Despite higher revenues, the normalisation of production volumes to the levels from previous years and a number of activities aimed at ensuring the financial health of the business, we recorded a negative operating result. With a responsible approach to our employees, our communities and the environment, our commitment to sustainable steel production and innovation remains central to our future. We have several reasons to be optimistic about the better tomorrow, and we believe that together we will overcome these challenges and forge a brighter future for SIJ Group.

According to audited financial results, SIJ generated EUR 1.1 billion in sales revenues in 2024, which is a 5.3% increase from the preceding year, and produced 456.7 thousand tons of steel, representing a 20.6% increase compared to 2023. We generated an EBITDA of EUR 48.2 million, a 4.6% EBITDA margin, and recorded a loss of EUR 46.4 million. Despite the decline in EBITDA, the loss in 2024 is higher compared to the previous year, due to EUR 6.7 million higher financing costs and EUR 10.2 million of taxes resulting from the increased corporate income tax rate in Slovenia.

Despite the changing geopolitical environment, we have been successful in keeping exports high, reaching a rate of 86.9%, ranking us among Slovenia's largest exporters. Germany and Italy remain our largest markets, and we increased our exports to the USA from 8.5% to 9.9%, a structurally strong market that is prepares long-term growth.

Despite the increase in production volumes, which returned to the normal levels of previous years, and despite higher sales revenues compared to 2023, the decline in the

EBITDA margin and other indicators reflect the challenging external business circumstances. The business climate in 2024 was one of the most difficult in the history of European steelmaking. It was particularly dire in the fourth quarter. The European economy has cooled down and industry demand in key European markets has been low. There was historically high pressure from imported steel, especially from Asia, whose steel surpluses have spilled over into the European markets. This steel is produced with lower energy costs, free from any commitments and investments to reduce environmental impacts, and European steelmakers have found it difficult to face such unfair competition. Energy costs remained high and the new power grid tariff in Slovenia only increased pressure on businesses, in addition to other factors.

BUSINESS ADJUSTMENTS AND FOCUSING ON FINANCIAL SUSTAINABILITY

Against this backdrop, we therefore focused on the factors that we can control, starting from September's decline in EU automotive sector and most intensely in the last quarter of the year. We have taken various measures to optimise and reduce non-essential costs, stop or delay investments that would not bring immediate results, optimise inventories and adjust the organisation of work of our employees in the parent company and subsidiaries.

Our own optimisation activities in the second half of 2024 helped us significantly in maintaining financial health. With the support of banks and additional issuance of sustainability-linked bonds, we replaced bonds SIJ 6 worth EUR 48 million, due in November 2024. The issued bonds amounted to EUR 22.1 million, bringing the total nominal value of sustainability-linked bonds to EUR 41.1 million.

At the end of 2024, SIJ Group's net financial debt increased by EUR 18.7 million reaching EUR 256 million. The NDF/EBITDA ratio stands at 5.3. In the debt structure, we have maintained a high share of equity, and in February 2025, certain subsidiaries of the Group signed an agreement with their major financing banks. The Agreement provides a stable basis to structure, negotiate and implement in an orderly manner a comprehensive refinancing and optimisation of the Group's long term capital structure. The Agreement provides conditions under which additional facilities may be provided to support SIJ Group's working capital requirements, which have been on the rise due to the Group's growth in sales in first quarter 2025. The envisaged long-term capital structure is intended to provide the SIJ Group with the financial stability and liquidity to be best positioned to handle the current and prospective periods of geopolitical and macroeconomic volatility and uncertainty.

The increase in our debt in 2024 was primarily due to the business conditions that affected cash flow in the second half of the year and CAPEX focused on strategic investments, which place emphasis on more demanding and profitable steels, representing the future of European steelmaking.

INNOVATIONS AND STEEL PRODUCTION FOR PROSPECTIVE SECTORS

In 2024, we achieved leading market shares in niche steel markets: we remain among the top three producers of stainless steel quarto plates and fourth producer of tool steels in the European Union.

With a strategic investment of EUR 18 million in the renovation of the heat treatment line for non-oriented electrical steel, which began in 2023, we added the production of cold-rolled electrical steels as the third pillar of business, adding to our two strong business pillars of stainless steel quarto plates and special steels. We have established the conditions for the production of the most demanding SI-WATT electrical components for electric vehicle traction motors. With the investment in this production line, we are proving that the production of the most advanced and highest quality electrical steels is also possible through the circular economy approach, which was previously difficult to imagine for many customers in the automotive industry.

We also successfully completed the renewal of industrial knife production, and established a modern, competitive, efficient, digitised, and automated production process.

We continued work on modernising and automating the rolling mill of SIJ Metal Ravne, which will allow us to increase our capacity for producing highly demanding steels, reinforcing our strategic focus on advanced steels for the aerospace, energy, oil & gas, medical, and other industries which require compliance with the highest standards. We firmly believe that it is precisely in these high-demand products that the European steel industry, including SIJ Group, holds a competitive edge.

In line with our plans to diversify sales and strengthen competitiveness in selected segments of metallurgy, we began

ramping up steel production for prospective new segments and developed some innovative steels.

We are proud of the two national awards for innovation presented by the Chamber of Commerce and Industry of Slovenia. The first award was received for developing a stainless ferritic steel used in the production of a new generation of hydrogen fuel cells, while the second was for developing a superalloy for use in extreme conditions in the energy industry (including in nuclear reactors). Both innovations are intended for use in areas which are crucial for the transition to a low-carbon society with sustainable energy sources.

For CAPEX, we allocated EUR 66.1 million in 2024, with about a quarter of the funds directed toward reducing our environmental impact, such as reducing natural gas consumption. We plan and execute all our investments in line with the BAT (best available technology) principle, and so each of our investments also indirectly reduces our environmental impact.

A COMMITMENT TO RESPONSIBLE STEEL PRODUCTION

While most European and global steel producers are yet to transition to more sustainable steel production practices, SIJ Group has already implemented the principles of the circular economy in its work processes. SIJ Group is a modern steel producer using recycling technologies, where steel production is based on the reuse of secondary raw materials. On average, steel mills of this type produce almost four times less carbon dioxide emissions compared to integral steel mills, which produce steel using raw ore.

In 2024, SIJ Group successfully met its sustainability goals, providing a basis for financing approaches with a focus on sustainable development. We reduced our CO2 emissions by 11.7% compared to the 2020 baseline, exceeding our target of 7.7%. We plan to cut our own emissions by half by the year 2030. In the area of health and safety at work, which is a top priority in European steelmaking, we successfully certified fourth company under the ISO 45001 standard in 2024, in keeping with our goals.

We also successfully completed a two-year project and obtained the ResponsibleSteel certification, placing us alongside the most responsible and sustainable steel producers in the world at the start of the second quarter. The stringent ResponsibleSteel certification process factors in all three ESG (Environmental, Social, Governance) dimensions in the operations of steel companies. Only 15 steel groups worldwide are certified under this sustainability standard, and only 6.4% of the world's steel comes from certified sustainable steel production, which SIJ Group has implemented.

For the first time, in this annual report we are now disclosing our ESG efforts in accordance with the latest EU rules for sustainability reporting.

A RESPONSIBLE AND RELIABLE EMPLOYER

As a stable employer, we responded responsibly to the difficult business environment in 2024. Temporary work organisation adjustments were implemented in SIJ Group subsidiaries, which were coordinated in cooperation with social partners with the aim of reducing operating costs while preserving jobs.

At the end of 2024, the parent company SIJ d.d. informed its employees of its intention to adjust its operations, which included preparing a redundancy programme. The process was completed in February 2025, resulting in downsizing by 27.6% in terms of the number of employees. We have maintained our strategic and control functions and limited the scope for centralised services to subsidiaries. We did not prepare such programmes in the SIJ Group's production companies because we are facing a widespread technical staff shortage, and are thus making efforts to get through these difficult times with the help of other measures and to maintain the foundation for our business over the long term once the market has recovered.

As a holder of the Family Friendly Company certificate, we also made efforts to foster a good work-life balance among our employees, particularly in the first half of the year.

As the largest employer in the Koroška and Gorenjska regions, where two of SIJ Group’s largest steelworking companies are based, we have an inextricable bond with our local communities. In the second half of the year, we reduced sponsorship and donation funds; however, we continued to engage in long-term sustainability projects, such as the exploitation of excess heat produced in steel production processes to provide the city of Ravne na Koroškem with heating, including through donations for heating the sports infrastructure in the local community. By building our twenty-third steel outdoor gym, entirely developed and produced in-house, we expanded the network of sustainable facilities for quality and active lifestyle leisure activities. Our volunteers donated 572 hours of volunteer work to the community as part of the “Steel Bonds Between Us” Local Community Partnership Day, and as much as 1,672 hours over the past years. In this way, we are continuously contributing to improving the quality of life in the communities where our colleagues and their families live and work.

CREATING A BETTER FUTURE FOR SIJ GROUP

Despite the negative performance in 2024, we remain committed to our values and objectives. The crisis for European steelmakers was still ongoing at the time of publication of this report. That's why in 2025 we will continue to focus on optimising costs, improving efficiency and acting prudently at all levels of our business.

In terms of cost optimization, it is crucial for our energy-intensive industry to manage energy as efficiently as possible. Our past investments are paying off in the form of lower specific energy consumption and reduced environmental impacts. By switching to our own independent balancing group for electricity purchases and introducing an optimisation platform, we now have faster and more flexible access to the market and the ability to adapt more efficiently to the dynamic electricity market. At the same time, we are also partly reducing the cost of electricity.

We are introducing quality and cost-effective substitutes for raw materials and consumables in our steel production operations in order to increase our competitiveness.

Our past investments allow us to focus even more intensely on industries that use the most demanding steel grades. While we are planning to invest less in 2025 due to our focus on healthy financial condition, we are well-prepared to respond to any improvements in the market conditions. We have a schedule of planned investments ready to implement as soon as our cash flows allow.

We are somewhat encouraged by the upward trends in steel-consuming industries, which we are already seeing in the form of an increasing number of new orders. The EU has also started to recognise the importance of the materials industry, and has taken action to boost its competitiveness.

We believe that together we can overcome these challenges and create a better future for SIJ Group. We would like to express our gratitude to all our business partners, customers, suppliers, investors, employees and local communities for your continued support and trust.

Andrey Zubitskiy,
President of the Management Board

Report of the President of the Supervisory Board

Dear shareholders and stakeholders,

As SIJ Group was faced with a challenging business climate in 2024, its primary focus was to secure long-term stability and, most of all, to preserve its business operations and jobs. There was a significant worsening of the business environment towards the end of the year. The decline in steel demand and the high cost of energy severely impacted the competitiveness of European steelmakers, and after a series of years with exemplary results, SIJ Group's performance also saw a decline in 2024. SIJ d.d., which paid off its obligations to investors due in November under the three-year SIJ6 bond, was exposed to increased liquidity risk at the end of the fiscal year. As the macroeconomic forecasts still indicate only slight recovery in Europe's steel demand, there is no indication that SIJ Group's business will be resilient with regard to all of the challenges it faces in 2025, either.

Despite these difficult conditions, SIJ Group was able to keep its position as one of the leading producers of stainless steel and tool steels in Europe, and it secured a better position in the niche steel markets compared to the competition. In a challenging environment, it has maintained its focus on achieving global and European climate goals, and in 2024 it further upgraded its commitment to sustainability by obtaining the ResponsibleSteel certification, reinforcing its position among the world's most responsible and sustainable steel producers.

Both the Management Board and Supervisory Board are aware that SIJ Group's achievement of sustainability and environmental goals has an impact on its competitive positioning in the market. Although in the past circumstances linked to climate change and extreme weather events did not have a significant impact on operational risks assessment, SIJ Group felt their effects during the historic floods of 2023. At the end of 2024, market conditions clearly showed that steel from other regions of the world – such as South Asia, the Middle East and India – was more affordable compared to European steel (partly owing to the different attitudes towards sustainability issues), and businesses were thus opting for these cheaper products for the sake of profitability. Despite the efforts of several years, the values of sustainability and the green transition are not yet a key factor in purchasing decisions. Given the current global situation, Europe's sustainability efforts alone cannot be expected to change this practice over the short term. Due to the divide between competitive pricing and the input cost associated with launching products on the market, the decline in demand for European steel and for SIJ Group's products is understandable from an economic perspective, and challenging from the sustainability perspective.

In 2024, besides taking steps to manage financial and operational impacts, risks, or opportunities the Management Board of SIJ d.d. and the Supervisory Board through the reports of the management continued its efforts to achieve the key sustainability objectives as set out in the Sustainable Development Strategy up to the Year 2030 and the SIJ Group Decarbonisation Plan 2020-2030-2050. As SIJ

Group's supervisory body, the Supervisory Board continued to support the management's efforts to identify and take advantage of opportunities associated with various operational risks and sustainable action.

The lower operating results are making it more difficult for SIJ Group to achieve its sustainability goals. Among other things, SIJ Group is mitigating its operational risks by investing in modern technologies associated with the promotion of the circular economy. Although the Management Board's decision to postpone or discontinue investments in productive assets that do not have an immediate effect is not a good sign, the Supervisory Board considers that, under the circumstances described above, such measures are economically justified and reasonable in order to stabilise the business in the short term.

STRUCTURE OF AND NOMINATION TO THE SUPERVISORY BOARD AND ITS COMMITTEES IN THE YEAR 2024

The following members served on the Supervisory Board of SIJ d.d. in 2024: GOV-1 22.a

- **Evgeny Zverev,** President of the Supervisory Board,
- **Miha Resman,** Vice-President of the Supervisory Board,
- **Matej Bastič,** Member of the Supervisory Board,
- **Helena Ploj Lajovic,** Member of the Supervisory Board,
- **Maria Joye,** Member of the Supervisory Board,
- **Dmitry Davydov,** Member of the Supervisory Board,
- **Richard Pochon,** Member of the Supervisory Board.

There were no changes in the members' positions or functions in 2024. There was also no change in the composition of the Supervisory Board's Audit Committee, which is composed of Miha Resman, the president of the Audit Committee, and the members Alan Maher and Richard Pochon.

COOPERATION WITH THE COMPANY'S MANAGEMENT BOARD

The Management Board's cooperation with the members of the Supervisory Board and the Audit Committee in 2024 was satisfactory. For the purposes of performing the supervisory function of monitoring and controlling operations, the Management Board provided the Supervisory Board with key and comprehensive information regarding the business operations of SIJ d.d. and SIJ Group in a responsible and timely manner. Members of the Supervisory Board and the Audit Committee have worked together to establish starting points for their work and for taking decisions within their respective purviews.

In 2024, Members of the Supervisory Board met with the management of SIJ Group at three regular sessions, while the Members of the Audit Committee met at one per capsulam session and five regular sessions.

SIJ d.d.'s single-member Management Board arrangement continued in 2024. As the sole independent member of the Management Board, Andrey Zubitskiy strategically implements the key objectives of SIJ d.d. and SIJ Group. Vice-Presidents Tibor Šimonka, Viacheslav Korchagin and Igor Malevanov are responsible for implementation of corporate decisions directly in the operations of the parent company SIJ d.d. and its subsidiaries, and they supervise the management of business processes, as decided by the Management Board and its top management at meetings and strategic collegium sessions.

The materials for the Supervisory Board in 2024 were prepared in a clear and comprehensive manner. Modern communication technology enables effective collaboration among members of the Supervisory Board, with the possibility to join in remotely from different parts of Europe or elsewhere the world. With the active role of the Audit Committee, the Supervisory Board has contributed to the constructive discussion of various topics at its sessions.

The members of the Supervisory Board have different skills and competences, with backgrounds in finance, tax, legal, controlling, logistics, IT, and so on. Members coming from different areas of expertise discuss business issues from different perspectives, which helps them check how different risks are managed.

The two largest shareholders ensure that candidates with suitable educational profiles are nominated to the Supervisory Board, needed for management of companies. Their expertise is not necessarily connected to specific technical skills stemming from productional companies due to the fact, that they perform operations independently. GOV-1 21.c Candidates also undergo a preliminary panel interview. Before exercising the duties of a member of the Supervisory Board, we check the candidate's integrity and the absence of any circumstances which might increase reputational risk or give rise to a conflict of interest.

KEY ACTIVITIES

In 2024, supervision of the operations of SIJ Group companies was marked by changing business circumstances and a worsening of conditions, leading to the announcement of operational rationalisation which came at the end of the year. These measures aim to protect SIJ Group against the challenges posed by the poor economic environment and a decline in orders.

The Supervisory Board had already confirmed the Business Plan for the year 2024 in December 2023. At the meeting held on 25 April 2024, the Supervisory Board discussed and adopted the Annual Report of SIJ d.d. and SIJ Group for 2023. Beforehand, the Supervisory Board also reviewed the Audit Committee's regular annual report, which the Audit Committee presents each year to assess its performance and prepare recommendations for the Supervisory Board within its purview. The Supervisory Board agreed with the Management Board's proposal to keep the entire balance sheet distributable profit for 2023 in the amount of EUR 101,087,092.45 in the company retained, and this was also approved by the shareholders at the 45th Annual General Assembly held on 29 August 2024. In the process of adopting the annual report for the financial year 2023, the Supervisory Board also took note of the audited report on relations with related parties. In accordance with Article 282 of the Companies Act, the Supervisory Board also adopted the Supervisory Board's report, whereby the Supervisory Board evaluated its performance in 2023 and reported the findings to the General Assembly.

STARTING POINTS FOR OPERATIONS IN 2025

SIJ d.d. issued its first sustainability-linked bonds at the end of 2023. For the purpose of refinancing the maturing SIJ6 bonds, the bond issue was extended by 221 notes at the end of 2024. Therefore, the activities of the Supervisory Board in 2025 will have a particular focus on supervising the management of financial and non-financial risks.

Now for the first time, the economic, environmental and social aspects of our operations are presented in the Annual Report drawn-up in accordance with ESRS standards, which SIJ Group and SIJ d.d. have been making intensive preparations for. These aspects of business operations are a starting point that can be further upgraded over the coming years through careful planning and process management efforts. In a tightening market conditions, deepening sustainability considerations will require even more competent, in-depth and deliberate efforts from members of the management and supervisory bodies to successfully manage and control all risks.

ACTIVITIES OF THE SUPERVISORY BOARD’S AUDIT COMMITTEE

In 2024, the Audit Committee monitored the statutory audit of SIJ d.d. and SIJ Group for the financial year 2023 and the drawing-up of reports to the Supervisory Board. The Audit Committee has been self-assessing its performance for several years and can therefore compare its current performance assessments against those of previous years.

The audit of the 2024 Annual Report must be carried out in accordance with the CSRD and must cover both the financial and sustainability segments of the Annual Report. The Audit Committee agreed to have Deloitte Revizija d.o.o. perform the review for both the financial and sustainability sections of the Annual Report, as there is some overlap of the issues and evidence in some areas.

ANNUAL REPORT AND ADOPTION

The Supervisory Board is of the view that the Management Board of SIJ d.d. and the SIJ Group continued its responsible approach towards all stakeholders in 2024. It informed them in a timely and transparent manner about operational issues, which were not so critical in the first half of 2024. The operational challenges the SIJ Group is facing are in line with those confronting the European steel environment as a whole. Like other European steelmakers, in order to manage the risks associated with the green transition SIJ Group will need the support, cooperation and joint action of the European Union to defend efforts towards a circular economy in the global marketplace and, as a result, ensure a more favourable climate and environmental conditions for the long-term survival of our planet and civilisation.

Ljubljana, 28 May 2025

Evgeny Zverev,
President of the Supervisory Board

Notable Events of the Financial Year 2024

FEBRUARY

Signing of the revised World Steel Association Sustainability Charter

SIJ Group has signed the revised World Steel Association Sustainability Charter, which is aligned with the United Nations sustainability standards and the Sustainable Development Goals. We first signed the Sustainability Charter back in 2015, when it highlighted the importance of reducing environmental impacts. The revised Charter includes the growing importance of key issues such as climate change and supply chain management. A total of more than 40 steel groups had signed the Charter as of the end of 2024.

SIJ Ravne Systems under new management

Matjaž Hudopisk took over the management of SIJ Ravne Systems on 5 February. Prior to that, he served as the company's Technical Manager.

APRIL

ResponsibleSteel certificate of compliance

Having received the ResponsibleSteel certification in April 2024, SIJ Group is now recognised as among the world's most responsible and sustainable steel producers. The certification was achieved after a rigorous process carried out by an independent certification organisation. Meeting the requirements of the standard confirms, among other things, that we are a partner for Europe's green transition with our steel products.

Publication of the audited annual report

On 26 April, SIJ Group published the audited Annual and Sustainability Report of SIJ Group and SIJ d.d. for the year 2023. The Supervisory Board reviewed and adopted the report during its meeting on 25 April 2024.

MAY

Sustainability Innovation Awards

SIJ Acroni, SIJ Metal Ravne and SIJ Ravne Systems received six regional awards from the Slovenian Chamber of Commerce and Industry in recognition of the best and most sustainability-focused innovations. Four awards are gold, one is silver and one is bronze.

JUNE

Investment in the upgraded electrical steel production line

On 6 June, SIJ Acroni commissioned an EUR 18 million upgrade of the heat treatment line for non-oriented electrical steel. Now completed, the investment allows for the production of the most advanced electrical steels used in the production of traction motors for electric vehicles.

SEPTEMBER

Innovation awards for a low carbon society

At the National Innovation Awards, the Slovenian Chamber of Commerce and Industry gave gold awards to SIJ Acroni and SIJ Metal Ravne. The former received the award for developing a stainless ferritic steel used in the production of a new generation of hydrogen fuel cells, while the latter received the award for developing a superalloy for use in extreme conditions in the energy industry (including in nuclear reactors). Both innovations are intended for use in areas which are crucial for the transition to a low-carbon society with sustainable energy sources.

Digitising energy efficiency and cost management

We have signed a contract with Kolektor sETup to set up an information system for monitoring the consumption of electricity, optimising the consumption and cost of electricity, and optimising network fees across the entire SIJ Group. The information system is expected to launch in the spring of 2025.

OCTOBER

Addressing the difficult economic situation and changes in the European steel market

The European steel industry, of which the SIJ Group is a part, is facing challenging circumstances. The fall in demand for steel on global markets, combined with rising energy costs, is affecting the competitiveness of European steelmakers. The industry is also burdened by increased competition from areas with lower production costs, especially from Asian countries. To address these challenges, SIJ Group has put in place a number of measures to overcome this challenging period.

NOVEMBER

Successful issuance of new sustainability-linked bonds

On 25 November, SIJ d.d. successfully concluded the issuance of sustainability-linked bonds with a total nominal value of EUR 22.1 million. The Issuer thus brought its existing issue of SIJ8 Sustainable Bonds, with a final maturity date of 2 November 2026, to the total nominal value of EUR 41.1 million. These funds will be used to diversify financing and invest in environmentally friendly and energy-efficient technology.

Notable Events After the End of the Reporting Period

DECEMBER

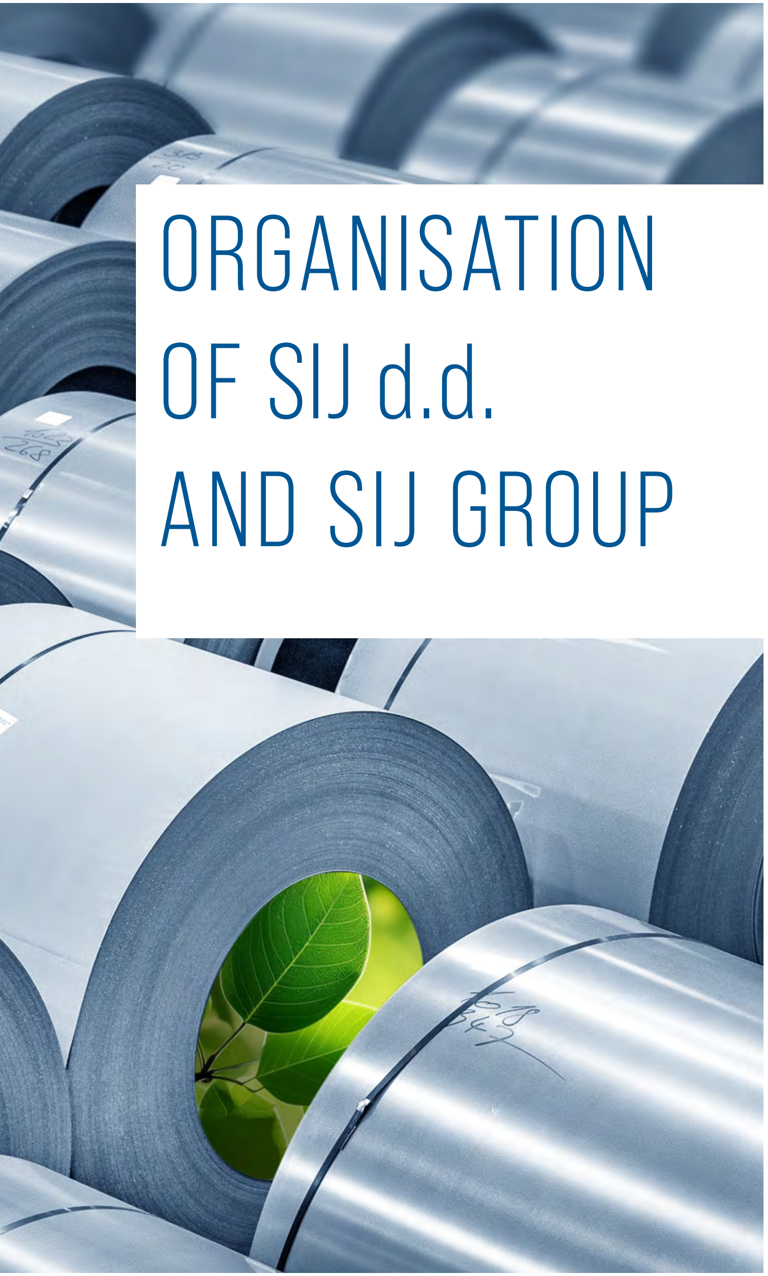
Adjustments to the business operations of the holding company SIJ d.d.

SIJ Group responded to the challenges facing the European steel industry by introducing a number of measures, which were discussed by the Supervisory Board of SIJ d.d. on 17 December. These measures included plans to make adjustments to the parent company's operations, including a redundancy plan. The proposed adjustment is the response of Slovenia's largest steel group to the poor economic conditions and changes facing the European steel market.

FEBRUARY

Signed Agreement with banks

In February 2025, certain subsidiaries of the SIJ Group signed an Agreement with its major financing banks. The Agreement provides a stable basis to structure, negotiate and implement in an orderly manner a comprehensive refinancing and optimisation of the Group's long term capital structure. The Agreement provides conditions under which additional facilities may be provided to support SIJ Group's working capital requirements, which have been on the rise due to the Group's growth in sales in first quarter 2025. The envisaged long-term capital structure is intended to provide the SIJ Group with the financial stability and liquidity to be best positioned to handle the current and prospective periods of geopolitical and macroeconomic volatility and uncertainty.



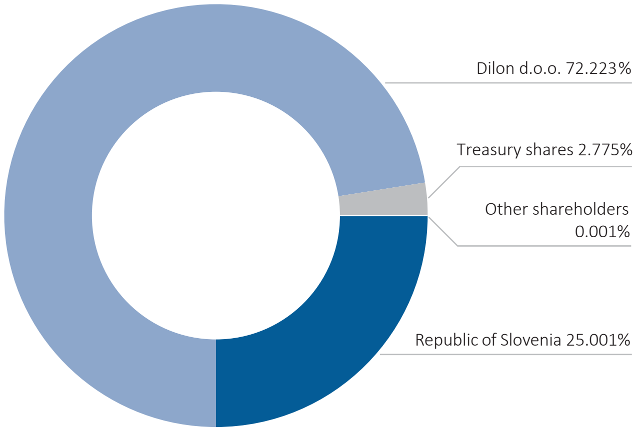
ORGANISATION OF SIJ d.d. AND SIJ GROUP

About SIJ d.d.

Basic information about SIJ d.d. G1

Company name	SIJ – Slovenska industrija jekla, d.d.
Abbreviated company name	SIJ d.d.
Registered address	Gerbičeva ulica 98, 1000 Ljubljana, Slovenia
Entry no.	SRG 1/03550/00
Date of registration	6 February 1990
Registered share capital	EUR 145,266,065.75
No. of shares	994,616 ordinary no par value shares
Ownership (qualifying and other holdings)	72.224% – DILON d.o.o., Gerbičeva ulica 98, Ljubljana 25.001% – Republic of Slovenia, Gregorčičeva ulica 20, Ljubljana 0.001% – other shareholders 2.775% – treasury shares
Registration number	5046432000
Tax number	SI 51018535
Core business	70.100 Activities of head offices

Ownership structure as of 31 December 2024



The Company's share capital is divided into 994,616 ordinary no par value shares of a single class, which are issued in non-materialised form with the SIJR ticker symbol and are not traded on the regulated market. With the exception of treasury shares, which the Management Board is authorised to purchase up to a total of 27,610 SIJR shares, the shares confer unrestricted voting rights to the holders. The Company is not aware of any agreements 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, and the Company has not issued any securities which provide special control rights, nor does it have any employee stock option schemes or contractually foresee any specific positions in the case of acquisitions.[1]

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

SIJ d.d. directly acts as the asset manager of its investments in SIJ Group companies, pursuant to the Management Agreement, which also regulates the terms of providing centralised services for SIJ Group companies and the decision-making process through the parent company's majority holdings, allowing the company to effectively manage the affairs of SIJ Group. Key business functions are ensured in this way, in accordance with the outlined long-term strategy, and strategic decisions are taken at the level of individual Group companies, as well as at the level of SIJ Group as a whole. The Company also has a governance systems policy in place, which it applies in order to further its values of business excellence and realise its strategic goals.

1 SIJ d.d. is subject to the provisions of the law governing mergers and acquisitions, and as of 31 December 2024, no specific positions referred to in item 11 of the paragraph 6 of Article 70 of the Companies Act apply.

Operating Results of SIJ d.d.

SIJ d.d. is the owner of SIJ Group companies. SIJ d.d. provides SIJ Group companies with strategic development, technological research & development, strategic procurement, marketing and sales, as well as human resources, legal services, financing services, financial assets acquisition and management, planning and business analytics services and corporate communications services, in a centralised manner. These services, and the dividends paid out to SIJ d.d. as the owner of the subsidiaries, are the holding company's primary source of revenue.

In 2024, SIJ d.d. did not receive any dividends due to its subsidiaries' poor performance, however due to increased revenues from services, its sales revenues were up 15.4% compared to the previous year, and stood at EUR 19.6 million.

SIJ d.d.'s net financial result is lower compared to the previous year, mainly due to the reversal of impairment losses on loans in the year 2023. Costs of labour are lower due to a lower headcount and cost optimisation.

SIJ d.d.'s net profit for 2024 amounted to EUR-36.2 million, down from EUR positive 4.5 million in 2023, mainly due to impairments of investments in subsidiaries and their weaker operating results in the second half of the year, as the situation on the steel market tightened.

Profit reserves were set aside in accordance with the Companies Act (ZGD). The Company did not pay out dividends in 2024.

Key operating figures

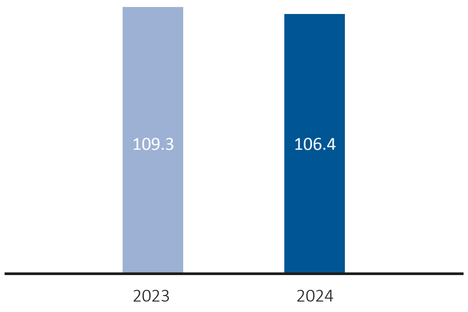
	Unit	2023	2024
Revenue	EUR thousand	16,968	19,589
Other operating income	EUR thousand	4,111	242
EBIT	EUR thousand	–4,446	–39,464
EBITDA*	EUR thousand	851	982
Financial result	EUR thousand	8,606	3,538
Profit or loss before taxes	EUR thousand	4,160	–35,926
Net profit or loss	EUR thousand	4,461	–36,154
CAPEX	EUR thousand	641	633
Labour costs	EUR thousand	14,874	12,735
Average number of employees		137.3	130.1
Return on assets (ROA)	%	1.1	–9,6
Return on equity (ROE)	%	1.7	–14,5
Participation rate of equity		0.7	0.7
Long-term liabilities-to-assets ratio		0.9	0.9
Long-term debt-to-assets ratio		0.1	0.1
Net profit or loss per employee	EUR thousand	32.5	–278

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

	Unit	31 Dec 2023	31 Dec 2024
Total assets	EUR thousand	395,693	354,782
Non-current Assets	EUR thousand	334,294	303,923
Equity	EUR thousand	267,020	231,027
Non-current liabilities and current liabilities	EUR thousand	128,673	123,755
Non-current financial liabilities	EUR thousand	23,007	44,133
Short-term financial liabilities	EUR thousand	87,240	62,336
Cash and cash equivalents	EUR thousand	913	62
Net financial debt	EUR thousand	109,335	106,407

As of the end of 2024, the net financial debt amounted to EUR 106.4 million, down EUR 2.9 million compared to the preceding year.

Net financial debt as at 31 December 31 (in EUR million)



NOTES TO THE PERFORMANCE INDICATORS

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.	This indicator also shows the company's effectiveness in generating returns on invested assets. The higher the indicator, the greater the returns on an investment.
Return on equity (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.

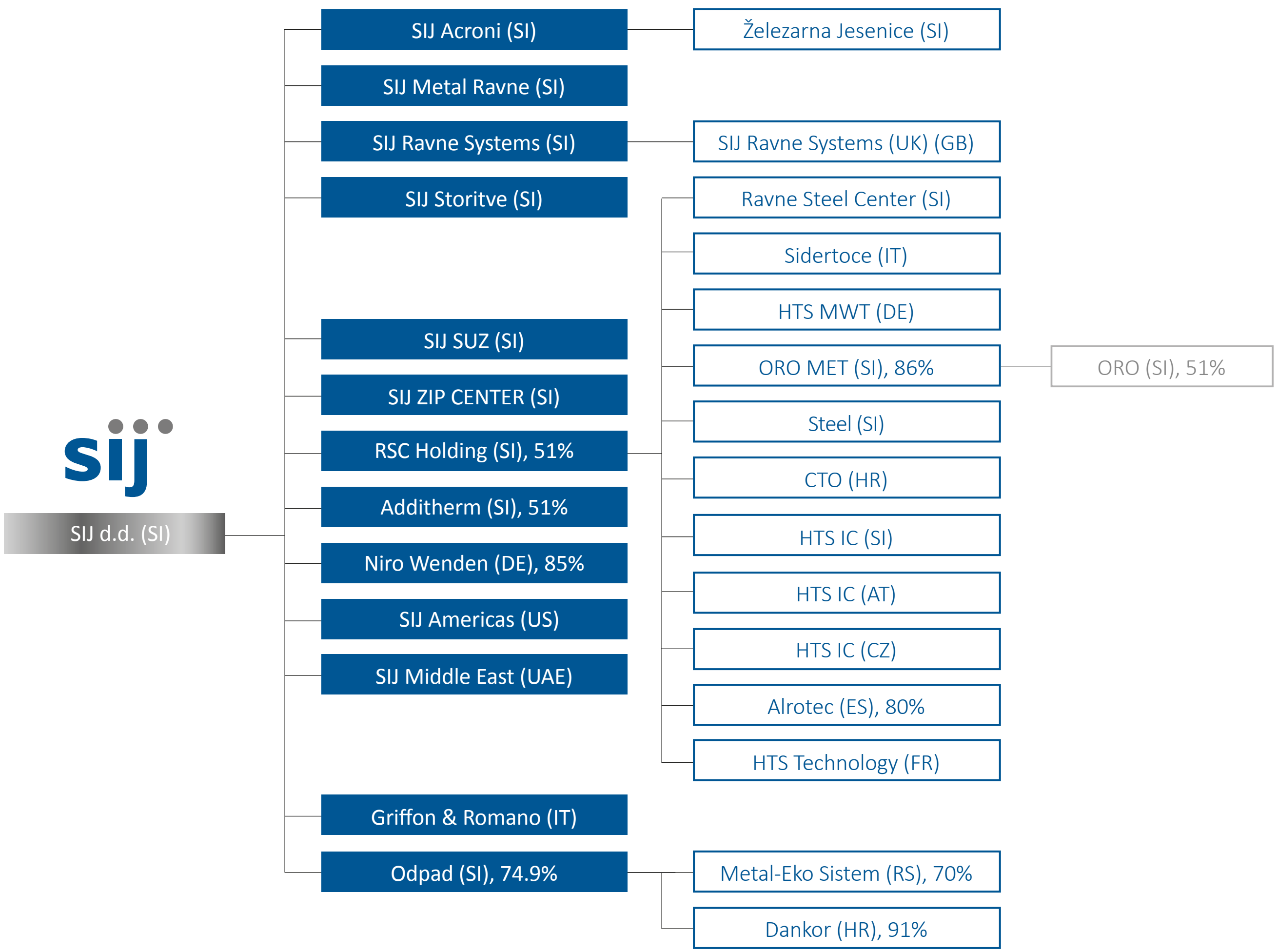
SIJ Group Companies

SIJ Group's vertical business model brings together 30 companies. The founder, or the direct or indirect owner of the subsidiaries of SIJ Group, is the controlling company SIJ d.d.

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

- *The winding up of **OOO SSG (RU)** began in the first half of 2024.*
- *The winding up of **TOPMetal (BA)** began in the first half of 2024, and was completed in October 2024.*
- *In August 2024, **Alrotec (ES)** and **DCTL (ES)** merged and consequently **DCTL** was dissolved.*

Organisational structure



Programme scheme: vertically integrated business model

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

Scrap Division

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

Steel Division

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

Manufacturing Division

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

Distribution and Processing Division

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

Headquarters and Other Services

As a parent company, SIJ d.d. provides governance. Other companies provide accounting and IT services for certain SIJ Group companies, concession services and employment services for people with disabilities.

Corporate Governance Statement

CORPORATE GOVERNANCE AND SUPERVISION OF SIJ d.d. ESRS 2, GOV-1

Companies subject to statutory audits shall include in their annual report a Corporate Governance Statement, a separate section of the Company's annual report and is referred to in more detail later in this chapter and on page 17.

MANAGEMENT OF THE COMPANY

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

GENERAL ASSEMBLY

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

The 45th Regular Annual General Assembly was held on 29 August 2024. At the meeting, the shareholders granted a discharge to the Management Board and Supervisory Board, and approved the Management Board's and Supervisory Board's proposal that the balance-sheet distributable profit of EUR 101,087,092.45 remains entirely unallocated. They consulted on the revised Remuneration Report for the financial year 2023 and, due to the expiration of the Management Board's mandate to purchase treasury shares, extended this mandate by a further 36 months.

SUPERVISORY BOARD AND AUDIT COMMITTEE

In accordance with the Company's Articles of Association, SIJ d.d.'s Supervisory Board is comprised of seven members, whereas the Audit Committee is comprised of three. 21.a Members of the Supervisory Board are appointed by the General Assembly, whereas members of the Audit Committee, which is a committee supporting the work of the Supervisory Board, are appointed by members of the Supervisory Board, in turn. In line with the shareholders' agreement executed between the largest shareholders of SIJ Group, the Supervisory Board has five members representing the majority shareholder Dilon d.o.o., and two members representing the Republic of Slovenia. No initiative for participation in the management of SIJ d.d. in accordance with applicable regulations has so far been expressed by employees. 21.b The representation of independent Board members was 57%. 21.e The Company strives to maintain diversity of its membership based on the criteria set out below on page 26. 21.a For SIJ d.d., diversity criteria are important in order to create synergies between members as they serve on the Company's bodies, while at the same time following established democratic principles in the context of conducting business operations, protecting human rights and expecting the personal integrity of each individual representing a particular function of the Company. 21.e Regardless of the known distribution of members of the Supervisory Board based on equity participation of the Company's shareholders, Supervisory Board Members must perform their function independently and free of personal bias. Together with the Management Board, they share responsibility for the good performance of their duties and are subject to personal liability.

Due to our specific structure, we do collect annual statements of independence from the representatives serving on the Supervisory Board. Members fill out this statement upon appointment, and they present their independence and lack of any conflict of interest at the HR interview. Upon registration of the respective member's appointment in the court register, each member submits a certified personal affidavit confirming there are no circumstances which would impede their appointment to the respective function.

The members exercise their powers in accordance with the provisions of the Companies Act, the Financial Operations Act, the Company's Articles of Association, the Rules of Procedure and other applicable regulations. G1, GOV-1 5.a A more detailed presentation of the work of the Supervisory Board and the Audit Committee in 2024 is presented in the Supervisory Board's report on page 11.

REMUNERATION OF MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES

SIJ Group is an international steel group. The complexity of SIJ Group and its market position have an impact on the remuneration system for members of the management and supervisory bodies. Appropriate remuneration ensures that members of the Management Board and Supervisory Board have the necessary professional qualifications and competences, with a high degree of professional and personal integrity and an enthusiasm for responsible and active involvement.

In 2023, the Management Board and Supervisory Board prepared the Remuneration Policy for Members of the Management and Supervisory Bodies of SIJ – Slovenska industrija jekla, d.d., which was approved by the shareholders at the 44th Annual General Assembly on 30 May 2023. The Remuneration Policy is published on the Company's website.

As required by law, the Company draws up a Remuneration Report each year, which is subject to an audit review. The shareholders discussed the audited report at the 45th Annual General Assembly held on 29 August 2024. The shareholders discussed, consulted and informed each other about the contents of the report and participation of all shareholders at a General Assembly ensures that they are equally informed about the remuneration of members of the management and supervisory bodies. The consultation on the remuneration of members of management and supervisory bodies includes a discussion about the tasks, expertise and responsibilities of the members of management 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, in addition to fixed monthly remuneration for the respective function, as set out by resolution of the General Assembly. The level of remuneration of members of the Supervisory Board and the Audit Committee has been the same since 2017. Despite inflation and the rising cost of living, the shareholders did not intervene in the level of remuneration due to the worsening business climate.

SIJ d.d. AND SIJ GROUP CORPORATE GOVERNANCE SYSTEM G1 GOV-1

As the majority shareholder, SIJ d.d. strategically manages all the companies it owns, collectively referred to as SIJ Group. The Company has adopted the SIJ Group Operating Policy which emphasises the fundamental values of business excellence and the achievement of strategic goals. The Management Board of SIJ d.d., the Vice-Presidents and Executive Directors, acting together with the executive management team, are responsible for strategically managing, coordinating and supervising the operations of all SIJ Group companies, both in Slovenia and abroad, on strategic as well as operational levels.

INTEGRATION OF THE COMPANIES OF SIJ GROUP

Most SIJ Group companies operate in Slovenia. In accordance with the business agreement concluded between SIJ d.d. as the parent company and the limited liability subsidiaries under its direct control in Slovenia (SIJ Acroni, SIJ Metal Ravne, SIJ Storitve, SIJ SUZ, SIJ ZIP Center and SIJ Ravne Systems), the activities of the subsidiaries are managed by the parent company. Other subsidiaries are registered in the European Union, the United Kingdom, Serbia, the Middle East and the United States. As a rule, the companies are either 100%-owned or under the dominant control of the parent company. They are mostly organised as limited liability companies.

The Group's business goals in each of the strategic areas are achieved through the issuance of binding instructions or decisions by the majority shareholder (in the context of the Group's contractual concern mechanisms) and through the consistent implementation of centralised corporate mechanisms.

Andrey Zubitskiy, President of the Management Board

PRESIDENT OF THE MANAGEMENT BOARD

SIJ d.d.'s Articles of Association stipulate that the Company's Management Board consists of four members, or possibly just one. It is chaired by the President of the Management Board. The President and Members of the Management Board are appointed by the Supervisory Board. They may be appointed for a term of office of up to six years with the possibility of reappointment. The duration of a term of office is set out in each resolution on appointment.

As the only member of the Management Board of SIJ d.d., the President of the Management Board represents the

Tibor Šimonka, Senior Vice-President

Viacheslav Korchagin, Vice-President and CEO

Igor Malevanov, Vice-President and CFO

Company with a sole power of representation. The Management Board has a consolidated executive function for the management of all strategic areas of SIJ Group. GOV-1 21.a 5.a

Andrey Zubitskiy was first appointed as the President of the Management Board in 2017, following a coordinated shareholder decision and based on his professional competences, knowledge of the steel industry and equity participation. GOV-1 21.c 5.b The members of the Supervisory Board reappointed Andrey Zubitskiy as President of the Management Board for a new six-year term in 2023.

As the Management Board directs the business operations of the Company independently and at its own liability, an elected member must make a formal statement confirming that he or she meets all the statutory requirements for appointment, and the Audit Committee and the Supervisory Board are legally responsible for monitoring the prevention of conflicts of interest.

EXTENDED MANAGEMENT TEAM

The extended management team of SIJ d.d. consists of:

- President of the Management Board: Andrey Zubitskiy GOV-1 22.a,
- Senior Vice-President: Tibor Šimonka,
- Vice-President and CEO: Viacheslav Korchagin,
- Vice-President and CFO: Igor Malevanov,
- individual division managers within the organisational structure of job positions in the systematisation of SIJ d.d. or SIJ Group.

The centralised management of SIJ Group's business functions is divided between the Strategic Collegium and Operational Collegium. With the Vice-Presidents, the Strategic Collegium confirms the strategy of SIJ Group, the economic plan of SIJ d.d., and the commercial plans of companies, mergers, acquisitions and sales of companies, major investments, sponsorships, donations, and other major non-commercial affairs involving SIJ Group. It is also responsible for setting up teams to undertake various projects of strategic importance to SIJ Group.

Once defined, the strategic goals are sent to the Operational Collegium to be executed 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.

EFFECTIVE MANAGEMENT OF FINANCIAL REPORTING

SIJ d.d. ensures effective management of the accuracy of financial reporting in all material aspects of business growth, and prevents risks that could adversely affect the business of SIJ d.d. and the SIJ Group through the continuous improvement of operational, financial and other internal controls and systems.

SIJ Group's internal control system is based on monitoring 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 parent company of SIJ Group.

The functions of the internal control system and risk and fraud detection controls are allocated to separate departments of SIJ d.d., while regular oversight for the entire SIJ Group is exercised by the management at the operational level. The internal control system is supported by:

- software, which allows for day-to-day monitoring of the key operating parameters of SIJ Group subsidiaries, and
- business intelligence software solutions, allowing the Company to track events and operational records directly at the operational level in real time.

We also manage risks associated with financial reporting by:

- having a unified reporting system and by making extensive disclosures and clarifications;
- timely preparation and substantive presentation of financial statements and analyses, which are then used in the process of making business decisions;
- conducting regular external annual 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 reporting and external reporting which complies with the law.

This conveyance of information entails:

- reports from the subsidiaries' managements to the parent company SIJ d.d.;
- conveying the necessary information from the manage ment to the employees responsible for specific areas;
- notifications and reporting to the relevant institutions (Financial Administration of the Republic of Slovenia (FURS), the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES), the 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 the Company operations comply with the law and guarantee fair and transparent reporting in all material respects.

OBSERVANCE OF THE DIVERSITY POLICY IN THE CORPORATE BODIES OF SIJ D.D. AND SIJ GROUP

SIJ d.d. does not have a formal diversity policy in place for members of its management and supervisory bodies. Instead, diversity in management and supervisory bodies is ensured through the functional roles of members with different professional expertise and by meeting the legal requirements for holding office. We focus on the effectiveness of the members of the management and supervisory bodies and their acting in the best interests of SIJ d.d. and SIJ Group.

Many supervisory board and division manager positions, or key positions in the extended management of SIJ Group, are held by women, and the proportion of women members of the Supervisory Board of SIJ d.d. has been 28.5% from 2021 onwards. GOV-1 21.d The corporate governance of SIJ d.d. is committed to diversity. We incorporate the principle of diversity into SIJ Group's company bylaws, and it is included in the SIJ Group Code of Ethics and the SIJ Operating Policy. In an effort to further foster the application of this principle, we also adopted a Diversity Plan at the end of 2023.

SIJ Group will create the conditions for a more inclusive environment in various ways, taking into account various categories of diversity. We act responsibly to include and treat vulnerable categories of employees with dignity by respecting human rights, treating people with disabilities in a non-discriminatory and trustworthy manner, and by having two companies dedicated to employing people with disabilities.

EXPLANATORY NOTE ON GOVERNANCE CODES

In the period from 1 January 2024 to 31 December 2024, SIJ d.d. applied the SIJ Group Corporate Rules, as adopted in May 2023 and available on the SIJ Group intranet. The Rules set out in more detail the principles of business and corporate governance, as they apply to SIJ Group's business process flowchart. The Rules define the decision-making processes in key bodies and thus define the corporate governance system of SIJ d.d. and SIJ Group.

In areas where established codes overlap with legislation and good business practices, SIJ Group's governance complies with the Corporate Governance Code for Listed Companies, although SIJ d.d. has not explicitly included these codes of reference, nor have any of its key subsidiaries. In 2024, we took part in the Slovenian Sovereign Holding (SDH) survey on compliance with the Corporate Governance Code for Companies with Capital Assets of the State and the Recommendations and Expectations of Slovenian Sovereign Holding. We clarified that we take them into consideration as a best practice recommendation in governance and in segments where their recommendations overlap with the legislation.

Presented below is a comparison between the SIJ Group Corporate Rules and the relevant parts of the Corporate Governance Code for Listed Companies. This content also applies mutatis mutandis to the comparison with the provisions of the Corporate Governance Code for State-owned Enterprises .

COMPARATIVE FRAMEWORK OF THE SIJ GROUP CORPORATE RULES AGAINST THE KEY RECOMMENDATIONS FROM THE CORPORATE GOVERNANCE CODE FOR LISTED COMPANIES

Corporate governance framework

SIJ d.d. is a public limited company whose Articles of Association state that its fundamental objective is to maximise value through performing its own activities. Despite the recommendations that companies should define additional objectives in their Articles of Association besides the basic economic objectives, SIJ d.d. has not defined any other objectives in its Articles of Association. That being said, the Company pursues various financial and non-financial goals in the course of its business operations, as set out in its Business Strategy and Sustainability Strategy. The SIJ Group Corporate Rules incorporate the targets of both strategies. The most important targets for 2025 and 2030 include:

- satisfactory SIJ Group results in terms of business performance and sustainability;

- maintaining a reputation as an employer of choice;
- protection of the environment.

Sustainability of operations

The Company does not have a standalone bylaw entitled a Sustainable Development Policy, nor is this policy specified in the SIJ Group Corporate Rules. The goals of the Sustainable Development Strategy up to the Year 2030 are defined in more detail and supported by the:

- Sustainability Financial Framework,
- SIJ Group Decarbonisation Plan 2020-2030-2050 and the associated investment plan,
- SIJ Group Code of Ethics, and
- SIJ Group Operating Policy.

These documents were adopted in 2022 and 2023.

General Assembly

SIJ d.d. was one of the first public limited companies in Slovenia to include in its Articles of Association the possibility of holding its General Assembly meeting by digital support. Due to the small number of shareholders and the fact that shareholders have so far not expressed a need for this, the Management Board has not adopted more detailed rules on this issue.

In most cases, the convening and holding of the meetings of the General Assembly of SIJ d.d. deviate from the deadlines for public announcements, the possibility of soliciting applications or organising proxies, and other recommendations of the Codes, which are aimed at a public company having a large number of shareholders for the sake of transparency. As we primarily comply with the law when conducting General Assembly meetings, the SIJ Group Corporate Rules only briefly regulate the General Assembly. With due consideration of the statutory requirements, we usually schedule of the General Assembly in coordination with the shareholders. This is because a 100% attendance at the General Assembly ensures that they can effectively vote on the resolutions or on the agenda (regardless of the rules of the Companies Act regulating the timing of convening the General Assembly and publication of the agenda).

Supervisory Board and Management Board

In these segments, the SIJ Group Corporate Rules deviate from the recommendations of the Corporate Governance Code for Listed Companies. The composition, appointment and candidate selection process for members of the management and supervisory bodies are coordinated by the two majority shareholders in accordance with the Shareholders' Agreement and the requirements of the law.

The SIJ Group Corporate Rules define the governing bodies and management of SIJ Group, with substantive provisions related to:

- corporate governance and supervision of SIJ d.d.,
- management of the Company and SIJ Group as a whole,
- the chart of SIJ Group processes, and
- guidelines for the management staff.

Operational transparency

The SIJ Group Corporate Rules also set out the guidelines for public reporting and operational transparency. They highlight dissemination of information to the public and reporting on all major business events and equal communication of information to all stakeholders involved in SIJ Group's business operations. As SIJ d.d. trades with bonds on a regulated market, the SIJ Group Corporate Rules do not set out the rules for preparation of the financial calendar or notices on closed trading windows, as recommended by the Corporate Governance Code for Listed Companies. We time the publishing of controlled or internal information according to the emergence of material business information. We endeavour to make business information clear and accessible to all stakeholders.

In implementing and communicating corporate governance standards and best practices, SIJ Group primarily adheres to its own corporate rules, which are suitably aligned to fit with SIJ Group's corporate system and geared towards the effective achievement of business and sustainability targets.

Ljubljana, 28 May 2025

Andrey Zubitskiy,
President of the Management Board

Evgeny Zverev,
President of the Supervisory Board

BUSINESS REPORT

Business Strategy

BUSINESS STRATEGY IMPLEMENTATION

In line with the business strategy adopted in 2019, SIJ Group has successfully maintained its leading positions in niche markets. Even in 2024, facing a decline in demand, we increased our market shares in key markets. At the same time, we are strengthening our reputation as an employer of choice, which is one of the SIJ Group's strategic priorities.

Advantages of SIJ Group's Business Strategy

FLEXIBILITY	A modular strategy, tracking of key parameters in real-time	Making a distinction between essential and optional investments, and adapting to market conditions in a flexible manner. Adjusting the volume of production (flexibly, based on energy prices).	Prompt decision-making
VERTICAL INTEGRATION	Record quantities in 2024	Expanding distribution: • developing recently-acquired sales capacities in the USA and in the United Arab Emirates (Middle East). • optimising supply chains in existing distribution centres	
NICHE MARKETS	Focus on specialised niche markets	Established brands – ten product brands and four end-product and service brands	Niche industries: • aviation, • oil and gas • energy

SIMOLD... SIDUR... SIHARD...
SIWATT... SITHERM... SIQUAL...
SIRAPID... SINOXX... SIMAXX... SIPREME...

SIROLLS... SIKNIVES... SIMATEC... SILABS...

BRANDING AND MARKETING

As an established provider of branded steels and steel products, as well as certain application-specific services, we are strengthening our links and collaborations with end customers. We also present our offering at carefully selected trade shows, and in 2024 we appeared at 15 of these in eleven countries.

In our marketing and marketing communication activities, we ensure that our actions comply with regulations and adhere to ethical principles. We have had no incidents of non-compliance with any regulations or codes related to marketing and communications.

We carefully safeguard our customer information in our marketing activities. So far, we have received no substantiated grievances regarding any breaches of our customers' privacy or any loss of customer data.

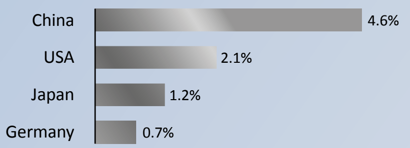
PROTECTION OF COMPETITION

SIJ Group enterprises adhere to fair market practices. Until the end of 2024 we were not subject to any administrative, legal or other proceedings involving the distortion of competition, restrictive agreements or abuse of a dominant position. We currently have no separate management with regard to the protection of competition.

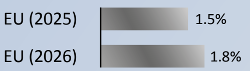
IMPACTS OF THE EXTERNAL ENVIRONMENT AND SIJ GROUP ACTIVITIES

GLOBAL ECONOMIC OUTLOOK

Economic growth projections for 2025



Economic growth projections for 2025 and 2026



Observations and trends

3.2% global growth (GDP) in 2024

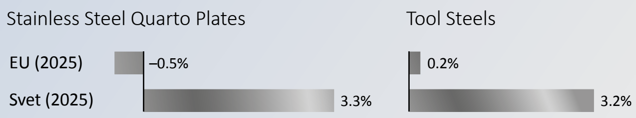
3.3% global growth (GDP) in 2025

Activities of SIJ Group

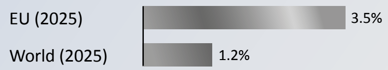
- Building stronger relationships with existing customers in dynamic market conditions
- Building a stronger local presence and increasing sales in the USA and in the Middle East
- Increasing sales activities in existing and new markets
- Improving the supply chain leading to the end-buyers

NEW STEEL DEMAND TRENDS

Projection of the growth in steel consumption



Projected growth in steel demand



Observations and trends

3.5% growth in EU demand for steel in 2025

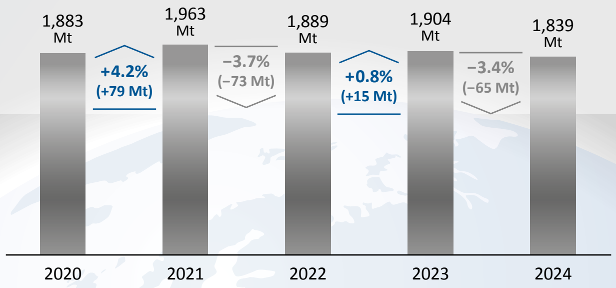
15.8% average decline in steel prices in 2024

Activities of SIJ Group

- Efficient adjustment of the Group's business activities to account for the declining market prices of steel products
- 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

SUSTAINABLE DEVELOPMENT & GEOPOLITICAL CHALLENGES

Global steel production



Observations and trends

2.6% EU steel production growth in 2024

3.4% decline in global steel production in 2024

Activities of SIJ Group

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

Sources:
European Commission. November 2024. European Economic Forecast: Autumn 2024. Available at the following link (3 March 2025).
European Steel Association. March 2025. Steel Statistical Yearbook 2024. Available at the following link (3 March 2025). The data is accessible to association members.
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Business Operations Analysis

NORMALISED PRODUCTION AND HIGHER REVENUES

In 2024, the volumes of steel cast were 20.5% higher compared to the previous year, which was unique due to extensive flooding, production outages and the cooling down of key markets. Steel production quantities are comparable to the years pre-2023.

Revenues were up 5.3% year-on-year. Revenue growth was lower than the normalised or increased volume of steel production compared to 2023, mainly due to the lower demand faced in the second half of 2024 by the steel industry as a whole. This decline in demand was linked to the macroeconomic trends in Europe, and Germany in particular; to higher energy prices in the European Union; and to increased competition from steel imported from outside the European Union. As a result, both the EBITDA and the EBITDA margin are lower compared to 2023.

ADJUSTED EBITDA

The procedures involving insurance and flood damage coverage had not yet been concluded by the year-end of 2023, and as a result these amounts are not shown in the revenue. As these relate to the financial year 2023, we have

SIJ Group key performance figures

	Unit	2023	2024
Cast steel production	t	378,601	456,743
Revenue	EUR thousand	1,001,915	1,055,428
EBIT	EUR thousand	–8,203	–18,932
EBIT margin	%	–0.8	–1.8
Depreciation and amortisation	EUR thousand	56,174	56,880
EBITDA	EUR thousand	56,588	48,208
Adjusted EBITDA	EUR thousand	73,286	39,778
EBITDA margin	%	5.6	4.6
Profit or loss before taxes	EUR thousand	–25,316	–42,702
Net profit or loss	EUR thousand	–18,828	–46,372
CAPEX	EUR thousand	62,074	66,105
Average number of employees		3,498	3,554

	Unit	31 Dec 2023	31 Dec 2024
Total assets	EUR thousand	967,709	970,566
Equity	EUR thousand	417,892	371,800
Working capital	EUR thousand	163,650	154,940
Inventories	*EUR thousand*	*311,294*	*296,539*
Trade receivables	*EUR thousand*	*73,385*	*88,209*
Trade payables for operating assets	*EUR thousand*	*221,029*	*229,808*
Net financial debt	EUR thousand	237,183	255,899
Non-current and current financial liabilities	*EUR thousand*	*263,887*	*293,806*
Cash and cash equivalents	*EUR thousand*	*26,705*	*37,907*
NFD/EBITDA		4.2	5.3

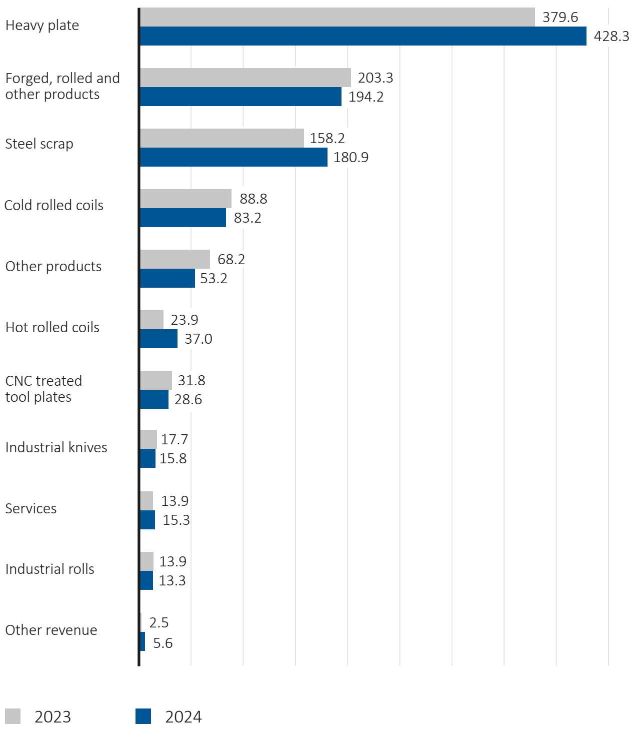
taken them into account in the 2023 annual report in the adjusted EBITDA of an estimated EUR 16.5 million, resulting in an adjusted EBITDA of EUR 73.3 million. In 2024, we received the aforementioned insurance payments totalling EUR 8.4 million. As these are linked to events in 2023, we have deducted that amount from the 2024 adjusted EBITDA. Therefore, the adjusted EBITDA for the year 2024 stood at EUR 39.8 million.

CHANGES IN SALES STRUCTURE

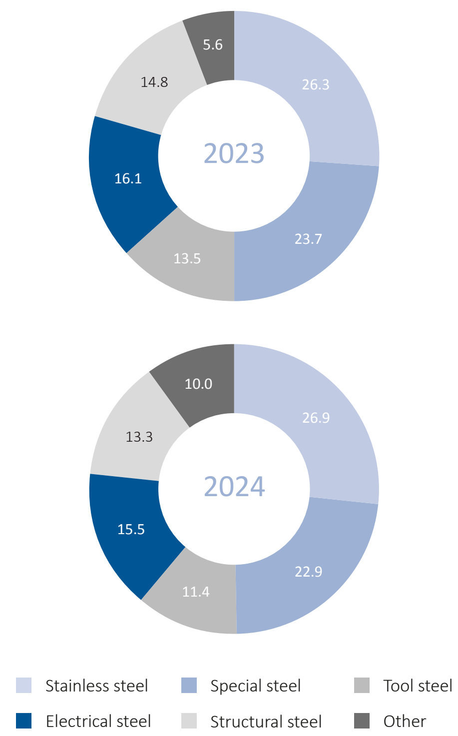
In terms of the breakdown of sales, the largest increases are seen in the quarto plates and hot-rolled coils segments. This change comes due to a combination of the production outage in 2023 and the intentional efforts to maintain these market shares even at the risk of a potential decline in profitability. A higher share is also reported in the steel scrap segment, a phenomenon which was mainly prevalent in terms of market penetration during the first half of the year. During the second half of the year, the situation in the scrap market also became more challenging.

In a challenging environment, the share of sales of individual steel grades in 2024 remained on par with the preceding period, while we expect to increase the shares of electrical steels, special steels and tool steels over the long term. The investments we completed in both SIJ Group steel mills in 2024 will affect the production of these steels. We are strategically targeting new sales channels and niche steel markets, for which we are developing products in cooperation with our partners.

Sales by product groups (in EUR million) 40.a i.



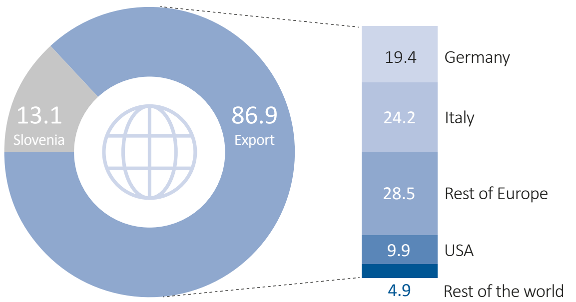
Share of the sales volume of certain types of steel (in percentages)



HIGH SHARE OF EXPORTS

With a more than 80% share of exports, we have held the position of one of Slovenia's largest exporters for over a decade. In 2024, we generated EUR 917.0 million (or 86.9%) of our sales in foreign markets. We are present in more than 70 countries worldwide, with Germany, Italy and other European countries as our main export markets. In 2024, we increased our share of exports to Italy. When the situation on the German market led to a slight decline in exports to that market, we compensated with exports to other countries in Europe and the rest of the world.

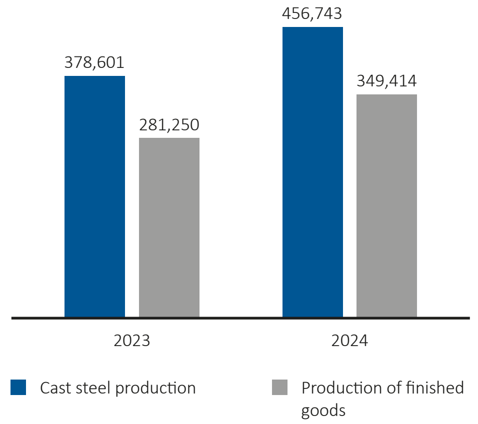
Share of revenues by market (in percentages) 40.a ii.



NORMALISATION OF PRODUCTION VOLUMES

The figures show significant increases in production in 2024 compared to the previous year, but in fact this is mainly a normalisation of production volumes, which were lower in 2023 compared to previous years due to extraordinary circumstances.

Cast steel and production of finished products (in tonnes)



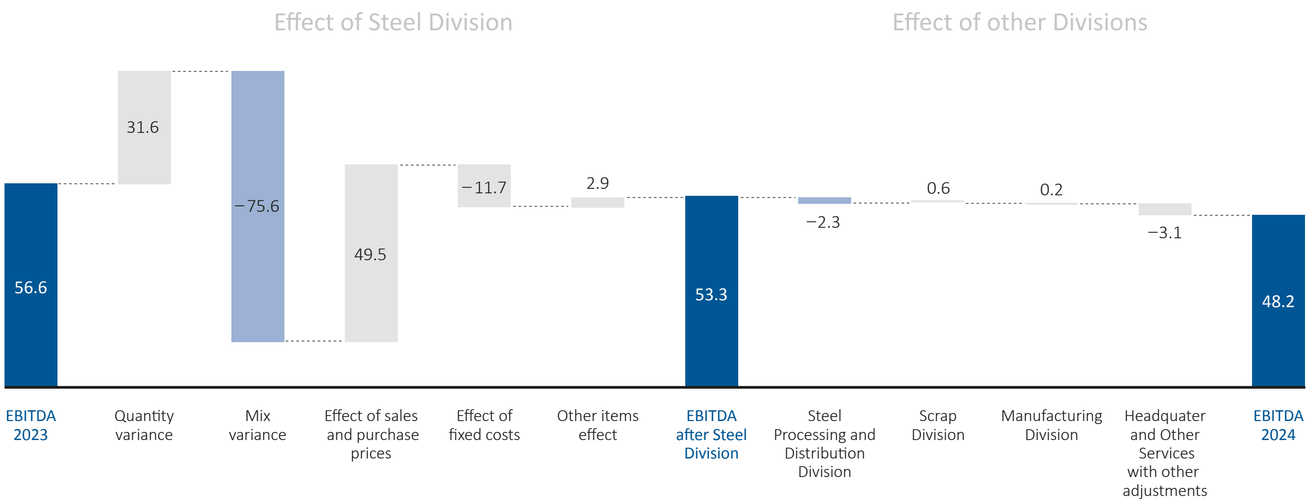
IMPACT OF BUSINESS DIVISIONS ON THE EBITDA

The Steel Division has the greatest impact on SIJ Group's EBITDA. The weaker second half of the year resulted in a EUR 3.3 million decrease in EBITDA. Higher sales volumes increased EBITDA by EUR 31.6 million, but as sales and purchase prices did not keep pace with volumes, EBITDA decreased by EUR 75.6 million. The positive impact of variable costs to the tune of EUR 49.5 million was mainly achieved through reducing energy costs, which were lower compared to the previous year despite higher volumes. The increase in fixed costs in 2024 was primarily due to production outages in 2023. In 2024, labor costs returned to normal levels, while insurance premiums saw an upward adjustment.

The Steel Processing and Distribution Division is closely linked to the Steel Division. In 2024, the impact on EBITDA in this area was mainly related to lower selling prices due to a worsening of the conditions in the German and Italian markets.

Thanks to higher sales volumes and prices in the first half of 2024, the Scrap Division had a positive impact on SIJ Group's EBITDA. Due to a tightening in market conditions in the knives and roll markets, the impact of the Manufacturing Division remained roughly on par with the previous year. In the Headquarters and Other Services division, EBITDA is affected by inventory profits within SIJ Group and other consolidation adjustments.

EBITDA bridge (in EUR million)



PRICES OF KEY RAW MATERIALS

Economic activity in Europe improved in early 2024 in comparison to the second half of 2023. The slightly stronger demand for steel has also boosted demand for raw materials, fostering a positive trend in the prices of raw materials used in steel production. In the complex relationships among supply, demand, geopolitical factors and technological innovation, there has been no shortage of raw materials on the market. Occasional volatility was caused by changes in trade restrictions and logistical disruptions in supply.

As economic activity stabilised later in the year, steel raw material consumption decreased again. With the slowdown in the manufacturing and construction industries, there was a decrease in the availability of steel scrap. Although the prices of raw materials decreased in the second half of the year, the decline was smaller compared to the lowering of the prices of steel products.

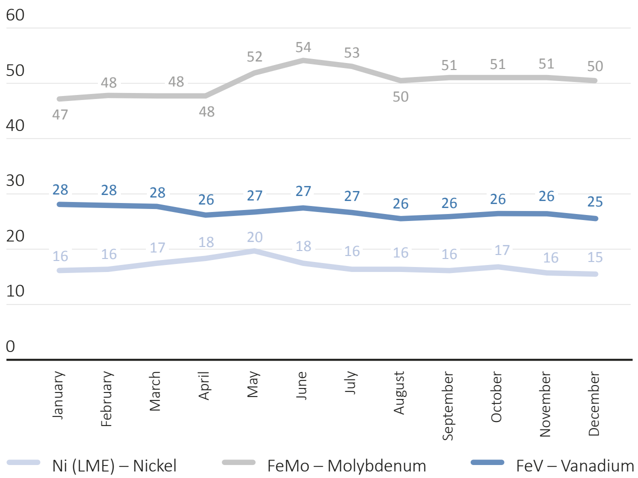
- Molybdenum maintained stable and relatively high price levels throughout 2024. Based on demand, its supply has not improved. Projections indicate a possible increase in supply in 2025.

- Vanadium maintained stable prices throughout the year, but at a relatively low level. Supply remains higher than demand due to the weaker economic activity in the Chinese real estate sector and the associated demand for steel.

- Nickel maintains a relatively low price level, fluctuating within a limited range. Availability on exchanges is still increasing. Indonesia maintains its global influence on supply as the main supplier of this key raw material.

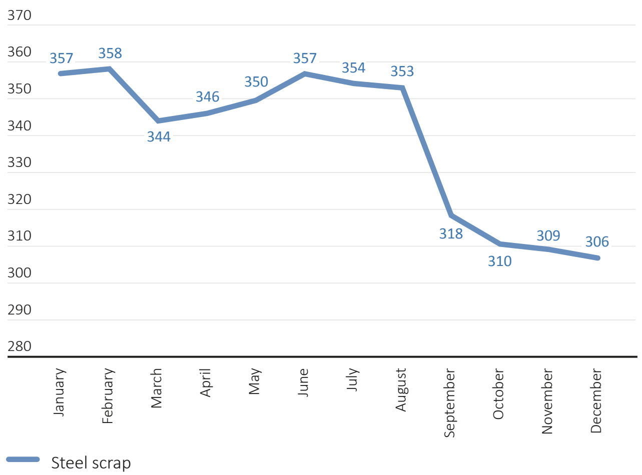
- In the chromium market, there is a trend towards exporting ore to China and slowing down production in South Africa. Low prices lead to losses for producers and to the closure of alloy production facilities in countries where electricity prices hinder cost-efficiency.

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



Steel scrap prices were more stable in 2024 compared to previous years. The level of economic activity influences the return of steel scrap, and as economic activity declined, so did demand for it. Overall, the availability of scrap did not overtake demand. As the situation stabilised by the end of 2024, there was a slight decrease in prices.

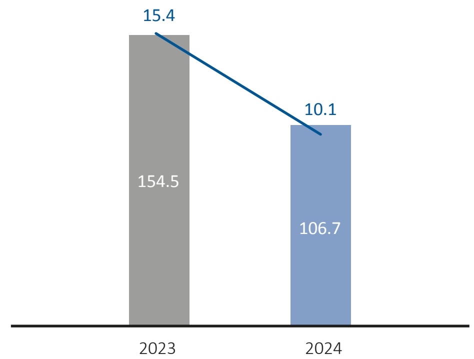
Movement of steel scrap price (in EUR per tonne)



THE IMPACT OF ENERGY COSTS

In the Steel and Manufacturing Divisions, which are SIJ Group's largest consumers of energy products, energy consumption increased and the cost of energy products was lower compared to the previous year. In 2024, we used 16.9% more megawatt-hours of electricity and 11% more megawatt-hours of natural gas for the increased production output. The cost of energy was 26.4% lower compared to 2023, despite energy prices being higher than in the past and higher compared to those faced by most other European steelmakers. The share of these costs in the overall operating revenues for the entire SIJ Group decreased by 5.3 percentage points.

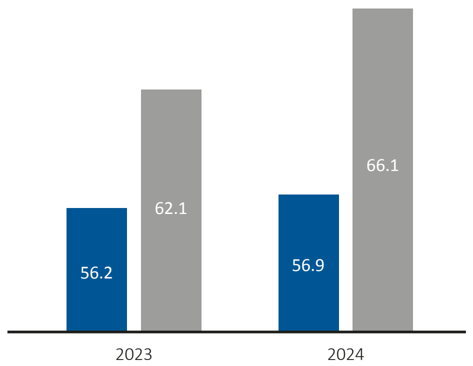
Energy costs (in EUR million) **and share in revenues** (in percentages)



INVESTMENTS, DEPRECIATION AND AMORTISATION

Capital expenditure in 2024 was higher than the costs of depreciation and amortisation, and remains high due to the large-scale projects in the previous and current reporting periods. Capital expenditure – mainly involving large repairs and new investments – amounted to EUR 66.1 million. We completed major investment cycles such as upgrading the heat treatment line for non-oriented electrical steel and the Knives 2.0 and Rolling Mill 4.0 programmes. The strategic investments allow for the production of new steel grades and increased sales of higher value-added products. No major investments will be needed in 2025. We will adjust our CAPEX allocations according to the market situation. In the event of a slower market recovery, we will focus on the most essential investments only.

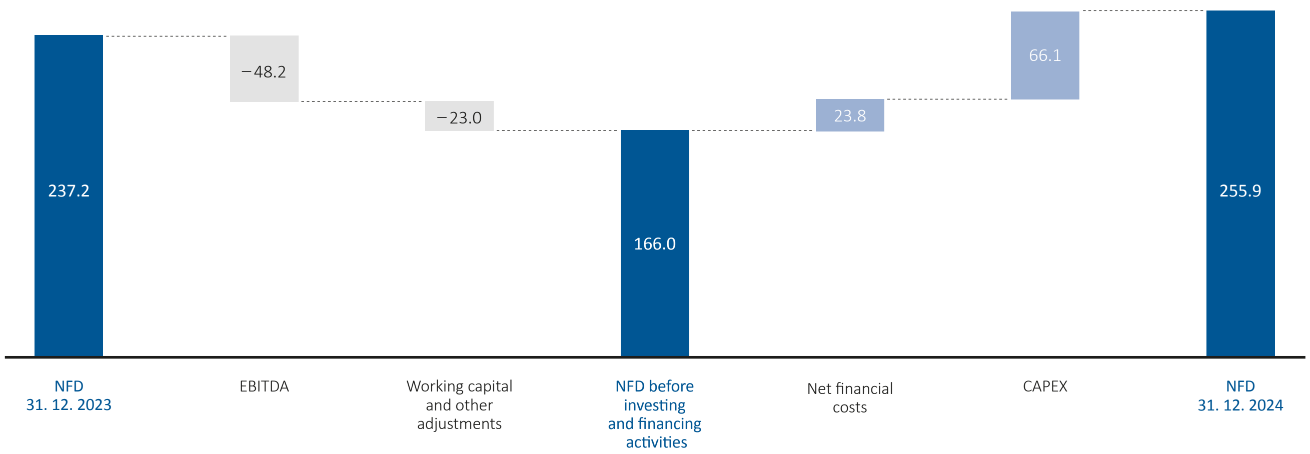
Amortisations and depreciation costs and CAPEX (in EUR million)

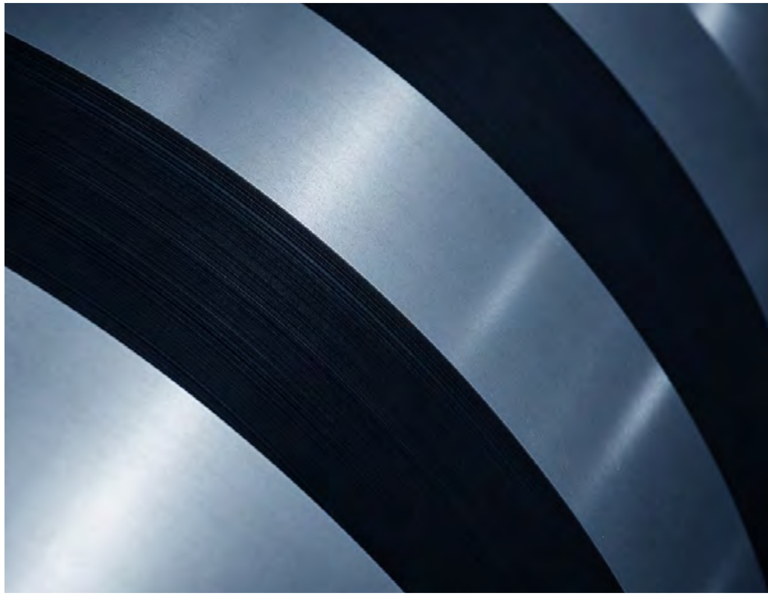


NET FINANCIAL DEBT

At the end of 2024, SIJ Group's net financial debt increased by EUR 18.7 million and reached the level of EUR 255.9 million. The increase was driven by the business conditions in the second half of the year and increased expenditure for strategic investments to focus on more profitable steels and the development of new steel grades. The net financial debt was positively affected by a reduction in working capital and other adjustments.

NFD bridge (in EUR million)

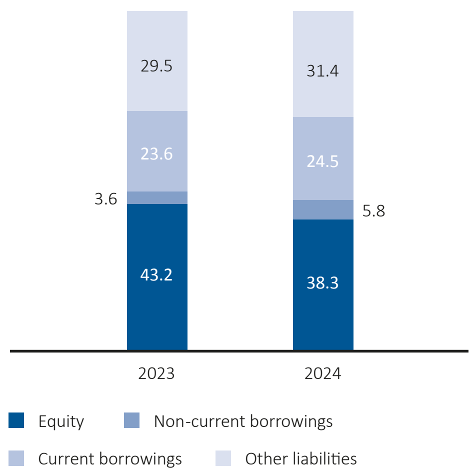




HIGH SHARE OF EQUITY

The share of equity in the debt structure remains at a high level. The negative net result led to a slight decrease in the share of equity compared to the previous year, while the share of liabilities increased.

Debt structure as at 31 December (in percentages)



DIVERSIFICATION OF SOURCES OF FINANCING

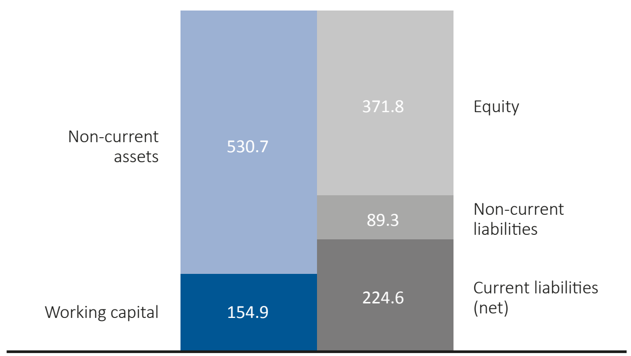
With the additional bond issue of EUR 22.1 million in November 2024, the SIJ8 bond issue rose to the total nominal value of EUR 41.1 million. The additional issue of SIJ8 bonds partially replaced the EUR 48 million SIJ6 bonds which matured in November 2024.

SIJ Group secures its liquidity reserve and sources of financing through bilateral lines of credit and a long-term syndicated loan facility concluded in 2022. The European Bank for Reconstruction and Development (EBRD) is participating in this loan, alongside a consortium consisting of nine domestic and foreign banks.

STABLE STRUCTURE OF ASSETS AND SOURCES OF FINANCING

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.

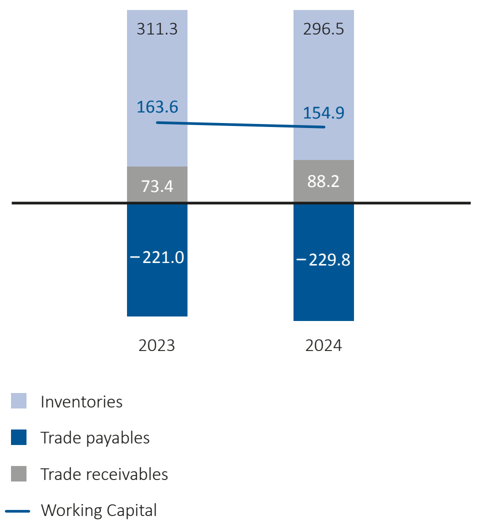
Structure of financial position as at 31 December (in EUR million)



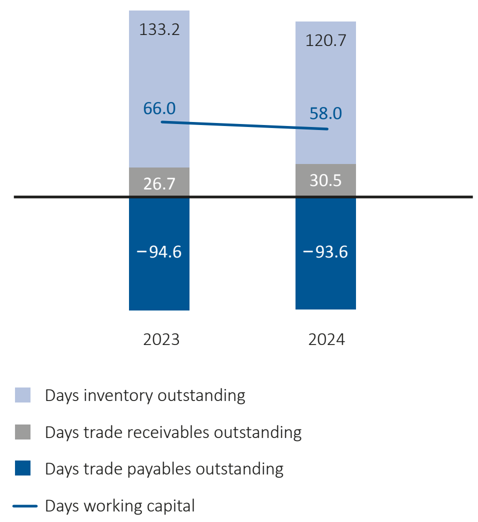
WORKING CAPITAL MANAGEMENT

Changes in working capital over the course of the year are managed with our approved lines of credit and effective day-to-day monitoring of payables and receivables. Despite higher sales, working capital in 2024 decreased compared to the previous year, while the Days Working Capital figure decreased. Higher sales (during the last quarter in particular) led to an increase in trade receivables. We reduced inventories through active efforts geared toward improving cash flows and adapting to market conditions and demand. We manage our trade payables efficiently through supply chain financing instruments in the form of supplier factoring.

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



Days working capital outstanding as at 31 December



LOWERING INVENTORIES

Faced with the unfavourable economic environment in the second half of 2024, our intensive and systematic efforts to optimise our inventories approached the level of safety reserves. Even before this, inventories had been kept at a relatively low level in the case of raw materials and work-in-progress, i.e. levels sufficient to ensure smooth production in the steel production facilities. In 2024, we further optimised our inventories of finished goods. At the end of the year, the level of inventories was 18.3% lower compared to the previous year. The total level of inventories was down by 4.7% compared to the previous year. .

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

ALTERNATIVE PERFORMANCE INDICATORS

SIJ Group also reports its performance results based on the alternative performance indicators defined by the European Securities and Markets Authority (ESMA). Net sales revenue and net profit are defined according to International Financial Reporting Standards.

Notes on the performance indicators

Indicator	Explanation of the calculation	Use
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.
Exports	Non-domestic net sales revenue compared to overall net sales revenue in the statement of comprehensive income (Disclosure 1).	The share of exports indicator 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.	EBIT shows the operating result and is part of the EBITDA indicator.
EBITDA	Operating profit or loss in the statement of comprehensive income before depreciation and amortisation (Disclosure 2) and impairments (profit/loss) of operating receivables in the statement of comprehensive income and impairment of tangible assets and impairment of inventories (Disclosure 4).	EBITDA is one of the indicators of SIJ 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.
EBITDA margin	Share of EBITDA in net sales revenue in the statement of comprehensive income.	As a relative indicator, the EBITDA margin is used in 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.	Net profit or loss equals 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 / adjusted EBITDA indicator.
NFD / EBITDA	NFD / EBITDA	The debt ratio which shows the ratio of net financial debt to EBITDA. A lower value of this indicator means that SIJ Group is able to repay its debts to a greater extent and faster, with a lower risk of default vis-a-vis investors. The EBITDA for the past 12 months is used for half-year figures.

Strategic CAPEX

In 2024, we delivered on our key planned CAPEX. The total value of CAPEX reached EUR 66.1 million, and is somewhat lower compared to 2023. More than a quarter of these funds were allocated to investments aimed at reducing direct environmental impacts, which are presented in more detail in the Sustainability Report on page 92.

The investments which are also foreseen in the SIJ Group Decarbonisation Plan 2020-2040-2050 will have a positive effect on reducing our environmental impact, partly due to the observance of the Best Available Technology (BAT) principle. Through smart CAPEX planning, we are working to eliminate bottlenecks and increase efficiency, optimise, automate and digitise production processes, and increase our own capacities, which also decrease our water and energy consumption, increases the rate of using secondary raw materials, reduces emissions, and so on.

Key investments in 2024

Upgrade of the heat treatment line for non-oriented electrical steel

Total value of the investment: 18.2 EUR million

Value of the investment in 2024: 13.4 EUR million

PURPOSE
- To increase production capacity and stability

IMPACT
- 20% increase in output capacity
- 50% reduction in carbon footprint

GOAL
- Production of highly advanced non-oriented electrical steel for use in the automotive industry

Knives 2.0 Programme

Total value of the investment: 7.82 EUR million

Value of the investment in 2024: 1.4 EUR million

PURPOSE
- To increase capacity and remove bottlenecks
- Stabilisation, optimisation and automation of production and support processes
- Optimising production costs

IMPACT
- 23% increase in productivity
- Increase in annual production output by 290 tonnes per year
- Increased value added per employee

GOAL
- 1,660 tonnes of industrial knives per year, produced using modern, competitive, efficient, digitised and automated methods

Total value of the investment:
59.3
EUR million

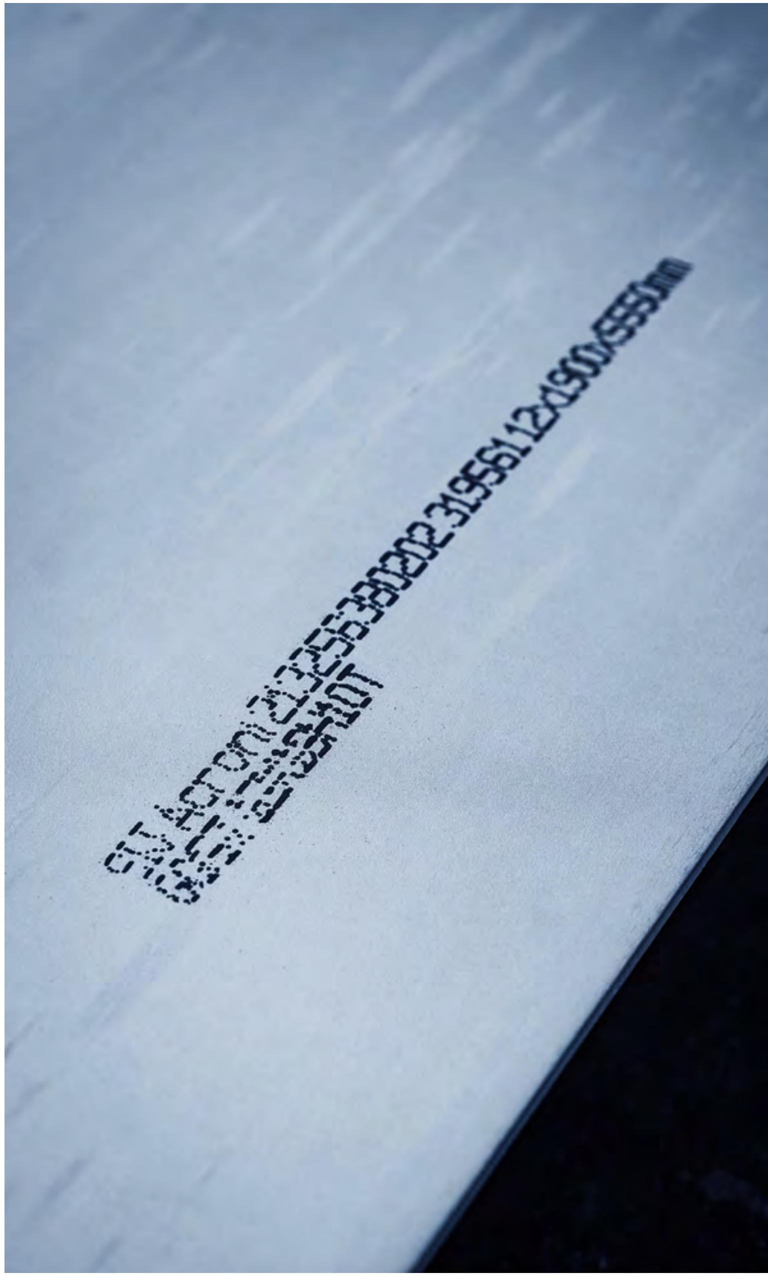
Value of the investment in 2024:
7.7
EUR million

Rolling Mill 4.0 Programme

PURPOSE
- To increase capacity and remove bottlenecks
- Optimisation and automation of production and support processes.
- Optimising production costs

IMPACT
- Increase in annual production output by **31,500** tonnes per year
- Headcount optimisation
- Improved yield

GOAL
- Developing and increasing the production of high-grade steels.
- Changing the production mix



INDIRECT ECONOMIC IMPACTS OF CAPEX

We are improving working conditions for our employees and managing our environmental impact by making specific investments in infrastructure and supporting services, and taking targeted measures, particularly in the Steel Division companies.

Infrastructure CAPEX and services supported

			ENVIRONMENT (emissions, noise, effluents, etc.)	EMPLOYEES (improving working conditions, improving health and safety at work, etc.)
INFRASTRUCTURAL MEASURES	**SIJ Acroni**	Name of measure:	New road connection - Javornik	Refurbishment of the hall C in the Quarto Plate Processing Plant
		Type of impact:	Reducing traffic in a populated area, improving the safety of residents.	To ensure the durability and stability of the steel construction of the crane rail line and the safety of the production process in accordance with applicable standards.
		Timing:	Work is in progress.	Work is in progress, and is projected to be completed in 2026.
	SIJ Acroni	Name of measure:		Repairing lightning conductors
		Type of impact:		Improving employee safety and protecting buildings and energy installations from lightning strikes.
		Timing:		Project completed.
	SIJ Acroni	Name of measure:		Fire, gas detection and alarm system
		Type of impact:		Improving fire safety, reducing emergency response times, reducing the risk of major damage to property and injuries to employees.
		Timing:		Work is in progress, and is projected to be completed in 2025.
	SIJ Ravne Systems	Name of measure:	Knives 2.0: Central emulsion vapour extraction system	
		Type of impact:	Reduction of oil droplet emissions to the working environment from the current level of 83.4 mg/m³ down to 58.4 mg/m³.	
		Timing:	Project completed.	

Measures with significant indirect economic impacts

			ENVIRONMENT (emissions, noise, effluents, etc.)	EMPLOYEES (improving working conditions, improving health and safety at work, etc.)
MEASURES WITH INDIRECT IMPACTS	**SIJ Acroni**	Name of measure:	Energy-efficient lighting	Upgrade of the crane trolley in the HTL Plant
		Type of impact:	Energy-efficient light bulbs and a smart lighting system reduce power consumption.	Ensuring safe crane operation increases employee safety and protects the HTL production line.
		Timing:	Project completed.	Project completed.
	SIJ Acroni	Name of measure:		Energy-efficient lighting
		Type of impact:		Adequate lighting and the option to increase the lighting intensity in overhaul scenarios have improved working conditions and workplace safety.
		Timing:		Project completed.
	SIJ Acroni	Name of measure:		Protective hose manipulator
		Type of impact:		Improving working conditions and the safety of casters, who are now no longer present on the most exposed platform due to the use of the protective tube manipulator during the casting process.
		Timing:		Project completed.
	SIJ Metal Ravne	Name of measure:	Replacement of 2 x heating furnaces (TK3-4)	Repair of the base of the 40/45 MN Press
		Type of impact:	We are indirectly reducing our carbon footprint by reducing our natural gas consumption.	Reducing the risk of an emergency.
		Timing:	The project is expected to be completed in the first quarter of 2025.	Work is in progress. Completion is expected in 2026.
	SIJ Metal Ravne	Name of measure:		Straightening line for small-diameter products
		Type of impact:		The main impact foreseen is a DEI (direct economic impact: savings or revenues). Expected indirect impact: improved working conditions and workplace safety due to replacing manual work on the forging machinery with automated levelling.
		Timing:		Expected to be completed in 2025.
	SIJ Metal Ravne	Name of measure:		BSE lance optimisation
		Type of impact:		Replacing manual sampling at the furnace with automatic sampling. Employees will not be exposed to the high-risk area in front of the furnace during measurement and sampling.
		Timing:		Project completed.
	SIJ Ravne Systems	Name of measure:	Briquetting and recycling of briquettes	
		Type of impact:	Cleaning the grinding sludge by squeezing out the emulsion allows the waste to be reclassified as non-hazardous waste which is suitable for further processing. The resulting sludge briquette is used as a raw material in the production of steel according the principles of the circular economy.	
		Timing:	Project completed.	

Continuation of the table →

Continuation of the table

Research, Development and Innovation (RDI)

SIJ Group's Project Management Office for Research and Development Projects (PMO R&D) systematically coordinates the work of experts from different R&D departments. Through the efforts of the PMO R&D we have successfully identified, launched, and coordinated 38 development projects in 2024.

Through the development of new steels and products, introduction of advanced technologies and numerous innovations, we are improving the perspectives ensuring better conditions for increasing value added, optimising process costs, accelerating digitalisation and reducing our carbon footprint. We will continue our focus on introducing new, higher value-added products in our production processes.

AWARDED PROJECTS AND ACHIEVEMENTS IN THE FIELD OF RESEARCH, DEVELOPMENT, AND INNOVATION

Each year, SIJ Group's research and development teams receive recognition as recipients of the Slovenian Chamber of Commerce and Industry's national innovation awards. At the national level, two development projects received Gold awards in 2024. cionalni ravni sta bila v letu 2024 z zlatim priznanjem nagrajena dva razvojna projekta.

Development of stainless ferritic steel for use in hydrogen fuel cells

In cooperation with a German customer, SIJ Acroni developed a dedicated steel for use in the production of a new generation of hydrogen fuel cells, the solid oxide fuel cell (SOFC). The MKMCrMoW22 steel is characterised by its unique development and execution using the steel scrap remelting and continuous casting process. This steel can withstand high temperatures over a very long period of time while retaining all its original properties.

Development of the UTOPTI/CHN35VT-VD superalloy using the innovative Electro Slag Remelting (ESR) process as the first producer in the world

SIJ Metal Ravne was the first company in the world to develop the new Electro Slag Remelting (ESR) technology used in the production of the UTOPTI superalloy for applications in the nuclear industry. We have improved the product's homogeneity, mechanical and corrosion properties, increasing the reliability and durability of the end products. Superalloy UTOPTI is intended for the manufacture of the key machining components in the nuclear reactor core. The components are resistant to radiation, temperature and mechanical shocks.

Our innovative projects have also been awarded two Gold prizes at regional level *(Lowering the Carbon Equivalent in the SIMAXX 700 High-Strength Steel and Automation of Surface Grinding)*, one Silver prize *(Optimisation of Solution Annealing of Precipitation Hardening Steel SINOXX 4542 as Part of a Sustainable Plan to Reduce CO2 Emissions)*, and one Bronze prize *(Optimisation of Tool Steel Heat Treatment to Stabilize Quality, Save Time, and Improve Capacity Utilisation).*

STRATEGIC R&D PROJECTS, NEW STEELS AND STEEL PRODUCTS

The PMO R&D acts as an open innovation ecosystem, bringing together in-house experts from SIJ Group, as well as experts from external scientific research institutions, industry partners and other experts from a variety of research fields. The connections between them allow for effective cooperation and knowledge transfer. The Project Management Office also supervises, controls and monitors existing activities taking place in subsidiaries across all project management cycles. In 2024, in partnership with the PMO R&D, we successfully launched and managed strategic projects focused on expanding our product range, penetrating new markets and developing decarbonisation technologies.

SIJ Group enters the superalloys market

In order for SIJ Group to enter the superalloys market, we have combined the expertise and technological processes of both our Steel Division companies. The test production of the superalloy has resulted in the final steel plate grade that meets all the specified requirements, as confirmed by the sale of the plates to the end customer. With the new programme produced under the SIPREME 800H/HT brand name, we now offer flat and long products made with the 800H/HT superalloy steel grade, and with further development we also intend to offer the 825 steel grade.

SIJ Group enters the aerospace industry market

According to various analyses, the aerospace industry market is currently in a phase of rapid growth, which is comparable to the internet boom of the 1990s, or to the civil aviation boom after World War II. SIJ Group is entering this market with high value-added products, and in 2024 we successfully produced the first 100 tonnes of products for use in the space industry. We have developed a highly sophisticated technological process for the production of solution annealed, supercooled and precipitation hardening plates of various thicknesses. Besides adding to the reputation of SIJ Group, the quality of our products, our ability to manage complex production processes and the synergy effects between our companies, the successful implementation of the project is proof that we are also a development-oriented and reliable partner in the aerospace industry.

Production of a laboratory and innovative pilot device used in an innovative process for capturing and processing CO_2 emissions

In 2024, we were working on developing a laboratory reactor for processing CO2 emissions in partnership with an external partner and research institutions. When validating the equipment, we focused on the stability, reproducibility and efficiency of the process. Preliminary laboratory equipment testing results show that our patented process is capable of recovering approximately 30% of CO2 emissions in a single step (depending on the configuration of process parameters). We are continuing the project by developing a continuous pilot plant.

R&D PROJECTS INTENDED FOR DEMANDING SECTORS

Energy: steels for applications in fusion reactors

In close cooperation with the customer, we produced the 316LN(H) steel for assembly of the ITER tokamak reactor. We also developed new products for use in the nuclear sector or for special applications in nuclear reactors, which must comply with strict rules in terms of the design and manufacturing of mechanical components (RCC-M).

For SINOXX austenitic and superferritic stainless steels for use in various nuclear applications, we developed processes and new steel grades whose properties far exceed this material's standard parameters according to European and American standards.

The aviation industry: new steels and certificates

We have been developing products for the aviation industry since 2020, when we obtained the EN9100 standard certification. In 2024, we developed two new steels for this sector, i.e. SIQUAL S137 and SINOXX S250, which are now part of our product mix. We have also started preparations for Nadcap (formerly NADCAP – the National Aerospace and Defence Contractors Accreditation Program) certification for non-destructive testing. This certification will further facilitate our market penetration in the aviation sector with high value-added steels.

Automotive: electrical steels

In the development of electrical steels, we are achieving the goals set in the GREMO projects (GREen MObility – an initiative of the Slovenian automotive industry) on page 47 and SmartChain (improving digitisation in the steel industry).

EMPLOYEE INNOVATION

SIJ Group encourages the spirit of innovation, looking for technical improvements, making useful suggestions and ideas. In 2024, we implemented 29 technical improvements, while employees submitted 181 useful suggestions and 428 ideas. The total economic benefit of such innovation activities reached as high as EUR 3,327,452. 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.

CONSORTIUM-LEVEL RESEARCH, DEVELOPMENT, AND INNOVATION PROJECTS

Project PETRA: Lowering the carbon footprint with Industry 4.0

In cooperation with the high-tech company C3M and the Faculty of Natural Sciences and Engineering at the University of Ljubljana, SIJ Acroni developed the TMProSim (Thermomechanical and Microstructural Process Simulator) digital twin as part of the RDI project PETRA (Optimisation of the Carbon Footprint of Steels with the Hot Rolling Digital Twin). This allows more precise control over the entire hot rolling process by achieving the target microstructures of quarto plates, while reducing the need for additional heat treatments and reworking of the finished products. By optimising the manufacturing process, we were able to reduce energy consumption by 44 kW/t and total CO_2 emissions in the structural steel segment by 9 kg per tonne of steel. In the microalloyed steel segment, we reduced energy consumption by 108 kW/t and total CO_2 emissions by 23 kg per tonne of steel. We are entering the quarto steel plate market with the SIMAXX 1100QL niche high-strength structural steel grade, which is partly funded by the European Union, as part of the NextGenerationEU project.

HyBReEd: Developing resilient chemical energy storage using hydrogen and batteries

The HyBReED programme aims to improve existing sustainable products and processes in the energy sector, including the use of technologies for the manufacturing, transportation, storage and use of hydrogen and batteries in energy-intensive industries. SIJ Metal Ravne is involved in two R&D projects in the programme. One project (RRP3) involves working with partners to explore the possibility of switching energy-intensive industries to hydrogen technologies. It analyses the benefits and drawbacks of hydrogen as a fuel for industrial heating processes and investigates the resistance of fire-resistant materials to hydrogen exposure. In another project (RRP4), efforts are being made with partners to study materials for hydrogen transport and storage, including austenitic stainless steels and special superalloys, which form part of our product range. The project, which was awarded the NextGenerationEU grant, is partially funded by the national Recovery and Resilience Plan (RRP).

GREMO e-MOTION: GREen MObility for electric vehicle traction motors)

In 2024, SIJ Acroni achieved a breakthrough in the development of a non-oriented electrical steel for the most demanding applications in the production of electrical traction motors used in the automotive industry with the lowest carbon footprint per unit of product. As part of the GREMO e-MOTION RRI project (GREen MObility mission), we produced the first electric sheet metal prototypes for electric vehicle drive motors (NO35-19 and NO27-14) on the modernised electrical steel annealing and coating line. Steels with excellent electromagnetic properties boast the lowest carbon footprint, with 689 kg CO2/t finished product when using green energy. The most advanced and highest quality electrical steels are produced in a circular economy, cost-effective way, which is still rare in the automotive industry.

GEORIS: geopolymerisation technology

SIJ Acroni uses a new geopolymerisation technology to produce environmentally sustainable building materials, making sustainable pavement blocks from metallurgical industry by-products, without the use of cement. Compared to conventional paving, they are more durable and fire-resistant, more salt-resistant and have a 26% lower carbon footprint. Seventy-eight percent of the pavement block is made from secondary raw materials, 62% of which being slag produced in SIJ Acroni's steel production processes. As a test, the innovative material was used to pave a bicycle storage area at the SIJ Acroni site, in the context of a project which is partly funded by the European Institute of Innovation and Technology (EIT Raw Materials).

RIS DustRec: new products

Partners in the international RIS DustRec-II project, coordinated by the Jožef Stefan Institute, have developed three commercially interesting products through an innovative combination of methods for the extraction of metals and metal oxides from steel powders with a lower zinc content. The briquetted metal fractions rich in iron, manganese, nickel and chromium and the low-carbon biochar reducing agent can be fed back into the electric arc furnace. The zinc-rich fraction can be used as a raw material for zinc extraction in the Waelz process. The mineral aluminosilicate residue is suitable for use in the construction industry. The investment is partly funded by EIT Raw Materials.

Development of the first circular process for the complete recovery of metal sludge.

As part of a consortium, SIJ Ravne Systems won a zero-waste project aimed at developing the first circular technological process for complete recovery of metal sludge. All the processed raw material is fed back into the process: the emulsion is redirected to the grinding machines and the tool steel material is recycled into new steel. The process uses excess heat from other processes, saves energy in the process of recycling grinding sludge to create new products, and eliminates the need to treat and/or landfill sludge. The NextGenerationEU grant-awarded project is partially funded by the national Recovery and Resilience Plan (RRP).

02

SUSTAINABILITY REPORT

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INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED SUSTAINABILITY REPORT
to the owners of SIJ d.d.

We have conducted a limited assurance engagement on the Consolidated Sustainability Report included in section *'SUSTAINABILITY REPORT'* of the Management Report of SIJ Group and SIJ d.d. (hereafter the "Group") as at December 31, 2024, and for the period from January 1, 2024, to December 31, 2024 (the "Consolidated Sustainability Report").

Identification of Applicable Criteria

The Consolidated Sustainability Report was prepared by the management of the Group in order to satisfy the requirements of 70(c) and 70(č) of the Companies Act (ZGD-1) implementing 29(a) of the EU Directive 2013/34/EU, including:

- Compliance with the European Sustainability Reporting Standards introduced by Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards ("ESRS"), including that the process carried out by the Group to identify the information reported in the Consolidated Sustainability Report (the "Process") is in accordance with the description set out in note *'Description of the procedures for identifying and assessing significant sustainable impacts, risks and opportunities (IRO 1)'*;
- Compliance of the disclosures in *'TAXONOMY'* of the Consolidated Sustainability Report with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation"); and
- Compliance with the requirement to prepare the Consolidated Sustainability Report in accordance with Article 58 of ZGD-1 which requires the Group to prepare Consolidated Sustainability Report in single electronic format as defined in Article 3 of Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation").

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Inherent Limitations in Preparing the Consolidated Sustainability Report

The criteria, nature of the Consolidated Sustainability Report, and absence of long-standing established authoritative guidance, standard applications and reporting practices allow for different, but acceptable, measurement methodologies to be adopted which may result in variances between entities. The adopted measurement methodologies may also impact the comparability of sustainability matters reported by different organizations and from year to year within an organization as methodologies evolve.

In reporting forward looking information in accordance with ESRS, management of the Group is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcome is likely to be different since anticipated events frequently do not occur as expected.

In determining the disclosures in the Consolidated Sustainability Report, management of the Group interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.

We draw your attention to the following specific limitations discussed in *'Processes to remediate negative impacts and channels for affected communities to raise concerns (S3-3)'*:

- The Consolidated Sustainability Report may include metrics that are derived from reported events relating to employees and subcontractors. As such, our testing may not identify misstatements relating to completeness, for example in instances where events may have occurred but have not been reported.

Responsibility of the Management Board of the Group

Management of the Group is responsible for designing and implementing a process to identify the information reported in the Consolidated Sustainability Report in accordance with the ESRS and for disclosing this process in note *'Description of the procedures for identifying and assessing significant sustainable impacts, risks and opportunities (IRO 1)'* of the Consolidated Sustainability Report. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- the identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the entity's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- the assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions that are reasonable in the circumstances.

Management of the Group is further responsible for the preparation of the Consolidated Sustainability Report, in accordance with 70(c) and 70(č) of the ZGD-1 implementing 29(a) of the EU Directive 2013/34/EU, including:

- compliance with the ESRS;
- preparing the disclosures in *'TAXONOMY'* of the Consolidated Sustainability Report, in compliance with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation");
- designing, implementing and maintaining such internal controls that management determines are necessary to enable the preparation of the Consolidated Sustainability Report that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable in the circumstances.

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Management of the Group is also responsible for the preparation of the Consolidated Sustainability Report in line with the technical requirements related to the single electronic format as determined in Article 58 of ZGD-1 and Article 3 of the ESEF Regulation. This responsibility also includes the design, implementation and maintenance of internal controls to enable the preparation of the Consolidated Sustainability Report that is free from material non-compliance with the requirements of Article 58 of ZGD-1 and Article 3 of the ESEF Regulation.

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

Practitioner's Responsibility
We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)").

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Consolidated Sustainability Report is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Consolidated Sustainability Report as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgment and maintain professional skepticism throughout the engagement.

Our responsibilities in respect of the Consolidated Sustainability Report, in relation to the Process, include:

- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in note *'Description of the procedures for identifying and assessing significant sustainable impacts, risks and opportunities (IRO 1)'*.

Our other responsibilities in respect of the Consolidated Sustainability Report include:

- Obtaining an understanding of the entity's control environment, processes and information systems relevant to the preparation of the Consolidated Sustainability Report but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error;
- Designing and performing procedures responsive to disclosures in the Consolidated Sustainability Report where material misstatements are likely to arise. 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;
- Assess whether the Consolidated Sustainability Report has been prepared, in all material respects, in the format specified in Article 58 of ZGD-1 and Article 3 of the ESEF Regulation.

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Our Independence and Quality Management
We complied with the applicable independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "Code"). The Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We applied International Standard on Quality Management ("ISQM 1"), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of Work Performed
A limited assurance engagement involves performing procedures to obtain evidence about the Consolidated Sustainability Report.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Consolidated Sustainability Report.

In conducting our limited assurance engagement, with respect to the Process, we:

- Obtained an understanding of the Process by:
  - performing inquiries to understand the sources of the information used by management (e.g., stakeholder engagement, business plans and strategy documents); and
  - reviewing the Group's internal documentation of its Process; and
- Evaluated whether the evidence obtained from our procedures about the Process implemented by the Group was consistent with the description of the Process set out in note *'Description of the procedures for identifying and assessing significant sustainable impacts, risks and opportunities (IRO 1)'*.

In conducting our limited assurance engagement, with respect to the Consolidated Sustainability Report, we:

- Obtained an understanding of the Group's reporting processes relevant to the preparation of its Consolidated Sustainability Report by:
  - performing inquiries to understand the Group's control environment, processes and information systems relevant to the preparation of the Consolidated Sustainability Report;
- Evaluated whether material information identified by the Process is included in the Consolidated Sustainability Report;
- Evaluated whether the structure and the presentation of the Consolidated Sustainability Report is in accordance with the ESRS;
- Performed inquires of relevant personnel and analytical procedures on selected disclosures in the Consolidated Sustainability Report;
- Performed substantive assurance procedures based on a sample basis on selected disclosures in the Consolidated Sustainability Report;
- Obtained evidence on the methods for developing material estimates and forward-looking information and on how these methods were applied;
- Obtained an understanding of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Consolidated Sustainability Report;
- Evaluated whether the Consolidated Sustainability Report has been prepared in the format specified in Article 58 of ZGD-1 and Article 3 of the ESEF Regulation.

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

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Consolidated Sustainability Report is not prepared, in all material respects, in accordance with 70(c) and 70(č) of the ZGD-1 implementing 29(a) of the EU Directive 2013/34/EU, including:

- Compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Group to identify the information reported in the Consolidated Sustainability Report is in accordance with the description set out in note *'Description of the procedures for identifying and assessing significant sustainable impacts, risks and opportunities (IRO 1)'*;
- Compliance of the disclosures in *'TAXONOMY'* of the Consolidated Sustainability Report with Article 8 of Taxonomy Regulation; and
- Compliance with the requirement to prepare the Consolidated Sustainability Report in the format specified in Article 58 of ZGD-1 and Article 3 of the ESEF Regulation.

Emphasis of matter

We draw attention to *'BASIS FOR PREPARATION OF THE SUSTAINABILITY STATEMENT'*, in the introductory part of the Consolidated Sustainability Report which describes the context and main limitations of reporting in the first year of applying the ESRS. Our conclusion is not modified in respect of this matter.

Other Matter

Our limited assurance engagement does not extend to information in respect of earlier periods.

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For signature please refer to the original Slovenian version.

Yuri Sidorovich
Key sustainability partner
Ljubljana, May 28 2025

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Ljubljana, Slovenija 3

For signature please refer to the original Slovenian version.

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General Disclosures ESRS 2

In line with ESRS (*European Sustainability Reporting Standards*), the Sustainability Statement is the foundation and core of SIJ Group's sustainability reporting in 2024. 3.

BASIS FOR PREPARATION OF THE SUSTAINABILITY STATEMENT BP-1

At SIJ Group, we are committed to a higher level of reporting on compliance with sustainability standards. We disclose financial and operational information in our annual reports, the sustainability section of which is prepared in accordance with the EU Directive 2022/2464- CSRD *(Corporate Sustainability Reporting Directive)* and the application of the ESRS standards it requires, and in our half-year reports, which are prepared in accordance with the Financial Instruments Market Act. The present Annual Report discloses information for the period between 1 January and 31 December 2024. The reporting period is consistent with the financial reporting period. 3.

For the purposes of this report, we refer to the sustainability statement required by the ESRS standards or sustainability report as prescribed in the Companies Act as the Sustainability Report. An important part of this is the 2024 Analysis of Sustainability Impacts, Risks and Opportunities, hereinafter referred to as "IRO" (Impacts, Risks, Opportunities).

We also include EU Taxonomy reporting in the Sustainability Report on page 84 (EU Regulation 2020/852), which defines environmentally sustainable economic activities. Unlike in the 2023 report, which followed the Global Reporting Initiative (GRI) standards, we do not report compliance with these standards in the 2024 report. BP-2 15.

We also used the methodology in line with the World Steel Association when calculating GHG emissions. The methodology of the World Steel Association is not the subject of the auditor's limited assurance engagement In the Sustainability Report, we present data according to this methodology for the purposes of comparability and commitments related to sustainability bonds and other financial instruments.

The information in this 2024 Sustainability Report was the subject of a limited assurance engagement carried out by auditors. The Sustainability Statement has been prepared in accordance with ESRS. In the Business Review and Business Report sections, only those disclosures included in the auditor's limited assurance process for 2024 are marked with ESRS data point codes; other disclosures in this report and all data, indicators and comparisons relating to periods prior to 2024 were not included in the auditor's assurance process.

CONTEXT AND MAIN LIMITATIONS OF REPORTING IN THE FIRST YEAR OF ESRS APPLICATION

Reporting according to ESRS standards in the first year of their application brings certain challenges, as some aspects still allow for different interpretations. In addition, additional clarifications are expected from the competent standardization and regulatory authorities, especially in relation to sector-specific requirements.

In preparing this report, the SIJ Group followed the normative requirements of the ESRS, to the extent that they were valid on the date of preparation of the report, taking into account the available data and information and within the available timeframe.

In certain cases, limited access to complete and reliable data required the use of estimates or partial disclosure of information. These estimates may be further refined in the future, as the quality of available data improves. The assumptions, estimates, approximations and judgments that the Group used in measuring results are presented in more detail within individual thematic areas or in the disclosures to which they relate.

CONSOLIDATION

The sustainability report is prepared at a consolidated level.
5.a

DOUBLE MATERIALITY TABLE

Double materiality analysis ESRS 2, SBM-3, 48.h

Sustainability-related topics	Impact relevance	Financial relevance	Relevance for reporting
E1 Climate change	•		•
E2 Pollution	•		•
E3 Water and marine resources	•		•
E4 Biodiversity and ecosystems			
E5 Resource use and circular economy	•	•	•
S1 Own workforce	•	•	•
S2 Workers in the value chain			
S3 Local communities	•		•
S4 Consumers and end-users			
G1 Business conduct	•	•	•
Topics with specific relevance to SIJ Group:			
Pollution and local communities / Noise	•	•	•
Local communities / Job opportunities	•	•	•
Business conduct and corporate governance / Unpredictable business events	•	•	•

The methodology used in the preparation of the double materiality analysis is presented on page 66 and on page 123.

HIGHER AND LOWER LEVELS OF THE VALUE CHAIN

In this Sustainability Report, we focus on our own activities and on the first tier of the value chain as it relates to these. A survey conducted among our customers showed that interest in our sustainable products is low. In our own activities, we take into account the production process, transport between our facilities, and the management of business relations with suppliers and other business partners. The first tier of the value chain upwards mainly consists of strategic suppliers (Tier-1) linked to key procurement areas (raw materials, energy, natural gas and transport), while the first tier downwards consists of customers and local communities. 5.c

A simplified presentation of the value chain which was considered by the reporting entities within SIJ Group in the assessment process 5.c

DISCLOSURES IN RELATION TO SPECIFIC CIRCUMSTANCES BP-2

In our examination of the value chain we analysed the business activities taking place directly in our own operations, and the activities and processes taking place further up and down the value chain. 10. The relations with our business partners or other stakeholders, such as members of the local communities, are included in the sustainability reporting to the extent that is relevant for assessing our impacts and the associated risks and opportunities. As of now, SIJ Group has not yet defined metrics related to the upstream and downstream value chain. 10.a

Among Tier 1 suppliers, we focus on suppliers of raw materials and energy. Both steel producing companies (SIJ Acroni and SIJ Metal Ravne) produce steel from steel scrap, so there is no iron ore or coal among the raw materials purchased. Besides externally and internally sourced steel scrap (steel scrap is partly sourced from SIJ Group companies), we procure large quantities of alloys, steel products and welding consumables for use in the production process. Other SIJ Group suppliers mainly provide services, spare parts, and transportation along the supply chain, or from Tier 1 suppliers to our facilities. 10.b

When assessing downward processes along the value chain, we focus on our customers and on local communities in two key locations in the immediate vicinity of our production facilities (Jesenice and Ravne na Koroškem). These levels are followed by transport/distribution.

The analysed value chain was taken into account in the assessment of impacts, risks and opportunities on page 68. As due diligence procedures are not yet implemented across the entire value chain, the observations are based on the data known thus far and on clearly defined assumptions.

GOVERNANCE GOV 1-5

THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES GOV-1

The role of the administrative, management and supervisory bodies G1 GOV-1

The President of the Management Board and the Vice-Presidents approve all strategic actions and plans concerning the sustainability of SIJ Group. They are also involved in the preparation of the same. Once a year, the President of the Management Board and the Vice-Presidents analyse the implementation of the Sustainability Strategy. In the case of changes to the action plan for implementing the Sustainability Strategy are required, these changes are approved by the President of the Management Board. 22.b

The corporate governance system of SIJ d.d. and SIJ Group, including the role of individual bodies, is presented in more detail on page 24.

INFORMATION PROVIDED TO AND SUSTAINABILITY MATTERS ADDRESSED BY THE UNDERTAKING'S ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES GOV-2

The President of the Management Board and the Vice-Presidents discuss the impacts, risks and opportunities on a regular basis, not less than least once a year and with such specific focus. GOV-1 22.c The basis for the discussion is an aggregate analysis of the impacts, risks and opportunities, as prepared by the companies of SIJ Group. The risks and opportunities may be assigned escalation factors which, depending on their strategic importance, increase or decrease the importance of a particular risk or opportunity for SIJ Group. In accordance with the methodology on page 65, the management confirms both the identified major impacts, risks and opportunities and the actions to mitigate or eliminate these risks. A list of significant impacts, risks and opportunities considered by the management is provided in the IRO table on page 123. 26.a

The topics to be included in the assessment of impacts, risks and opportunities are prepared by the Sector for Quality, Sustainability and Corporate Governance and reported to the top management on different meetings within the Company's organisation, where the management critically discusses and undertakes the necessary measurements within the IRO management considering different business impacts. The Sector is also responsible for internal controls implemented in the course of management systems audits. GOV-1 22.c iii. It is through this Sector that the President of the Management Board also receives all the necessary skills to supervise sustainability matters. 26.b GOV-5 36.e

The Sector organises professional training seminars on sustainability topics for the President of the Management Board and the Vice-Presidents several times a year (especially on the occasion of strategic actions and plans). In 2024, it delivered training seminars on sustainability reporting with regard to ESRS standards, climate change, business ethics, occupational health and safety, anti-corruption, and human and labour rights. GOV-1 23.a GOV-1 23.b

As the analysis of IRO was an additional activity under ESRS in 2024, it was completed in the second half of the year. The President of the Management Board and the Vice-Presidents reviewed all identified impacts, risks and opportunities (IRO), which are shown on page 123. The identified IROs will provide a basis for preparing future business strategies and business decisions both at the sustainability and overall business level of SIJ Group. 26.c

INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES GOV-3

SIJ Group has not established an incentive system linked to sustainability.

DECLARATION OF DUE DILIGENCE GOV-4

SIJ Group promotes sustainable practices across the entire value chain. In the coming year, SIJ Group will adopt a Due Diligence Policy and establish due diligence processes and activities within the value chain. These will then be upgraded over time to ensure compliance with the CSDDD Directive by 2027. The Sustainable Procurement Policy and the Supplier Code of Ethics, together with the SIJ Group Operating Policy and SIJ Group Code of Ethics, already provide the foundation for due diligence today. In the assessment and audit of suppliers and customers, the Sector for Quality, Sustainability and Corporate Governance, in cooperation with the Procurement and Sales sectors, performs specific reviews and audits. 32. The table below presents the mapping of information on due diligence procedures as disclosed in the Sustainability Report.

Core elements of due diligence 30.

Core elements of due diligence related to the social and natural environments	Paragraphs in the sustainability statement
(a) Embedding due diligence in governance, strategy and business model	SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model
	GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies
(b) Engaging with affected stakeholders in all key phases of due diligence	SBM-2 – Interests and views of stakeholders
	IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities
	S1-1 – Policies related to own workforce
(c) Identifying and assessing of adverse impacts	SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model
	IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities
(d) Taking actions to address these adverse impacts	E1-3 – Actions and resources in relation to climate change policies
	E5-2 – Actions and resources related to resource use and circular economy
	S1-3 – Processes to remediate negative impacts and channels for own workforce to raise
	S1-4 – Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions and approaches
(e) Tracking the effectiveness of these efforts and communication	S1-2 – Processes for engaging with own workforce and workers' representatives about impacts

Principles of responsible steel producers

Acquiring the ResponsibleSteel certificate

In addition to the due diligence process described above, in 2024 SIJ Group obtained the ResponsibleSteel certificate, which demonstrates the sustainable production of steel. After all the necessary data and documents were prepared, SIJ Group carried out an internal gap analysis to verify compliance with the ResponsibleSteel standard requirements, or the 12 principles of the world's first standardisation and certification organisation for sustainable steel production. After the certification authority carried out an assessment of complexity and risks for the SIJ Group certification, a two-stage assessment followed. Based on the certification authority's report, ResponsibleSteel confirmed that SIJ Group is certified.

Stage One of the assessment
• The certification authority reviewed SIJ Group's self-evaluation and the supporting evidence provided. • It conducted brief on-site visit and conducted preliminary interviews with the stakeholders.
Stage Two of the assessment
• The certification authority checked SIJ Group's compliance with the requirements of the standard during a longer visit to SIJ Group. • Interviews were conducted with the staff and other stakeholders, the information provided was verified by way of observing processes, reviewing documents and the notes from the interviews. • The certification authority then produced a report with observations and recommendations.
Roles in the certification process and issuance of the certificate
• ResponsibleSteel reviewed the certification authority's report and, based on additional evidence provided, approved the award of the certificate. • The certification authority conducted the audit, made a recommendation and issued the certificate.

RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING GOV-5

Risk management systems related to sustainability reporting include ensuring an adequate understanding of legal requirements for sustainability reporting and stakeholder expectations. 36.a In identifying sustainability reporting risks, we derived from the process for defining and assessing IRO, which is presented in more detail on page 66. 36.b

In preparation for the first ESRS reporting, the responsible persons in the departments overseeing sustainability and compliance within SIJ Group reviewed all ESRS requirements. For each reporting area, a data disclosure custodian was appointed, responsible for ensuring the completeness, accuracy, and veracity of the data.

Data control is carried out in three stages: the first level of data review and control is performed by the Sustainability Specialist and the Compliance Manager, with final approval of data disclosures provided by the Director of Quality, Sustainability and Corporate Management. The highest level of supervision is the Supervisory Board, which approves the Sustainability Report.

The main identified risks related to sustainability reporting (listed by ranking of sustainability reporting risks) are limited availability of data, inadequate IT support, and workload of the personnel involved in sustainability reporting. 36.c To mitigate the impact of these risks, we have identified the following measures: Establishment of an improved system for collecting data from SIJ d.d. subsidiaries, strengthening the team (in terms of competencies and number of employees), and internal development of IT support in information system Hyperion. Risk and internal control management related to the sustainability reporting process is included in the sustainability team's review procedures and internal audit procedures (e.g.: ISO 9001, 14001, 45001, 50001). 36.d

Findings from risk assessments and internal controls are presented to SIJ Group management at least once per year, along with other risks. 36.e

STRATEGY SBM 1-3

STRATEGY, BUSINESS MODEL, AND VALUE CHAIN SBM-1

The implementation of the SIJ Group Business Strategy for the period 2019-2025 is presented in the Business Performance Analysis section on page 31, which also includes a presentation of SIJ Group's key markets on page 33 and material product groups on page 32. 40.a i. 40.a ii.

The Business Strategy was a basis for the preparation of the SIJ Group Sustainability Strategy, which was adopted in 2022. The Sustainability Strategy acts as the basis for defining the rules for business practices and ethical conduct found in several codes and policies of SIJ Group. It is also inextricably linked to the more detailed SIJ Group Decarbonisation Plan 2020–2030–2050, as complemented by the CAPEX Plan. 38.

SIJ Group's most important activity is iron and steel production (SKD activities, which mainly fall under the classification C24.10 heading and under the EU Taxonomy Chapter 3.9., mainly steel production). Individual SIJ Group companies that carry out activities in other sectors (e.g. printing and joinery) make up a significantly smaller share of business at the SIJ Group level. 40.c

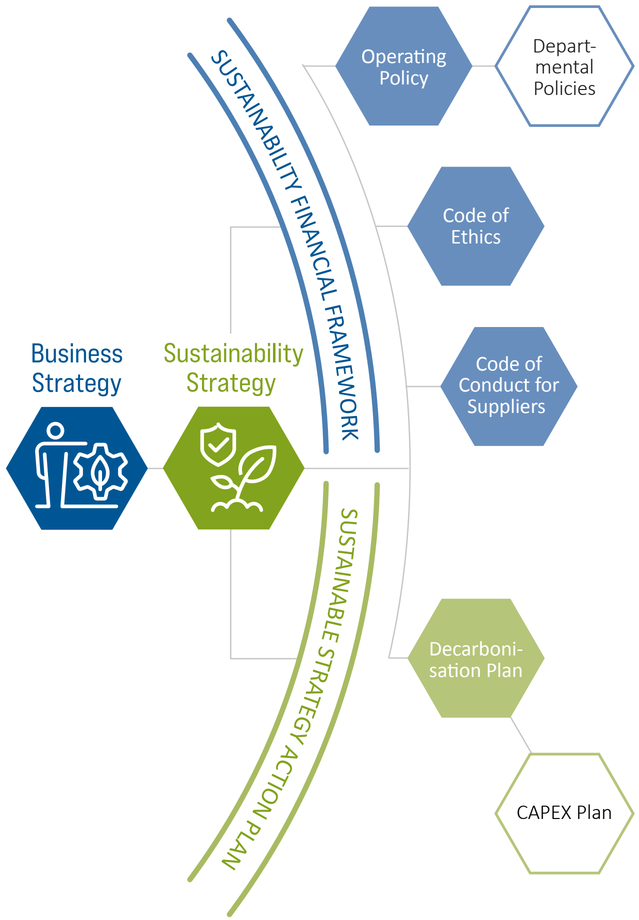
SIJ Group companies are not involved in the sectors of fossil fuels, chemicals, controversial weapons or tobacco processing and manufacturing. 40.d

SIJ Group has not yet defined sustainability-related targets in terms of key product and service groups, customer categories, geographical areas, and stakeholder relationships. 40.e

In course of preparing the reports according to ESRS requirements in 2024, we have identified sustainability topics with relevance for both SIJ Group and our stakeholders and for the further development of products and business operations by assessment of double materiality in 2024 on page 53 and compiling a IRO table on page 123. As SIJ Group's steel companies (SIJ Acroni and SIJ Metal Ravne) produce steel from secondary raw materials and internally sourced steel scrap using electric arc furnace technology. 40.f SIJ Group will continue to increase production of steel and steel products from secondary raw materials and its own steel scrap, while continuing efforts to reduce specific emissions. 40.g

Production of sustainable steel with electric arc furnaces and the made-to-order business model remain strategic cornerstones of SIJ Group. The new Business Strategy, which will be developed in 2025, will be combined with the Sustainability Strategy. Identified impacts, risks and opportunities and the assessment of double materiality will provide the basis for a unified approach to the new, combined Business and Sustainability Strategy. 40.f 40.g

The SIJ Group is a vertically integrated group specialized in the production of niche steels from recycled steel scrap.



Our business model is based on custom manufacturing, flexibility to customer requirements and high production quality. Through vertical integration, we control and improve all steps from key raw materials to finished products and services. 42.a

The SIJ Group collects data through direct relationships with key stakeholders, including regular meetings, as well as through systematic data collection such as customer satisfaction surveys, and through participation in various associations and partnerships. The SIJ Groups' customers obtain highly specialized products tailored to their industrial needs (e.g. energy, medical, food sectors). The use of high-quality and sustainable materials improves the reliability, durability and efficiency of the customers' final products. For investors, the SIJ Group creates long-term value through stable revenues, an optimized cost structure and a sustainable orientation (reduction of CO_2 emissions, energy efficiency). Other stakeholders, such as local communities and employees, benefit in the form of employment – we are one of the largest employers in the country, competence development, investments in infrastructure and reduced environmental impact. 42.b

Upstream - The upper part of the value chain (suppliers): includes suppliers of raw materials, energy and auxiliary materials. The SIJ Group has its own raw material base, which provides the main input to the steel division by collecting and processing steel scrap. The SIJ Group also promotes the use of recycled raw materials and sustainable practices among its external suppliers. Suppliers must meet ethical, environmental and quality standards.

Downstream - The lower part of the value chain (customers and distribution): includes industrial customers in industries such as the automotive industry, energy, mechanical engineering and construction. The distribution network includes subsidiaries and external distributors. The SIJ Group strives for long-term relationships with customers and offers them technical support and advice on the use of materials. 42.c

INTERESTS AND VIEWS OF STAKEHOLDERS SBM-2

Own workforce SBM-2 S1

Being an employer of choice is one of the key objectives of SIJ Group’s Business Strategy. SIJ Group companies build their reputation as an employer of choice by providing stable employment and long-term career opportunities, and by respecting the interests, views and rights of the employees and their family members. SIJ Group has teams in place whose task is to promote occupational health and safety, to implement the actions required under the Family-Friendly Company certificate, and to ensure satisfaction with meals available in the workplace.

SIJ Group companies operate in accordance with a business model in which our own workforce, employed mainly in Slovenia and other EU member states, is a key topic of consideration. We manage working conditions in accordance with the regulations and in compliance with EU standards. In line with our business model, we place particular emphasis on the availability and productive involvement of employees in the work processes, on ensuring an adequate number of staff with the necessary technical and professional competences, to retention of key resources and to quality education and training. 12.

Local communities SBM-2

The key topics of the SIJ Group Sustainability Strategy are based on the stakeholder needs that were identified in the strategy design process. The approaches to understanding the stakeholders' interests, which we have been developing and applying at SIJ Group for a number of years, were further extended during the ResponsibleSteel certification process description on page 58. Further stakeholder analysis serves as a basis for further stakeholder engagement and planned communication efforts.

Key SIJ Group Stakeholders 45.a i.

Employees

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

Shareholders, investors and financial institutions

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

Customers

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

Suppliers

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

Social and natural environment

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

Stakeholder engagement 45.a ii.–v.

In the context of stakeholder engagement, which focuses on aligning business practices with expectations about the environmental and social impacts of our operations, we follow a policy aligned with the principles of open dialogue, regular engagement, prompt resolution of issues, analysing feedback and making adjustments to our activities where necessary.

We tailor the modes of engagement to the various categories of stakeholders.

- We engage with our employees through internal questionnaires and in-depth discussions, as well as consultations with union representatives.
- We engage with the local communities by holding regular meetings, at least once a year, in order to discuss environmental impacts and other issues. We also provide answers through written correspondence with the local community bodies.
- We build relationships between SIJ Group companies and their local communities through volunteer campaigns, sponsorships and donations. In this context, we mainly involve our employees and their family members (chiefly coming from the regions where SIJ Group production facilities are located).

The parameters for stakeholder engagement are clearly defined. The Human Resources Sector is responsible for interactions with employees. The Corporate Communications Department is responsible for liaising with local communities and authorities, in cooperation with managements of the companies and representatives of expert departments (mainly from the fields of production, ecology and CAPEX). The activities carried out in 2024 are presented in more detail in the chapters Own Workforce on page 80 and Local Communities on page 80.

The stakeholders' views on SIJ Group's environmental and social impacts were surveyed again in 2024 in the context of the double materiality assessment. Once again, it was revealed that banks are putting more emphasis on topics of decarbonisation, sustainability risk management and the supply chain. Customers and suppliers do not express the same level of concern about sustainability, particularly with regard to environmental issues. Feedback from the local communities, who place a great of importance on employing local people and reducing the environmental impact of our activities, has led us to make further adjustments to our operations and introduce community-friendly practices. Employee feedback drives SIJ Group's efforts to further improve working conditions and occupational health and safety. 45.b As the information gleaned from the above assessment is largely consistent with the information obtained through regular stakeholder engagement, it validates SIJ Group's strategic plans to date, as well as its business model. 45.c i.-iii.

Stakeholder interests and impacts related to sustainability are discussed at regular sustainability meetings, operational meetings of SIJ d.d. management and in the management reviews. The reports reviewed, bringing together the views and concerns of the stakeholders, dedicate particular attention to key areas such as environmental responsibility, employee well-being and community relations. Adequate information and regular reviews support the management in making decisions about aligning SIJ Group's strategy and action plans with the stakeholders' interests and concerns. 45.d

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH THE STRATEGY AND BUSINESS MODEL SBM-3

The results of the double materiality analysis and list of IRO are presented in the table on page 66 and on page 123. It illustrates which impacts, risks and opportunities have been identified in the relevant sustainability topics. We describe their impacts, where in the value chain they occur and how they relate to our business model, business strategy, or both. 48.a We also assess which time periods they are relevant or significant for. 48.c iii. As part of the IRO assessment, we also assessed the financial impacts for the identified material risks and opportunities, which could potentially affect the bottom line.

In the past, SIJ Group took a centralized approach to assessing business risks and measures to mitigate these risks in the context of risk management and internal controls for sustainability reporting. Prior to 2024, or prior to preparations to comply with the CSRD Directive, we did not formally analyse individual impacts and opportunities, although they were systematically identified both at SIJ Group and the subsidiary levels. The impacts were related to challenges that are common and expected in our line of business – from production noise and potential pollution, which are a source of concern for the local community, to climate change risks or the shortage of steel scrap. 48.c i. Such perceived challenges have been managed in recent years by targeting CAPEX (e.g. in the increased use of waste raw materials and in EAF- electric arc furnace technologies) and by assessing possible financial consequences of specific impacts and opportunities that could have impact on SIJ Group's business operations. SIJ Group's business strategy and business model have been significantly adjusted to address the impacts and risks identified. 48.c. ii. Identified IROs affect our business model, value chain, strategy and decision-making differently – their effects are disclosed in the IRO table. Our response on IROs concerning GHG emissions and circular economy has been through investments into R&D solutions and implementation of 'green' and low-carbon solutions and technologies. Pollution and water IROs are influencing the strategic aspects of our business when it comes to engagement with the local community (regarding noise, for example) and everyday operations. We are including these IROs into everyday decision-making regularly and major effects are visible through imporved communication and very good cooperation with local community or the fact that we had no major environmental incidents in 2024. Our value chain is affected by the requirement for diverse scrap sourcing, which is currently resolved efficiently. Social IROs have the most effect on our strategy since among other they reflect the issues we have with maintaining our workforce, while the governance topics relate to everyday matters arising in relation to our strategy and these are being tackled regularly. 48.c. iv. 48.b Risks and opportunities assessed as material have been determined based on their effect on the operating profit in the range 10-25%, except for the increase in scrap prices which was determined to have an effect in the range 25-50% on the operating profit. 48.d

Own workforce SBM-3 S1

As our business operations are highly dependent on a skilled and loyal workforce with the necessary qualifications, the IROs identified also largely pertain to employees. Our IRO analysis included all our employees, or rather both categories of our employees: production workers and office workers which actually signifies all other employees (we have no non-employee workers in the context of ESRS). 14. In the IRO table on page 123, we included all identified impacts, risks and opportunities related to our own workforce. 16. Our analysis was prepared using resources such as: 14.a 14.d 15.

- analytical reports of the Institute of Macroeconomic Analyses and Development of the Republic of Slovenia (UMAR);
- analytical reports and data reports published by Statistical Office of the Republic of Slovenia;
- SIJ Group employee satisfaction surveys – SiOK 2016, 2020, 2023;
- job interviews with new candidates for employment and exit interviews for employees leaving the company;
- regular meetings and conversations with individual employees and trade union representatives;
- focus group discussions with employees (2020-2024, organised by Corporate Communications Department in cooperation with an external contractor).

The IRO list shows that most of our negative impacts are of systemic relevance to SIJ Group and apply to the entire workforce, while some (such as working conditions) are more focused on factory and production personnel. One example of such an impact is organising the work process

in four shifts. In terms of positive impacts, most clearly perceived in the domain of social dialogue and work-life balance, they stem from company-wide efforts to support our employees and are not limited to any specific group of employees. 14.b 14.c

Our analysis revealed no material potential impacts on our own workforce in terms of environmental impacts. For decades, we have maintained a strategic focus on applying appropriate environmental solutions and the reduction of greenhouse gas emissions, and the SIJ Group's business model has adapted to achieve this. 14. e We have also not identified any risks of violations related to forced, compulsory and child labour. The SIJ Group Code of Ethics emphasises a zero tolerance policy with regard to labour performed by children under the age of 15, and to all forms of modern-day slavery or other forms of forced or compulsory labour, or human trafficking. 14.f 14.g

Local communities SBM-3 S3

At SIJ Group, we identify local communities where we can have a significant impact through our own activities. As SIJ Group companies operate in urban environments, these communities live in the vicinity of our production facilities, in Ravne na Koroškem and Jesenice.

Our impact on local communities is mostly positive. We influence the community employment rates and economic development, and are investing in local sports, cultural, educational and other facilities. Our stakeholders, with whom we are working closely as part of our policy, have confirmed the SIJ Group’s positive impacts by expressing concern about the impact that the slow-down of our business operations, moving production out of Slovenia due to an uncompetitive business environment, competition from China, poor transport connections and high energy prices might have on the local community. Our assessment of impacts on local communities included reviewing responses from our neighbours, cultural institutions, schools, hospitals, NGOs, associations and societies. These stakeholders can provide insights regarding SIJ Group’s potential negative impacts, especially those which would disproportionately affect certain groups. The list of relevant local community-related IROs, the details for each of them and our feedback are included in the IRO on page 123. 9. 10. 11.

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

MANAGING RISKS AND OPPORTUNITIES

The centralised risk management system includes all companies of SIJ Group. The central register and each of the subsidiaries' own risk catalogues form part of a comprehensive risk management system, which is based on a cycle of planning, coordination, and reporting. It includes the identification and implementation of risk mitigation measures and monitoring the performance of risk management activities. Risk management is monitored on a company-by-company basis and, where necessary, also implemented at the level of the parent company. Major risks which exist in all companies, or risks which can have a significant effect on a number of subsidiaries, are treated as risks facing SIJ Group as a whole. In our risk assessments, we are also constantly identifying and assessing opportunities which can enhance our ability to meet and exceed our targets.

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

Based on the assessed severity of identified risks, we put in place numerous systemic safeguards and take action to prevent or manage the risk. The process, which included sustainability risks for 2024, is described on page 68 and was carried out separately from the above process, which included some sustainability risks by default, while in 2025 our plan is to further upgrade the risk assessment process by introducing a comprehensive single risk assessment grade. IRO-1 53.e

The Sector for Quality, Sustainability and Corporate Governance leads, manages, coordinates and controls the entire sustainability reporting process in SIJ Group through internal audits in cooperation with other sectors, departments and subsidiaries, which are otherwise responsible for their own activities.

Regular reporting to the administrative, management and supervisory bodies is provided on page 55.

Key risks

SIJ Group's key risks in 2024 remain the same as in previous years, although their severity and relevance are changing.

Economic and commercial risks

In 2024, commercial risks have the highest rating among SIJ Group's risks. The energy uncertainty and increased market volatility are driving many operators to optimise their production, procurement and logistics processes. Due to the cooled market, the conditions for attracting new orders are tightening, and there are increasing risks to achieve adequate sales margins in order fulfilment.

Production and operational technological risks

SIJ Group's second highest-rated risk in 2024 involves the unavailability of infrastructural resources and labour, mainly machinery. We are faced with limited possibilities for upgrading and maintaining non-critical infrastructure and equipment, which can lead to unpredictable malfunctions and mechanical failures. Such phenomena would negatively impact our ability to fulfil our customers' orders within the agreed timeframes.

Business risks with management and governance risks

Among the significant business risks, SIJ Group's third highest-rated risk in 2024 involves a shortage of qualified human resources on the labour market. Replacing staff with the necessary skills and qualifications as our employees retire is becoming more difficult, and staff turnover is further exacerbating the situation.

Risks related to climate change and the green transition

The risks related to the sustainability of SIJ Group operations, which were assessed for the first time in 2024 in accordance with ESRS standards, are presented in more detail in **the IRO analysis** on page 123.

DESCRIPTION OF THE PROCEDURES FOR IDENTIFYING AND ASSESSING SIGNIFICANT SUSTAINABLE IMPACTS, RISKS AND OPPORTUNITIES IRO 1

Double materiality assesment

To determine material topics for reporting in accordance with ESRS standards, SIJ Group carried out the first Sustainability Impact, Risk and Opportunity Assessment, or IRO assessment, in 2024.

We set out to identify the positive and adverse, actual and potential impacts of SIJ Group operations by means of:

- a context analysis 53.b i. in which we operate and do business (including business relationships and stakeholders – we primarily analyse our competitors, clients' demands and trends in the industry on a regular basis (inputs are collected through direct communication and internal research),
- an impact analysis, considering the potential impacts on the environment and the population in our immediate vicinity (from the perspective of own actions – e.g. through communication with the local community and affected stakeholders in general, testing of the quality of our products, industrial process we undertake and the noise we make). 53.b ii.
- and to some extent, we also assessed the impact of the same from both upstream and downstream value chain perspectives in terms of our business relationships.

Simultaneously, we analysed the risks, opportunities and their financial materiality from the perspective of the consequences of identified impacts, also related to our dependence on external factors. Once the impacts, risks and opportunities were identified, we assessed them over specific time periods and determined their relevance for our business operations and for sustainability reporting purposes. We involved the stakeholders in the evaluation and ensured that their insights are taken into account in the IRO assessment. 53.b iii.

Material sustainability issues, both in terms of impact and financial materiality shown in the double materiality table on page 53. 53.b iv. In the course of our analysis, we found that the scope of reporting is largely aligned with our previous reporting practices.

Double materiality

In order to identify the impacts, risks and opportunities arising from our business and in order to identify important sustainability topics and issues, we first conducted an internal study at the level of the entire SIJ Group. In our efforts, we were guided by the following key facts:

- Majority of the SIJ Group companies are registered in Europe. Companies outside Europe are solely sales representative offices. 53.b i.
- Their core businesses of SIJ Grops' companies involve the production of steel and steel products, which repre-

sents 82 % of the SIJ Group's sales. These activities employ more than 80 % of all employees in the SIJ Group. 53.b i.

- According to the International Energy Agency, steel production made up 8% of total[2] carbon dioxide emissions in the energy sector (including process emissions). 53.b i.
- Steel production using steel scrap produces three times fewer emissions and greenhouse gases[3] compared to the steel production from raw ore. 53.b i.
- SIJ Group is one of Slovenia's largest employers. 53.b i.
- Our value chain extends over different geographical regions due to the diversity of our suppliers and customers. 53.b i.
- We do not have a formal due diligence process in place across the entire value chain from which we could obtain the input data, so we have focused on available data and information from other reliable sources such as the World Steel Association, ResponsibleSteel, the European Steel Association, the ENCORE tool, the European Environment Agency (EEA), the United Nations Statistics Division (UNSD) and the International Labour Organization (ILO). We used this information as an additional source of objective insights into our IROs and to support our assessment of the relevance of these IROs. 53.a 53.g

Based on the above procedures and information, we assumed that three main topics are relevant or material for SIJ Group:

- climate change (ESRS E-1),
- own labour force (ESRS S-1), and
- business conduct (ESRS G-1).

2 Source: International Energy Agency (IEA), available at the link (15 November 2024).
3 Source: World Steel Association (WSA), available at the link (15 November 2024).

The list of IROs was compiled independently of this assumption.

- In a separate analysis, the list was examined from the perspective of different business levels and teams (e.g. production, procurement, sales, HR). 53.a 53.d 53.g
- Each team provided the input data for compiling the IRO list and provided comments on its own assessments of the impacts, risks, and opportunities that fall within its purview. We took into account both the positive and negative impacts, whether actual or potential. 53.a 53.g
- Separately, we took into account the already known negative impacts at the value stream phase at the end of the value chain, which relate to local communities. Even in past periods, we regularly involved the local communities in these impact assessments. Severity of the impact was assessed based on European Environment Agency (EEA) data regarding the consequences of the long-term exposure to noise levels considered harmful to their health and feedback received from the consulted affected stakeholders from the local community. 53.b ii. 53.b iii. 53.b iv.

Throughout the financial year, SIJ Group works with a variety of stakeholders, and for the purpose of the double materiality analysis we have identified the categories of stakeholders that are affected the most by our business activities, and with whom we therefore work on specific sustainability-related issues. The affected stakeholders include both internal (the shareholders, the Management Board and the Executive Directors, the Supervisory Board) and external (financial institutions, customers, suppliers and various local community representatives).

As one of the most important categories of internal stakeholders, employees were included in the IRO analysis based on information and data gathered in the course of employee satisfaction surveys (2021-2023), regular informal communications and annual interviews conducted in 2024. 53.b iii.

Particular attention was given to the environment as a unique ("silent") stakeholder. For the purposes of the impact assessment we used data from external sources, such as official data from the Slovenian Environment Agency (ARSO), to interpret our data in a broader Slovenian context. We also drew on the answers we received from the local branch of the international environmental NGO Alpe Adria Green. 53.b iii. 53.g

Questionnaires on impacts of concern, considered as such by the stakeholders, were prepared for each category. The questionnaires were then distributed to the stakeholders. While the approach was not ideal, we chose it because it enabled us to reach a larger number of stakeholders at the same time in the first IRO analysis conducted according to ESRS specifications. We used their responses to complement the feedback and insights we gathered in the course of our regular interactions with stakeholders. We included a larger number of stakeholders in the survey and received 61 responses. 53.b iii.

Impact assessment procedures

In assessing the impacts, we took into account the severity and probability criteria, as defined in the ESRS standards. Qualitative and quantitative criteria were applied depending on available resources and specifics of each impact.

For negative impacts, we assessed the magnitude, extent and potential irreversibility, while for positive impacts we focused only on magnitude and extent. For both effects, a probability threshold was applied. 53.a

Given the diversity of the impacts being considered, the criteria for assessing their magnitudes are different, as it is objectively impossible to apply the same criteria to all impacts across the board. 53.b iv.

Impact assessment criteria 53.c ii.

Magnitude:	Different criteria (the same criteria cannot be applied due to the dissimilarity of the impacts being considered). We primarily used external sources to assess whether our impacts' scale is material, i.e. to place the analysed sustainability issue into context and perspective.
Extent:	A five-point scale (Very Low to Very High) with thresholds; taking into account the share of employees; taking into account the location of the companies.
Probability:	A five-point scale (Very Low to Very High) with thresholds; assessment over three time periods..

These are internal estimates based on past experience and available data. In estimating the extent, inputs were gathered from external sources, including stakeholder opinions. If the external findings showed that a particular impact was significant (particularly in the industry sector context), it was always included it in the assessment.

Where the use of findings from external sources was not feasible due to the nature of SIJ Group's activities or for any other specific reason, or where the findings themselves were not applicable, we made our own assessment based on the specific circumstances of the impact concerned. To illustrate by way of an example: most sources associate water with steel production, but this holds true only where the production process involves the use of iron ore and blast furnaces, and SIJ Group ended this type of production decades ago. However, as the analysis showed that this is an important issue for certain stakeholders, we have committed to report on water use and recycling programmes. 53.c i.

Risks and opportunities assessment procedures 53.a

Risks and opportunities were analysed from the perspective of dependence and links with the identified impacts. SIJ Group's main dependency-related risks refer to raw materials, energy, people and technology. The risks and opportunities related to some impacts, and the potential or available measures to manage the identified risks, have been analysed together and with regard to each phase of the value chain. 53.c i. This approach will help us to reduce risk or implement opportunities. 53.c i.

We used the criteria of size and probability to assess materiality. As with the impacts, we applied qualitative and quantitative criteria to the maximum extent possible. We assessed the probability using the same thresholds and criteria as we used for the impacts. 53.c ii.

We expressed the size with the estimated financial impact on the operating profit of SIJ Group, which is the main criterion used in assessing our financial performance. These criteria were used to assess risks and opportunities in specific time periods as material, high, moderate, minimal or immaterial. We deemed as material all risks and opportunities which were assessed as at least moderate during any time horizon (short, medium, long-term). 53.c ii.

We considered sustainability topics such as climate change, own workforce and business conduct (according to ESRS standards) as material throughout the assessment. To identify which of these topics have the most impact on our business, we also assessed how they relate to IROs.

Table of impacts, risks and opportunities (IRO) 53.c i.

Individual environmental risks had previously already been included in the overall risk assessment process at SIJ Group level, while most of the (previously identified) risks listed in the IRO Table on page 123 53.c i. were included on the first IRO assessment. In 2025, we will integrate all sustainability-related risk assessments into a comprehensive risk management process at SIJ Group level. Within the overall risk assessment, we consider also opportunities (mostly arising from mitigation measures or as separate action points regarding risks), as we did specifically during the IRO exercise, which are then analysed and acted upon on behalf of the responsible organisational unit. Since the majority of our risks are connected to or arise from our identified impacts, impacts are also covered within the risk management process. This process will form the basis for future IRO assessments and double materiality analyses. 53.c iii. 53.e 53.f 53.h

The Sector for Quality, Sustainability and Corporate Governance was responsible for internal controls for IRO assessments and for supervising the overall double materiality assessment process carried out in 2024. The process was decentralised. The relevant sectors and departments were involved in the IRO analysis over a series of individual interviews, own assessments and presented opinions, joint workshops and training seminars. Executive Directors also provided their own inputs. The final results were approved by the Management Board of SIJ Group. 53.d

The topics of climate change, pollution, water, circular economy and business conduct, which are defined as separate IROs in Appendix C to ESRS 2, are reported later in this report. The biodiversity and the ecosystems topic has not been identified as material and relevant for reporting in the financial year 2024.

Climate change E1 IRO-1

The identified impacts of SIJ Group related to climate change and greenhouse gas emissions caused by our business operations are disclosed in the IRO Table on page 123. Our greenhouse gas emissions are presented on page 95. 20.a

In our analysis of the physical risks related to climate change, we calculated the potential climate risks to our assets and the level of climate risk for production sites located in the cities of Jesenice and Ravne na Koroškem on the basis of short-term (2024-2040), medium-term (2041-2070) and long-term (2071-2100) risks. In smaller companies, we assessed the threat of physical risks as lower. The tool was selected based on the Intergovernmental Panel on Climate Change's Climate Scenario RCP8.5, based on historical data. The calculation performed using tool takes into account various climate hazards such as heavy rainfall, heatwaves, droughts, high winds, forest fires, coastal floods, river floods, tropical cyclones, frost and hail. Each year, Climatig calculates the risks of freak events (such as floods or fires) and persistent changes (such as rising sea levels or droughts) at a high resolution of up to a 10-metre radius. It quantifies these risks on a scale of 0 (lowest) to 100 (highest), accounting for asset vulnerability and exposure. The results of these analyses can be found on the SIJ Group website.

The calculation indicates that over the next three decades (2025-2054), the highest risk factor for both sites is heavy rainfall (a score of 58 out of 100 for the Ravne location, and 60 out of 100 for the Jesenice location). In the case of Ravne, the second-highest rated risk is late frost, and in the case of Jesenice, it is the risk of strong winds. The average medium climate hazard risk rating for Ravne is 22 and 23 for Jesenice. 20.b 21.

For transitional risks, we have made our own high-level assessment of potential opportunities and risks that we did not include in the formal scientifically backed scenario analysis or the scenario analysis made using the Climatiq too. We performed a high-level analysis of the risks and opportunities associated with the transition to a low-carbon economy (based on past experience). The results are shown in the IRO table on page 123. 20.c 21.

Pollution E2 IRO-1

We assess material risks and opportunities based on our assessment of interactions with nature in the course of our

own production operations, and based on our dependence. At SIJ Group, production sites and steel-related business activities are subject to regular inspections, evaluations and assessments in an effort to determine any actual adverse impacts on the environment (pollution, waste, impacts on water) and on the local community in which we operate. We focus on our two sites located in Jesenice and Ravne na Koroškem, where the potential for such impacts is greatest or most material. We assess risks and opportunities in connection with the impacts. 11.a

In our analyses, we apply statutory monitoring thresholds and follow statutory reporting obligations to state authorities (for example to the Slovenian Environment Agency). We also account for physical and transient risks. We discuss environmental issues and IROs with the local community regularly, at least once or twice a year. More information about the involvement of stakeholders, and local communities in particular, can be found on page 120. 11.b

Water and marine resources E3 IRO-1

An internal assessment of the impacts, risks and opportunities related to water and marine resource management was carried out in 2023 at the production sites in Jesenice and Ravne na Koroškem. The assessment showed that SIJ Group does not have a material impact on marine resources, while its impact on water sources near the production sites is low. The assessment is based on analyses which extended to surface water bodies and groundwater, environmental features specific to a particular region, water abstraction and discharge, water balance and emissions, impacts on water and the management of water bodies. 8.a

Analysis of the stakeholder questionnaires has shown that neither the local communities nor state institutions have noticed any significant impacts or risks related to SIJ Group in terms of the management of water sources. 8.b

Biodiversity and ecosystems E4 IRO-1

SIJ Group's two largest production companies operate in the vicinity of three nature conservation areas. SIJ Acroni operates near the Natura 2000 – Julian Alps conservation area, which has been a registered nature conservation area since 2004, and Natura 2000 – Karavanke, a registered nature conservation area since 2012. SIJ Metal Ravne operates in the vicinity of the Natura 2000 – Votla Peč, a registered nature conservation area since 2012. 19.

Biodiversity impact assessments for the Jesenice and Ravne na Koroškem production sites were carried out at the end of 2022. The analysis made by an external expert organisation – which showed that the impacts of the SIJ Group on the ecosystems in the area are not material and can be mitigated by introducing specific measures – served as the basis for further biodiversity-related analysis of impacts, risks and opportunities. We engaged local community stakeholders in the process, who expressed a limited degree of concern regarding biodiversity and ecosystems. 17.a 17.e

For now, our impact on biodiversity and ecosystems has not yet been identified in either third-party assessments or our own internal assessment of our operations, so we have not carried out an analysis of the transition, the physical risks and opportunities or systemic risks, nor any related scenario analysis. We assume that dependence on biodiversity- and ecosystem-related services in our business is limited to water only, however we have not yet carried out a systematic analysis to test this premise. 17.b 17.c 17.d 18.

Resource use and circular economy E5 IRO-1

The focus of our IRO analysis was on the resources used in our production process (steel scrap processing) and the upper part of our value chain, or supplying input materials. A significant risk for SIJ Group are the decarbonisation plans of competing integrated steel plants, which produce steel from iron ore in blast furnaces. As they will introduce electric arc furnace recycling technologies in the restructuring process, partially replacing pig iron with steel scrap, the forecasts foresee a rise in the steel scrap prices and a decline in its availability. This could force SIJ Group to begin using hot briquetted iron for the production of steel in the electric arc furnaces, which would increase the carbon footprint (Scope 1 and Scope 3). Our analysis was based on known operational data and surveys on the availability of steel scrap. More details on the related IROs are included in the table on page 123. 11.a

The stakeholder engagement processes we describe on page 66 included consultations with local communities and no concerns were raised regarding the specific use of resources or the circular economy. 11.b

Business conduct G1 IRO-1

Our analysis of operational impacts, risks and opportunities identified other related material impacts, risks and opportunities. SIJ Group is one of the nation's largest employers, as most of the 30 companies of SIJ Group are based in Slovenia. The sector in which we operate is heavily regulated – particularly by environmental and occupational health and safety regulations. As all these factors increase the need for an effective corporate governance structure, we have not analysed all of the potential impacts, risks and opportunities related to business conduct separately. We included them in the list from the table on page 123 and decided to report in accordance with the requirements on business conduct. 6.

ESRS DISCLOSURE REQUIREMENTS COVERED BY THE COMPANY'S SUSTAINABILITY STRATEGY IRO-2

SIJ Group identified its material topics by conducting a double materiality analysis 59. on page 53 and disclosed them as shown in the Contents. 56.

ANTICIPATED FINANCIAL EFFECTS FROM MATERIAL PHYSICAL AND TRANSITION RISKS

Anticipated climate-related financial effects E1-9

SIJ Group plans to reduce its own emissions by 51% and its indirect emissions by 30% by 2030 as defined in Decarbonisation plan of SIJ Group. We link the achievement of this objective to the CAPEX Plan. We estimate that SIJ Group's cost of decarbonisation measures will reach EUR 70 million by 2030. We intend to partly finance them through the European project for financing the climate transition.

We assume that in the period leading up to 2050, when the goals of decarbonisation, or zero net emissions, are expected to be achieved, more advanced technologies will become more easily accessible at a lower cost, and we will therefore present a new CAPEX Plan to reach the decarbonisation targets before the start of the 2030-2050 period.

Anticipated financial effects from resource use and circular economy-related impacts E5-6

The risks and related financial impacts arising from the SIJ Group's Decarbonisation Plan are presented on page 92.

MINIMUM DISCLOSURE REQUIREMENTS

POLICIES ADOPTED FOR THE PURPOSE OF MANAGING MATERIAL SUSTAINABILITY ISSUES MDR-P

Adopted in 2022, the SIJ Group Sustainability Strategy is the foundation for clearly defined policies on operations and ethical conduct. 65.a

The SIJ Group Operating Policy, together with the SIJ Group Code of Ethics, set out the guidelines for employees involved in all business activities of SIJ Groups' companies. These guidelines also apply to all external contractors performing work on a regular basis on these companies' premises, or to those involved in SIJ Group projects. 65.b

Inter alia, the SIJ Group Code of Ethics requires us to create an inclusive working environment and protect our employees' dignity, respect diversity and ensure equal opportunities for all, to comply with the law, agreements with our employees, respect human and labour rights, and to refrain from illegal business practices. This document prohibits corruption, discrimination, forced or compulsory labour, child labour, trafficking in human beings and all forms of modern slavery.

The key covenants of the adopted SIJ Group Operating Policy are:

- a focus on the customer,
- sustainable management and governance,
- protection of the environment,
- occupational health and safety, and
- responsible energy management.

The SIJ Group Operating Policy further outlines the commitments SIJ Group has made with regard to employees, social responsibility, sustainable sourcing, quality and development, and anti-corruption efforts. One part of the SIJ Group Operating Policy is the complaints reporting mechanism. 65.a

Besides the overarching Operating Policy and Code of Ethics, SIJ Group has adopted several other sectoral policies and codes:

- The Sustainable Procurement Policy sets out the principles of SIJ Group's sustainable sourcing activities and our approach to sustainable sourcing.
- The Code of Conduct for Suppliers of SIJ Group requires all SIJ Group suppliers to undertake to conduct their day-to-day operations in an honest, ethical and respectful manner.
- The Sanctions Policy defines and regulates the observance of international and national sanctions.
- The Tax Policy sets out the main principles for SIJ Group companies' compliance with their tax obligations and regulates their relations with the tax authorities.

The President of the Management Board of SIJ d.d. is responsible for implementation of the SIJ Group Operating Policy, while the Vice-Presidents, executive officers and directors of SIJ d.d. and the directors of its subsidiaries are responsible for integrating the Policy within their respective areas of responsibility. In accordance with the SIJ Group's corporate rules, the Operating Policy, in conjunction with the sectoral policies, is prepared at the highest level and is directly subordinated hierarchically to the SIJ Group's strategies set out on page 59. Based on the applicable policy, SIJ d.d. adopts the relevant corporate regulations, while the subsidiaries' operations are governed by internal regulations. 65.c

The SIJ Group Operating Policy, SIJ Group Code of Ethics and sectoral policies satisfy all the requirements of the ResponsibleSteel standards, ISO 9001, AS/EN 9100, ISO 14001, ISO 45001 and ISO 50001. 65.d In addition to the requirements set by the standards, the requirements of key stakeholders such as employees, the local community, and the natural environment have been incorporated in these documents. The stakeholders' demands were obtained in the process of drafting the Sustainability Strategy. 65.e

The SIJ Group Operating Policy and SIJ Group Code of Ethics and sectoral policies are published on the websites of SIJ Group companies. The Sustainable Procurement Policy and the Code of Conduct for Suppliers of SIJ Group were presented to strategic (Tier-1) suppliers of input materials in 2024. These suppliers have confirmed their agreement to the requirements of the Code of Conduct for Suppliers of SIJ Group with the relevant person of authority's signature. 65.f

Policies related to climate change mitigation and adaptation E1-2

The SIJ Group Operating Policy fosters improvements in energy, environmental and safety efficiency, as well as encourages efforts to prevent pollution, reduce noise and preserve biodiversity. 24. 25.c 25.d

To this end, SIJ Group compiled the Decarbonisation Plan 2020-2030-2050, which outlines the measures for all scopes of emissions – emissions for which we are directly responsible (Scope 1), indirect emissions (Scope 2) and the effects of our activities on emissions along the supply chain (Scope 3). Reporting on the carbon footprint of products is carried out using one of the established methods (ISO 14044, EN 15804, World Steel Association methodology, etc. and for the purposes of ESRS reporting, in accordance with the GHG Protocol). 25.a 25.b

Policies related to pollution E2-1

The SIJ Group Operating Policy and the SIJ Group Code of Ethics commit us to the continuous prevention of environmental pollution, which we consider as a risk to public health, and to the preservation of the natural environment and resources. We maintain an environmental management system, which is established and certified in all relevant member companies of SIJ Group. We actively engage with the stakeholders. We are also working to reduce our environmental impact by making improvements to energy efficiency and by acting in accordance with the principles of the circular economy. 14.

The Code of Conduct for Suppliers of SIJ Group also requires the suppliers of strategic raw materials to make efforts to protect the environment and prevent pollution. The Code underlines that our suppliers must take steps to reduce their adverse impacts on the environment.

We see pollution prevention as an innovation opportunity, which is an important value of SIJ Group's business excellence. Through innovation and adhering to strict quality standards, we foster a sustainable corporate culture and mitigate adverse impacts. By reducing pollutant emissions, we help improve air quality, which in turn affects the health of the population and reduces stress on natural ecosystems. 15.a

SIJ Group does not use either substances of concern or substances of very high concern. 15.b SIJ Group manages all incidents, including environmental incidents, in the context of a corporate incident response system. 15.c

Policies related to water and marine resources E3-1

The SIJ Group Code of Ethics, which places an obligation on all employees, guides us in applying sustainable practices, which include reducing water consumption and protecting aquatic ecosystems. 11. The two largest production companies, SIJ Acroni and SIJ Metal Ravne, have a publicly accessible Water Management Plan in place, with clearly defined targets for reducing water consumption in the future. 12.a i. 12.b Smaller companies do not have such a plan, but they adhere to the Code of Ethics of SIJ Group.

The sustainable management of freshwater and marine resources is driving innovation and improvements in efficiency. Through use of advanced technologies for wastewater treatment and reduced water consumption, we are contributing to the sustainable development of SIJ Group and to greater environmental efficiency. The SIJ Group's Operating Policy places responsible resource management among the company's key strategic objectives. 12.a ii.

Inadequate management of water resources poses a risk to public health. Contamination of water resources can lead to ecological and health issues, which could adversely impact local communities and biodiversity. The SIJ Group

Code of Ethics emphasises a safe and healthy working environment, including protection of water resources. 12.a iii.

Water resource management has an impact on the environment and on the local communities. Reducing water consumption and preventing the pollution of water resources help preserve ecosystems and provide clean drinking water for local communities. The Code of Conduct for Suppliers of SIJ Group also requires our suppliers of strategic raw materials to implement practices for the efficient use of resources, including water. 12.c

According to the European Environment Agency's (EEA) cartographic data, SIJ Group has no production facilities located in areas of high water stress.[4] 13.

While SIJ Group does not have a specific policy on the protection of the seas and oceans due to its distance from such bodies of water, our efforts to protect and care for other water resources also have an indirect impact on marine environments. 14.

Policies related to biodiversity and ecosystems E4-2

Our commitment to preserving biodiversity is being put in practice in accordance with the SIJ Group Policy, as set out on page 72. 20.

Policies related to resource use and circular economy E5-1

In the SIJ Group's Operating Policy, we made a commitment to encourage activities for the continuous improvement of energy and environmental efficiency, which are inextricably linked to the circular economy and rational use of resources. 14.

The policies include minimisation of waste, recycling and reuse of materials. This helps reduce our environmental footprint and increases the efficient use of resources. Sustainable development, the circular economy, improving energy efficiency, protecting the environment, preventing environmental pollution and preserving biodiversity are the key principles outlined in the SIJ Group Code of Ethics. 15.a

The Code of Conduct for Suppliers of SIJ Group obliges suppliers of strategic raw materials to produce products with the least possible impact on the environment, thus conserving natural renewable resources, reducing or eliminating all types of waste or unsustainable consumption of resources (including energy and water), and to introduce various measures for the efficient use of resources, recycling or reuse of raw materials. 15.b

Policies related to own workforce S1-1

The SIJ Group Operating Policy and SIJ Group Code of Ethics, which apply to all employees of the companies of SIJ Group 19., mentioned on page 72 20.a 22. 24.a, require us to, among other things, create an inclusive work environment and protect the dignity of our employees. 24.c We treat all current and potential employees fairly, without prejudice and equally, regardless of nationality, race or ethnic origin, national or social origin, gender, sexu-

4 Source: European Environment Agency (EEA). Water Stress in Europe, 2000 and 2030. Available at the link (8 November 2024).

al orientation, marital or parental status, pregnancy, health, disability, religion or belief, age, family status, trade union membership, financial means or other personal circumstances. 24.b

SIJ Group follows the principles of the United Nations and certain key points from the OECD Guidelines. Our goal is to have these principles and guidelines formally implemented in the SIJ Group's internal bylaws and policies by 2027. 20.

For deviations from the SIJ Group Operating Policy or the SIJ Group Code of Ethics, we have a complaints procedure and an anonymous complaints system for reporting compliance violations, which also ensures whistleblower protection. 20.c 24.d

The SIJ Group Operating Policy clearly defines our commitment to controlling and reducing occupational health and safety risks, preventing work-related injuries and health impairments, and developing safe, healthy and creative working conditions, which we achieve in consultation or in cooperation with our employees or their representatives. 23.

The SIJ Group's Operating Policy and Code of Ethics, which came into force in the first quarter of 2023, are published on the websites of SIJ d.d. and its subsidiaries. The binding commitments set out in the Operating Policy and Code of Ethics are communicated to employees through internal communications channels, and they are also given their own physical copies of both documents as part of attending special training courses. 20.b

Policies relating to local communities S3-1

SIJ Group Operating Policy and SIJ Group Code of Ethics are based on high ethical standards and principles of responsible business conduct and respect for human rights, which also applies to cooperation with the local communities. 14. Suppliers are required to comply with the Sustainable Procurement Policy, all applicable laws and regulations and fundamental human rights, including the prohibition of forced and child labour. In accordance with the SIJ Group Supplier Code of Conduct, they must ensure a safe and healthy working environment for all workers in the value chain. By enforcing these demands and practices, we affect not only the workers, but also the local communities at the first tier of our value chain.

At SIJ Group, we conduct ourselves in accordance with the Company's values of honesty, responsibility and respect. We promote socially responsible behaviour and contribute to the higher quality of life in the community. We oppose involuntary relocations for business reasons and do not engage in such practices anywhere our companies operate.

Business conduct policies and corporate culture G1-1

Our policies on business conduct and corporate culture are based on high ethical standards, responsible business conduct and respect for company values. The umbrella level, which defines the Company's corporate culture and values from the top down, is represented by the Code of Ethics and the SIJ Group Operating Policy, described in more detail in the previous thematic sections on page 72. 7. The SIJ Group Operating Policy places emphasis on employee satisfaction and development as the key to success. Incentives for innovation and maintaining a high standard of quality are a key part of SIJ Group's corporate culture. 9.

Both employees and external stakeholders can report any suspected irregularities in terms of wrongdoing or violations of adopted policies and codes through established mechanisms (the complaints procedure and anonymous reporting via the whistleblower hotline). The procedures involved in these mechanisms are clearly defined in the corporate instructions. Any complaints which are submitted are handled by the designated complaints officer. 10.a 10.c

In addition to follow-up procedures for whistleblower reports and complaints received, SIJ Group has defined procedures for the timely and objective investigation of incidents related to business conduct, including incidents involving corruption and bribery. This domain is handled by the Corporate Security Department. 10.e

In 2024, we also adopted an internal SIJ Group Corruption Prevention Manual, which defines in more detail the anti-corruption and anti-bribery policy. 10.g We have not yet adopted a specific policy on internal training on business conduct, but we have carried out an evaluation of the functions which are most at risk of corruption and bribery, and the following functions have been identified: Procurement, Logistics and Project Offices. 10.h

ACTIONS AND RESOURCES IN RELATION TO MATERIAL SUSTAINABILITY MATTERS MDR-A

The SIJ Group Sustainability Strategy 2022-2030 includes an action plan with 30 actions for all sustainability topics. Specific KPIs and targets have been set for the actions referring to each topic. The main objectives of the Sustainability Strategy are aligned with the objectives of the SIJ Group's Business Strategy 2019-2025.

List of Key Actions - Action Plan 68.a-e

TOPICS						
Circular economy	**Corporate leadership**	**Employees**		**Cooperation with the local community**	**Environment**	
SUBJECT MATTER						
Circular economy (recycling, waste management)	Corporate culture (governance, powers and responsibilities, ethical and transparent governance, compliance)	Motivated and competent employees (organisational competences, tutorship)	Occupational safety and health (clean and tidy workspaces)	Relations with the local community (social responsibility)	Carbon footprint (energy efficiency, emissions)	Care for natural resources (water stewardship, environmental disasters)
RESULTS						
Reduced use of resources	Improved leadership	Upgraded HR management	Lower accident count	Positive environment	Honouring the Paris Agreement	Statutory compliance
Increased added value per employee	Operational transparency	More competent and more motivated employees	More pleasant working environment	Improved reputation of SIJ Group	Meeting customer requirements	Meeting the specifications set by standards
	Uniform SIJ Group corporate culture	More efficient operational processes within the company	Better organisational climate measurement results	Increased added value per employee		
GOALS						
Good business performance of SIJ Group					**Protecting the environment**	
	Employer of choice					
ACTION PLANS – MEASURES						
Use of internal scrap	Introduction of a Gemba walk in production	Introduction of succession training for key positions	Introduction of the 5S method to ensure orderly and safe workplaces	Implementation of the Local Community Partnership Day	Development of a system to calculate the CO_2 carbon footprint	Conducting training on environmental regulatory compliance
Waste sorting	Sustainability training	Introduction of an organised transfer of skills to new recruits	Introduction of the ISO 45001 standard	Implementation of regular meetings between the management and the local community	Promoting the sustainable internal mobility of employees	Implementation of the ISO 50001 energy management system
Introducing the Responsible Supplier commitment	Establishing a complaints reporting mechanism	Improving employee satisfaction, loyalty and engagement	Improving working conditions in production	Establishing a system for handling complaints and initiatives	Establishing a system for the beneficial use of excess heat	
	Ensuring gender equality	Establishing a system to encourage innovation and useful suggestions		Preservation of cultural heritage	Emphasis on environmental investments	
	Adoption of the SIJ Group Operating Policy and SIJ Group Code of Ethics	Establishing a system of annual interviews		Supply of excess heat for heating		
				Support to social activities via sponsorship and donations		

In 2024, one of the actions has been completed, 23 actions are in the process of implementation and six actions are slated to start in either 2025 or 2026.

Actions and resources in relation to climate change policies E1-3

SIJ Group's investments which also contribute to reducing greenhouse gas emissions are primarily focused on improving efficiency by lowering specific energy consumption. As the economics of such investment projects are increasing as energy prices rise, raising funds to finance these projects is not problematic (in SIJ Group's normal course of business). 28.

The reduction of greenhouse gas emissions and the resulting mitigation of climate change are primarily linked to the modernisation of technologies and shifting to new energy sources. The two key actions in this area are:

- we opt for more efficient burners in the production process,
- natural gas is being replaced by electricity and hydrogen. 29.a

The actual and expected reductions in greenhouse gas emissions are presented on page 92. 29.b We present the amounts of operating expenditure and capital expenditure in the financial statements – Notes 8 and 9 to the individual items of the consolidated financial statements. 29.c

Actions and resources related to resource use and circular economy E5-2

We have defined the emission reduction measures for all three scopes (Scope 1 – direct emissions, Scope 2 – indirect emissions, and Scope 3 – emissions in our supply chain) in SIJ Group's Decarbonisation Plan on page 92. It also sets out the time periods for implementing the actions, the results we aim to achieve in each period and the financial resources needed to meet the objectives. 19.

Slag is the most important secondary material in SIJ Group companies. This mixture of metal oxides, produced in the process of remelting steel, is used to produce secondary products which can replace natural building materials and asphalt mixes. Part of the slag is reused in the remelting of steel, where it partly replaces the metallic additive. 20.b

The circular economy is promoted at all levels by implementing measures to ensure the efficient use of resources. In addition to the use of steel scrap 20.d and steel recovered from our own production processes, and the use of slag for processing into secondary raw materials, we apply the circular design in reducing all types of waste (inert, non-hazardous, hazardous). By assessing opportunities for the re-use of materials and reducing waste, we are also reducing the percentage that is headed to landfills, transport and recovery processes. 20.c

One of the most important measures to promote the circular economy at SIJ Group has been the introduction of a central industrial waste index, which was launched in 2021 and contains data on where the waste is generated and how it is managed across all production sites in Slovenia. It provides a comprehensive resource supporting the proper handling of waste, waste prevention and closing circuits.

Measures related to the circular economy take into account environmental performance, economic viability, state of the art technology, complexity of processes, enrichment potential and the possibility of returning raw materials to the production process. 20.f

METRICS IN RELATION TO MATERIAL SUSTAINABILITY MATTERS MDR-M

The SIJ Group's Sustainability Strategy, which the President of the Management Board and Vice-Presidents also participated in the preparation of, defines two key sustainability metrics. Key performance indicators have also been defined for these metrics, subject to verification by an independent institution. The achievement of the targets is monitored in the course of direct reporting at SIJ d.d. operational meetings and through established processes used to track the achievement of sustainability strategy targets. 75. The key performance indicators in this section and the following section are determined based on the World Steel Association (WSA) methodology, which the Group has been using systematically since 2012. This approach enables consistent performance monitoring and ensures comparability of data over time, which is essential for reliably assessing progress towards achieving sustainability goals.

KPI 1: Scope 1 emission intensity reduction

Definition of the metric

The intensity of direct carbon dioxide emissions (Scope 1) from steel production is measured in tonnes of carbon dioxide (CO2) per tonne of cast steel. The KPI 1 calculation is performed according to the World Steel Association (WSA) methodology. 77.a 80.g

KPI 1 applies to both steel companies of SIJ Group. Of all the SIJ Group's emission sources (sources in companies under SIJ Group ownership or control), the steel companies generate the majority of direct emissions.

Reporting

In our disclosures of emissions according to WSA, we report indicators for the steel-producing companies SIJ Acroni and SIJ Metal Ravne. In accordance with the law and relevant methodology, the data on these companies' direct emissions are further reviewed by verifiers. SIJ Group reports on these indicators once per year, in its annual report.

KPI 2: Introduction of ISO 45001 standard certification in production companies

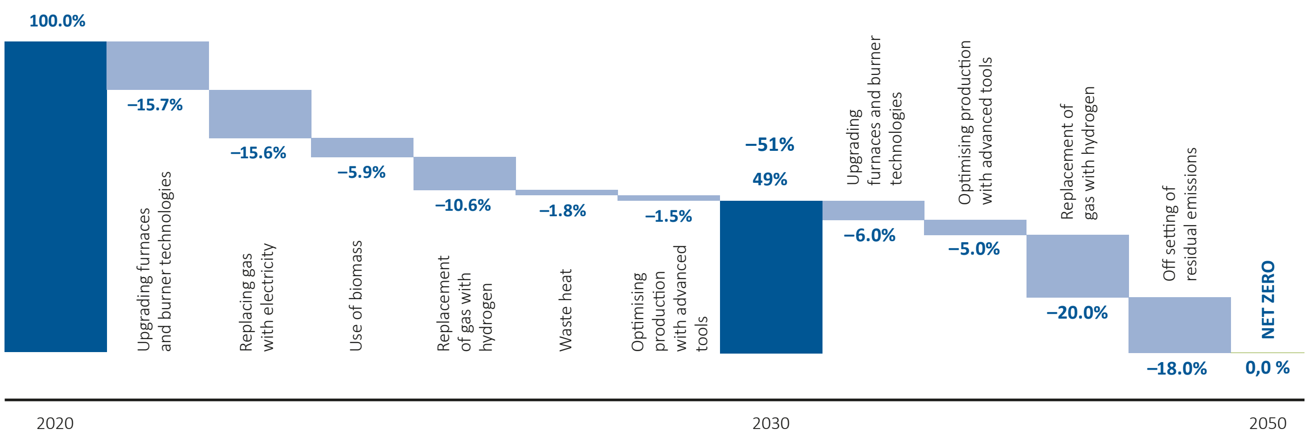
Definition

The principles laid out in the international standard ISO 45001, which pertain to occupational health and safety management systems, are observed in many SIJ Group companies. SIJ Group's sustainability goal is that all production companies will be certified under this standard by 2026. 77.a

Reporting

In our disclosures, we report the KPIs of the SIJ Group production companies that ensure occupational safety in accordance with the relevant standards and are certified under these standards. SIJ Group reports on these indicators once per year, in its annual report.

Emission intensity of Scope 1 (tonnes of CO_2/t of crude steel)



TRACKING EFFECTIVENESS OF POLICIES AND ACTIONS THROUGH TARGETS MDR-T

The actions outlined in the Sustainable Strategy Action Plan are tracked periodically – at the end of each year. The achievement of key action targets is subject to independent verification by an external institution. Achievement of the targets of the remaining 28 actions is tracked internally and reported to the President of the Management Board. 80.a

Besides checking if the targets have been achieved, checks are also made to determine whether the actions of the action plan are still relevant. In the case of changes in the actions or their corresponding targets, the action plan will be adjusted accordingly.

Sustainable development targets under KPI 1 80.b

The data for 2020 serve as a baseline for tracking emission intensity reductions. 80.c The KPI 1 value at that time was 0.403 tonnes of carbon dioxide per tonne of cast steel. By 2030 80.e, our plan is to achieve a 51% reduction in emissions compared to the baseline year. 80.d

Sustainable development targets under KPI 2 80.b

The baseline for comparison is 2022, when two of the production companies of SIJ Group (SIJ Acroni and SIJ Metal) became ISO 45001-certified 80.c, meaning that the KPI 2 value was 33%. 80.d By 2026, we plan to have all production companies ISO 45001-certified. 80.e

Achievement of sustainable development targets from KPI 1 and KPI 2 77.b 80.j

Sustainable development targets under KPI 1

Metric / year		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Scope 1 CO_2 emission reductions in %	Plan	–0.7	–0.8	–2.1	–7.7	–11.7	–20.8	–25.1	–32.6	–43.8	–51
	Fact	–3.9	–4.2	–6.2	–12.5						

Sustainable development targets under KPI 2

Metric / year	2022	2023	2024	2025	2026
% of production companies with ISO 45001 certification	33	50	67	83	100
(cert. prod. companies / all prod. companies)	(2/6)	(3/6)	(4/6)	(5/6)	(6/6)

KPI 1: Reduction of CO_2 emissions – scope 1

Metric / year		2021	2022	2023	2024
Reduction of Scope 1 CO_2 emissions	Plan (cumulative reduction in %, by year)	–0.7	–0.8	–2.1	–7.7
	Plan (year-on-year cumulative reduction, in %)	–3.9	–4.2	–6.2	–11.7
Target achieved				YES	YES
Certified by external verifier				SIQ	SIQ

KPI 2: ISO 45001 certification for SIJ Group production companies

Metric / year		2022	2023	2024
% of production companies with ISO 45001 certification	Plan (%)	33	50	67
	Fact (%)	33	50	67
Target achieved			YES	YES
Certified by external verifier			TÜV SÜD SAVA	TÜV SÜD SAVA

PROCESSES FOR ENGAGING WITH OWN WORKFORCE S1-2 AND LOCAL COMMUNITIES S3-2 ABOUT IMPACTS

Processes for engaging with own workers and workers' representatives about impacts S1-2

Employee participation in decisions and activities aimed at managing actual and potential impacts on employees in Slovenia is regulated under the respective collective agreements and laws – in particular the Worker Participation in Management Act (ZSUD, Official Gazette of the Republic of Slovenia, No. 42/07 and 45/08) and the Health and Safety at Work Act (ZVZD, Official Gazette of the Republic of Slovenia, No. 43/11). 27.d

SIJ Group companies operate in accordance with Slovenian legislation and meet their obligations related to regular social dialogue, communicating and consulting with employees. Company directors are operationally responsible for ensuring social dialogue and considering the interests, views and opinions of their own workers. 27.c

SIJ Group companies maintain social dialogue through:

- holding meetings with employee representatives at least once a month, and multiple times per month, if necessary; 27.a
- holding staff meetings, which are held at least twice a year; 27.b
- informing employees on a regular basis using internal communication channels; 27.a
- monthly open-door sessions with company directors meant for one-on-one discussions with employees. 27.b

Since 2022, we have been collecting employee feedback about their level of satisfaction with the communication channels by holding employee focus group discussions. We also hold group discussions on topics related to the reputation and corporate values of SIJ Group and, in particular, the employer's impact on employees. 27.a

Due to the recruitment of an increasing number of international workers and taking into account the likelihood for their becoming marginalised, SIJ Group also has an International Mobility Specialist on staff. After some issues with the recruitment of Nepalese workers was brought to our attention (cases of possible corrupt and extortive practices with regard to access to vacancies in Slovenia, which we reported to the competent authorities), we carried out a systematic campaign to raise awareness among migrant workers about their rights and about free access to the labour market, in line with human rights protection principles. We have called on foreign agencies and asked them for their cooperation in preventing further adverse effects. 28.

Processes for engaging with local communities about impacts S3-2

Slovenia is the primary local environment of the international SIJ Group, where its production companies operate. Three of SIJ Group's production companies operate in Ravne na Koroškem (SIJ Metal Ravne, SIJ Ravne Systems and SIJ ZIP), two are based in Jesenice (SIJ Acroni and SIJ SUZ), while the parent company is based in Ljubljana. The largest production companies operate in the Gorenjska and Koroška regions. The majority of our employees and their family members are residents of these two regions, where we are the largest economic operator and a key employer. In these areas, we take particular care to engage with local communities and work with them to assess actual and potential impacts.

We are involved in the development of local communities through various projects, partnerships and being open to new ways of cooperation. We organise and attend meetings with representatives of local communities, local authorities (municipalities), the nearest district associations and non-governmental organisations active in fields such as the protection of the environment, cultural and technical heritage, education and humanitarian activities. We also liaise with organisations catering to socially vulnerable groups. 19.

There are no populations in the local environments where SIJ Group companies operate which would be considered or treated as indigenous peoples. 23.

We test the responses of local communities in different ways. In 2023, we conducted a survey on engaging and communicating with such communities and our impact on the social and natural environment, where 43% of those invited submitted responses. Local community representatives were included in due diligence procedures in the context of ResponsibleSteel standard certification on page 56. In 2024, local community representatives also graded our impacts in the context of the dual materiality analysis. The feedback was consistent with the feedback we receive in our regular engagement activities. 21.d

Measurements of the local community perception of the impact of our business operations, the environmental, infrastructural and social impacts, the effectiveness of

communication channels and key issues for the local environment have shown that the local community places particular importance on topics related to the employment and business of the local population, protection of the environment, and supporting social activities. These results provide guidance for designing and implementing plans for stakeholder engagement.

We meet with representatives of the local community once or twice a year. In 2024, we held one meeting with representatives of the local communities and three meetings with the representatives of local authorities. Topics of discussion included business-related topics, environmental impacts, employment and local accommodation of foreign workers, and stabilisation measures of SIJ Group in times of difficult business conditions. 21.a 21.b These meetings are attended by the managements of companies, corporate communications officers of the subsidiaries, a representative of SIJ Group responsible for community engagement and, depending on the topic of the meetings, the relevant representatives of different professional departments dealing with ecology, CAPEX, production, etc. 21.c

Our commitment to promoting sustainable development in local communities is demonstrated by various projects and related events. In 2024, major events included:

- Sustainable sports infrastructure: two opening ceremonies in honour of the donation of street workout parks for the local population

  With 24 steel street workout parks, developed and manufactured by SIJ Group, we are increasing the quality of life for the local community and promoting an active lifestyle. The project is implemented in cooperation with the Olympic Committee of Slovenia – Association of Sports Federations (OCS). We promote it in partnership with 26 Slovenian Olympic athletes/ambassadors.

- Volunteering: Local Community Partnership Day

  A total of 286 employees donated 572 hours of voluntary work to the local community. We involve vulnerable groups from the local community in our volunteer campaigns, which have been running for five years. In 2024, 254 users of institutions for persons with disabilities and residents of retirement homes 22., were involved in the Local Community Partnership Day, which was the highest to date.

- Charity: sports charity campaign with fund-raising activities for children

  The 4,158 kilometres walked, run or cycled by SIJ Sports Association members were converted into the same amount of euros and donated to three local charity organisations for children.

- Preservation of technical heritage

  In Jesenice, we restored a narrow-gauge electric locomotive, which is now classified as an engineering landmark. We worked with the steel museums of Ravne na Koroškem, Jesenice and Štore to prepare the exhibition Steel for a Green Future.

We also support the social activities of local communities with the aim of improving the quality of life in local communities through sponsorships and donations, in keeping with the uniform rules applicable to companies gathered under the *Mind of Steel* brand:

- On the national level, we have a long-established form of cooperation with the Olympic Committee of Slovenia (OCS). In the 2022–2026 Olympic cycle, we will continue supporting Slovenia's top athletes and the Sports for All project. For the second time, the Slovenian Olympic torch, crafted from SIJ Group's recycled steel, made the rounds to all municipalities in Slovenia and SIJ Group companies ahead of the Olympic Games in Paris. More than 10,000 torchbearers, SIJ Group employees and Slovenian Olympians at the Olympic Games are connected by wearing sustainable bracelets made from discarded shoelaces and a piece of recycled steel from SIJ Group.
- Slovenia's top athletes – as chosen by the Slovenian Sports Journalists Association – were also awarded sculptures crafted from SIJ Group's steel.
- Four successful young athletes, the children of SIJ Group employees, received sports scholarships in cooperation with the Olympic Committee of Slovenia.
- At the local community level, we sponsor sports clubs and sports programmes which our employees and their family members can join.

The value of sponsorships and donations is stated in the financial statements in Note 4 to the individual items of the consolidated financial statements.

PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR EMPLOYEES S1-3 AND LOCAL COMMUNITIES S3-3 TO RAISE CONCERNS

The complaints and whistleblowing mechanism, where our employees can raise concerns S1-3

Launched in May 2023, the grievance mechanism allows community members, organisations, employees and other interested parties to report concerns, violations and irregularities they become aware of in SIJ Group companies. The implemented complaints mechanism encourages reporting of breaches of company policies, codes of ethics, deficiencies in occupational safety, environmental protection, personal data protection, non-compliance with governance standards which cannot be resolved internally, conflicts of interest in decision-making processes, human and labour rights violations, etc. 32.a

The systematic receipt, investigation, and closure of reported complaints in a timely, fair and consistent manner is set out in the Regulation on Complaint Procedure. These stipulate, inter alia, that employees who report in good faith violations of laws, the Code of Conduct or other internal rules and regulations will not be subject to retaliation or suffer any negative consequences as a result of their actions. 32.c

Reported complaints are handled by an independent committee of 10 SIJ Group employees. The committee members are appointed by the President of the Management Board of SIJ Group and are bound by under the obligation of confidentiality and secrecy. The committee dealt with one complaint in 2024. 32.e

SIJ Group also allows anonymous whistleblowing. 32.c Any parties may submit their report using the external FaceUp platform. 32.b In accordance with Slovenian law, the report is then handled by the designated company confidant. In 2024, we dealt with one such report. 32.e

The Regulation on Internal Reporting of Violations also outlines measures to protect the whistleblowers' identity and prevent retaliation. The employer is prohibited from attempting to identify the whistleblower, intermediary, or any related persons. When submitting an anonymous report via the IT-supported reporting channel, the applicant's identity is not disclosed to anyone, not even the designated company confidant. 32.e 33.

Information on the existence and use of internal reporting and complaints channels is made available to employees through internal media (the intranet portal, company newsletter) and employees are periodically informed of the reporting possibilities through these channels. Easy access to information about the company confidants in charge of collecting internal reports is provided to employees at all times through these internal channels. At SIJ Group, company confidants are appointed in accordance with the Whistleblower Protection Act (ZZPri). In the process of being appointed, the confidants receive training on carrying out their duties and dealing with applications appropriately. 32.d

Complaints or reports received via either of these mechanisms are reported to SIJ Group management. 32.e

Both mechanisms can be accessed via the SIJ Group's website, where the relevant instructions are also provided. The complaints mechanism also allows complaints to be submitted by email and standard post. More than 80% of employees in the companies of SIJ Group have also received training on the complaints mechanism. 33. All other employees will receive this training in next two years.

Complaints mechanism and whistleblowing where affected communities can raise concerns S3-3

Local communities can address questions, concerns and complaints to SIJ Group companies by way of:

- directly contacting the company (by phone, email and other form of communication);
- SIJ Group's complaints mechanism; (on page 82)
- the anonymous whistleblower system; (on page 82)

In the interest of ensuring faster response times, we encourage directly contacting the company. The possibility of direct contact, which is also the most frequently used channel for this type of communication, is thus promoted at local community meetings. 27.a 27.b 27.c

SIJ Group's companies keep internal records of the complaints received through whistleblowing lines and SIJ d.d. complaints mechanism. 27.d

In 2024, we received 18 complaints directly from local communities. They complained about dust emissions, noise and low frequencies, potential pollution of agricultural land. Sixteen complaints have already been successfully resolved.

From 2023, local communities are able to raise concerns via the SIJ Group complaints mechanism and via an anonymous whistleblower platform. 27.a 27.b Representatives of local authorities were informed about these options and about the possibility to access them via the websites of companies at a community meeting which was held at the time when the two mechanisms were launched. No such complaints were reported in 2024.

We evaluate the effectiveness of our engagement with local communities:

- based on assessments made by the community representatives,
- based on the share of successfully resolved complaints voiced by the local communities.

The assessments of the community representatives were obtained in 2024 as part of the due diligence process for the ResponsibleSteel certification on page 56. Published in March, the report[5] includes assessments submitted by representatives of sports and cultural organisations, local authorities and NGOs from the field of environmental protection. SIJ Group received a highly positive due diligence rating (28 out of 29 points).

Companies receive concerns and complaints through designated and recommended communication channels. Therefore, SIJ Group considers that community representatives are adequately informed about the procedures for expressing their needs or concerns. 28.

5 Source: ResponsibleSteel. ResponsibleSteel Public Summary Audit Report. Available at the link (3 December 2024).

Environmental Information

TAXONOMY

Report on environmentally sustainable economic activities and investments for SIJ Group and SIJ d.d. for the year 2024

For SIJ Group and SIJ d.d., we disclose information for 2024 on how and to what extent our activities are related to economic activities considered environmentally sustainable under Articles 3 and 9 of the EU Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088). The disclosure of information also relates to the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation. The disclosure of information also relates to the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives. Regulation (EU) 2021/2139 was amended by the Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 by establishing additional technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives. The consolidation includes all SIJ Groups' companies.

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

In preparing the 2024 report, we have taken into account the Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of eligible economic activities and assets (2022/C385/01), published in the Official Journal of the EU on 6 June 2012, and the Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act, establishing technical screening criteria for economic activities that contribute substantially to climate change mitigation or climate change adaptation and do no significant harm to other environmental objective (C/2023/267), published in the Official Journal of the EU on 20 October 2023.

Disclosures accompanying key performance indicators, including accompanying information to be disclosed in accordance with Annexes I and II to the Regulation on Disclosures

Annex I to the Disclosures Delegated Act (EU 2021/2178, as subsequently amended) clarifies that undertakings must use the same accounting principles that apply to the preparation of their consolidated annual financial statements to calculate their taxonomy-aligned turnover. This is to ensure comparability with the turnover reported in the entity's consolidated financial statements. As a result, when a consolidated non-financial statement is prepared, the accounting principles of consolidation would exclude intercompany sales and turnover from own consumption. The indicators are calculated on the basis of the definitions found in in Annex 1 – KPIs of Non-financial Undertakings of the Commission Delegated Regulation (EU) 2021/2178.

Specification of the disclosures accompanying the KPIs

SIJ d.d., which is the parent company and directly performs the function of a manager of its investments in SIJ Group companies, does not operate any taxonomy-eligible activities. It also has no taxonomy-eligible investments.

The taxonomy-eligible activity of SIJ Group is the production of iron and steel, which is defined as a taxonomically transitional activity. The activity falls under the scope of section 3.9. of Regulation (EU) 2021/2139. This category includes activities with NACE Standard Economic Classification codes:

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

An economic activity is considered taxonomy-aligned when it contributes substantially to one or more environmental objectives, does not significantly harm the remaining environmental objectives, is carried out in accordance with the minimum safeguards and meets the technical screening criteria set out in the Commission Delegated Regulation EU 2023/2485 and, for certain activities, in its predecessor, Delegated Regulation EU 2021/2139.

For the first two environmental objectives – climate change adaptation and climate change mitigation – SIJ Group considers as taxonomy-eligible the manufacture of iron and steel activities. These activity meets the technical criteria for review set out in the EU Delegated Regulation 2021/2139. According to our own assessment, we also meet almost all other required criteria, as we explain in more detail below. As the activities in question are not defined in the Commission Delegated Regulation EU 2023/2486, they are taxonomy-ineligible from the perspective of the remaining four environmental objectives (i.e. sustainable use and protec-

tion of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems). Below, we specify the activities in the tables, as provided in Annex II of the Disclosure Regulation.

Among its activities, SIJ Group has assessed as taxonomy-eligible the iron and steel production activity operated by the subsidiaries SIJ Acroni and SIJ Metal Ravne. This activity is defined in the taxonomy as a transitional activity referred to in Article 10(2) of Regulation (EU) 2020/852. In our assessment, it meets the technical screening criteria as set out in Chapter 3.9 of EU Regulation 2021/2139, consolidated version, in effect as of 31 December 2024. The taxonomy-eligible revenue is the result of processes directly or indirectly related to electric arc furnaces (EAFs), secondary metallurgy, casting and cutting, post-combustion plants, dedusting units, vessel heating racks, ingot preheating racks, slow cooling pits, and drying and preheating of scrap material. After a careful review of the technical criteria, we consider that not all taxonomy-eligible activities that we carry out are also taxonomy-aligned.

We divided our steel production into potential taxonomy aligned and non-taxonomy-aligned activities. Our classification was made based on:

- individual grades according to their content of alloying elements, and
- the percentage of steel scrap used to produce slabs of each grade.

In accordance with the Commission Delegated Regulation (EU) 2021/2139, an economic activity qualifies as contributing substantially to climate change mitigation if the activity produces EAF carbon steel or EAF high alloy steel, as defined in the Commission Delegated Regulation (EU) 2019/331 and where the steel scrap input relative to product output is not lower than 70% for the production of high alloy steel, or not lower than 90% for the production of carbon steel. SIJ Group meets this criterion in the performance of its activities and is thus making a substantial contribution to the objective of climate change mitigation.

In the context of meeting the criteria for doing no significant harm (DNSH) to other objectives, we have assessed that the activity meets almost all the criteria for doing no significant harm to the climate change adaptation objective, as set out in Appendix A to Annex I of the EU Delegated Regulation 2021/2139. We have updated the classification of climate-related hazards and associated vulnerabilities for both steel companies of SIJ Group and SIJ d.d. as the parent company. The identified risks were assigned values according to their speed, probability of occurrence, vulnerability, remediation and consequences. We then assessed the overall severity of each risk. The assessment looked at which physical climate risks could potentially affect the viability of the commercial activity, and identified their materiality. For the identified risks, we defined the measures necessary to mitigate these in line with our internal methodology. As our activity is not yet adapted to climate changes, despite having performed certain measures in the past and continue performing today. Due to this fact, we assess that we partially fulfil the criteria for doing no significant harm to the objective of climate change adaptation. Even though SIJ Group fulfils all the other do no significant harm criteria, as explained later on, our activity is ranked as eligible, but not taxonomy aligned.

No material eligible type c) activity (individual measures unrelated to the revenue-generating activity) has been identified during the eligibility analysis.

SIJ d.d., as the parent company, and its subsidiaries monitor surface and groundwater quality by carrying out annual operational monitoring, thus reducing the risk of potential water contamination. We have identified these risks and we regularly report the required measurements to the competent authorities. The activity thus meets the criteria set out in Appendix B of Annex I of the EU Delegated Regulation 2021/2139 and does not significantly harm the objective of the sustainable use and protection of aquatic and marine resources.

Under EU Delegated Regulation 2021/2139, the iron and steel production activity does not require an assessment of no significant harm to the environmental objective of the transition to a circular economy. Nevertheless, we would like to announce that SIJ Group promotes a circular economy at all levels, as our production is fully based on the use of scrap materials or recycling steel. All scrap materials will be used in the circular economy process, and zero waste steel production will be ensured. In this way, SIJ Group is preserving raw materials, reducing landfill waste and lowering emissions.

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

SIJ d.d. as the controlling company and its subsidiaries carry out regular periodic environmental impact assessments. In 2022, an assessment of the impact of the two largest production companies on biodiversity was carried out: although it did not show significant impacts, it envisaged the implementation of certain measures. In 2024, the SIJ Group companies implemented and supervised the implementation of measures resulting from the biodiversity impact assessment. With these activities, the SIJ Group meets the criteria set out in Appendix D to Annex I of the EU Delegated Regulation 2021/2139 and does not significantly harm the objective of protecting and restoring biodiversity and ecosystems.

SIJ Group companies carry out their business activities in a manner consistent with the minimum safeguards outlined in the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental Conventions referred to in the ILO Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

KPI FOR TURNOVER, CAPEX AND OPEX

The KPI for revenue was calculated as the proportion of net revenue derived from products or services, including intangibles, related to economic activities (the numerator) and taxonomy-aligned, divided by the net revenue (the denominator). Revenue comprises revenue recognised in accordance with paragraph 82(a) of the International Accounting Standard (IAS) 1, as adopted by Commission Regulation (EC) No 1126/2008.

All capital expenditure in relevant companies that are taxonomy-eligible (A1) has been assessed in terms of their alignment with each of the climate objectives. We avoided double counting by attributing the investment to the specific environmental objective to which the investment has contributed to a greater degree, according to our internal assessment.

We used capital expenditure to calculate the CAPEX ratios, which includes expenditure accounted for on the basis of the following standards:

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

The sum of the above acquisitions acts as the denominator in the calculation of proportional shares. The numerator is equal to the part of capital expenditure included in the denominator that is related to the assets or processes associated with the taxonomy-aligned economic activities. The numerator includes the part of capital expenditure that has a substantial contribution to the achievement of any environmental objective. The numerator provides a breakdown for the part of capital expenditure allocated to the substantial contribution to each environmental objective. All other capital expenditure which does not contribute substantially to any of the environmental objectives is considered as non-taxonomy-aligned.

The denominator used in the determination of the operating expenditure KPI covers direct non-capitalised costs that relate to the day-to-day servicing of assets of property, plant and equipment by the undertaking or by a third party to whom activities are outsourced, that are necessary to ensure the continued and effective functioning of such assets.

These are costs related to:

- research and development,
- building renovations,
- short-term lease,
- maintenance and repair.

These costs form the denominator used to calculate the share of OpEx, which is taxonomy-eligible and taxonomy-aligned. The numerator is equal to the share of operating expenditure included in the denominator that is related to the assets or processes associated with the economic activities aligned with the taxonomy, including training and other human resource adaptation needs, and with direct non-capitalised costs comprising research and development. The costs of research and development already accounted for in the KPIs for capital expenditure are not considered as operating expenditure. The numerator includes the share of the operating expenditure that has a substantial contribution to any environmental objective. The numerator provides a breakdown for the share of operating expenditure allocated to the substantial contribution to each environmental objective. We avoided double counting by attributing the investment to the specific environmental objective to which the investment has contributed to a greater degree, according to our internal assessment. The inter company transactions were excluded from the calculations and placed as non-aligned and non-eligible in each of the spreadsheets. The disclosures have been prepared on the basis of a review of the taxonomy regulations set out above, our current understanding, the available data and an assessment of the requirements. We recognise that these regulations will continue to evolve, and for this reason we will take future interpretations and requirements into careful consideration as they become available and include them in our future disclosures.

SIJ GROUP

SIJ Group: share of revenues from sale of products or services associated with taxonomy-aligned commercial activities

		Year 2024		Criteria for substantial contribution						Do No Significant Harm criteria									
Economic activity	Code	Absolute turnover in EUR thousand	Percentage of revenue, 2024	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Percentage of taxonomy-aligned revenue (A.1) or taxonomy-eligible revenue (A.2), year 2023	Category (enabling activity)	Category (transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of iron and steel	CCM 3.9	0	0%	YES	NO	NEL	NEL	NEL	NEL	NO	YES	YES	YES	YES	YES	YES	0%	–	P
Revenues from environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	NO	YES	YES	YES	YES	YES	YES	0%		
of which enabling		0	0%							–	–	–	–	–	–	–	–		
of which transitional		0	0%	0%						NO	YES	YES	YES	YES	YES	YES	0%		P
A.2 Activities that are taxonomy-eligible, but not environmentally sustainable (non-taxonomy-aligned activities)																			
Manufacture of iron and steel	CCM 3.9	589,508	56%	EL	EL	NEL	NEL	NEL	NEL								71%		
Activities that are taxonomy-eligible, but not environmentally sustainable (non-taxonomy-aligned activities) (A.2)		589,508	56%	56%	56%	0%	0%	0%	0%								71%		
A. Revenue from taxonomy-eligible activities (A.1 + A.2)		589,508	56%	56%	56%	0%	0%	0%	0%								71%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Revenue from non-taxonomy-eligible activities (B)		465,920	44%																
TOTAL (A + B)		1,055,428	100%																

NEL = non-eligible activity - the activity is not taxonomy-eligible with respect to the environmental objective concerned
EL = eligible activity

SIJ Group: share of capital expenditure in products or services associated with taxonomy-aligned economic activities

	Year 2024			Criteria for substantial contribution						Do No Significant Harm criteria									
Economic activity	Code	Capital expenditure, in EUR thousand	Share of Capital Expenditure	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Percentage of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) capital expenditure, year 2023	Category (enabling activity)	Category (transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of iron and steel	CCM 3.9	0	0%	YES	NO	NEL	NEL	NEL	NEL	NO	YES	YES	YES	YES	YES	YES	0%	–	P
Capital expenditure in environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	NO	YES	YES	YES	YES	YES	YES	0%		
of which enabling		0	0%							–	–	–	–	–	–	–	–		
of which transitional		0	0%	0%						NO	YES	YES	YES	YES	YES	YES	0%		P
A.2 Activities that are taxonomy-eligible, but not environmentally sustainable (non-taxonomy-aligned activities)																			
Manufacture of iron and steel	CCM 3.9	46,341	77%	EL	EL	NEL	NEL	NEL	NEL								63%		
Capital Expenditure in activities which are taxonomy-eligible, but not environmentally sustainable (non-taxonomy-aligned activities) (A.2)		46,341	77%	77%	77%	0%	0%	0%	0%								63%		
A. Capital expenditure in taxonomy-eligible activities (A.1 + A.2)		46,341	77%	77%	77%	0%	0%	0%	0%								63%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Capital expenditure in taxonomy non-eligible activities (B)		13,489	23%																
TOTAL (A + B)		59,830	100%																

NEL = non-eligible activity - the activity is not taxonomy-eligible with respect to the environmental objective concerned
EL = eligible activity

SIJ Group: share of operating expenditure in products or services associated with taxonomy-aligned economic activities

	Year 2024			Criteria for substantial contribution						Do No Significant Harm criteria									
Economic activity	**Code**	**Operating expenditure,** in EUR thousand	**Share of operating expenditure**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Share of operating expenditure - taxonomy-aligned (A.1) / taxonomy-eligible (A.2), year 2023**	**Category (enabling activity)**	**Category (transitional activity)**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of iron and steel	CCM 3.9	0	0%	YES	NO	NEL	NEL	NEL	NEL	NO	YES	YES	YES	YES	YES	YES	0%	–	P
Operating expenditure in environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	NO	YES	YES	YES	YES	YES	YES	0%		
of which enabling		0	0%							–	–	–	–	–	–	–	–		
of which transitional		0	0%	0%						NO	YES	YES	YES	YES	YES	YES	0%		P
A.2 Activities that are taxonomy-eligible, but not environmentally sustainable (non-taxonomy-aligned activities)																			
Manufacture of iron and steel	CCM 3.9	6,261	50%	EL	EL	NEL	NEL	NEL	NEL								59%		
Operating expenditure in activities which are taxonomy-eligible, but not environmentally sustainable (non-taxonomy-aligned activities) (A.2)		6,261	50%	50%	50%	0%	0%	0%	0%								59%		
A. Operating expenditure in taxonomy-eligible activities (A.1 + A.2)		6,261	50%	50%	50%	0%	0%	0%	0%								59%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Operating expenditure in taxonomy non-eligible activities (B)		6,183	50%																
TOTAL (A + B)		12,444	100%																

NEL = non-eligible activity - the activity is not taxonomy-eligible with respect to the environmental objective concerned
EL = eligible activity

In order to ensure comparability of data, we have conducted an analysis of the data presented for the year 2023. The analysis showed that it is more appropriate to allocate the data from aligned to eligible, as per year 2024. This is shown in the tables above.

Climate Change E1

Currently, the goals and transition plan are based on data calculated according to the World Steel Association's methodology for calculating GHG emissions, as the SIJ Group does not yet have a comprehensive transition plan prepared, tied exclusively to the metrics of greenhouse gas emissions in scopes 1, 2 and 3, as presented later in this report in the disclosure of GHG emissions calculated based on the GHG Protocol. The preparation of such a plan is planned in the next two years, and will be based on data according to the ESRS standard and taking into account legislative requirements and strategic priorities of the Group.

TRANSITION PLAN FOR CLIMATE CHANGE MITIGATION E1-1

The climate change mitigation and GHG emissions reduction plan has been adopted for the entire SIJ Group. Measures are implemented at SIJ Acroni and SIJ Metal Ravne, which are the only entities subject to the EU Emissions Trading System (ETS) and represent the main sources of Scope 1 GHG emissions (97%) within SIJ Group. The plan has been prepared to reduce GHG emissions in these two companies, which even now have significantly lower emissions compared to the steel industry in other parts of the world. 14.

SIJ Group's business strategy is focused on increasing the production of steel and steel products while further reducing specific emissions. By 2030, we aim to reduce our Scope 1 CO_2 emissions by 51% compared to the 2020 baseline year and Scope 2 for 30%. No plan has been prepared yet for Scope 3. 16.a The targets related to the reduction of GHG emissions are presented in more detail on page 93 16.b, and the measures to achieve this can be found on page 77. 16.c

The replacement of property, plant and equipment, which we do not intend to sell but to retire entirely, will result in the elimination of the associated GHG emissions. 16.d Specific emissions are reduced by modernising and optimising production and by increasing energy efficiency. 16.e

The aim of our CAPEX, which SIJ Group plans and implements according to the BAT principles (BAT – Best Available Technology), is to meet these targets. Most of our CAPEX reduce the environmental impact of our operations indirectly, however we place particular emphasis on investments which reduce our environmental impact directly. In 2024, the aggregate value of these investments was EUR 9.8 million, or 20.6% of total capital expenditure (comparison made for SIJ Metal Ravne, SIJ Acroni and SIJ Ravne Systems only). According to the Decarbonisation Plan 2020-2030-2050, SIJ Group will invest EUR 70 million in making sustainability and efficiency improvements by the year 2030. 16.h The Decarbonisation Plan has been approved by the President of the Management Board. 16.i

Progress on implementation of the transition plan 16.j

Disclosure	Units	2020	2021	2022	2023	2024
Planned reduction		0%	–1%	1%	–2%	–7.7%
Actual		**2020**	**2021**	**2022**	**2023**	**2024**
Total SIJ	t of cast steel	451,574	495,346	437,551	378,602	456,743
Total SIJ	t CO_2	181,967	191,785	168,851	144,234	162,497
Specific emissions	t CO_2/t of cast steel	0.403	0.387	0.386	0.375	0.356

The transition plan is prepared in accordance with the World Steel Association (WSA) GHG emissions methodology.

DESCRIPTION OF PROCEDURES FOR IDENTIFYING AND ASSESSING SIGNIFICANT CLIMATE-RELATED IMPACTS, RISKS AND OPPORTUNITIES IRO-1 on page 69

POLICIES RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION E1-2 on page 73

ACTIONS AND RESOURCES IN RELATION TO CLIMATE CHANGE POLICIES E1-3 on page 77

TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION E1-4

The targets for reducing GHG emissions were set based on a selection of possible investments in technological changes and substituting energy sources. In particular, we considered the possibility of upgrading the combustion equipment on the heating furnaces, and further examined the possibility and feasibility of replacing natural gas with electricity. The potential for reducing GHG emissions was assessed for each investment. 33.

Overview of the Scope 1 GHG Emissions Reduction Plan 1

§		Unit	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
34.a	SIJ Acroni	t CO_2	104,938	116,321	115,194	113,802	104,655	105,090	90,668	86,279	101,226	102,955	104,990
34.a	SIJ Metal Ravne	t CO_2	77,028	81,878	80,717	79,430	77,535	72,742	69,370	69,198	69,198	69,094	68,953
34.a	Total	t CO_2	181,966	198,199	195,911	193,232	182,190	177,832	160,038	155,477	170,424	172,049	173,943
34.a	SIJ Acroni	t CO_2/t	0.311	0.295	0.285	0.285	0.283	0.277	0.239	0.227	0.225	0.224	0.223
34.a	SIJ Metal Ravne	t CO_2/t	0.673	0.669	0.669	0.669	0.646	0.606	0.578	0.513	0.513	0.512	0.511
34.a	Total	t CO_2/t	0.403	0.400	0.448	0.510	0.381	0.356	0.320	0.302	0.291	0.289	0.287

The transition plan is prepared in accordance with the World Steel Association GHG emissions methodology. Scope 2 emissions can be offset by sourcing all of our electricity needs from renewable energy sources. 34.b

The baseline emissions were determined on the basis of the reports on GHG emissions (according WSA) in SIJ Acroni and SIJ Metal Ravne, which, as ETS-regulated entities, are required to regularly report on their emissions and have their reports verified by independent verifiers. 32. To verify the achievement of our GHG reduction targets, we enrolled in the Science Based Targets initiative (SBTi). 34.c In addition, we have committed to achieving carbon neutrality by 2050, in line with the Paris Agreement. 34.e We describe the objectives on page 92 in the Decarbonisation Roadmap, which is based on measures to reduce direct emissions (Scope 1), indirect emissions (Scope 2) and supply chain emissions (Scope 3). The most important measures to reduce our own specific emissions include upgrading our furnaces and combustion techniques, replacing natural gas with hydrogen, utilising excess heat, using biomass and digitising the production process. 34.f

ENERGY CONSUMPTION AND MIX E1-5

Power consumption

§	Disclosure	Unit	2022	2023	2024
37.	Total energy consumption for our own activities	MWh	1,212,662	1,036,845	1,174,906
37.a	• Total energy consumption from fossil sources	MWh	1,014,918	816,732	953,304
37.b	• Total energy consumption from nuclear sources	MWh	89,264	111,864	100,545
37.c	• Total energy consumption from renewable sources disaggregated by:	MWh	108,479	108,249	121,057
37.c i.	• fuel consumption for renewable sources including biomass (also comprising industrial and municipal waste of biologic origin), biofuels, biogas, hydrogen from renewable sources, etc.;	MWh	0	0	0
37.c ii.	• consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources; and	MWh	108,479	108,249	121,057
37.c iii.	• consumption of self-generated non-fuel renewable energy.	MWh	0	0	0
38.	The undertaking with operations in high climate impact sectors shall further disaggregate its total energy consumption from fossil sources by:	MWh	0	0	0
38.a	• fuel consumption from coal and coal products;	MWh	0	0	0
38.b	• fuel consumption from crude oil and petroleum products;	MWh	44	24	37
38.c	• fuel consumption from natural gas;	MWh	743,265	637,577	698,944
38.d	• fuel consumption from other fossil sources;	MWh	0	0	0
38.e	• consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources.	MWh	0	0	0
39.	Energy production from non-renewable sources	MWh	2,642	2,381	2,030
39.	*Energy production from renewable sources*	MWh	0	55	166
40.	Energy intensity* (total energy consumption per net revenue)** associated with activities in high climate impact sectors	numerical index in percentage	0.11	0.13	0.14

Energy consumption is reported for companies which jointly use more than 95% of electricity and 99% of natural gas. The rest of the companies do not have production and are therefore low energy users.

* *In the calculation of energy intensity, we include SIJ Acroni and SIJ Metal Ravne, which are classified in the high impact climate sector based on the fact that their activities are classified as C - manufacturing activities, with steel production.* 42.

** *The share of net revenues of SIJ Acroni and SIJ Metal Ravne factored into the calculation of energy intensity is included in the financial statements.* 43.

GROSS SCOPE 1, 2, 3 AND TOTAL GHG EMISSIONS

E1-6

Methodologies for calculating GHG emissions

The SIJ Group uses two different methodologies for calculating GHG emissions. The first is the methodology in accordance with the GHG Protocol, and the second is the methodology in accordance with the World Steel Association (WSA). The WSA methodology is a supplementary disclosure that is not subject to the audit process.

GHG Emissions calculated based on GHG Protocol 44.

The GHG Protocol Corporate Standard is followed in calculating GHG emissions.

Scope 1 emissions were calculated based on the raw material and fuel consumed during the reporting year.

Scope 2 greenhouse gas emissions are calculated based on publicly available data from the Energy Agency. The Scope 2 calculation is based on metered consumption.

In Scope 3 emissions all other indirect emissions are included (purchased goods and services, capital goods, transport and distribution, employee transport to and from work, business travel, services, etc.). More than 95% costs of goods, materials and services of SIJ Group is included into calculation.

GHG emissions 44.

§		2024
44.a	Scope 1 GHG emissions	
	Gross Scope 1 GHG emissions (tCO_2eq)	166,248
	Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	97
44.b	Scope 2 GHG emissions	
	Gross location-based Scope 2 GHG emissions (tCO_2eq)	228,050
	Gross market-based Scope 2 GHG emissions (tCO_2eq)	240,911
44.b 51.	Significant scope 3 GHG emissions	
	Total Gross indirect (Scope 3) GHG emissions (tCO_2eq)	407,606
	1) Purchased goods and services	310,077
	Optional sub-category: Cloud computing and data centre services	
	2) Capital goods	22,956
	3) Fuel and energy-related Activities (not included in Scope1 or Scope 2)	16,724
	4) Upstream transportation and distribution	6,427
	5) Waste generated in operations	1,745
	6) Business traveling	1,508
	7) Employee commuting	1,533
	8) Upstream leased assets	647
	9) Downstream transportation	28,105
	10) Processing of sold products	
	11) Use of sold products	

Continuation of the table →

Continuation of the table

§		2024
	12) End-of-life treatment of sold products	17,866
	13) Downstream leased assets	18
	14) Franchises	
	15) Investments	
44.d	Total GHG emissions	
	Total GHG emissions (location-based) (tCO_2eq)	801,904
	Total GHG emissions (market-based) (tCO_2eq)	814,765
53.	Intensity of GHG	
	Intensity of GHG (location-based) in kilogrammes of CO_2 per tonne of net revenue	0.74
	Intensity of GHG (market-based) in kilogrammes of CO_2 per tonne of net revenue	0.75

In calculating GHG emissions, due to incomplete data ESRS2 11.b i., we applied an approximation for input material values for all companies except SIJ Acroni, SIJ Metal Ravne, and SIJ Ravne Systems. The approximation was based on the quantity of input materials used. ESRS2 11.b ii. This did not increase the uncertainty of the GHG emissions calculation, as the data did not directly affect the final result. ESRS2 11.b

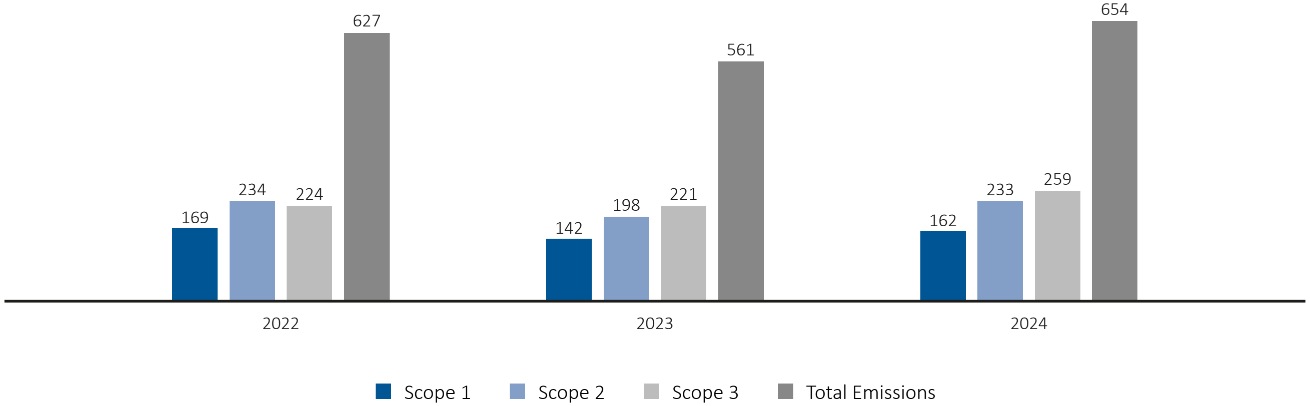
GHG emissions according to the World Steel Association methodology

SIJ Group has retained the form of GHG reporting used in previous years to maintain the historical comparability of data, uniformity of reporting by steel producers around the world participating in the World Steel Association, and due to links to financial instruments.

According to data from the non-government organisation GEM (Global Energy Monitor), 57% of global steel production is still based on smelting crude iron ore, a technology that produces higher levels of CO2 emissions. Although both SIJ Group steel companies produce steel from secondary raw materials using the less-polluting electric arc furnace technology, they still have significantly higher GHG emissions compared to other companies of SIJ Group due to the steel production type. For this reason, we report GHG emissions for these two companies only, without significant changes in the definition. 47. We report GHG in three scopes according to the World Steel Association (WSA) methodology. The figures for Scope 1 are also subject to verification by the CO2 monitoring verifier.

The increase in steel production in 2024 resulted in higher CO_2 emissions across all three Scopes.

Scope 1, 2 and 3 emissions (in thousands of tonnes of CO_2)



1. **Direct greenhouse gas emissions (Scope 1, GHG)**
   CO_2 emissions generated by the process are calculated based on the mass balance of carbon and the required combustion and thermal energy, which are calculated in accordance with the CO_2 monitoring plan contained in the Greenhouse Gas Emissions Permit.

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

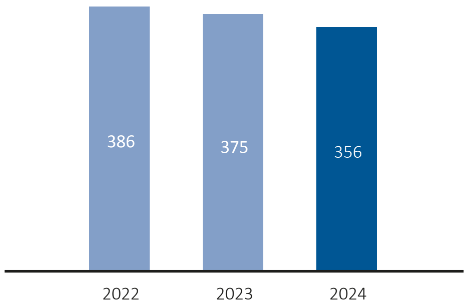
3. **Other indirect greenhouse gas emissions (Scope 3, GHG)**
   Our Scope 3 calculations are based on the World Steel Association (WSA) factors.

6 Source: Global Energy Monitor. Steel industry makes 'pivotal' shift towards lower-carbon production. Available at the link (15 November 2024).

GHG emissions intensity according to the World Steel Association methodology

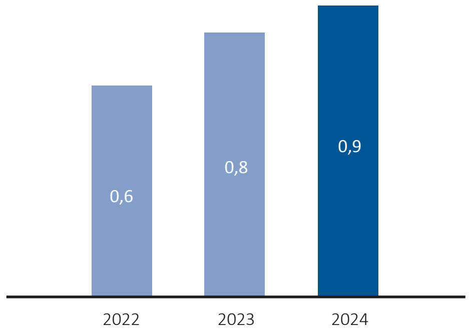
An indicator of improvement associated with the CAPEX is the intensity of direct CO_2 emissions per tonne of steel produced (slabs, ingots).

Intensity of GHG Scope 1 (in kilogrammes of CO_2 per tonne of cast steel)



Based on these CAPEX to reduce CO_2 emissions, the downward trend is in line with the Decarbonisation Plan until the year 2030.

Intensity of GHG (in kilogrammes of CO_2 per tonne of net revenue)



Note: Net revenue is shown in Note 1 to individual items in the consolidated financial statements. 55.

CAPEX related to CO_2 emission reductions also have an impact on reductions in GHG emissions intensity in 2024.

Reduction of TGP emissions according to the World Steel Association methodology

Some of the major investments included in the Decarbonisation Plan until 2030 are already showing results in terms of reductions in CO_2 emissions. The introduction of burner technology on Wellman furnaces at SIJ Acroni Jesenice has resulted in 40% reductions of CO_2 emissions in 2023. In 2025, similar effects are expected for the other two Wellman furnaces where identical investments have been made. In 2024, our CAPEX in the modernisation of a heat treatment line for non-oriented electrical steel (replacing natural gas with electricity) has resulted in a 55% reduction in the carbon footprint within three months of launch. At SIJ Metal Ravne, projects aimed at reducing carbon footprint are still ongoing, including the transition to induction heating for billets (replacing natural gas with induction heating). Based on the successful implementation of the mentioned projects, in 2024 we reduced Scope 1 emissions by 11.7% from the projected 8% compared to the baseline year 2020. In 2025, replacing two heating furnaces in the Forging Programme is expected to reduce CO_2 emissions by approximately 50%.

GHG REMOVALS AND GHG MITIGATION PROJECTS FINANCED THROUGH CARBON CREDITS E1-7

This is a new technological process that we do not have at SIJ Group. 56.a 58.

INTERNAL CARBON PRICING E1-8

SIJ Group does not use internal carbon pricing schemes. We use carbon pricing to calculate the economic viability of CAPEX projects – for example, if an investment reduces natural gas consumption, it will also reduce the number of emission allowances. 63.

ANTICIPATED FINANCIAL EFFECTS FROM MATERIAL PHYSICAL AND TRANSITION RISKS AND POTENTIAL CLIMATE-RELATED OPPORTUNITIES

E1-9 on page 71

Pollution E2

POLICIES RELATED TO POLLUTION E2-1

on page 73

POLLUTION OF AIR, WATER AND SOIL E2-4

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

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. The figures on water-related impacts are available on the website of the Slovenian Ministry of the Environment and Spatial Planning.

We perform monitoring of nitrogen oxides (NOx), sulphur oxides (SOx) and volatile organic compounds (VOC) in three-year cycles, in accordance with the law, and some air emissions are measured continuously. Emissions to water are measured annually and the number of measurements depends on the volume of water.

The methodology for measuring emissions to air and water is based on the direct measurement of emissions, which are then recalculated to operating hours over the previous year. We measure the concentration of each substance, and calculate the amount of each substance that is emitted.
30.b 30.c

Pollution of water, air and soil 28.a 30.a

§	Description	Units	2022	2023	2024*	Threshold provided in Annex II to Regulation (EC) No 166/2006
RELEASES TO AIR						
SIJ Metal Ravne						
28.a	Carbon monoxide (CO)	kg/year	/	/	/	500,000.00
28.a	Nitrogen oxides (NOx)	kg/year	/	/	/	100,000.00
28.a	Sulphur oxides (SOx)	kg/year	/	/	/	150,000.00
28.a	Arsenic (As)	kg/year	/	/	/	20.00
28.a	Cadmium (Cd)	kg/year	/	/	/	10.00
28.a	Benzo(a)pyrene	kg/year	/	/	/	50.00
28.a	Cobalt (Co)	kg/year	/	/	/	-
28.a	Nickel (Ni)	kg/year	/	/	84.00	50.00
28.a	Lead (Pb)	kg/year	/	/	/	200.00
28.a	Selenium (Se)	kg/year	/	/	/	-
28.a	Tellurium (Te)	kg/year	/	/	/	-
28.a	Chromium (Cr)	kg/year	/	/	124.95	100.00
28.a	Copper (Cu)	kg/year	/	/	/	50.00
28.a	Manganese (Mn)	kg/year	/	/	/	-
28.a	Vanadium (V)	kg/year	/	/	/	-
28.a	Tin (Sn)	kg/year	/	/	/	-
28.a	Antimony (Sb)	kg/year	/	/	/	-
28.a	Fluorides (F)	kg/year	/	/	/	-
28.a	Fluorides (HF)	kg/year	/	/	/	-
28.a	TOC	kg/year	/	/	/	-
28.a	Dioxins and furans (PCDD+PCDF)	kg/year	/	/	/	0.0001

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Continuation of the table

§	Description	Units	2022	2023	2024*	Threshold provided in Annex II to Regulation (EC) No 166/2006
RELEASES TO AIR						
SIJ Acroni						
28.a	Carbon monoxide (CO)	kg/year	1,029,751.04	1,115,955.27	1,538,046	500,000.00
28.a	Nitrogen oxides (NOx)	kg/year	/	/	/	100,000.00
28.a	Sulphur oxides (SOx)	kg/year	/	/	/	150,000.00
28.a	Arsenic (As)	kg/year	/	/	/	20.00
28.a	Cadmium (Cd)	kg/year	/	/	/	10.00
28.a	Chromium (Cr)	kg/year	/	/	250.49	100.00
28.a	Copper (Cu)	kg/year	/	/	/	100.00
28.a	Mercury (Hg)	kg/year	/	/	/	10.00
28.a	Nickel (Ni)	kg/year	/	/	/	50.00
28.a	Lead (Pb)	kg/year	/	/	/	200.00
28.a	Dioxins and furans (PCDD+PCDF)	kg/year	/	/	/	0.0001
28.a	Fluorine and inorganic compounds (such as HF)	kg/year	/	/	/	5,000.00
28.a	Thallium (Tl)	kg/year	–	–	–	-
28.a	Cobalt (Co)	kg/year	–	–	–	-
28.a	Selenium (Se)	kg/year	–	–	–	-
28.a	Antimony (Sb)	kg/year	–	–	–	-
28.a	Tin (Sn)	kg/year	–	–	–	-
28.a	Manganese (Mn)	kg/year	–	–	–	-
28.a	Vanadium (V)	kg/year	–	–	–	-
28.a	Tellurium (Te)	kg/year	–	–	–	-
28.a	Fluorides	kg/year	–	–	–	-
28.a	TOC	kg/year	–	–	–	-
28.a	Benzo(a)pyrene	kg/year	–	–	–	-

Continuation of the table →

Continuation of the table

§	Description	Units	2022	2023	2024*	Threshold provided in Annex II to Regulation (EC) No 166/2006
	EMISSIONS TO WATER					
	SIJ Metal Ravne					
28.a	Zinc	kg/year	169.42	/	238.47	100.00
28.a	Cobalt	kg/year	/	/	/	-
28.a	Total chromium	kg/year	84.30	108.10	/	50.00
28.a	Nickel	kg/year	72.01	70.80	54.47	20.00
28.a	Lead	kg/year	33.19	26.20	24.27	20.00
28.a	Fluoride	kg/year	/	/	/	2,000.00
28.a	Total hydrocarbons	kg/year	/	/	/	-
28.a	Adsorbable organic halogens (AOX)	kg/year	/	/	/	1,000.00
28.a	Phenols	kg/year	/	/	/	20.00
28.a	Arsenic	kg/year	/	/	/	5.00
28.a	Copper	kg/year	/	/	/	50.00
28.a	Cadmium	kg/year	/	/	/	5.00
28.a	Mercury	kg/year	/	/	/	1.00
28.a	PAH	kg/year	/	/	/	5.00
28.a	Fluoranthene	kg/year	/	/	/	1.00
28.a	Benzo(a)pyrene	kg/year	/	/	/	5.00
	SIJ Acroni					
28.a	Total nitrogen	kg/year	/	/	/	50,000.00
28.a	Total phosphorus	kg/year	/	/	/	5,000.00
28.a	Total chromium	kg/year	/	/	/	50.00
28.a	Copper	kg/year	/	/	/	50.00
28.a	Nickel	kg/year	/	/	/	20.00
28.a	Zinc	kg/year	/	/	/	100.00

Continuation of the table →

Continuation of the table

§	Description	Units	2022	2023	2024*	Threshold provided in Annex II to Regulation (EC) No 166/2006
	EMISSIONS TO WATER					
28.a	AOX	kg/year	/	/	/	1,000.00
28.a	Fluoride	kg/year	/	/	/	2,000.00
28.a	Suspended solids	kg/year	/	/	/	-
28.a	Settleable solids	kg/year	/	/	/	-
28.a	COD (chemical oxygen demand)	kg/year	/	/	/	-
28.a	BOD5 (bilogical oxygen demand)	kg/year	/	/	/	-
28.a	Toxicity	kg/year	/	/	/	-
28.a	Cr(VI)	kg/year	/	/	/	-
28.a	Ammonia nitrogen	kg/year	/	/	/	-
28.a	Nitrate nitrogen	kg/year	/	/	/	-
28.a	Nitrite nitrogen	kg/year	/	/	/	-
28.a	Total hydrocarbons (mineral oils)	kg/year	/	/	/	-
28.a	Iron	kg/year	/	/	/	-
28.a	TOC	kg/year	/	/	/	-
28.a	Anionic tensides	kg/year	/	/	/	-
28.a	Non-ionic tensides	kg/year	/	/	/	-
28.a	Sulphite	kg/year	/	/	/	-
28.a	Sulphate	kg/year	/	/	/	-
28.a	Aluminium	kg/year	/	/	/	-
28.a	Free chlorine	kg/year	/	/	/	-
28.a	Heavy lipophilic volatile compounds	kg/year	/	/	/	-

Continuation of the table →

Continuation of the table

§	Description	Units	2022	2023	2024*	Threshold provided in Annex II to Regulation (EC) No 166/2006
DIFFUSE EMISSIONS						
SIJ Metal Ravne						
28.a		kg/year	8,744	8,744	8,744	-
SIJ Acroni						
28.a		kg/year	3,562	2,969	3,510	-
EMISSIONS TO SOIL						
	There are no direct emissions to soil in SIJ Group. In accordance with the law, soil quality is monitored through measurements conducted every ten years. We only analyse the current state of the soil, not the annual emissions to soil, so we are not able to report on these. Microplastics are not produced by SIJ Group companies and so the quantity is 0. 28.b					

Notes:

- *These data include only the emissions from facilities for which the applicable threshold value specified in Annex II of Regulation (EC) No 166/2006 is exceeded.*
- *'/' means that the emissions from the installations do not exceed the thresholds set out in Annex II to Regulation (EC) No 166/2006*
- *We report releases of substances for which we measure emissions in accordance with the environmental permit of the Republic of Slovenia for each site; data are not available for all pollutants listed in Annex II to Regulation (EC) No. 166/2006.*

Water, air and soil pollution are reported for the companies SIJ Acroni and SIJ Metal Ravne, which represent the majority of water, air and soil pollution and are also subject to monitoring. All other companies, including smaller manufacturing companies, do not pollute water, air and soil, as they do not emit particulate matter into the air and water.

Water And Marine Resources E3

POLICIES RELATED TO WATER AND MARINE RESOURCES E3-1 on page 73

WATER CONSUMPTION E3-4

Intakes and supplies of process and drinking water 28.e

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

In the city of Ravne na Koroškem, production companies are supplied with cooling and drinking water through a partner supplier. The cooling water flows from an abandoned mine in Mežica to the Prevalje catchment, and from there it travels to the filtering station located on the industrial compound of the former Ravne Ironworks (Železarna Ravne). Once the rough particles are filtered out, the water is routed to the cooling facilities. In cases where more pressure is required in individual facilities, accelerator pumps are fitted at off-take points. We continuously measure our water consumption. Any deviation from the anticipated consumption level is checked and measures are taken to normalise the situation, as necessary.

The drinking water is sourced from water wells managed by the supplier. The wells comply with all requirements from the HACCP, referring to Hazard Analysis and Critical Control Points. The wells are connected to a circular feeding system. The metering stations are located at the points of entry where the water is introduced into the production halls.

All other companies consume a negligible amount of water due to their activities.

Capture and release management and consumption 28.e

By developing internal projects, we constantly make improvements and efforts to reduce water consumption in our technological processes. We are implementing sustainable solutions, which 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. If water levels are low, we do not use the water from this catchment.

The majority of water in the Group is consumed by manufacturing companies, mainly in technological processes. We assessed that the inclusion of non-manufacturing companies in the total water consumption and water intensity indicators would not significantly affect the overall results, as these companies (e.g. in the processing and distribution sectors) practically do not consume water in their activities.

Water consumption 28.

§	Disclosure	Unit	2022	2023	2024
28.a	Total water consumption	m^3	5,286,429	4,215,479	4,314,268
28.b	Total water consumption in areas at water risk, including areas of high-water stress	m^3	0	0	0
28.c	Total water recycled and reused	m^3	0	0	0
28.d	Total water stored and changes in storage*	m^3	0	0	0

**Note: Some quantities of water are stored in the closed cooling systems of the production equipment. There is no available data on water volumes in these systems.*

Water intensity 29.

§	Disclosure	Unit	2022	2023	2024
29.	Net revenue	EUR million	1,020,48	728,37	769,11
29.	Total water consumption in own activities per net revenue	m^3/EUR million	5,180	5,788	5,609

Resource Use And Circular Economy E5

DESCRIPTION OF THE PROCESSES TO IDENTIFY AND ASSESS MATERIAL RESOURCE USE AND CIRCULAR ECONOMY-RELATED IMPACTS, RISKS AND OPPORTUNITIES ESRS 2 IRO-1

on page 71

POLICIES RELATED TO RESOURCE USE AND CIRCULAR ECONOMY E5-1

on page 74

ACTIONS AND RESOURCES RELATED TO RESOURCE USE AND CIRCULAR ECONOMY E5-2

on page 77

TARGETS RELATED TO RESOURCE USE AND CIRCULAR ECONOMY E5-3

In all SIJ Group companies, we control the efficiency of material and process utilisation with a system which tracks the yields at each stage of the technological process – both on a monthly and annual basis. The achievement of voluntarily set targets impacts the remuneration of the leads and middle management. 24.a 24.b 24.c 24.e 27.

RESOURCE INFLOW E5-4

Key categories in SIJ Group's resource inflow include the input materials and packaging 30.

§	Disclosure	Units	2022	2023	2024
31.a	Total weight of products and technical and biological materials used during the reporting period	tonnes	435,743	406,453	473,296
31.b	Percentage of biological materials (and biofuels used for non-energy purposes) used by the undertaking to manufacture products and services (including packaging) that are sustainably sourced, with the information on the certification scheme used and on the application of the cascading principle	%	0	0	0
31.c	Weight in both absolute value and percentage of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging)	tonnes	319,129	287,652	350,185
31.d	Weight in both absolute value and percentage of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging)	%	73.24	70.77	73.99

We obtain the data on resource inflows using SIJ Group's integrated system, in which inflows are managed directly and separately for each material. Traceability is ensured across various categories, material types and weights.

Data on secondary materials can be presented both nominally and in percentages. The accuracy and reliability of the calculated data is ensured through direct measurements of the monitoring of the inflow of the resources. 32.

RESOURCE OUTFLOW E5-5

Products and materials 35.

SIJ Group is one of Europe's leading producers of stainless steels, tool steels, electrical steels and special steels. The main products are flat-rolled products of different steel grades and thicknesses, as well as forgings and rolled products of various shapes. SIJ Group Steel Division companies use steel scrap as the primary material, which is used in modern recycling processes to produce new steel products, especially steel products tailored to specific customer requirements.

The most important by-product is slag. The production of carbon steels produces black slag, while the production of stainless steels produces white slag. These by-products were once considered industrial waste, but nowadays they are recycled into products for a variety of uses. Part of the slag is used in the steel remelting process in our own steelworks, while some is sold to other industries.

Life expectancy of steel products, by field of application

36.a

Industrial use of steel[7]	Share (in %)	Lifespan[8] (in years)
Buildings and infrastructure	52	30–50
Automotive industry	12	8–10
Other transportation	5	15–30
Mechanical equipment	16	20
Metal products	10	12
Electrical equipment	3	40
Household appliances	2	12

7 Source: Science Direct. Component level strategies for exploiting the lifespan of steel in products. Available at the link (15 November 2024).

8 Source: World Steel Association. World Steel in Figures 2023. Available at the link (15 November 2024).

The lifetime of steel products is affected by regular inspections and testing, cleaning and protection from surface corrosion. Defects can be restored using various processes, such as cleaning, painting, and welding.

The most common factors reducing functionality, efficiency and safety are as follows:

- Corrosion is caused by surface oxidation and is the main cause of degradation of steel products.
  The extent and severity of corrosion depends on exposure to moisture, salt, acids, chemicals and other environmental factors. As long as corrosion does not weaken the structure, it is possible to make partial repairs.

- Mechanical overload (short- and long-term) leads to diminished safety and functionality.

- Steel fatigue can cause cracks and defects.
  Fatigue occurs with cyclical loads (e.g. cranes). We prevent potential consequences by conducting regular inspections of structural integrity and maintaining safety levels. Partial repairs are possible.

- Welding defects can cause weakening of individual segments, corrosion and material failure.
  We prevent various defects such as cracks, porosity, melt spatter and incomplete melting.

- Wearing-down of steel leads to structural weakening and diminished efficiency.
  As steel wears down, repairs are usually pointless and ineffective. 36.b

Use of recycled input materials

§	Disclosure	Unit	2022	2023	2024
36.c	Share of recycled materials in products	%	78.2	78.6	78.8
36.c	Share of recyclable materials in product packaging	%	46.6	76.3	n/a

Waste 37.

The values presented are based on data from the manufacturing companies in the Group, which generate the majority of industrial waste. Companies without manufacturing activities do not generate industrial waste due to the nature of their operations, and their contribution to the total amount of waste is negligible.

Total quantity of waste generated

§	Disclosure	Unit	2022	2023	2024
37.a	Total quantity of waste generated	tonnes	147,131	124,089	148,502
37.b	Total quantity of waste generated diverted from disposal	tonnes	108,980	92,322	114,848
37.b	Hazardous waste diverted from disposal	tonnes	0	0	0
37.b	Non-hazardous waste diverted from disposal	tonnes	108,980	92,322	114,848
37.c	Total quantity of waste slated for disposal	tonnes	38,151	31,768	33,654
37.c	Hazardous waste slated for disposal	tonnes	12,319	10,283	12,103
37.c	Non-hazardous waste slated for disposal	tonnes	25,832	21,484	21,551
37.c i.	Hazardous waste slated for disposal – incineration	tonnes	0	0	0
37.c i.	Non-hazardous waste slated for disposal – incineration	tonnes	0	0	0
37.c ii.	Hazardous waste slated for disposal – landfilling	tonnes	16	0	0
37.c ii.	Non-hazardous waste slated for disposal – landfilling	tonnes	2,239	1,718	2,304
37.c iii.	Hazardous waste slated for disposal – other disposal operations	tonnes	12,319	10,283	12,103
37.c iii.	Non-hazardous waste slated for disposal – other disposal operations	tonnes	23,593	19,767	19,247
37.d	Total quantity of non-recycled waste	tonnes	2,239	1,718	2,304
37.d	Percentage of non-recycled waste	%	1.5	1.4	1.6

Waste composition 38.

Since 2021, SIJ Group has maintained a central industrial waste database, which contains information about the origin and handling of waste, for all production sites in Slovenia.

Black and white slag make up the largest share of waste which we now treat as a by-product. They are processed into a certified product suitable for use in other industries on separate production lines. Other major categories of waste generated in steel production are filter dusts from electric arc furnaces, slag, sludge, shavings, and worn refractories. 38.a

Various processes (sorting, screening, separating, compacting and shredding) are used to extract metals and alloying elements (such as chromium, nickel, molybdenum, tungsten, etc.) from the waste and feed them back to the production process. By increasing the proportion of metal recycled back into the internal circuit, we increase the efficiency of raw material utilisation and reduce the amount of waste going to landfill. 38.b

All waste volumes are directly measured, weighed and tracked through the central industrial waste database by entering the weighing reports into the system. 40.

Total quantity of hazardous waste and radioactive waste generated

§	Disclosure	Unit	2022	2023	2024
39.	Total quantity of hazardous waste	tonnes	12,319	10,283	12,103
39.	Total quantity of radioactive waste	tonnes	0	0	0

ANTICIPATED FINANCIAL EFFECTS FROM RESOURCE USE AND CIRCULAR ECONOMY-RELATED IMPACTS, RISKS AND OPPORTUNITIES

E5-6 on page 71

SUSTAINABILITY REPORT

Social Information

OWN WORKFORCE S1

TAKING MEASURES RELATED TO SIGNIFICANT IMPACTS ON OWN WORKFORCE AND APPROACHES TO MANAGING SIGNIFICANT RISKS AND SEIZING IMPORTANT OPPORTUNITIES RELATED TO OWN WORKFORCE, AS WELL AS THE EFFECTIVENESS OF THESE MEASURES S1-4

As part of the double materiality analysis for the year 2024, SIJ Group identified IROs which affect or arise in relation to our own workforce. We identified both actual and potential positive and negative impacts, and included our comments on these in the IRO table on page 123.

Our analyses have shown that these IROs are aligned with SIJ Group's objective to be seen as an employer of choice and a good place to work by our employees and potential job candidates. We are creating the conditions to foster job satisfaction and reliable, long-term employment.

The actions and performance targets, which also include mitigating and reducing material risks related to our own workforce, are set out in the table below List of Key Actions – Action plan on page 75. 39.

At SIJ Group, we systematically identify any potential negative impacts of business practices on our workers and work to reduce them. The actions taken are shown in the IRO table and in the List of Key Actions. The effects are measured through annual employee satisfaction surveys, among other things. 37. 38. 40. 41.

TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES S1-5

We describe the target linked to our own workforce on page 78. 46. We describe the tracking of targets on page 79. 47.b

CHARACTERISTICS OF EMPLOYEES IN THE COMPANIES S1-6

Specific characteristics of own workforce

The number of foreign workers among SIJ Group employees has been steadily increasing over the past six years. From 5% in 2018, the share of foreign workers had risen to 19% by the end of 2024 and will continue to rise in the coming years. This share is projected to rise to 35% by 2030.

The average age of SIJ Group employees is relatively high. With skilled workers retiring, there is unsufficient inflow of younger and suitably qualified workers from Slovenia. The Statistical Office of the Republic of Slovenia's analytical reports[9] confirm that the present and future of Slovenia's labour market depends on whether we will be able to attract and retain migrant workers from former Yugoslav states and from other, more distant labour markets. In Slovenia, integration of migrant workers will be even more challenging than elsewhere in Europe. Due to higher wages in other European countries (Germany, Austria, Switzerland, the Netherlands), many migrants do not plan to settle in Slovenia, while the local communities still perceive the presence of foreign workers as a temporary matter.

Number of employees by gender, by country SBM-1 40.a iii **and by type of contract** as of 31. Dec.:

§	Disclosure	Unit	2022	2023	2024
50.a 50.a	Total number of employees	number	3,755	3,673	3,661
50.a	Men	number	3,136	3,027	3,010
50.a	Men	percentage	83.5	82.4	82.2
50.a	Women	number	619	646	651
50.a	Women	percentage	16.5	17.6	17.8
50.a	Other	number	n/a	n/a	n/a
50.a	Other	percentage	n/a	n/a	n/a
50.a	Slovenia	number	n/a	n/a	3,443
50.a	Croatia	number	n/a	n/a	25
50.a	Serbia	number	n/a	n/a	33
50.a	United Kingdom	number	n/a	n/a	2
50.a	Italy	number	n/a	n/a	68
50.a	United Arab Emirates	number	n/a	n/a	4
50.a	USA	number	n/a	n/a	10
50.a	Germany	number	n/a	n/a	63
50.a	Austria	number	n/a	n/a	2
50.a	Czech Republic	number	n/a	n/a	2
50.a	Spain	number	n/a	n/a	8
50.a	France	number	n/a	n/a	1

Continuation of the table →

9 Source: Share of foreign citizens among persons in employment at its highest to date. Available at the link (1 November 2024).

Continuation of the table

§	Disclosure	Unit	2022	2023	2024
50.b	Men, employed on an open-ended employment contract	number	3,136	3,027	2,786
50.b	Men, employed on a fixed-term employment contract	number	83.5	82.4	224
50.b	Men, without a guaranteed number of work hours	number	0	0	0
50.b	Women, employed on an open-ended employment contract	number	619	646	621
50.b	Women, employed on a fixed-term employment contract	number	16.5	17.6	30
50.b	Women, without a guaranteed number of work hours	number	0	0	0
50.b	Others, employed on an open-ended employment contract	number	n/a	n/a	n/a
50.b	Others, employed on an fixed-term employment contract	number	n/a	n/a	n/a
50.b	Others, without a guaranteed number of work hours	number	n/a	n/a	n/a

These figures refer to the number of employees as of the last day of the reporting year (31 December 2024) and not to full-time equivalents (FTE). 50.d i. 50.d ii.

Number of employees who had left SIJ Group as of 31 December

§	Disclosure	Unit	2022	2023	2024
50.c	Employees who had left the company	number	378	458	441
50.b	Employees who had left the company	percentage	11.6	13.7	14.1

Number of employees by gender and length of working time

§	Disclosure	Unit	2022	2023	2024
52.a	Men employed full-time	number	3,091	2,992	2,534
52.a	Women employed full-time	number	587	612	520
52.a	Others employed full-time	number	n/a	n/a	n/a
52.b	Men employed part-time	number	45	35	42
52.b	Women employed part-time	number	32	34	38
52.b	Others employed part-time	number	n/a	n/a	n/a

CHARACTERISTICS OF WORKERS WHO ARE NOT PART OF THE UNDERTAKING'S OWN WORKFORCE S1-7

These figures refer to the number of employees as of the last day of the reporting year (31 December 2024) and not to full-time equivalents (FTE) defined as the number of working hours per month, assuming a 40-hour work week. 55. b

COLLECTIVE BARGAINING COVERAGE AND SOCIAL DIALOGUE S1-8

All workers employed in the Group's five production companies are covered by three collective agreements at the industry level:

- Collective Agreement for the Metal Products and Foundry Industry of Slovenia,
- Collective Agreement for the Slovenian Metal Sector, and
- Collective Agreement for the Timber Industry of Slovenia.

In addition to these agreements, each of the five individual production companies is subject to company-specific collective agreements between the individual employers and the workers' representatives. In five production companies, the total coverage of employees covered under the aforesaid collective agreements is 100%. 60.b

Employees who are not part of SIJ's own workforce, working in the companies of SIJ Group as of 31 December 2024

§	Disclosure	Unit	2022	2023	2024
55.a	Total number of workers who are not part of the undertaking's own workforce	number	n/a	n/a	198
55.a 56.	Self-employed persons (with sole proprietor status)	number	n/a	n/a	0
55.a 56.	Self-employed persons (with sole proprietor status)	FTE	n/a	n/a	0
55.a 56.	Temp agency workers	number	0	0	0
55.a 56.	Temp agency workers	FTE	0	0	0
56.	Workers working under a service contract	number	n/a	n/a	49
56.	Workers working under a service contract	FTE	n/a	n/a	9.3
56.	Workers working under a student service contract	number	n/a	n/a	149
56.	Workers working under a student service contract	FTE	n/a	n/a	27.4

Employees in SIJ Group companies covered under collective agreements as of 31 December 2024

§	Disclosure	Unit	2022	2023	2024
60.a	Percentage of employees covered by collective agreements	percentage	n/a	n/a	93
60.a	Percentage of employees represented by employee representatives	percentage	n/a	n/a	93

Collective bargaining coverage and social dialogue as of 31 December 2024

§	Disclosure	Collective bargaining coverage			Social dialogue		
	Coverage rate (in %)	2022	2023	2024	2022	2023	2024
63.a	0–79	/	/	/	/	/	/
63.a	80–100	Slovenia	Slovenia	Slovenia	Slovenia	Slovenia	Slovenia

DIVERSITY S1-9

Gender representation at senior management level and distribution of employees by age group in the companies of SIJ Group as of 31 December 2024

§	Disclosure	Unit	2022	2023	2024
66.a	Senior management staff	number	n/a	n/a	22
66.a	Senior management staff	percentage	n/a	n/a	0.7
66.a	Women in senior management	number	n/a	n/a	6
66.a	Women in senior management	percentage	n/a	n/a	27.3
66.b	Employees under 30 years of age	number	533	527	547
66.b	Employees under 30 years of age	percentage	16.3	16.7	17.5
66.b	Employees aged between 30 and 50	number	1,496	1,517	1,564
66.b	Employees aged between 30 and 50	percentage	45.8	48.0	49.9
66.b	Employees over 50 years of age	number	1,235	1,118	1,023
66.b	Employees over 50 years of age	percentage	37.9	35.3	32.6

Senior management staff in SIJ Group includes the President of the Management Board, Vice-Presidents, Directors of subsidiaries, Executive Directors and Sector Directors.
66.

Indicators S1-7 to S1-9 are disclosed for the Group's manufacturing and processing companies and for the companies SIJ d.d. and SIJ Storitve. In smaller companies, data was not yet available in an appropriate form due to the gradual introduction of a centralized HR system, so these indicators for these companies are not included in this report.

ADEQUATE WAGES S1-10

The gross monthly income of SIJ Group employees reaches and exceeds the statutory minimum wage in Slovenia and other countries of operation. Although Slovenia has not yet transposed the EU Minimum Wage Directive, which was adopted at the end of 2022, into national law, it has already complied with the Directive's requirement that the minimum wage should be higher than 50% of the average gross wage in the country. 69.

The gross minimum wage in Slovenia in 2024 was EUR 1,254.00. According to Eurostat, Slovenia ranks eighth among the 22 countries that have a statutory minimum wage. According to the World Bank,[10] Slovenia ranks 15th among the 27 EU Member States in terms of gross domestic product, and 21st out of 48 countries in Europe according to the International Monetary Fund.[11] 69.

Wage growth in Slovenia, driven by inflation, is outpacing real economic growth. The Development Report issued by the Institute of Macroeconomic Analysis and Development[12] shows that nominal wage growth in manufacturing was 12.3%, while productivity growth was 10%, measured in terms of value added per employee. Compared to the EU average, where nominal wage growth was 6.6% and was more comparable to the productivity growth of 5.9%, these circumstances mean a less favourable business environment for Slovenian companies. 69.

In order to comply with the law, all contracts and the principles of adequate wages, labour costs in five production companies are 8% higher in 2024 compared to the previous year. Value added per employee increased by 2% over the same period. 69.

SOCIAL PROTECTION S1-11

SIJ Group complies with all laws and regulations on pension and disability insurance (ZPIZ-2), healthcare and health insurance (ZZVZZ), parental care and family benefits (ZSDP-1), labour market regulation (ZUTD) and social security contributions (ZPSV). These laws form the legal framework which ensures the social security of SIJ Group employees in Slovenia. All employees of SIJ Group are entitled to social security, as enshrined in Slovenian law. We also respect the laws and regulations in the field of social protection in countries outside Slovenia. 74.

10 Source: World Bank, 2023. Available at the link (1 November 2024).
11 Source: World Economic Outlook Database, 2024. Available at the link (1 November 2024).
12 Source: IMAD, 2024. Available at the link (01. 11 2024)

PERSONS WITH DISABILITIES S1-12

Number of persons with disabilities in SIJ Group as of 31 December 2024

§	Disclosure	Unit	2022	2023	2024
79.	Employees with a disability	number	319	309	280
79.	Employees with a disability	percentage	9.8	9.8	7.7

TRAINING AND SKILLS DEVELOPMENT S1-13

Employees with whom regular performance and career development reviews were conducted, and the average training hours per employee by gender in the companies of SIJ Group as of 31 December 2024

§	Disclosure	Unit	2022	2023	2024
83.a	Men with whom regular performance and career development reviews were conducted	number	n/a	n/a	186
83.a	Men with whom regular performance and career development reviews were conducted	percentage	n/a	n/a	7.2
83.a	Women with whom regular performance and career development reviews were conducted	number	n/a	n/a	157
83.a	Women with whom regular performance and career development reviews were conducted	percentage	n/a	n/a	28.1
83.b	Average number of hours of training per employee	number	n/a	11.0	15.8
83.b	Average number of hours of training – men	number	n/a	n/a	15.8
83.b	Average number of hours of training – women	number	n/a	n/a	15.9

We plan to introduce agile annual interviews with regular performance and career development reviews in 2025 for all team leads and workers in manufacturing, who make up approximately 30% of the workforce. 83.

HEALTH AND SAFETY S1-14

Work-related injuries in the three production companies, certified in accordance with ISO 45001

§	Disclosure	Units	2022	2023	2024
	SIJ Acroni				
88.a 90.	Percentage of employees covered by ISO 45001	percentage	100	100	100
88.b	Number of fatal work injuries, employees who are part of SIJ's own workforce	number	0	0	0
88.b	Number of fatal work injuries, employees who are not part of SIJ's own workforce	number	0	0	0
88.c	Number of work-related accidents	number	18	15	17
88.c	Frequency of all occupational injuries (F2)	factor	8.8	8.1	7.8
	Severity of all occupational injuries (G1)	factor	793	590	773
	Number of work hours	number	2,050,167	1,857,357	2,189,987
88.d	Number of recordable work-related diseases	number	0	0	0
88.e	Number of days lost due to work-related injuries, deaths due to work-related accidents, work-related diseases and deaths due to diseases	number	1,148	721	1,169
90.	Percentage of employees covered by ISO 45001 and audited by an external certification body	percentage	100	100	100
	SIJ Metal Ravne				
88.a 90.	Percentage of employees covered by ISO 45001	percentage	100	100	100
88.b	Number of fatal work injuries, employees who are part of SIJ's own workforce	number	0	0	0
88.b	Number of fatal work injuries, employees who are not part of SIJ's own workforce	number	0	0	0
88.c	Number of work-related accidents	number	60	47	56
88.c	Frequency of all occupational injuries (F2)	factor	37.6	31	37

Continuation of the table →

Continuation of the table

§	Disclosure	Units	2022	2023	2024
	Severity of all occupational injuries (G1)	factor	2086	1499	1,329
	Number of work hours	number	1,595,353	1,517,105	1,512,847
88.d	Number of recordable work-related diseases	number	0	0	0
88.e	Number of days lost due to work related injuries, deaths due to work related accidents, work- related diseases and deaths due to diseases.	number	3,328	2,275	2,011
90.	Percentage of employees covered by ISO 45001 and audited by an external certification body	percentage	100	100	0
	SIJ Ravne Systems				
88.a 90.	Percentage of employees covered by ISO 45001	%	0	0	100
88.b	Number of fatal work injuries, employees who are part of SIJ's own workforce	number	0	0	0
88.b	Number of fatal work injuries, employees who are not part of SIJ's own workforce		0	0	0
88.c	Number of work-related accidents	number	9	14	14
88.c	Frequency of all occupational injuries (F2)	factor	11.4	19.4	19.5
	Severity of all occupational injuries (G1)	factor	681	785	1010
	Number of work hours	number	790,616	723,132	716,891
88.d	Number of recordable work-related diseases	number	0	0	0
88.e	Number of days lost due to work-related injuries, deaths due to work-related accidents, work-related diseases and deaths due to diseases	number	539	568	724
90.	Percentage of employees covered by ISO 45001 and audited by an external certification body	percentage	0	0	100

In SIJ Group companies that do not have an established system in accordance with ISO 45001, occupational health and safety data is not collected systematically. With the certification of manufacturing companies, these records will be established in the future.

WORK-LIFE BALANCE S1-15

All employees of the companies of SIJ Group are entitled to the rights deriving from legislation by persons with a concluded employment contract (insured persons). Family-related leave, such as maternity leave, paternity leave, parental leave and caregiver leave, is regulated under e.g.in Slovenia the Parental Protection and Family Benefits Act (ZSDP-1) and the Employment Relationships Act (ZDR-1). SIJ Group complies with all statutory provisions related to work-life balance. 94.

Employees who took family leave in the companies of SIJ Group, by gender, as of 31 December 2024

§	Disclosure	Unit	2022	2023	2024
93.b	Men who took leave for family-related reasons	number	66	85	265
93.b	Men who took leave for family-related reasons	percentage	100	100	100
93.b	Women who took leave for family-related reasons	number	79	100	50
93.b	Women who took leave for family-related reasons	percentage	100	100	100

REMUNERATION METRICS (PAY GAP AND TOTAL REMUNERATION) S1-16

Pay gap

The gender pay gap is calculated as the difference between the average gross hourly rate of male and female employees and expressed as a share of the average gross hourly rate of male employees. The calculation includes all full-time employees in the SIJ Group as of 31 December 2024. The basis for the calculation is the average gross hourly rate of male and female employees, calculated on the basis of the total remuneration of employees.

The calculation does not take into account differences in jobs, work experience or education, which may affect the results. The statistics do not necessarily reflect equality or inequality between genders, as they do not take into account all factors that affect differences in the average hourly rate. In the largest companies SIJ Acroni, SIJ Metal Ravne, SIJ Ravne Systems and SIJ SUZ, the average hourly rate of women is higher than that of men. Given the nature of the production process, the majority of women are employed in management or administrative positions with a higher gross salary than workers in production, who are mostly men.

Pay gap between male and female employees in the SIJ Group as of December 31

§	Disclosure	Unit	2022	2023	2024
97.a	Average gross hourly wage of male employees	number	n/a	n/a	17.3
97.a	Average gross hourly wage of female employees	number	n/a	n/a	18.3
97.a	Pay gap between genders	percentage	n/a	n/a	–6.1

Annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees

The ratio between the total annual earnings of the highest-paid individual and the median of total annual earnings for all employees is calculated as the ratio between the annual gross earnings of the highest-paid individual and the median of the annual gross earnings of employees in the SIJ Group, excluding the highest-paid individual is 27. 97.b The period of payment of earnings from 1 January to 31 December 2024 was taken into account. The calculation took into account employees who were in employment on 31 December 2024. According to the standard, the following employee earnings were taken into account in the calculation: basic salary, allowances, bonuses, Christmas bonus, business performance and other forms of variable cash earnings, compensation, allowances, additional health and pension insurance and bonuses or earnings in kind.

Data for S1-16 were not available for 6 employees (0.16% of all employees), but these employees are in the half that represent higher earnings, so the determination of the median was possible despite the lack of this data. For 7 companies data was only available for 6 months due to the introduction of a new information system. 97.c

INCIDENTS, COMPLAINTS AND SERIOUS IMPACTS ON HUMAN RIGHTS S1-17

Employees may submit their complaints through a variety of channels, as previously described. The number of complaints received or concerns expressed in such a way is presented on page 82. 103.a 103.b

LOCAL COMMUNITIES S3

Governance Information

BUSINESS CONDUCT G1

THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

ESRS 2 GOV-1 on page 55

DESCRIPTION OF THE PROCESSES TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES ESRS 2 IRO-1 on page 71

BUSINESS CONDUCT POLICIES AND CORPORATE CULTURE G1-1 on page 75

MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS G1-2

Although we do not yet have a formal policy in place to prevent late payments to small and medium-sized enterprises (SMEs), SIJ Group is committed to treating all suppliers fairly and transparently. We adhere to the principles of fairness and responsible conduct in our relations with all our suppliers. 14.

Relationships with the key suppliers of SIJ Group's manufacturing companies are managed centrally. The procurement process is aligned with the Sustainable Procurement Policy, which includes ethical principles and addressing identified risks in the supply chain. Material risks include risks which impact the environment and society, and corporate governance (ESG).

In choosing suppliers that have appropriate strategies in place to manage sustainability risks, we drive improvements in supply chain practices throughout the supply chain.

A cornerstone of our procurement policy is involving local and certified suppliers, which in turn supports sustainable economic growth and strengthens sustainable supply chains.

Suppliers are evaluated based on their role, including in terms of the input materials, packaging and services they provide. Further evaluation of strategic suppliers includes an assessment of their environmental and social impact and of their corporate governance (ESG).

The evaluation process is defined in the document Suppliers Assessment and Monitoring. Suppliers of SIJ Group are also bound to uphold SIJ Group's sustainability principles, as outlined in the Code of Conduct for Suppliers of SIJ Group. Both documents are aligned with the internal rules of SIJ Group.

We carry out additional on-site assessments and evaluations at our suppliers' sites. This way we encourage our suppliers to meet the relevant technical requirements, as well as to reduce environmental impacts and improve working conditions in their own organisations.

By implementing these rules, assessments and purchasing practices, we enhance reliability, sustainability and promote responsible behaviour across the entire supply chain. We effectively manage risks and opportunities, and by maintaining a high level of compliance with international sustainability standards, we improve our business practices and enhance the reputation of SIJ Group. 15.a 15.b

PREVENTION AND DETECTION OF CORRUPTION AND BRIBERY G1-3

Since 2024, the companies of SIJ Group have had the internal Corruption Prevention Manual in place, which defines the anti-corruption measures on an umbrella level. Corruption risks or risks of unethical behaviour are managed by the so-called Benefits Registry, as established in accordance with the SIJ Group Code of Ethics. This is a collection of data about the benefits received or offered, such as gifts, hospitality, favours and other benefits which could influence the work or decision-making.

All employees and external stakeholders can report any potential irregularities or suspicions of corruption through an anonymous whistleblowing hotline (Submit a Report).

Suspicions of corruption are investigated by Corporate Security Department, which proposes follow-up actions after concluding investigations. 18.a The Corporate Security Department conducts its activities centrally, at the level of the parent company SIJ d.d. It reports directly to the CEO of SIJ Group. 18.b

The SIJ Group Corruption Prevention Manual is available to employees at all times via the intranet portal, which also has a direct link to the Benefits Register on the homepage. We raise our employees' awareness about appropriate behaviour by publishing articles in the SIJ internal newsletter and on the intranet portal for employees (especially at particularly sensitive times, such as during gift-giving holiday seasons). 20

The Group's training programme also includes training seminars aimed at the prevention and detection of corruption. In 2024, the employees responsible for anti-corruption matters attended seminars organised by the Commission for the Prevention of Corruption, the Slovenian agency responsible for monitoring the implementation of the Integrity and Prevention of Corruption Act (ZIntPK). In conducting our internal anti-corruption training seminars, we placed particular focus on employees who are exposed to increased levels of risk. For these employees, the attendance of training sessions was mandatory, while other staff could attend the training sessions (which in 2024 were mainly related to the giving and receiving of gifts) on a voluntary basis. 21.a

A corruption risk is present in 2.10% of the corporate functions. 21.b In 2024, the administrative, management and supervisory bodies attended one internal training session on this issue, conducted by the competent experts employed by SIJ d.d. 21.c

CONFIRMED INCIDENTS OF CORRUPTION OR BRIBERY G1-4

In 2024, no SIJ Group company was convicted or fined for any violation of anti-corruption and anti-bribery laws. 24.a SIJ Group has disciplinary procedures in place in case of breaches of the internal Anti-Corruption Manual by employees. 24.b

POLITICAL INFLUENCE AND LOBBYING ACTIVITIES G1-5

SIJ Group does not make direct or indirect donations or political endorsements. We do not fund political parties, their elected representatives or the persons running for political office, nor do we have any lobbyists or lobbying organisations on our payroll. 29.

PAYMENT PRACTICES G1-6

SIJ Group regularly meets its obligations to suppliers. This is made possible due to maintaining a stable financial structure and efficient working capital management. We achieve better payment terms by maintaining long-standing partnerships and establishing trust with suppliers. As of 31 December 2024, the number Days Payables Outstanding is 94. The longest payment terms are for procurement of materials, which represents the largest share of the cost of goods, materials and services. On average, the payment terms for the purchase of materials range between 90 and 120 days, which is in line with the commonly-used commercial payment terms in our industry.

Shorter payment terms, ranging from 30 to 60 days, are for services provided mainly by small and medium-sized enterprises. Cost of services accounts for a smaller (10%) share of the cost of goods, materials and services. SIJ Group pays these costs at maturity, as well. 33.a 33.b SIJ Group is not party to any legal actions associated with payment default. 33.c

Table of Impacts, Risks and Opportunities (IRO)

ID	AREA OF SUSTAINABILITY: topic, category Subject (ESRS topic) * specific to SIJ Group	SPECIFICS (IRO – Impact, Risk, Opportunity) * DEPENDENCY (R/O) TYPE OF IRO	DESCRIPTION OF IRO	LINK to SIJ Group's strategy and/or business model STAGE OF THE VALUE CHAIN	IRO RATING
1	CLIMATE CHANGE: mitigation, greenhouse gas emissions	Greenhouse gas emissions in production	We are reducing our greenhouse gas emissions with each year. Our input material now consists almost entirely of scrap steel, which we process using the more environmentally friendly electric arc furnace (EAF) technology. While our emissions are still high due to our manufacturing activities, we aim to reduce them by 51% by 2030 relative to the baseline year of 2020. We reduce the **negative impacts** of emissions in cooperation with our customers. We identified **opportunities** in the demand for green steel and in further R&D and technological innovation. The **risks** are linked to the availability and affordability of technological solutions to reduce greenhouse gas emissions.	Business strategy	**Severity rating:** material
	E1	(Impact)			
				Own operations	
		Actual positive and actual negative (irreversible)		Lower level (downstream)	
2	CLIMATE CHANGE: mitigation, greenhouse gas emissions	Increase in greenhouse gas emissions	The risk of increasing our greenhouse gas emissions is impacted by **our purchasing, production and transport processes.** Opportunities can be found mainly in the further development of **our own technological solutions** and in the implementation of the adopted SIJ Group Decarbonisation Plan 2020-2030-2050. We can also reduce emissions by introducing **advanced transport route planning** and increasing the transport route efficiency.	Business strategy	
	E1	(Risk)			**Assessment of financial materiality:** short term: immaterial
		* Energy, technology and supply chain		Own operations	medium term: immaterial
		Actual figure		Lower level (downstream)	long-term: moderate

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Continuation of the table

ID	AREA OF SUSTAINABILITY: topic, category / Subject (ESRS topic) / * specific to SIJ Group	SPECIFICS / (IRO – Impact, Risk, Opportunity) / * DEPENDENCY (R/O) / TYPE OF IRO	DESCRIPTION OF IRO	LINK to SIJ Group's strategy and/or business model / STAGE OF THE VALUE CHAIN	IRO RATING
3	CLIMATE CHANGE: mitigation, greenhouse gas emissions	Demand: customer interest in green steel	SIJ Group can benefit from the anticipated increase in demand for green steel. Opportunities are linked to offering **green products**, made possible by the long-term CAPEX already made in the past. This offering will increase further as the SIJ Group Decarbonisation Plan 2020-2030-2050 continues to be implemented.	Business strategy	
	E1	(Opportunity)			**Assessment of financial materiality:** short term: immaterial
		* Efforts toward the Green Transition and decarbonisation		Own operations	medium term: immaterial
		Potential		Lower level (downstream)	long-term: moderate
4	CLIMATE CHANGE: energy	Disruptions in energy supply and procurement (availability)	Disruptions in the supply of electricity and natural gas (due to the geopolitical situation) cause disruptions in the production processes and have a potentially negative impact on SIJ Group's financial performance. A mitigating measure that we have are already implemented is **diversification of our energy supply**. We see opportunities in investing in **our own energy balancing group** and in increasing our **energy autonomy**.	Business model	
	E1	(Risk)		Higher level (supply chain)	**Assessment of financial materiality:** short term: immaterial
		* Energy		Own operations	medium term: immaterial
		Actual figure			long-term: moderate
5	CLIMATE CHANGE: energy	Lack of options for the supply of green energy	SIJ Group faces constraints in the supply of green electricity from renewable sources from external suppliers and in its own production of such energy. These constraints can affect the achievement of the decarbonisation objectives. Opportunities include possible **contractual solutions for solar energy** (power purchase agreements - PPAs) and cooperation with **suppliers of green electricity with certificates of origin**.	Business model	
	E1	(Risk)		Higher level (supply chain)	**Assessment of financial materiality:** short term: immaterial
		* Energy		Own operations	medium term: immaterial
		Potential		Lower level (downstream)	long-term: material and major

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6	CLIMATE CHANGE: adapting	Damage to public infrastructure due to physical risks related to climate change and the green transition	Floods, storms, strong winds and other hazards can cause **supply chain disruptions** by damaging public infrastructure, and have serious financial consequences (e.g. the impacts of floods on SIJ Metal Ravne, 2023). We identified the opportunities in **climate vulnerability assessment** and related risks. We use climate scenarios to identify **potential hazards at our sites** over specific time periods, as well as vulnerabilities in local infrastructure that could pose a risk to our business. This assessment acts as the basis for **preventive action** aimed at managing risks and reducing their potential consequences. It also fosters additional **cooperation with local authorities** and increases our support in terms of building and managing more robust infrastructure.	Business model	
	E1	(Risk)			**Assessment of financial materiality:** short term: immaterial
		* Nature and weather events		Own operations	medium-term: minimal
		Potential		Lower level	long-term: moderate
7	CLIMATE CHANGE: mitigation, greenhouse gas emissions	Technology, research and development	By **investing in technological solutions** and r**esearch and development activities**, we are reducing greenhouse gas emissions at various points – from production to waste management, etc., while at the same time establishing collaborations with various external experts.	Business strategy	**Severity rating:** material
	E1	(Impact)			
				Own operations	
		Actual positive		Lower level (downstream)	
8	CLIMATE CHANGE: mitigation, energy intensity and affected communities	Excess heat supply for the local community	An innovative heat exchanger technology (ETEKINA project) has **reduced natural gas consumption** by 4%, and the excess heat used to supply heat to the town of Ravne na Koroškem has had **a positive impact on the lives of the members of the local community**.	Business strategy	**Severity rating:** Material
	E1, S3	(Impact)			
		Actual positive		Lower level (local communities)	

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9	POLLUTION: water E2	Discharges into local waterways (Impact) Potentially negative	In the SIJ Acroni Jesenice area, we have invested in **wastewater treatment plants** and set up monitoring systems to prevent incidents. In the SIJ Metal Ravne area, where the same solutions are foreseen, we are planning **CAPEX to close the water cycle** and increase efficiency. In accordance with regulations, **real-time emissions reporting transparency** will be ensured on SIJ Group member companies' websites starting from the beginning of 2025. Incidents and spills at our facilities can have a negative impact on the waterways. Although data from the World Steel Association (WSA) show that water returned to rivers and other sources from steelworks is often cleaner than the water originally drawn, emissions control also accounts for the possibility of increased presence of chemicals and other unwanted substances. Discharging of cooling water can significantly increase the water temperature and affect aquatic ecosystems, so restrictions on the **temperature of discharge water** are in place wherever necessary.	Business model Lower level (local communities)	**Severity rating:** material **Likelihood rating:** short-term: very low medium term: very low long-term: low
10	POLLUTION: air E2	Releases to air (Impact) Actual negative (irreversible)	In addition to greenhouse gases, other gases are also emitted in steel production processes. After detecting that threshold values were exceeded at the Ravne na Koroškem production site, we reduced the risk of exceeding allowable emission thresholds by conducting continuous monitoring over the past year. Emissions are within **statutory limits**. The production sites are directly connected to the Slovenian Environment Agency (ARSO). All **incidents are immediately detected and mitigated** so that any negative impacts can be prevented and addressed immediately. In accordance with the law, **transparent real-time emissions reporting** will be ensured on SIJ Group member companies' websites starting from the beginning of 2025.	Business model Lower level (downstream)	**Severity rating:** Material

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11	POLLUTION and affected communities: Noise	Noise pollution	Production facilities operating around the clock are located near settlements. Local residents can therefore be exposed to noise both during the day and night. By conducting **measurements** and implementing mitigation measures, we keep **noise levels within statutory limits**. Because of the potential impacts on the populations, we work with local communities on a regular basis	Business model	**Severity rating:** Material
		(Impact)			
	*** specific to SIJ Group**	Actual negative (irreversible)		Lower level (downstream)	
12	WATER AND MARINE RESOURCES - Water: consumption, abstraction, discharge	Water consumption	In recycling steel mills, such as SIJ Group's two production companies, water is used primarily for cooling, rather than just the production process itself. Water abstraction and consumption are significantly lower compared to traditional steel mills. All water-related issues **are managed in cooperation with the stakeholders** from the local community.	Business model	**Severity rating:** material
	E3	(Impact)			**Likelihood rating:** short-term: very low
				Own operations	medium-term: low
		No impact detected Potentially negative		Lower level (downstream)	long-term: low
13	CIRCULAR ECONOMY: inflow and outflow of resources	Production of green steel from steel scrap	SIJ Group **does not produce steel from iron ore**. The primary raw material, which now makes up nearly 100% of the total, is scrap steel. Using this raw material allows us to avoid the energy-intensive extraction of iron ore and its impact on air and water pollution.	Business strategy	**Severity rating:** material
	E5	(Impact)			
				Own operations	
		Actual positive		Lower level (downstream)	
14	CIRCULAR ECONOMY: steel scrap	Waste management strategies; zero waste	We landfill less than 2% of our total waste. More than **98% of waste is reused, recycled or repurposed** into by-products. By developing innovative sorting, screening, grinding and separation processes, we are able to process the various types of waste generated in steel production processes.	Business strategy and business model	**Severity rating:** material
	E5	(Impact)			
				Own operations	
		Actual positive		Lower level (downstream)	

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15	CIRCULAR ECONOMY: inflow of resources	Low availability of scrap steel	As the EU has no export restrictions, the expected increase in demand for scrap steel from non-EU countries could potentially lead to **a shortage of stocks of scrap metal** (non-alloy steel). The SIJ Group's steel companies are more than 90% dependent on this input material and a shortage would affect our production. We manage and mitigate this risk by **geographically dispersing the stockpiles** of our primary alloys, by **introducing substitute materials** and by using **new suppliers**. We have identified opportunities in our internal scrap steel suppliers and in good **recycling practices** within SIJ Group.	Business strategy and business model	
	E5	(Impact)		Higher level (supply chain)	**Financial materiality:** short-term: immaterial
				Own operations	medium-term: minimal
		Potential		Lower level (downstream)	long-term: moderate
16	CIRCULAR ECONOMY: inflow of resources	Increase of prices of scrap steel	Higher scrap steel prices resulting from increased demand (due to the green transition and regulatory requirements) and stock shortages would have an impact on the pricing of final products. This risk and **SIJ Group's exposure to scrap steel price volatility** is mitigated by the **supply of scrap steel within the vertically integrated SIJ Group**. We have identified an opportunity in **our own scrap steel collection division**, which we also link to the expansion of our large customers' business.	Business strategy and business model	
	E5	(Risk)		Higher level (supply chain)	**Financial materiality:** short-term: immaterial
		* Raw material / steel scrap		Own operations	medium-term: minimal
		Potential			long-term: large
17	AFFECTED COMMUNITIES: employment	Employment opportunities	By providing **secure employment**, we are making an impact on the local communities in which SIJ Group companies operate. Taking the role of an involved stakeholder, local communities are recognising our impact on **improving social standards** at the local level.	Business strategy and business model	**Severity rating:** material
	S3	(Impact)			
				Own operations	
	*** specific to SIJ Group**	Actual positive		Lower level (downstream)	

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18	BUSINESS CONDUCT G1	Stakeholder involvement (Impact) Actual positive and potentially negative	We see feedback from different stakeholder groups within SIJ Group as an essential resource for our decision-making and economic performance. That is why **we involve stakeholders and their information in all our business operations**. Stakeholders have rated this cooperation as mostly positive and have recognised the positive impact. However, we recognise the potential for negative impacts in the future.	Business strategy and business model Lower level (downstream)	**Severity rating:** material **Likelihood rating:** short-term: very low medium term: very low long-term: very low
19	OWN WORKFORCE: working conditions, job security S1-6	Job security and continuity (Impact) Actual positive	**Satisfaction with job security and job continuity** ranked **first place** among 11 KPIs in the Employee Satisfaction Survey (SiOK 2023). The positive impact of job security, which is a key value both for employees and local communities, is also recognised by the employees in focus groups. The importance of job security is also a particular topic of interest in our working with the local communities.	Business strategy Own operations	**Assessment based on external sources:** material
20	OWN WORKFORCE: working conditions, working hours S1-1	Working hours, including overtime (Impact) Actual positive and negative	Satisfaction with working hours was rated **second-highest** among the 11 KPIs measured by the Employee Satisfaction Survey (SiOK 2023). Although our work process is organised into four shifts, weekend work and 12-hour shifts, which dissuades many potential candidates from employment at SIJ Group manufacturing companies, the high level of satisfaction with working hours has been **a constant, even among departing employees**, for several years. The rating remains high despite the impact of staff turnover on the overtime of qualified staff, which ensures sufficient effective working hours are achieved each month.	Business strategy Own operations	**Assessment based on external sources:** material

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ID	AREA OF SUSTAINABILITY: topic, category Subject (ESRS topic) * specific to SIJ Group	SPECIFICS (IRO – Impact, Risk, Opportunity) * DEPENDENCY (R/O) TYPE OF IRO	DESCRIPTION OF IRO	LINK to SIJ Group's strategy and/or business model STAGE OF THE VALUE CHAIN	IRO RATING
21	OWN WORKFORCE: equal treatment and opportunities for all, training and skills development S1-13	Employee training (Impact) Actual negative	Although satisfaction with training and skills development has been following **a positive trend** since 2016 (SiOK 2023), the actual **current impact is negative** due to lack of innovation, poor management of employee suggestions, lack of knowledge sharing, lower quality of training seminars, and poor knowledge examination tools and procedures. The negative impact is also linked to the recruitment of workers who lack the right skills and competences for the job. Employee training time, expressed in training days per employee, was very low in 2023 compared to the global benchmark.	Business strategy Own operations	**Assessment based on external sources:** material
22	OWN WORKFORCE: equal treatment and opportunities for all, training and skills development S1-13	Career development and advancement (Impact) Potentially negative	Career development (SiOK 2023) ranks second-to-last, or 10th among the 11 indicators measured by the Employee Satisfaction Survey (SiOK 2023). SIJ Group **has not yet adopted a Career and Promotion Policy**, or criteria for promotion and for defining the potential of employees. There is no career path model in place and managers do not yet advise staff on career opportunities. The situation is having an impact on **employee turnover** – despite having access to good salaries and career opportunities that they are not sufficiently aware of.	Business strategy Own operations	**Assessment based on external sources:** material **Likelihood rating:** short-term: high medium-term: moderate long-term: low
23	OWN WORKFORCE: working conditions S1 *** specific to SIJ Group**	Quality of work equipment and working environment (Impact) Actual negative	Employees across all companies of SIJ Group have expressed **general satisfaction with the work equipment and workspaces**. Because workspace satisfaction was included as part of a broader question, the rating is lowered slightly by the perceived cleanliness, temperature, light and other objective risk factors in the working environment (SiOK 2023).	Business strategy Own operations	**Assessment based on external sources:** material

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ID	AREA OF SUSTAINABILITY: topic, category / Subject (ESRS topic) / * specific to SIJ Group	SPECIFICS / (IRO – Impact, Risk, Opportunity) / * DEPENDENCY (R/O) / TYPE OF IRO	DESCRIPTION OF IRO	LINK to SIJ Group's strategy and/or business model / STAGE OF THE VALUE CHAIN	IRO RATING
24	OWN WORKFORCE: working conditions, adequate wages	Adequate wages: minimum wage with a decent wage in line with benchmarks	Among the 11 KPIs used to measure employee satisfaction, pay and benefits satisfaction was ranked the lowest (SiOK 2023). The rating has been improving since 2016 and showing **a positive trend**, however the current impact is **negative**. Employees are dissatisfied with changes made to the variable pay model, where we have abolished individual monthly bonuses that were not linked to performance and target achievement. As we lack the data from other manufacturing companies, we are unable to evaluate whether employee satisfaction in SIJ Group companies is lower compared to other companies of a similar nature.	Business strategy	**Assessment based on external sources:** material
	S1-10	(Impact)			
				Own operations	
		Actual negative		Lower level (downstream)	
25	OWN WORKFORCE: working conditions, health and safety	Occupational health and safety	The ResponsibleSteel certification, which we obtained in 2024, confirms our operational compliance with **global standards for occupational safety and health and respect for human rights** in the steel industry. Nevertheless, working conditions in the steel industry remain challenging (compared to other industries). Some risk factors cannot be eliminated entirely over the short term. Occupational health and safety engineers lack the authority and formal responsibility to shut down the production process if significant health risks are identified. Lower-educated, less-skilled workers and non-Slovenian-speaking international workers are more exposed to work-related injuries.	Business strategy	**Assessment based on external sources:** material
	S1-14	(Impact)			
				Own operations	
		Actual negative		Lower level (downstream)	
26	OWN WORKFORCE: working conditions	Access to nutritious hot meals, water, sanitation	SIJ Group is continuously investing in **renovations of facilities** and **improving sanitary facilities**. In our production environments, we provide our employees with filtered and **bottled water**. In the period 2019-2021, we renovated the kitchens and canteens for workers. The catering service provider regularly checks the **quality of hot meals provided**.	Business strategy	**Assessment based on external sources:** material
	S1	(Impact)			
				Own operations	
	*** specific to SIJ Group**	Actual negative		Lower level (downstream)	

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ID	AREA OF SUSTAINABILITY: topic, category / Subject (ESRS topic) / * specific to SIJ Group	SPECIFICS / (IRO – Impact, Risk, Opportunity) / * DEPENDENCY (R/O) / TYPE OF IRO	DESCRIPTION OF IRO	LINK to SIJ Group's strategy and/or business model / STAGE OF THE VALUE CHAIN	IRO RATING
27	OWN WORKFORCE: working conditions, training and skills development	Performance management	SIJ Group introduced annual performance review interviews in 2024, in which approximately 300 employees participated in 2024. In 2025, we will **extend the scope of the annual performance interviews** to include all office staff and production team leads. In our Employee Satisfaction Survey, we examine if a particular employee has been approached in the last year about the possibility of career advancement. The SiOK 2023 score is low (2.86 out of 5), but has been improving steadily since 2016.	Business strategy	**Assessment based on external sources:** material
	S1-13	(Impact)			
				Own operations	
		Actual negative			
28	OWN WORKFORCE: working conditions, social dialogue	Freedom of association, workers' councils, collective bargaining	**Three representative trade unions** are active across the production companies of SIJ Group (without SIJ d.d.). **More than 25% of our employees** are members of at least one trade union. SIJ Group fully complies with the terms of industry- and company-level collective agreements and collective agreements. In 2023, these contracts covered almost 90% of the employees of SIJ Group's companies. The exception are employees of SIJ d.d. and SIJ Storitve, who are currently not covered under any collective agreement.	Business strategy	**Assessment based on external sources:** material
	S1–8	(Impact)			
				Own operations	
		Actual positive			
29	OWN WORKFORCE: working conditions, social dialogue	Employees' right to consultation and participation	**Regular social dialogue** is maintained among employees, social partners and the management teams of individual companies. Employee involvement is conducted in accordance with the Worker Participation in Management Act – ZSDU and other legal provisions in the Republic of Slovenia. The law requires employers to consult with employees about issues such as occupational health and safety, working conditions, protection of employees' rights in the event of conveyances of undertakings, and collective layoffs.	Business strategy	**Assessment based on external sources:** material
	S1–8	(Impact)			
				Own operations	
		Actual positive			

Continuation of the table →

Continuation of the table

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30	OWN WORKFORCE: working conditions, work-life balance	Flexi-time arrangements	When working hours are satisfied, and within the time parameters set by management, employees may **choose their preferred start and finish times of the working day** and the preferred method and **duration of taking lunch breaks**, in accordance with the flexible work schedule. The opportunities for flexible working hours are significantly lower in the case of production workers, where the negative effects of working hours are therefore perceived.	Business strategy	**Assessment based on external sources:** material
	S1-15	(Impact)			
				Own operations	
		Actual positive and negative		Lower level (downstream)	
31	OWN WORKFORCE: working conditions, work-life balance	Childcare leave to support childcare and family commitments	Seven SIJ Group companies in Slovenia are certified as **Family Friendly Enterprises** and employees are entitled to benefits to support caring for children and family members with special health needs. SIJ Group fully respects the statutory **rights to maternity leave (i.e. maternity, parental and paternity) and caregiver leave**. Maternity leave is compulsory in Slovenia. Parental leave is a form of social insurance, which is partly funded by employers and employees and partly by the state. Fathers are entitled to take leave at the birth of their child, but both parents are also eligible for family leave or shared parental leave.	Business strategy	**Assessment based on external sources:** material
	S1-15	(Impact)			
				Own operations	
		Actual positive		Lower level (downstream)	
32	OWN WORKFORCE: working conditions, work-life balance	Access to social security benefits and protection	SIJ Group complies with all laws and regulations on pension and disability insurance, healthcare and health insurance, parental care and family benefits, labour market regulation and social security contributions. All SIJ Group employees are entitled to social security benefits, as required by Slovenian law.	Business strategy	**Assessment based on external sources:** material
	S1-15	(Impact)			
				Own operations	
		Actual positive		Lower level (downstream)	

Continuation of the table →

Continuation of the table

ID	AREA OF SUSTAINABILITY: topic, category / Subject (ESRS topic) / * specific to SIJ Group	SPECIFICS / (IRO – Impact, Risk, Opportunity) / * DEPENDENCY (R/O) / TYPE OF IRO	DESCRIPTION OF IRO	LINK to SIJ Group's strategy and/or business model / STAGE OF THE VALUE CHAIN	IRO RATING
33	OWN WORKFORCE: equal treatment and opportunities for all, gender equality and equal pay for equal work S1-16	Gender equality (Impact) Actual negative	Due to the **specific nature of the metallurgical sector**, the interest in employment in SIJ Group companies is significantly higher among men compared to women. **Women make up 17.7%** of all employees in production companies. This share is not expected to change significantly in the coming years due to the nature of the industry. At this time, we do not yet provide jobs in manufacturing that are specifically adapted to women due to physical intensity. When it comes to office jobs, recruitment and career advancement practices are gender-neutral. **We do not make decisions based on gender**. In the future, we intend to monitor gender equality by measuring the proportion of women in top and middle management positions.	Business strategy Own operations	**Assessment based on external sources:** material
34	OWN WORKFORCE: equal treatment and opportunities for all, employment and inclusion of people with disabilities S1-12	Employment and inclusion of persons with disabilities (Impact) Actual positive	In 2023, 9.4% of SIJ Group employees held the status of a person with disabilities. We provide stable employment for people with disabilities in our SIJ SUZ and SIJ ZIP Center subsidiaries. Both companies are included under the corporate governance corporate governance system of SIJ Group.	Business strategy Own operations Lower level (downstream)	**Assessment based on external sources:** material
35	OWN WORKFORCE: equal treatment and opportunities for all, action against violence and harassment in the workplace S1-17	Measures to prevent workplace violence and harassment (Impact) Actual positive	SIJ Group has a complaint mechanism in place with clear procedures for reporting violations and irregularities or raising concerns about compliance with the SIJ Group Code of Ethics and its adopted policies. The complaints mechanism, which can be accessed via the companies' websites, includes reports of mobbing or workplace harassment and any other violations (discrimination, non-compliance with rules, suspected corruption, inappropriate disciplinary practices).	Business strategy Own operations	**Assessment based on external sources:** material

Continuation of the table →

Continuation of the table

ID	AREA OF SUSTAINABILITY: topic, category / Subject (ESRS topic) / * specific to SIJ Group	SPECIFICS / (IRO – Impact, Risk, Opportunity) / * DEPENDENCY (R/O) / TYPE OF IRO	DESCRIPTION OF IRO	LINK to SIJ Group's strategy and/or business model / STAGE OF THE VALUE CHAIN	IRO RATING
36	OWN WORKFORCE: equal treatment and opportunities for all, diversity	Employee diversity	In 2024, the share of foreign workers working in SIJ Group's companies based in Slovenia was 19%. This share has increased significantly in recent years (in 2018, only 5% of all employees were foreign workers). While most of these come from states that were once part of Yugoslavia, we started recruiting workers from Nepal and India in 2024. At present, the needs of these diverse nationalities are not taken into account in internal communication, training, observance of national and religious holidays, organised workplace meals, active inclusion in local communities, etc. Although we offer and facilitate Slovenian language courses for foreign workers, there are nevertheless some language barriers that remain.	Business strategy	**Assessment based on external sources:** material
	S1-9	(Impact)			**Likelihood rating:** short-term: moderate
				Own operations	medium-term: moderate
		Potentially negative			long-term: low
37	OWN WORKFORCE: other work-related rights, child labour, forced labour	Impacts on human rights	SIJ Group respects human rights in its business operations at all levels. Child labour, which is prohibited by law in Slovenia, is also explicitly prohibited in the SIJ Group Code of Ethics. We do not employ anyone under the statutory age limit and comply with all applicable **regulations governing the employment of minors.**	Business strategy	**Assessment based on external sources:** material
	S1-17	(Impact)		Higher level (supply chain)	
				Own operations	
		Actual positive		Lower level (downstream)	
38	OWN WORKFORCE: other work-related rights, adequate housing	Adequate housing for migrants and mobile workers	SIJ Group companies assist workers in finding accommodation and **partially subsidise their rent**. Foreign workers are provided decent quality housing. Most single workers agree to **share accommodation with their colleagues**. If a worker wishes to bring his or her family with them to Slovenia, existing options for single workers are not sufficient. Rent levels are high. The housing market in regions such as Koroška and Gorenjska (the regions with the largest manufacturing companies) is not prepared for the growing number of foreign workers.	Business strategy	**Assessment based on external sources:** material
	S1	(Impact)			**Likelihood rating:** short-term: low
				Own operations	medium-term: low
		Potentially negative		Lower level (downstream)	long-term: low

Continuation of the table →

Continuation of the table

ID	AREA OF SUSTAINABILITY: topic, category / Subject (ESRS topic) / * specific to SIJ Group	SPECIFICS / (IRO – Impact, Risk, Opportunity) / * DEPENDENCY (R/O) / TYPE OF IRO	DESCRIPTION OF IRO	LINK to SIJ Group's strategy and/or business model / STAGE OF THE VALUE CHAIN	IRO RATING
39	OWN WORKFORCE: availability of productive labour	Inability to compete and attract new workers	SIJ Group is facing **staff shortages**, especially in the production processes, which may affect its business continuity and financial performance.	Business model	
	S1	(Risk)		Higher level (supply chain)	**Assessed materiality:** short-term: minimal
		* People		Own operations	medium-term: moderate
	*** specific to SIJ Group**	Actual figure		Lower level (downstream)	long-term: moderate
40	OWN WORKFORCE: availability of labour	Excessive employee turnover, failure to retain critical talent	Due to a variety of reasons, SIJ Group is facing employee turnover, which can affect the stability and continuity of its production processes. Negative consequences can include loss of revenue and reputation.	Business model	
	S1	(Risk)		Higher level (supply chain)	**Assessed materiality:** short-term: moderate
		* People		Own operations	medium-term: moderate
	*** specific to SIJ Group**	Actual figure		Lower level (downstream)	long-term: minimal
41	OWN WORKFORCE: health and safety	High absenteeism rate	Compared to other EU countries, the rate of absenteeism due to sick leave is relatively high in Slovenia. In terms of the cost of sick leave benefits, expressed as a percentage of gross domestic product, Slovenia ranks seventh out of 27 EU countries. SIJ Group's absenteeism is above the national average in Slovenia. We associate this with the share of older workers (38% employees are older than 55) and their chronic illnesses, as well as with the share of employees with a lower level of education (74% of employees have only attained up to Level 4 education). Two SIJ Group companies employ persons with disabilities, whose monthly sick leave ranges between 17 and 23%. Sick leave absenteeism can have negative financial effects.	Business strategy and business model	
	S1-14	(Risk)		Higher level (supply chain)	**Assessed materiality:** short-term: minimal
		* People		Own operations	medium-term: moderate
		Actual figure		Lower level (downstream)	long-term: moderate

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ID	AREA OF SUSTAINABILITY: topic, category / Subject (ESRS topic) / * specific to SIJ Group	SPECIFICS / (IRO – Impact, Risk, Opportunity) / * DEPENDENCY (R/O) / TYPE OF IRO	DESCRIPTION OF IRO	LINK to SIJ Group's strategy and/or business model / STAGE OF THE VALUE CHAIN	IRO RATING
42	OWN WORKFORCE: training and skills development	Lack of innovation and continuous improvements	Various factors, such as staff turnover and a poor management culture, affect unstable employee relations and worsen knowledge transfer, which, when combined with lower employee engagement, results in decreased levels of innovation and fewer initiatives for improvements. This can **reduce productivity and production efficiency**. If recurring problems are not addressed systematically, they affect the **consumption of resources** (time, money, engagement) that could otherwise be used for growth if they had been dealt with in a timely and appropriate manner.	Business strategy and business model	
	S1	(Risk)		Higher level (supply chain)	**Assessed materiality:** short-term: minimal
		* People		Own operations	medium term: minimal
		Actual figure		Lower level (downstream)	long-term: moderate
43	AFFECTED COMMUNITIES	Employment opportunities	By providing secure employment, **we improve social standards at the local level** and have a positive impact on the broader local community.	Business strategy and business model	**Severity rating:** material
	S3	(Impact)			**Likelihood rating:** short-term: moderate
				Own operations	medium-term: low
	*** specific to SIJ Group**	Actual positive		Lower level (downstream)	long-term: low
44	BUSINESS CONDUCT	Supply chain management	While SIJ Group does not yet have a comprehensive due diligence system in place for the entire value chain, we are conducting **Tier 1 supplier due diligence reviews**, where no major incidents have been identified to date. Actual positive effects are linked to the foreseen replacement of any suppliers failing our assessment. We encourage all suppliers to operate sustainably and to comply with the **Code of Conduct for Suppliers of SIJ Group**.	Business strategy and business model	**Severity rating:** material
	G1	(Impact)		Higher level (supply chain)	**Likelihood rating:** short-term: moderate
					medium-term: low
		Actual positive and potentially negative			long-term: low

Continuation of the table →

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ID	AREA OF SUSTAINABILITY: topic, category	SPECIFICS	DESCRIPTION OF IRO	LINK to SIJ Group's strategy and/or business model	IRO RATING
	Subject (ESRS topic)	(IRO – Impact, Risk, Opportunity)			
		* DEPENDENCY (R/O)		STAGE OF THE VALUE CHAIN	
	* specific to SIJ Group	TYPE OF IRO			
45	BUSINESS CONDUCT	Sustainable management	To address sustainability issues, we have established a **department** at the SIJ Group level, **which is still developing appropriate horizontal and vertical procedures and processes**, and in 2024 its primary focus is on establishing **appropriate sustainability reporting** and on activities related to standards-compliant reporting. Although no such incidents have been identified thus far, SIJ Group is aware that they are potentially possible.	Business strategy	**Severity rating:** material
	G1	(Impact)		Higher level (supply chain)	**Likelihood rating:** short-term: very low
				Own operations	medium term: very low
		Actual positive and potentially negative		Lower level (downstream)	long-term: very low
46	BUSINESS CONDUCT	Combatting bribery and corruption	In 2024 we conducted **employee training on the topic of corruption risks** and on the topic of the **newly implemented measures and procedures relating to this topic**. We trained employees to identify incidents, giving practical examples and presentations on prevention and mitigation measures. While no major incidents have been detected thus far, we are aware of their potential emergence and their possible negative impacts.	Business strategy	**Severity rating:** material
	G1	(Impact)		Higher level (supply chain)	**Likelihood rating:** short-term: very low
				Own operations	medium-term: low
		Actual positive and potentially negative		Lower level (downstream)	long-term: low
47	BUSINESS CONDUCT: unanticipated business circumstances	Excessive and insufficient regulation leading to various other risks	Operational, strategic, sustainability and other risks are affected on the one hand by **the lack of certain regulations** in the European Union (e.g. measures to safeguard against other – especially Asian – markets), and on the other hand by additional risks in certain areas related to **overregulation** and regulatory burdens. Challenges related to operating costs, waste availability, energy price volatility, etc. create **specific additional risks with mostly negative financial impacts**. Opportunities and mitigation measures are being devised in cooperation with local organisations and authorities which work with the governments of EU member states and actively engage in discussions about new rules and procedures.	Business strategy	
	G1	(Risk)		Higher level (supply chain)	**Assessed materiality:** short-term: immaterial
		* Regulatory environment		Own operations	medium term: minimal
	*** specifično za Skupino SIJ**	Actual			long-term: moderate

Disclosure Index

TCFD INDEX

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

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

TCFD Index

Field	Recommended TCFD disclosure	Source of information, chapter, comment
Management		
Disclosures on managing climate-related risks and opportunities	Management oversight of climate-related risks and opportunities	Role of the administrative, management and supervisory bodies (GOV-1) on page 55
		Risk and opportunities management on page 65
		Risks related to climate change and the green transition on page 66
	The management's role in assessing and managing climate-related risks and opportunities	Report of the President of the Supervisory Board on page 11
		Strategy (SBM 1-3) on page 59
		Policies adopted for managing significant sustainability matters (MDR-P) on page 72
		Risk and opportunities management on page 65
		Role of the administrative, management and supervisory bodies (GOV-1) on page 55
		Risks related to climate change and the green transition on page 66
Strategy		
Disclosure of current and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning	Short-, medium- and long-term climate-related risks and opportunities	Strategy (SBM 1-3) on page 59
		Policies adopted for managing significant sustainability matters (MDR-P) on page 72
		Transition plan for climate change mitigation (E1-1) on page 92
		Risk and opportunities management on page 65
		Risks related to climate change and the green transition on page 66
	Impact of climate-related risks and opportunities on an organisation's business, strategy and financial planning	Risk management and opportunities on page 65
		Risks related to climate change and the green transition on page 66
	Resilience of the organisation's strategy under different climate-related scenarios, including the 2°C or less scenario	SIJ Group has not yet disclosed the implementation of scenarios.

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Field	Recommended TCFD disclosure	Source of information, chapter, comment
Risk management		
Identifying, assessing and managing climate-related risks	The organisation's processes for identifying and assessing climate-related risks	Risk and opportunities management on page 65
		Risks related to climate change and the green transition on page 66
	The organisation's processes for managing climate-related risks	Risk and opportunities management on page 65
		Risks related to climate change and the green transition on page 66
	Integrating processes for identifying, assessing and managing climate risks into the organisation's overall risk management system	Risk and opportunities management on page 65
		Risks related to climate change and the green transition on page 66
Metrics and targets		
Metrics and targets for assessing and managing relevant climate impacts and opportunities, where such information is relevant	Metrics used by the organisation to assess climate-related risks and opportunities, in line with its risk management strategy and process	Transition plan for climate change mitigation (E1-1) on page 92
		Gross GHG emissions – Scope 1, 2, and 3 and total GHG emissions (E1-6) on page 95
	Scope 1, Scope 2 and, if applicable, Scope 3 greenhouse gas (GHG) emissions and associated risks	Transition plan for climate change mitigation (E1-1) on page 92
		Gross GHG emissions – Scope 1, 2, and 3 and total GHG emissions (E1-6) on page 95
	The targets which the organisation uses to manage climate-related risks and opportunities, and how well the organisation is meeting these targets	Transition plan for climate change mitigation (E1-1) on page 92
		Gross GHG emissions – Scope 1, 2, and 3 and total GHG emissions (E1-6) on page 95

03

FINANCIAL REPORT OF SIJ GROUP

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INDEPENDENT AUDITOR'S REPORT
to the shareholders of SIJ – Slovenska industrija jekla, d.d.

Opinion

We have audited the consolidated financial statements of the company SIJ – Slovenska industrija jekla, d.d. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for opinion

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

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Emphasis of Matter

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2024. 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 1,055,428 thousand in the year ending on 31 December 2024 (31.12.2023: EUR 1,001,915 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 2024, as disclosed in Note 8 – *Intangible Assets* to the consolidated financial statements, the Group had a goodwill of EUR 18,966 thousand (31.12.2023: EUR 18,966 thousand). As required by IAS 36 Impairment of assets, management conducts annual impairment tests to assess the recoverability of the carrying value of	Our audit procedures included assessing whether management's judgement 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;

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goodwill. The recoverable amount is assessed on the basis of discounted cash flow models. Considering the significant portion of management judgement in determination of cash generating unit (hereinafter "CGU"), design of projections of future cash flows and calculation of net present value of relative CGUs, the impairment test of goodwill is considered as key audit matter. Management has provided further information about the assessment of the recoverable amount accounting policy in note *Application of Estimates and Judgements* and Note 8 – *Intangible Assets*.	- we made use of our experts to evaluate whether the methodology used by the management expert is appropriate and whether the significant assumptions used are adequate for given purposes; - validation of assumptions used to calculate the discount rates and review of methodological appropriateness and mathematical accuracy of calculations of discounts rates; - assessment of the calculation related to impairment of goodwill; - assessment whether information disclosed in the notes to the consolidated financial statements meet the requirements of applicable financial reporting standards.

Other information

Management is responsible for the other information. The other information comprises the information included in Annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained other information before the date of the auditor's report, except for the report of the supervisory board, 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, except those related to sustainability report which was subject of separate limited assurance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances. In relation to this and based on our procedures performed, we report that:

- Other information is, in all material respects, consistent with the audited consolidated financial statements;
- Other information, except sustainability report on which we issue separate limited assurance report dated May 28, 2025, is prepared in compliance with applicable law or regulation; and
- Based on our knowledge and understanding of the Group and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- 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.

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- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

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

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

Yuri Sidorovich
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 28. May 2025

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

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Ljubljana, Slovenija 3

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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 2024, 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 2024.

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, 28 May 2025

Andrey Zubitskiy,
President of the Management Board

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	Note	2024	2023
Net sales revenue	1	1,055,428	1,001,915
Cost of sales	2	(896,527)	(853,138)
Gross profit		158,901	148,777
Distribution costs	2	(66,243)	(59,899)
General and administrative expenses	2	(112,118)	(109,883)
Other operating income	3	13,006	22,736
Other operating expenses	4	(12,117)	(9,554)
Loss from impairment of trade receivables		(361)	(380)
Operating loss		(18,932)	(8,203)
Finance income	5	3,448	2,855
Finance expenses	6	(27,218)	(19,968)
Net finance income (expenses)		(23,770)	(17,113)
Loss before tax		(42,702)	(25,316)
Income tax	7	(3,670)	6,488
Loss for the period		(46,372)	(18,828)
Items that will not be reclassified subsequently to profit or loss			
Net actuarial losses on pension programs		(430)	(844)
Fair value gains (losses) of financial assets at fair value through other comprehensive income	11	166	(3)
Income tax related to components of other comprehensive income	14	(37)	(2)
Items that may be reclassified subsequently to profit or loss			
Exchange rate difference on translating foreign operations		581	(370)
Total other comprehensive income		280	(1,219)
Comprehensive loss		(46,092)	(20,047)
Profit or (loss), attributed to:		(46,372)	(18,828)
Owners of the parent company		(48,086)	(21,537)
Non-controlling interest		1,714	2,709
Comprehensive income attributed to:		(46,092)	(20,047)
Owners of the parent company		(47,813)	(22,713)
Non-controlling interest		1,721	2,666

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 FINANCIAL POSITION

in EUR thousand	Note	31 Dec 2024	31 Dec 2023
ASSETS			
Non-current assets		530,694	526,209
Intangible assets	8	28,361	30,572
Property, plant and equipment	9	406,509	403,800
Investment property	10	4,101	4,324
Financial assets at fair value through other comprehensive income	11	1,475	1,310
Financial receivables	12	64,000	57,626
Trade receivables		10	526
Other assets	13	3,576	3,761
Deferred tax assets	14	22,662	24,290
Current assets		439,872	441,500
Assets (groups) held for sale		30	30
Inventories	15	296,539	311,294
Financial receivables	16	407	4,228
Trade receivables	17	99,702	89,592
Income tax assets		1,968	6,099
Cash and cash equivalents	18	37,907	26,705
Contract assets		949	883
Other assets	19	2,370	2,669
Total assets		970,566	967,709
EQUITY AND LIABILITIES			
Equity	20	371,800	417,892
Equity attributed to the owners of the parent company		*338,870*	*386,563*
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Other equity reserves		8,838	8,838
Fair value reserves		(1,482)	(1,178)
Translation differences		584	26
Retained earnings		174,203	222,150
Non-controlling interest		*32,930*	*31,329*
Non-current liabilities		89,271	60,987
Employee benefits	21	14,901	14,400
Other provisions		417	994
Deferred income	22	16,649	9,461
Financial liabilities	23	56,472	35,240
Trade payables		214	426
Contract liabilities		615	407
Deferred tax liabilities	14	3	59
Current liabilities		509,495	488,830
Financial liabilities	24	237,334	228,647
Trade payables	25	255,497	249,896
Income tax liabilities		79	248
Contract liabilities		5,792	1,498
Other liabilities	26	10,793	8,541
Total equity and liabilities		970,566	967,709

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 2024

	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 2023	145,266	11,461	8,838	399	(1,577)	26	222,150	386,563	31,329	417,892
Changes in non-controlling interest	0	0	0	0	0	0	120	**120**	(120)	**0**
Total transactions with owners	0	0	0	0	0	0	120	120	(120)	0
Profit (loss) for the period	0	0	0	0	0	0	(48,086)	**(48,086)**	1,714	**(46,372)**
Other changes in comprehensive income	0	0	0	129	(433)	558	19	**273**	7	**280**
Total changes in comprehensive income	0	0	0	129	(433)	558	(48,067)	(47,813)	1,721	(46,092)
Balance as at 31 Dec 2024	145,266	11,461	8,838	528	(2,010)	584	174,203	338,870	32,930	371,800

Consolidated Statement of Changes in Equity in 2023

	Equity attributed to the owners of the parent company									
in EUR thousand	Share capital	Capital surplus	Other equity reserves	Fair value reserves	Actuarial losses	Translation differences	Retained earnings	Total	Non-controlling interest	Total
Balance as at 31 Dec 2022	145,266	11,461	8,615	403	(780)	367	249,175	414,507	30,408	444,915
Acquisition of company (Note 29)	0	0	0	0	0	0	0	**0**	1,141	**1,141**
Additional acquisition of non-controlling interest	0	0	0	0	0	0	581	**581**	(199)	**382**
Dividends paid	0	0	0	0	0	0	(5,812)	**(5,812)**	(2,687)	**(8,499)**
Total transactions with owners	0	0	0	0	0	0	(5,231)	(5,231)	(1,745)	(6,976)
Profit (loss) for the period	0	0	0	0	0	0	(21,537)	**(21,537)**	2,709	**(18,828)**
Other changes in comprehensive income	0	0	0	(4)	(797)	(341)	(34)	**(1,176)**	(43)	**(1,219)**
Total changes in comprehensive income	0	0	0	(4)	(797)	(341)	(21,571)	(22,713)	2,666	(20,047)
Creation of legal reserves	0	0	223	0	0	0	(223)	**0**	0	**0**
Total changes in equity	0	0	223	0	0	0	(223)	0	0	0
Balance as at 31 Dec 2023	145,266	11,461	8,838	399	(1,577)	26	222,150	386,563	31,329	417,892

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	2024	2023
Cash flow from operating activities		
Loss before tax	(42,702)	(25,316)
Adjusted for:		
Amortisation of intangible assets and depreciation of property, plant and equipment (Notes 8 and 9)	56,880	56,174
Impairment of goodwill (Note 8)	0	1,003
Interest income (Note 5)	(2,865)	(2,681)
Interest expenses (Note 6)	18,789	13,617
Impairment loss on assets (Note 4)	9,898	7,233
Compensations (Note 3)	(7,184)	(17,084)
Creation of allowances and provisions	783	505
Net other expenses (income)	4,042	2,272
Operating cash flow before working capital adjustments	37,641	35,723
Total working capital adjustments		
(Increase) decrease in trade receivables	(11,808)	58,798
Decrease (increase) in inventories	4,490	(14,280)
Increase in trade payables	15,098	12,372
Increase (decrease) in taxes other than income tax	403	(3,572)
Total working capital adjustments	*8,183*	*53,318*
Receipts from government grant	15,817	10,440
Payments for retirement benefits and loyalty bonuses	(1,487)	(1,524)
Income tax received (paid)	1,902	(14,550)
Net cash flow from operating activities	62,056	83,407
Cash flow from investing activities		
Payments for investments in subsidiaries	0	(1,408)
Receipts from investments in associates	0	1,095
Payments for property, plant and equipment	(58,884)	(55,596)
Receipts from property, plant and equipment	4,214	2,000
Payments for intangible assets	(1,880)	(1,497)
Payments for loans issued (Notes 12 and 16)	(60)	(53)
Receipts from loans issued (Note 16)	24	3,314
Interests received	306	561
Dividends received	108	106
Receipts from other assets	0	24
Net cash flow used in investing activities	(56,172)	(51,454)
Cash flow from financing activities		
Receipts from borrowings (Notes 23 and 24)	584,945	585,851
Payments for borrowings (Notes 23 and 24)	(562,997)	(580,432)
Receipts for financial services	5,222	0
Payments for lease (Note 24)	(5,801)	(4,740)
Interests paid	(16,751)	(12,993)
Dividends paid	0	(8,499)
Net cash flow generated (used) in financing activities	4,618	(20,813)
Cash and cash equivalents as at 1 Jan	26,705	16,123
Translation differences	700	(558)
Net change in cash and cash equivalents	10,502	11,140
Cash and cash equivalents as at 31 Dec	37,907	26,705

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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 2024.

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

BASIS OF PREPARATION

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

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

The Management Board approved the consolidated financial statements on 28. May 2025.

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 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current with Covenants** issued by IASB on 23 January 2020 and on 31 October 2022 (affective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" – Supplier Finance Arrangements** issued by IASB on 25 May 2023 (affective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback** issued by IASB on 22 September 2022 (affective for annual periods beginning on or after 1 January 2024).

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

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

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

- **Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates"** – Lack of Exchangeability issued by IASB on 15 August 2023 (affective for annual periods beginning on or after 1 January 2025).

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 IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"** issued by IASB on 30 May 2024 (affective for annual periods beginning on or after 1 January 2026),
- **Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature"** – dependent Electricity issued by IASB on 18 December 2024 (affective for annual periods beginning on or after 1 January 2026),
- **Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 "Annual Improvements to IFRS Accounting Standards"– Volume 11** issued by IASB on 18 July 2024 (affective for annual periods beginning on or after 1 January 2026),
- **IFRS 18 "Presentation and Disclosures in Financial Statements"** issued by IASB on 9 April 2024 will replace IAS 1 – Presentation of Financial Statements (affective for annual periods beginning on or after 1 January 2027),
- **IFRS 19 "Subsidiaries without Public Accountability" disclosures** issued by IASB on 9 May 2024 (affective for annual periods beginning on or after 1 January 2027),
- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014, for which European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard (affective for annual periods beginning on or after 1 January 2026),
- **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 issued by IASB on 11 September 2014 (effective date deferred by IASB indefinitely).

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

B. USE OF GOING CONCERN ASSUMPTION

The financial year 2024 was one of the most challenging years in the history of European steelmaking. Geopolitical tensions, reduced demand in key markets, high energy costs and the spillover of Asian steel into the European market due to global overcapacity have had a major impact on our business results. The European economy has cooled down and industry demand in key European markets has been low. As the other European steelmakers, also the Group has found it difficult to face such unfair competition from Asia, where the steel is produced with lower energy costs, free from any commitments and investments to reduce environmental impacts.

The Group has taken various measures to optimise and reduce non-essential costs, stop or delay investments that would not bring immediate results, optimise inventories and adjust the organisation of work of the employees in the parent company and subsidiaries. The Group's own optimisation activities in the second half of 2024 helped significantly in maintaining financial health.

The combination of the above factors and the cyclical steel industry in which the Group operates, affects the interest of investors in new issues of securities, which became cautious and reluctant to invest in the steel industry. With the support of banks and additional issuance of sustainability-linked bonds, SIJ d.d. managed to repay the bonds SIJ6 worth EUR 48 million, due in November 2024. The issued bonds amounted to EUR 22.1 million, bringing the total nominal value of sustainability-linked bonds to EUR 41.1 million. The domestic and foreign banks, that are members of syndicated loan, supported the Group in form of bridge loans, approved for the period from one to three years.

Due to the economic circumstances, described above and specially to additional downfall of the steel market in the Q3 and Q4 2024, the Group liquidity reserves weakened, and the contractually agreed financial covenants would not have been met. Therefore, in December 2024 the Group started discussing with the Lenders the possible solutions. In February 2025, the Group signed an Agreement with its major financing banks. The Agreement provides the Group and its financing banks with a stable basis to structure, negotiate and implement in an orderly manner a comprehensive refinancing and optimisation of the Group's long term capital structure. This includes the potential provision of additional facilities to support SIJ's working capital requirements, which have been on the rise due to the Group's growth in sales in Q1 2025. The envisaged long-term capital structure is intended to provide the Group with the financial stability and liquidity to be best positioned to handle the current and prospective periods of geopolitical and macroeconomic volatility and uncertainty.

Due to the unavailability of waivers at the year-end, loans received from a syndicate of banks were reclassified as current liabilities in the balance sheet. However, subsequent to the reporting date, appropriate waivers were received and amendments to the loan agreements were approved, permitting the reclassification of these liabilities back to non-current after the balance sheet date.

In the beginning of May, the major four lenders of the Group have approved at their credit committees the bridge facility in the amount of EUR 25 million. All the parties also agree that the extension of Agreement would be applicable, to have sufficient time to finalise long term refinancing solution.

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

C. BASIS OF MEASUREMENT

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

D. FUNCTIONAL AND PRESENTATION CURRENCY

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

E. APPLICATION OF ESTIMATES AND JUDGMENTS

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

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

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

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

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

<u>Impairment of Assets</u>

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

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

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

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

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

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

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

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

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

<u>Estimate of Created Provisions (Policy P)</u>

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.

<u>Estimate of Provisions for Employee Post-Employment and Other Long-Term Benefits (Note 21 and Policy Q)</u>

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

<u>Assessing the Possibility of Using Deferred Tax Assets (Note 14 and Policy G)</u>

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.

<u>Impact of Climate Change</u>

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 2024/2023	Value of assets as at 31 Dec 2024	Value of equity as at 31 Dec 2024	Profit (loss) for the period ending 31 Dec 2024
Parent company of the Group					
SIJ – Slovenska industrija jekla, d. d., Gerbičeva ulica 98, Ljubljana, Slovenia	Activities of head offices		354,782	231,027	(36,154)
SIJ – subsidiaries					
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	459,632	185,713	(13,981)
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	237,707	47,836	(31,611)
SIJ STORITVE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Other business and manage-ment consulting	100	1,556	(228)	(84)
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	12,998	4,699	(385)
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	2,166	667	66
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.9	48,253	12,400	405
NIRO Wenden GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	17,564	(90)	(1,205)
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Italy	Heat processing and special steel trade	100	27,345	3,470	(1,586)
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	100	39,128	5,285	(3,651)
SIJ AMERICAS Inc., 331 Newman Springs Road Suite, 104, Red Bank, New Jersey, USA	Trade	100	51,916	7,292	1,703
ADDITHERM d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Scientific and technical research	51	6,562	5,564	188
RSC HOLDING d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Holding company	51	59,159	50,774	2,147
SIJ MIDDLE EAST- FZCO, DSO-IFZA, IFZA Properties, Dubai Silicon Oasis, Dubaj, United Arab Emirates	Trade	100	731	105	340
SIJ ACRONI – subsidiary					
ŽELEZARNA JESENICE, d.o.o., Cesta železarjev 8, Jesenice, Slovenia	Trading with own real estate	100	9,645	9,513	86
ODPAD – subsidiaries					
DANKOR, d.o.o., Vukovarska 436, Osijek, Croatia	Recovery of secondary raw materials from scrap	91	1,319	1,071	33
METAL-EKO SISTEM DOO JAGODINA, Put Kneza Mihaila 107, Jagodina, Serbia	Recovery of secondary raw materials from scrap	70	3,863	3,091	552
RSC HOLDING – subsidiaries					
RAVNE STEEL CENTER d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Wholesale of metals end metal ores	100	17,214	9,408	1,511
SIDERTOCE S. p. A., Via XX. Settembre 198, C. P. 34, Gravellona Toce, Italija	Trade	100	13,760	6,321	(418)
HTS MWT GmbH, Celsiusstrasse 17, Landsberg am Lech, Germany	Trade	100	2,770	662	(101)
ORO MET d.o.o., Neverke 56, Košana, Slovenia	Manufacture of tools	86	20,760	15,247	1,146

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in EUR thousand	Activity	% of voting rights 2024/2023	Value of assets as at 31 Dec 2024	Value of equity as at 31 Dec 2024	Profit (loss) for the period ending 31 Dec 2024
HTS IC d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Manufacture of metal constructions and their parts	100	10,132	5,791	283
HTS IC GmbH, Wienerbergstrasse 11/12A, Vienna, Austria	Production and trade	100	189	68	3
HTS IC s.r.o., Viktora Huga 377/4, Prague, Czech Republic	Trade	100	42	13	4
ALROTEC SL; Avada de les Puntes – Nave 5 (Esquina calle dinamarca) Poligono, Industrial de Consanti, Tarragona, Spain	Production and trade	80	1,685	805	220
STEEL podporni center orodjarske industrije d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Manufacture of metal constructions and their parts	100	5,291	1,704	85
CENTAR TOPLINSKE OBRADE d.o.o., Slavonska avenija 22D, Zagreb, Croatia	Production and trade	100	1,820	711	125
HTS Technology, Lyon Plaza Part Dieu 93 Rue de la Vilette, Lyon, France	Trade	100	162	(168)	(13)
ORO MET – subsidiary					
ORO PRECIZNE CNC OBDELAVE d.o.o., Neverke 68, Košana, Slovenia	Production and trade	51	3,489	1,579	92
SIJ RAVNE SYSTEMS – subsidiary					
SIJ Ravne Systems (UK) Limited, 12 Conqueror Court, Sittingbourne, Kent, Great Britain	Trade	100	544	170	14

The winding up of SSG (RU) began in the first half of 2024.

The winding up of Topmetal (BA) began in the first half of 2024 and was completed in October 2024.

In August 2024, Alrotec (ES) and DCTL (ES) merged and consequently DCTL was dissolved.

Net Profit or Loss Attributed to Non-Controlling Interest

in EUR thousand	2024	2023
NIRO WENDEN	(181)	0
ODPAD	102	180
DANKOR	10	28
METAL-EKO SISTEM	263	58
"TOPMETAL"	0	181
ADDITHERM	92	0
RSC HOLDING Group	1,428	2,262
Net Profit or Loss Attributed to Non-Controlling Interest	1,714	2,709

MATERIAL ACCOUNTING POLICY INFORMATION

A. SUBSIDIARIES

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

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

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

B. 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.

C. 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.

D. 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.

E. 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.

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 and averages 75 days. The Group does not adjust the consideration for the effects of a financing component, as the period between the transfer of finished goods to the customer and payment for those goods is less than one year.	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 and averages 24 days. The Group does not adjust the consideration for the effects of a financing component, as the period between the transfer of scrap metal to the customer and payment for the scrap metal is less than one year.	Revenue is recognised when scrap is 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.
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 and averages 64 days. The Group does not adjust the consideration for the effects of a financing component, as the period between the transfer of services to the customer and payment for the services rendered is less than one year.	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.

Continuation of the table →

Continuation of the table

Revenue stream	Characteristics and timely fulfilment of performance obligations, significant payment terms	Clarification of the accounting policy
Other products	Control over other products such as machine-building is transferred to a customer when products are delivered to have been accepted based on Incoterms rules agreed by 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 and ranges between 60 and 90 days. The Group does not adjust the consideration for the effects of a financing component, as the period between the transfer of other products to the customer and payment for those other products is less than one year.	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 and industrial rolls.*

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.

F. 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.

G. 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 Minimum Tax Act has introduced a minimum tax into the Slovenian tax system. Its purpose is to ensure a global minimum taxation of profits for large international and domestic groups with an effective tax rate of 15% (minimum tax rate). The Act was adopted based on EU Directive 2022/2523 on ensuring a global minimum tax rate for multinational enterprise groups and large domestic groups in the EU, which was prepared based on the GLOBE Model Rules developed by the Organisation for Economic Co-operation and Development (OECD) in October 2021. The minimum tax rules set out in the Act apply to the financial years of groups starting from January 1, 2024. Entities will be required to submit the first domestic top-up tax calculations and the corresponding informational returns for the 2024 tax year within 18 months after the end of the 2024 calendar year, i.e., by 30 June 2026.

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.

H. 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; instead, they are tested for impairment.

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.

I. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at its cost less any accumulated depreciation and accumulated impairment losses, except for land, assets under construction, and artworks, that are not depreciated and are recognised at their cost, reduced by all relative impairments. The purchase value includes costs that can be directly attributed to the acquisition of each individual item of property, plant or equipment. Parts of property, plant and equipment with different useful lives are accounted as separate items of property, plant and equipment. Borrowing costs directly attributable to the purchase, production or construction of a qualifying asset are recognised as part of the cost of each such asset. The cost model is used for any subsequent measuring of property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the tangible asset. The right-of-use assets are depreciated over the estimated period of the lease and useful life, depending on which is shorter. Land and unfinished construction are not depreciated. Depreciation is accounted for when an asset becomes available for use.

The estimated useful lives of individual property, plant and equipment types for current and past year:

	Useful life
Property	10-60 years
Production equipment	5-25 years
Computer equipment	2-10 years
Motor vehicles	2-10 years
Other equipment	2-10 years

Depreciation methods, useful life and other group asset values are reviewed at the end of every financial year and adjusted if necessary.

The replacement costs of items of property, plant and equipment and further costs related to these assets are recognised in the carrying amount of each asset if it is probable that the future economic benefits embodied within this asset will flow to the Group, and the cost of the asset can be measured reliably. All other costs (for example, maintenance costs) are recognised in the income statement as expenses as soon as they are incurred.

Carrying amount recognition of an item of property, plant and equipment is derecognised when disposed or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Disposal effects are recognised in other operating income or expenses.

Leases

The Group is using a single model for the majority of lease items in the Statement of Financial Position.

i. Group as a Lessee

When signing a contract, the Group assesses whether the contract is or contains a lease. The Group recognises a lease liability and the right-of-use asset if it deems that the leased asset is identified, and when it controls the use of the asset. The Group depreciates the right-of-use assets, and attributes interests to the lease liabilities.

The Group follows exceptions allowed by the standard, namely for short-term leases with a lease term not exceeding 12 months and with no option to purchase, and for lower-valued leases, where the Group has taken into account new assets which do not individually exceed EUR 5 thousand. For these leases the Group recognises the lease payments as expenses on a straight-line basis, unless another systematic basis is more representative.

Variable lease payments which do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets. The related payments are recognised in the period to which they relate as operating expenses.

On the date of the commencement of the lease term, the lease liability is measured at the present value of future leases and discounted at 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 accumulated impairment losses, and corrected by remeasured lease liability if an index or a rate has changed.

The right-of-use asset is depreciated from the date of the commencement of lease until the end of the useful life or the end of the lease term, if it is shorter from useful life. If the lease transfers ownership of the asset or the value of asset representing the right-of-use reflects an expectation that the Group will use the possibility to buy, the asset representing the right-of-use is depreciated from the date of the commencement of lease until the end of the useful life of a leased asset.

For determining whether the right-of-use asset is impaired and for other impairment related matters, the Group uses IAS 36.

ii. Group as a Lessor

The Group classifies each of its leases as operating or business leases. A lease is classified as finance lease if it includes the transfer of substantially all significant risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Group is only in a position of a lessor in operating leases.

Lease rental income from an operating lease is recognised on a straight-line basis. Initial directly attributable costs incurred from the acquisition of a lease are added to the carrying amount of the leased asset. These costs are recognised as an expense during a lease term on the same basis as lease rental income.

J. 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.

K. 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 or financial assets measured at fair value through other comprehensive income.

Non-derivative financial assets include cash and cash equivalents, loans, receivables, and investments in equity instruments. 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 M.

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, and cash and cash equivalents. 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). Loans and receivables 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.

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 measured at amortized cost.

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.

Non-Derivative Financial Liabilities

Non-derivative financial liabilities include operating, financial and other liabilities. Financial liabilities are initially recognised on the transaction date on which the Group becomes a contracting party in relation to the instrument. The Group de-recognises a liability when the contractual obligations are fulfilled, annulled or expired.

Non-derivative liabilities are initially measured at fair value, increased by transaction costs directly attributable to the business transaction. After their initial recognition, they are measured at amortised cost. Depending on their maturity they are classified as current (maturity up to 12 months after the date of the statement of financial position) or non-current liabilities (maturity exceeding 12 months after the date of the statement of financial position).

Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value. Costs related to a business transaction are recognised in profit or loss when they are incurred. After the initial recognition, the derivative financial instruments are measured at fair value, with changes in fair value recognised in profit or loss.

Derivative financial instruments also include option agreements classified by the Group as financial assets or financial liabilities at fair value through profit or loss. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the date of measurement. If the transaction price is not equal to the fair value on the date of measurement, the difference in market assets is recognised in profit or loss or deferred and subsequently released to profit or loss in accordance with the policy.

L. 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.

M. IMPAIRMENT OF ASSETS

Financial Assets

According to IFRS 9, the Group uses the expected credit loss model. 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 (ECL) over the life of the asset. The Group calculates ECL using an internal impairment model, forming groups of receivables based on their exposure to credit risk (i.e., secured or unsecured receivables), maturity, and recoverability over the past five-year period, taking into account forward-looking information to assess whether actual losses due to current macroeconomic conditions may be higher or lower than past losses.

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: contractual payments being overdue for more than 90 days; default or breach 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 instrument. The Group evaluates evidence of loan impairment on a loan-by-loan basis.

Non-Financial Assets

At each reporting date, the Group reviews the carrying amount of its important non-financial assets to determine whether there is an indication of impairments. If any such indication exists, the recoverable value of the asset is estimated.

The recoverable value of assets or cash-generating units (CGU) is their value in use or fair value, less cost to sell, whichever is greater. In assessing value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of cash and the risks specific to the asset. For the purpose of the impairment test, assets that cannot be tested individually are classified as the smallest possible group of assets that generate cash inflows from further use and which are largely independent of the inflow of other assets or groups of assets (CGUs). Each subsidiary represents a CGU. If goodwill is allocated to CGU, an impairment test is performed annually. The impairment is first allocated to goodwill. The residual impairment is proportionally allocated to assets within DUE on the basis of the carrying amount of individual assets. When allocating an impairment loss to individual assets within a CGU, the carrying amount of an individual asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero.

For a CGU to which no goodwill is allocated, an impairment test is performed if there are signs of impairment. identified impairment loss (if any) is allocated to individual assets of the CGUs proportionately.

The impairment of an asset or CGU is recognised if their carrying amount exceeds their recoverable value. The impairment is recognised in the income statement.

The Group evaluates the impairment losses of previous periods at the end of the reporting period and thus determines whether the loss was reduced or even eliminated. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable value. An impairment loss is reversed only to such an extent that the asset's carrying amount does not exceed the carrying amount that would have been determined after deducting the amortisation write-off, if no impairment loss had been recognised for the asset in previous years.

A goodwill impairment loss is not reversed.

The goodwill that forms part of the investment in an associate is not recognised separately and therefore is not separately tested for impairment. Instead, the full amount of the investment in an associate is tested for impairment as a single asset when there is an evidence that an investment in an associate can be impaired.

N. 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.

O. 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.

P. 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.

Q. EMPLOYEE BENEFITS

In accordance with legal regulations and the Collective Agreement, the Group is obliged to make payments arising from loyalty bonuses and severance pay upon retirement, for which provisions are formed. There are no other retirements benefits.

The provisions are formed in the amount of estimated future payments for loyalty bonuses and severance pay, discounted at the end of the financial year. The calculation is made for each individual employee and includes the costs of severance pay upon retirement and the costs of all expected loyalty bonuses up to retirement. The calculation is prepared on the basis of a projected unit by an actuary, who is selected at the Group level. The provisions are reviewed periodically or when the assumptions used to determine the amount of provision change significantly.

Labour costs and interest expenses are recognized in the income statement, while the remeasurement of post-employment benefits or unrealised actuarial gains or losses from severance payments are recognized in other comprehensive income.

R. DEFERRED INCOME

Deferred income is expected to cover the estimated expenses over a period longer than one year.

The Group records government grants for high increases in electricity and natural gas prices as a decrease in costs for which it had received the government grants. Grants received as compensation for assets are consistently recognized as income in the periods in which the related expenses, which the grants are intended to compensate, are incurred (income approach).

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.

S. STATEMENT OF CASH FLOWS

The statement of cash flows 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.

T. 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 geographic area of corresponding assets. Additions to non-current assets consist of new additions to intangible assets, property, plant and equipment (without the right-of-use assets), and investment property. Taxes, assets and liabilities are not allocated to those segments as they are managed on 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

A business segment is an integral part of the Group that engages in business activities from which it earns revenues and incurs expenses, and whose operating performance is reviewed by management. The Group's business segments are based on the differentiation of products and services. The Group has not aggregated business segments. The Group uses the following segments in the preparation and presentation of the consolidated financial statements:

- Steel Division: the Group's activity that consists of 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 SIJ GROUP COMPANIES.

NOTES TO INDIVIDUAL ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. NET SALES REVENUE

in EUR thousand	2024	2023
In Slovenia	138,509	153,438
In other countries:	916,919	848,477
- Germany	*204,393*	*207,175*
- Italy	*255,055*	*231,382*
- USA	*104,377*	*84,994*
- Austria	*19,971*	*26,782*
- Croatia	*4,963*	*5,540*
- other countries	*328,160*	*292,604*
Net sales revenue	1,055,428	1,001,915

Revenue by Products and Segments for 2024

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Net sales revenue
Quarto plates	352,241	76,054	0	0	428,295	0	428,295
Cold rolled strip and sheets	78,825	4,348	0	0	83,173	0	83,173
Hot rolled strip and sheets	31,149	5,882	0	0	37,031	0	37,031
Forged, rolled, and other products	124,417	59,483	0	10,335	194,235	0	194,235
Industrial knives	0	1,818	0	14,007	15,825	0	15,825
Industrial rolls	0	0	0	13,270	13,270	0	13,270
Steel scrap	160	4,157	176,302	292	180,911	0	180,911
CNC-treated tool plates	0	28,583	0	0	28,583	0	28,583
Services and other revenue	6,884	41,639	249	23,496	72,268	1,837	74,105
Net sales revenue	593,676	221,964	176,551	61,400	1,053,591	1,837	1,055,428

Revenue by Products and Segments for 2023

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Net sales revenue
Quarto plates	307,936	71,692	0	0	379,628	0	379,628
Cold rolled strip and sheets	84,262	4,567	0	0	88,829	0	88,829
Hot rolled strip and sheets	18,992	4,902	0	0	23,894	0	23,894
Forged, rolled, and other products	136,926	55,830	0	10,536	203,292	0	203,292
Industrial knives	0	2,301	0	15,393	17,694	0	17,694
Industrial rolls	0	0	0	13,851	13,851	0	13,851
Steel scrap	153	674	156,914	481	158,222	0	158,222
CNC-treated tool plates	0	31,833	0	0	31,833	0	31,833
Services and other revenue	3,138	47,509	171	32,033	82,851	1,821	84,672
Net sales revenue	551,407	219,308	157,085	72,294	1,000,094	1,821	1,001,915

2. OPERATING EXPENSES

in EUR thousand	2024	2023
Cost of goods, materials and services	846,869	822,516
Labour costs	160,005	150,575
- wages and salaries	*118,048*	*111,258*
- social security costs	*21,659*	*20,154*
- other labour costs	*20,298*	*19,163*
Depreciation and amortisation costs	56,880	56,174
Other costs	9,561	8,345
Changes in the value of inventories	1,573	(14,690)
Operating expenses	1,074,888	1,022,920

Review of Costs by Type in 2024

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Cost of goods, materials and services	756,826	56,691	33,352	**846,869**
Labour costs	87,130	8,761	64,114	**160,005**
Depreciation and amortisation costs	47,379	590	8,911	**56,880**
Other costs	3,619	201	5,741	**9,561**
Changes in the value of inventories	1,573	0	0	**1,573**
Operating expenses	896,527	66,243	112,118	1,074,888

Pregled stroškov po funkcionalnih skupinah za leto 2023

in EUR thousand	Cost of sales	Distribution costs	General and administrative expenses	Total
Cost of goods, materials and services	738,200	51,435	32,881	**822,516**
Labour costs	79,366	7,732	63,477	**150,575**
Depreciation and amortisation costs	47,422	587	8,165	**56,174**
Other costs	2,840	145	5,360	**8,345**
Changes in the value of inventories	(14,690)	0	0	**(14,690)**
Operating expenses	853,138	59,899	109,883	1,022,920

In 2024, the costs of annual reports auditing amounted to EUR 321 thousand (2023: EUR 306 thousand). The costs for other authorised services amounted to EUR 33 thousand (2023: EUR 10 thousand). The costs for non-audit services amounted to EUR 99 thousand (2023: EUR 36 thousand).

Average Number of Employees by Level of Education

	2024	2023
Primary school	464.2	445.3
2.5-year vocational school	254.2	281.1
Secondary vocational school	1,013.6	984.3
Secondary general school	930.4	896.3
1st cycle degree – Bachelor's degree	528.4	510.4
2nd cycle degree – Master's degree	296.1	318.3
3rd cycle degree – Doctoral degree	67.4	62.7
Total	3,554.3	3,498.4

3. OTHER OPERATING INCOME

in EUR thousand	2024	2023
Income from received subsidies (Note 22)	5,022	3,433
Received compensations	7,184	17,084
Profit from sale of property, plant and equipment	124	482
Reversal of provisions	0	533
Other income	676	1,204
Other operating income	13,006	22,736

Received compensations refer mainly to compensatory damages for an operational stoppage due to the failure of the main drive motor of the blooming mill.

4. OTHER OPERATING EXPENSES

in EUR thousand	2024	2023
Expenses for donations and sponsorships	481	565
Impairment of inventories (Note 15)	9,687	7,233
Impairments of goodwill (Note 8)	0	1,003
Impairment property, plant and equipment (Note 9)	211	0
Compensation expenses	1,365	373
Other expenses	373	380
Other operating expenses	12,117	9,554

5. FINANCE INCOME

in EUR thousand	2024	2023
Interest income	2,865	2,681
Other income	583	174
Finance income	3,448	2,855

6. FINANCE EXPENSES

in EUR thousand	2024	2023
Interest expenses	18,789	13,617
Other expenses	8,429	6,351
Finance expenses	27,218	19,968

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	2024	2023
Current income tax expense	(2,098)	(1,579)
Deferred income tax	(1,572)	8,067
Income tax	(3,670)	6,488

in EUR thousand	2024	2023
Loss before tax	(42,702)	(25,316)
Tax at statutory tax rate 22% (2023: 19%)	(9,394)	(4,810)
Tax effects from:		
- non-taxable income	*(32)*	*(25)*
- tax non-deductible expenses	*741*	*981*
- tax relief	*(531)*	*(5,596)*
- tax losses for which no deferred tax assets were recognised	*9,755*	*5,640*
- tax reliefs for which deferred tax assets were derecognised	*3,163*	*0*
- change in tax rates to 22%	*0*	*(2,820)*
- different tax rates in foreign companies	*(32)*	*142*
Income tax	3,670	(6,488)
Effective tax rate	0%	0%

In accordance with the EU Directive and the Pillar II rules, the Group is obligated to calculate the minimum tax and meets the conditions of the transitional CbCr safe harbor. In 2024, the "de minimis" safe harbor conditions were met for the jurisdictions of Croatia, the United Kingdom, Spain, Austria, the Czech Republic, France, and the United Arab Emirates. For the USA and Serbia, the Group applied the simplified effective tax rate test, with the determined tax rate amounting to 28% for the USA and 18% for Serbia, both of which exceed the minimum tax rate of 15%. The jurisdictions of Slovenia, Italy, and Germany ended the year 2024 with a loss.

8. INTANGIBLE ASSETS

Movement of Intangible Assets in 2024

in EUR thousand	Software	Goodwill	Assets under construction	Total
Cost as at 31 Dec 2023	32,629	31,718	1,744	66,091
New additions	0	0	1,862	1,862
Transfer from assets under construction	1,577	0	(1,577)	0
Disposals	(3)	0	0	(3)
Translation differences	26	0	0	26
Transfer to other assets	8	0	(892)	(884)
Cost as at 31 Dec 2024	34,237	31,718	1,137	67,092
Accumulated amortisation and impairmentas at 31 Dec 2023	(22,767)	(12,752)	0	(35,519)
Amortisation	(3,212)	0	0	(3,212)
Disposals	3	0	0	3
Translation differences	(3)	0	0	(3)
Accumulated amortisation and impairmentas at 31 Dec 2024	(25,979)	(12,752)	0	(38,731)
Carrying amount as at 31 Dec 2023	9,862	18,966	1,744	30,572
Carrying amount as at 31 Dec 2024	8,258	18,966	1,137	28,361

Major new additions refer to purchase and set-up of new manufacturing and key business processes management IT systems. In 2024, the Group capitalised EUR 428 thousand (2023: EUR 202 thousand) of costs for development of new products. Carrying amount of capitalised costs for development amounts to EUR 1,138 thousand (2023: EUR 1,169 thousand).

As at 31 December 2024, the Group has EUR 77 thousand (2023: EUR 98 thousand) of outstanding liabilities to purchase intangible assets and EUR 13 thousand (2023: EUR 0 thousand) of contractual commitments for purchase known in advance. As at 31 December 2024 and 31 December 2023, no intangible assets are pledged as security for liabilities.

The Group reviewed the value of intangible assets and established that in 2024 and 2023 the carrying amount does not exceed the recoverable amount.

Impairment Test for Goodwill

in EUR thousand	31 Dec 2024	31 Dec 2023
ODPAD	1,397	1,397
DANKOR	154	154
RSC HOLDING Group	17,415	17,415
Carrying amount of goodwill	18,966	18,966

Goodwill was tested for impairment on 31 December 2024. 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 10 percent discount for RSC HOLDING group 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 2024, no need to impair goodwill was determined. In 2023, it was determined that there was a need to impair the goodwill of METAL-EKO SISTEM.

A review of the determination of the recoverable amount of CGUs to which goodwill is allocated for 2024 and 2023 is given below.

Review of the Determination of the Recoverable Amount of CGUs to Which Goodwill is allocated for 2024

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 2024	2025–2030	2024	8.96 from 2025 until 2028. From 2029 on 9.04%.	2.36%	1.9%	CAGR 3.49%	9,432	10,314	+1,073/–1,253	–918/+790	0	1,397
DANKOR* (Scrap Division)	31 Dec 2024	2025–2030	2024	9.56%	2.36%	6.8%	CAGR 2.74%	1,006	1,043	+41/–46	–28/+25	0	154
RSC HOLDING Group* (Steel Processing and Distribution Division)	31 Dec 2024	2025–2030	2024	8.30% from 2025 until 2028. From 2029 on 9.21%.	2.36%	16.1%	CAGR 6.21%	54,514	59,901	+3,911/–4,551	–3,314/+2,863	0	17,415

** Valuation of the fair value, less sale costs, by using the method of present value of the estimated free cash flows.*

Review of the Determination of the Recoverable Amount of CGUs to Which Goodwill is allocated for 2023

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 2023	2023–2029	2023	9.44%	2%	2.7%	CAGR-1.03%	8,986	9,840	+1,194/–1,038	+848/–742	0	1,397
METAL-EKO SISTEM* (Scrap Division)	31 Dec 2023	2023–2029	2023	12.45%	2%	5.1%	CAGR-2.86%	1,731	1,791	+82/–74	+46/–42	1,003	0
DANKOR* (Scrap Division)	31 Dec 2023	2023–2029	2023	9.60%	2%	8.7%	CAGR-0.10%	759	784	+40/–35	+4/–7	0	154
RSC HOLDING Group** (Steel Processing and Distribution Division)	31 Dec 2023	2023–2029	2023	9.56%	2%	5.1%	CAGR 4.8%	51,972	54,122	+1,134/–1,101	+2,958/–2,587	0	17,415

* *Valuation of the fair value, less sale costs, by using the method of present value of the estimated free cash flows.*
** *Valuation of the fair value, less cost of sale, was made by using the discounted cash flow method.*

Movement of Intangible Assets in 2023

in EUR thousand	Software	Goodwill	Assets under construction	Total
Cost as at 31 Dec 2022	31,817	31,001	1,029	63,847
Acquisition of company	63	717	0	**780**
New additions	0	0	1,498	**1,498**
Transfer from assets under construction	783	0	(783)	**0**
Disposals	(57)	0	0	(57)
Translation differences	15	0	0	**15**
Transfer from property, plant and equipment	8	0	0	**8**
Cost as at 31 Dec 2022	32,629	31,718	1,744	66,091
Accumulated amortisation and impairment as at 31 Dec 2022	(19,688)	(11,749)	0	(31,437)
Amortisation	(3,132)	0	0	**(3,132)**
Disposals	57	0	0	**57**
Transfer from property, plant and equipment	(4)	0	0	(4)
Impairment	0	(1,003)	0	**(1,003)**
Accumulated amortisation and impairment as at 31 Dec 2023	(22,767)	(12,752)	0	(35,519)
Carrying amount as at 31 Dec 2022	12,129	19,252	1,029	32,410
Carrying amount as at 31 Dec 2023	9,862	18,966	1,744	30,572

9. PROPERTY, PLANT AND EQUIPMENT

Movement of Property, Plant and Equipment in 2024

in EUR thousand	Land	Buildings	Equipment	Other	Assets under con-struction	Total
Cost as at 31 Dec 2023	33,350	312,472	1,029,010	58,349	37,871	1,471,052
New additions	0	0	0	0	57,967	**57,967**
Transfer from assets under construction	0	4,424	68,449	3,882	(76,755)	**0**
Disposals	0	(1,328)	(5,851)	(1,508)	0	**(8,687)**
Translation differences	(4)	186	22	47	0	**251**
Change in lease agreements	0	6	16	0	0	**22**
Cost as at 31 Dec 2024	33,346	315,760	1,091,646	60,770	19,083	1,520,605
Accumulated depreciation and impairment as at 31 Dec 2023	(1,747)	(233,860)	(787,451)	(44,194)	0	(1,067,252)
Depreciation	(5)	(5,338)	(44,583)	(3,519)	0	**(53,445)**
Disposals	0	1,310	4,948	653	0	**6,911**
Translation differences	0	(65)	(10)	(17)	0	**(92)**
Change in lease agreements	0	(6)	(1)	0	0	**(7)**
Impairment	0	0	(211)	0	0	**(211)**
Accumulated depreciation and impairment as at 31 Dec 2024	(1.752)	(237,959)	(827,308)	(47,077)	0	(1,114,096)
Carrying amount as at 31 Dec 2023	31,603	78,612	241,559	14,155	37,871	403,800
Carrying amount as at 31 Dec 2024	31,594	77,801	264,338	13,693	19,083	406,509

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

- upgrade of the heat treatment line for non-oriented electrical steel,
- knives 2.0 Programme,
- rolling Mill 4.0 Programme,
- current upgrades of production equipment

Major assets under construction include:

- new electric motor in hot rolling mill,
- LPG transfer station,
- investments in development of a new electrical steel grade,
- modernisation of forging machine,
- Rolling Mill modernisation,
- 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 as at 31 December 2024 is EUR 5,018 thousand (2023: EUR 4,932 thousand), are pledged as security for liabilities. In 2024 and 2023, the Group did not capitalise borrowing costs.

As at 31 December 2024, the Group has EUR 5,688 thousand (2023: EUR 11,942 thousand) of outstanding liabilities to purchase property, plant and equipment and EUR 6,876 thousand (2023: EUR 11,828 thousand) of contractual commitments for purchase known in advance.

In 2024, due to lower steel demand, the actual operating results began to lag behind those originally planned. The decline in demand was mainly influenced by the decrease in production volumes and a partial shutdown of production activity in the European Union. Based on the performance valuation of individual CGUs, the Group reviewed the signs of impairment. Property, plant and equipment of SIJ ACRONI, SIJ METAL RAVNE, SIJ RAVNE SYSTEMS, SIJ d.d., NIRO Wenden, and GRIFFON & ROMANO were subjected to valuation. The valuation of the recoverable amount of the property plant and equipment was carried out by a certified business appraiser with a Slovenian Institute of Auditors licence. The recoverable amount of the property plant and equipment was calculated as the fair value decreased by the cost of sale. The valuation was performed on a going concern basis (the value of the property, plant and equipment were evaluated as assets in the going concern). A control method was also used, where the recoverable amount of the company as a whole (or CGU) was determined based on the fair value decreased by the costs of sale, then compared to the recoverable amount of individually assessed assets. The following valuation methods were used to determine the recoverable amount of non-current assets:

Income Approach (Income Capitalisation Method)

The income capitalisation method involves assessing the value of expected cash flows from the use or possible sale of the property. This method is characterized by converting the amount of returns into evaluation where the capitalisation rate, the discount rate, or both are taken into account. The substitution principle requires that the revenue flow which gives the highest returns at a given level of risk yields to the most probable value. The key assumptions in the valuation using this method are the assumption of a permanent and stabilized return and the assumption that rentals will follow inflation.

1. Cost Approach (Replacement Value Method)

The replacement value method is based on the principle of replacement (substitution) and argues that a prudent person would not pay for goods or services more than the purchase value of equivalent goods or services without the complex factor of time, risk or inconvenience. This means that a prudent investor will not be willing to pay more for the valuated property than the cost of setting up an equivalent property.

According to the replacement value method, it is necessary, when evaluating plants and equipment, to obtain new replacement values and reproduction costs for the valuated assets. In the market, it is necessary to identify the most suitable comparable asset with a known value from the producers or sellers or agents and based on these determine the new replacement value of the valuated assets.

The use of the cost approach as a technique for estimating the value of assets for financial reporting is very rare in practice and used only exceptionally. As a rule, it is not possible to reliably estimate the fair value using the cost method, as the appraisals use this method when there is no reliable market data. For impairment testing, the value of assets should also be verified in the context of value in use.

2. Sales Comparison Approach (Transaction Comparison Method)

The transaction comparison method takes into account the sale of similar or substitute assets and relevant market data and determines the valuation through comparison procedures. Generally speaking, the assets being valued are compared to the sale of similar assets made on the market. It is essential that the transactions involve sales between unrelated parties. In this valuation method, a so-called direct sales comparison method was used.

Property

To determine the recoverable amount of the property, all three methods described above were used.

The ***sales comparison approach*** was used as the primary method for evaluation, as this approach provides the most direct indication of the value of property rights. The approach only makes sense in cases where there are sufficient transactions and sufficient quality and current data of comparable real estate. Specifically, this valuation method was used in the valuation of land and parts of housing (apartments, residential house, holiday facilities).

The income approach was used to evaluate administrative buildings, industrial plants, and production halls. The use of the above approach is dictated, in particular, by the fact that companies are less likely to buy comparable properties, as they prefer to lease them. The data based on which potential market leases and stabilized revenues have been valuated are obtained by analysing the supply of rental business for the rental of comparable premises.

Following the ***cost approach***, the Group valuated a property which is a specific asset for which there are neither market transactions nor leases and does not have wider or alternative uses (transformer substation, wastewater treatment plant, steel plants, forging shop, ESR). Under the going concern assumption, the property is functionally unusable, as it is deeming to have been created for exactly the activity for which it is used on the valuation day. The use of the cost approach as a technique for estimating the value of assets for financial reporting is very rare in practice and used only exceptionally, therefore a control method was also used. The amount of the non-current assets was compared to the evaluated recoverable amount of the company as a whole (as a single CGU) determined based on the fair value decreased by the costs of sale, then compared to the recoverable amount of individually assessed assets. The comparison showed that no impairment is necessary.

The carrying amount of the properties was compared with the estimated recoverable amount of the property, determined based on fair value less costs of sale. The comparison showed that no impairment is necessary.

Plant and Equipment

To evaluate the recoverable amount of plant and equipment, the ***cost*** and ***sales comparison approaches*** were used. The evaluated assets are machinery, equipment and vehicles, used by a group. On the valuation day, they are in working order, well-maintained, and regularly serviced. The valuation took into account the physical, functional and economic wear and tear.

When comparing the determined recoverable amount of an individual assessed device or machine with its carrying amount, it was found that there are indications of impairment in the company NIRO Wenden. The impairment was carried out on December 31, 2024, in accordance with the evaluation report. For other companies subject to the valuation, there is no need to impair the carrying amount of devices and equipment, as the recoverable amount exceeds the carrying amount.

Movement of Property, Plant and Equipment in 2023

in EUR thousand	Land	Buildings	Equipment	Other	Assets under construction	Total
Cost as at 31 Dec 2022	34,298	308,058	993,061	53,244	21,795	1,410,456
Acquisition of company	123	1,224	1,209	421	30	**3,007**
New additions	0	0	0	0	74,021	**74,021**
Transfer from assets under construction	100	8,114	42,404	6,504	(57,122)	**0**
Disposals	(257)	(1,023)	(7,440)	(1,726)	(853)	**(11,299)**
Translation differences	(1)	(92)	(79)	(23)	0	**(196)**
Change in lease agreements	0	(155)	(145)	(59)	0	**(359)**
Transfer to intangible assets	0	0	0	(8)	0	**(8)**
Transfer to investment property	(913)	(3,656)	0	0	0	**(4,569)**
Cost as at 31 Dec 2023	33,350	312,472	1,029,010	58,349	37,871	1,471,053
Accumulated depreciation and impairment as at 31 Dec 2022	(1,770)	(229,779)	(749,945)	(42,451)	0	(1,023,945)
Depreciation	(16)	(5,279)	(44,460)	(3,249)	0	**(53,004)**
Disposals	40	864	6,751	1,459	0	**9,113**
Translation differences	0	27	73	6	0	**106**
Impairment	0	100	132	34	0	**265**
Transfer to intangible assets	0	0	0	4	0	**4**
Transfer to investment property	0	208	0	0	0	**208**
Accumulated depreciation and impairment as at 31 Dec 2023	(1,746)	(233,859)	(787,449)	(44,194)	0	(1,067,253)
Carrying amount as at 31 Dec 2022	32,528	78,279	243,116	10,793	21,795	386,511
Carrying amount as at 31 Dec 2023	31,603	78,612	241,559	14,155	37,871	403,800

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 2024

in EUR thousand	Land	Buildings	Equipment	Other	Total
Cost as at 31 Dec 2023	41	5,311	16,542	6,547	28,441
New additions	0	1,257	4,058	206	**5,521**
Reversal of right-of-use asset	0	6	16	0	**22**
Translation differences	0	112	17	2	**131**
Early lease termination	0	(35)	(1,522)	(357)	**(1,914)**
Cost as at 31 Dec 2024	41	6,651	19,111	6,398	32,201
Accumulated depreciation and impairment as at 31 Dec 2023	(27)	(2,373)	(4,218)	(1,691)	(8,309)
Depreciation	(3)	(691)	(1,707)	(1,229)	**(3,631)**
Reversal of right-of-use asset	0	(6)	(1)	0	**(7)**
Translation differences	0	(36)	(17)	(2)	**(55)**
Early lease termination	0	19	677	250	**946**
Accumulated depreciation and impairment as at 31 Dec 2024	(30)	(3,088)	(5,266)	(2,672)	(11,056)
Carrying amount as at 31 Dec 2023	14	2,938	12,324	4,856	20,132
Carrying amount as at 31 Dec 2024	11	3,563	13,845	3,726	21,145

Movement of the Right-Of-Use Asset in 2023

in EUR thousand	Land	Buildings	Equipment	Other	Total
Cost as at 31 Dec 2022	81	5,564	13,268	4,076	22,989
Acquisition of company	0	0	236	0	**236**
New additions	0	66	6,009	3,096	**9,171**
Reversal of right-of-use asset	(40)	(72)	(2,816)	(564)	**(3,492)**
Translation differences	0	(92)	(11)	(1)	**(104)**
Early lease termination	0	(155)	(145)	(59)	**(359)**
Cost as at 31 Dec 2023	41	5,311	16,542	6,547	28,441
Accumulated depreciation and impairment as at 31 Dec 2022	(51)	(1,875)	(4,171)	(1,294)	(7,391)
Depreciation	(16)	(704)	(1,819)	(872)	**(3,411)**
Reversal of right-of-use asset	40	79	1,635	440	**2,194**
Translation differences	0	27	4	1	**32**
Early lease termination	0	100	132	34	**265**
Accumulated depreciation and impairment as at 31 Dec 2023	(27)	(2,373)	(4,218)	(1,691)	(8,309)
Carrying amount as at 31 Dec 2022	30	3,689	9,097	2,782	15,598
Carrying amount as at 31 Dec 2023	14	2,938	12,324	4,856	20,132

On 31 December 2024, the Group leases assets which include buildings, equipment and cars. In 2024, the interest expenses for lease liabilities amounted to EUR 721 thousand (2023: EUR 489 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 2024, the total expenses related to these leases amounted to EUR 1,534 thousand (2023: 1,383), and the payments of lease costs amounted to EUR 1,592 thousand (2023: EUR 1,272 thousand).

10. INVESTMENT PROPERTY

in EUR thousand	2024	2023
Cost as at 1 Jan	4,603	34
Transfer from property, plant and equipment	0	4,569
Cost as at 31 Dec	4,603	4,603
Accumulated depreciation and impairment as at 1 Jan	(279)	(34)
Depreciation	(223)	(37)
Transfer from property, plant and equipment	0	(208)
Accumulated depreciation and impairment as at 31 Dec	(502)	(279)
Carrying amount as at 1 Jan	4,324	0
Carrying amount as at 31 Dec	4,101	4,324

In 2024, the Group generated EUR 504 thousand of income in investment properties (2023: EUR 21 thousand) and EUR 217 thousand of expenses (2023: EUR 54 thousand). Investment property is not pledged as security for liabilities.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in EUR thousand	31 Dec 2024	31 Dec 2023
Investments and shares in companies	1,475	1,310
Financial assets at fair value through other comprehensive income	1,475	1,310

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 the revaluation of shares at higher fair value, the value of the financial asset increased by EUR 166 thousand (2023: decrease by EUR 2 thousand). In 2023 and 2024, the Group did not sell any financial assets at fair value through other comprehensive income. In 2024, the Group received dividends totaling EUR 108 thousand (2023: EUR 107 thousand).

12. NON-CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec 2024	31 Dec 2023
Loans issued	64,000	57,626
Non-current financial receivables	64,000	57,626

Non-current financial receivables refer to loans issued to the majority shareholder of the parent company amounting to EUR 51,162 (2023: EUR 48,063 thousand) and the related non-current interest to amounting to EUR 12,838 thousand (2023: EUR 9,563 thousand). The loans issued will be repaid from dividends. Dividend payments are expected to be made in accordance with the Group's long-term business projections and are conditional on the Group achieving leverage of less than 3.75. Minimum dividends may always be paid if the conditions laid down in the applicable legislation are met.

The interest rate for the loans issued is fixed and amounts to 5%.

Movement of Non-Current Loans Issued

in EUR thousand	2024	2023
Balance as at 1 Jan	57,626	55,679
Change in interest receivables	3,274	2,497
Reclassification from (to) current loans issued	3,100	(550)
Balance as at 31 Dec	64,000	57,626

13. OTHER NON-CURRENT ASSETS

in EUR thousand	31 Dec 2024	31 Dec 2023
Other assets	3,576	3,761
Other non-current assets	3,576	3,761

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

14. DEFERRED TAX ASSETS AND LIABILITIES

in EUR thousand	31 Dec 2024	31 Dec 2023
Deferred tax assets	22,662	24,290
Deferred tax liabilities	(3)	(59)
Deferred tax assets (liabilities), net	22,659	24,231

Movement of Deferred Tax Assets and Liabilities in 2024

in EUR thousand	31 Dec 2023	Translation differences	Changes in profit and loss	Changes in the comprehensive income	31 Dec 2024
Property, plant and equipment	(124)	0	125	0	1
Other deferred liabilities	65	0	(69)	0	(4)
Deferred tax liabilities	(59)	0	56	0	(3)
Other provisions	163	4	(86)	0	81
Unused tax losses	15,243	0	(2,482)	0	12,761
Inventories	545	16	339	0	900
Trade receivables	298	4	93	0	395
Employee benefits	1,883	13	(9)	0	1,874
Property, plant and equipment	1,280	0	(52)	0	1,241
Financial assets at fair value through other comprehensive income	(97)	0	0	(37)	(134)
Unused tax reliefs	4,975	0	569	0	5,544
Deferred tax assets	24,290	37	(1,628)	(37)	22,662
Deferred tax assets (liabilities), net	24,231	37	(1,572)	(37)	22,659

The value of unused tax losses for which deferred tax assets are recognised amounted to EUR 57,932 thousand on 31 December 2024 (2023: EUR 69,626 thousand). The value of unused tax losses for which deferred tax assets are not recognised amounts to EUR 154,714 thousand (2023: EUR 101,451 thousand), while unrecognised deferred tax assets amount to EUR 34,075 thousand (2023: EUR 22,419 thousand).

Movement of Deferred Tax Assets and Liabilities in 2023

in EUR thousand	31 Dec 2022	Acquisition of company	Translation differences	Changes in profit and loss	Changes in the comprehensive income	31 Dec 2023
Property, plant and equipment	(211)	0	0	87	0	(124)
Other deferred liabilities	29	0	0	36	0	65
Deferred tax liabilities	(182)	0	0	123	0	(59)
Other provisions	247	0	(77)	(7)	0	163
Unused tax losses	9,437	0	(2)	5,808	0	15,243
Inventories	2,298	0	(1)	(1,752)	0	545
Trade receivables	326	1	(1)	(28)	0	298
Employee benefits	1,446	1	0	436	0	1,883
Property, plant and equipment	836	0	(3)	447	0	1,280
Financial assets at fair value through other comprehensive income	(95)	0	0	0	(2)	(97)
Unused tax reliefs	1,935	0	0	3,040	0	4,975
Deferred tax assets	16,430	2	(84)	7,944	(2)	24,290
Deferred tax assets (liabilities), net	16,248	2	(84)	8,067	(2)	24,231

15. INVENTORIES

in EUR thousand	31 Dec 2024	31 Dec 2023
Raw material	129,106	130,228
Work in progress	84,307	83,563
Finished products	66,664	81,583
Merchandise	16,462	15,920
Inventories	296,539	311,294

On 31 December 2024, 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 9,687 thousand (2023: EUR 7,233 thousand). On 31 December 2024, no inventories are not pledged as security for liabilities (2023: EUR 0 thousand).

16. CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec 2024	31 Dec 2023
Loans issued	57	3,838
Other financial receivables	350	390
Current financial receivables	407	4,228

In 2024, all loans issued to the majority shareholder and the related interest are recognised under non-current financial receivables. In 2023, the loans issued to the majority shareholder amounted to EUR 3,099 thousand, and the related interest to EUR 717 thousand.

Movement of Current Loans Issued

in EUR thousand	2024	2023
Balance as at 1 Jan	3,838	6,960
Loans issued	60	53
Repayment of loans issued	(24)	(3,314)
Allowances for loans issued	1	1
Change in interests	(718)	(412)
Transfer (to) from non-current loans issued	(3,100)	550
Balance as at 31 Dec	57	3,838

17. CURRENT TRADE RECEIVABLES

in EUR thousand	31 Dec 2024	31 Dec 2023
Trade receivables	90,916	76,065
Allowances for trade receivables	(2,707)	(2,680)
Receivables from government and other institutions	6,261	7,965
Issued advance payments and cautions	3,926	6,227
Other receivables	1,334	2,041
Allowances for other receivables	(28)	(24)
Current trade receivables	99,702	89,592

The majority of the Group's trade receivables are insured against commercial risks with an insurance company. On 31 December 2024, no trade receivables are pledged as security for liabilities (2023: EUR 0 thousand).

Movement of Allowance for Receivables from Customers

in EUR thousand	2024	2023
Balance as at 1 Jan	2,680	2,863
Changes with impact on profit or loss	361	385
Changes without impact on profit or loss	(334)	(568)
Balance as at 31 Dec	2,707	2,680

18. CASH AND CASH EQUIVALENTS

in EUR thousand	31 Dec 2024	31 Dec 2023
Cash in national currency	19,830	22,465
Cash in foreign currency	18,076	4,239
Restricted cash	1	1
Cash and cash equivalents	37,907	26,705

On 31 December 2024 the Group had no deposits with up to 3-month maturity (2023: EUR 0 thousand).

19. OTHER CURRENT ASSETS

in EUR thousand	31 Dec 2024	31 Dec 2023
Deferred expenses	2,108	2,098
Accrued revenue	262	571
Other current assets	2,370	2,669

Current deferred expenses refer to advance payments of costs, which will debit against profit or loss in 2025.

20. EQUITY

in EUR thousand	31 Dec 2024	31 Dec 2023
Equity attributed to the owners of the parent company	*338,870*	*386,563*
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Reserves	7,940	7,686
Retained earnings	174,203	222,150
Non-controlling interest	*32,930*	*31,329*
Equity	371,800	417,892

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 2024 and 2023.

Ownership Structure of the Parent Company

Shareholder	Number of shares 31 Dec 2024	Number of shares 31 Dec 2023
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 2024 and 2023.

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 2024	31 Dec 2023
Legal reserves	11,093	11,093
Treasury shares	(6,009)	(6,009)
Reserves for treasury shares	3,754	3,754
Other equity reserves	*8,838*	*8,838*
Fair value reserve due to financial assets at fair value through other comprehensive income	*662*	*493*
Deferred tax liabilities	*(134)*	*(94)*
Fair value reserve due to financial assets, net	528	399
Net actuarial losses on pension programs	(2,010)	(1,577)
Fair value reserves	*(1,482)*	*(1,178)*
Translation differences	*584*	*26*
Reserves	7,940	7,686

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 2024, the parent company did not create legal reserves (2023: EUR 223 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 2024, the gross value of non-controlling interest amounts to EUR 35,065 thousand (2023: EUR 33,304 thousand). The gross value decreased by EUR 2,135 thousand (2023: EUR 1,975 thousand) corresponding to the carrying amount of the 14% share in a subsidiary OROMET (2023: 14% share). In 2023, the Group partially exercised the option and acquired a 19% share. The option agreement for the acquisition of a 14% share is still in force, according to which on 31 December 2024 the liability for the acquisition amounts to EUR 1,392 thousand (2023: EUR 1,392 thousand).

Equity attributable to non-controlling interest:

in EUR thousand	31 Dec 2024	31 Dec 2023
NIRO WENDEN	(14)	167
ODPAD	3,112	3,015
DANKOR	341	331
METAL-EKO SISTEM	1,471	1,203
ADDITHERM	3,031	2,939
RSC HOLDING Group	27,124	25,649
Equity attributable to non-controlling, gross	35,065	33,304
OROMET option agreement	(2,135)	(1,975)
Equity attributable to non-controlling, net	32,930	31,329

21. EMPLOYEE BENEFITS

in EUR thousand	31 Dec 2024	31 Dec 2023
Provisions for severance pay	12,553	12,213
Provisions for jubilee benefits	2,052	1,902
Provisions for post-employment benefits	296	285
Employee benefits	14,901	14,400

The actuarial calculation was made on the basis of the actuarial model and assumptions, derived from the life expectancy tables in Slovenia from 2007, separately for men and women, decreased by 10% (active population), growth of wages in the Republic of Slovenia and 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 3.2% (2023: 3.4%). Employee turnover due to terminations initiated by employees is declining linearly and, as at 31 December 2024, averaged between 1.0% and 8.6% in subsidiaries within the Group (2023: between 0.8% and 8.5%). Employee turnover resulting from a higher volume of terminations initiated by the employer is not taken into account. The assumed real growth rate of average wages in the Republic of Slovenia is: 3.3% for 2025, 2.8% for 2026, 2.4% for 2027, and from 2028 onwards, the average wage is expected to grow at a real rate of 1.4%. The expected wage growth rate in the Group subsidiaries is: 2.6% in 2025 and 2026, and 2.5% from 2027 onwards.

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 and losses which affect other comprehensive income.

Movement of Employee Benefits in 2024

in EUR thousand	Severance pay	Jubilee benefits	Post-employment benefits	Total
Employee benefits as at 1 Jan 2024	12,213	1,902	285	14,901
Interest expenses	331	50	11	392
Current service cost	786	180	0	966
Past service cost	96	29	0	125
Actuarial (gains) losses – changes in assumptions and experience	684	172	0	856
Actuarial gains – reversal	(297)	(84)	0	(381)
Actuarial losses – recognition and utilization	201	11	0	212
Liabilities for payment	(1,461)	(208)	0	(1,669)
Employee benefits as at 31 Dec 2024	12,553	2,052	296	14,901

Movement of Employee Benefits in 2023

in EUR thousand	Severance pay	Jubilee benefits	Post-employment benefits	Total
Employee benefits as at 1 Jan 2023	11,453	1,778	200	13,431
Interest expenses	380	55	11	446
Current service cost	737	176	4	917
Past service cost	61	24	0	85
Actuarial (gains) losses – changes in assumptions and experience	838	149	90	1,077
Actuarial gains – reversal	(306)	(87)	(5)	(398)
Actuarial losses – recognition and utilization	90	6	0	96
Liabilities for payment	(1,040)	(199)	(15)	(1,254)
Employee benefits as at 31 Dec 2023	12,213	1,902	285	14,400

Sensitivity Analysis of Actuarial Assumptions

in EUR thousand		31 Dec 2024		31 Dec 2023	
Actuarial assumption	Change in assumption (pp)	Post-employment benefits on retirement	Jubilee benefits	Post-employment benefits on retirement	Jubilee benefits
	0,5	(423)	(58)	(401)	(56)
Yield	–0,5	456	62	432	60
	0,5	461	62	439	60
Salary growth	–0,5	(429)	(59)	(410)	(57)
	0,5	(445)	(62)	(422)	(60)
Fluctuation	–0,5	294	56	283	55

22. NON-CURRENT DEFERRED INCOME

in EUR thousand	31 Dec 2024	31 Dec 2023
Assigned contributions	1,242	1,103
Subsidies for property, plant and equipment	2,451	1,646
Green subsidies	12,954	6,129
Other deferred income	2	583
Non-current deferred income	16,649	9,461

Movement of Non-Current Deferred Income in 2024

in EUR thousand	31 Dec 2023	Creation	Decrease in expenses	Reversal and utilisation	31 Dec 2024
Assigned contributions	1,103	2,037	0	(1,898)	1,242
Subsidies for property, plant and equipment	1,646	1,051	0	(246)	2,451
Green subsidies	6,129	7,543	0	(718)	12,954
Other deferred income	583	7,266	(5,687)	(2,160)	2
Non-current deferred income	9,461	17,897	(5,687)	(5,022)	16,649

Movement of Non-Current Deferred Income in 2023

in EUR thousand	31 Dec 2022	Creation	Decrease in expenses	Reversal and utilisation	31 Dec 2023
Assigned contributions	916	1,992	0	(1,805)	1,103
Subsidies for property, plant and equipment	1,052	769	0	(175)	1,646
Green subsidies	0	6,129	0	0	6,129
Other deferred income	6	4,502	(2,472)	(1,453)	583
Non-current deferred income	1,974	13,392	(2,472)	(3,433)	9,461

23. NON-CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec 2024	31 Dec 2023
Borrowings	6,787	5,904
Liabilities for bonds issued (SIJ8)	39,921	18,920
Liabilities from lease	9,764	10,416
Non-current financial liabilities	56,472	35,240

Borrowings include loans from domestic and foreign banks. Borrowings amounting to EUR 2,250 thousand (2023: 3,392 thousand) are secured with real estate and movable property. Other borrowings are not secured. The interest rate for majority of non-current financial liabilities is flexible and based on EURIBOR.

Within the provisions of financial agreements, the Group is obliged to fulfil contractually determined financial commitments. The impact of one-off events (damage to the main engine in a subsidiary in Jesenice and flooding in Carinthia) on the Group's operations led to a deviation from achieving contractually agreed financial commitments. The Group received a covenant waiver from the bank lenders for the period ending on 31 December 2023. Since the covenant waiver was obtained after the reporting date, i.e., after 31 December 2023, under IAS 1.74, the non-current portion of financial liabilities was presented as current financial liabilities despite the banks' confirmation of the covenant waiver. Challenging business conditions in 2024 have again resulted in a deviation from achieving the contractually defined financial indicators. The Group received a covenant waiver from a banks for the period ending on 31 December 2024. Since the waiver regarding the compliance with financial covenants was received after the reporting date, which is after 31 December 2024, under IAS 1.74, the non-current portion of financial liabilities is classified as current financial liabilities, despite the timely confirmation of the waiver for financial covenants by the banks.

Movement of Non-Current Borrowings

in EUR thousand	2024	2023
Balance as at 1 Jan	5,904	117,968
Acquisition of company	0	711
New borrowings	58,056	31,000
Repayments of borrowings	(219)	0
Amortisation of origination fee	45	72
Transfer to current borrowings	(56,999)	(143,847)
Balance as at 31 Dec	6,787	5,904

Liabilities for Bonds Issued

The Group issued bonds with the ticker symbol of SIJ8 with the total nominal value of EUR 19,000 thousand in November 2023. In November 2024 it issued, through a further issue, additional bonds with the ticker symbol of SIJ8 with a total nominal value of EUR 22,100 thousand. The entire bond issue contains 221 denominations of EUR 100 thousand. The bond maturity date is 2 November 2026. The interest rate for the bonds is fixed, i.e. 7.0% per annum. If the sustainability conditions are not met, a surcharge of 0.3% per annum applies. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond.

Movement of Non-Current Liabilities Arising from Lease

in EUR thousand	2024	2023
Balance as at 1 Jan	10,416	8,152
Acquisition of company	0	173
New leases	5,090	8,190
Transfer to current liabilities from lease	(5,822)	(6,045)
Translation differences	119	(64)
Change in lease agreements	(39)	10
Balance as at 31 Dec	9,764	10,416

The lowest sum of future leases due for payment in the next 1 to 5 years amounts to EUR 9,830 thousand (2023: EUR 10,376 thousand). After 5 years it amounts to EUR 844 thousand (2023: EUR 844 thousand).

The net present value of future leases due for payment in the next 1 to 5 years, amounts to EUR 8,991 thousand (2023: EUR 9,623 thousand). After 5 years it amounts to EUR 773 thousand (2023: EUR 793 thousand).

24. CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec 2024	31 Dec 2023
Borrowings	220,568	174,092
Liabilities for bonds issued (SIJ6)	0	47,951
Liabilities from lease	4,886	4,868
Other financial liabilities	11,880	1,736
Current financial liabilities	237,334	228,647

Borrowings include loans from domestic and foreign banks. Borrowings amounting to EUR 1,402 thousand (2023: 1,551 thousand) are secured with real estate and movable property. Other borrowings are not secured. The interest rate for the majority of current financial liabilities is fixed.

Within the provisions of financial agreements, the Group is obliged to fulfil contractually determined financial commitments. The impact of one-off events (damage to the main engine in a subsidiary in Jesenice and flooding in Carinthia) on the Group's operations led to a deviation from achieving contractually agreed financial commitments. The Group received a covenant waiver from the bank lenders for the period ending on 31 December 2023. Since the covenant waiver was obtained after the reporting date, i.e., after 31 December 2023, under IAS 1.74, the non-current portion of financial liabilities was presented as current financial liabilities despite the banks' confirmation of the covenant waiver. Challenging business conditions in 2024 have again resulted in a deviation from achieving the contractually defined financial indicators. The Group received a covenant waiver from a banks for the period ending on 31 December 2024. Since the waiver regarding the compliance with financial covenants was received after the reporting date, which is after 31 December 2024, under IAS 1.74, the non-current portion of financial liabilities is classified as current financial liabilities, despite the timely confirmation of the waiver for financial covenants by the banks.

Movement of Current Borrowings

in EUR thousand	2024	2023
Balance as at 1 Jan	174,092	43,195
Acquisition of company	0	245
New borrowings	504,076	535,851
Repayments of borrowings	(514,778)	(549,332)
Amortisation of origination fee	178	0
Transfer from non-current borrowings	56,999	143,847
Translation differences	1	286
Balance as at 31 Dec	220,568	174,092

Liabilities for Bonds Issued

The Group repaid the bonds with the ticker symbol SIJ6, amounting to EUR 48,000 thousand, on the maturity day in November 2024.

Movement of Current Liabilities Arising from Lease

in EUR thousand	2024	2023
Balance as at 1 Jan	4,868	3,613
Acquisition of company	0	63
Repayments of liabilities arising from lease	(5,801)	(4,740)
Transfer from non-current liabilities arising from lease	5,822	6,045
Translation differences	16	(12)
Change in lease agreements	(19)	(101)
Balance as at 31 Dec	4,886	4,868

The lowest sum of future leases due for payment in the next financial year amounts to EUR 5,431 thousand on 31 December 2024 (2023: EUR 5,396 thousand), and the net present value of future leases amounts to EUR 4,886 thousand on the same date (2023: EUR 4,868 thousand).

25. CURRENT TRADE PAYABLES

in EUR thousand	31 Dec 2024	31 Dec 2023
Payables to suppliers for fixed assets	5,765	12,040
Payables to suppliers for working capital	229,808	221,029
of which payables from supply chain arrangements	*24,852*	*0*
Liabilities to employees	7,270	6,844
Received advance payments and cautions	6,128	2,902
Tax liabilities	6,188	5,785
Other liabilities	338	1,296
Current trade payables	255,497	249,896

Payables to suppliers represent unsettled amounts for the purchase of goods and services. The average payment term for the purchase of goods and services is 83 days (excluding supplier finance arrangements) or 94 days (including supplier finance arrangements). For the majority of trade payables, no interest is charged within the first 14 days from the invoice date. After this period, interest is charged on outstanding amounts at various interest rates.

The Group has established financial risk management policies to ensure that all liabilities are paid within the credit terms agreed in advance.

26. OTHER CURRENT LIABILITIES

in EUR thousand	31 Dec 2024	31 Dec 2023
Accrued expenses for unused annual leave	3,246	2,892
Accrued expenses for lawsuits	1,615	694
Accrued expenses for CO2 emissions allowances	1,749	995
Liabilities arising from purchase of non-controlling interest (Note 20)	1,392	1,392
Other liabilities	1,543	1,027
Deferred revenues from recording magnetic separation and slag recovery waste	627	1,358
Other deferred income	621	183
Other current liabilities	10,793	8,541

27. SEGMENT REPORTING

Segment Reporting for 2024

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total	Eliminations	Consolidated financial statements
Operating income (external)	593,676	221,964	176,551	61,400	1,053,591	1,837	1,055,428	0	1,055,428
Operating income (between segments)	162,447	5,991	28,024	8,617	205,079	26,184	231,263	(231,263)	0
Revenue	756,123	227,955	204,575	70,017	1,258,670	28,021	1,286,691	(231,263)	1,055,428
Operating profit (loss)	(23,677)	4,587	3,167	(2,910)	(18,833)	(99)	(18,932)	0	(18,932)
Interest income	621	156	1	6	784	5,575	6,359	(3,494)	2,865
Interest expenses	13,153	1,979	1,123	1,217	17,472	5,100	22,572	(3,783)	18,789
Amortisation and depreciation	45,147	6,764	817	3,140	55,868	1,168	57,036	(156)	56,880
Impairment of assets	9,679	497	38	54	10,268	(9)	10,259	0	10,259
Property, plant and equipment	0	211	0	0	211	0	211	0	211
Inventories	9,625	0	0	62	9,687	0	9,687	0	9,687
(Profit) loss from impairment of trade receivables	54	286	38	(7)	370	(9)	361	0	361
Purchase of non-current assets	43,569	5,345	825	3,202	52,941	244	53,185	0	53,185
Non-current business assets based on geographic area	335,810	60,663	9,108	24,822	430,403	8,567	438,970	0	438,970
Slovenia	335,810	28,545	6,264	24,822	395,441	8,567	404,008	0	404,008
Other countries	0	32,118	2,844	0	34,962	0	34,962	0	34,962

Segment Reporting for 2023

in EUR thousand	Steel Division	Distribution & Processing Division	Scrap Division	Manufacturing Division	Total segments	Headquarters and Other Services	Total	Eliminations	Consolidated financial statements
Operating income (external)	551,407	219,308	157,085	72,294	1,000,094	1,821	1,001,915	0	1,001,915
Operating income (between segments)	163,515	5,124	29,803	10,233	208,676	21,593	230,269	(230,269)	0
Revenue	714,923	224,432	186,888	82,527	1,208,770	23,414	1,232,184	(230,269)	1,001,915
Operating profit (loss)	(10,365)	7,081	1,457	(2,214)	(4,041)	(4,162)	(8,203)	0	(8,203)
Interest income	262	76	3	0	342	4,833	5,174	(2,494)	2,681
Interest expenses	9,435	1,418	960	932	12,745	3,375	16,121	(2,504)	13,617
Amortisation and depreciation	45,439	5,823	822	3,085	55,169	1,178	56,347	(172)	56,174
Impairment of assets	7,272	333	1,002	(5)	8,602	15	8,617	0	8,617
Goodwill	0	0	1,003	0	1,003	0	1,003	0	1,003
Inventories	7,233	0	0	0	7,233	0	7,233	0	7,233
Profit (loss) from impairment of trade receivables	39	333	(1)	(5)	3.66	15	380	0	380
Purchase of non-current assets	55,129	4,256	1,265	2,451	63,101	372	63,473	0	63,473
Non-current business assets based on geographic area	334,357	61,041	9,696	24,249	429,343	9,353	438,696	0	438,696
Slovenia	334,357	43,031	6,727	24,249	408,364	9,353	417,718	0	417,718
Other countries	0	18,010	2,969	0	20,979	0	20,979	0	20,979

Income Reconciliation by Segments

in EUR thousand	2024	2023
Operating income by segments	1,258,670	1,208,770
Operating income (between segments)	(205,078)	(208,676)
Operating income (external)	1,053,592	1,000,094
Operating income – Headquarters and Other Services Division	28,021	23,414
Eliminations	(26,185)	(21,593)
Operating income from contracts with customers	1,055,428	1,001,915

Operating income (external) by geographical areas

in EUR thousand	2024	2023
In Slovenia	136,676	151,618
In other countries:	916,916	848,477
- Germany	204,393	207,175
- Italy	255,055	231,382
- USA	104,377	84,994
- Croatia	4,962	5,541
- Austria	19,969	26,781
- other countries	328,160	292,604
Operating income from contracts with customers	1,053,592	1,000,094

The above information on operating income is based on the location of customers. The Group has a wide range of customers and does not depend on just a few major customers.

Reconciliation of Operating Profit (Loss)

in EUR thousand	2024	2023
Operating loss by segments	(18,833)	(4,041)
Operating loss of Headquarters and Other Services	(99)	(4,162)
Operating loss	(18,932)	(8,203)
Finance income	3,448	2,855
Finance expenses	(27,218)	(19,968)
Loss before tax	(42,702)	(25,316)

28. CONTINGENT ASSETS AND LIABILITIES

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% 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 2024 and 31 December 2023, the parent company reviewed the fair value of option agreements and assessed that the fair value was minimal or equal to zero. It will review the fair value annually and recognise possible changes in profit or loss.

29. BUSINESS COMBINATIONS

In November 2023, ORO MET acquired a 51% share in ORO PRECIZNE CNC. In 2023, the Group considered carrying amounts of acquired assets, liabilities and potential liabilities as temporary fair values for the initial accounting for the business combination. In 2024 reviewed the fair value of the acquired assets, liabilities, and potential liabilities again. Their fair value has not changed materially, therefore there were no adjustments to the measured goodwill.

The statement of financial position of company ORO PRECIZNE CNC on the date, when the Group acquired control, is given below.

in EUR thousand	Fair value
ASSETS	
Cash and cash equivalents	117
Property, plant, equipment, and intangible assets	3,070
Inventories	117
Trade receivables	257
Other assets	34
EQUITY AND LIABILITIES	
Financial liabilities	1,194
Trade payables	244
Other liabilities	622
NET ASSETS	1,535
Non-controlling interest (49 %)	752
ACQUIRED NET ASSETS	783
Acquisition price	1,500
Carrying amount of acquired net assets	783
GOODWILL	717

RELATED PARTIES

Related parties are the parent company of the Group, its majority shareholder and the ultimate parent (including companies in their groups), subsidiaries, associates, other related parties and the management of companies. The transactions with related parties are performed on an arms-length basis.

Transactions with the Majority Shareholder

in EUR thousand	2024	2023
Revenue	2,559	2,651

in EUR thousand	31 Dec 2024	31 Dec 2023
Receivables	64,016	61,457

On 31 December 2024, no receivables from the majority owner are pledged as security for liabilities (2023: EUR 0 thousand). Receivables do not include doubtful amounts. The Group recognized impairment loss in amount of EUR 0 thousand (2023: EUR 0 thousand). The receivables will be settled through dividend payments. They are secured by blank promissory notes.

Transactions with Other Related Parties

in EUR thousand	2024	2023
Revenue	19,375	28,736
Expenses	2,082	2,603

in EUR thousand	31 Dec 2024	31 Dec 2023
Receivables	4,115	5,268
Liabilities	1,295	1,585

On 31 December 2024, no receivables from the other related parties are pledged as security for liabilities (2023: EUR 0 thousand). Receivables do not include doubtful amounts. The Group recognised EUR 0 thousand (2023: EUR 0 thousand) from impairment.

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	2024	2023
Key management personnel	9,510	11,343
Members of the Supervisory Board	179	178

In 2024, 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 2024, the Group has no receivables or liabilities towards the key management personnel, except for liabilities for December salaries paid January 2024.

FINANCIAL INSTRUMENTS AND RISKS

Credit Risk

The Group is exposed to credit risk when selling products to customers. Effective credit risk management is enabled through a receivables management system. Companies in the Group continuously and actively pursue the collection of trade receivables, which includes active and systematic monitoring of trade receivables, intensive communication with customers, and monitoring of potential indicators of increased customer risk. Credit risk exposure is further managed through receivables insurance and through data and information that forecast the risk of loss (financial information about customers and their financial statements, available information from media sources, past business relationships with customers, and forward-looking information). A centralized control system for receivables insurance and collection has been implemented. The Group actively and systematically monitors the receivables' structure, executes intensive communication with customers and accurately monitors possible indicators of increased retail credit risk.

Trade receivables are diversified. Through a centralised control system, the Group aims to maintain a high share of receivables insured by prime collateral, such as credit insurance with credit insurance companies, bank guarantees, and letters of credit. Receivables secured with prime collateral accounted for as much as 85% of all trade receivables as of the reporting date (2023: 82%) 80%). The centralised control system also defines internal exposure limits for individual clients, with the Group monitoring and adjusting procedures according to market conditions. Despite challenging market conditions and tightened macroeconomic circumstances, the proportion of overdue receivables has not deteriorated and remains at the same level as the previous year. Since trade receivables do not contain a significant financing component, a simplified model is applied, whereby the impairment allowance is calculated as an amount equal to the expected credit losses (ECL) over the entire lifetime of the financial asset. The Group calculates ECL using an internal impairment model, forming groups of receivables based on their exposure to credit risk (i.e., secured or unsecured receivables), maturity and recoverability over the past five-year period, taking into account forward-looking information to assess whether actual losses due to current macroeconomic and economic conditions may be higher or lower than past 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 2024.

Age Structure of Financial Assets

in EUR thousand		Overdue				
31 Dec 2024	Not-overdue	Up to 3 months	3 months to 1 year	1 year to 3 years	Over 3 years	Total
Trade receivables	75,783	12,429	815	559	1,330	90,916
Financial receivables and deposits	64,396	0	0	11	0	64,407
Other operating receivables	1,320	1	2	21	0	1,344
Total	141,499	12,430	817	591	1,330	156,667

in EUR thousand		Overdue				
31 Dec 2023	Not-overdue	Up to 3 months	3 months to 1 year	1 year to 3 years	Over 3 years	Total
Trade receivables	64,434	9,264	440	468	1,459	76,065
Financial receivables and deposits	61,859	0	10	0	0	61,869
Other operating receivables	2,512	6	15	17	19	2,569
Total	128,805	9,270	465	485	1,478	140,503

Movement of Allowances for Financial Assets

in EUR thousand	Allowance as at 31 Dec 2023	Changes with impact on profit or loss	Changes without impact on profit or loss	Allowance as at 31 Dec 2024
Trade receivables	2,680	361	(333)	2,708
Financial receivables and deposits	15	1	0	16
Other operating receivables	27	0	0	27
Total	2,722	362	(333)	2,751

in EUR thousand	Allowance as at 31 Dec 2022	Changes with impact on profit or loss	Changes without impact on profit or loss	Allowance as at 31 Dec 2023
Trade receivables	2,863	385	(568)	2,680
Financial receivables and deposits	15	0	0	15
Other operating receivables	32	(5)	0	27
Total	2,910	380	(568)	2,722

Liquidity Risk

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

- through centralised management of the Group's liquidity,
- by actively planning and managing cash flows on a daily, monthly and annual basis,
- by maintaining a liquidity reserve in the form of approved credit lines with various commercial banks,
- by ensuring appropriate maturity and diversification of financial debt, and by financing within the Group,
- by reconciling the maturity of receivables and payables on an ongoing basis, and by optimising working capital,
- by consistently collecting overdue receivables.

Special attention is paid to preparing various liquidity scenarios and working capital projections. The parent company continuously monitors and plans the management of the Group's liquidity resources.

The majority of financial liabilities refers to the outstanding principal of the long-term syndicated loan totalling EUR 149,924 thousand (2023: EUR 118,500 thousand) and to bonds issued totalling EUR 41,000 thousand (2023: EUR 67,000 thousand).

Within the provisions of financial agreements, the Group is obliged to fulfil contractually determined financial commitments. The challenging business conditions of the Group in 2024 have resulted in a deviation from achieving the contractually defined financial indicators. The Group received a covenant waiver from a banks for the period ending on 31 December 2024. In 2024, the Group therefore fully complied with all commitments set in loan agreements.

in EUR thousand		Contractual cash flows				
31 Dec 2024	Carrying amount	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Payables to suppliers	235,786	228,327	7,245	214	0	235,786
Financial liabilities	293,806	91,171	114,460	116,144	886	322,661
Contract liabilities	6,408	5,793	0	615	0	6,408
Other liabilities, w/o liabilities to the state and employees and advanced payments	552	338	0	214	0	552
Total liabilities	536,552	325,629	121,705	117,187	886	565,407

in EUR thousand		Contractual cash flows				
31 Dec 2023	Carrying amount	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Payables to suppliers	233,496	226,350	6,720	426	0	233,496
Financial liabilities	263,887	36,837	100,680	137,435	11,113	286,065
Contract liabilities	1,906	1,499	0	407	0	1,906
Other liabilities, w/o liabilities to the state and employees and advanced payments	1,720	1,294	0	426	0	1,720
Total liabilities	501,009	265,980	107,400	138,694	11,113	523,187

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 2024	EUR	USD
Cash and cash equivalents	17	12,789
Trade receivables	0	4,987
Trade payables	0	(17,432)
Financial liabilities	0	0
Exposure	17	344

31 Dec 2023	EUR	USD
Cash and cash equivalents	25	4,172
Trade receivables	110	10,506
Trade payables	(25)	(32,654)
Financial liabilities	0	(2,208)
Exposure	110	(20,184)

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 2024, the value of US dollar expressed in euro increased by 6.0 percent compared to 31 December 2023. In 2024, the average value of US dollar was 0.1 percent higher than in 2023. Sensitivity analysis is prepared for US dollar.

Sensitivity analysis and presentation of US dollar exchange rate impact on profit before tax

in EUR thousand	2024		2023	
Change of exchange rate by	10%	–10%	10%	–10%
US dollar (USD)	–33	33	1,827	(1,827)

The change in the value of US dollar by 10% compared to euro on 31 December 2024 or 31 December 2023 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 2024 and 2023, the following exchange rates were material for the Group:

Currency	31 Dec 2024	31 Dec 2023	Average exchange rate in 2024	Average exchange rate in 2023
EUR / USD	1.0389	1.1050	1.0824	1.0813
EUR / GBP	0.8292	0.8691	0.8466	0.8698
EUR / CZK	25.1850	24.7240	25.1200	24.0040

Exchange rates used to translate the balance items as at 31 December are equal to ECB reference exchange rate as at 31 December.

Interest Rate Risk

The Group estimates the exposure to interest rate risk to be moderate. The current trend of high interest rates on financial markets is putting additional pressure on cash flows and is 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 73% of the Group's total financial liabilities (2023: 62%). 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 2023 was prepared in the same manner.

in EUR thousand	2024	2023
Change in profit/loss if increased by 100 bp	(2,069)	(1,641)
Change in profit/loss if increased by 50 bp	(1,034)	(820)
Change in profit/loss if decreased by 50 bp	1,034	820
Change in profit/loss if decreased by 100 bp	2,069	1,641

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 2024, 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	2024	Debt increase by 10%	Debt decrease by 10%
Level of debt on equity	79.02	86.92	71.12
Equity	371,800	371,800	371,800
Financial liabilities	293,806	322,187	264,425

Carrying Amounts and Fair Values of Financial Instruments

Presentation of Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

in EUR thousand	31 Dec 2024		31 Dec 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,475	1,475	1,310	1,310
Financial receivables	64,407	64,407	61,854	61,854
Trade receivables	99,712	99,712	90,119	90,119
Cash and cash equivalents	37,907	37,907	26,704	26,704
Financial liabilities	(293,806)	(293,806)	(263,887)	(263,887)
Trade payables	(255,711)	(255,711)	(250,322)	(250,322)

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

in EUR thousand	31 Dec 2024	31 Dec 2023
Financial assets at fair value through other comprehensive income	1,059	894
Financial assets at fair value of first level	1,059	894
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	(39,921)	(66,871)
Financial liabilities at fair value of second level	(39,921)	(66,871)
Borrowings	(227,356)	(179,996)
Leases	(14,650)	(15,283)
Other financial liabilities	(11,880)	(1,736)
Financial liabilities at fair value of third level	(253,885)	(197,016)

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 2024, there were no transfers of financial instruments between different levels.

EVENTS AFTER THE REPORTING DATE

In February 2025, certain subsidiaries of the SIJ Group signed an Agreement with its major financing banks. The Agreement provides a stable basis to structure, negotiate and implement in an orderly manner a comprehensive refinancing and optimisation of the Group's long term capital structure. The Agreement provides conditions under which additional facilities may be provided to support SIJ Group's working capital requirements, which have been on the rise due to the Group's growth in sales in first quarter 2025. The envisaged long-term capital structure is intended to provide the SIJ Group with the financial stability and liquidity to be best positioned to handle the current and prospective periods of geopolitical and macroeconomic volatility and uncertainty.

There were no events after the reporting date that could influence the presented consolidated financial statements.

04

FINANCIAL REPORT SIJ d.d.

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INDEPENDENT AUDITOR'S REPORT
to the shareholders of SIJ – Slovenska industrija jekla, d.d.

Opinion

We have audited the separate financial statements of the company SIJ – Slovenska industrija jekla, d.d. (hereinafter 'the Company'), which comprise the separate statement of financial position as at 31 December 2024, and the separate income statement, separate statement of other comprehensive income, separate statement of changes in equity and separate cash flow statement for the year then ended, and notes to the separate financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2024, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for opinion

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

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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 separate financial statements of the year ended 31 December 2024. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investments in Subsidiaries

Key audit matter	How our audit addressed the key audit matter
Investments in subsidiaries amount to EUR 212,270 thousand as of 31 December 2024 (31.12.2023: EUR 244,959 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. We obtained other information before the date of the auditor's report, except for the report of the supervisory board, which will be available later.

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

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

- Other information is, in all material respects, consistent with the audited separate financial statements;
- Other information, except sustainability report on which we issue separate limited assurance report dated May 28, 2025, is prepared in compliance with applicable law or regulation; and
- Based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

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

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

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

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

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

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

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

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

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

Confirmation to the Audit Committee

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

Prohibited Services

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

Other services performed by the audit company

There are no services, in addition to the statutory audit, which the audit company provided to the Company, and which have not been disclosed in the Annual Report.

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

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

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

Yuri Sidorovich
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 28. May 2025

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

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Statement of the Management's Responsibility

The Management Board is responsible for the preparation of the separate financial statements, together with accounting policies and notes, for the year 2024, which give to the best of its knowledge and belief, a fair view of the development and results of the Company's operations and its financial position, including the description of material risks the Company is exposed to.

The Management Board confirms that appropriate accounting policies have been applied consistently in the preparation of the separate financial statements, that accounting estimates were prepared based on the principles of fair value, prudence and sound management, and that the separate financial statements give a true and fair view of the Company's financial position and the results of its operations in the year 2024.

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

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

Ljubljana, 28 May 2025

Andrey Zubitskiy,
President of the Management Board

Separate Financial Statements

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	Note	2024	2023
Net sales revenue	1	19,589	16,968
Gross profit		**19,589**	**16,968**
General and administrative expenses	2	(19,662)	(20,967)
Other operating income	3	207	4,111
Other operating expenses	4	(39,627)	(4,423)
Profit (loss) from impairment of trade receivables	15	29	(135)
Operating loss		**(39,464)**	**(4,446)**
Finance income	5	9,666	12,953
Finance expenses	6	(6,128)	(4,347)
Net finance income (expenses)		**3,538**	**8,606**
(Loss) profit before tax		**(35,926)**	**4,160**
Taxes	7	(228)	301
(Loss) profit for the period		**(36,154)**	**4,461**
Items that will not be reclassified subsequently to profit or loss			
Net actuarial gains (losses) on pension programs		32	(119)
Fair value gains (losses) of financial assets at fair value through other comprehensive income		166	(2)
Income tax related to components of other comprehensive income		(37)	(3)
Total other comprehensive income		**161**	**(124)**
Comprehensive income		**(35,993)**	**4,337**

Continuation of the table →

Continuation of the table

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

SEPARATE STATEMENT OF FINANCIAL POSITION

in EUR thousand	Note	31 Dec 2024	31 Dec 2023
ASSETS			
Non-current assets		**303,923**	**334,294**
Intangible assets	8	127	282
Property, plant and equipment	9	4,973	5,669
Investments in subsidiaries	10	212,270	244,959
Financial assets at fair value through other comprehensive income	11	1,464	1,298
Financial receivables	12	83,846	80,800
Deferred tax assets	13	1,243	1,286
Current assets		**50,859**	**61,399**
Assets (groups) held for sale		31	31
Financial receivables	14	44,240	59,355
Trade receivables	15	5,929	920
Income tax assets		191	0
Cash and cash equivalents	16	62	913
Other assets		406	180
Total assets		**354,782**	**395,693**

Continuation of the table →

Continuation of the table

in EUR thousand	Note	31 Dec 2024	31 Dec 2023
EQUITY AND LIABILITIES			
Equity	**17**	**231,027**	**267,020**
Share capital		145,266	145,266
Capital surplus		11,461	11,461
Other equity reserves		8,838	8,838
Fair value reserves		529	368
Retained earnings		64,933	101,087
Non-current liabilities		**55,556**	**34,950**
Employee benefits	18	1,062	953
Financial liabilities	19	44,133	23,007
Other liabilities	20	10,361	10,990
Current liabilities		**68,199**	**93,723**
Financial liabilities	21	62,336	87,240
Trade payables	22	3,795	3,454
Income tax liabilities		0	133
Other liabilities	23	2,068	2,896
Total equity and liabilities		**354,782**	**395,693**

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

Separate Statement of Changes in Equity in 2024

in EUR thousand	Share capital	Capital surplus	Other equity reserves	Fair value reserves	Retained earnings	Total
Balance as at 31 Dec 2023	**145,266**	**11,461**	**8,838**	**368**	**101,087**	**267,020**
Loss for the period	0	0	0	0	(36,154)	**(36,154)**
Other changes in comprehensive income	0	0	0	161	0	**161**
Total changes in comprehensive income	**0**	**0**	**0**	**161**	**(36,154)**	**(35,993)**
Balance as at 31 Dec 2024	**145,266**	**11,461**	**8,838**	**529**	**64,933**	**231,027**

Separate Statement of Changes in Equity in 2023

in EUR thousand	Share capital	Capital surplus	Other equity reserves	Fair value reserves	Retained earnings	Total
Balance as at 31 Dec 2022	**145,266**	**11,461**	**8,615**	**492**	**102,661**	**268,495**
Dividends paid	0	0	0	0	(5,812)	**(5,812)**
Transactions with owners	**0**	**0**	**0**	**0**	**(5,812)**	**(5,812)**
Profit for the period	0	0	0	0	4,461	**4,461**
Other changes in comprehensive income	0	0	0	(124)	0	**(124)**
Total changes in comprehensive income	**0**	**0**	**0**	**(124)**	**4,461**	**4,337**
Creation of legal reserves	0	0	223	0	(223)	**0**
Total changes in equity	**0**	**0**	**223**	**0**	**(223)**	**0**
Balance as at 31 Dec 2023	**145,266**	**11,461**	**8,838**	**368**	**101,087**	**267,020**

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

SEPARATE STATEMENT OF CASH FLOWS

in EUR thousand	2024	2023
Cash flow from operating activities		
(Loss) profit before tax	**(35,926)**	**4,160**
Adjusted for:		
Amortisation of intangible assets and depreciation of property, plant and equipment (Notes 8 and 9)	955	976
Interest income (Note 5)	(5,606)	(4,836)
Interest expenses (Note 6)	5,212	3,452
Creation (reversal) of impairments	36,992	(2,161)
(Reversal) creation of allowances and provisions	(12)	96
Revenue from dividends (Note 3)	(108)	(2,904)
Net other expenses (income)	(1,093)	(2,194)
Operating cash flow before working capital adjustments	**414**	**(3,411)**
Working capital adjustment		
(Increase) decrease in trade receivables	(5,254)	22,246
Decrease in trade payables	(3,770)	(8,555)
Increase (decrease) in taxes other than income tax	236	(3,828)
Total working capital adjustments	*(8,788)*	*9,863*
Payments for retirement benefits and loyalty bonuses	(150)	(48)
Receipts from government grant	75	111
Income tax paid	(545)	(672)
Net cash flow used in operating activities	**(8,994)**	**5,843**
Cash flow from investing activities		
Payments for investments in subsidiaries	(6,760)	(17,103)
Receipts from investments in subsidiaries	0	8,450
Payments for property, plant and equipment	(147)	(110)

Continuation of the table →

Continuation of the table

in EUR thousand	2024	2023
Receipts from property, plant and equipment	82	277
Payments for intangible assets	(5)	(51)
Payments for loans issued (Notes 12 and 14)	(27,805)	(84,572)
Receipts from loans issued (Note 14)	45,225	78,283
Interests received	2,608	2,637
Dividends received (Notes 10 and 11)	108	2,904
Net cash flow from (used in) investing activities	**13,306**	**(9,285)**
Cash flow from financing activities		
Receipts from borrowings (Notes 19 and 21)	134,867	147,108
Payments for borrowings (Note 21)	(136,733)	(135,320)
Receipts from financial services	1,992	1,879
Payments for lease	(420)	(480)
Interests paid	(4,869)	(3,370)
Dividends paid	0	(5,812)
Net cash flow (used in) from financing activities	**(5,163)**	**4,005**
Cash and cash equivalents as at 1. Jan.	**913**	**350**
Net change in cash and cash equivalents	(851)	563
Cash and cash equivalents as at 31 Dec.	**62**	**913**

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

Notes to the 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 2024.

The consolidated financial statements are issued at the same date. Consolidated financial statements for a broader group of subsidiaries are compiled by DILON Cooperatief U. A., the ultimate parent of SIJ d.d. The consolidated annual report for the Group DILON Cooperatief is available, when compiled, at the registered office of DILON Cooperatief U. A., John M. Keynesplein 10, 1066EP Amsterdam, the Netherlands.

BASIS OF PREPARATION

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

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

The Management Board approved the separate financial statements on 28 May 2025.

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 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current with Covenants** issued by IASB on 23 January 2020 and on 31 October 2022 (affective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" – Supplier Finance Arrangements** issued by IASB on 25 May 2023 (affective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback** issued by IASB on 22 September 2022 (affective for annual periods beginning on or after 1 January 2024).

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 separate financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates"** – Lack of Exchangeability issued by IASB on 15 August 2023 (affective for annual periods beginning on or after 1 January 2025).

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 separate financial statements (the effective dates stated below are for IFRS as issued by IASB):

- **Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"** issued by IASB on 30 May 2024 (affective for annual periods beginning on or after 1 January 2026),
- **Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature"** – dependent Electricity issued by IASB on 18 December 2024 (affective for annual periods beginning on or after 1 January 2026),
- **Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 "Annual Improvements to IFRS Accounting Standards"– Volume 11** issued by IASB on 18 July 2024 (affective for annual periods beginning on or after 1 January 2026),
- **IFRS 18 "Presentation and Disclosures in Financial Statements"** issued by IASB on 9 April 2024 will replace IAS 1 – Presentation of Financial Statements (affective for annual periods beginning on or after 1 January 2027),
- **IFRS 19 "Subsidiaries without Public Accountability" disclosures** issued by IASB on 9 May 2024 (affective for annual periods beginning on or after 1 January 2027),
- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014, for which European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard (affective for annual periods beginning on or after 1 January 2026),
- **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** issued by IASB on 11 September 2014 (effective date deferred by IASB indefinitely).

The Company assesses that the adoption of these new standards, and the amendments of existing standards will not have any significant effect on the separate financial statements at their first application. Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. The Company assesses that the accounting of hedging instrument in connection with financial assets and liabilities in accordance with the requirements of IAS 39 – "Financial Instruments: Recognition and Measurement" would not have a significant influence on the financial statements if it was used on the date of the statement of financial position.

B. USE OF GOING CONCERN ASSUMPTION

In the preparation of the separate financial statements for 2024, 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.

C. BASIS OF MEASUREMENT

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

D. FUNCTIONAL AND PRESENTATION CURRENCY

The separate financial statements in this report are presented in thousands of euros; the euro is also the functional currency of the Company.

E. APPLICATION OF ESTIMATES AND JUDGMENTS

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

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

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

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

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

Impairment of Assets

Information on significant uncertainty estimates and critical judgments that were prepared by the Management Board in the process of accounting policy implementation and which affect the amounts in the separate 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 I and J)

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 separate 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 separate 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 separate 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 L)

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 separate financial statements a provision for it.

Estimate of Provisions for Employee Post-Employment and Other Long-Term Benefits (Note 18 and Policy M)

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

Assessing the Possibility of Using Deferred Tax Assets (Note 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 separate 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.

MATERIAL ACCOUNTING POLICY INFORMATION

A. FOREIGN CURRENCY CONVERSION

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

B. REVENUE

The Company is a holding company and is managing its subsidiaries. The Company accounts for contracts with customers if all the following criteria according to IFRS 15 are met: i) contracting parties have approved a contract (in writing, orally, or in accordance with other standard business practices) and are obliged to fulfil their obligations, ii) the Company can identify the rights of each contracting party to the services to be transferred, iii) the Company can identify payment terms and conditions for services to be transferred, iv) the contract has commercial substance, v) it is probable that the Company will be entitled to a consideration in exchange for the services that will be transferred to a customer.

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

Sales of Services

Revenue and other operating income are recognised when the service is performed, and the customer obtains control of that goods or services according to IFRS 15.

The Company is a holding managing its subsidiaries. From this, it also generates revenue which is recognised over time. Revenue is recognised equally during the period when a service is provided. The buyer receives and enjoys the benefits provided by the Company.

Within 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 tested for impairment.

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, assets under construction, and artworks, that are not depreciated and 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. 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 elements of lease. The Company recognises a lease liability and the right-of-use asset if it deems that the leased asset is identified, and when it controls the use of the asset. The Company depreciates the right-of-use assets, and attributes interests to the lease liabilities.

The Company follows exceptions allowed by the standard, namely for short-term leases with a lease term not exceeding 12 months and with no option to purchase, and for lower-valued leases, where the Company has taken into account new assets which do not individually exceed EUR 5 thousand. For these leases the Company recognises the lease payments as operating expenses on a straight-line basis, unless another systematic basis is more representative.

Variable lease payments which do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets. The related payments are recognised in the period to which they relate as operating expenses.

On the date of the commencement of the lease term, the lease liability is measured at the present value of future leases and discounted at interest rate implicit in the lease. If this rate cannot be readily determined, an incremental borrowing rate is used. The Company remeasures lease liability by discounting modified lease payments using modified discount rates if a lease term or assessment of the exercise of 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 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 or financial assets measured at fair value through other comprehensive income.

Non-derivative financial assets include cash and cash equivalents, loans, receivables, and investments in equity instruments. 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 I.

<u>i. Financial Assets at Fair Value Through Other Comprehensive Income</u>

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.

<u>ii. Financial Assets at Amortised Cost</u>

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 and cash and cash equivalents. 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). Loans and receivables 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 without significant financing component are initially recognized at transaction price.

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 measured at amortized cost.

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.

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.

I. IMPAIRMENT OF ASSETS

Financial Assets

According to IFRS 9, the Company uses the expected credit loss model. 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 (ECL) over the life of the asset. The Company calculates ECL using an internal impairment model, forming groups of receivables based on their exposure to credit risk (i.e., secured or unsecured receivables), maturity, and recoverability over the past five-year period, taking into account forward-looking information to assess whether actual losses due to current macroeconomic conditions may be higher or lower than past losses.

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: contractual payments being overdue for more than 90 days; default or breach 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.

Non-Financial Assets

At each reporting date, the Company reviews the carrying amount of its important non-financial assets to determine whether there is an indication of impairments. If any such indication exists, the recoverable value of the asset is estimated.

The recoverable value of assets or cash-generating units (CGU) is their value in use or fair value, less cost to sell, whichever is greater. In assessing value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of cash and the risks specific to the asset. For the purpose of the impairment test, assets that cannot be tested individually are classified as the smallest possible group of assets that generate cash inflows from further use and which are largely independent of the inflow of other assets or groups of assets (cash-generating units).

The impairment of an asset or CGU is recognised if 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.

J. DETERMINATION OF FAIR VALUE

Following the accounting policies of the Company, in many cases, the determination of the fair value of non-financial assets and financial assets is necessary, either to measure an individual asset (measurement method or business combination) or for additional fair value disclosure.

Fair value is the value achieved by selling the asset or paid by transferring the liability between two well-informed and willing parties in a regulated business transaction. The Company determines the fair value of financial instruments by taking into account the following fair value hierarchy:

- Level 1 comprises market prices in active markets for identical assets or liabilities;
- Level 2 comprises values other than market prices included within Level 1 that are observable either directly (prices for identical or similar assets or liabilities in markets that are less active or inactive) or indirectly (e.g. values derived from quoted prices in an active market, based on interest rates and yield curves, implied volatilities, and credit spreads);
- Level 3 comprises inputs for the asset or liability that are not based on observable market data. Unobservable inputs need to reflect the assumptions that market participants would use when determining a price for the asset or liability, including risk assumptions.

Methods for the determination of the fair value of individual groups of assets for measurements or reporting are given below.

Intangible Assets

The fair value of intangible assets is based on the method of discounted cash flows which are expected to arise from the use and possible disposal of the assets.

Property, Plant and Equipment

The fair value of property, plant and equipment is their market value. The market value of a property is equal to the estimated value at which the property could be sold on the date of valuation and after proper marketing. The market value of the equipment is based on the approach using quoted market prices for similar items. If there is no quoted market price, the method of discounted cash flows that are expected to arise from the use and possible disposal of the assets is used.

Financial Assets at Fair Value through Profit or Loss and Financial Assets at Fair Value through Other Comprehensive Income

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is determined by reference to the above fair value hierarchy for financial instruments.

Receivables and Loans Issued

The fair value of receivables and loans issued is calculated as the present value of future cash flows discounted at a market interest rate at the end of the period. The assessment considers credit risk connected to these financial assets.

Non-Derivative Financial Liabilities

For reporting purposes, the fair value is calculated based on the present value of future principal payments and interest discounted at the market interest rate at the end of the reporting period.

K. 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 programs.

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.

L. 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.

M. 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 liabilities from post-employment 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 authorised actuary. The provisions are reviewed periodically or when the assumptions used to determine the amount of provision change significantly.

Labour costs and interest expenses are recognized in the income statement, while the remeasurement of post-employment benefits or unrealised actuarial gains or losses from severance payments are recognized in other comprehensive income.

N. DEFERRED INCOME

Income from government and other grants is recognised when there is reasonable assurance that the Company will receive the funds and comply with the related conditions. Government and other grants received to cover expenses are recognized as reduction of the corresponding expenses. Grants received as compensation for assets are consistently recognized as income in the periods in which the related expenses, which the grants are intended to compensate, are incurred (income approach). Deferred income is expected to cover the estimated expenses over a period longer than one year.

O. STATEMENT OF CASH FLOWS

The statement of cash flows 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. NET SALES REVENUE

in EUR thousand	2024	2023
In Slovenia	19,582	16,961
In other countries	7	7
Net sales revenue	**19,589**	**16,968**

2. OPERATING EXPENSES

in EUR thousand	2024	2023
Cost of goods, materials and services	5,680	4,875
Labour costs	12,735	14,874
- wages and salaries	*10,081*	*11,966*
- social security costs	*1,685*	*2,004*
- other labour costs	*969*	*904*
Depreciation and amortisation costs	955	976
Other costs	292	242
Operating expenses	**19,662**	**20,967**

In 2024, the costs of annual report auditing amounted to EUR 37 thousand (2023: EUR 34 thousand). The costs for other authorised services amounted to EUR 1 thousand (2023: EUR 1 thousand). The costs for non-audit services amounted to EUR 67 thousand (2023: EUR 4 thousand).

Average Number of Employees by Level of Education

	2024	2023
Secondary vocational school	3.0	1.8
Secondary general school	8.7	6.8
1st cycle degree – Bachelor's degree	38.2	41.7
2nd cycle degree – Master's degree	59.4	65.3
3rd cycle degree – Doctoral degree	20.8	21.7
Total	**130.1**	**137.3**

3. OTHER OPERATING INCOME

in EUR thousand	2024	2023
Profit from sale of property, plant and equipment	9	202
Revenues from dividends (Notes 10 and 11)	108	2,904
Income from received subsidies	75	111
Profit on liquidation of a subsidiary	0	855
Other income	15	39
Other operating income	**207**	**4,111**

4. OTHER OPERATING EXPENSES

in EUR thousand	2024	2023
Expenses for donations and sponsorships	178	227
Impairment of investments (Note 10)	39,449	4,186
Other expenses	0	10
Other operating expenses	**39,627**	**4,423**

5. FINANCE INCOME

in EUR thousand	2024	2023
Interest income	5,606	4,836
Revenues from issued guarantees	1,590	1,770
Reversal of impairments of loans issued (Notes 12 and 14)	2,457	6,347
Exchange rate differences	13	0
Finance income	**9,666**	**12,953**

6. FINANCE EXPENSES

in EUR thousand	2024	2023
Interest expenses	5,212	3,452
Discounting of trade payables	572	758
Exchange rate differences	0	17
Other expenses	344	120
Finance expenses	**6,128**	**4,347**

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

7. INCOME TAX

in EUR thousand	2024	2023
(Loss) profit before tax	**(35,926)**	**4,160**
Tax at statutory tax rate 22% (2023: 19%)	(7,904)	790
Tax effects from:		
- non-taxable income	*(441)*	*(1,321)*
- tax non-deductible expenses	*8,816*	*802*
- tax relief	*(243)*	*(572)*
Income tax	**228**	**(301)**
Effective tax rate	**-0.63%**	**-7.24%**

8. INTANGIBLE ASSETS

Movement of Intangible Assets in 2024

in EUR thousand	Software	Assets under construction	Total
Cost as at 31 Dec 2023	**1,443**	**0**	**1,443**
New additions	0	9	**9**
Transfer from assets under construction	9	(9)	**0**
Cost as at 31 Dec 2024	**1,452**	**0**	**1,452**
Accumulated amortisation and impairment as at 31 Dec 2023	**(1,161)**	**0**	**(1,161)**
Amortisation	(164)	0	**(164)**
Accumulated amortisation and impairment as at 31 Dec 2024	**(1,325)**	**0**	**(1,325)**
Carrying amount as at 31 Dec 2023	**282**	**0**	**282**
Carrying amount as at 31 Dec 2024	**127**	**0**	**127**

The increase in intangible assets refers to purchase of software. On 31 December 2024, the Company's unsettled liabilities to suppliers for the purchase of intangible assets amounted to EUR 9 thousand (2023: EUR 5 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 2023

in EUR thousand	Software	Assets under construction	Total
Cost as at 31 Dec 2022	**1,398**	**2**	**1,400**
New additions	0	43	**43**
Transfer from assets under construction	45	(45)	**0**
Cost as at 31 Dec 2023	**1,443**	**0**	**1,443**
Accumulated amortisation and impairment as at 31 Dec 2022	**(980)**	**0**	**(980)**
Amortisation	(181)	0	**(181)**
Accumulated amortisation and impairment as at 31 Dec 2023	**(1,161)**	**0**	**(1,161)**
Carrying amount as at 31 Dec 2022	**417**	**2**	**419**
Carrying amount as at 31 Dec 2023	**282**	**0**	**282**

9. PROPERTY, PLANT AND EQUIPMENT

Movement of Property, Plant and Equipment in 2024

in EUR thousand	Land	Buildings	Equipment	Assets under construction	Total
Cost as at 31 Dec 2023	**717**	**5,297**	**4,350**	**0**	**10,364**
New additions	0	0	0	178	**178**
Transfer from assets under construction	0	4	174	(178)	**0**
Disposals	0	0	(97)	0	(97)
Change in lease agreements	0	(93)	0	0	**(93)**
Cost as at 31 Dec 2024	**717**	**5,208**	**4,427**	**0**	**10,352**
Accumulated depreciation and impairment as at 31 Dec 2023	**0**	**(1,991)**	**(2,701)**	**0**	**(4,692)**
Depreciation	0	(157)	(635)	0	**(792)**
Disposals	0	0	72	0	**72**
Depreciation of lease agreements	0	87	0	0	87
Other changes in depreciation	0	(51)	0	0	(51)
Accumulated depreciation and impairment as at 31 Dec 2024	**0**	**(2,112)**	**(3,267)**	**0**	**(5,379)**
Carrying amount as at 31 Dec 2023	**717**	**3,306**	**1,646**	**0**	**5,669**
Carrying amount as at 31 Dec 2024	**717**	**3,096**	**1,160**	**0**	**4,973**

The increase in property, plant and equipment results from the purchase of computer equipment, office furniture, and vehicles leasing. Disposals include sales of vehicles and computer equipment.

Items of property, plant and equipment are not pledged as security for liabilities. On 31 December 2024, the Company has EUR 2 thousand (2023: EUR 46 thousand) of outstanding liabilities for the purchase of property, plant and equipment. The Company did not capitalise borrowing costs in 2024 and 2023.

The Company reviewed the signs of impairment of property, plant, and equipment based on the performance valuation in 2024. The valuation of the recoverable amount of the property plant and equipment was carried out by a certified business appraiser with a Slovenian Institute of Auditors licence. The recoverable amount of the property plant and equipment was calculated as the fair value decreased by the cost of sale. The valuation was performed on a going concern basis (the value of the property, plant and equipment were evaluated as assets in the going concern). The following valuation methods were used to determine the recoverable amount of non-current assets:

1. Income Approach (Income Capitalisation Method)
The income capitalisation method involves assessing the value of expected cash flows from the use or possible sale of the property. This method is characterized by converting the amount of returns into evaluation where the capitalisation rate, the discount rate, or both are taken into account. The substitution principle requires that the revenue flow which gives the highest returns at a given level of risk yields to the most probable value. The key assumptions in the valuation using this method are the assumption of a permanent and stabilized return and the assumption that rentals will follow inflation.

2. Cost Approach (Replacement Value Method)
The replacement value method is based on the principle of replacement (substitution) and argues that a prudent person would not pay for goods or services more than the purchase value of equivalent goods or services without the complex factor of time, risk or inconvenience. This means that a prudent investor will not be willing to pay more for the valuated property than the cost of setting up an equivalent property. According to the replacement value method, it is necessary, when evaluating plants and equipment, to obtain new replacement values and reproduction costs for the valuated assets. In the market, it is necessary to identify the most suitable comparable asset with a known value from the producers or sellers or agents and based on these determine the new replacement value of the valuated assets.

3. Sales Comparison Approach (Transaction Comparison Method)
The transaction comparison method takes into account the sale of similar or substitute assets and relevant market data and determines the valuation through comparison procedures. Generally speaking, the assets being valued are compared to the sale of similar assets made on the market. It is essential that the transactions involve sales between unrelated parties. In this valuation method, a so-called direct sales comparison method was used.

Property
To determine the recoverable amount of the property, the income approach (income capitalisation method) and the sales comparison approach (transaction comparison method) were used.

The use of the *income capitalisation method* is dictated, in particular, by the fact that companies are less likely to buy comparable properties, as they prefer to lease them. The value of the property is determined based on future cash flows generated by leasing the property. The data used to estimate potential market rents and stabilized income are obtained by analysing actual lease transactions and the asking prices for renting comparable premises.

The *transaction comparison method* only makes sense in cases where there are sufficient transactions and sufficient quality and current data of comparable real estate. This valuation method was used in the valuation of an apartment and a building land in Celje.

The carrying amount of the properties was compared with the estimated recoverable amount of the property, determined based on fair value less costs of sale. The comparison showed that no impairment is necessary.

Plant and Equipment
To evaluate the recoverable amount of plant and equipment, the *cost* and *sales comparison approaches* were used. The evaluated assets primarily relate to transportation equipment and computer and hardware equipment. On the valuation day, they are in working order, well maintained, regularly serviced, some of them also overhauled. They are all located in Ljubljana, on the territory of the Company. The valuation took into account the physical, functional and economic wear and tear.

A comparison of the determined recoverable amount of each evaluated plant and equipment with its carrying amount revealed that no impairment of plant and equipment is necessary, as the recoverable amount of each evaluated device exceeds its carrying amount.

Movement of Property, Plant and Equipment in 2023

in EUR thousand	Land	Buildings	Equipment	Assets under construction	Total
Cost as at 31 Dec 2022	**717**	**5,296**	**4,340**	**10**	**10,363**
New additions	0	0	0	454	**454**
Transfer from assets under construction	0	1	463	(464)	**0**
Disposals	0	0	(453)	0	**(453)**
Cost as at 31 Dec 2023	**717**	**5,297**	**4,350**	**0**	**10,364**
Accumulated depreciation and impairment as at 31 Dec 2022	**0**	**(1,823)**	**(2,397)**	**0**	**(4,220)**
Amortisation and depreciation	0	(168)	(627)	0	**(795)**
Disposals	0	0	320	0	**320**
Accumulated depreciation and impairment as at 31 Dec 2023	**0**	**(1,991)**	**(2,704)**	**0**	**(4,695)**
Carrying amount as at 31 Dec 2022	**717**	**3,473**	**1,943**	**10**	**6,143**
Carrying amount as at 31 Dec 2023	**717**	**3,306**	**1,646**	**0**	**5,669**

The 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 2024 and 2023

in EUR thousand	2024	2023
Cost as at 31 Dec 2023/2022	**1,920**	**1,967**
New additions	75	334
Termination of lease agreements	(139)	(381)
Cost as at 31 Dec 2024/2023	**1,856**	**1,920**
Accumulated depreciation and impairment as at 31 Dec 2023/2022	**(756)**	**(612)**
Amortisation and depreciation	(397)	(414)
Termination of lease agreements	64	270
Accumulated depreciation and impairment as at 31 Dec 2024/2023	**(1,089)**	**(756)**
Carrying amount as at 31 Dec 2023/2022	**1,164**	**1,355**
Carrying amount as at 31 Dec 2024/2023	**767**	**1,164**

The Company has cars under lease. Average lease term is three years (2023: 4 years). Analysis of the maturity of lease liabilities and the lowest sum of future lease payments are described in Notes 19 and 21. In 2024, the interest expenses for lease liabilities amounted to EUR 30 thousand (2023: EUR 37 thousand) and were fully repaid.

The Company follows exceptions allowed by the standard, namely for short-term leases, and for lower-valued leases. In 2024, the total cost of leases amounted to EUR 185 thousand (2023: EUR 131 thousand).

10. INVESTMENTS IN SUBSIDIARIES

in EUR thousand	31 Dec 2024	31 Dec 2023
SIJ ACRONI	111,337	111,337
SIJ METAL RAVNE	51,114	84,214
GRIFFON & ROMANO	0	0
RSC HOLDING	31,545	31,545
NIRO WENDEN	0	0
SIJ STORITVE	505	505
ODPAD	5,581	5,581
SIJ SUZ	616	616
SIJ ZIP CENTER	68	68
SIJ RAVNE SYSTEMS	2,930	2,519
SIJ AMERICAS	2,670	2,670
SSG	0	0
ADDITHERM	5,902	5,902
SIJ MIDDLE EAST	2	2
Investments in subsidiaries	**212,270**	**244,959**

In December 2024, the Company provided its subsidiary SIJ RAVNE SYSTEMS with an additional contribution totalling EUR 6,760 thousand. Due to the additional payment, the registered capital of the subsidiary nor the existing share of the member did not increase.

In the first half of 2024, an application to initiate a liquidation of SSG (RU) was submitted.

In 2024, the Company did not receive any dividends (2023: EUR 2,797 thousand).

Information on Subsidiaries as at 31 December 2024

in EUR thousand	Activity	% of voting rights 2024/2023	Value of equity as at 31 Dec 2024	Profit (loss) for the period ending 31 Dec 2024
Parent company of the Group				
SIJ – Slovenska industrija jekla, d.d., Gerbičeva ulica 98, Ljubljana, Slovenia	Activities of head offices		231,027	(36,154)
SIJ – subsidiaries				
SIJ ACRONI d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Steel production	100	185,713	(13,981)
SIJ METAL RAVNE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Steel production	100	47,836	(31,611)
SIJ STORITVE d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Other business and management consulting	100	(228)	(84)
SIJ SUZ d.o.o., Cesta Borisa Kidriča 44, Jesenice, Slovenia	Drawn wires production	100	4,699	(385)
SIJ ZIP CENTER d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Education and training of the disabled	100	687	66
ODPAD d.o.o. Pivka, Velika Pristava 23, Pivka, Slovenia	Recovery of secondary raw materials from scrap	74.9	12,400	405
NIRO WENDEN GmbH, Glück-Auf-Weg 2, Wenden, Germany	Steel cutting, engineering and trade	85	(90)	(1,205)
GRIFFON & ROMANO S.P.A., Via Dossetti 11, Loc. Casinello de Dosso, Itay	Heat processing and special steel trade	100	3,470	(1,586)
SIJ RAVNE SYSTEMS d.o.o., Koroška cesta 14, Ravne na Koroškem, Slovenia	Metallurgic machines production	100	5,285	(3,651)
SIJ AMERICAS Inc., River Center Building 1, 331 Newman Springs Road Suite, 104, Red Bank, New Jersey, USA	Trade	100	7,292	1,703
ADDITHERM d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Scientific and technical research	51	5,584	188
RSC HOLDING d.o.o., Litostrojska cesta 60, Ljubljana, Slovenia	Holding company	51	50,774	2,147
SIJ MIDDLE EAST- FZCO, DSO-IFZA, IFZA Properties, Dubai Silicon Oasis, Dubai, United Arab Emirates	Trade	100	105	340

As part of the preparation of the annual report for 2024, the Company performed an impairment test for the investments into SIJ RAVNE SYSTEMS and SIJ METAL RAVNE for which the examination of indications of impairment under IAS 36 showed the need for impairment.

The valuation of the recoverable amount of the investments was carried out by a business appraiser certified by the 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. Investment 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 present value 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 of 31 December 2024 showed that the investment in SIJ RAVNE SYSTEMS should be impaired by EUR 6,349 thousand, ant the investment in SIJ METAL RAVNE by EUR 33,100 thousand. The determination of the recoverable amount for 2023 and 2024 is given below.

Review of the Determination of the Recoverable Amount for 2024

Subsidiary	Financial year	Indications of impairment	Determination of recoverable amount	Material assumptions used: Valuation date	Projection of operations	Discount rate (WACC)	Long-term growth rate	Target EBITDA margin	Revenue growth	Sensitivity analysis: Recoverable amount (in EUR thousand)	Upper bound of the range (in EUR thousand)	Change in discount rate (WACC) +/–0.5% (in EUR thousand)	Change in long-term growth rate +/–0.5% (in EUR thousand)	Impairment loss (in EUR thousand)	Value of investment after being impaired (in EUR thousand)
SIJ RAVNE SYSTEMS (Manufacturing Division)	2024	The company ended 2024 with loss.	A	31 Dec 2024	2025–2030	9.03% until 2028 8.83% from 2029 onwards	2.36%	in 2025 4.0%. in 2026 4.5%. in 2027 4.7%. From 2028 on 4.8%.	In the first year, 22.0% due to a change in business model, following with 3.0% in 2026 and 2027, 5% in 2028, and 2.4% from 2024 onwards.	2,578	2,930	-225/+219	+154/-158	6,349	2,930
SIJ METAL RAVNE (Steel Division)	2024	The company ended 2024 with loss.	A	31 Dec 2024	2025–2030	8.95% until 2028 8.75% from 2029 onwards	2.36%	in 2025 7.6%. in 2026 10.2%. in 2027 10.4%. in 2028 10.6%. From 2029 on 10.5%.	in the first year 11.8%, following with 7.4 % in 2026, in 2027 4.7%. In 2028 5.0% and from 2029 on 2.4%.	49,102	51,114	-2,346/+2,273	+1,645/-1,697	33,100	51,114

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 2023

Subsidiary	Financial year	Indications of impairment	Determination of recoverable amount	Material assumptions used: Valuation date	Projection of operations	Discount rate (WACC)	Long-term growth rate	Target EBITDA margin	Revenue growth	Sensitivity analysis: Recoverable amount (in EUR thousand)	Upper bound of the range (in EUR thousand)	Change in discount rate (WACC) +/–0.5% (in EUR thousand)	Change in long-term growth rate +/–0.5% (in EUR thousand)	Impairment loss (in EUR thousand)	Value of investment after being impaired (in EUR thousand)
SIJ RAVNE SYSTEMS (Manufacturing Division)	2023	The company ended 2023 with loss.	A	31 Dec 2023	2024–2037	9.20%	2.00%	6.0% from 2034 onwards.	CAGR 0.7%	2,508	2,726	+331/-340	+138/-148	4,197	2,508

A – Valuation of the fair value less cost of sale by using the method of present value of the estimated free cash flows.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in EUR thousand	31 Dec 2024	31 Dec 2023
Investments and shares in companies	1,464	1,298
Financial assets at fair value through other comprehensive income	**1,464**	**1,298**

Finance assets measured at fair value through other comprehensive income represent shares of Slovenian insurance company with intends to receive cash flows from dividends and from sale of shares. Financial assets at fair value through other comprehensive income are measured at fair value. Due to the revaluation of shares at higher fair value, the value of the financial asset increased by EUR 166 thousand (2023: decrease by EUR 2 thousand). In 2024 and 2023, there was no decrease from sale of assets. In 2024, the Company received dividends totalling EUR 108 thousand (2023: EUR 107 thousand).

12. NON-CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec 2024	31 Dec 2023
Loans issued	83,846	80,800
Non-current financial receivables	**83,846**	**80,800**

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 51,162 thousand (2023: EUR 48,063 thousand), and the related non-current interest to EUR 12,838 thousand (2023: EUR 9,563 thousand). Loans issued to the majority shareholder will be repaid from dividends in accordance with the Group's long-term business projections and are conditional on the Group achieving leverage of less than 3.75. Minimum dividends may always be paid if the conditions laid down in the applicable legislation are met. Loans issued to subsidiaries amount to EUR 19,361 thousand (2023: EUR 23,109 thousand), and the related non-current interest to EUR 485 thousand (2023: EUR 65 thousand). The subsidiaries 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 2.55 and 7.03% (2023: from 1.60 to 5.92%). The loans issued are not pledged as security for liabilities.

Movement of Non-Current Loans Issued

in EUR thousand	2024	2023
Balance as at 1 Jan	**80,800**	**69,290**
Loans issued	0	13,600
Exchange rate differences	3	(7)
Change in interest receivables	3,695	2,561
Reclassification to current loans issued	(649)	(4,642)
(Creation) of impairments	(3)	(2)
Balance as at 31 Dec	**83,846**	**80,800**

13. DEFERRED TAX ASSETS AND LIABILITIES

in EUR thousand	31 Dec 2024	31 Dec 2023
Deferred tax assets	1,377	1,383
Deferred tax liabilities	(134)	(97)
Deferred tax assets (liabilities), net	**1,243**	**1,286**

Movement of Deferred Tax Assets and Liabilities in 2024

in EUR thousand	31 Dec 2023	Changes in profit and loss	Changes in the comprehensive income	31 Dec 2024
Financial assets at fair value through comprehensive income	(97)	0	(37)	(134)
Deferred tax liabilities	**(97)**	**0**	**(37)**	**(134)**
Unused tax losses	1,143	0	0	1,143
Employee benefits	210	0	0	210
Trade receivables	30	(6)	0	24
Deferred tax assets	**1,383**	**(6)**	**0**	**1,377**
Deferred tax assets (liabilities), net	**1,286**	**(6)**	**(37)**	**1,243**

On 31 December 2024, the total unused tax loss amounts to EUR 35,682 thousand (2023: EUR 36,738 thousand). The value of unused tax losses for which deferred tax assets are not recognised amounted to EUR 30,484 thousand (2023: EUR 31,540 thousand), while unrecognised deferred tax assets amounted to EUR 6,707 thousand (2023: EUR 6,938 thousand).

Movement of Deferred Tax Assets and Liabilities in 2023

in EUR thousand	31 Dec 2022	Changes in profit and loss	Changes in the comprehensive income	31 Dec 2023
Financial assets at fair value through comprehensive income	(95)	0	(2)	(97)
Deferred tax liabilities	**(95)**	**0**	**(2)**	**(97)**
Unused tax losses	1,118	25	0	1,143
Employee benefits	70	140	0	210
Trade receivables	0	30	0	30
Deferred tax assets	**1,188**	**195**	**0**	**1,383**
Deferred tax assets (liabilities), net	**1,093**	**195**	**(2)**	**1,286**

14. CURRENT FINANCIAL RECEIVABLES

in EUR thousand	31 Dec 2024	31 Dec 2023
Loans issued	43,815	58,814
Other	425	541
Current financial receivables	**44,240**	**59,355**

Current financial receivables refer to loans issued to the subsidiaries and approved for their liquidity purposes. Loans issued to subsidiaries amount to EUR 43,580 thousand (2023: EUR 54,781 thousand), and the related interest to EUR 236 thousand (2023: EUR 216 thousand). The subsidiaries will repay them from current liquidity. In 2024, the all loans issued to the majority shareholder and the related interest are recognised under non-current operating receivables. In 2023, the loans issued to the majority shareholder amounted to EUR 3,099 thousand, and the related interest to EUR 717 thousand.

The interest rates for loans issued are fixed as well as flexible and vary between 1.60 and 7.03% (2023: from 1.60 to 8.02%). The loans issued are not pledged as security for liabilities.

Movement of Current Loans Issued

in EUR thousand	2024	2023
Balance as at 1 Jan	**58,814**	**55,502**
Loans issued	27,805	70,972
Repayment of loans issued	(45,225)	(78,283)
Exchange rate differences	10	(5)
Change in interest receivables	(698)	(363)
Transfer from non-current loans issued	649	4,642
Reversal of impairments	2,460	6,349
Balance as at 31 Dec	**43,815**	**58,814**

15. CURRENT TRADE RECEIVABLES

in EUR thousand	31 Dec 2024	31 Dec 2023
Trade receivables	5,942	955
Allowances for trade receivables	(95)	(123)
Issued advance payments and cautions	8	24
Other receivables	74	64
Current trade receivables	**5,929**	**920**

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	2024	2023
Balance as at 1 Jan	**(123)**	**(2)**
Changes with impact on profit or loss	28	(121)
Balance as at 31 Dec	**(95)**	**(123)**

16. CASH AND CASH EQUIVALENTS

in EUR thousand	31 Dec 2024	31 Dec 2023
Cash in national currency	62	913
Cash and cash equivalents	**62**	**913**

Cash in national currency includes cash in a current account. On 31 December 2024 the Company had no deposits with up to 3-month maturity (2023: EUR 0 thousand).

17. EQUITY

in EUR thousand	31 Dec 2024	31 Dec 2023
Share capital	145,266	145,266
Capital surplus	11,461	11,461
Other equity reserves	8,838	8,838
Fair value reserves	529	368
Retained earnings	64,933	101,087
Equity	**231,027**	**267,020**

The share capital is recognised amounting to 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 2024.

In 2024, the Company did not pay any dividends (2023: EUR 5,812 thousand).

Ownership Structure

Shareholder	Number of shares 31 Dec 2024	Number of shares 31 Dec 2023
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 2024	31 Dec 2023
Legal reserves	11,093	11,093
Treasury shares	(6,009)	(6,009)
Reserves for treasury shares	3,754	3,754
Other equity reserves	**8,838**	**8,838**

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.

It is In 2024, the Company stated net loss and did not create legal reserves (2023: EUR 223 thousand).

Fair Value Reserves

in EUR thousand	31 Dec 2024	31 Dec 2023
Fair value reserve due to financial assets at fair value through comprehensive income	662	492
Deferred tax liabilities	(134)	(93)
Net actuarial losses on pension programs	1	(31)
Fair value reserves	**529**	**368**

Distributable Profit

in EUR thousand	31 Dec 2024	31 Dec 2023
Retained earnings	101,087	96,849
(Loss) profit for the period	(36,154)	4,461
Creation of legal reserves	0	(223)
Distributable profit	**64,933**	**101,087**

18. EMPLOYEE BENEFITS

in EUR thousand	31 Dec 2024	31 Dec 2023
Provisions for severance pay	949	862
Provisions for jubilee benefits	113	91
Employee benefits	**1,062**	**953**

The actuarial calculation in 2024 and 2023 was made on the basis of the actuarial model and assumptions, derived from the life expectancy tables in Slovenia from 2007, separately for men and women, decreased by 10 percent (active population), growth of wages in the Republic of Slovenia and in the Company, and the yield curve, which represents the relationship between market yields on government bonds in the Eurozone and the time remaining to maturity. The average discount rate considered in the calculations was 3.2 percent (2023: 3.1%).

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 2024

in EUR thousand	31 Dec 2023	Creation	Reversal	31 Dec 2024
Provisions for severance pay	862	87	0	949
Provisions for jubilee benefits	91	22	0	113
Employee benefits	**953**	**109**	**0**	**1,062**

Movement of Employee Benefits in 2023

in EUR thousand	31 Dec 2022	Creation	Reversal	31 Dec 2023
Provisions for severance pay	784	78	0	862
Provisions for jubilee benefits	97	0	(6)	91
Employee benefits	**881**	**78**	**(6)**	**953**

Sensitivity Analysis of Actuarial Assumptions for 2024 and 2023

in EUR thousand		31 Dec 024		31 Dec 2023	
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	(37)	(4)	(41)	(3)
	–0.5	40	4	45	3
Salary growth	+0.5	40	4	45	4
	–0.5	(37)	(4)	(41)	(4)
Fluctuation	+0.5	(39)	(4)	(43)	(3)
	–0.5	23	3	28	3

19. NON-CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec 2024	31 Dec 2023
Borrowings	3,996	3,500
Liabilities for bonds issued (SIJ8)	39,921	18,920
Liabilities from lease	216	587
Non-current financial liabilities	**44,133**	**23,007**

Movement of Non-Current Borrowings

in EUR thousand	2024	2023
Balance as at 1 Jan	**3,500**	**999**
New borrowings	5,000	5,000
Transfer to current borrowings	(4,500)	(2,500)
Amortisation of origination fee	(4)	1
Balance as at 31 Dec	**3,996**	**3,500**

Liabilities for Bonds Issued

The Company issued bonds with the ticker symbol of SIJ8 with the total nominal value of EUR 19,000 thousand in November 2023. In November 2024 it issued, through a further issue, additional bonds with the ticker symbol of SIJ8 with a total nominal value of EUR 22,100 thousand. The entire bond issue contains 221 denominations of EUR 100 thousand. The bond maturity date is 2 November 2026. The interest rate for the bonds is fixed, i.e. 7.0% per annum. If the sustainability conditions are not met, a surcharge of 0.3% per annum applies. Interest is accrued annually in arrears. The nominal value of the principal falls due, in full and in a single amount, on the maturity of the bond.

Borrowings include borrowings from commercial banks. Borrowings are secured with bills. The Company fully complies with the liabilities and conditions stated in loan contracts.

Movement of Non-Current Liabilities Arising from Lease

in EUR thousand	2024	2023
Balance as at 1 Jan	**587**	**780**
New leases	75	333
Transfer to current liabilities from lease	(446)	(526)
Balance as at 31 Dec	**216**	**587**

The lowest sum of future leases due for payment in the next 1 to 5 years amounts to EUR 224 thousand (2023: EUR 607 thousand).

The net present value of future leases due for payment in the next 1 to 5 years, amounts to EUR 216 thousand (2023: EUR 587 thousand).

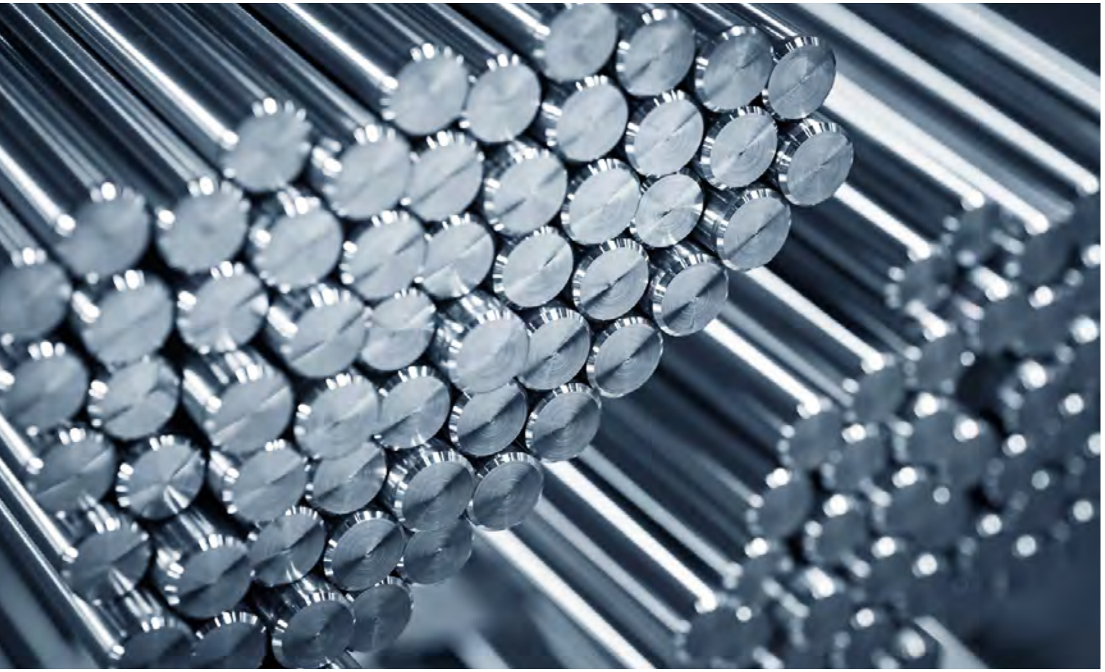
20. NON-CURRENT OTHER LIABILITIES

in EUR thousand	2024	2023
Liabilities for contingent and deferred contribution	10,361	10,990
Non-current other liabilities	**10,361**	**10,990**

Pursuant to the shareholders' agreement, the Company recognised an obligation to pay contingent consideration to grant RSC HOLDING a loan on market terms. The loan must be issued within 3 months after the general meeting resolution for the year in which the indicator set out in the shareholders' agreement will be exceeded. The obligation is valid for the period from 2023 to 2024. If the indicator set out in the shareholder's agreement will be exceeded in the period from 2025 to 2027, the Company will convert the principal and interest into the capital of the subsidiary as a subsequent payment without the right to demand the return of such subsequent payment.

Pursuant to the shareholders' agreement, the Company also recognised an obligation to pay deferred consideration to grant ADDITHERM additional subsequent payments, executed within 5 years. Subsequent payments will be executed in equal annual installments based on the resolution concluded by both members every time the liability will fall due.

Changes in the fair value of the obligation to pay contingent consideration due to new information that will relate to changes in events after the acquisition date will be recognised in profit or loss.



21. CURRENT FINANCIAL LIABILITIES

in EUR thousand	31 Dec 2024	31 Dec 2023
Borrowings	61,121	38,355
Liabilities for bonds issued (SIJ6)	0	47,951
Liabilities from lease	378	412
Other current financial liabilities	837	522
Current financial liabilities	**62,336**	**87,240**

Current borrowings include loans from banks and companies of the Group. The interest rates for borrowings and leases are fixed as well as flexible. Borrowings are secured with bills and a guarantee. The Company fully complies with the liabilities stated in loan contracts. Within the provisions of financial agreements, the Company is obliged to fulfil contractually determined financial commitments. The challenging business conditions of the Group in 2024 have resulted in a deviation from achieving the contractually defined financial indicators. The Company received a covenant waiver from a bank for the period ending on 31 December 2024.

The Company repaid the bonds with the ticker symbol SIJ6, amounting to EUR 48,000 thousand, on the maturity day in November 2024.

Movement of Current Borrowings

in EUR thousand	2024	2023
Balance as at 1 Jan	**38,355**	**25,418**
New borrowings	107,054	123,108
Repayments of borrowings	(88,733)	(104,220)
Transfer from non-current borrowings	4,500	2,500
Amortisation of origination fee	(55)	(1)
Liquidation of subsidiary	0	(8,450)
Balance as at 31 Dec	**61,121**	**38,355**

Movement of Current Liabilities Arising from Lease

in EUR thousand	2024	2023
Balance as at 1 Jan	**412**	**366**
Repayments of liabilities arising from lease	(420)	(480)
Transfer from non-current liabilities arising from lease	446	526
Other changes	(60)	0
Balance as at 31 Dec	**378**	**412**

The lowest sum of future leases due for payment in the next financial year amounts to EUR 393 thousand on 31 December 2024 (2023: EUR 441 thousand), and the net present value of future leases amounts to EUR 378 thousand on the same date (2023: EUR 412 thousand).

22. CURRENT TRADE PAYABLES

in EUR thousand	31 Dec 2024	31 Dec 2023
Payables to suppliers	2,314	2,204
Liabilities to employees	438	443
Tax liabilities and other liabilities	1,043	807
Current trade payables	**3,795**	**3,454**

23. CURRENT OTHER LIABILITIES

in EUR thousand	31 Dec 2024	31 Dec 2023
Accrued expenses for unused annual leave	357	481
Liabilities for severance pay	305	0
Current portion of liability for deferred contribution (Note 20)	1,200	2,400
Other liabilities	206	15
Current other liabilities	**2,068**	**2,896**

24. CONTINGENT LIABILITIES

Contingent liabilities for issued guarantees amount to EUR 211,901 thousand on 31 December 2024 (2023: EUR 194,637 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 Shareholder

in EUR thousand	2024	2023
Revenue	2,559	2,651

in EUR thousand	31 Dec 2024	31 Dec 2023
Receivables	64,016	61,457

Transactions with Subsidiaries

in EUR thousand	2024	2023
Revenue	24,323	24,637
Expenses	1,451	1,282

in EUR thousand	31 Dec 2024	31 Dec 2023
Receivables	81,917	93,945
Liabilities	24,968	22,163

Transactions with Other Related Companies

in EUR thousand	2024	2023
Revenue	3	20
Expenses	127	125

in EUR thousand	31 Dec 2024	31 Dec 2023
Receivables	2	2
Liabilities	7,506	7,833

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	2024	2023
Key management personnel	5,105	6,895
Members of the Supervisory Board	179	178

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

In 2024, 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 2024, the Company has no receivables or liabilities towards the key management personnel, except for liabilities for December salaries paid January 2025.

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 2024			31 Dec 2023		
	Gross amount	Impairment	Total	Gross amount	Impairment	Total
Group 1	128,412	(34)	**128,378**	135,260	(36)	**135,224**
Group 3	11,595	(11,886)	**291**	19,236	(14,343)	**4,893**
TOTAL	**140,007**	**(11,920)**	**128,087**	**154,496**	**(14,379)**	**140,117**

Age Structure of Financial Assets

in EUR thousand		Overdue				
31 Dec 2024	Not-overdue	Up to 3 months	3 months to 1 year	1 year to 3 years	Over 3 years	Total
Trade receivables	3,820	1,520	506	96	0	**5,942**
Financial receivables and deposits	139,997	0	0	10	0	**140,007**
Total	**143,817**	**1,520**	**506**	**106**	**0**	**145,949**

in EUR thousand		Overdue				
31 Dec 2023	Not-overdue	Up to 3 months	3 months to 1 year	1 year to 3 years	Over 3 years	Total
Trade receivables	794	43	118	0	0	**955**
Financial receivables and deposits	154,521	1	10	0	0	**154,532**
Total	**155,315**	**44**	**128**	**0**	**0**	**155,487**

Movement of Allowances for Financial Assets

in EUR thousand	Allowance as at 31 Dec 2023	Changes with impact on profit or loss	Changes without impact on profit or loss	Allowance as at 31 Dec 2024
Trade receivables	123	(28)	0	95
Financial receivables and deposits	14,376	(2,456)	0	11,920
Total	**14,499**	**(2,484)**	**0**	**12,015**

in EUR thousand	Allowance as at 31 Dec 2022	Changes with impact on profit or loss	Changes without impact on profit or loss	Allowance as at 31 Dec 2023
Trade receivables	2	121	0	123
Financial receivables and deposits	20,725	(6,349)	0	14,376
Total	**20,727**	**(6,228)**	**0**	**14,499**

Liquidity Risk

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

- through centralised management of liquidity across the Group's companies.
- by actively planning and managing cash flows on a daily, monthly and annual basis,
- by maintaining a liquidity reserve in the form of approved credit lines with various commercial banks,
- by ensuring appropriate maturity and diversification of financial debt, and by financing within the Group,
- by reconciling the maturity of receivables and payables on an ongoing basis, and by optimising working capital,
- by consistently collecting overdue receivables.

Special attention is paid to preparing various liquidity scenarios and working capital projections. The Company continuously monitors and plans the liquidity resources management of the companies in the Group.

Financial liabilities refer to liabilities to companies of the Group, liabilities to banks and liabilities for bonds issued, totalling EUR 41,100 thousand. Within the provisions of financial agreements, the Group is obliged to fulfil contractually determined financial commitments. The challenging business conditions of the Group in 2024 have resulted in a deviation from achieving the contractually defined financial indicators. The Company received a covenant waiver from a bank for the period ending on 31 December 2024.

in EUR thousand		Expected cash flows				
31 Dec 2024	Carrying amount	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Payables to suppliers	2,314	2,296	7	11	0	**2,314**
Financial liabilities	106,469	15,284	47,051	44,134	0	**106,469**
Other liabilities, w/o liabilities to the state and employees and advanced payments	10,361	0	0	10,361	0	**10,361**
Total liabilities	**119,144**	**17,580**	**47,058**	**54,506**	**0**	**119,144**

in EUR thousand		Expected cash flows				
31 Dec 2023	Carrying amount	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Payables to suppliers	2,204	2,192	10	2	0	**2,204**
Financial liabilities	110,248	15,766	74,765	25,921	0	**116,452**
Other liabilities, w/o liabilities to the state and employees and advanced payments	10,990	0	0	10,990	0	**10,990**
Total liabilities	**123,442**	**17,958**	**74,775**	**36,913**	**0**	**129,646**

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 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Trade receivables	15	12	0	28
Financial receivables	165	333	0	0
Trade payables	(15)	(17)	0	(65)
Exposure	165	328	0	(37)

In 2024 and 2023, the following exchange rates were material for the Company:

Currency	31 Dec 2024	31 Dec 2023	Average exchange rate in 2024	Average exchange rate in 2023
EUR / USD	1.0389	1.1050	1.0824	1.0813
EUR / AED	3.8794	4.0141	3.9922	3.9651

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. High interest rates in the financial markets in 2024 have placed additional pressure on cash flows and have an adverse impact on the Company's operations. The Company effectively manages interest rate risk by maintaining a diversified portfolio of financial liabilities with both fixed and variable interest rates, as well as by regularly and actively monitoring financial market conditions.

A change in interest rate by 100 or 50 basis points on the reporting date would result in a decrease of profit or loss by the amounts stated below. The analysis assumes that all other variables remain unchanged. The analysis for 2023 was prepared in the same manner.

In 2023, 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 250 thousand.

In 2024, considering the Company's exposure to the interest risk, the exposure slightly increased as a change in interest rate by 100 or 50 basis points would result in a change of profit or loss by less than EUR 350 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 2024, 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	2024	Debt increase by 10%	Debt decrease by 10%
Level of debt on equity	39.36	43.30	35.43
Equity	270,476	270,476	270,476
Financial liabilities	106,469	117,115	95,822

Carrying Amounts and Fair Values of Financial Instruments

Presentation of Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

in EUR thousand	31 Dec 2024		31 Dec 2023	
Type of financial instrument	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,463	1,463	1,298	1,298
Financial receivables	128,086	128,086	140,154	140,154
Trade receivables	5,929	5,929	920	920
Cash and cash equivalents	62	62	913	913
Financial liabilities	(106,469)	(106,469)	(110,248)	(110,248)
Trade payables	(14,156)	(14,156)	(14,444)	(14,444)

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

in EUR thousand	31 Dec 2024	31 Dec 2023
Financial assets at fair value through other comprehensive income	1,059	894
Financial assets at fair value of first level	**1,059**	**894**
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	(39,991)	(66,871)
Financial liabilities at fair value of second level	**(39,991)**	**(66,871)**
Borrowings	(65,191)	(41,855)
Leases	(593)	(999)
Other financial liabilities	(69)	(523)
Financial liabilities at fair value of third level	**(65,853)**	**(43,377)**

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 2024 and 2023, there were no transfers of financial instruments between different levels.

EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that could influence the presented financial statements.

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Layout and implementation: Media Vox d.o.o., Andreja Trbuha Kukec
Photo credits: arhiv Skupine SIJ
Published: May 30, 2025