

A background image showing an industrial setting, likely a steel mill. On the left, a large, glowing orange-red furnace or ladle is visible. On the right, a blue-tinted image shows a worker in a hard hat and safety gear standing near a large piece of machinery or a conveyor belt. The overall scene is dimly lit, with the primary light source being the furnace on the left.

# SIJ – environment responsibility as an element of sustainable development strategy of the company

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Director Purchasing**

**Ljubljana, Oktober 2014**

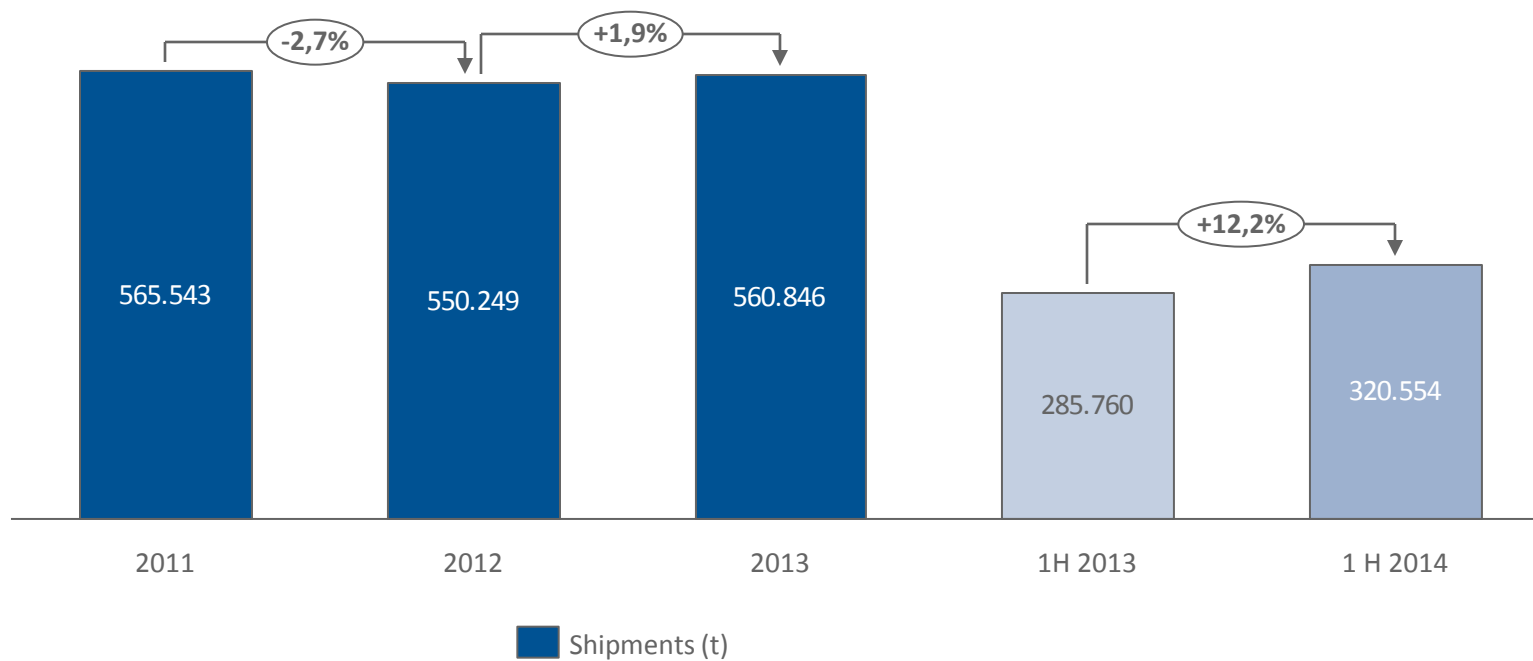
## SIJ GROUP

Steel divison	Scrap division	Distribution & Processing Division	Manufacturing Division	Non-core & Headquarters
<ul style="list-style-type: none"> <li>• Acroni</li> <li>• Metal Ravne</li> </ul>	<ul style="list-style-type: none"> <li>• Odpad Pivka</li> <li>• Dankor Osijek (HR)</li> <li>• Metal - Eko Sistem (RS)</li> <li>• Top Metal (BA)</li> </ul>	<ul style="list-style-type: none"> <li>• Ravne Steel Center</li> <li>• Ravne Steel Deutschland</li> <li>• Sidertoce (IT)</li> <li>• Griffon&amp;Romano Group (IT)</li> <li>• KOPO Int. (US)</li> </ul>	<ul style="list-style-type: none"> <li>• Noži Ravne</li> <li>• Elektrode</li> <li>• SUZ Jesenice</li> <li>• Serpa</li> </ul>	<ul style="list-style-type: none"> <li>• ZIP center</li> <li>• Železarna Jesenice</li> <li>• SIJ, Obdelava jekla</li> <li>• SIJ, d. d</li> </ul>



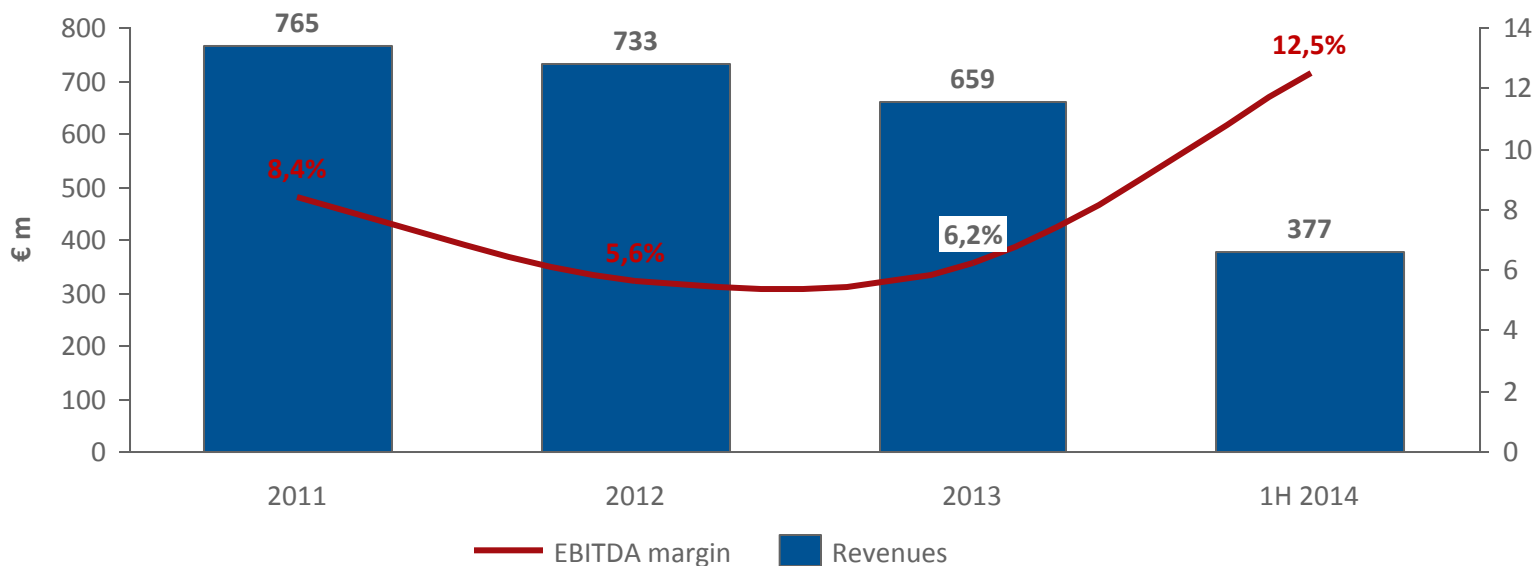
## Volume data for Group SIJ

	2011	2012	2013	1H2014
Production of crude steel (t) (Steel division)	488.440	494.123	468.761	240.705
Shipments (t) (total Group)	565.543	550.249	560.846	320.554



## Group SIJ – better results in 1H14 due to programme structure improvement

	2011	2012	2013	1H 2014
Revenues	764.977.836	732.549.967	658.653.447	377.032.500
EBITDA	64.193.568	41.319.944	40.785.962	47.004.696



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## Steel is the only 100% recyclable material

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**In 2013, the world steel industry produced 1,6 billion tonnes of crude steel.**



Years	Average Growth Rates % per annum
1970-75	1,6
1975-80	2,2
1980-85	0,1
1985-90	1,4
1990-95	-0,5
1995-00	2,4
2000-05	6,2
2005-10	4,5
2010-13	3,9

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## Steel is a cornerstone and key driver for the world economy.

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It directly employs more than two million people, and is a source of employment for more than 50 million people worldwide.

Steel is at the core of the green economy, in which economic growth and environmental responsibility work hand in hand. It is the main material used in delivering renewable energy and is 100% recyclable.

Steel is everywhere in our lives. No other material has the same unique combination of strength, formability and versatility.

Steel is an innovative and progressive industry committed to the safety and health of its people.

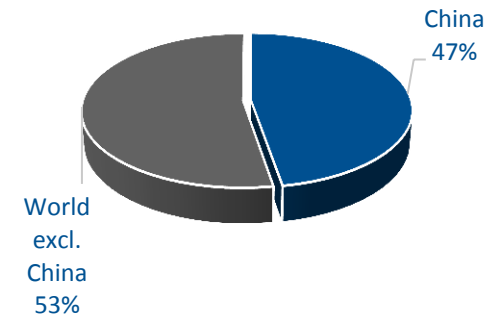
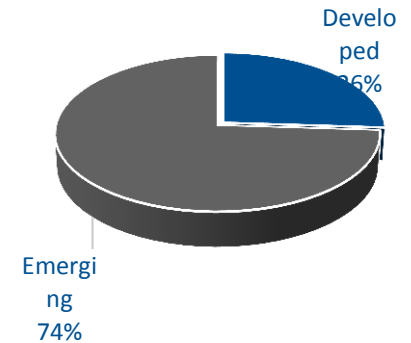
Life cycle thinking: New solutions for new times. LCA considers production, manufacture, use phase and end of life recycling and disposal.



## Developed economies starting to contribute to steel demand growth again

Regions	Apparent Steel Use, megatonnes			Growth Rates, %		
	2013	2014 (f)	2015 (f)	2013	2014 (f)	2015 (f)
European Union	139	143	148	-0,2	3,1	3,0
Other Europe	37	38	40	8,5	3,9	4,2
CIS	59	59	62	2,2	1,1	3,7
NAFTA	129	134	139	-2,4	3,8	3,4
Central and South America	49	51	52	4,3	3,4	2,7
Africa	29	30	33	9,8	4,8	8,4
Middle East	48	51	55	-1,1	5,8	9,5
Asia and Oceania	992	1020	1048	4,9	2,8	2,8
<b>World</b>	<b>1481</b>	<b>1527</b>	<b>1576</b>	<b>3,6</b>	<b>3,1</b>	<b>3,3</b>
Developed Economies	387	397	407	-0,3	2,5	2,4
Emerging and Developing Economies	1094	1130	1170	5,1	3,2	3,5
China	700	721	741	6,1	3,0	2,7
World excl. China	781	805	836	1,5	3,1	3,7

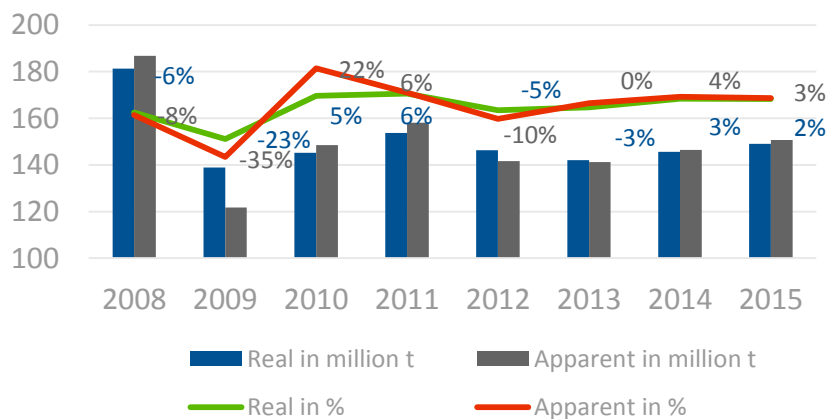
Apparent Steel Use 2014



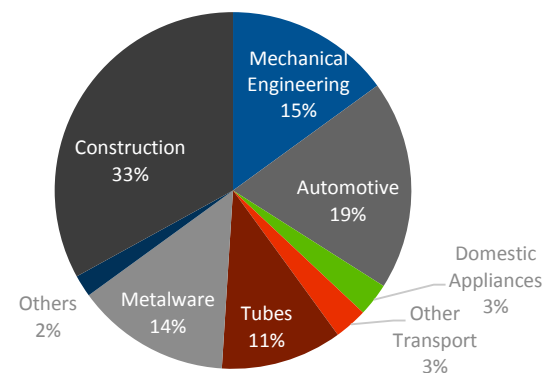
- Ever since 2008, developing world was the primary driving force in steel demand.
- In 2014 and 2015 it is expected, that developed economies will also contribute to growth, with developing economies showing a slower economic pace.

## Positive outlook for most steel using sectors in EU for 2014 and 2015

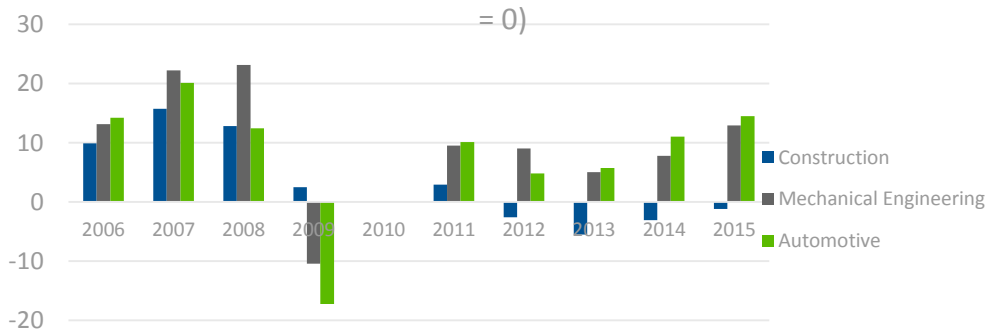
Apparent and real consumption in EU



EU Steel consumption structure 2014



Annual steel consumption growth rate by main sectors (2010 = 0)



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## Positive outlook for most steel using sectors in EU for 2014 and 2015

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A key factor in this growth scenario is the expected rebound of EU investment following underinvestment in the recent past.

Especially investment in machinery and equipment is seen picking up, but also construction investment will rebound moderately.

Exports will remain supportive thanks to global growth gaining some strength.



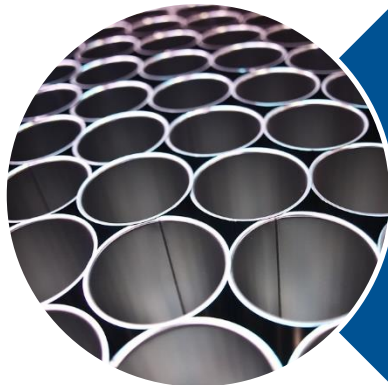
# Future trends for 2015

**„The long term outlook for stainless steel demand remains positive“**

Present & Future trends:



The long term outlook for stainless steel demand remains positive



Key global megatrends such as urbanization, modernization and increased mobility combined with growing global demand for energy, food and water are expected to support the future growth of stainless and special steel demand.

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## Present & Future trends:

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According to SMR (Smart Market Research) estimation of growth in stainless steel consumption between 2013 and 2015 will be mainly supported by increased demand from:

Architecture/Building/ Construction&Infrastructure (+8,5%)

Industrial & Heavy Industries (+7,1%)

Automotive and Heavy transport (+6,8%) segments

The Consumer Goods&Medical and Chemical/Petrochemical &Energy segments are expected to grow at average annual growth rates of 6,4% and 5,9% respectively.

## Present & Future trends:

Global business expectations finally increase in 2014, also in the developed countries -but still with high regional differences.



Prospects for most steel using sectors in the EU are moderately positive, owing to improving economic framework conditions and strengthening support from domestic demand in the EU.

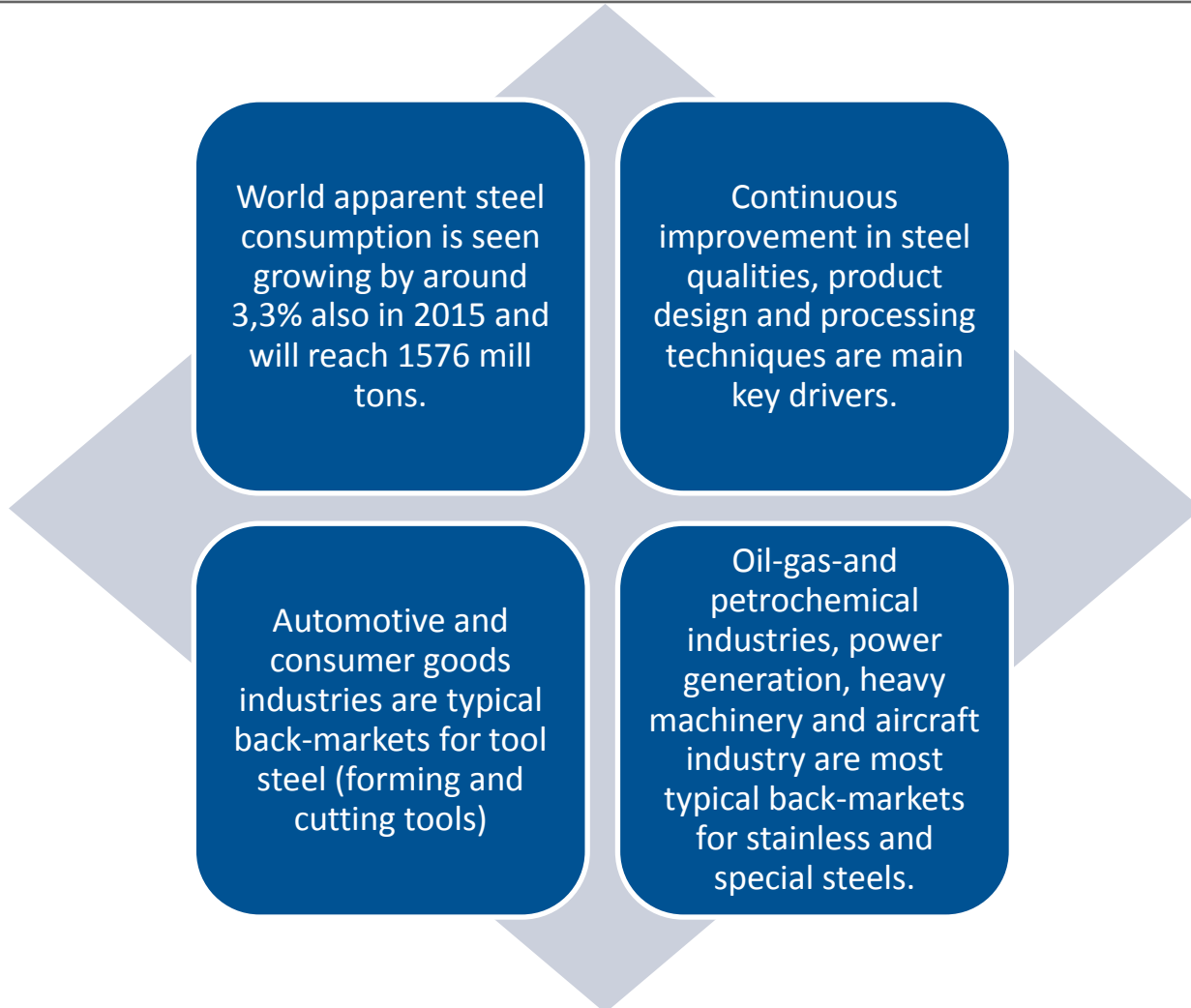


Apparent steel consumption in the EU is **expected to rise by 3.1 %** in 2014 and will reach **143 million ton**. In 2015 is expected a further recovery and apparent consumption will take place in rise steel demand in EU.

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## Present & Future trends:

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## Most typical back-markets



Most typical back-markets for stainless and special steels that are exploration of new oil/gas resources, replacement and construction of new power plants

- Oil-gas
- Petrochemical industries
- Power generation
- Heavy machinery
- Aircraft industry

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## Present & Future trends:

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Biggest threat to the steel sector:

- Excess capacity
- High rates of overproduction
- Volatile raw material prices

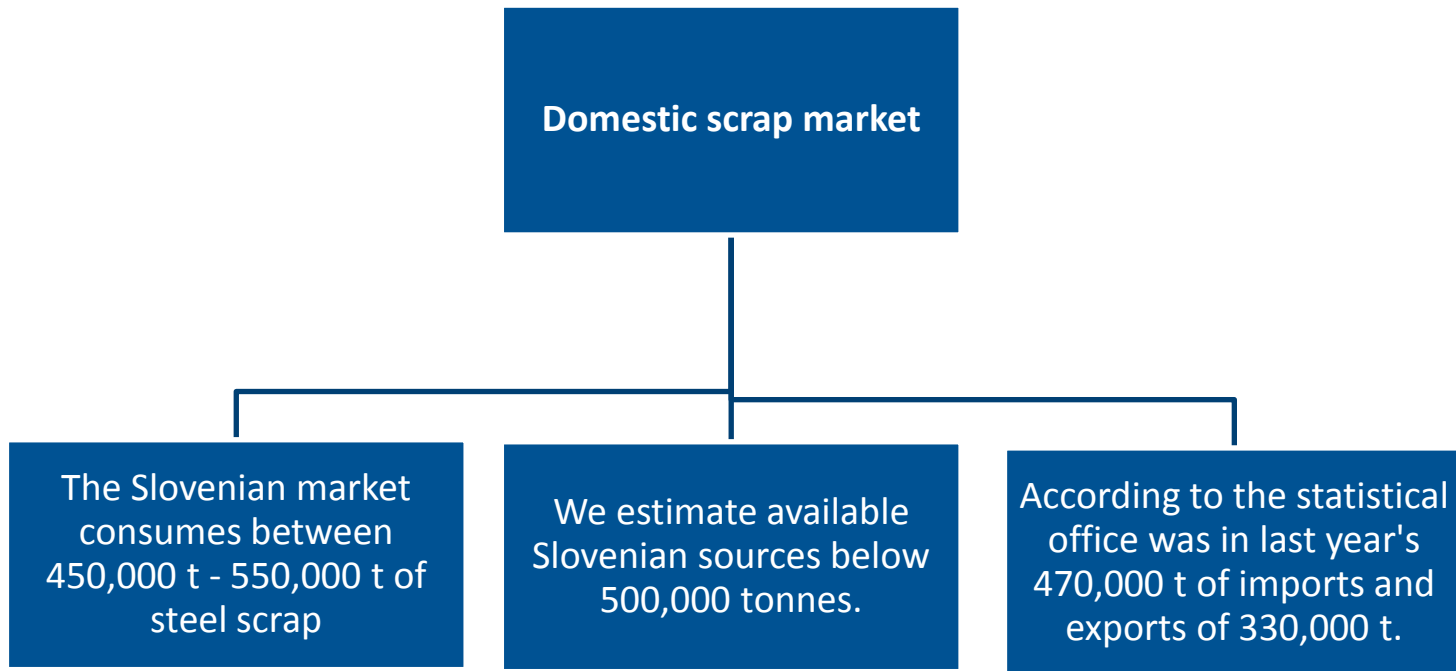
Maximizing cost-cutting and putting efforts on productivity increase and focus on high-end value-added products will significantly increase market competition in nearly all products.

Steel producer will have to express to the market that they are “the same as everyone else “ or seek to tame volatility by increasing the flexibility of production or hedging strategies to protect themselves from this volatility.

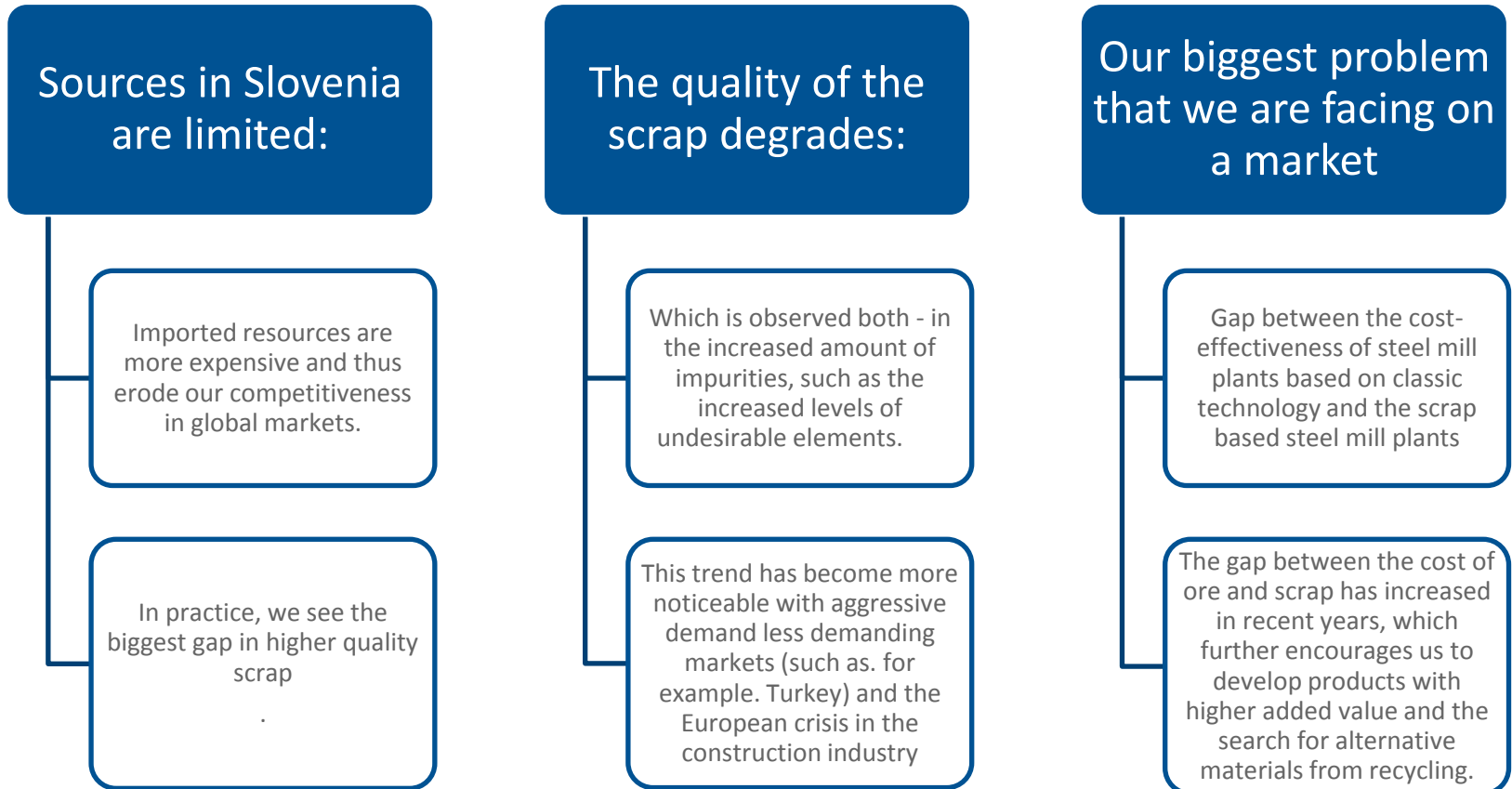


# Supply challenges

## Slovenian scrap market - SIJ estimation:



## Major challenges (1)



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## Major challenges (2)

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Unsophisticated  
certain products  
and  
unsophisticated  
certain markets  
determined  
market trends in  
sorting, selection  
and preparation  
of scrap



But for our range  
of products, this  
trend is very  
disturbing in  
terms of both  
production and  
from an  
environmental  
point of view



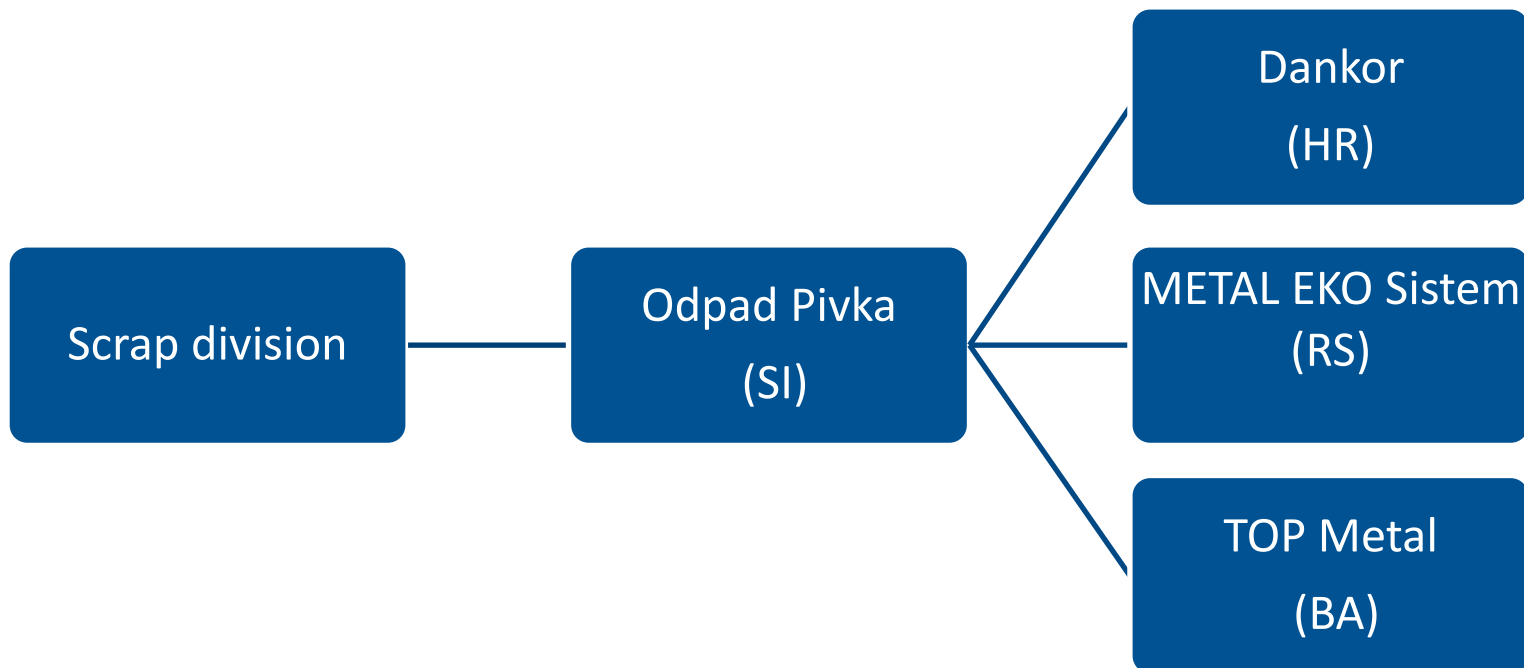
Therefore, we see  
the possibility of  
long-term  
cooperation with  
suppliers who  
understand our  
technical needs  
and  
environmental  
commitments.



# Scrap Division – Odpad Pivka

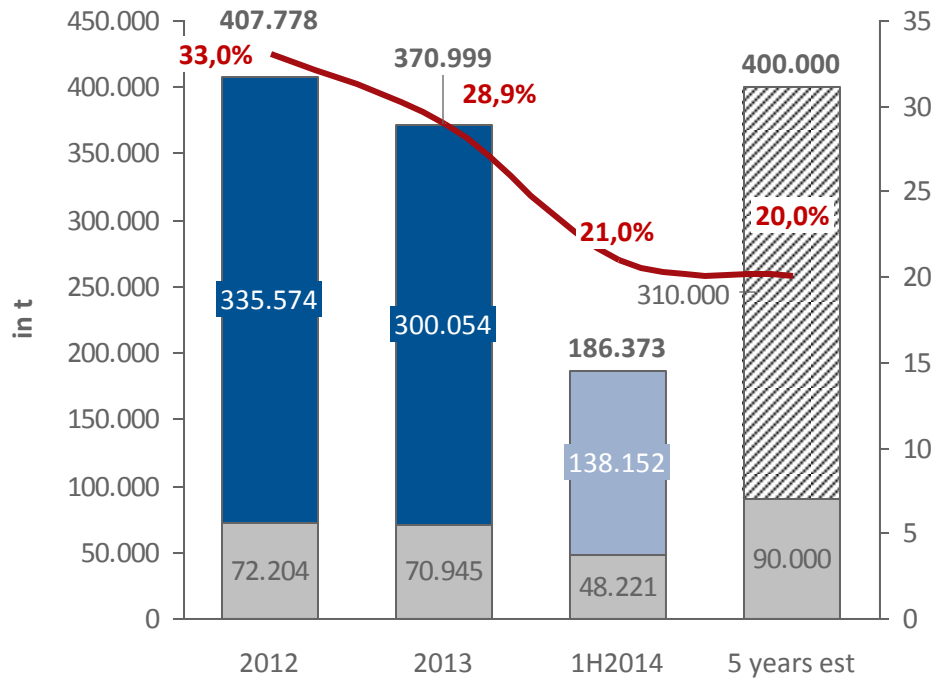
With horizontal integration we ensured in average 29% of our needs for scrap in period 2012-2014.

## Scrap division organisation





## Consumption of scrap and alloyed scrap

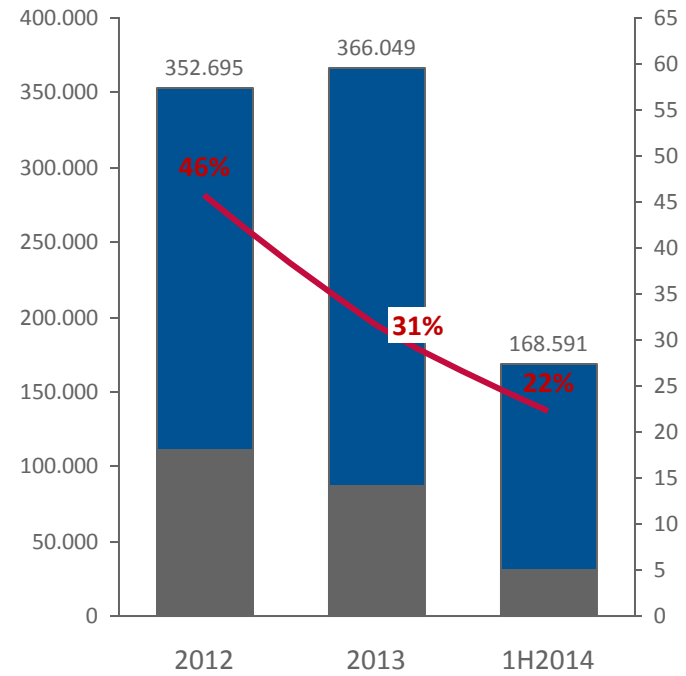
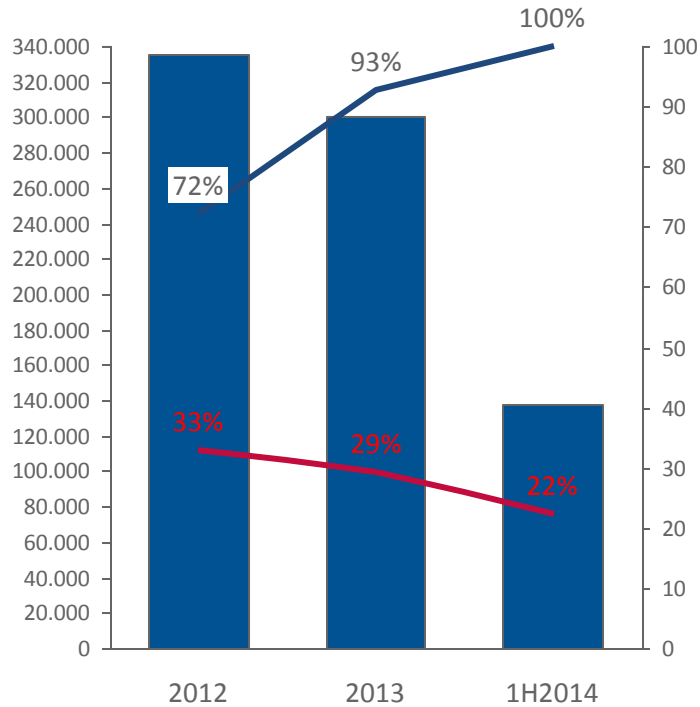


— Share of scrap delivery Odpad     Alloyed scrap  
 Scrap

Changed sales mix required better quality of scrap

Collection of scrap under higher quality demand

## SIJ Group Scrap Division: third parties sales and self-sufficiency



- intercompany purchase actual share
- intercompany purchase possible share
- Scrap consumption Steel division

- External sales to Steel division, %
- External sales scrap division
- Intercompany sales to Steel division

## Scrap division sales (t)

	2011	2012	2013	1H 2014
Sales (t)	251.636	274.290	335.657	169.016
Sales €	87.023.261	91.058.495	98.996.439	48.957.423

