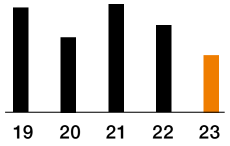
Annual Report 2023

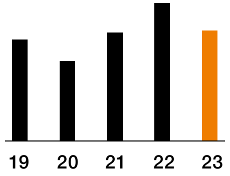
Swiss Steel Group

Key Financials

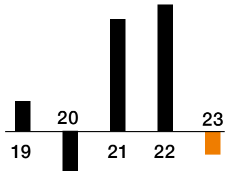
Sales volume
1,375
kilotons
–17.3 % vs. PY



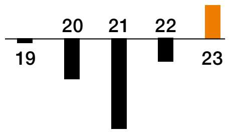
Net revenue
3,244.2
million EUR
–19.9 % vs. PY



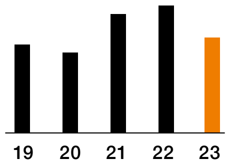
Adj. EBITDA
–40.9
million EUR



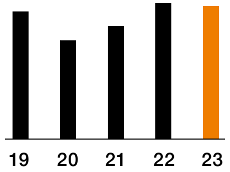
Free cash flow
85.4
million EUR



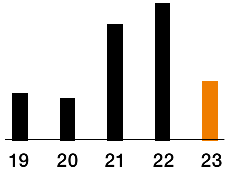
Net working capital
826.2
million EUR
–25.7 % vs. PY



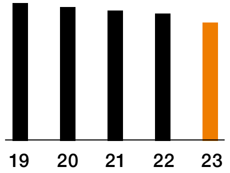
Net debt
828.6
million EUR
–2.3 % vs. PY



Shareholders’ equity
234.4
million EUR
–55.8 % vs. PY



Employees
8,812
headcount
–10.6 % vs. PY



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Management Report

Letter to the Stakeholders

Jens Alder
Chairman of the Board

Frank Koch
CEO

Dear stakeholders,

The past financial year was truly an "Annus Horribilis" for Swiss Steel Group – a year of unprecedented challenges. Our full-year performance was impacted by very weak market demand. Order activity from the mechanical and plant engineering sector remained weak throughout 2023 and the European automotive production remained below pre-pandemic levels. In addition, customers were destocking their inventories, and an increase of imports further exacerbated demand weakness. This led to a sales volume which was 17.3 % lower year-over-year. 2023 revenue of EUR 3,244.2 million was down by 19.9 %. In addition, the performance of the Group was impacted by many one-time effects: After unprecedented price peaks and volatilities in 2022, energy markets stabilized in 2023, albeit still above pre-crisis levels. However, significantly decreasing spot prices for electricity and gas in combination with declining raw material prices resulted in significant one-time inventory valuation losses. As a result, adjusted EBITDA decreased to EUR –40.9 million in 2023. Free cash flow, on the other hand, was positive at EUR 85.4 million on the back of strong net working capital reduction efforts, proceeds from the divestment of non-core distribution activities and cost control measures. At the end of December 2023, shareholders' equity had decreased by EUR 296.5 million to EUR 234.4 million since December 31, 2022. This is attributable to the negative Group result of EUR –294.8 million. As a result, equity ratio decreased to 12.1 %.

Securing portfolio quality for future profitability
To build a competitive basis for a strong and resilient Swiss Steel Group, we focused on portfolio optimization for our core business. We divested entities that do not contribute to our strategic vision, and initiated restructuring programs at other entities, which have the potential to contribute to sustainable profitability. Swiss Steel Group successfully divested eight distribution entities, as well as its share in the joint venture in China. The Group is eliminating complexity from its worldwide distribution network and concentrating on activities that focus on our own products in relevant markets. The Group entered a binding agreement to sell the former headquarter in Düsseldorf. Further, the contemplated divesture of parts of Ascometal France as announced in December 2023 has not yet materialized. Ascometal France Holding is examining all strategic options for the future of all its entities.

Finkl Steel will not be integrated into the Group and a divesture is under study. Until further notice, Finkl will continue to operate as a standalone investment.

Restoring a competitive cost structure and ensuring operational excellence
SSG 2025 includes measures to restore a competitive cost structure and ensuring operational excellence throughout the remaining Group. In 2023, our focus lay on the initiation of an extensive restructuring program for our largest entity, Deutsche Edelstahlwerke (DEW) in Germany. The program includes a comprehensive performance improvement program which is designed to reduce structural costs by over EUR 130 million from 2023 until 2025. In collaboration with employee representatives, we have reached comprehensive agreements for the reduction of over 350 jobs. The majority of this reduction has been already successfully implemented by the end of 2023. Further, it includes the organizational separation of DEW into two legal production entities. The organizational separation has been successfully

completed and will allow a better focus on the relevant businesses. The legal separation is planned to be implemented retroactively to January 1, 2024.

Across Swiss Steel Group, headcount decreased by 1,045 employees or 10.6 % to 8,812. Additionally, we implemented measures to enhance flexibility in personnel costs, such as the introduction of short-time work and flexible working time accounts. Going forward, we see further potential to streamline and right-size our workforce, particularly in administrative functions, as part of our ongoing commitment to operational efficiency and to address demographic trends and the shortage of skilled workers.

Intended capital increase as an indispensable basis for further strengthening and future growth
As a result of the implemented measures, we have made good progress in the stabilization phase of our strategy, even if it has been delayed due to unforeseen internal and external factors. In line with our SSG 2025 program, we intend to strengthen our capital to shift our focus to fully re-entering the market, especially against the backdrop of an improving economy. The recapitalization and refinancing of the company will include two measures: A capital increase for an equivalent of approximately EUR 300 million fully backstopped by BigPoint Holding AG to strengthen liquidity, and the balance sheet, to fully participate in the market again and to restore the Group's competitiveness in the medium to long term. An extension of the Group's material financing arrangements with our financial lenders including the shareholder loans by BigPoint Holding AG until September 2028 conditional on the equity capital increase.

Refocusing the go-to-market strategy and capitalizing on our leading position in green steel
As Europe's largest electric arc furnace steel producer, our expertise in recycling, circular economy, and electric arc furnace technology, paired with the use of low-emission electricity forms the foundation for a carbon footprint of our products up to 83 % below the industry average. Swiss Steel Group supplies sustainable steel to essential future markets – e.g. mobility, energy generation, medical, aerospace – and thus makes a significant contribution to the decarbonization of our society. In consequence, we are strategically positioned to not only recover but surpass the European market share held before the COVID-19 pandemic. To advance on this ambitious goal, SSG 2025 includes a comprehensive set of measures to increase sales volume.

Swiss Steel Group remains dedicated to reaching its ultimate goal of net-zero by 2038
To achieve decarbonization of end products, it is necessary to interweave efforts throughout the entire value chain. Steel, playing the distinctive role in this chain, becomes a crucial element in the essential process of decarbonization. Against the backdrop of climate change and the requirements for decarbonization in the value chains of our customers across various industries, the green steel segment is expected to grow beyond the overall market growth in 2024. Present discussions and a notable uptick in orders for greener products with our customers confirm the ongoing global transformation.Through intensified R&D efforts for innovative products and especially for the increasing requirements towards green steel, we aim to recapture market potential and ensure sustained growth. To capitalize fully on the potential of green steel, additional investments in processes, equipment, mindset and knowledge are essential. Swiss Steel Group remains dedicated to reaching its ultimate goal of net-zero by 2038.

Initiating the next stage of our strategy execution
After a disappointingly weak 2023, heavily influenced by economic conditions, we initiate the next stage of our strategy execution to build the necessary competitiveness for growth in a rapidly changing market. As the leading European producer of green steel we have very attractive opportunities for growth. As part of our strategy we are implementing far-reaching measures to stabilize and future proof our business. Following the capital increase, we shall be able to progress the restructuring and to refocus on profitable growth. Considering the magnitude of changes in our industry and the work required at Swiss Steel Group, this transformation is fundamental. It requires time, capital and a great commitment from our teams across Swiss Steel Group. The planned capital increase is imperative for our success.

We would like to thank our employees for their great commitment under the most adverse conditions, our customers for their trust in an extremely challenging market environment and our shareholders for their loyalty and patience.

Jens Alder
Chairman of the Board

Frank Koch
CEO

Business Environment

In 2023, our business faced challenges amid a global economic slowdown. This was marked by historic lows in German steel production due to weak demand and still-elevated electricity prices in Europe compared to pre-pandemic levels, resulting in competitive disadvantages for the European steel industry compared to other regions. Major customer industries, including automotive and mechanical engineering, grappled with supply chain disruptions and decreased production and order intake. Commodity prices, notably for German scrap, nickel and high carbon ferrochrome, exhibited volatility during the year, impacting our business performance.

Macroeconomic and industry situation

The International Monetary Fund (IMF) reported that the global economy expanded by 3.1 % in 2023, down from 3.5 % in 2022. This lower growth was influenced by increased geopolitical tensions, a weaker economy due to rising inflation, and higher interest rates. Within the advanced economies, which represent our primary sales market, gross domestic product (GDP) in eurozone increased by 0.5 % in 2023 combined with a eurozone inflation level of 5.4 % and an ECB refinancing fixed rate of 4.5 % since September 20, 2023.

Economic landscape significantly influenced the steel industry

Following a contraction by 3.3 % in 2022, the World Steel Association expects global finished steel demand to have increased by 1.8 % in 2023. Both construction and manufacturing, key steel-consuming sectors, were negatively impacted. Construction faced challenges from high interest rates and increased costs, while manufacturing experienced weakened demand alongside disruptions in the supply chain. Simultaneously, 2023 recorded a marginal 0.1 % decline in global crude steel production compared to 2022. While China saw zero year-over-year growth in crude steel production, India's crude steel production increased by 12 % in 2023.

Steel production decline particularly pronounced in the EAF sector

Weak demand coupled with a eurozone electricity prices in Europe, creating a competitive disadvantage compared to other regions, have pushed steel production in Germany to historically low levels. The negative trend, which began in early 2022, continued in 2023. According to the German Steel Federation (Wirtschaftsvereinigung Stahl) a mere 35.4 million tons of steel were produced in Germany, marking the lowest production volume since the 2009 financial crisis. The steel production decline was particularly pronounced in the electric arc furnace sector, plummeting by approximately 11 % to 9.8 million tons, even dipping below the levels reached during the financial crisis.

German crude steel production (Mt)	2023	2022	Δ in %
Germany (total)	35.4	36.9	–4
thereof BF / BOF	25.6	25.9	–1
thereof EAF	9.8	11.0	–11

Customer industries

Our most significant customer industries, the automotive and mechanical and plant engineering sectors, faced numerous challenges throughout 2023.

Light vehicle production still below pre-pandemic level

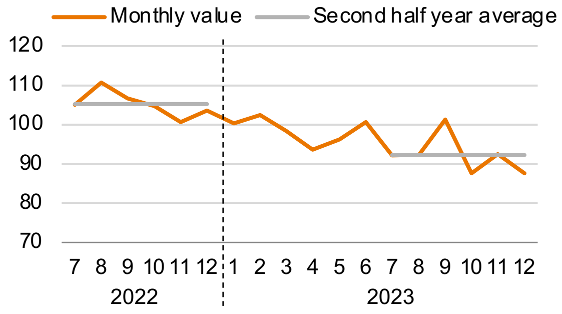
In the automotive industry, supply chain disruptions continued to ease but did not fully normalize. Estimates indicate that year-over-year growth in monthly production mostly continued throughout the second half of the year, albeit at slower rates compared to the strong year-on-year growth in the first half of 2023. Total European light vehicle production* grew in 2023 but remained 14 % below the pre-pandemic level of 2019.

* Germany, France, Spain, the United Kingdom, Italy, Austria, Belgium, Finland, the Netherlands, Portugal, Sweden, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia

German mechanical and plant engineering sector faced challenges

The German mechanical and plant engineering sector faced challenges due to the global economic downturn, high interest rates and uncertainties, causing customers to hesitate in making new and larger investments. In the second half of the year, production and order intake for the sector dropped by 4 % and 12 % year on year, respectively. In the full year 2023, production declined by 0.7 % and the order intake by 12 % compared with the previous year.

Order Intake German Mechanical Engineering (index[1])

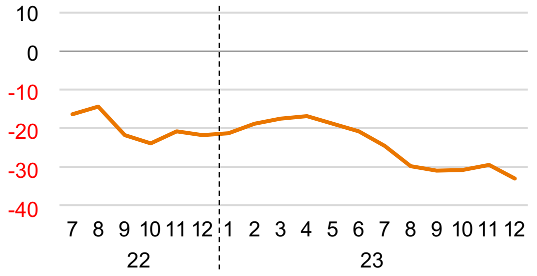


1 Seasonally and calendar adjusted, 2015 = 100
Source: German Federal Statistics Office

European construction industry suffered from subdued demand

The European construction industry suffered from subdued demand related to tightening monetary policies, increased construction material prices and a shortage of labor. In the first nine months of 2023, indices for production in construction and building permits trended mostly downward, with production rising only marginally compared to the same period in 2022. In the same time frame, building permits declined by 18 % year-over-year. Business climate indicators of the German and French construction industry also deteriorated over the course of 2023.

Business climate of German construction sector (Balance of opinion[1])



1 The ifo business climate is a transformed mean of the balances of the business situation and expectations and calculated by normalization to the average for the year 2015; the balance value s the difference in the percentage shares between the most positive and the most negative response
Source: German ifo institute

Commodity prices

In the dynamic landscape of the steel industry, external factors play a key role in shaping our business performance. The analysis of key market indicators for 2023 mirrors the overall economic situation and high volatility.

18 % decrease in average prices of German scrap type 2/8

In the context of our operations, German scrap type 2/8 holds significant importance. Following initial declines in July and August, the monthly average prices for German scrap type 2/8 trended mostly upward in the second half of 2023. However, the market encountered challenges characterized by subdued demand and constrained scrap availability. In the latter half of 2023, this situation resulted in a 7 % year-on-year decline in average prices, contributing to an overall 18 % decrease for the entire year compared to 2022.

Nickel prices experienced descent

Nickel prices experienced a year-long descent influenced by varying inventory levels, heightened demand spurred by the global energy transition, and an influx of supply from China and Indonesia. The latter half of 2023 saw a 20 % year-on-year decline in nickel prices, contributing to a 16 % reduction in the full-year average compared to 2022.

Distinct downturn in European high carbon ferrochrome prices

European high carbon ferrochrome prices displayed a distinct downturn, witnessing a 15 % year-on-year decrease in the latter part of 2023. The comprehensive average for the full year 2023 echoed an 8 % reduction compared to the preceding year.

Consumables

As a producer of special long steel in electric arc furnaces, Swiss Steel Group relies on a constant supply of energy, graphite electrodes, refractory materials and other consumables.

Energy is today the third-largest expenditure item

After cost for materials and personnel expenses, energy is today the third-largest expenditure item. Here, electricity and natural gas are the primary energy sources for the production process. Electricity is mainly required for operating electric arc furnaces and thus for the melting of scrap, while natural gas is primarily used during subsequent steps in the production process.

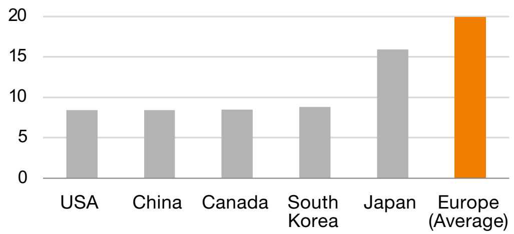
Mitigation of the effect of the volatility

The Group attempts to mitigate the effect of the volatility in electricity and natural gas prices through a combination of a certain level of long-term supply contracts with short-term purchases at spot prices as well as the implementation of energy surcharges.

European natural gas prices sensitive to supply disruption fears

While European energy prices retreated to some extent from the high levels seen in 2022, in the second half of 2023 European natural gas prices remained particularly sensitive to supply disruption fears. In the latter half of 2023, average wholesale electricity prices (spot prices) in Germany, France and Switzerland declined between 69 % and 74 % and the average spot price for gas (THE) by 75 %. Annual average wholesale electricity prices (spot prices) in Germany, France and Switzerland fell between 60 % and 65 % and the annual average spot price for gas (THE) by 66 % year on year.

Average electricity prices for industrial consumers 2022/23 in selected countries (EUR cent per kWh)



Source: Prognos AG on behalf of Vereinigung der Bayrischen Wirtschaft e.V. (October 2023)

Still-elevated electricity prices in Europe

Nevertheless, the still-elevated electricity prices in Europe compared to pre-pandemic levels contributed to a competitive disadvantage for the European steel industry compared to other regions. According to a study by Prognos AG in Germany on behalf of Vereinigung der Bayerischen Wirtschaft e. V. in 2023, the average electricity price for industrial consumers in Europe in 2022/2023 amounted to 19.90 EUR cents per kWh, thus significantly higher than in the USA and China (both at 8.40 EUR cents per kWh) or compared to Japan at 15.90 EUR cents per kWh.

Swiss Steel Group produces exclusively from steel scrap. At the very beginning of the production process, the specially sorted scrap is transformed into liquid steel using electricity.

Strategy

With our strategic program SSG 2025, we will strengthen our resilience, enhance performance and lay the groundwork for organic growth by prioritizing cost improvement and customer-centricity. Swiss Steel Group is a driver of green transformation and has all means to shape the future because our products are essential in nearly all areas of transformation.

Building on a strong foundation

More than ever, we are faced with change – whether economic, geopolitical, environmental or driven by the relentless force of innovation. The world around us is evolving at an accelerating pace, compelling societies, industries and companies to think beyond traditional boundaries, adapt existing business models, and have the courage to break new ground. In a fast-changing environment, it is crucial to build on a strong foundation, embrace change and evolve with vision.

Leading player for the production of Green Steel

Thanks to our expertise in recycling, proven electric arc furnace technology and highest operating standards, we are well positioned to become the leading player for the production of Green Steel. Our product portfolio addresses a wide range of customer needs. We foster a high level of innovation driven by our talented, motivated and dedicated employees. In short, Swiss Steel Group holds enormous potential for the future – a potential we are now leveraging for the benefit of our stakeholders.

Shaping the transformation of our Group

Our journey has not been without challenges and setbacks, but we remain steadfast in our commitment to our strategic vision for Swiss Steel Group. The past year has underscored the importance of adhering to our strategic program SSG 2025. Through this program, we actively shape the transformation of our Group and react to the transformation of the world around us. We fortify our resilience, enhance performance, continue to lead the green transformation and lay the groundwork for organic growth by prioritizing cost improvement and customer-centricity.

Together. For a future that matters.

In a constantly changing world, businesses, institutions and individuals must be able to adapt and seize opportunities. This process can involve transforming business models, introducing new technologies or adjusting to changing market conditions. Shaping this transition requires innovative ideas, sustainable practices and collaboration among various stakeholders. Only in this way can we create a better, sustainable future.

Strategic Framework

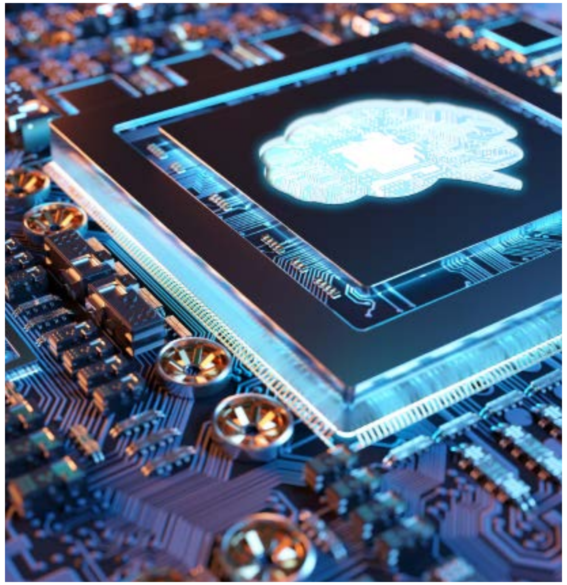
In a transformative era marked by economic, geopolitical, environmental and innovative shifts, Swiss Steel Group faces manifold challenges. To successfully anticipate change and adapt, it is imperative that we build a robust foundation.

Mobility transformation

The development toward post-fossil mobility is going strong. With alternative drive systems, lightweight vehicle construction and environmental requirements on the rise, Swiss Steel Group helps shape the transformation with innovative special steel solutions. Backed by its broad product portfolio, Swiss Steel Group is at the forefront of this change, as new mobility players enter the market and model diversity increases.

Green transformation

Climate change is an existential threat to the world. We are all called upon to transition to a sustainable economy. Sustainable steel production based on EAF technology, decarbonized electricity and circular economy is part of our DNA. Swiss Steel Group empowers customers with materials with a carbon footprint well below the industry average. Together we can transform our industries for a sustainable future.



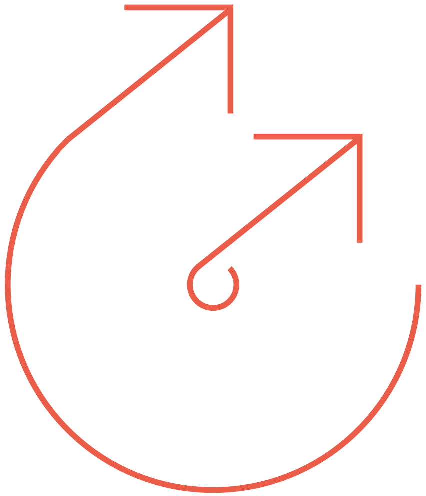
Digital transformation

To assess and activate digital potential to its fullest, we need to take a holistic view of digitization that encompasses more than just technological aspects. Making use of data warehouses, Swiss Steel Group seamlessly tracks material quality beyond processing steps. Through strategic partnerships, we explore new possibilities in scrap procurement with the support of digital shadows.

SSG 2025

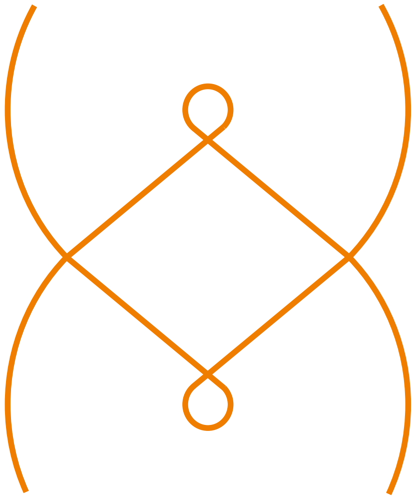
Our strategy program SSG 2025 was initiated to build a strong and resilient Swiss Steel Group in a fast-changing environment. Through its implementation, we will transform into a robust and best-in-class special long steel player, leading the green transformation in Europe. To achieve our goals, we are building on three strategic pillars.

Resilience and Profitability



The foundation for increased profitability and future growth is resilience. We are strengthening our resilience by focusing on our core business and reassessing the future viability of our businesses.

Customer Centricity and Reliability

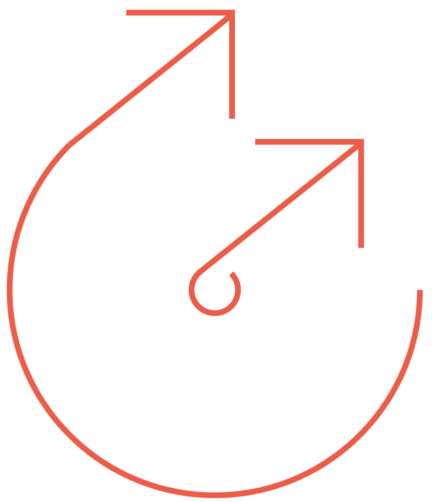


To enable growth, we must understand and anticipate the needs and challenges of our customers. We are creating an integrated Swiss Steel Group that will increase efficiency and effectiveness, above all to better serve our customers.

Innovation and Sustainability

Building on a strong foundation, Swiss Steel Group has the potential to expand its market position in sustainable steel production. As part of this, we empower our customers in their decarbonization efforts to become leading sustainability champions.

Resilience and Profitability



Ensuring resilience, profitability and growth in a challenging environment requires courage to change. With our strategy program SSG 2025, we have initiated a fundamental transformation that will set the course for a successful future.

Maintain a stable performance

The implementation of our strategy will make us stronger and more resilient. Resilience is the answer to current and future challenges as it encompasses the ability to successfully adapt to a changing environment, no matter what comes our way. For us, in fact, this explicitly reflects the capability and strength to maintain a stable performance within the profitability target corridor in any conceivable market phase. With that in mind, it is crucial to build a strong core founded on stable pillars, by minimizing risks and focusing on the core business.

Spot leverage potential

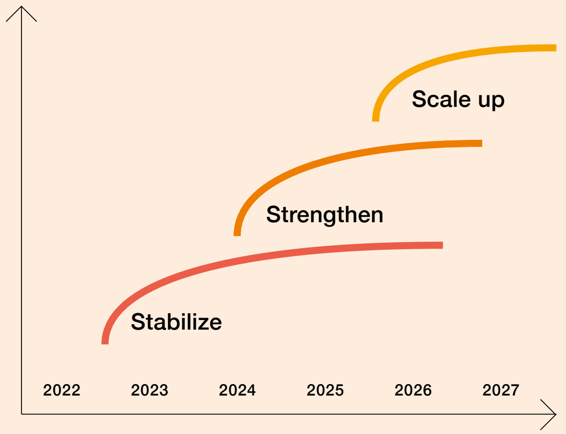
Knowing the sources of our profitability and their levers allows targeted steering toward businesses offering attractive margins. This makes it crucial to continuously reassess the current and future viability of each of our entities to spot obvious leverage potential, uncover hidden leverage potential and especially to channel efforts into forward-thinking new ideas. We have realigned our focus on our core business, systematically divesting entities that do not contribute to our strategic vision.

Stabilize
The first phase of SSG 2025 prioritizes the stabilization of our Group. Through strategic portfolio optimization, we have focused on our core business to become more resilient and reduce our financial leverage. This necessitated a thorough assessment of all our assets with regard to their future viability. Further, the comprehensive turnaround program for our German entity allows us to drive process efficiencies. As we transition into the strengthening phase, a capital increase and debt refinancing becomes crucial for the further development of the Group, to allow participation in markets and to strengthen the balance sheet.

Strengthen
To secure long-term success, we must ensure that our core business areas have a clear focus and mission, ultimately elevating their performance. Further, we are reshaping our organizational setup to respond quickly and flexibly in our changing business environment. This allows us to focus on key activities and drives us to achieve greater efficiency and performance. The rollout of our new target operating model enables to develop into an integrated Group with one strong brand. Leveraging our position among the leading producers for Green Steel, we are preparing to further expand our position and our Green Steel portfolio.

Scale up
Backed by the same resolve and building on our strong foundation, we will intensify our efforts to seize further growth opportunities in our core markets and execute our Green Steel strategy within the context of the Group's decarbonization targets. With a robust and resilient basis in place, we aim to excel in performance, reliability and customer satisfaction.

The triad for sustainable value



Significant challenges - including the closure of our Ugitech Production Asset for the major part of 2022 due to a serious industrial accident, the shutdown in Hagen following the flood of the century in Germany, and the energy crisis - have resulted in setbacks of approximately one year in the initial phase of our strategic plan. However, in the face of these adversities, our commitment to the strategic vision of Swiss Steel Group remains resolute.

Efficiency as the linchpin

In the face of constant change and unprecedented challenges, efficiency emerged as the linchpin of our transformation. Synergies and integration are our driving force, propelling profitability, sustainable management and – ultimately – growth. As we navigate the transformative journey, we remain steadfast in our commitment to efficiency as the catalyst for enduring success.

Increasing efficiency and effectiveness
We envision a Group where efficiency takes center stage across all dimensions of our business – be it in operations, production or organization. Leveraging synergies within our production network and across core businesses – Engineering Steel, Stainless Steel and Tool Steel – we optimize the ratio between input and output, eliminate inefficiencies and strengthen our position in Green Steel. This strategic approach not only enhances the strength and resilience of our Group, enabling us to better manage change and unpredictability, but also positions us ideally to serve our customers with increased efficiency and effectiveness.

Concentrating on core business activities

We have realigned our focus on our core business, systematically divesting entities, that do not contribute to our strategic vision, or restructuring entities that have the potential to contribute to our long-term profitability.

Divestiture of distribution entities

In 2023 Swiss Steel Group sold distribution entities in the Czech Republic, Poland, Slovakia, Hungary, Lithuania, Estonia and Latvia, as well as in Chile. Further, Swiss Steel Group divested its share in the Joint Venture Shanghai Xinzhen Precision Metalwork.

Focus on core strengths
The divestitures allow Swiss Steel Group to streamline its operations and bolster its focus on core strengths, positioning the Group for increased competitiveness and long-term growth. Swiss Steel Group is removing complexity from its world-wide distribution network and concentrating on activities that focus on Swiss Steel Group products in the relevant markets. In line with our overarching strategy program, SSG 2025, Swiss Steel Group has been unwaveringly focused on strengthening the core business and enhancing operational efficiency. Our commitment to delivering the highest quality products and services to our customers remains unchanged, and this dedication to excellence underpins everything we do.

Concentrating on the core portfolio

In line with Swiss Steel Group's SSG 2025 program and its reorganization for a resilient future, Ascometal France Holding has entered exclusive negotiations for the divesture of several of its entities, as announced in December 2023. The proposed transaction involves the potential divesture of key production sites in France, encompassing approximately 700 employees. By divesting these assets, Swiss Steel Group aims to strategically allocate resources to areas with sustained growth potential. Swiss Steel Group has been dedicated to supporting Ascometal within a challenging industrial landscape since its acquisition in 2018.

Negotiations ongoing
The contemplated divestment of parts of Ascometal France as announced in December 2023 has not yet materialized, as the involved parties are still discussing options and haven't reached an agreement at this stage. At the same time, Ascometal France Holding continues to examine all strategic options for the future of all its entities. In the present very difficult circumstances, this may entail a judicial reorganization of all or parts of the Ascometal France entities. None of the potential outcomes regarding Ascometal France is expected to have a material adverse impact on the remaining business of the Swiss Steel Group.

Electric arc furnace of Ascometal, Hangondange

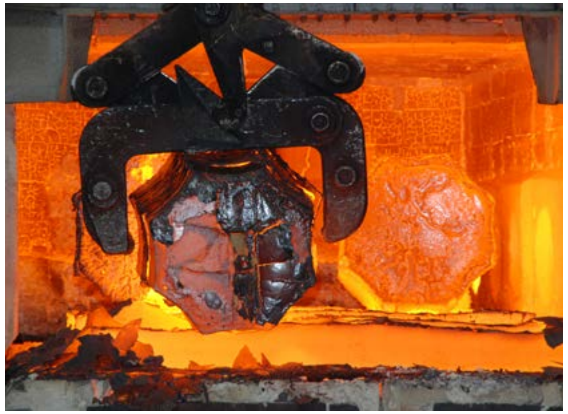
Definition of core portfolio completed
In addition to the mentioned transactions, Swiss Steel Group has entered a binding agreement to sell the former headquarter in Düsseldorf. The transaction is expected to be closed within the first half-year of 2024.

Finkl Steel will not be integrated into the Group and a divesture is under study. Until further notice, Finkl will continue to operate as a standalone investment. The definition of the core portfolio of Swiss Steel Group has been completed.

Transforming DEW for future viability

Swiss Steel Group and its subsidiary Deutsche Edelstahlwerke (DEW) are experts in the production of special long steel products. To proactively shape the future, secure its sites and sustain jobs, ongoing investments are imperative – in technological advancements, logistics, manufacturing processes, machinery and, most importantly, the workforce. To achieve this, the company must consistently generate sustainable profitability, at least in line with industry averages. Despite various efforts to enhance efficiency, DEW has fallen short of this target, averaging below-industry benchmarks over the last decade. Unfortunately, this decline has been mirrored in deteriorating delivery performance, leading to a noticeable drop in customer satisfaction. Challenging conditions in Germany, including high energy prices, declining demand and disrupted supply chains, are putting further pressure on DEW.

Clear strategic focus to rebuild strength and foster success
The restoration of DEW's future viability is our responsibility, which we undertake with a commitment to those who work there and those who will join us in the future. Only through streamlined, efficient processes, effective structures and a clear strategic focus can DEW rebuild its strength and achieve sustainable success.



Reheating furnace in the forging shop of DEW Krefeld

Comprehensive earnings improvement program
The comprehensive earnings improvement program is designed to reduce structural costs by over EUR 130 million from 2023 until 2025 with various measures relating to selling, general and administrative expenses (SG&A), procurement, and efficient operations. By aligning with the objectives (see textbox on the right). Despite the challenging market conditions in 2023, the "Future DEW 2025" project is progressing as planned, reflecting the company's resilience and commitment to strategic transformation.

Organizational separation of production routes completed
The organizational separation of DEW into two production routes has been successfully completed, accompanied by necessary changes to the IT infrastructure. The legal separation is planned to be implemented retroactively to January 1, 2024, following the approval of the annual financial statements. Distinct management teams have been established to oversee the operations of the two production companies, ensuring focused and effective leadership.

Solid foundation for profitable growth
Collaborating with employee representatives, comprehensive arrangements have been agreed upon for the reduction of over 350 jobs

Economic and legal separation
A key focus is the separation of DEW into two distinct Production Assets Siegen-Hagen and Witten-Krefeld. This strategic move aims to focus the operations in Siegen-Hagen on engineering steel and higher volumes. The Production Asset in Witten-Krefeld will focus on more specialized products in stainless and tool steel. The separated facilities will improve management and support for specific business models and customer groups.

Core activity focus
DEW seeks to streamline its business model by honing in on core activities. This involves the selective closure of certain operations and peripheral activities, ensuring a more focused and efficient approach to its offerings.

Cost optimization
To achieve a sustainable reduction in fixed costs, particularly aligning administrative functions with the new operating structure, DEW aims to lower its break even. This step is crucial for resilience, financial stability and adaptability to cyclical markets.

Enhanced efficiency and productivity
Targeted investments and improvement measures within the manufacturing plants are central to DEW's goal of boosting efficiency and productivity in operational processes.

in mostly indirect areas. This reduction had been largely implemented by the end of 2023. Ongoing discussions with involved parties of the workers agreement are addressing further reduction possibilities depending on future market conditions. The introduction of route-specific supply chain management is anticipated to bolster DEW's delivery reliability. Centralizing certain purchasing groups and localizing others will lead to improved procurement costs.

Despite challenges such as countervailing cost increases and market-related lower economies of scale affecting productivity, the initiated measures have laid a solid foundation for profitable growth going forward. DEW remains steadfast in its pursuit of a resilient and sustainable future.

Unified procurement processes

In our commitment to create one integrated Group and achieve operational excellence, Swiss Steel Group procurement organization has embarked on a strategic initiative to standardize and streamline procurement processes across all our business.

Key steps in this initiative include:

1. **Process Analysis and Standardization**
   We conducted a thorough analysis of the existing procurement processes unique to each Production Asset. This analysis led to the development of new, standardized target processes, conceptualized as buying channels. These uniform processes are designed to optimize our procurement activities and ensure consistency across the Group.

2. **Unified Procurement IT Solution**
   Recognizing the need for a cohesive digital platform, we identified the requirement for a single, Group-wide procurement IT solution. Selection and implementation of this technology is scheduled to commence in 2024. This system will serve as a cornerstone for integrating our procurement activities, enhancing data visibility and facilitating decision-making.

3. **Harmonization of Master Data**
   In 2023, we initiated the harmonization of procurement master data. This step is fundamental to ensure data accuracy and consistency, which are crucial for the effectiveness of our procurement operations and the success of our digital transformation strategy.

Objectives Procurement Improvement Program

As part of SSG 2025, Swiss Steel Group is pursuing a new procurement improvement program. These efforts represent a significant investment in optimizing our procurement infrastructure, reflecting our dedication to operational excellence and working as one Group. By standardizing processes and embracing digital solutions, we are positioning Swiss Steel Group to achieve greater efficiency, agility and competitiveness in our procurement activities.

Securing Supply
Ensuring the availability of the right materials at the right time. For instance, our daily management of the largest spend category, scrap, is coupled with long-term supply plans to meet the growing demand linked to the transformation of the steel industry.

Risk Management
Improving risk management processes such as energy hedging for electricity and gas to minimize unpredictable price impacts. Additionally, we are proactively scanning suppliers for risks related to corruption, child labor, pollution, and other illegal activities.

Total Cost of Ownership
Beyond obtaining the lowest price, we focus on questioning the necessity of materials and services, seeking alternatives, and involving our entire procurement team in a continuous improvement program. Our ambitious target is to achieve significant improvements by 2025.

Green Steel Transition
Supporting our transition to Green Steel through increased use of green electricity, long-term agreements with renewable energy suppliers, and partnerships with low-carbon footprint material providers.

Inventory and Working Capital Optimization
Embracing just-in-time deliveries, consignment stock and optimized payment terms to minimize inventory and working capital.

Smart Procurement and Efficient Consumption
Through our procurement improvement program, we are methodically enhancing the efficiency of our procurement spend. Concurrently, our Production Assets are dedicated to maximizing operational efficiency. The synergy between these initiatives serves as a powerful lever, positioning us for sustained long-term operational improvement.

Customer Centricity and Reliability

We have embarked on a journey to create one united Swiss Steel Group with integrated operations – to stabilize and strengthen our business for growth, to increase efficiency and effectiveness, and above all to better serve our customers.

Reshaping our sales organization

On our transformation path, we are reshaping and strengthening our organization, evolving from a group of loosely connected companies into one integrated and actively managed Swiss Steel Group. We are refocusing our sales organization around the three Divisions Engineering Steel, Stainless Steel and Tool Steel, which will allow a more holistic market approach and more effective and tailored customer service.

Backbone of best-in-class production

Each Division leverages its sales and distribution networks and has access to the full production network of our Group. Nonetheless, best-in-class production remains the backbone of our Group. While the Divisions know our markets and their needs, our Production Assets ensure that quality, service levels and cost efficiency are spot on.

One central point of contact

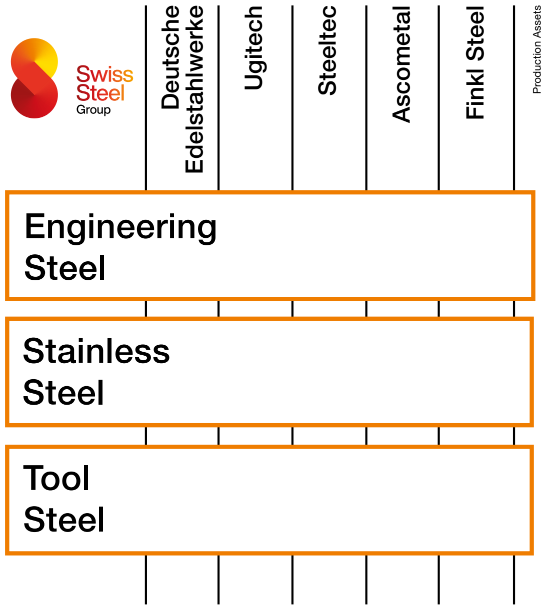
Our customers will benefit from more clarity about our portfolio, access to the entire Group offering via one central point of contact, combined innovative strength and even stronger reliability when it comes to production, quality and delivery.

One strong brand

As a consequence of the reorganization of the Group, the former entity brands have been merged into one strong brand: Swiss Steel Group. We now stand united under one flag that encompasses all our entities. Our logo continues to combine the colors of glowing steel with the shape of infinity – symbolizing our commitment to a sustainable value chain and circular economy.

Fortifying our market presence
This strategic move symbolizes a significant realignment, strengthening our market presence and paving the way for the future – a future marked by enhanced collaboration among the former Business Units, tailored to meet individual customer requirements more effectively. Commencing in January 2023, the Swiss Steel Group companies underwent a systematic alignment of branding, which was completed by the end of the same year. The newly established organizational structure and shared brand identity, while transformative, do not alter the existing legal framework.

Transforming into an efficient and effective organization



As per end 2023

Swiss Steel Group has, based on customer requirements, created a corporate structure consisting of three Divisions: Engineering Steel, Stainless Steel, and Tool Steel. This organization pursues a holistic market approach and enables more individualized care for our customers.

Click for video “The world needs change for a better future”

On our partners' doorstep

Over 60 service locations in more than 25 countries enable Swiss Steel Group to guarantee reliable delivery of special steels and customized turnkey solutions. Supported by a seamless flow of information between production, sales and services, our closely linked network of global distribution channels in key markets means we can provide our customers with individual solutions from a single source.

Click for locations

8 Melt shops

> 25 Production sites

> 60 Sales and distribution centers

> 25 Countries

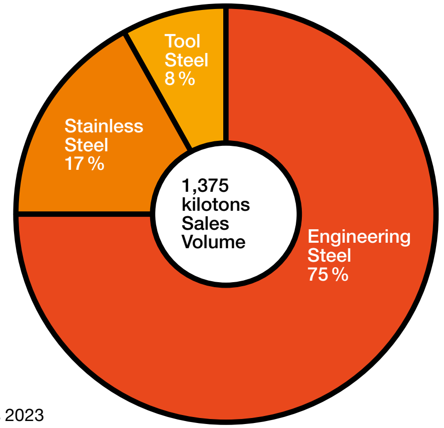
~ 8,800 Employees

> 20,000 Customers

Custom special long steel products

As a steel manufacturer, we offer one of the most extensive portfolios of steel grades: from unalloyed structural steel, through tool steel, to high-alloy, corrosion-resistant stainless steels.

Share of sales by product group



Figures 2023

Engineering Steel

Engineering Steel is in particular demand wherever high mechanical loads are present, and reliable, long-term use of components must be guaranteed. We aim to become one of the top three players in Europe, offering a mix of high margin technical and cost-competitive standard products and by building on our in-depth customer understanding and meticulous customer service.

Industries

- Mobility (train, automotive)
- Mechanical engineering
- Energy (e.g. wind)
- Turbines

Stainless Steel

Our Stainless Steel Division offers materials for applications across various industries, where high resistance to corrosion or acid and high thermal loads are a necessity. We are strenghtening our position as one of the leading partners worldwide for stainless steels, banking on our broad product portfolio and extensive expertise – which is unique around the globe. The ultimate goal is to become THE reference player in the stainless long products market.

Industries

- Aerospace
- Energy (e.g. hydrogen)
- Medical
- Building
- Exploration

Tool Steel

In Tool Steel, we offer solutions focused on economic machinability, high wear resistance and good thermal conductivity. Building on our broad product portfolio, comprised of cold work steels, hot work steels, high-speed steels and steels for plastic molding, we aim to be among the top three tool steel suppliers worldwide and position ourselves as the most renowned brand for innovation and best-in-class technical expertise.

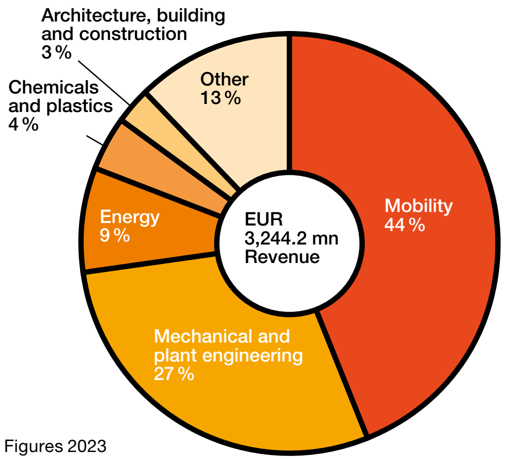
Industries

- Mobility
- Packaging
- Optics
- Tools
- Molds

Customer industries

Steel, with its versatile properties, is integral to numerous key industries. Our steel contributes to enhancing the performance, durability and reliability of products and equipment. Its versatility makes it an indispensable material for sustainable and efficient industrial development.

Revenue by customer industry



Figures 2023

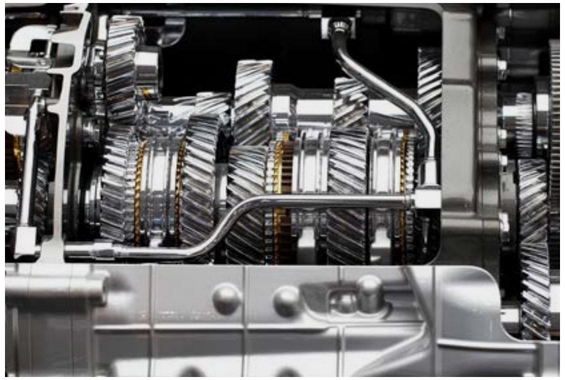
Innovator and cornerstone

Steel is a key driver in various industries and sectors, playing a crucial role globally in addressing current and future challenges. In the automotive industry, steel is used in vehicle bodies and engines; in construction, it forms the basis for stable structures and buildings. Steel components are essential in the energy sector for turbines and infrastructure. Moreover, steel is indispensable in aerospace, medical technology, manufacturing and other fields. Its strength, durability and versatile malleability make it a decisive material for innovative solutions in various industries.

Quality management

Our quality assurance encompasses the entire production process: the selection of raw materials from scrap to alloying agents; melting and casting; internal, surface, dimensional and identity checks at the rolling mills; adjustments to forging or in the bright steel lines; all the way to mechanical and technological testing of samples. All production processes are monitored, controlled and managed by us. Through our complete process documentation, we ensure high quality with reproducible results at all times.

Automotive



We offer automotive suppliers the ideal steel solutions for demanding applications. In constant dialogue with our customers and thanks to our proximity to the market, our in-house research and development departments are shaping the future of automotive engineering with innovative solutions.

Picture: With our steel, designers can realize versatile and high-performance components and systems in a targeted and cost-efficient manner. We supply customized solutions of consistently high quality for engine components, high-pressure pumps, exhaust systems, chassis components, hydraulic and pneumatic systems, gearboxes, steering and airbags.

Click for Automotive Industry

Aerospace

Swiss Steel Group is a leading supplier to the aerospace industry. With state-of-the-art production facilities, a diverse product range and extensive factory and product approvals, we are ideally positioned to meet the constantly growing demands of this innovative industry.

Picture: When stainless steels and engineering steels are specified for the most demanding requirements in the aerospace industry, the purity of the steels has to fulfill the highest requirements. This is particularly the case when the components are exposed to fatigue or cyclic loading during operation.

Click for Aerospace Industry

Mechanical Engineering

Our steel finds reliable and successful applications in various areas of mechanical engineering. The versatility of our high-quality steel matches the diversity of our customers' industries. Through close collaboration with our customers, we actively pursue optimal solutions for innovative and growing markets.

Picture: Utilizing special steel from Swiss Steel Group allows the creation of compact constructions that operate reliably even under the most demanding conditions. The outcome is machinery and systems distinguished by reduced maintenance, lower operating costs and enhanced competitiveness.

Click for Mechanical Engineering Industry

Energy

We offer an extensive range of steels for various applications in the energy industry, including wind power, nuclear power and turbines.

Picture: We produce stainless and engineering steels for the energy industry in the form of bars, billets, filler wire, flat steel and profiles. Thanks to a comprehensive quality management system, Swiss Steel Group has complete control over the entire process from steel production to packaging and has been setting the standard in the nuclear industry for decades.

Click for Energy Industry

Oil, Gas and Mining

We have developed special steel solutions for use in harsh conditions. These steels meet the highest requirements for strength, wear resistance, as well as temperature and corrosion resistance.

Picture: We offer tailor-made solutions to meet the highest technical requirements. Our extensive portfolio of steel grades for oil and gas exploration includes low and medium-alloyed construction steels, ferritic, martensitic, high-alloy austenitic and duplex stainless steels, as well as non-magnetic steels.

Click for Oil, Gas and Mining Industries

Medical Technology

We manufacture tailor-made products and individual steel solutions for medical technology and healthcare, precisely customized to specific requirements. Our steel is characterized by exceptional durability and special properties in terms of wear, strength and flexibility. We guarantee that our steel possesses exactly the properties ordered by our customers.

Picture: Our applications span external equipment like dialysis systems, ventilators and imaging systems, along with implantable medical devices such as orthopedic traumatological and vascular implants. Further, we excel in producing medical devices, providing instruments and tools essential for various procedures including surgery, orthopedics and endoscopy.

Click for Medical Technology Industry

Construction

Evolving spatial structures and the creation of new infrastructures are increasing the need for customized, property-specific and site-specific solutions. The focus here is primarily on durable and economical construction methods. Swiss Steel Group offers stainless steel solutions for reinforcements and fastenings.

Picture: Anchors and piles serve as safety elements in building and earth structures and must offer absolute safety regardless of the subsoil, especially when exposed to aggressive groundwater. With Top12, Swiss Steel Group has developed a special stainless steel that enables durable and secure anchoring systems without an additional coating. Due to its chemical composition, Top12 is inherently protected against corrosion, which saves costs, reduces the overall weight of the structure and enables smaller boreholes.

Click for Construction Industry

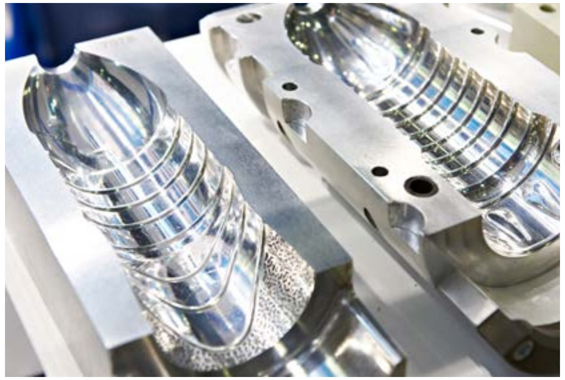
Yellow Goods and Agriculture

Steel is indispensable in the manufacture of robust and durable construction machinery, agricultural equipment and other yellow goods. This requires steels that are both highly resistant to heavy wear and tear and can withstand heavy impact stresses in order to meet the demanding requirements of the construction and agricultural industries.

Picture: Structural steels play a crucial role in this industry. For instance, structural steels are frequently used in the construction of demolition hammers and their accompanying components. Hydraulic bodies, crafted from quenched and tempered steels or micro-alloyed steel grades, exemplify the versatility and resilience demanded in these applications. Additionally, high-manganese steels find purpose in the production of excavator bucket teeth, enhancing durability and wear resistance.

Click for Yellow Goods and Agriculture Industries

Tool Making



The manufacturing of tools enables precise and efficient production of parts and products. There are various applications where different tools are used depending on the requirements. Swiss Steel Group offers its customers high-quality materials for all these applications.

Picture: The precise selection of tools depends on the type of plastic processing, the specific requirements of the product, and the plastic material used. Each tool requires precise manufacturing to ensure accurate shaping, high surface finishing and good processing quality.

Click for Tool Making Industry

Additive Manufacturing

Additive manufacturing is on the rise, and high-quality metal powders are crucial in this process. In addition to a broad portfolio of Printdur, we also offer our customers the opportunity to collaboratively develop tailor-made materials. This can include traditional powder steel grades as well as bainitic steels or martensitic tool steels.

Picture: We involve you in the prototyping process and develop the complete manufacturing process with you – from your own alloy idea to the final product. As a result of the manufacturing process, you receive a ready-to-use powder steel that can be processed in your own 3D printer.

Click for Additive Manufacturing Industry

Together. For a future that matters.

Steel is our backbone, our DNA. It's what we do best to contribute in shaping a sustainable future. And so we are teaming up – with each other, with customers and suppliers. Together we are designing ever better steel solutions with highest quality and profound passion. Our drive, expertise and care make us a powerful ally. In consulting, development, production and services.

Talent Pool development program

The Talent Pool is a platform designed for both seasoned professionals and emerging talents within Swiss Steel Group. During the Innovation Days in 2023, members showcased their innovative ideas and visionary concepts that have the potential to propel our group forward. A strategic meeting with the Executive Board ensued, leading to the initiation of several group projects ranging from enhancing supply chain management performance to implementing Group wide occupational health and safety measures. The two days for the Talent Pool concluded with the assurance that solutions not only exist but are fostered through collective effort and the sharing of forward-looking visions.

"Karriereschmiede" for future managers

The core strength of a company remains vested in the individuals who form, shape and guide it to success through their unwavering dedication, complemented by the support of their colleagues. Swiss Steel Group's "Karriereschmiede" project was initiated in the German Production Asset Deutsche Edelstahlwerke for prospective managers or employees already shouldering initial management responsibilities. Following 15 months of extracurricular activities, encompassing extensive tasks related to areas such as company and personnel organization, leadership theory, and self- and stress management, the project concluded with the successful graduation of 14 participants.

Our graduated future managers.

Health and safety challenges as part of the global health and safety days

The primary goal of the annual challenge organized by the Groupement des Entreprises Sidérurgiques et Métallurgiques (GESiM), a French professional association with a social focus, is to achieve lasting and innovative improvements in health and safety at work. For the 33rd consecutive year, the Production Asset in Fos-sur-Mer participated in this challenge, represented by members of the Rolling Mill – Hot Sawing team. Specific hazards in this area include the risk of falling parts, maintaining a safe distance between personnel and machinery, and ensuring machine conformity.

Improvement actions to further ensure safety

In the case of the Ugine team, their focus was on the role of the inspector in the wire production workshop. In this production setting, employees are tasked with inspecting the steel wire coils emerging from the pickling line, which poses potential risks to hands and fingers. Over the course of a year, our employees dedicated themselves to identifying, analyzing, and implementing improvement actions to enhance the safety of our colleagues. The improvement plan and various actions were presented during the challenge.

Our Values

Curious

We are leading experts in what we do, always curious to learn. We expand our knowledge, innovate and take action – in dialog with each other and with our customers.

Active

We are passionate about progress, actively encouraging and challenging ourselves to realize tangible improvements. Step by step. Together – for our customers and for ourselves.

United

We care for each other and work together with mutual respect and trust – always anticipating and appreciating the perspectives, goals and challenges of our customers and our colleagues.

Innovation and Sustainability

Our Green Steel approach positions us and empowers our customers and partners in their decarbonization efforts to become leading sustainability champions for a future that matters.

Sustainable steel production is our DNA

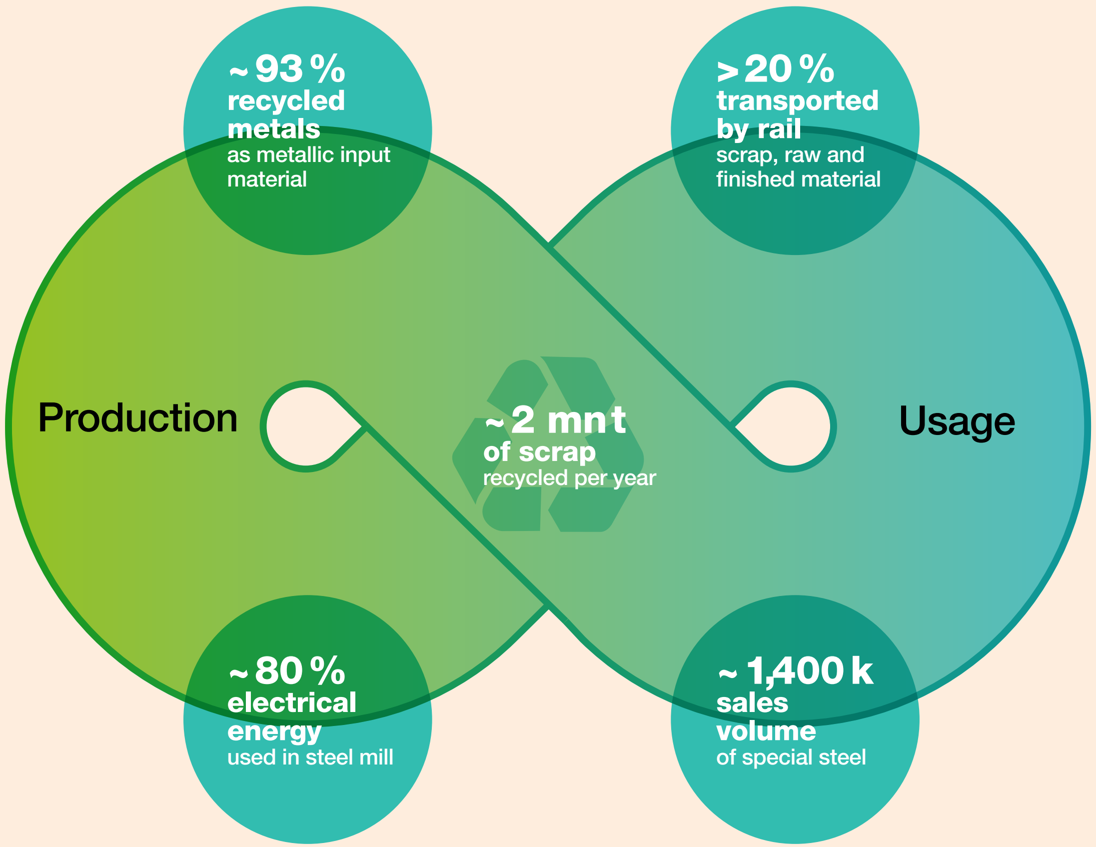
As one of the biggest CO_2 emitters, the steel sector plays a key role in achieving the EU's climate goals for 2050. And as one of Europe's largest electric arc furnace steel producers, Swiss Steel Group is committed to living up to its responsibility. Because steel is such a valuable material, it influences our daily lives in so many ways that we cannot do without it. With that in mind, we at Swiss Steel Group see it as our duty to contribute to shaping a better, greener and more sustainable world. By exclusively operating electric arc furnaces, we are already applying the technology of future steelmaking today. Because sustainable steel production based on circular economy and recycling runs in our DNA.

Carbon footprint well below industry average

Our profound expertise in recycling and electric arc furnace technology, highest operational standards and use of energy from low-carbon sources have allowed us to reduce the carbon footprint of our products up to 83 % below the industry average, offering a distinct environmental value proposition to our customers.

Circular economy in Swiss Steel Group's production

Whether in transportation, infrastructure, energy or mechanical engineering, steel has been one of the most important materials for centuries. Not least because steel is the only material that is 100 % recyclable, making it a prime example of a circular economy.



Figures 2023

Scrap-based production

Generally, there are two established methods of steel production: One is to use iron ore and coking coal to produce steel in blast furnaces. The other is to melt steel scrap in electric arc furnaces (EAF). At Swiss Steel Group, we only use electric arc furnace technology. By exclusively operating electric arc furnaces, Swiss Steel Group is already applying the technology of future steelmaking today. Our EAF and scrap-based production does not require coking coal and hence produces almost no direct emissions.

Swiss Steel Group recycles approx. 2 million tons of scrap per year.

Ensuring the availability of scrap

In our pursuit to spearhead the green transformation in Europe, Swiss Steel Group has adopted a multifaceted approach to optimize the use of scrap in steel production. This strategy is crucial for minimizing our carbon footprint and aligns with our commitment to environmental stewardship.

Our approach encompasses several key initiatives:

1. **Closing loops with customers**
   In an innovative move to close the material loop, we have established programs to retrieve scrap from our customers. This not only aids in recycling but also strengthens our relationships with customers through shared environmental goals.

2. **Partnerships with recycling companies**
   Recognizing the importance of external scrap sources, we have formed numerous partnerships and some strategic alliances with scrap collection and recycling companies. These partnerships ensure a steady and diverse supply of scrap materials, essential for our production needs.

3. **Diverse scrap utilization**
   Swiss Steel Group is adept at incorporating a wide variety of metal scraps into our manufacturing process. Our ongoing efforts focus on identifying and utilizing scrap types that maximize the recycled content in our products, thereby reducing our overall carbon emissions.

4. **Maximizing internal scrap usage**
   We prioritize the utilization of internal scrap resources in our production processes, thereby enhancing the efficiency and sustainability of our operations. Another key area of our expertise is the meticulous sorting of scrap, enabling us to optimize alloy utilization. This, in turn, contributes to reducing our Scope 3 (upstream) footprint.

These concerted efforts reinforce our leadership role in the green transformation within the steel industry. We are constantly exploring innovative methods to increase the scrap content in our steel, demonstrating our unwavering dedication to sustainable manufacturing and reducing our environmental impact.

We source our scrap as locally as possible, favor rail transport and pay close attention to precise scrap sorting.

Ugi'Ring – beyond intelligent scrap processing

Our proficiency in using scrap as a raw material aligns with circular economy principles.

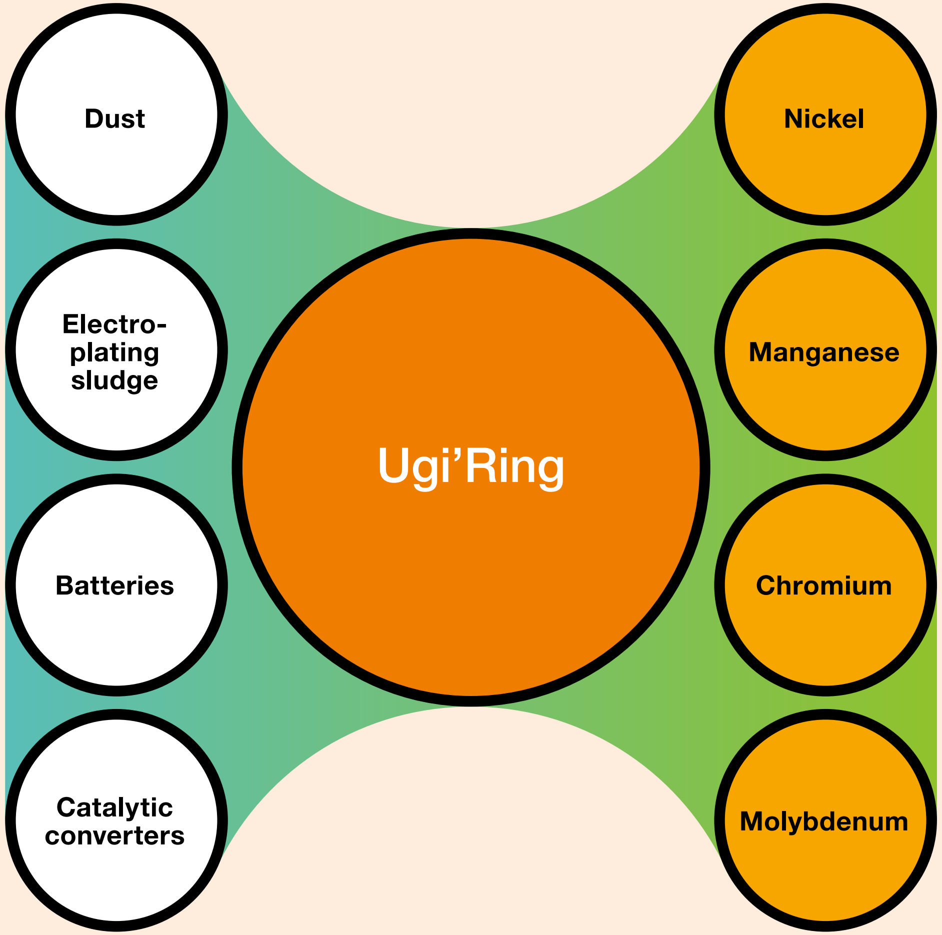
Transitioning to high-alloy scrap
The primary strategy involves transitioning from primary alloys like ferrochrome to high-alloy scrap, addressing both ecological and geopolitical concerns. High-alloy scrap, crucial for Swiss Steel Group's specialized grades, is, unfortunately, in limited supply. To reduce Scope 3 emissions, both metallurgical and recycling technology developments are necessary.

World's first "circular steel mill"
A ground-breaking advancement is the Ugi'Ring project, which Ugitech is driving forward together with regional partners. This innovative 10-year initiative aims to create the world's first "circular steel mill", producing secondary alloys from internal and external waste such as batteries and catalytic converters. This approach would not only enhance environmental sustainability but would also secure a consistent supply of critical alloying elements, reducing dependence on geopolitically unstable sources.

Ugi'Ring would be a paradigm shift
The Ugi'Ring plant would represent a paradigm shift in steel production, recovering alloying elements from materials typically deemed waste. The metallurgical processes would differ significantly from conventional electric arc furnaces, emphasizing the recovery of elements like nickel, manganese, chromium and molybdenum. The plant, with an annual remelting capacity of 43,000 tons (including 13,000 tons from Ugitech's industrial process), would strive to incorporate 13,000 tons of recycled alloy material back into production. Additionally, the plant aims to recover five tons of dust containing zinc.

Pivotal step toward net-zero
Ensuring consistent, high-quality steel melting with scrap poses challenges, necessitating the use of pure alloy material for fine adjustments. Ugi'Ring addresses this need while aligning with the French national strategy to reduce reliance on primary alloys from mined raw materials. Supported with several million euros in public funds, Ugi'Ring would mark an important pivotal step toward achieving the vision of Net-Zero Steel and advancing the circular economy in the steel industry. The preparatory work for the project is nearing completion, including ongoing stakeholder management at both political and local levels in preparation for the project implementation.

Ugi'Ring – the world's first "circular steel mill"

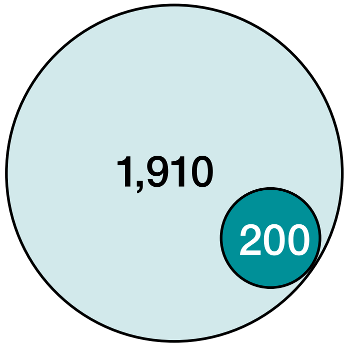


Ugi'Ring produces secondary alloys from waste materials which are then used in our steel production instead of primary alloys.

Ecologically produced low-carbon steel

Green Steel is our initiative for ecologically produced low-carbon emission steel. It is crucial that all measures are coordinated and transparent. Green Steel aims to support and encourage our customers and partners to make a greater contribution to mitigating climate change.

Carbon footprint
(kg CO_2 per ton of steel produced)



* Industry average: 1,910 kg CO_2/t crude steel cast vs. Swiss Steel Group year 2022: 200 kg CO_2/t crude steel cast in Scopes 1+2 and Scope 3 ranging from 121 kg CO_2/t (engineering steel) to 2,075 kg CO_2/t (stainless steel); Source: Worldsteel Sustainability Indicators 2022

Energy for tomorrow: power for Green Steel

Swiss Steel Group's steel production based on scrap is an energy-intensive process. We are continuously working to improve the energy mix we use. Today, we mainly power our electric arc furnaces with a mix of renewable electricity and low-carbon electricity sources, at some sites even exclusively. On this basis, strategic and operational energy targets are set, and energy measures planned, implemented and monitored.

Electrical energy from renewable sources

Electrical energy from low-carbon sources

The use of low-CO_2 energy sources plays a role in maintaining a carbon footprint well below the industry average. This assists the steel industry in progressing toward a climate-neutral future and contributes to meeting established climate targets.

Green Steel product portfolio

With a broad portfolio of Green Steel at their disposal, our customers can select the most suitable product for their path to a sustainable future. We provide individual solutions for a wide range of customers, supporting many industries on their path to decarbonization.

Green Steel

Swiss Steel Group exclusively produces steel using electric arc furnace technology, utilizing recycled scrap within the circular economy framework. This results in significantly lower carbon emissions compared to the industry average.

Green Steel Climate+

For those who want to push sustainability further, Swiss Steel Group offers Green Steel Climate+. These products are produced with power from renewable sources only, such as wind or solar, and therefore have an even smaller carbon footprint.

Green Steel Stainless+

With Green Steel Stainless+, our customers receive stainless products that are made of at least 95 % recycled materials. We reduce the emissions from purchased materials by around 90 % through the avoidance of primary alloys.

Sustainability awards

Winner of the German Sustainability Award
The German Sustainability Award recognizes pioneering steps toward a sustainable future and is one of the most prestigious awards of its kind in Europe. The award acknowledges the collective efforts of Swiss Steel Group's employees in advancing sustainability even in challenging economic times. This recognition now serves as a seal of trust for customers and investors alike, further enhancing our standing in the industry.

EcoVadis – strong performance
Swiss Steel Group was awarded a silver medal from EcoVadis. We remain true to our commitment to sustainable development and see this as the key to long-term success.

WINNER
German Sustainability Award 2024

SILVER | Top 15%
ecovadis
Sustainability Rating
FEB 2024

Empowering customers with transparency

It is our ambition to empower all our customers with products carrying a low and fully disclosed carbon footprint. With a holistic roadmap and validated targets addressing our direct and indirect emissions, unconditional transparency and utmost dedication, Swiss Steel Group strives to further reduce the environmental footprint until our name stands for climate neutral steel.

Carbon Disclosure Project (CDP) Supply Chain Program

Swiss Steel Group has taken a further step toward its ambitious decarbonization targets by becoming the first European steel producer and the world's first secondary route manufacturer to join the Carbon Disclosure Project (CDP) Supply Chain Program. The Carbon Disclosure Project Supply Chain Program is a global program that allows companies to measu and reduce the CO_2 emissions of their supply chain. It helps companies understand and improve the environmental performance of their suppliers and enables them to accurately track their CO_2 emissions in the supply chain. As part of this initiative, we have reached out to our 150 key raw materials and consumables suppliers with the aim of obtaining and better understanding their specific carbon footprint.

Accountability and data transparency
This process enables us to incorporate the environmental performance of its suppliers into the purchasing decision process. In addition, requesting primary emissions data directly from suppliers allows more accurate calculation of the Product Carbon Footprint (PCF) than when using secondary emission factors based on averages. We have begun the implementation of a PCF program which bases emission information on actual production data, rather than using annual averages. In future, we will therefore be able to provide its customers with more accurate PCF information that reflects the actual carbon footprint of their specific products. We attach great importance to sustainability and environmental protection in the entire supply chain and are committed to making a contribution to a holistic cradle-to-gate approach to CO_2 emissions.

Rated with score B by CDP
In 2023, Swiss Steel Group was rated with a "score B" by CDP, attesting that the company has addressed the environmental impacts of its business and ensures good environmental management.

Committed to the Science Based Targets initiative (SBTi)

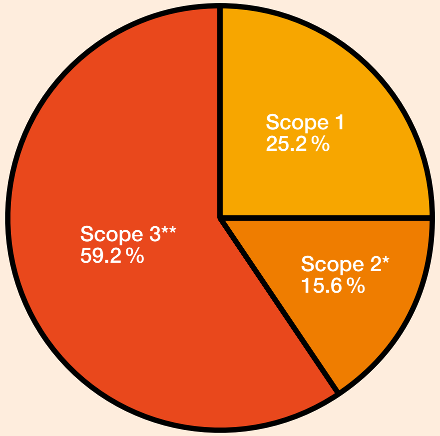
In May 2022, Swiss Steel Group committed to setting company-wide emission reduction targets in line with climate science with the Science Based Targets initiative (SBTi). According to the 1.5°C steel target setting guidance published in July 2023, we developed our decarbonization targets and submitted them in December 2023 to SBTi for validation as one of the first steel producers to use the new guidance.

Scope 1 emissions
Swiss Steel Group's Scope 1 emissions mainly originate from the combustion of natural gas, the carbon content in raw materials and consumables, and the fuel consumption of internal logistics.

Scope 2 emissions
Our Scope 2 emissions almost exclusively originate from purchased power, which is mainly consumed by our electric arc furnaces and to a lesser extent by ladle furnaces, rolling and processing equipment, as well as shop infrastructure like lighting and electric motors of pumps or fans.

Scope 3 emissions
The main contributors to our upstream Scope 3 emissions are purchased materials (Scope 3.1), particularly ferroalloys, slag builders and deoxidizing agents. The latter are needed to adjust the chemical composition and material properties of the steel as specified by customers. Scope 3.3 emissions originate from the extraction, production and transportation of the purchased fuels and energy.

Share of emissions



Figures 2023

*market based
**Scopes 3.1+3.3

Steel as a driver of innovation

Innovations in the steel industry are not limited to the production side. Significant advances have also been made in the applications and end products enabled by steel. From modern buildings and infrastructures to high-tech applications in the automotive and aerospace industries, steel plays a key role in shaping our world. Many issues, such as climate and environmental protection, energy and new technologies, are also subject to political trends and decisions, to which we and our customers must adapt.

Digitalization and automation

Digitalization plays a key role at Swiss Steel Group. By using advanced data analytics, artificial intelligence and automated processes, we can make our production more efficient and improve the quality of our products. Predictive maintenance of equipment, real-time production monitoring and supply chain optimization are just a few examples of how digitalization is integrated into our operations.

Technological development

Our passion for progress drives new technologies to enhance the efficiency and quality of our manufacturing processes and products. We expand our knowledge, innovate and act. One of the most significant developments in this area is the exploration of environmentally friendly manufacturing methods. This includes reducing CO_2 emissions, lowering energy consumption and increasing the use of recycled materials.

"H_2-HotRoll" project for sustainable steel productio

In a groundbreaking initiative supported by the German government, Swiss Steel Group's Deutsche Edelstahlwerke (DEW) has secured vital funding for its "H_2-HotRoll" project. This venture propels Swiss Steel Group further towards a carbon-neutral future in steel production and processing. The "H_2-HotRoll" project focuses on transitioning natural gas-fired reheating furnaces to operate with green hydrogen. Aligned with the goals of the national hydrogen strategy, this endeavor addresses the substitution of hydrogen for natural gas in the heating processes of thermal processing systems.

Foundation for hydrogen-powered furnaces

To achieve the European Union climate goals, it is imperative to empower energy-intensive industries for sustainable practices. The project's primary objective is to explore the impact of hydrogen utilization on steel production using existing equipment with the smallest possible adaptation. Unlike primary steel production, Swiss Steel Group, utilizing the secondary or electric arc furnace route, has a distinct advantage in reducing CO_2 emissions. By melting substantial amounts of steel scrap in electric arc furnaces and leveraging green energy sources like water, wind or solar power, the company has successfully reduced emissions. Collaborating with project partner VDEh-Betriebsforschungsinstitut (BFI), DEW has embarked on adapting its infrastructure for green hydrogen utilization. This ambitious project, requiring a budget of slightly over a million euros over three years, aims to lay the foundation for the technical transition to hydrogen-powered furnaces, focusing on continuously operated reheating furnaces with a power exceeding 10 MW.

Innovation: gateway for sustainable progress

Swiss Steel Group strives to manufacture the best products and promotes new and promising ideas in the field of technology and process innovation. Research and Development (R&D) stands as a linchpin in advancing our product range and manufacturing processes. A dynamic team of approximately 100 employees are currently working on close to 200 R&D projects. Typically, these projects involve multifunctional, often multi-site teams, centrally coordinated at a Group level.

Collaboration is a key

Swiss Steel Group is in close contact with customers and frequently works with specialized research institutes, including universities. Our activities cover the entire value chain of special long steel, starting with material development, input and process elaboration; through melting and refining, continuously cast blooms and cast steel ingots; to rolled or forged bars, bright steel and drawn wire; and culminating in complex parts such as hydraulic blocks, ready-to-install rolls or mandrel bars to application optimization, e.g. by improving machinability, resistance to wear, dynamic loads or the usage values in a corrosive environment.

Pioneering clean steel production with HYDREAMS

The steel industry, accounting for approximately 8 % of global CO_2 emissions, is at the forefront of transformation with the HYDREAMS project. HYDREAMS, an acronym for “Clean Hydrogen and Digital Tools for Reheating and Heat Treatment for Steel,” focuses on harnessing green hydrogen from renewable sources to eliminate carbon emissions from heat steel treatment processes.

The primary objectives of HYDREAMS are to demonstrate hydrogen-oxygen combustion and hydrogen / oxygen-enhanced combustion for stainless, tool and engineering steel grades. This takes place in different types of furnaces (reheating and annealing). The goal is a complete decarbonization of thermal processes, specifically for the reheating and heat treatment of steel, and the building of a pilot electrolyzer in Ugine.

Integration of innovative digital tools

In addition to these groundbreaking combustion methods, HYDREAMS integrates innovative digital tools to optimize processes. This digital aspect enhances the energy efficiency of heat treatments while significantly reducing the emission of nitrogen oxides (NOx). The project strives to increase combustion energy efficiency by up to 47 %, ensuring no compromise in the quality of the produced steel. Moreover, HYDREAMS is not just a technological endeavor. It also includes comprehensive techno-economic studies to pave the way for further market deployment. The goal is to secure investment decisions for the industrial-scale deployment of hydrogen combustion at five steel industry sites. The potential benefits are substantial.

Collaboration with key industry players

Crucially, the HYDREAMS project, with a total budget of 8.5 million euros, has received a significant contribution of 4.3 million euros from the European Union. This financial support underscores the EU’s commitment to advancing sustainable and innovative solutions in the steel industry.

Consortium brings together key industry players

Led by the French entity of Swiss Steel Group, Ugitech, the HYDREAMS consortium brings together key industry players, including two further steel producers of Swiss Steel Group (Deutsche Edelstahlwerke and Ascometal), burner and electrolyzer manufacturers, refractory material producers, universities, and research and technology organizations. Through collaborative efforts, HYDREAMS aspires to establish a new standard in the steel industry, making clean hydrogen combustion an economically viable, environmentally friendly and digitally optimized solution for the future.

Consistent development to market maturity

Although our product range is highly diverse, the production processes are very similar. To facilitate the efficient transfer of knowledge and foster close technological collaboration among entities, an internal Corporate Technology team coordinates R&D activities. Regular meetings of our research teams serve as a platform for discussions on innovative projects, the presentation of new ideas and the promotion of working groups. Promising ideas go through a rigorous six-stage development process, at the end of which they are ready for the market.

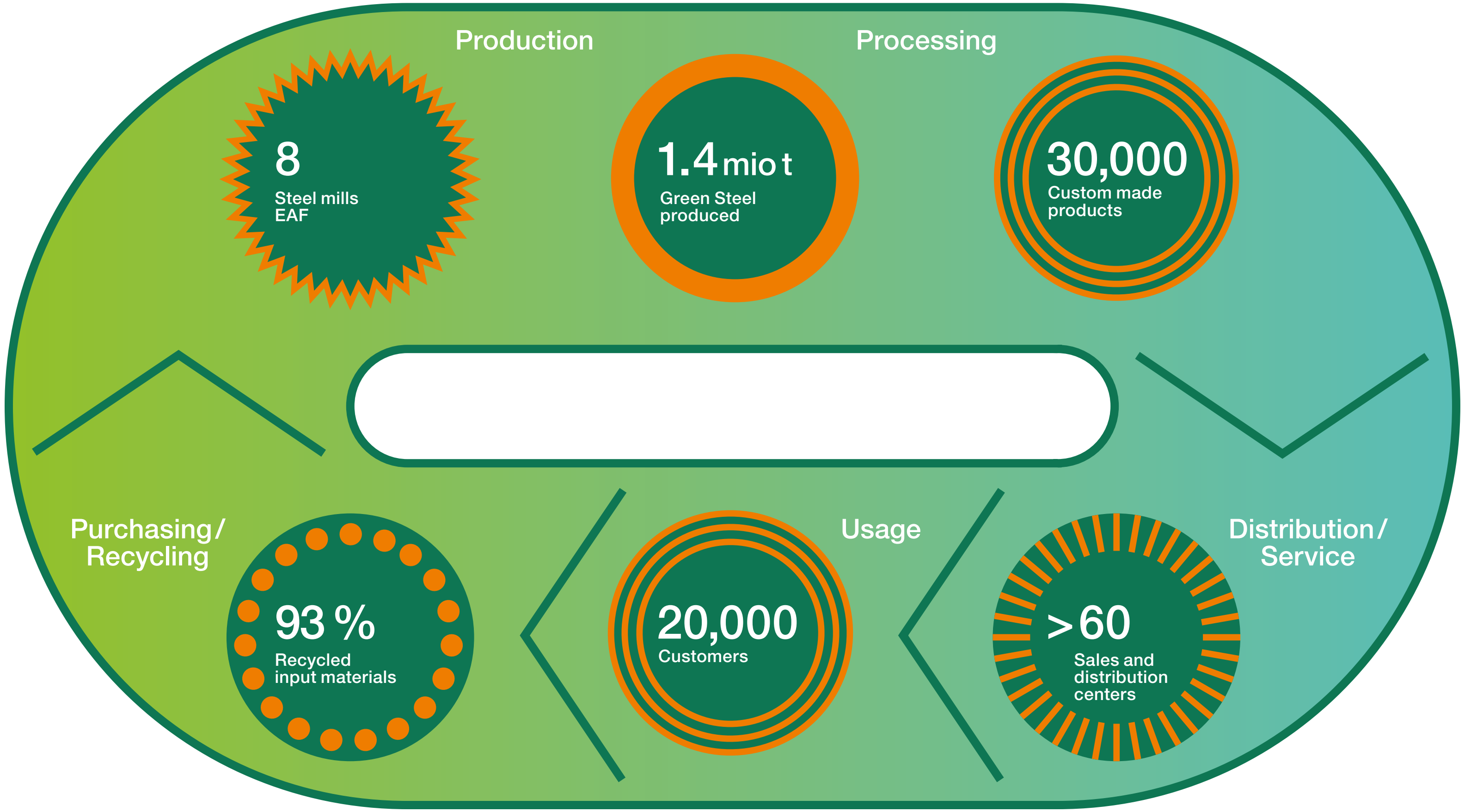
Products under development

Green Steel Climate + H_2
This is a product segment still under development which will include products produced exclusively with energy from renewable power sources and green hydrogen.

Green Steel Net Zero
This is a portfolio under development that will offer customers steel from production with completely compensated carbon emissions.

Our value chain

Swiss Steel Group, with approximately 8,800 employees, is a market leader in sustainably produced steel. It is also one of the key companies in Europe promoting the circular economy, distinguished by its 100 % electric arc furnaces and production method based on steel scrap. Thanks to the use of energy from renewable sources and the highest operating standards, our total emissions are up to 83 % lower than the industry average, offering our customers an important environmentally friendly option and added value.



Figures 2023

SSG 2025 Goals

#1
Become a robust and best-in-class special long steel player

#2
Lead the Green Transformation in Europe

#3
Develop into one integrated Group with one strong brand

#4
Achieve profitable growth and expand market share in core markets

#5
Excel in performance, reliability and customer satisfaction

Financial Development

In light of the global economic slowdown, activity in our main customer industries was depressed throughout 2023. This resulted in a low sales volume which – combined with significant one-time effects – weighed on the Group's profitability. The sales volume was 17.3 % below 2022 levels and Group revenue of EUR 3,244.2 million was 19.9 % below the prior-year. Cash generation was positive on the back of strong net working capital reduction efforts.

At 619 kilotons (H2 2022: 726 kilotons), 14.7 % less steel was sold in the second half of 2023 compared to the second half of 2022, resulting in a capacity utilization below break-even. Declining raw material prices weighed on the valuation of our inventories and thus negatively affected our financial performance. Despite a series of countermeasures to support profitability and cash generation, adjusted EBITDA was EUR –110.9 million for the second half of 2023 (H2 2022: EUR 46.1 million). Notwithstanding the very low profitability, cash generation was positive with a free cash flow of EUR 148.1 million for the second half-year 2023 (H2 2022: EUR 120.4 million), owing to the typical seasonal working capital release and a successful inventory reduction initiative. Likewise, our full-year financial performance was characterized by weak market demand. Rising interest rates dampened capital investment, affecting demand from the mechanical and plant engineering sector, and European automotive production remained below pre-pandemic levels. At 1,375 kilotons in 2023 (2022: 1,663 kilotons), the sales volume was down 17.3 % year on year. After unprecedented price peaks and volatilities in 2022, energy markets stabilized again in 2023. However, decreasing spot prices for electricity and gas in combination with declining raw material prices resulted in significant one-time inventory valuation losses. As a result, adjusted EBITDA decreased to EUR –40.9 million in 2023 compared to EUR 217.0 million in 2022. Free cash flow, on the other hand, was positive at EUR 85.4 million (2022: EUR –53.7 million) on the back of strong net working capital reduction efforts and proceeds from divestment of non-core activities in line with our ongoing strategy program SSG 2025.

Swiss Steel Group	Unit	2023	2022	Δ in %	H2 2023	H2 2022	Δ in %
Sales volume	kilotons	1,375.0	1,663.0	–17.3	619.0	726.0	–14.7
Average sales price	EUR/t	2,362.9	2,438.1	–3.1	2,244.3	2,629.3	–14.6
Revenue	million EUR	3,244.2	4,051.4	–19.9	1,386.9	1,906.8	–27.3
Gross profit	million EUR	867.5	1,147.1	–24.4	317.3	483.4	–34.4
Adjusted EBITDA	million EUR	–40.9	217.0	–	–110.9	46.1	–
Adjusted EBITDA margin	%	–1.3	5.4	–	–8.0	2.4	–
Free cash flow	million EUR	85.4	–53.7	–	148.1	120.4	23.0
Net working capital	million EUR	826.2	1,112.4	–25.7	826.2	1,112.4	–25.7
Net debt	million EUR	828.6	848.2	–2.3	828.6	848.2	–2.3
Shareholders' equity	million EUR	234.4	530.9	–55.8	234.4	530.9	–55.8

Orders, sales and revenue

Demand from our main customer industries was weak in 2023. Interest rate hikes to counter inflation in the eurozone and in the US reduced capital investment spending in our most relevant markets and negatively affected order entry from the mechanical and plant engineering sector. The automotive sector, our largest customer segment, experienced further supply chain disruptions and decreased production and order intake. Both the European and the US automotive industry continued to produce below the pre-pandemic level of 2019. Demand for the European construction industry was subdued because of rising interest rates, construction material price inflation and a general labor shortage. In light of market uncertainty, end-use customers and distributors reduced their stock levels, which put further pressure on our order backlog. Year-over-year, the Group's order backlog decreased by 21.8 % to 355 kilotons at year-end 2023 (2022: 454 kilotons).

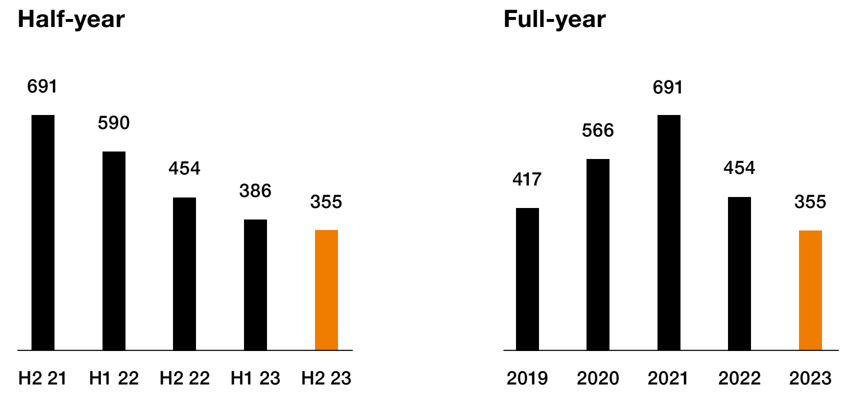
In response to low demand, the Group adapted its production schedule. Crude steel production in the second half of 2023 was reduced to 618 kilotons (H2 2022: 746 kilotons).

Annual crude steel production in 2023 was at 1,543 kilotons compared to 1,798 kilotons in 2022.

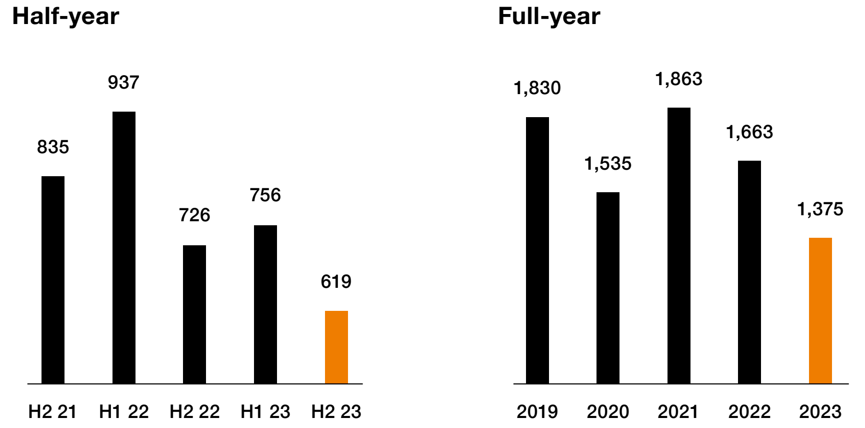
The sales volume in the second half-year of 2023 was 619 kilotons, which corresponds to a decline of 14.7 % compared to 726 kilotons in the second half of the previous year. On a full-year basis, 1,375 kilotons of steel were sold in 2023, equating to a year-over-year decline of 17.3 % (2022: 1,663 kilotons).

Besides a surcharge for scrap and alloys, an energy surcharge was implemented in our pricing mechanism in 2022 to pass on energy cost inflation to our customers. Following decreasing raw material and energy costs in 2023, the average sales price decreased by 14.6 % to EUR 2,244 per ton (H2 2022: EUR 2,629 per ton). The average sales price for the full-year 2023 was EUR 2,363 per ton, and thus only 3.1 % below the previous year's level (2022: EUR 2,438 per ton).

Order backlog
in kilotons



Sales volume
in kilotons

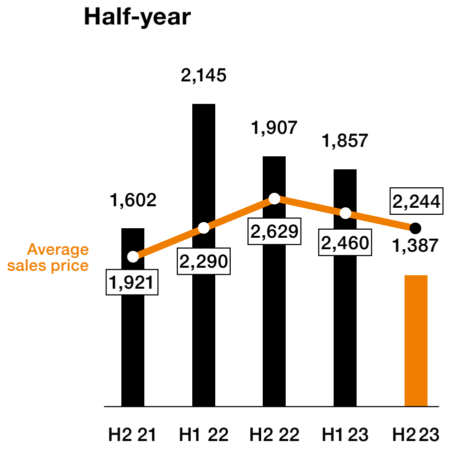


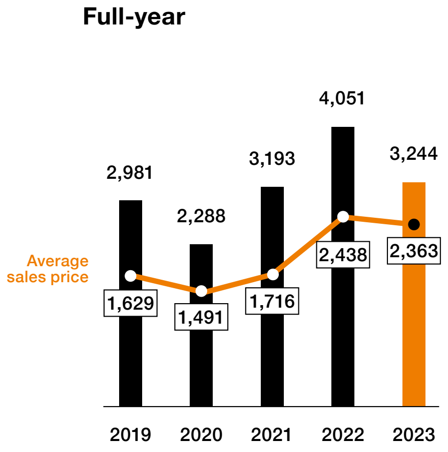
As a consequence of the lower sales volume and a decreasing average sales price, revenue decreased in the second half-year of 2023 by 27.3 % to EUR 1,386.9 million (H2 2022: EUR 1,906.8 million). On a full-year basis, 2023 revenue of EUR 3,244.2 million was down by 19.9 % (2022: EUR 4,051.4 million).

Revenue decreased across all major geographical markets. Revenue generated in our main market of Germany, accounting for 33.2 % of our revenue (2022: 34.1 %), decreased by 22.0 % to EUR 1,077.7 million (2022: EUR 1,382.5 million).

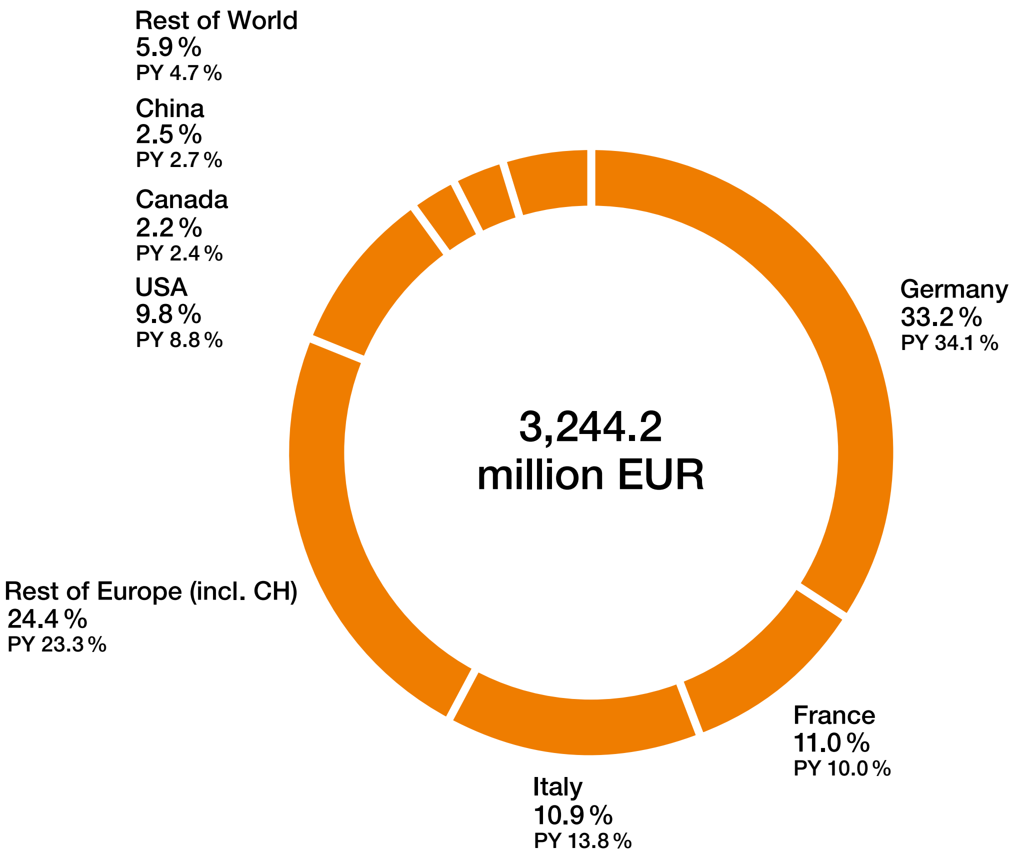
Revenue and average sales price

in EUR million / in EUR/t





Revenue by region
Share in %



Profitability

Gross profit

Gross profit – revenue less cost of materials – decreased by 34.4 % in the second half-year of 2023 to EUR 317.3 million compared to the second half of the previous year (H2 2022: EUR 483.4 million), mainly impacted by the low sales volume. Full-year gross profit declined by 24.4 % to EUR 867.5 million in 2023 (2022: EUR 1,147.1 million).

Market prices for raw materials relevant to our product portfolio, namely scrap, nickel and ferrochrome, exhibited a downward trend in 2023. Moreover, energy markets stabilized again in 2023 following unprecedented price peaks and volatilities in 2022, and spot prices for electricity and natural gas declined significantly. Both effects put the gross profit margin temporarily under pressure. Exacerbated by significant one-time inventory valuation losses, the profit margin decreased to 22.9 % in the second half-year of 2023 (H2 2022: 25.4 %). The full-year gross profit margin contracted to 26.7 % in 2023 from 28.3 % in 2022.

Personnel expenses

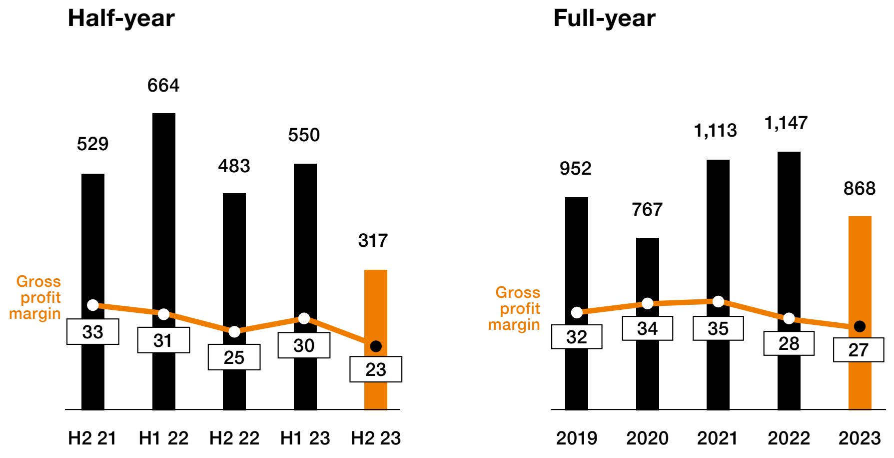
In 2023, headcount decreased by 1,045 employees or 10.6 % to 8,812 (2022: 9,857 employees). The decrease was mainly driven by the ongoing reorganization of our German Production Asset Deutsche Edelstahlwerke (DEW) as well as the adaptation of our workforce to the prevailing market conditions. The divestment of seven Eastern European sales and distribution entities led to a reduction in headcount of 251 employees.

The decrease in personnel expenses in the second half-year of 2023 to EUR 332.5 million (H2 2022: EUR 340.5 million) was only 2.3 % compared to the first half of 2022. This is due to the fact that one-time social plan costs related to the restructuring of DEW were recognized as personnel expenses in the second half-year of 2023, and the headcount reduction was more pronounced toward year-end. For the same reason, personnel expenses were down by 2.2 % to EUR 678.1 million compared to the previous year (2022: EUR 693.1 million).

In 2023, Swiss Steel Group received EUR 11.3 million in compensation for short-time work, which was offset against personnel expenses (2022: EUR 4.8 million).

Gross profit and gross profit margin

in EUR million / % of net revenue



Other operating income and expenses

At EUR 42.9 million, other operating income in the second half of 2023 was considerably lower than in the second half of the previous year (H2 2022: EUR 91.0 million). The reference period in 2022 included significant one-time items such as government subsidies in France as well as income from the sale of excess energy. Likewise, other operating income for full-year 2023 of EUR 84.9 million was lower than in the previous year (2022: EUR 124.6 million).

Other operating expenses decreased by 6.9 % in the second half of 2023 to EUR 188.3 million (H2 2022: EUR 202.2 million). The decrease was mainly driven by lower repair and maintenance costs as well as lower freight costs, both because of reduced production and sales volume. For the full-year 2023, other operating expenses decreased by 3.4 % to EUR 376.5 million (2022: EUR 389.8 million), driven mainly by the effects from the second half of 2023.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

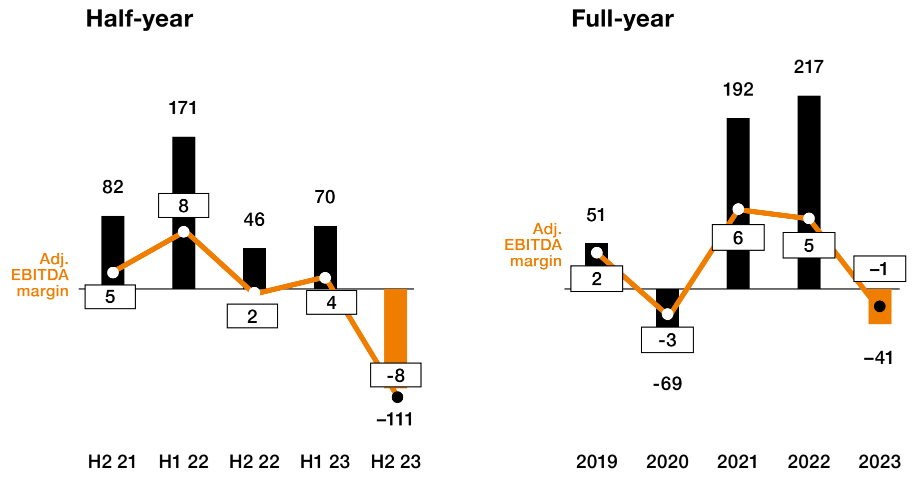
Adjusted EBITDA was EUR –110.9 million in the second half of 2023, a significant decrease compared to the second half-year of 2022 (H2 2022: EUR 46.1 million). One-time effects amounted to EUR 49.7 million and included, among others, social plan costs related to the restructuring of our German Production Asset Deutsche Edelstahlwerke (DEW) and losses from divestment of non-core activities. Including these one-time effects, EBITDA decreased to EUR –160.7 million (H2 2022: EUR 31.7 million).

For the full-year 2023, adjusted EBITDA was EUR –40.9 million, exhibiting a significant year-on-year decrease (2022: EUR 217.0 million). One-time effects for the full-year 2023 amounted to EUR 61.3 million (2022: EUR 28.2 million) resulting in EBITDA of EUR –102.2 million (2022: EUR 188.8 million).

In the second half of 2023, the adj. EBITDA margin decreased to –8.0 % (H2 2022: 2.4 %) and the EBITDA margin to –11.6 % (H2 2022: 1.7 %). For the full-year 2023, the adjusted EBITDA margin was –1.3 % (2022: 5.4 %), while the EBITDA margin was –3.2 % (2022: 4.7 %).

Adj. EBITDA / Adj. EBITDA margin

in EUR million / %



One-time effects

in million EUR	2023	2022	Δ in %	H2 2023	H2 2022	Δ in %
EBITDA (IFRS)	**–102.2**	**188.8**	**–**	**–160.7**	**31.7**	**–**
Performance improvement program, others	29.9	17.0	75.9	27.5	8.0	–
Reorganization and transformation processes	8.1	7.5	8.0	2.8	3.4	–17.6
Restructuring and other personnel measures	23.3	3.7	–	19.4	3.0	–
Adjusted EBITDA	**–40.9**	**217.0**	**–**	**–110.9**	**46.0**	**–**

Financial position

Net working capital

Compared to December 31, 2022, net working capital decreased from EUR 1,112.4 million to EUR 826.2 million as a result of net working capital reduction measures initiated in light of low demand. Inventories decreased by EUR –251.0 million driven by a successful inventory reduction initiative and one-time valuation losses stemming from decreasing raw material and energy prices. In line with the lower sales volume, trade accounts receivable were reduced by EUR –132.4 million . These two effects outweighed the decrease in trade accounts payable by EUR –97.2 million. The ratio of net working capital to revenue (L3M annualized) as of December 31, 2023 was 30.5 % (2022: 29.0 %).

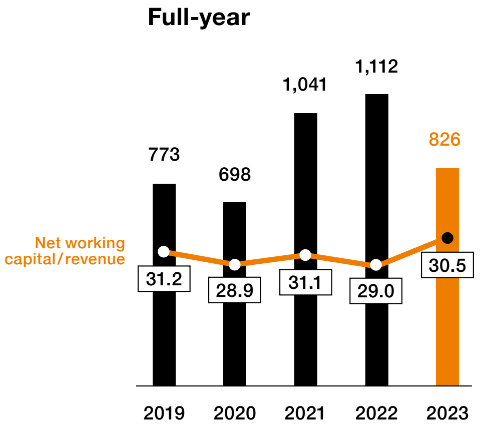
Shareholders' equity and equity ratio

At the end of December 2023, shareholders' equity had decreased by EUR 296.5 million to EUR 234.4 million compared to December 31, 2022 (2022: EUR 530.9 million). This is attributable to the negative Group result of EUR –294.8 million. As a result, the ratio decreased to 12.1 % (2022: 22.2 %).

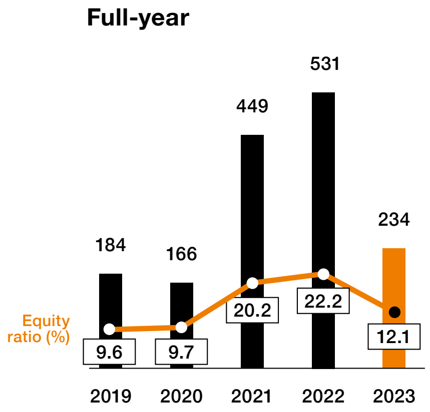
Net debt

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, amounted to EUR 828.6 million as of December 31, 2023, exhibiting a year-over-year decrease (2022: EUR 848.2 million). This is mainly the result of significant incurred losses, compensated by an equally significant release of funds bound in working capital.

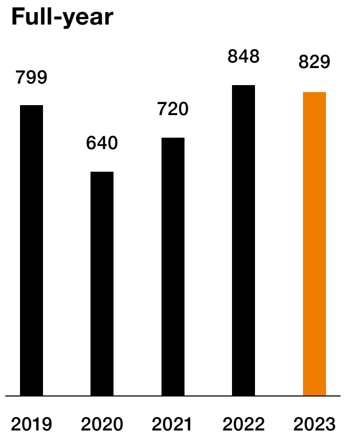
Net working capital
in EUR million / in relation to revenue (L3M annualized) in %



Shareholders' equity and equity ratio
in EUR million / %



Net debt
in million EUR



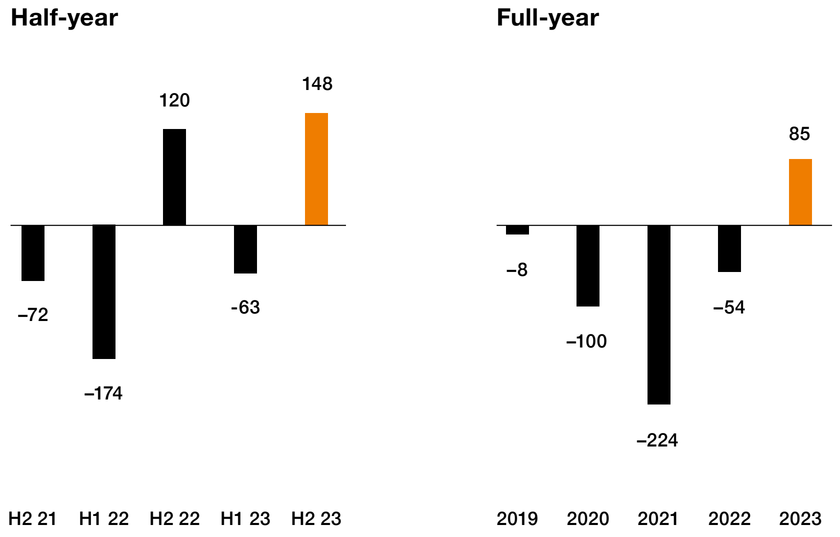
Free cash flow

At EUR 185.3 million (H2 2022: EUR 187.8 million), cash flow from operating activities was positive in the second half-year of 2023, owing to the typical seasonal working capital release significantly amplified by a successful inventory reduction initiative. For full-year 2023, cash flow from operating activities was EUR 162.6 million, higher than in the previous year (2022: EUR 46.6 million), on the back of strong net working capital reduction efforts.

Cash flow from investing activities in the second half of 2023 amounted to EUR –37.2 million (2022: –67.4 million), containing net proceeds from the divestment of non-core activities of EUR 24.6 million (net of cash of the disposed entities). For the same reason, at EUR –77.2 million, cash flow from investing activities for full-year 2023 was lower than in the previous year (2022: EUR –100.3 million). Investments in property, plant and equipment and intangible assets remained relatively stable at EUR –102.9 million (2022: EUR –101.0 million).

Free cash flow (cash flow from operating activities less cash flow from investing activities) was EUR 148.1 million in the second half-year of 2023 (H2 2022: EUR 120.4 million). For the full-year 2023, free cash flow amounted to EUR 85.4 million (2022: EUR –53.7 million), supported by the release of net working capital and divestment proceeds.

Free cash flow
in EUR million



Divisions

In 2023, the Group adjusted the internal reporting and organizational structure, which up until 2022 comprised the two divisions Production and Sales & Services. As from 2023, the segment reporting follows the Group's new organizational structure, which distinguishes between the Engineering Steel, Stainless Steel and Tool Steel Divisions.

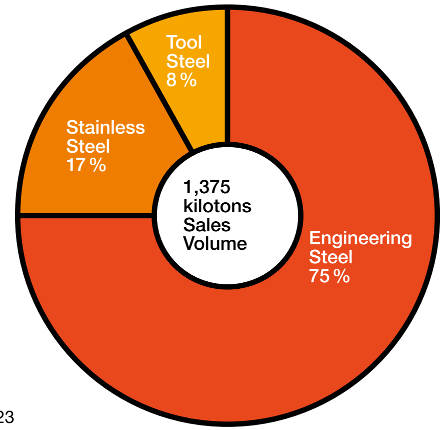
Key figures divisions in million EUR

Engineering Steel	Unit	2023	2022	Δ in %	H2 2023	H2 2022	Δ in %
Sales volume	kilotons	1,028	1,246	–17.5	454	533	–14.8
Revenue	million EUR	1,507.0	2,067.7	–27.1	628.7	942.7	–33.3
Adjusted EBITDA	million EUR	–70.2	106.4	–	–82.9	11.4	–
Adjusted EBITDA margin	%	–4.7	5.1	–	–13.2	1.2	–
Net working capital	million EUR	293.8	433.1	–32.2			–

Stainless Steel	Unit	2023	2022	Δ in %	H2 2023	H2 2022	Δ in %
Sales volume	kilotons	239	269	–11.2	109	126	–13.5
Revenue	million EUR	1,167.1	1,317.4	–11.4	493.2	637.4	–22.6
Adjusted EBITDA	million EUR	33.8	50.0	–32.4	–10.5	16.0	–
Adjusted EBITDA margin	%	2.9	3.8	–	–2.1	2.5	–
Net working capital	million EUR	336.1	403.4	–16.7			–

Tool Steel	Unit	2023	2022	Δ in %	H2 2023	H2 2022	Δ in %
Sales volume	kilotons	104	138	–24.6	53	62	–14.5
Revenue	million EUR	535.9	640.3	–16.3	248.1	308.8	–19.7
Adjusted EBITDA	million EUR	–11.3	55.7	–	–21.4	16.6	–
Adjusted EBITDA margin	%	–2.1	8.7	–	–8.6	5.4	–
Net working capital	million EUR	205.8	271.6	–24.2			–

Share of sales by product group



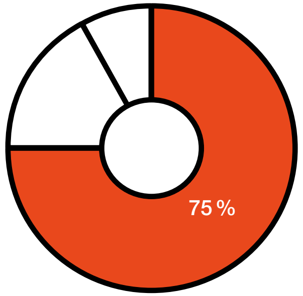
FY 2023

Divisions

Engineering Steel

In 2023, the Engineering Steel Division, our largest division in terms of sales volume, was most affected by the weak demand from the automotive and mechanical and plant engineering sectors. The sales volume was down 17.5 % year-over-year and led, in combination with a decrease in the average sales price, to a decline in adjusted EBITDA to EUR –70.2 million (2022: EUR 106.4 million). Net working capital decreased significantly to EUR 293.8 million (2022: EUR 433.1 million) driven by lower inventories and the divestment of non-core activities.

Share of sales Engineering Steel

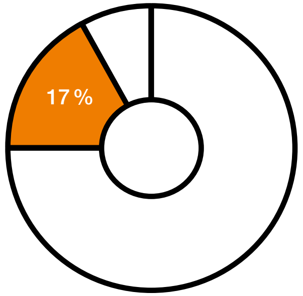


FY 2023

Stainless Steel

Sales volume of the Stainless Steel Division decreased by 11.2 % year-over-year and resulted in a decline in revenue to EUR 1,167.1 million (2022: 1,317.4 million). Adjusted EBITDA amounted to EUR 33.8 million compared to EUR 50.0 million in 2022. Dedicated actions to reduce inventories resulted in a decrease of net working capital to EUR 336.1 million (2022: EUR 403.4 million).

Share of sales Stainless Steel

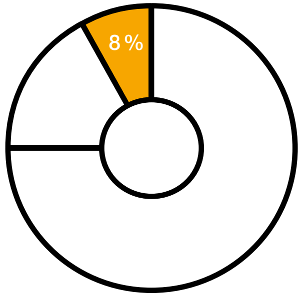


FY 2023

Tool Steel

The Tool Steel Division is characterized by a high share of business with end-use customers – served directly or through distributors. Despite an adaptive commercial policy, the Tool Steel Division exhibited a decline of 24.6 % in sales volume in 2023. However, the average sales price increased compared to last year, resulting in a less pronounced revenue decrease of 16.3 % to EUR 535.9 million (2022: EUR 640.3 million). At EUR –11.3 million, adjusted EBITDA was below break-even (2022: EUR 55.7 million). Net working capital decreased to EUR 205.8 million (2022: EUR 271.6 million).

Share of sales Tool Steel



FY 2023

Sustainability

We are committed to all aspects of sustainability – economic, environmental, social, governance – as an integral part of our strategy, operations and daily decision making. It is our philosophy that striking the right balance between economic aspects, protecting the environment and realizing our social responsibility in our operations and along the supply chain is a key prerequisite for delivering strong financial results to our investors and creating value for our stakeholders.

Our commitment for tomorrow

Our strategy is not just a roadmap; it is our commitment to sustainability, innovation and customer success. Our values, rooted in curiosity, activity and unity, shape our path forward. Together, we are driving a transformation that not only impacts our company but also contributes to a better, more sustainable world.

Frank Koch

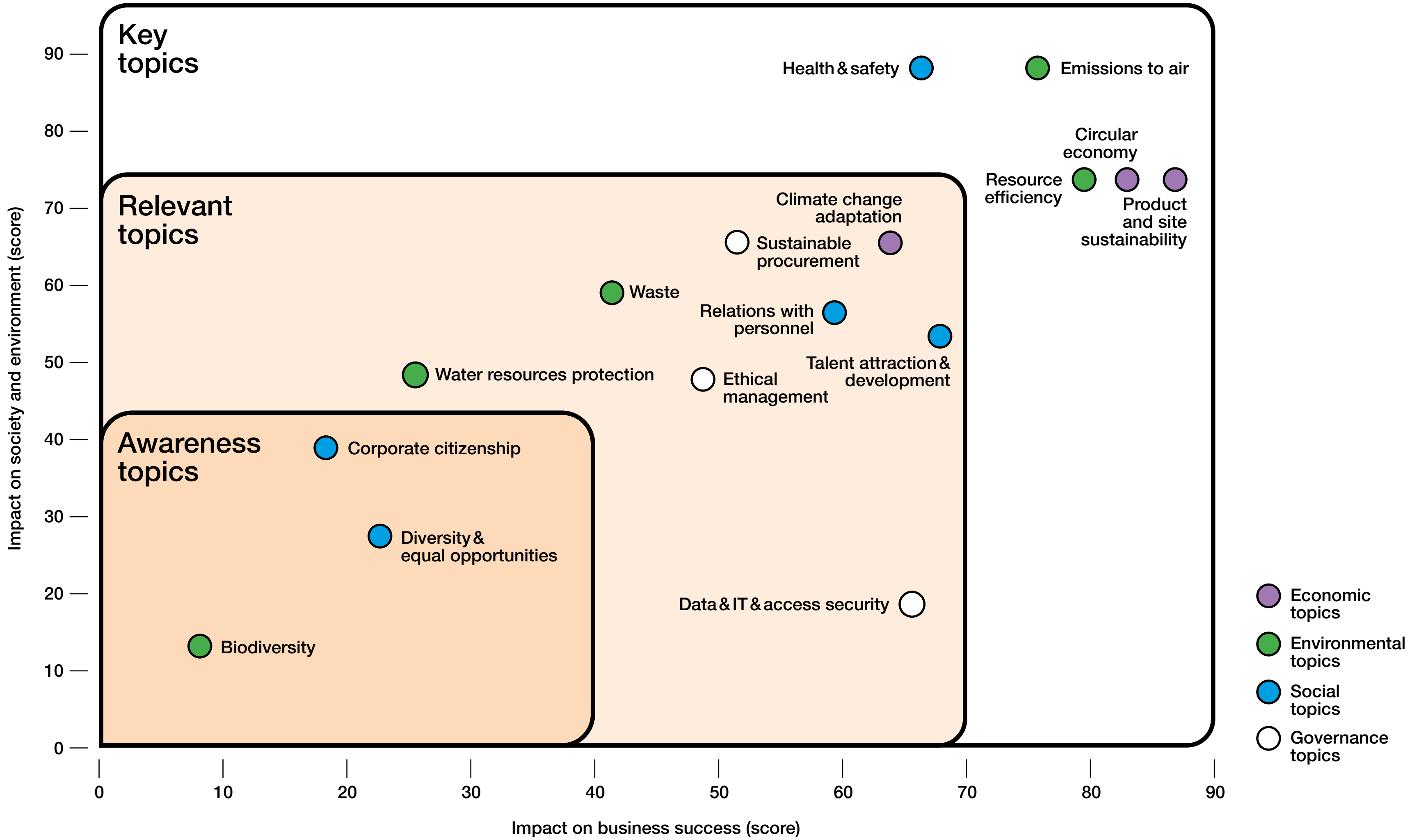
Sustainability as an integral component

Sustainability is centrally embedded in our strategy and operations, and our guidelines emphasize our commitment to environmental protection, health, social responsibility and ethical standards along our supply chain. Our policies highlight our commitment to sustainability and guide our actions.

Material sustainability topics

A double materiality analysis was conducted in 2022 to align our sustainability strategy with stakeholder expectations, and in anticipation of future regulatory requirements. Sustainability topics are deemed material if they either have a significant impact on our business success (outside-in) or if our economic activity has a significant impact on the environment and society with regard to the topics (inside-out).

Materiality matrix



Based on the score for each topic in the two dimensions, we distinguished three clusters.

Key topics

Key topics either have significant impact on our business success and/or we have significant impact on the environment and society in these topics. For key topics, we report key performance indicators (KPIs), set targets aligned with our business strategy and measure our target achievement.

Relevant topics

Relevant topics have medium impact. We report on relevant topics and where applicable we report KPIs.

Awareness topics

Despite the lower impact of these topics according to our materiality analysis, we still consider them as important sustainability topics. We closely monitor awareness topics and define principles regarding these topics in our policies. We report on awareness topics less comprehensively than on relevant or key topics.

Commitment to SDGs

The 17 United Nations Sustainable Development Goals that were adopted by the member states as part of the 2030 Agenda provide a framework for achieving prosperity for people and the planet through sustainable development. In line with our materiality analysis and our strategic focus, we selected six goals where we can make a valuable and meaningful contribution in accordance with the target definitions of the United Nations.

Affordable and clean energy

In order to achieve the targets set by our Science Based Targets initiative (SBTi) commitment, we will further increase the share of renewable energy and aim to improve our energy efficiency. Our plants in Switzerland and Canada already use 100 % power from renewable sources. In Ugine and Emmenbrücke we feed excess heat into the district heating networks.

Decent work and economic growth

Globally we employ approximately 8,800 people. Providing a safe working environment is our top priority. Each year we contribute to the education and training of young people by offering apprenticeships. At many locations we play an important role in the social integration and employment of immigrants. Our steel from recycled scrap contributes to sustainable growth without exploiting natural resources.

Industry, innovation and infrastructure

Steel is an integral part of modern and sustainable infrastructure. Our technical sales and research teams are developing innovative products that meet our customers' requirements. Through investments, innovation and continuous improvement, we upgrade our technological capabilities and processes regarding economic and environmental performance.

Responsible consumption and production

Steel recycling is our core business. Using a 100 % EAF and scrap-based production route, we play a significant role in fostering a circular economy. We strive for the highest possible recycling content in our products and avoid the use of primary materials where feasible. We cooperate with our business partners to recover by-products and waste, such as slag and dust.

Climate action

Our carbon footprint is significantly lower than the industry average and with our EAF-based production route we are in a strong position for a decarbonized future. In 2022, we committed to setting ambitious SBTi decarbonization targets and following up on their implementation.

Partnerships for the goals

Partnerships are a prerequisite to achieve our sustainability targets. We have established Green Steel partnerships with our customers and we foster successful partnerships in scrap and waste management and with local communities. Our Research and Development (R&D) teams work together with renowned universities and participate in publicly funded research projects. Beyond that, we contribute to industry efforts toward pertinent, well-adapted standards by actively participating in working groups of associations.

Climate and Environment

At Swiss Steel Group, we place great emphasis on environmental protection, climate conservation and energy efficiency in all areas of our business. We develop solutions to sustainably meet the growing demand for goods and services – from the supply chain and internal processes to our customers.

Commitment to the environment and climate

As one of Europe's largest electric arc furnace steel manufacturers, Swiss Steel Group is committed to living up to its responsibility. Sustainable production and environmental protection are among our top priorities. This applies to our products as well as to our production processes.

Sustainable production approach

One of the major advantages of steel products is that they are repeatedly fully recyclable at the end of their lifetime without impacting product quality. Swiss Steel Group's production is based on the recycling of steel scrap in electric arc furnaces, which makes us an integral part of the circular economy. Compared to the traditional primary steelmaking route with iron ore and coal, our production process not only preserves the world's natural resources; it also requires much less energy and results in less environmental impact overall. The careful and efficient use of resources is not only an environmental commitment; it is a key prerequisite for competitiveness and success. We take pride in blending end-of-life scrap such as material from waste incineration, tire cord or steel cans with high quality, obsolete scrap.

Scrap, ferro-alloys and other input materials contain carbon that needs to be removed from the steel to reach the specified chemical composition.

Environmental and energy management systems

Our environmental commitments are implemented through our Code of Conduct and our Production Assets' environmental policies and management systems, accounting for local circumstances. Swiss Steel Group's Production Assets in Europe run environmental and energy management systems which are certified according to the internationally recognized standards ISO 14001 and ISO 50001. Management is responsible for the environmental management systems at all of Swiss Steel Group's production sites. It defines strategic and operational goals and priorities and coordinates the local dialog with stakeholders to ensure the interests of public institutions, associations, industry organizations and local neighborhoods are represented. The environmental management system has the overriding objective of developing production processes in a sustainable manner to increase our resource efficiency and reduce our impact on the environment.

Recycling and circular economy

Our focus on scrap-based steel production and electric arc furnaces demonstrates our strong commitment to recycling and the circular economy. This not only conserves natural resources but also reduces energy consumption and minimizes environmental impacts compared to traditional steel production.

Energy management and efficiency

Within the framework of our energy management systems, we measure and analyze our energy consumption and plan, implement and monitor energy-saving measures. Efficiency gains are achieved through innovation, investments in new technologies, continuous improvement and the active involvement of our employees.

Emissions

The most significant emissions from the production processes of Swiss Steel Group are carbon dioxide, nitrogen oxides (NOx) and dust. Swiss Steel Group continuously reduces NOx emissions through improved production processes and advanced furnace and burner technology. Dust emissions, primarily generated during melting processes, are captured by exhaust systems and filters. Continuous monitoring and evaluation of emission levels are conducted to ensure that we stay within all legally prescribed emission limits.

Maximizing the recycling of by-products and waste

We maximize the recycling of residues and waste generated during production and processing, either for internal purposes or as secondary raw materials in other industries. Where technically feasible and allowed by local legislation, our slag, for example, is used in road construction, metals are recovered from dust, and refractory materials are returned to the manufacturers.

Engagement with suppliers

Beyond our own perimeter we recognize the importance of life-cycle thinking to reduce upstream and downstream emissions in our supply and value chains. Thus, we engage with our suppliers regarding their carbon footprint and empower our customers on their decarbonization path with our Green Steel portfolio and innovative steel grades that shorten the downstream process route.

Participation in working groups of steel associations

To establish relevant, well-adapted standards such as Green Steel labeling systems and a level playing field for all steel producers through technical arguments, we actively participate in working groups of steel associations such as EUROFER and the German Steel Association.

Click for video about Green Steel

By exclusively operating electric arc furnaces, we are already applying the technology of future steelmaking today.

Social Responsibility

Emphasizing the importance of our workforce – prioritizing health, safety and social responsibility for employees at Swiss Steel Group.

Health and safety

As a steel company there are inherent risks associated with our working environment, involving factors such as high temperatures, dust and heavy machinery. Ensuring the health and safety of our employees and partner companies by addressing these risks is our utmost priority.

Our structures, processes and management systems provide the framework for the systematic identification and elimination of health and safety risks to continuously decrease the number of incidents and comply with statutory health and safety requirements. An excellent safety culture is integral to Swiss Steel Group and rooted in our Code of Conduct, because our highest priority is the health and safety of our employees, and those of our partner companies, subcontractors, and suppliers.

Tailoring health and safety policies to local conditions ensures a safer work environment. To meet local legal requirements and to redefine and implement global health and safety directives and standards, corresponding health and safety management systems are in place at all production sites. The Ascometal and Steeltec sites have been audited by external and independant certification companies and certified in accordance with the international occupational health and safety standard ISO 45001. To continuously improve the safety of our production sites, additional certifications are planned.

Lasting and innovative improvement of health and safety at work, that is the main objective of the annual Challenge of the Groupement des Entreprises Sidérurgiques et Métallurgiques (GESiM), a French professional association with a social focus (Picture: Team Ugine).

Encouraging employee health

Swiss Steel Group focuses on preventive, need-based and targeted initiatives to enhance employee health. This includes preventive medical check-ups, virtual campaigns, online training courses, and global health and safety campaigns like the Global Health and Safety Day. Various initiatives including health and safety days at specific locations and mimini health days raise awareness, provide platforms for dialogue with experts and address specific health topics. Swiss Steel Group offers occupational medical services tailored to the size of each site. Occupational physicians, paramedics or emergency medical technicians are available on-site to ensure acute medical care for employees and service providers.

Diversity and gender equity

In April, we hosted our annual GirlsDay in Germany, inviting girls to get to know the steel industry better.

Our employees are our most important success factor and asset. We promote a corporate culture characterized by different ways of thinking, varied perspectives and openness.

To support diversity, the Talent Sourcing function has determined a series of sustainable actions. This includes, but is not limited to, effective internal and external candidate engagement, improved messaging in relation to our inclusive culture, hiring-manager education and increased awareness of diversity, as well as an enhanced focus on data-driven, accountable and transparent hiring decisions. While supporting gender diversity remains a long-term goal in our industry, our company also embraces diversity in terms of ethnic or national origin, religion, age, disability or sexual orientation.

Trade unions

We support our employees in exercising their rights as workers. Our employees have the unrestricted right to form, join or leave associations or organizations that promote the protection of workers' interests. We do not tolerate any form of discrimination against employees who are actively involved in representing workers' rights.

Talent management

Swiss Steel Group is committed to long-term workforce and succession planning. This includes ensuring engagement and employability of the workforce overall. By identifying and addressing talent risks appropriately and recognizing and retaining top talent, this cultivates a pipeline of employees with potential for future success.

Talent Pool Innovation Days in Düsseldorf.

Community and social engagement

The basis for our corporate citizenship is our desire to make the society in which we operate a better place. We support people and communities in the vicinity of our sites who are committed to the betterment of our society. Swiss Steel Group has historical sites with generational employment. We are well known in these areas and have always supported and continue to support communities through partnerships, sponsorships, donations and contributions during local crises.

The Swiss Steel USA team donated their time to support the non-profit organization FMSC.

Our social involvement continued in open and active dialog with the respective interest groups, but it is also important to connect furtherwith people and society. As part of our engagement in the economies where we operate, we employ and train students and apprentices.

Corporate Governance

Ethics and compliance form the ethical backbone of our corporate culture. We firmly believe that sustainable success is only possible through strict adherence to ethical principles and legal regulations.

Commitment to integrity and responsibility

Our commitment to integrity, transparency and responsibility extends across all areas of our business, building trust with customers, investors, and business partners. Finding a balance between the interests of the various stakeholders and thus between economic success, the protection of the environment and social responsibility is an inherent part of our corporate culture.

Responsible corporate governance and value creation

Corporate governance is of the utmost importance to Swiss Steel Group. Good and transparent corporate governance ensures responsible management and control of Swiss Steel Group with an emphasis on adding value. Corporate governance serves to promote the confidence of investors, the financial markets, customers and other business partners, employees and the public in Swiss Steel Group and is applied to the Group's system of management and administration. This includes in particular the organization, values, business policy principles and guidelines as well as internal and external control and monitoring mechanisms. In instituting corporate governance, Swiss Steel Group complies with all provisions relevant to corporate governance, in particular existing laws and the guidelines of the Swiss Stock Exchange Six.

Compliance

Swiss Steel Group is committed to operating ethically across its international network, following the Group values and rules enacted in the Swiss Steel Group Code of Conduct. For this purpose, the Swiss Steel Group implemented a new compliance program in 2021 driven by management, including ongoing trainings, targeted communications and a compliance offer network, to abide by local regulations and comply with international integrity standards.

The compliance program in 2023 focused on the continued rollout of the compliance plan by (1) updating policies to align with the many new regulations, (2) continuing regular reporting to the different Production Asset management teams and and the Audit Committee including compliance KPIs, compliance status, etc. initiated in 2022, and (3) increasing the visibility of the local compliance officers toward local operations and management through regular communication and trainings, either face-to-face or via videos.

Due to the conflict between Ukraine and Russia and in the increasing tensions in Middle east, several countries-imposed new sanctions on international trade and individuals. To adapt to those risks and new legal developments, Swiss Steel Group is adapting its trade compliance program regularly and is meeting with the Swiss Steel export control and sanctions experts monthly to ensure group operations (including our Swiss Steel Russia subsidiary) are compliant with the main sanction's regime.

Code of Conduct

Our Code of Conduct formulates what is ethical and legally expected of all our managers and employees. It describes our self-image of integrity. The Code of Conduct defines behavioural requirements and the framework for our actions. Every manager and every employee is obligated to act in accordance with the Code of Conduct and the laws applicable to their area of work.

Click for Code of Conduct

Compliance organization

We make our managers and employees aware of compliance rules through various communication measures such as training courses and newsletters. Swiss Steel Group has established a compliance organization, which supports managers and employees as a point of contact for compliance issues.

The management of each Swiss Steel Group company is responsible for ensuring that the company acts in accordance with the law.

The Corporate Compliance team designs and develops the compliance program on the basis of risk analyses and formulates guidelines, procedures and training. Corporate Compliance coordinates implementation within Swiss Steel Group.

In certain areas, additional risk-oriented officers have been appointed (e.g. data protection, export control, money laundering law). These support management and employees in a limited number of areas, such as the Data Protection Champions in the field of data protection.

Compliance communication

We raise awareness for compliance rules among our managers and employees through various communication measures such as training courses and newsletters.

Publications: Internal publications inform our employees about compliant behavior and the possible risks and consequences of violations. Supplementary information and working aids (e.g. such as forms, check lists and information sheets on specific topics) are available to employees on the group-wide intranet.

Trainings: Our employees receive regular training on compliance via a web-based training program. Web-based training is flanked by events requiring physical attendance. Training is graded according to the compliance risk of the function. Participation in the assigned training courses is mandatory for all employees concerned.

Human rights

The quickly evolving legal environment surrounding human rights was a key focus for Swiss Steel Group in 2023. One of our strengths is our capacity to invest in future generations of employees. As such, at our mills sites and warehouses we often have students, apprentices and trainees who are working part time as part of their course of study, or full time during a fixed-term internship. To ensure our facilities across the globe adhere to the highest standards on preventing child labor, forced labor, modern slavery, decent wages, right of association and discrimination, the decision was taken to work on three different levels, which are described in our Non-Finacial Report 2023.

Combatting corruption

Based in more than 25 countries, our Group is evolving in multiple jurisdictions with different laws for fighting corruption and varying sensitivities on the matter. To ensure a global understanding of the principles that need to be followed, Swiss Steel renewed its Code of Conduct in 2023 to ensure a common ground on anti-corruption, complemented by several policies and trainings.

Supply Chain

At Swiss Steel Group, our procurement processes are guided by our corporate values, which emphasize adherence to laws, respect for human dignity, workplace safety, responsible business practices and the sustainable use of resources. These principles are applied globally and form the foundation of our business activities. We expect all our business partners, including suppliers and subcontractors, to share and adhere to these principles.

Responsible procurement

All sourcing processes of Swiss Steel Group are governed by our corporate values, which are based on key elements such as compliance with applicable laws, respect for human rights, health and safety at work, responsibility and integrity in business dealings, and the responsible, careful use of limited resources. These principles apply across national borders and represent a central point of guidance for our business activities. We therefore expect all our business partners, including all suppliers and subcontractors, to likewise abide by our principles of behavior and to live up to their responsibilities.

Code of conduct for suppliers

Our Supplier Code of Conduct defines the fundamental requirements for our suppliers and subcontractors. The code highlights their responsibilities toward stakeholders and the environment. Adherence to the Supplier Code of Conduct is a critical factor in the selection and evaluation of suppliers. We also encourage our suppliers to extend these standards throughout their own supply chains.

Supply chain risk management

Swiss Steel Group employs a proactive, risk-based approach to supplier management. We map suppliers based on country-specific risks, official sanction lists and ESG-related databases to identify potential red flags and mitigate risks in the supply chain.

Before qualifying as suppliers, potential risks are thoroughly assessed to ensure compliance with legal requirements and our own standards. We have harmonized our supplier risk assessment processes and introduced a joint software tool for due diligence across all production facilities.

Furthermore, we maintain a central risk committee for ongoing risk assessments and coordinating actions such as risk-related questionnaires and audits.

Mitigation of risks and conflict minerals

To comply with regulations on conflict minerals (tin, tungsten, tantalum, gold and cobalt), Swiss Steel Group requires its suppliers to provide information about their supply chains to ensure that sourced materials do not come from conflict regions. We demand origin certificates or use reporting templates to confirm conflict-free procurement. Our use of tungsten and cobalt as alloying elements is minimal.

Promotion of local sourcing

Swiss Steel Group aims to procure materials and services locally whenever possible. We prioritize suppliers in close proximity to our sites to support the local economy, build strong community relationships and ensure flexible supply. Regional sourcing also contributes to closing material loops and reducing emissions from material transportation.

Opportunities and Risks

Swiss Steel Group's business activities are exposed to opportunities and risks. Building on our strong foundation in innovation and sustainability, capturing market trends and growth opportunities is at the heart of our strategy program SSG 2025. At the same time, we are keenly aware of and address challenges and uncertainties. Strategic decision-making involves navigating opportunities and risks in a balanced approach.

Opportunity management

Opportunity management refers to identifying, evaluating and capitalizing on opportunities that can benefit our business. These opportunities can arise in various forms, such as product or process innovations, business prospects, partnerships or investments. The goal of opportunity management is to systematically assess potential opportunities, prioritize them based on their potential value or impact, and then effectively pursue or exploit those that align with our strategy.

Decarbonization and sustainable steel production

With our 100 % electric arc furnace (EAF) and scrap-based production route we have a significantly lower carbon footprint than steel producers that use the conventional blast furnace-basic oxygen furnace (BF-BOF) route. Thanks to our state-of-the-art production and the use of energy from low-carbon sources, our emissions are significantly lower than the industry average, offering our customers an environmentally friendly alternative and added value. We aim to further increase the use of electrical energy as we have already done in France, Switzerland and Canada. With its high efficiency and extensive use of low-carbon energy, our plant in Emmenbrücke, Switzerland, acts as a role model for low-emission steel production. To counteract rising energy costs and enhance our competitiveness on the international market, all our Production Assets aim to constantly improve their energy efficiency.

Green Steel

The Group's commitment to setting SBTi decarbonization targets also reflects our ambition to further strengthen our leadership position in Green Steel and be the first choice for customers when it comes to steel with a verified low carbon footprint. Green Steel helps our customers achieve their sustainability goals, reduce their carbon footprint, attract eco-conscious customers, drive innovation and create business opportunities - promoting a sustainable future for the industry. With our 100 % EAF and scrap-based production we may also be able to outprice conventional steel producers. By offering our Green Steel product categories, we are in the best position to seize these future market opportunities.

Clean energy infrastructure and e-mobility

In the short and medium term, we expect opportunities in the steel market to focus on ambitious decarbonization targets and clean energy programs by governments across the world. The steel sector will be heavily involved, particularly with regards to helping build adequate energy infrastructure. Specifically, renewable energy - be it wind, hydrogen or other renewable energy sources - will continue to generate an increasing share of the world's energy use, which in turn requires steel products. The continued focus on emission reductions will also play a key role in steel demand from the automotive sector, as lightweighting of cars and trucks continues. Additional opportunities may arise in e-mobility, where growth in demand for special long steel products is expected. Special long steel is widely used in e-mobility for EV bodies, frames, battery enclosures, charging infrastructure and other components.

Customer centricity and innovation

Our aim is to use our extensive technology know-how to develop high-quality special long steel products that serve our customers' needs. The foundation for this lies in our proven competences in product innovation, process innovation and technical services. Research and development activities in general and intense cross-border collaboration among technical staff are the cornerstones of our diverse product offerings, fostering our product quality leadership and our close customer partnerships. Swiss Steel Group's strong brands are supported by an experienced team of technicians, engineers and scientists. These industry experts contribute their deep understanding of the trends, needs and challenges in the special long steel segment, thanks to their close contacts with our customers. Our customer centricity and the innovation landscape set the vision for the future of our activities.

Digital technologies

The rapidly advancing digital transformation is a major contributor to increasing the efficiency and quality of our processes. Swiss Steel Group is taking advantage of these opportunities with the help of IT and the use of digital technologies. The modernization and harmonization of the IT landscape and various digital initiatives are currently in implementation. We procure standardized and highly automated IT solutions and services from external service providers and focus our internal resources on exploiting the opportunities of the digital transformation. This starts with the development and implementation of digital solutions that are tailored to the needs of our customers. The ongoing digitalization of the Group is creating opportunities to streamline internal processes and opens up new business opportunities.

Production and procurement excellence

With production excellence, we aim to achieve outstanding performance and efficiency in our production processes. This involves optimizing various aspects of production, including quality, cost effectiveness, speed and flexibility. We have initiated several projects to realize structural cost reduction measures to improve our competitiveness. With procurement excellence, we continuously improve the total cost of ownership of externally purchased materials and services. Key elements of procurement excellence include strategic sourcing, supplier relationship management, risk management, ethical practices, and the adoption of digital technologies to streamline and automate procurement processes.

Risk management

Swiss Steel Group's enterprise risk management seeks to underpin the company's strategy and to ensure business continuity and production stability. The main objective of risk management is to identify risks at an early stage and to implement effective mitigating measures. Enterprise risk management encompasses the identification, assessment, response, monitoring and reporting of all relevant risks. The common risk database of the Group serves as a platform for all enterprise risk management activities.

Market and competition

We are exposed to the general economic climate – steel demand tends to correlate closely to GDP and industrial production. The overall market environment deteriorated throughout 2023, with the macro-economic and end-use sector outlook remaining uncertain. Geographically speaking, one third of Swiss Steel Group's revenues are generated from sales to Germany; France, Italy and the US are other key markets for us. In terms of customer industries, the mobility industry attributes to 44 % of our revenue. Any deterioration in the these economies or industries will have a direct impact on our sales and profitability. Market and competition risks are mitigated by measures such as our in-house market monitoring and research efforts, technical development aimed at product differentiation and customer industry diversification.

Liquidity

Swiss Steel Group centrally manages its cash balances and continuously monitors its available liquidity. The Group's ability to continue as a going concern is dependent, amongst other, on the availability of sufficient liquidity to fund the Group's operations. Liquidity risk is mitigated through continuous steering and monitoring of available liquidity on a daily basis paired with a fortnightly liquidity forecast. Moreover, the Group is envisaging a capital increase equal to EUR 300 million to strengthen the balance sheet and to address the Group's near-term liquidity needs.

Recruitment and retention

Our success hinges on the expertise and commitment of our employees. Our business and our future development depend on our ability to retain internal talents in key management and specialist positions and to attract external talents. Swiss Steel Group is actively manages its internal talent pipeline through rigorous succession planning for all key positions and through training and eduction. As an example, our Group-wide Talent Pool initiative aims at identifying and developing internal high potentials and preparing them for larger management roles. Developing partnerships with schools and training organizations and updated recruitment communications and channels form part of the Group's employer branding activities.

Personnel accidents

As a steel manufacturer, we face the risk of personnel accidents that we try to avoid at all costs. Personnel accident risks are mitigated through the continuous promotion of a "safety culture" at all sites worldwide. Reporting and analysis of accidents and incidents ("near misses" and "safety observations"), cross business audits, risk assessments and behavioral based safety training form part of our standard operating procedure.

Industrial equipment and IT infrastructure

Our industrial risk management ensures the resilience and sustainability of our industrial operations and our IT infrastructure through monitoring, regular assessments, internal and external audits and inspections, and our commitment to continuous improvement. The steel manufacturing processes at our Production Assets are complex and dependent on some critical steelmaking equipment. Operations may be interrupted by equipment failures or other reasons. Risks related to our machinery and industrial equipment are mitigated through the risk-based prioritization of our investment and maintenance spend. Group-wide insurance programs are in place for property and business interruption damages.

Cyber security

Considering growing threats from external attackers, malicious or negligent actions as well as system vulnerabilities, our investments in cyber security will be continued in the coming years. With the ongoing multi-year Cyber Security Program, Swiss Steel Group aims to sustainably strengthen cyber resilience by optimizing processes and response capabilities. Our dedicated IT security organization is continuously enhancing the Group's cyber resilience. Recurring Group-wide e-learning programs to increase awareness are conducted on a regular basis. Ensuring robust cyber risk management not only protects ourselves but also our customers and partners, and safeguards our reputation and trustworthiness.

ESG stakeholder expectations and decarbonization

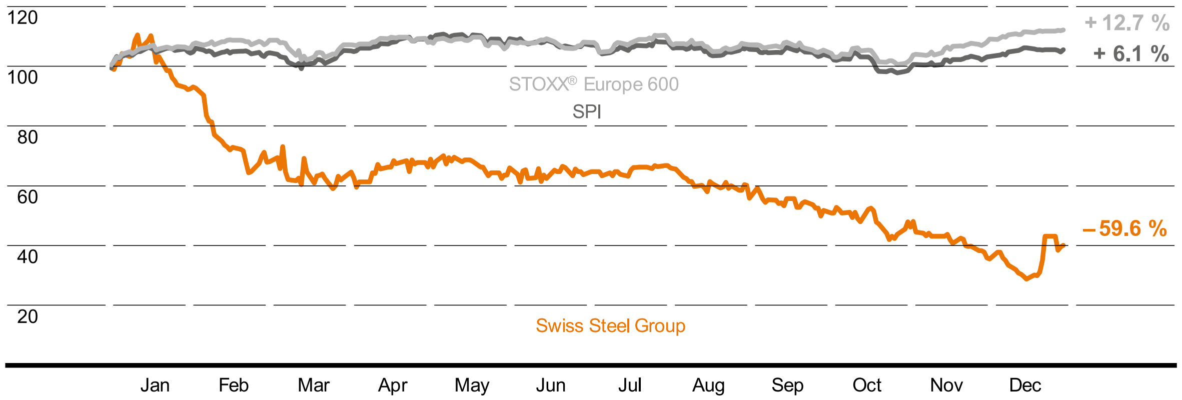
Imminent legal requirements and increasing stakeholder expectations (from customers, suppliers, investors, lenders, employees, authorities, NGOs, local communities, etc.) require us to improve our non-financial performance and to ensure transparency regarding ESG aspects. Different governments have set greenhouse gas reduction targets that will affect future costs of emitting CO_2. A distinct sustainability management working group is refining our internal sustainability management system as well as our external reporting to fulfill the regulatory requirements. We also seek external assurance of the Group-wide CO_2 emissions reporting and participate in other external assessments like EcoVadis and Carbon Disclosure Project (CDP).

Capital Market

Our primary aim is to enhance the value of our company over the long term. Together with the creation of financial and non-financial value, this requires confidence on the part of our investors in the business model and strategic objectives. That is why we are committed to open, constructive and long-term communication with our investors and the capital market.

Swiss Steel Group share price

Share price development 2023
indexed



During 2023, the stock of Swiss Steel Holding AG came under pressure in the first quarter and traded sideways until September when the company had to withdraw its guidance for adjusted EBITDA for the full year. The decline of the stock price only came to a halt in mid-December shortly after the Company's announcement of the divesture a part of its French Ascometal entities in line with its strategy SSG 2025. Overall, equity capital markets continued to be affected by geopolitical tensions, a looming recession and high interest rates. Our share price ended up 59.6 % lower for the full year. In absolute terms, the share price decreased from CHF 0.207 to CHF 0.084.

In 2023, the average daily trading volume of shares of Swiss Steel Group on the Swiss stock market was around 0.9 million. This compares with around 0.5 million in 2022.

Shares - facts and figures

ISIN	CH005795668
Securities number	579 566
Ticker symbol	STLN
Bloomberg	STLN SE
Reuters	STLN.S
Type of security	Registered share
Trading currency	CHF
Listed on	SIX Swiss Exchange
Index membership	SPI, SPI Extra, SPI ex SLI, Swiss All Share Index
Number of registered shares	3,058,857,471 (December 31, 2023: 3,058,857,471)
Nominal value in CHF	0.15

Dividend policy

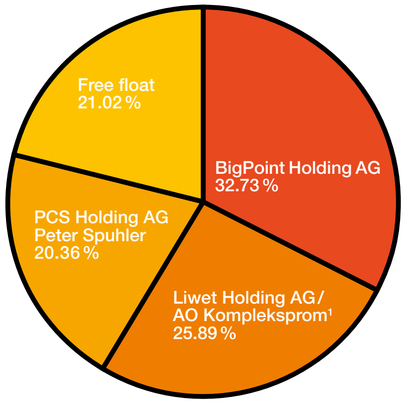
Swiss Steel Group generated a negative net income in 2023. The Board of Directors will propose to the Annual General Meeting (AGM) to refrain from a dividend distribution for 2023.

The Board of Directors believes that paying out a dividend is appropriate in the medium- to long-term as it allows shareholders to share in the Group's success. Generally, the Board of Directors makes an annual dividend proposal at the AGM, considering the company's goals, its current financial position and results of operations, any covenants in the financing agreements and future market prospects. The dividend policy is subject to regular review by the Board of Directors and may change.

Shareholder structure

The share capital as of December 31, 2023 comprised 3,058,857,471 fully paid-up registered shares with a nominal value of CHF 0.15 each. Since January 8, 2020, the company's largest shareholder is BigPoint Holding AG, which held 32.73 % as of December 31, 2023. Liwet Holding AG / AO Komplesprom maintain a 25.89 % stake in Swiss Steel Group. The third major shareholder is PCS Holding AG with 20.36 %. The remaining 21.02 % of the shares are in free float.

Shareholder structure per December 31, 2023



[1] Information communicated by Liwet on April 14, 2022: Viktor Vekselberg is a beneficiary of a discretionary trust that is effectively one of our minority shareholders. Viktor Vekselberg is a beneficiary of this discretionary trust which indirectly owns less than 8 % of Swiss Steel Group

Financing

Swiss Steel Group's financing structure consists materially of EUR 435.0 million revolving credit facility advanced by a syndicate of banks, an ABS financing program of EUR 298.0 million and two shareholder loans of EUR 95.0 million and EUR 100.0 million provided by its largest shareholder BigPoint Holding AG. Apart from the EUR 100.0 million shareholder loan that has a maturity until June 3, 2024, subject to certain conditions, the other financing instruments have maturities until March 2025. In addition, Swiss Steel Group had state-guaranteed bank loans of EUR 109.4 million at the end of the financial year 2023. Unused bank loans and liquid funds came to around EUR 161.6 million as of December 31, 2023, ensuring the company has sufficient financial resources. In addition, the ABS financing program had a headroom of EUR 112.5 million.

in million EUR	Credit line	Status as of 31.12.2023	Unused lines and cash
Syndicated loan (excl. transaction costs)[1]	435.0	367.9	67.1
ABS financing (excl. transaction costs)	298.0	185.5	112.5
Loans from shareholder (excl. transaction costs)	195.0	155.0	40.0
State-guaranteed loans (excl. transaction costs)	109.4	109.4	0.0
Cash and cash equivalents		54.5	54.5
Total			**274.1**

[1] The credit line of the syndicated loan was reduced on December 29, 2023 by EUR 30.0 million.

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Outlook

The outlook for 2024 assumes further effects from the finalization of portfolio activities as we implement the core business set-up that offers the best prospects for resilience and growth. As we navigate the dynamic market environment, we aim to focus on production excellence through quality, cost-effectiveness, speed and operational efficiency, as well as structural measures to enhance flexibility and utilization. The envisioned capital increase should support our business by providing the means to capture the next economic cycle, to make targeted investments in product and sustainability innovations, and to restore confidence among customers and suppliers.

We are committed to enabling each of our core business entities to thrive and secure a sustainable competitive position for the Group, both economically and in terms of environmental and climate protection. With the sale of several sales entities, we took a major first step in the realignment of our portfolio. The outlook for 2024 assumes further effects from the finalization of portfolio activities as we implement the core business setup that offers the best prospects for resilience and growth.

We target performance and resilience in our Production Assets as we continue to navigate dynamic market conditions. Building upon the milestones already achieved, we are committed to intensifying these efforts and continue to execute optimization projects with cost improving measures. Through a focus on production excellence, our goal is to bolster performance and efficiency across our Production Assets. This entails optimizing multiple facets of production, such as quality, cost-effectiveness, speed, and overall operational efficiency, thereby enhancing our delivery accuracy and competitiveness. Achieving this involves the implementation of structural measures to improve flexibility, optimize utilization, leverage synergies of the global production network, and focus on a demand-oriented production, which will elevate our overall production capabilities.

We remain committed to providing exceptional customer service and strengthening our market position. Consolidating sales expertise in our divisions and leveraging our R&D and innovation competencies will be key in driving efficiency at all levels. By further strengthening our divisional sales organization and fostering strong partnerships, we seek to adopt a more comprehensive market approach and provide tailored solutions to meet our customers' ever evolving needs.

Aligned with the Science Based Targets initiative (SBTi), we are accelerating the implementation of our decarbonization roadmaps with the ambitious goal of achieving net-zero emissions before 2040, contingent upon conducive framework conditions. This entails increasing the utilization of renewable energy in steel production, exploring innovative recycling concepts, and implementing efficiency improvements to reduce our Scope 1-3 emissions, thereby benefiting both our organization and our customers.

Corporate Governance

Corporate Governance

The Group attaches great importance to corporate governance. The Board of Directors constantly evaluates established corporate governance principles and practices with the aim of strengthening these further wherever possible.

1 Group structure and shareholders

1.1 Group structure

Swiss Steel Holding AG is a company organized under Swiss law. Headquartered in Lucerne, the company was first entered in the commercial register of the canton of Lucerne on September 20, 1887 under the name “Aktiengesellschaft der Von Moos'schen Eisenwerke”. The registry code is CHE – 101.417.171.

1.1.1 Group operating structure

For information on the operating organization, please refer to note 35, Segment reporting of the consolidated financial statements of this Annual Report. The management and supervision of Swiss Steel Group are based on the company’s Articles of Incorporation, organizational regulations including chart of functions, committee regulations and other documents that set out the corporate policy and business principles. The Articles of Incorporation and the organizational regulations can be found on the website of Swiss Steel Group at: https://swisssteel-group.com/en/sustainability/ethics-compliance.

The management structure is aligned with the Group’s business strategy. As a global leader in special long steel, the Group’s organization reflects the market approach with three Divisions: Engineering Steel, Stainless Steel and Tool Steel. In doing so, Swiss Steel Group is pursuing its goal of defending and expanding its position in the global market. Please refer to note 38, List of shareholdings in this Annual Report.

1.1.2 Listed company

Name	Swiss Steel Holding AG
Registered office	Landenbergstrasse 11, 6005 Lucerne
Listed on	SIX Swiss Exchange, International Reporting Standard
Market capitalization	CHF 256.0 million (closing price on December 29, 2023: CHF 0.084)
Symbol	STLN
Securities number	579 566
ISIN	CH0005795668

1.1.3 Non-listed companies

All Group companies other than Swiss Steel Holding AG are unlisted companies. The list of shareholdings in note 38 of this Annual Report gives details of these along with information about the registered office, share capital and interest held.

1.2 Significant shareholders

As of the balance sheet date at December 31, 2023, the company had received notification of three significant shareholders whose voting rights exceed the 3% threshold: BigPoint Holding AG, which owned 32.73%; Liwet Holding AG and AO Kompleksprom, which together held 25.89% via a shareholder agreement; and PCS Holding AG / Peter Spuhler, which owned 20.36%. The remaining shares were in free float.

Viktor Vekselberg is a beneficiary of a discretionary trust that is effectively one of the minority shareholders of the company. Viktor Vekselberg is a beneficiary of this discretionary trust which indirectly owns less than 8% of Swiss Steel Group.

Notifiable changes in significant shareholders since the balance sheet date are published by the company on the electronic publication platform of the SIX Swiss Exchange at www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html. The notifications published during the fiscal year 2023 can also be found there.

1.3 Cross-shareholdings

The company has no cross-shareholdings with significant shareholders or other related parties.

2 Capital structure

2.1 Ordinary capital

As of December 31, 2023, the ordinary share capital consisted of 3,058,857,471 registered shares with a par value of CHF 0.15 each, amounting to a total of CHF 458,828,620.65.

2.2 Authorized and conditional capital in particular

The company has no conditional and authorized capital established in its Articles of Incorporation as of December 31, 2023.

2.3 Changes in capital

The company's share capital of CHF 458,828,620.65 has been unchanged since March 22, 2021 and is divided into 3,058,857,471 registered shares with a nominal value of CHF 0.15 each.

Overview of capital changes in the last four reporting years:

Ordinary capital				Authorized capital	Conditional capital
Year	**Share capital in CHF**	**Shares**	**Par value in CHF**	**Maximum in CHF**	**Maximum in CHF**
2020	304,249,999.95	2,028,333,333	0.15	-	-
2021	458,828,620.65	3,058,857,471	0.15	-	-
2022	458,828,620.65	3,058,857,471	0.15	-	-
2023	458,828,620.65	3,058,857,471	0.15	-	-

2.4 Shares and participation certificates

As of December 31, 2023, the share capital consisted of 3,058,856,471 registered shares with a par value of CHF 0.15 each. At the end of the year, the company held 244,693 treasury shares for which voting rights are suspended in accordance with art. 659a of the Swiss Code of Obligations. Each share entitles the holder to one vote. Voting rights may only be exercised if the shareholder has been registered in the company's share register as a shareholder with voting rights in time for a given vote. Each share is entitled to dividends. Certificates are not issued for registered shares; rather, they are recorded by book entry in the central depository system of areg.ch ag. Shareholders are not entitled to request a printed copy or delivery of share certificates. All shareholders can, however, request from the company at any time a document confirming the shares in their ownership.

Swiss Steel Holding AG has not issued any participation certificates.

2.5 Dividend-right certificates

Swiss Steel Holding AG has not issued any dividend-right certificates.

2.6 Limitations on transferability and nominee registrations

Certificated shares can be physically deposited with a depositary; paperless shares can be entered in the principal register of a depositary and credited to a securities account (creation of intermediated securities). Intermediated securities can only be disposed of, or pledged as collateral, in accordance with the provisions of the Swiss Federal Act on Intermediated Securities. Paperless securities that do not qualify as intermediated securities can only be transferred by assignment. The company must be notified of such assignment for it to be valid. In accordance with the Articles of Incorporation, nominees of registered shares may upon request be entered without restriction in the share register as a shareholder with voting rights if they expressly declare that they acquired the registered shares in their own name and for their own account. If no such declaration is made, nominees are registered with voting rights up to a maximum of 2% of the share capital.

Pursuant to art. 4 (3) of the Articles of Incorporation (see: https://swisssteel-group.com/en/sustainability/ethics-compliance), nominees with registered shares are registered with voting rights only if they provide a written declaration that they are prepared to disclose the addresses and shareholdings of persons for whose account they hold 0.5% or more of the outstanding share capital.

Except for the nominee clause, there are no restrictions on transferability, nor are any privileges granted under the Articles of Incorporation; accordingly, no exemptions were granted in 2023. Revocation or amendment of these stipulations requires the agreement of at least two-thirds of the represented votes and the absolute majority of the represented nominal share values.

2.7 Convertible bonds and options

The company had no convertible bonds or options outstanding as of December 31, 2023.

3 Board of Directors

3.1 Members of the Board of Directors

The following overview provides details of the composition of the Board of Directors as of December 31, 2023.

Jens Alder (CH)	**Barend Fruithof (CH)**	**David Metzger (CH/FR)**
Year of birth 1957	Year of birth 1967	Year of birth 1969
Chairman	Vice Chairman	
Compensation Committee (Chairman) Ad Hoc Finance Committee (Member) Nomination Committee (Chairman)	Audit Committee (Member) Ad Hoc Finance Committee (Chairman)	Audit Committee (Member) Nomination Committee (Member)
Member since 2021	Member since 2022	Member since 2020
Elected until 2024	Elected until 2024	Elected until 2024
Mario Rossi (CH)	**Dr. Michael Schwarzkopf (AT)**	**Oliver Streuli (CH)**
Year of birth 1960	Year of birth 1961	Year of birth 1988
Audit Committee (Chairman) Ad Hoc Finance Committee (Member)	Compensation Committee (Member) Nomination Committee (Member)	Compensation Committee (Member) Nomination Committee (Member)
Member since 2021	Member since 2020	Member since 2022
Elected until 2024	Elected until 2024	Elected until 2024
Emese Weissenbacher (DE)		
Year of birth 1964		
Audit Committee (Member)		
Member since 2021		
Elected until 2024		

At the Annual General Meeting on April 20, 2023, Jens Alder, Dr. Svein Richard Brandtzæg, Barend Fruithof, David Metzger, Mario Rossi, Dr. Michael Schwarzkopf, Oliver Streuli and Emese Weissenbacher, who stood for re-election, were confirmed in office. Jens Alder was elected Chairman of the Board of Directors. Dr. Svein Richard Brandtzæg resigned from his position as member of the Board of Directors as of October 5, 2023.

According to the Articles of Incorporation, shareholders who alone or in concert hold 17.5% or more of the share capital and voting rights of the company are entitled to nominate a person for election as a member of the Board of Directors. Shareholders who alone or in concert hold 35% or more of the share capital and voting rights of the company are entitled to nominate two persons for election as members of the Board of Directors.

The right to nominate a person for election as a member of the Board of Directors or to vote out of office a person nominated and elected as a member of the Board of Directors on the basis of such a provision must be requested in writing no later than 45 days before the Annual General Meeting. The Board of Directors may grant exceptions to this deadline. The majority of the Board of Directors shall consist of members who are independent of all shareholders.

Unless otherwise stated, the members of the Board of Directors have no significant business relationships with Group companies. For details of business relationships with certain companies represented by members of the Board of Directors, see the notes to the consolidated financial statements, note 36, Related party disclosures.

Jens Alder (CH)
Chairman | Non-executive member

Jens Alder served as Executive Chairman of Alpiq Holding Ltd. in Lausanne, Switzerland, from 2019, and was Chairman of its Board of Directors from 2015 until the end of 2021. Between 2009 and 2018 he was a Board member of several companies, including CA, Inc., New York, USA, from which positions he largely resigned after joining Alpiq. Over the past decade, Jens Alder has served as Chairman of various companies including Goldbach Group AG, Küsnacht, Switzerland, Sanitas Health Insurances, Zurich, Switzerland, BG Ingénieurs Conseils, Lausanne, Switzerland, and Industrielle Werke Basel, Switzerland. From 2006 to 2008 he was CEO of TDC A/S in Copenhagen, Denmark. From 1999 to 2006 he was CEO of Swisscom AG, based in Berne, Switzerland. Jens Alder previously held management positions at Swisscom, Alcatel Switzerland, Motor-Columbus, Alcatel STR and Standard Telephon & Radio. Jens Alder is currently Chairman of the Board of ColVisTec AG, Berlin, and member of the Board of Scope Content AG, Zürich. Jens Alder holds a Master of Science (MSc) in Electrical Engineering from ETH Zurich, Switzerland, and a Master of Business Administration (MBA) from INSEAD, Fontainebleau, France.

Barend Fruithof (CH)
Non-executive member

Barend Fruithof is currently CEO of the globally operating Aebi Schmidt Holding AG based in Zurich-Oerlikon. Before joining Aebi Schmidt Holding AG in 2017, Barend Fruithof held various executive positions at major Swiss banks as well as at Raiffeisen and cantonal banks with a focus on corporate and institutional customer services. Most recently, he was Head of Switzerland & Global Custody and member of the Executive Board at Bank Julius Baer & Co. AG, Zurich. Barend Fruithof is currently a member of the Board of Directors AMAG Leasing AG, Zugerberg Finanz AG and ERNI Group Holding AG. In addition, he is member of the Board at Swissmem. Barend Fruithof holds a degree in business administration (KLZ), a master of marketing (eidg. dipl. Marketingleiter) from the University of Bern and an Executive MBA from the University of St. Gallen (HSG).

David Metzger (CH/FR)
Non-executive member

David Metzger is an investment professional currently with Liwet Holding AG, and earlier held similar positions at RMAG and Venetos Management AG. Previously, he was investment director at renewable energy fund Good Energies AG (now Bregal Energy, part of COFRA Holding), and before that senior manager at Bain & Company. Currently, David Metzger is serving as a member of the Board of Directors of Sulzer AG and of Medmix AG. From 2014 to 2023, he was a member of the Board of Directors of Italian Octo Telematics SpA, from 2016 to 2021 he was a member of the Board of Directors of OC Oerlikon, and from 2008 to 2009 from Norwegian Solar Energy Company Norsun. David Metzger holds a master's degree in business economics (lic.oec.) from the University of Zurich and a Master of Business Administration from INSEAD.

Mario Rossi (CH)
Non-executive member

Mario Rossi was CFO of Swisscom AG from 2013 until 2021, where he held various senior finance positions from 1998. Mario Rossi was Chairman of the Board of Directors of Cablex AG until January 2022. He is currently a member of the Board of Directors of Pilatus Aircraft Ltd. and the Hasler Foundation, as well as a member of the Sanction Commission of the Swiss Stock Exchange and member of Takeover Committee. Mario Rossi is a certified public accountant of the Swiss Academy for Audit.

Dr. Michael Schwarzkopf (AT)
Non-executive member

Dr. Michael Schwarzkopf has been Chairman of the Supervisory Board of the Plansee Group, Reutte (AT) since 2017. At Plansee, he was a member of the Executive Board from 1993 to 2017, serving as its Chairman from 1996 to 2017. Before joining the Plansee Group, he was Managing Director of Sintermex S.A. de C.V. in Quéreatro (MX) from 1991 to 1993. After completing a trainee program at Thyssen AG in Düsseldorf (DE) in 1989, he moved to Sinterstahl GmbH in Füssen (DE), where he worked as Manager Corporate Development from 1989 to 1991. His Board of Directors mandates included voestalpine AG, Linz (AT) from 2004 to 2018, Molibdenos y Metales S.A. from 2011 to 2018, Molyporc Inc. from 2013 to 2015, and Mayr-Melnhof Karton AG, Vienna (AT) from 2009 to 2019. He is currently member of the Advisory Board of Künz Holding GmbH. Dr. Michael Schwarzkopf holds a degree in mechanical engineering from the Swiss Federal Institute of Technology Zurich (ETHZ) as well as a PhD in materials sciences from the University of Leoben.

Oliver Streuli (CH)
Non-executive member

Oliver Streuli is currently Group CFO of Rieter Holding AG, Winterthur. He has been CEO of the holding company PCS Holding AG, based in Frauenfeld, from 2019 until 2023. Oliver Streuli is a member of the Board of Directors of Autoneum Holding AG,Unikeller Sona AG and Tefina Holding-Gesellschaft AG.. Oliver Streuli holds a Master's degree in Accounting and Finance from the University of St. Gallen (HSG).

Emese Weissenbacher (DE)
Non-executive member

Emese Weissenbacher has been CFO at Mann + Hummel International GmbH & Co KG in Germany since 2015. Since 1994 she has held management responsibilities at the company in the financial area of the holding as well as in the operational business. Ernese Weissenbacher is currently a member of the Board of Directors at Kongsberg Automotive Holding ASA and a member of the Advisory Board of Kreissparkasse Ludwigsburg. As of September 28, 2022, Emese Weissenbacher was appointed as a new member of the Supervisory Board of Horváth AG, the holding company of the international management consultancy of the same name. Emese Weissenbacher holds a Master's degree in Economics, Controlling & Business Development from the University of Stuttgart and a degree in Advanced Management from Harvard Business School, Boston.

3.2 Other activities and vested interests

The above profiles of the members of the Board of Directors provide information on their activities and commitments in addition to their functions at Swiss Steel Holding AG.

Pursuant to the company's Articles of Incorporation (art. 16d), the members of the Board of Directors and Executive Board may not hold or exercise more than ten mandates, thereof a maximum of five at companies listed on the stock exchange, and ten non-executive mandates at non-profit legal entities or non-compensation mandates, whereby out-of-pocket expenses are not considered as compensation.

A mandate refers to the activity in the highest management or administrative organ of other legal entities which are required to be entered in the commercial register or a similar foreign register, and which are not controlled by the company or do not control the company. Mandates at various companies belonging to the same group of companies are considered as one mandate. Mandates assumed by a member of the Board of Directors or Executive Board by order of the Group company are exempt from the restriction on additional mandates in accordance with the Articles of Incorporation.

Exercising such additional activities must not restrict the member concerned in assuming their duties for the company or other companies of the Group.

3.3 Elections and term of office

The Board of Directors consists of between five and ten members according to art. 11 of the Articles of Incorporation. The members of the Board of Directors are elected individually. The Chairman of the Board of Directors is elected at the Annual General Meeting.

In accordance with the Articles of Incorporation and organizational regulations, the Board of Directors appoints from among its members a Vice Chairman for each term of office. The terms of office of each member and of the Chairman of the Board of Directors expire at the end of the Annual General Meeting following their election at the latest. Re-election is possible.

3.4 Internal organizational structure

The organizational regulations provide that the Board of Directors meets as often as business requires. The Board of Directors convened on twenty-one occasions in the fiscal year 2023 to discuss current business. These meetings lasted between one and seven hours. All members of the Executive Board usually participate in these meetings. In the reporting period, external consultants were called upon to assist with various legal and financial issues. In addition to all relevant aspects of business activities, the Board of Directors requests regular reports about the compliance organization and current compliance issues by the Corporate Legal and Compliance departments within Swiss Steel Group. The Board of Directors is quorate when at least half of its members is present, in compliance with the company's Articles of Incorporation (see: https://swisssteel-group.com/en/sustainability/ethics-compliance). For resolutions that must be publicly notarized in accordance with mandatory law, the participation of a single member is sufficient. Resolutions and elections require a simple majority of the votes cast. Abstentions do not count as votes cast.

In the event of a tie, the Chairman has the casting vote. In urgent cases, the Board of Directors can also pass resolutions by correspondence for inclusion in the minutes of the next meeting, provided that no member requests their verbal discussion.

The Board of Directors has constituted four committees from its members: the Audit Committee, the Ad Hoc Finance Committee, the Nomination Committee and the Compensation Committee.

Audit Committee

The Board of Directors elects the members of the Audit Committee from among its members. The members of this committee are Mario Rossi (Chairman, since the 2022 Annual General Meeting), David Metzger (member, since the 2020 Annual General Meeting), Barend Fruithof (member, since the 2022 Annual General Meeting) and Emese Weissenbacher (member, since the Extraordinary General Meeting in October 2021).

The Audit Committee regulations provide that the Audit Committee meet as often as business requires, usually at least three times per fiscal year. In the fiscal year 2023, the Audit Committee met five times with an average meeting duration of three hours. The external auditor, the Head of Corporate Accounting and Controlling and Treasury, the Head of Corporate Legal and Compliance, and the Head of Internal Audit, among others, attended the relevant meetings on a regular basis. The members of the Executive Board also participated.

Separate stipulations in organizational regulations govern the tasks and responsibilities of the Audit Committee in greater detail. These stipulate that the Audit Committee should consist of at least three members of the Board of Directors who are not actively involved in the company's business activities. The main tasks of the Audit Committee are as follows:

Financial reporting

- Assessing and monitoring the integrity and efficiency of the financial reporting system of the Group (IFRS), the efficiency of the financial information and the necessary internal control instruments
- Ensuring compliance with the Group accounting policies

External auditor

- Assisting the Board of Directors with the selection and appointment of the external auditor
- Reviewing and approving the audit plan
- Evaluating the performance, fees and independence of the external auditor
- Evaluating cooperation with Internal Audit
- Reviewing semi-annual and annual audited financial statements before publication and/or media release
- Discussing the annual report with regard to important litigations as well as significant legal, compliance and tax matters

Internal Audit

- Selecting the Head of Internal Audit
- Determining the scope and functions of Internal Audit as set out in the Internal Audit Charter
- Evaluating the performance of Internal Audit annually
- Reviewing and approving the audit plan
- Evaluating cooperation with the external auditor
- Reviewing the external assessment of Internal Audit functions at regular intervals

Compliance

- Monitoring an appropriate Group-wide compliance system, which ensures adherence to legal requirements and external and internal regulations
- Approving the Code of Conduct
- Supervising reported compliance issues

Other duties

- Supervising an adequate Group-wide internal control and information system
- Reviewing the measures to prevent and detect fraud, illegal activities or conflicts of interest
- Monitoring appropriate Group-wide risk management to identify risks and threats and initiating appropriate countermeasures
- Reviewing the Enterprise Risk Management (ERM) report
- Preparing ESG reporting and defining the KPIs for material ESG matters

The Audit Committee is also responsible for submitting regular verbal and written reports to the full Board of Directors.

Ad Hoc Finance Committee

In April 2023, the Board of Directors established temporarily the Ad Hoc Finance Committee with the main duty to support management in the upcoming refinancing of Swiss Steel Group. The members of this committee are Barend Fruithof (Chairman), Jens Alder (member) and Mario Rossi (member). The Ad Hoc Finance Committee met 16 times in the fiscal year 2023. The meetings lasted between one and three hours.

Compensation Committee

The members of this Committee are elected individually once a year by the Annual General Meeting in accordance with the law and the Articles of Incorporation. The term of office of each member of the Compensation Committee expires at the latest at the end of the Annual General Meeting following their election. Re-election is possible.

The members of this committee are Jens Alder (member since the 2021 Annual General Meeting, and Chairman since the resignation of Dr. Svein Richard Brandtzæg), Dr. Michael Schwarzkopf (member, since the 2021 Annual General Meeting) and Oliver Streuli (member, since the 2022 Annual General Meeting).

The regulations provide that the Compensation Committee meet as often as business requires, usually at least once per fiscal year.

The Compensation Committee met two times in the fiscal year 2023. The meetings lasted between one and three hours. There are separate regulations governing the tasks and responsibilities of the Compensation Committee. The committee is tasked with preparing the resolution of the Board of Directors on the compensation of the Board of Directors and of the Executive Board, and issuing a proposal to this effect to the Board of Directors. Its duties include, but are not limited to, the following:

- Preparing proposals for defining the general personnel policy
- Determining the principles for selecting candidates for election or re-election to the Board of Directors and for selecting members of the Executive Board
- Preparing proposals for the Board of Directors regarding the appointment of members of the Executive Board
- Overseeing personnel development and succession planning for the Executive Board
- Preparing proposals regarding the compensation policy applicable to the Board of Directors and the Executive Board according to the principles specified in the Articles of Incorporation
- Preparing proposals regarding the compensation levels of the members of the Board of Directors within the maximum aggregate compensation amounts approved by the Annual General Meeting, the committees and the Executive Board
- Preparing the compensation report

- Preparing proposals on the maximum aggregate amounts of compensation of the Board of Directors and of the Executive Board to be submitted to shareholder vote at the Annual General Meeting
- Approving any additional external mandates of the members of the Executive Board

The Compensation Committee reports to the full Board of Directors on the content and scope of decisions made.

Nomination Committee
The members of the Compensation Committee also form the Nomination Committee with David Metzger as an additional member. The main tasks of this committee are the revision of the existing competence model for the Board of Directors and succession planning including the selection of candidates for election or re-election to the Board of Directors. The Nomination Committee met five times in 2023. The meetings lasted one hour on average.

3.5 Definition of areas of responsibility

The Board of Directors is the most senior executive body in the Group's management structure and rules on all matters that are not expressly entrusted to another governing body in accordance with the law, the company's Articles of Incorporation or the organizational regulations.

The Board of Directors has delegated all duties except for those that are non-transferable and inalienable in accordance with the law. The non-transferable and inalienable duties of the Board of Directors include, but are not limited to:

- Managing the company as the supreme governing body and issuing all necessary directives
- Defining the company's organization
- Designing the accounting, financial control and financial planning systems as required for managing the company
- Appointing and dismissing persons entrusted with managing and representing the company
- Assuming overall supervision of the persons entrusted with managing the company, in particular with regard to compliance with the law, the Articles of Incorporation, regulations and directives
- Compiling the Annual Report and the compensation report, preparing and leading the Annual General Meeting, and implementing its resolutions
- Notifying the court in the event of overindebtedness
- Preparing resolutions on the payment of subsequent contributions to shares that are not fully paid up
- Preparing resolutions on capital increases and the associated amendments to the Articles of Incorporation
- Performing other non-transferable and inalienable duties in relation to the Swiss Merger Act

The Board of Directors is the supreme governing body of the company. It is responsible for supervising and monitoring the Executive Board and for issuing corporate policies. It also defines the strategic objectives and allocates the general resources required to achieve them. With the exception of duties reserved for the Board of Directors or its committees, all executive management tasks within the company and Group are delegated to the Executive Board in accordance with the organizational regulations (https://swisssteel-group.com/en/sustainability/ethics-compliance). The CEO chairs the Executive Board, which consists of the CEO, the CFO and the Chief Commercial Officers of the Engineering Steel, Stainless Steel and Tool Steel Divisions. The CEO issues supplementary guidelines governing the duties and authority of members of the Executive Board and Division Management. The Board of Directors receives notification of these responsibilities and any subsequent changes at the next meeting of the Board of Directors at the latest. The members of the Executive Board are appointed by the Board of Directors based on the recommendation of the Compensation Committee, while members of the Divisions are appointed by the CEO. The Chairman of the Board of Directors together with the Board of Directors monitor implementation of measures approved by resolution of the Board of Directors, supervise the CEO and their activities, and evaluate performance with the CEO on an annual basis.

The Board of Directors regularly conducts a self-evaluation which deals with the Board's composition, organization, processes and responsibilities, its members' qualifications, abilities and experience for the Board's needs and requirements, as well as succession planning.

3.6 Instruments for reporting and control: Executive Board

A transparent management information system (MIS), among other things on the basis of monthly reports, quarterly financial statements as well as annual financial statements, is used to support the Board of Directors' reporting and control activities relating to the Executive Board and Production Asset Management. Every member of the Board of Directors may request information from the Executive Board about any company matter, provided the Chairman is informed of the request. The Executive Board updates the Board of Directors at every meeting on current business developments and significant business transactions. Between meetings, all members of the Board of Directors may request information from the Executive Board about the progress of business and, with the authorization of the Chairman, about specific business transactions.

Enterprise risk management (ERM)

Risk management supports the Group with strategic planning and day-to-day decision-making. The legal entities and the Corporate Center are involved in identifying and measuring risk and defining measures to minimize risk. Dialog about risks and measures promotes shared risk awareness and transparency. This enables the Group to pursue and manage its objectives within the set risk tolerance, to scrutinize the budgets of the organizational entities and to make decisions on investment applications. The risk management objectives are to detect threats and opportunities at an early stage and thus to respond in a way that is conducive to achieving strategic goals and continuously increasing the value of the company.

A standardized ERM system has been implemented across the Group to ensure systematic and efficient risk management by means of consistent guidelines. The ERM is an integral component of the annual strategy process and of the Group's culture, enabling risk identification, a comprehensive risk analysis and assessment including probability of occurrence, impact measurement, and definition of corresponding mitigating actions. The risk management responsibilities are defined and explained in the Corporate Policy Manual. As part of the assessment process, the Group deliberately takes appropriate, transparent and manageable risks and does not permit speculation or other high-risk transactions.

Operational management of the organizational entities is directly responsible for the early identification, evaluation, treatment, monitoring, review (including the appropriate allocation of risks, measures, priorities, etc.) and communication of risks, while responsibility for control lies with the Executive Board and ultimately with the Board of Directors. The organizational entities and corporate departments establish and report regularly their risk assessments to the risk management function. This information is then consolidated and aggregated with detailed risk descriptions and made available to the Executive Board and the Board of Directors to enable them to make informed decisions. In urgent cases, the Chairman of the Audit Committee is informed immediately of significant new risks.

Insurance has been taken out for most insurable risks to the extent that this makes economic sense. Where necessary, measures have been taken by the operating units to prevent and avoid losses

Internal Audit

Internal Audit is an independent auditing and advisory body. An audit plan is prepared on the basis of a formal risk assessment that takes into account previous audit results, the significance of business processes, organizational changes and risk assessments. After consultation with the Executive Board, this plan is submitted to the Audit Committee for validation. Internal Audit provides a sound and independent assessment of the effectiveness and efficiency of the internal control systems and regularly informs the Executive Board and the Audit Committee of its observations and the implementation of the audit recommendations. In accordance with the audit plan approved by the Executive Board and the Audit Committee, Internal Audit conducted several audits during the reporting period, which were supplemented by ad hoc audits on request. In 2023, Internal Audit reported to the Audit Committee in three meetings.

4 Executive Board

4.1 Members of the Executive Board

In accordance with the organizational regulations applicable as of the reporting date, the Executive Board consists of the Chief Executive Officer (CEO, Chairman of the Executive Board), the Chief Financial Officer (CFO) and two Chief Commercial Officers (CCOs).

Name	Function	Period
Frank Koch	CEO	Since July 1, 2021
Marco Portmann	CFO	Since April 1, 2022
Dr. Florian Geiger	CCO Engineering Steel	Since January 1, 2022
Patrick Lamarque d'Arrouzat	CCO Stainless & Tool Steel	Since January 1, 2022

Frank Koch, CEO (DE), MBA

Frank Koch has been Chief Executive Officer of Swiss Steel Group since July 1, 2021. Frank Koch began his career in 1991 with an apprenticeship in industrial general administration in the steel division of ThyssenKrupp. He then held various management positions in the ThyssenKrupp Group, before taking on responsibility for strategy and sales at leading Italian steel producer Danieli from 2003 to 2005. In 2005 he changed to Deutsche Edelstahlwerke, where he was responsible for sales and strategy until the beginning of 2008, when he joined the long-established German steel producer GMH Group (Georgsmarienhütte). Frank Koch held various functions within the Group, such as Chief Sales Officer and Head of Logistics, until he was appointed COO of the entire GMH Group and joined the Executive Board as Managing Director. Finally, before joining Swiss Steel Group, Frank Koch successfully led and restructured GMH as CEO from 2017 until the end of December 2020.

Marco Portmann, CFO (CH)

Marco Portmann has been Chief Financial Officer of Swiss Steel Group since April 1, 2022. Marco Portmann has spent the majority of his career within Swiss Steel Group, working at the Swiss production site of Steeltec AG in various positions for ten years, most recently as Head of Accounting & Cash Management. Following a brief period of employment outside the Group, he then served in various senior finance positions at the corporate level for another six years. Prior to his position as Chief Financial Officer, Marco Portmann was Vice President Corporate Accounting, Controlling, Tax and Risk Management at Swiss Steel Holding AG. Marco Portmann is a Swiss Chartered Expert in Financial and Managerial Accounting and Reporting.

Patrick Lamarque d'Arrouzat, CCO Stainless & Tool Steel (FR), MBA

Patrick Lamarque d'Arrouzat (MBA) has been CEO of Ugitech, which has several sites in France, Germany and Italy, since September 2008. Since January 2022 Patrick Lamarque has been a member of the Executive Committee of Swiss Steel Group as Chief Commercial Officer (CCO) for Stainless Steels and since February 2023 for Tool Steel. Patrick Lamarque d'Arrouzat holds a Master of Business Administration from INSEEC Business School in France and graduated from Skidmore College in the USA. He started his career in 1990 with various management positions for Arcelor group in Italy (Uginox), France (Ugine-Savoie) and Spain (Ugitech Iberica).

Dr. Florian Geiger, CCO Engineering Steel (CH/DE)

Florian Geiger (Dr. rer. pol., CH and DE, 1980) has held various management positions at Swiss Steel Group. He joined Swiss Steel Group in 2013 as Vice President Business Development, where he was responsible for Group-wide strategic projects and M&A. In January 2020 he was appointed CEO of Steeltec and has been CEO of the Steeltec Business Unit with production units in Switzerland, Germany, Scandinavia and Turkey since January 2020. As of January 2022 Florian Geiger has been a member of the Executive Board of Swiss Steel Group as Chief Commercial Officer (CCO) for Quality and Engineering Steels. Florian Geiger holds a PhD degree in business administration and began his career at Roland Berger Strategy Consultants, focusing on corporate restructuring and corporate performance.

4.2 Other activities and vested interests

The above profiles of the members of the Executive Board provide information on their activities and commitments in addition to their functions at Swiss Steel Group. For statutory regulations related to the number of additional activities, see the section on other activities and vested interests.

4.3 Management contracts

There are no management contracts between the company and persons outside the Group.

5 Compensation

With regard to information on the compensation of the individual members of the Board of Directors and the Executive Board, see the Compensation report beginning on page 81 of this report.

6 Shareholders’ rights of participation

6.1 Restriction and representation of voting rights

With the exception of the 2% clause for nominees, there are no restrictions on voting rights.

According to art. 6 (2) of the company’s Articles of Incorporation, any shareholder may be represented by an independent proxy or by any other person, who need not be a shareholder, provided that person has written power of attorney. The independent proxy is obliged to exercise the voting rights assigned to them by the shareholders in accordance with the instructions. If they have not received any instructions, they shall abstain from voting. Further provisions on the election, term of office and issuance of instructions to the independent proxy can be found in art. 6a of the Articles of Incorporation (https://swisssteel-group.com/en/sustainability/ethics-compliance).

6.2 Statutory quorum

The Articles of Incorporation do not contain any special provisions governing quorums beyond the provisions of company law.

6.3 Convening the Annual General Meeting

The Annual General Meeting is convened by the Board of Directors or the external auditor, indicating the date, beginning, type, place, the name and address of the independent proxy, and agenda as well as proposals of the Board of Directors and any motions put forward by shareholders who have requested the Annual General Meeting or requested the inclusion of items on the agenda. General Meetings are held at the company's registered office or at another location determined by the Board of Directors and can also be held simultaneously at several locations if required. The Board of Directors may stipulate that shareholders who are not present at the venue of the General Meeting may exercise their rights electronically. The Board of Directors may also decide not to determine a meeting venue and to organize a fully virtual General Meeting.A written invitation is sent at least 20 days before the date of the Annual General Meeting, which must take place within six months of the end of the fiscal year. Meetings are convened either by a resolution of the Annual General Meeting or of the Board of Directors, at the request of the external auditor, or at the request of one or more shareholders who together represent at least 5% of the share capital or the voting rights (see art. 5 of the Articles of Incorporation). If the meeting is convened by shareholders or the external auditor, the Board of Directors must hold the meeting within 60 days.

6.4 Inclusion of items on the agenda

Shareholders who represent 0.5% of the share capital or of the voting rights may submit a written request, no later than 45 days before the Annual General Meeting, requesting inclusion of items on the agenda or motions relating to items on the agenda.

6.5 Entry in the share register

The cut-off date for entering holders of registered shares in the share register is indicated in the invitation to the Annual General Meeting. It is usually around ten calendar days before the date of the Annual General Meeting.

7 Changes of control and defense measures

7.1 Duty to make a public offer

The Articles of Incorporation do not contain any provisions on opting out or opting up.

7.2 Change-of-control clauses

The Executive Board members' employment contracts do not contain any change-of-control clauses.

8 Statutory auditors

8.1 Duration of engagement and term of office of the auditor in charge

The auditors are elected by the Annual General Meeting for a period of one year. Ernst & Young AG has exercised this function since the fiscal year 2005 and was re-elected for the fiscal year 2023. Christoph Michel has been the lead auditor in charge and signatory of the auditor's report since the fiscal year 2023. The rotation cycle of the lead auditor is generally seven years.

8.2 Audit fees

In 2023, EUR 2.5 million (2022: EUR 2.4 million) was paid for financial statement audits and EUR 0.0 million (2022: EUR 0.1 million) for other assurance services.

8.3 Additional fees

In addition, EUR 0.1 million (2022: EUR 0.1 million) was paid for tax advisory services in the reporting period and EUR 0.2 million (2022: EUR 0.2 million) for other services.

8.4 Instruments for supervision and control: external auditor

The Audit Committee conducts an annual review of the performance, fees and independence of the auditors and makes a proposal to the Board of Directors, and subsequently to the Annual General Meeting, concerning the appointment of the statutory auditor. The Audit Committee decides annually on the scope of the internal audit and coordinates this with the external auditor's audit plans. The Audit Committee agrees the audit scope and plan with the external auditor and discusses the audit findings with the external auditors, who usually attend two meetings per year (see the detailed description of the duties and authority of the Audit Committee, see section on internal organizational structure). In the reporting period, the Audit Committee held a total of two meetings with the external auditors.

There is no definitive rule governing the engagement of providers for non-audit services. Such engagements are usually awarded by the Executive Board in consultation with the Chairman of the Audit Committee, and are evaluated annually as part of the process to assess the independence of the external auditor.

9 Information policy

The company publishes an Annual Report. In addition, a half-year report is released in August. Shareholders, investors and other stakeholders can join the distribution list for media communication via the Swiss Steel Group website:

https://swisssteel-group.com/en/media

The regulations of the SIX Swiss Exchange also apply.

Please refer to our financial calendar available on our website for upcoming events and key dates related to our business activities, including earnings releases, shareholder meetings, and other important announcements. You can access the financial calendar via the Swiss Steel Group website:

https://swisssteel-group.com/en/investor-relations

Investor Relations

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Compensation Report

Compensation Report

The compensation report provides detailed information on the compensation programs applicable to the Board of Directors and the Executive Board of Swiss Steel Holding AG, on the governance framework surrounding the determination of compensation and on the compensation awarded to the Board of Directors and the Executive Board for 2023. The compensation report is written in accordance with the Swiss Code of Obligations (CO), the Directive on Information relating to Corporate Governance of the SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

1 Introduction

Dear Shareholders,

I am pleased to share with you the compensation report of Swiss Steel Holding AG for the fiscal year 2023.

At the Annual General Meeting on April 20th, 2023, the shareholders elected Dr. Svein Richard Brandtzæg, Jens Alder, Dr. Michael Schwarzkopf and Oliver Streuli as members of the Compensation Committee. Dr. Svein Richard Brandtzæg was the chairman of the committee until stepping down from the Board of Directors on October 5th, 2023. Jens Alder has taken over the role as Chairman of the Compensation Committee since this date.

There were no changes in the Executive Board with the exception of the resignation of Jürgen Alex on February 14, 2023, and no successor was appointed. Patrick Lamarque d'Arrouzat has been appointed as temporary Head of the Tool Steel Division.

We will explain in this report how performance in 2023 impacted the compensation awarded to the Executive Board under the incentive plans:

– The short-term incentive (STI) was harmonized throughout the organization to ensure strategic alignment. It is delivered in the form of an annual cash payment and is based on a balanced set of measurable performance conditions: adjusted EBITDA, free cash flow after interest and lease payments (FCFAiL) and the achievement of strategic objectives at Group and Division levels. Any form of guaranteed payout has been discontinued.
– The long-term incentive is awarded in the form of performance share units, subject to three-year cliff vesting based on the achievement of two performance conditions: the return on capital employed (ROCE) and the ratio of gross profit divided by personnel expenses (GP/PE ratio). Any form of guaranteed payout has been discontinued and the long-term incentive award is subject to stringent termination provisions.

- Clawback and malus provisions have been introduced in the short-term and long-term incentives for members of the Executive Board.
- Minimum share ownership requirements have been introduced for members of the Executive Board and for the Board of Directors.

A revised compensation system was implemented in 2022. In the reporting year, the minimum share ownership requirements were introduced. Further, the Compensation Committee reviewed the underlying performance conditions of the STI plan in the context of the company's Strategy 2025 and the new organizational structure. As a result, net working capital (NWC) was replaced by free cash flow after interest and lease payments (FCFAiL). In addition, the financial targets of Executive Board members with responsibility for Sales Divisions were similarly assessed against Group and Division targets.

The Compensation Committee continued to perform its regular activities throughout the year, such as determining compensation for the members of the Board of Directors and of the Executive Board, setting performance objectives for the Executive Board at the beginning of the year and for the performance assessment at year-end, as well as preparing the compensation report and the compensation votes for the Annual General Meeting.

As shareholder, you will have the opportunity to express your opinion on the compensation programs in a consultative vote on this compensation report at the upcoming Annual General Meeting. In addition, you will be asked to approve the maximum aggregate amounts of compensation of the Board of Directors for the upcoming term of office, and of the Executive Board for the next fiscal year.

Yours,
Jens Alder | Chairman of the Compensation Committee

2 Governance and processes for compensation

2.1 Statutory principles on compensation

The company's Articles of Incorporation govern the principles on compensation of the Board of Directors, the Executive Board and any advisory boards (art. 16b (2)), the allocation of shares, conversion rights and options (art. 16b (2–4)), any credits, loans and pension payments (art. 16c), and arrangements for the Annual General Meeting's vote on compensation, as well as the additional amount for the Executive Board's compensation (art. 16e).

The regulations, summarized below, are provided in full on our website in the section "Investor Relations and Corporate Governance": https://swisssteel-group.com/en/group/corporate-governance
/corporate-regulations

The company may award a performance-related compensation component to the members of the Board of Directors and of the Executive Board. Such compensation is dependent on qualitative and quantitative performance goals and parameters set by the Board of Directors. The performance-related compensation can be paid in cash or in equity securities, conversion rights, option rights or other rights with equity securities as the underlying. As a general rule, the amount of the performance-related compensation shall not exceed 300% of the fixed compensation. The details of the performance-related compensation shall be stipulated by the Board of Directors.

Loan or credits of up to CHF 1,000,000 may be granted to members of the Board of Directors or of the Executive Board, notably in the form of advances to cover the cost of civil, penal or administrative proceedings related to activities carried out on behalf of the company.

Members of the Board of Directors and of the Executive Board may receive occupational pension benefits in accordance with the applicable regulatory provisions. Additional pension benefits, separate from the occupational pension, are permissible up to a maximum of 25% of the individual annual compensation.

The Annual General Meeting approves annually, separately and in a binding manner, the total maximum amounts proposed by the Board of Directors for: (i) the compensation of the Board of Directors and any advisory board for the period until the following Annual General Meeting, and (ii) the compensation of the Executive Board for the fiscal year following the Annual General Meeting.

If the total maximum amount approved for the compensation of the Executive Board is insufficient to compensate members of the Executive Board appointed after the resolution of the Annual General Meeting until the beginning of the following approval period, the company may apply, per person, an additional amount of no more than 40% of the previously approved total maximum compensation of the Executive Board for the respective approval period. The Annual General Meeting does not vote on the additional amount used.

Besides the above approval, at the request of the Board of Directors, the Annual General Meeting may each year pass a separate and binding resolution to increase the approved compensation amounts for the Board of Directors, the Executive Board and any advisory boards for the current approval period or the previous approval period. The Board of Directors is entitled to pay all kinds of compensation out of the total approved and additional amounts.

The Board of Directors may submit the prior-year compensation report to the Annual General Meeting for a consultative vote.

2.2 Compensation Committee

The Compensation Committee is composed of members of the Board of Directors who are elected annually and individually by the Annual General Meeting. All members of the Compensation Committee have the requisite experience and are familiar with compensation practices and market developments.

At the Annual General Meeting on April 20, 2023, the shareholders elected Dr. Svein Richard Brandtzæg, Jens Alder, Dr. Michael Schwarzkopf and Oliver Streuli as members of the Compensation Committee. Dr. Svein Richard Brandtzæg was the chairman of the committee until stepping down from the Board of Directors on October 5, 2023. Jens Alder has taken over the role of the Chairman of the Compensation Committee since this date.

In accordance with the Articles of Incorporation and the organizational rules of Swiss Steel Holding AG, the task of the Compensation Committee is to prepare the resolution of the Board of Directors concerning the compensation of the members of the Board of Directors and of the Executive Board.

The main duties of the Compensation Committee include:

- Preparing proposals for defining the general personnel policy
- Determining the principles for selecting candidates for election or re-election to the Board of Directors and for selecting members of the Executive Board
- Preparing proposals regarding the appointment of members of the Executive Board and personnel development and succession planning for the Executive Board
- Preparing proposals regarding the compensation policy applicable to the Board of Directors and the Executive Board according to the principles specified in the Articles of Incorporation
- Preparing proposals on the maximum aggregate amounts of compensation of the Board of Directors and of the Executive Board to be submitted to shareholder vote at the Annual General Meeting
- Preparing proposals regarding the compensation levels of the members of the Board of Directors and of the Executive Board within the maximum aggregate compensation amounts approved by the Annual General Meeting
- Preparing the compensation report
- Approving any additional external mandates of the members of the Executive Board

The table below summarizes the roles of the Compensation Committee (CC), the Board of Directors (BoD) and the Chief Executive Officer (CEO) in recommending and approving compensation of the Executive Board and the Board of Directors:

Decisions on components of compensation	Suggestion	Consultation	Approval [1]
Compensation policy	CC	CEO [2]	BoD
Target compensation for the CEO including base salary, target short-term incentive and target long-term incentive	Chairman of the BoD	CC	BoD
Target compensation for the other members of the Executive Board including base salary, target short-term incentive and target long-term incentive	CC	CEO	BoD
Compensation of the Board of Directors	CC	-	BoD [2]

Decisions on performance targets and achievement of goals	Suggestion	Consultation	Approval [1]
Short-term incentives of the CEO	Chairman of the BoD	-	BoD
Short-term incentives of the Executive Board (excl. CEO)	CC	CEO	BoD
Long-term incentives of the Executive Board (incl. CEO)	CC	CEO [2]	BoD

[1] Within the aggregate amount of compensation approved by the Annual General Meeting
[2] In accordance with the general provisions on absence/abstention

In 2023, the Compensation Committee met two times. The Chairmann of the Compensation Committee reports to the Board of Directors after each meeting on the activities of the committee and relevant topics are submitted without delay to the Board of Directors for decision.

As a general rule, the CEO attends the meetings in an advisory capacity; other members of the Executive Board may be invited to attend the meetings as well. The CEO and the members of the Executive Board are not involved in determining their own compensation and do not attend the meetings (or parts of the meetings) when their own compensation and/or performance are being discussed.

The Compensation Committee may decide to call in external consultants if necessary. In 2023, PricewaterhouseCoopers (PwC) was retained to advise on the design of Swiss Steel Group's incentive programs. PwC provides other services to Swiss Steel Group and there are clear rules in place to ensure the independence of PwC's advice. In addition, support and expertise are provided by internal experts such as the Vice President Corporate Human Resources or the Director Corporate Labor & Employee Relations.

2.3 Diversity on the Board of Directors and Executive Board

The Board of Directors believes that the company's shareholders, employees and local communities can derive great benefit from an increasingly diverse Board of Directors and Executive Board. Although reporting on gender diversity is not yet legally required in Switzerland, the Compensation Committee believes that early and transparent disclosure is one of many steps that need to be taken to expedite the improvement of diversity at the senior management levels in the organization.

As of the end of the fiscal year 2023, one out of seven members of the Board of Directors and no members of the Executive Board are female. The Code of Obligations (Art. 734f OR) defines acceptable female representation levels for listed companies to be a minimum of 30 % for the Board of Directors and 20 % for the Executive Board. Reporting obligations become effective in 2027 for members of the Board of Directors and in 2032 for members of the Executive Board.

Swiss Steel Group is committed to embedding diversity and inclusion in its company culture and human resources practices. The initiatives will include supporting the advancement of women and members of under-represented groups through targeted outreach to attract and hire suitable candidates, and programs to enhance career planning, leadership development and senior leader sponsorship.

As part of the company's Strategy 2025 and overall development of a robust sustainability program, the Board of Directors is actively working to close the gap.

3 Compensation principles

The compensation of the Executive Board is set in a way that it is appropriate, competitive and aligned to the success of the Group. The compensation programs are based on the following principles:

- Pay-for-performance
- Alignment with the interests of shareholders
- Competitiveness
- Fairness and transparency

Compensation principles	Rationale
Pay-for-performance	A substantial portion of compensation is variable and subject to performance conditions that are critical for the long-term success of the company
Alignment with shareholders	A portion of compensation is paid in the form of shares of the company
Competitiveness	The compensation is aligned with market practice to attract and retain key talents
Fairness and transparency	Compensation decisions are taken based on objective criteria and are communicated transparently internally and externally

The compensation of the Board of Directors is fixed and does not include any performance-based component. This is to ensure that the Board of Directors remains independent in exercising its supervisory duties toward the executive management. The fixed compensation may be delivered partially in shares to strengthen the alignment with shareholder interests.

4 Compensation of the Executive Board

4.1 Determining compensation

The policy of Swiss Steel Group is to position the Executive Board's compensation at the median of the market, which is defined as industrial companies listed in Switzerland that are part of the SMIM and/or the SPI Industrials. Basically, the compensation of the Executive Board is regularly benchmarked against that of the market every three to four years. With the leverage of the short-term and long-term incentive plans, the members of the Executive Board may receive higher compensation if they outperform the performance goals and lower compensation if they fall short of the targets.

4.2 Components of compensation

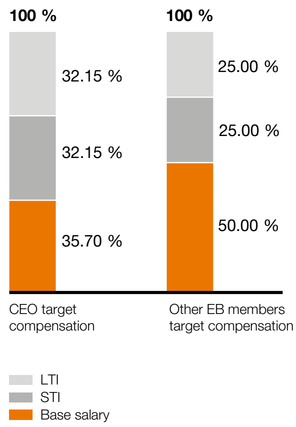
The compensation of the Executive Board consists of fixed and performance-based components. The fixed component includes a base salary and benefits, while the performance-based component consists of a short-term incentive (STI) and a long-term incentive (LTI).

The following diagram shows the general composition of incentive compensation for the Executive Board:

	Short-term incentive	Long-term incentive
Purpose	Rewards annual business and individual performance	Rewards sustainable growth in the company's value and aligns with shareholder interests
Granted	Annually	Annually
Vested	Annually	After three years
Performance conditions	Adjusted EBITDA, FCFaIL, personal goals	Return on capital employed, ratio of gross profit to personnel expenses

	CEO	Other EB members	CEO	Other EB members
Minimum as a percentage of base salary	0%	0%	0%	0%
Percentage of base salary if targets are reached	90%	50%	90%	50%
Maximum as a percentage of base salary if targets are exceeded	135%	100%	180%	100%
Compensation	Cash	Cash	Performance share units settled in shares	Performance share units settled in shares

General composition of compensation for the Executive Board in 2023 [1]



[1] Excluding non-cash benefits and pension fund expenses

4.2.1 Base salary

The Compensation Committee is responsible for proposing the base salary of the members of the Executive Board, subject to approval by the Board of Directors. The base salary reflects the scope of the responsibilities of a function, the required qualifications, as well as the experience and competency of the incumbent. In examining whether to amend the base salary, comparative information (market data) and the performance of the individual in the past fiscal year are taken into account, as well as the affordability to the company.

4.2.2 Short-term incentive (STI)

Compensation for short-term performance.

The STI rewards the Executive Board for achieving annual performance objectives that are specific, quantifiable and challenging. In 2022, the STI plan was harmonized across the entire organization to ensure strategic alignment, and continued in this form in 2023. The STI is paid out as an annual cash bonus and is based on the achievement of financial objectives at the Group and Division levels, as well as strategic performance goals.

The STI target amount corresponds to 90% of the base salary for the CEO and 50% of the base salary for the other members of the Executive Board. The maximum payout amounts to 150% of target.

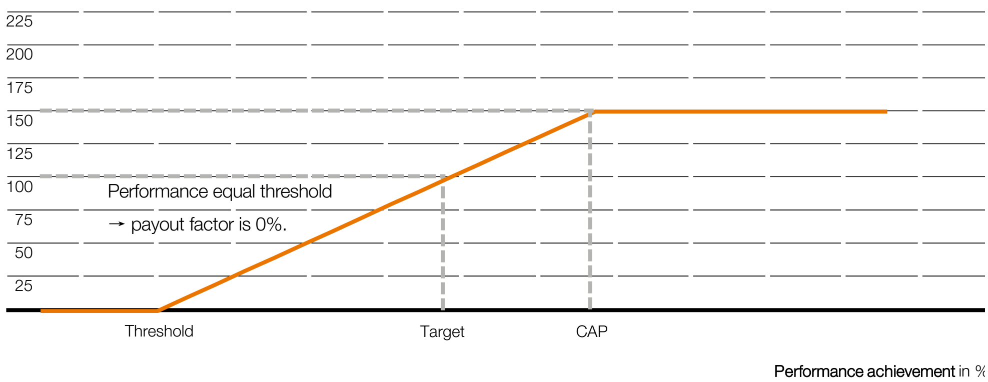
The performance objectives consist of financial targets for the Group (adjusted EBITDA and free cash flow after interest and lease payments (FCFaIL)) as well as specific targets. Adjusted EBITDA is a well-established measure of the company's performance. FCFaIL has been established as main performance indicator because it is well aligned with the externally public cash flow statement, is more consistent with the company's business plan and better reflects market conditions.

Specific targets primarily include reorganization initiatives, managing and executing the SSG 2025 strategy, implementing sustainability-driven practices and plans, active stakeholder and customer relationship management, as well as strengthening the Group's cash management and ensuring cost savings targets in 2023. The performance indicators and their respective weightings for 2023 are as follows:

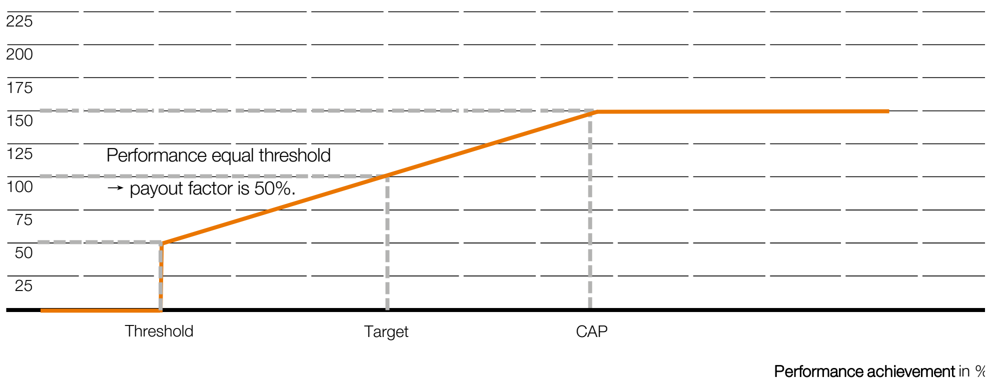
Performance objectives	Adjusted EBITDA	Free cash flow after interests and lease payments (FCFaIL)	Specific goals
Definition	IFRS EBITDA minus defined adjustments (approved by the Audit Committee)	Free cash flow after interests and lease payments	Objectives related to strategic initiatives and specific projects in line with the priorities of the function or Division under responsibility
Rationale	**Standard measure of profitability in the international market**	**FCFaIL established as main indicator for cash generation**	Relevant objectives to steer the organization and manage the different priorities of the function or Division
Weighting for CEO and the CFO	40% (Group)	40% (Group)	20% (Group)
Weighting for the other EB members	40% (20% Group, 20% Division)	40% (20% Group, 20% Division)	20% (Group or Division)

For each performance objective, an expected level of performance is determined (target). If the financial performance equals the target level, the payout factor is 100%. If the performance equals or exceeds the cap level, the payout factor is 150%. This is the maximum payout factor. If the actual financial performance is equal to or lower than the threshold level, the payout factor is 0%. If the specific target achievement equals the threshold level, the payout factor is – contrary to the financial targets –50%. Payouts are calculated by linear interpolation for performance achievement between the threshold and the target. The same applies for performance achievement between the target and the cap. However, the distance between the threshold and the target is not necessarily equal to the distance between the target and the cap.

Financial objectives
Payout in %



Specific objectives
Payout in %



The STI is paid in cash after the end of the fiscal year. In case of termination of employment during the fiscal year, the Executive Board member is eligible for a pro rata STI, except in the case of termination for cause where there is no entitlement to any STI payout. The pro rata payment is calculated by dividing the number of months from the beginning of the fiscal year to the date of termination of the employment relationship by the total number of months in the fiscal year. Claims for the remainder of the compensation period after the employment ends are explicitly excluded.

4.2.3 Long-term incentive (LTI)

Compensation for sustainable growth in the company's value.

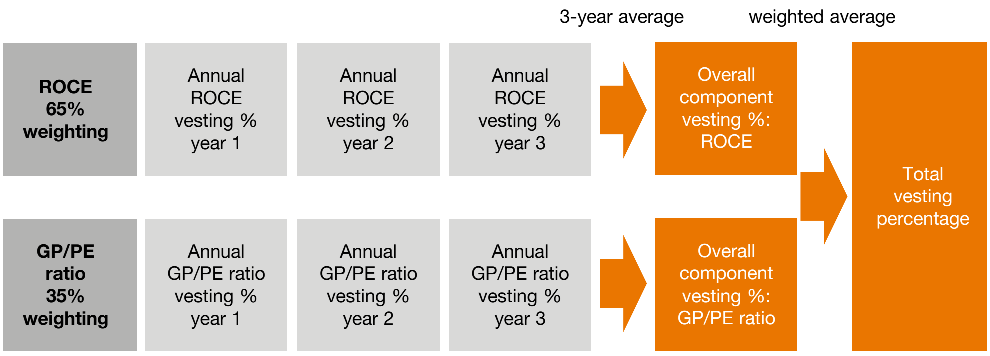
The LTI rewards the members of the Executive Board for long-term performance and sustainable value creation for the shareholders. The LTI target amount corresponds to 90 % of the base salary for the CEO and 50 % of the base salary for the other members of the Executive Board. The maximum vesting level is 200 %. The LTI is awarded in the form of performance share units (PSU) subject to a cliff vesting period of three years conditional upon two performance conditions at Group level.

The structure and weighting of the performance conditions is summarized in the table below:

Performance objectives	Return on capital employed (ROCE)	Ratio of gross profit/personnel expenses (GP/PE ratio)
Definition	Adjusted EBIT / average capital employed Adjustments: same as EBITDA plus adjustments for impairments or reversal of impairments	Gross profit / personnel expenses Personnel expenses as reported under IFRS + indirect costs (contractors) in production and SG&A (selling, general & administrative)
Rationale	Measure of the company's ability to generate returns from its capital	Measure of productivity as ratio of profitability to personnel expenses
Weighting	65%	35%

The ROCE and GP/PE ratio are measured as illustrated below.

Comp report LTI



Each year during the performance period, ROCE and the GP/PE ratio are evaluated against their respective annual targets to determine a vesting percentage. The vesting percentages are averaged over the three-year performance period to determine an overall vesting percentage for each performance indicator. The total vesting percentage for the performance period is the weighted average of the two vesting percentages.

For both performance indicators, the Board of Directors defines the expected level of performance (target) providing for 100% vesting, a minimum level of performance (threshold) below which there is no vesting, and a maximum level of performance (cap) above which the vesting will be capped at 200%.

At vesting, the PSU are converted into shares of Swiss Steel Holding AG. In the event of voluntary resignation or termination by the company for reasons of performance or behavior, the unvested PSUs are forfeited. In case of termination of employment for economic reasons, or due to retirement or disability, the unvested PSUs are prorated for the number of months that have expired from the grant date until the termination date and vest based on effective performance on the normal vesting date (no acceleration of payout). Upon a participant’s death, the unvested PSUs are prorated as described above and vest immediately based on a total fixed vesting percentage of 100%. In case of a change of control, vesting is at the sole discretion of the Board of Directors.

4.2.4 Clawback and malus provisions
Clawback and malus provisions apply to both the STI and the LTI plans. In case of financial restatement due to non-compliance with accounting standards or fraud, and/or in the case of violation of laws or of internal rules by a member of the Executive Board, the Board of Directors may deem any STI payment and/or unvested PSUs to be forfeited (malus provision) or may seek reimbursement of any paid STI and/or allocated shares under the LTI (clawback provision) within a period of three years after the year of restatement or of the fraudulent/non-compliant behavior.

4.2.5 Share ownership guidelines
As of 2023, the members of the Executive Board are required to own at least a minimum percentage of their annual base salary in Swiss Steel shares within five years of their nomination to the Executive Board, as set out in the table below.

	Minimum requirement	Build-up period
CEO	200% of annual base salary	Five years
Other EB members	100% of annual base salary	Five years

In the event of a substantial rise or drop in the share price, the Board of Directors may, at its discretion, amend the build-up period accordingly.

To calculate whether the minimum holding requirement is met, all vested shares are considered, regardless of whether they are blocked or not. However, unvested PSUs are excluded. The Compensation Committee reviews compliance with the share ownership guideline on an annual basis. In the event of non-compliance with the guidelines, the individual is prohibited from selling their shares.

4.2.6 Anti-hedging policy
Members of the Executive Board are not permitted to engage in the hedging of granted PSUs by purchasing or using any securities, instruments, contracts, arrangements or understandings that have the effect of protecting against the risk of decreasing values of PSUs and underlying shares.

4.2.7 Pension benefits
The members of the Executive Board are covered by insurances that provide a reasonable level of protection to them and their dependents with respect to the risks of retirement, disability, death, illness and accident. Those insurances include the occupational pension fund of Swiss Steel Holding AG, accident insurance and salary continuation insurance in case of illness. Executive Board members are also covered by other Group insurances (including D&O (directors’ and officers’ liability insurance), corporate legal protection insurance and travel insurance).

4.2.8 Other payments/benefits

The company provides the members of the Executive Board with a company car that can be used for business and private purposes for the duration of their contracts. In addition, the company covers the costs for medical check-ups. For members of the Executive Board who relocate to Switzerland, non-cash benefits may include the reimbursement or cost allowances for their move (including temporary housing), schooling, tax equalization and tax advice. Those benefits are typically limited in time and their fair value is included in the compensation tables.

4.2.9 Contractual components and termination payments

According to the company's Articles of Incorporation, contracts can be concluded with members of the Executive Board for a fixed term of up to one year or for an indefinite period subject to a maximum of 12 months' notice.

The employment contracts do not contain any clauses related to change-of-control or termination indemnities.

4.2.10 Non-competition clause

The members of the Executive Board are prohibited from performing activities for another company and/or person that is a competitor of the company or of one of its affiliates throughout the term of office and for a period of twelve months after stepping down. During the period covered by the post-contractual non-compete clause, the employer may pay compensation of up to 75 % of the base salary.

4.3 Members of the Executive Board

For the fiscal year 2023, the Executive Board consisted of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the two Chief Commercial Officers (CCO):

Name	Function	Period
Frank Koch	CEO	01.01.2023 – 31.12.2023
Marco Portmann	CFO	01.01.2023 – 31.12.2023
Jürgen Alex [1)]	CCO Tool Steel	01.01.2023 – 14.02.2023
Dr. Florian Geiger	CCO Engineering Steel	01.01.2023 – 31.12.2023
Patrick Lamarque d'Arrouzat	CCO Stainless Steel	01.01.2023 – 31.12.2023

[1)] Jürgen Alex; CCO Tool Steel, resigned as of February 14, 2023, and Patrick Lamarque d'Arrouzat took over the responsibility for the Tool Steel Division.

4.4 Compensation tables

Granted compensation for the CEO and Executive Board in 2023 and 2022

The Annual General Meeting approved a total amount of CHF 9,500,000 for the members of the Executive Board for the fiscal year 2023. The compensation awarded for 2023 amounted to CHF 5,484,821 (2022: CHF 8,195,499) and is, therefore, below the maximum amount approved. The following section discloses the compensation components granted in 2023, including salary and bonus payments, contributions to pension plans and fringe benefits, as well as the actual value of equity plans vested in the year under review. Frank Koch, CEO, was the highest-earning member of the Executive Board in 2023.

The LTI granted in financial year 2023 is disclosed at the fair value of the PSU at grant date. The PSU are subject to a three-year vesting period (2023, 2024 and 2025) subject to two performance conditions: ROCE and GP/PE ratio. The vesting level may range from 0% to 200% and will be determined at the end of the plan period. While the realized value of the PSU granted in financial year 2023 is unknown at this time, the vesting level for both ROCE and GP/PE ratio are 100%. Following the accounting regulations, the full grant value (assumption: 100%) has to be disclosed in the year of the grant date.

This section is audited according to Art. 734a-f of the Swiss Code of Obligations.

audited		**Cash/deposits**				**Pension fund expenses**		
in CHF (gross)		**Fixed remuneration**	**STI (variable)**	**LTI (variable)**	**Other payments/ benefits [1)]**	**Postemployment benefit contributions [2)]**	**Health, accident and other insurance contributions**	**Total**
2023								
Highest-paid person: Frank Koch (DE)	CEO	1,200,000	199,800	1,080,000	173,074	311,550	8,269	2,972,693
Total Executive Board [3)]		**2,433,041**	**313,806**	**1,686,057**	**216,345**	**620,380**	**215,192**	**5,484,821**
2022								
Highest-paid person: Frank Koch (DE)	CEO	1,200,000	985,152	1,059,422	167,153	332,062	15,866	3,759,655
Total Executive Board [4)]		**3,071,282**	**1,766,077**	**1,785,011**	**463,249**	**866,677**	**243,203**	**8,195,499**

Realized compensation for the CEO and Executive Board in 2023 and 2022

The following section discloses the compensation components effectively paid in 2023, including salary and bonus payments, contributions to pension plans and fringe benefits, as well as the actual value of equity plans vested in the year under review. Frank Koch, CEO, was the highest-earning member of the Executive Board in 2023 and 2022. The two PSUs are subject to a three-year vesting period (2022, 2023, 2024 and 2023, 2024, 2025); both PSUs are still in the three-year vesting phase. A payout is expected for the first time in 2024. The LTI is therefore reported as zero in the reporting period for 2023 and 2022.

		Cash/deposits				Pension fund expenses		
in CHF (gross)		Fixed remuneration	STI (variable)	LTI (variable)	Other payments/ benefits [1]	Postemployment benefit contributions [2]	Health, accident and other insurance contributions	Total
2023								
Highest-paid person: Frank Koch (DE)	CEO	1,200,000	199,800	0	173,074	239,447	8,269	1,820,590
Total Executive Board [3]		**2,433,041**	**313,806**	**0**	**216,345**	**497,991**	**142,695**	**3,603,878**
2022								
Highest-paid person: Frank Koch (DE)	CEO	1,200,000	985,152	0	167,153	261,333	15,866	2,629,504
Total Executive Board [4]		**3,071,282**	**1,766,077**	**0**	**463,249**	**750,983**	**187,388**	**6,238,979**

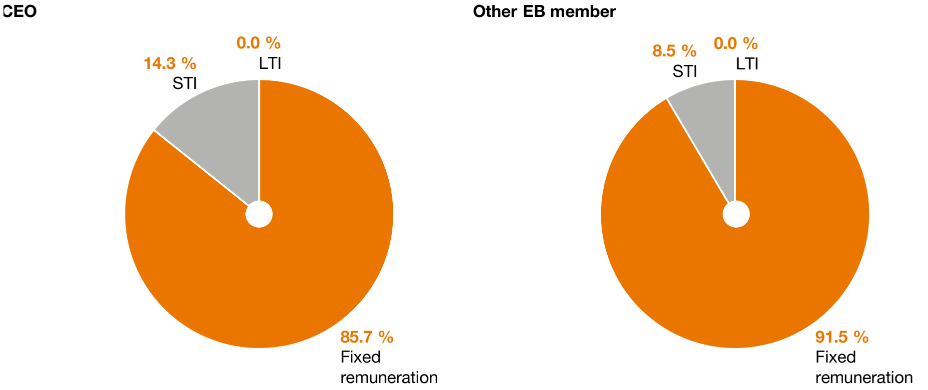
[1] Includes the value of benefits such as private use of company car and cost reimbursement/allowances for pension schemes and private health insurances
[2] Employer contributions to the pension fund and other post-employment benefit plans including government social security.
[3] Includes the compensation of the former CCO Tool Steel who resigned as of February 14, 2023.
[4] Includes the compensation of the former CFO who stepped down as of March 31, 2022 and continues to receive compensation during the entire contractual notice period of twelve months.

Explanatory comments to the compensation table

- The Executive Board comprised five members in 2023, four of whom served on a full-year basis. The Executive Board consisted of six members in the previous year, four of whom served on a full-year basis.
- The performance achievement under the STI was lower in 2023 than in 2022. Further details are provided in section 4.5. Performance in fiscal year 2023

The realized variable compensation (STI and LTI) amounted to 17 % of the annual base salary for the CEO and an average of 10 % of the annual base salary for the other members of the Executive Board.

Compensation
in %



4.5 Performance in fiscal year 2023 (STI)

Overall financial performance in 2023 did not meet the STI objectives due to a difficult year. For 2023, adjusted EBITDA (normalized for the hyperinflation impact in Turkey) was EUR -40.9 million, a significant decrease on the previous year (2022: EUR 217 million; budget: EUR 219 million). Our full-year financial performance was characterized by weak market demand leading to a decrease in the sales volume by 17 % year on year. Moreover, the sales volume was impacted by cash-oriented business steering, resulting in missed business opportunities. Throughout 2023, management focus shifted to safeguarding liquidity. Significant countermeasures were initiated, reducing net working capital. Inventory was significantly decreased. Days inventory outstanding was nevertheless unfavorable vs. the budget due to significantly lower revenues. Free cash flow after interest and lease payments normalized by divestment proceeds was negative at EUR -23 million.

CEO and CFO

Performance objectives	Performance achievements	Payout Percentage		
		Threshold	Target	Stretch
Group Adjusted EBITDA (40%)	The adjusted EBITDA result was below threshold, leading to a payout factor of 0%	★		
Group FCFAiL (40%)	The FCFAiL result was below threshold, leading to a payout factor of 0%	★		
Specific objectives (20%)	The achievement of the specific objectives was 97.5% on average		★	
Total	**Overall payout factor of 19% for the CEO and 21% for the CFO**			

Other members of the Executive Board

Performance objectives	Performance achievements	Payout Percentage		
		Threshold	Target	Stretch
Adjusted EBITDA				
Group (20 %)	The adjusted EBITDA result was below threshold, leading to a payout factor of 0%	★		
Division (20 %)	The adjusted EBITDA target for all BUs result was below threshold, leading to a payout factor of 0%	★		
FCFAiL				
Group (20%)	FCFAiL result was below threshold, leading to a payout factor of 0%	★		
Division (20%)	The FCFAiL result was below threshold, leading to a payout factor of 0%	★		
Specific objectives				
Specific objectives (20%)	The achievement of the specific objectives was 91% on average		★	
Total	**Overall payout factor for the other members of the Executive Board is in the range of 16% to 20%**			

4.6 Vesting of long-term incentive in the reporting year

The LTI granted in financial year 2023 is disclosed at the fair value of the PSU at grant date. The vesting level for both ROCE and GP/PE ratio for financial year 2023 is 0% as the performance achieved did not meet the threshold. Overall financial performance in 2023 did not meet the LTI objectives due to a difficult year. Therefore, no shares will be provided for 2023. The current members of the Executive Board did not receive any vesting under the long-term incentive plan in the reporting year given that they started participating in the program in 2022 (with first vesting in 2024).

4.7 Additional compensation and compensation to former members and closely related parties

This section is audited according to Art. 734a-f of the Swiss Code of Obligations.

In the fiscal years 2023 and 2022, the members of the Executive Board did not receive any compensation beyond the compensation disclosed above.

In the fiscal year 2023 no compensation was paid to former members of the Executive Board or to parties closely related to them.

5 Compensation of the Board of Directors

5.1 Determining compensation

The Compensation Committee regularly reviews the compensation principles and compensation of the Board of Directors and the individual functions within the Board.

5.2 Individual components of compensation

The members of the Board of Directors receive compensation for the term in office beginning from the Annual General Meeting at which they are elected until the following Annual General Meeting. In order to strengthen their independence in exercising their supervisory duties, their compensation is fixed. It consists of an annual Board retainer, settled partly in cash and partly in restricted share units (settled in shares of Swiss Steel Holding AG), plus committee fees paid in cash. The level of compensation for each Board function depends on the level of responsibilities and amount of time invested as described in the table below:

	Compensation structure from AGM to AGM (net amounts)	
Function	**Cash in CHF**	**Shares in CHF**
Board retainer		
Board of Directors Chairman	225,000	175,000
Board of Directors member	80,000	70,000
Additional committee fees [1]		-
Audit Committee Chairman	50,000	-
Audit Committee member	25,000	-
Compensation Committee Chairman	50,000	-
Compensation Committee member	25,000	-

[1] The Chairman of the Board of Directors is not eligible for committee fees

No compensation was received for additional committee work (ad hoc finance committee and nomination committee).

Social security contributions (employer and employee contributions) are paid by the company. Members of the Board of Directors are not insured in the company pension fund. If a member of the Board of Directors steps down before the end of their term in office, cash and share-based compensation is payable on a pro rata basis.

The cash compensation is paid quarterly. For the share-based compensation, the number of restricted share units is calculated at the beginning of the term of office based on the volume-weighted average price (VWAP) from the tenth trading day before until the tenth trading day after publication of the financial statements. The restricted share units are converted into shares and transferred to the members of the Board of Directors at the end of the term in office. In the case that they step down during the term of office, the restricted share units are converted into shares on a pro rata basis at the time of stepping down.

Members of the Board of Directors do not have any voting rights or rights of ownership to the shares before they are transferred.

The members receive reimbursement of any actual out-of-pocket expenses upon presentation of receipts (to the extent permitted by tax provisions). There is no lump-sum reimbursement of expenses.

5.3 Compensation tables

The Annual General Meeting approved a maximum amount of CHF 2,500,000 for the Board of Directors for the compensation period from the 2023 Annual General Meeting until the 2024 Annual General Meeting. The compensation paid for this period amounts to CHF 1,751,821 and is thus within the approved limits.

This compensation period has not yet expired. The Annual General Meeting approved a maximum amount of CHF 2,500,000 for the members of the Board of Directors for the compensation period from the 2022 Annual General Meeting until the 2023 Annual General Meeting. The compensation paid for the period included in this compensation report (from the 2023 Annual General Meeting until December 31, 2023) is within the approved amount. A conclusive assessment will be provided in the next compensation report.

This section is audited according to Art. 734a-f of the Swiss Code of Obligations.

audited **in CHF**		**Fixed re-muneration**	**Fixed re-muneration in restricted share units**	**Contribution to mandatory social security systems**	**Total**
2023					
Jens Alder (CH) [1]	Chairman	225,000	175,000	48,303	448,303
Dr. Svein Richard Brandtzæg (NO) [2]	former Member	92,336	32,219	0	124,555
Barend Fruithof (CH)	Member	105,000	70,000	25,044	200,044
David Metzger (CH/FR)	Member	105,000	70,000	25,044	200,044
Mario Rossi (CH)	Member	130,000	70,000	28,831	228,831
Dr. Michael Schwarzkopf (AT)	Member	105,000	70,000	0	175,000
Oliver Streuli (CH)	Member	105,000	70,000	25,044	200,044
Emese Weissenbacher (DE)	Member	105,000	70,000	0	175,000
Total amount		**972,336**	**627,219**	**152,267**	**1,751,821**
2022					
Jens Alder (CH)	Chairman	225,000	175,000	51,762	451,762
Dr. Svein Richard Brandtzæg (NO)	Member	127,500	70,000	27,848	225,348
Barend Fruithof (CH)	Member	78,750	47,945	18,690	145,385
Ralf Göttel (DE)	former Member	26,250	22,247	0	48,497
David Metzger (CH/FR)	Member	105,000	70,000	26,007	201,007
Mario Rossi (CH)	Member	123,750	70,000	28,590	222,340
Dr. Michael Schwarzkopf (AT)	Member	105,000	70,000	0	175,000
Karin Sonnenmoser (DE)	former Member	26,250	22,247	7,199	55,696
Oliver Streuli (CH)	Member	78,750	47,945	18,690	145,385
Emese Weissenbacher (DE)	Member	98,750	70,000	0	168,750
Adrian Widmer (CH)	former Member	30,000	22,247	7,767	60,014
Total amount		**1,025,000**	**687,631**	**186,553**	**1,899,184**

[1] Chairman of Compensation Committee since October 6, 2023
[2] Resigned from Board of Directors on 5th October 2023

By resolution dated October 25, 2023, the Board of Directors waived the allocation of shares for the AGM 2022 - AGM 2023 period. Consequently the adjusted compensation for the Board of Directors is as follows:

in CHF adjusted		Fixed re-muneration	Fixed re-muneration in restricted share units	Contribution to mandatory social security systems	Total
2022 adjusted					
Jens Alder (CH)	Chairman	225,000	0	29,789	254,789
Dr. Svein Richard Brandtzæg (NO)	Member	127,500	0	17,978	145,478
Barend Fruithof (CH)	Member	78,750	0	11,927	90,677
Ralf Göttel (DE)	former Member	26,250	0	0	26,250
David Metzger (CH/FR)	Member	105,000	0	16,206	121,206
Mario Rossi (CH)	Member	123,750	0	18,789	142,539
Dr. Michael Schwarzkopf (AT)	Member	105,000	0	0	105,000
Karin Sonnenmoser (DE)	former Member	26,250	0	3,976	30,226
Oliver Streuli (CH)	Member	78,750	0	11,927	90,677
Emese Weissenbacher (DE)	Member	98,750	0	0	98,750
Adrian Widmer (CH)	former Member	30,000	0	4,544	34,544
Total amount		**1,025,000**	**0**	**115,136**	**1,140,136**

The compensation paid for 2023 decreased compared to the previous year by 53.6%. This is due to the fact that the Board of Directors unanimously resolved on October 25, 2023 to refrain from share compensation for the period from the 2022 Annual General Meeting until the 2023 Annual General Meeting as a voluntary contribution to the difficult financial situation of the Company.

5.4 Share ownership requirements

For the compensation period starting at the Annual General Meeting in April 2023, a minimum holding requirement in the amount of 200% of the annual share compensation portion was introduced. The shares transferred to the members of the Board of Directors on the vesting date are subject to a three-year blocking period ("blocking period") during which the members of the Board of Directors may not sell, transfer, pledge, assign or otherwise dispose of their shares, unless specifically permitted under these regulations. Except for the above-mentioned restrictions, members of the Board of Directors holding blocked shares may exercise all other shareholder rights conferred by the shares, such as full voting, dividend or pre-emptive rights.

5.5 Additional compensation and compensation to former members and closely related parties

This section is audited according to Art. 734a-f of the Swiss Code of Obligations.

In the fiscal years 2022 and 2023, no compensation was paid to former members of the Board of Directors or to parties closely related to them.

Where members of the Board of Directors were involved in related party transactions, this is indicated in note 36 to the consolidated financial statements.

6 Loans and credits

This section is audited according to Art. 734a-f of the Swiss Code of Obligations.

The Articles of Incorporation provide that loans or credits of up to CHF 1 million may be granted to members of the Board of Directors or of the Executive Board, including, but not limited to, advances for the costs of civil, penal or administrative proceedings relating to the activities of the respective person as a member of the Board of Directors or of the Executive Board of the company (in particular, court and lawyers' fees).

As of December 31, 2023, Swiss Steel Group had not granted any collateral, loans, advances or credits to members of the Board of Directors or of the Executive Board, or to parties closely related to them. There was no loan outstanding to any member of the Board of Directors or of the Executive Board, or to parties closely related to them.

7 Shareholdings

The following members of the Board of Directors own shares in Swiss Steel Holding AG:

This section is audited according to Art. 734d of the Swiss Code of Obligations.

audited		Number of shares		Number of restricted share units [1]
Board of Directors		31.12.2023	31.12.2022	31.12.2023
Jens Alder (CH)	Chairman	1,885,133	1,885,133	0
Dr. Svein Richard Brandtzæg (NO) [1]	former Member	531,054	531,054	0
Barend Fruithof (CH)	Member	0	0	0
David Metzger (CH/FR)	Member	308,072	308,072	0
Mario Rossi (CH)	Member	149,106	149,106	0
Dr. Michael Schwarzkopf (AT)	Member	531,054	531,054	0
Oliver Streuli (CH)	Member	0	0	0
Emese Weissenbacher (DE)	Member	111,830	111,830	0
Total amount		**3,516,249**	**3,516,249**	**0**

[1] Member of the Board of Directors until October 5, 2023

The following members of the Executive Board own shares in Swiss Steel Holding AG:

audited		Number of shares	
Executive Board		31.12.2023	31.12.2022
Frank Koch (DE)	CEO	16,000,000	16,000,000
Marco Portmann (CH)	CFO	0	0
Jürgen Alex (DE)	former CCO	14,621	14,621
Dr. Florian Geiger (CH/DE)	CCO	2,381	2,381
Patrick Lamarque d'Arrouzat (FR)	CCO	22,938	22,938
Total Executive Board		**16,039,940**	**16,039,940**

8 External mandates

The following members of the Board of Directors have the following external mandates in companies with economic purpose [1]:

This section is audited according to Art. 734e of the Swiss Code of Obligations.

(audited)

Board of Directors	Company	Function
Jens Alder (CH)	ColVisTec AG	Chairman of the Board of Directors
Jens Alder (CH)	Scope Content AG	Member of the Board of Directors
Barend Fruithof (CH)	Aebi Schmidt Holding AG	CEO
Barend Fruithof (CH)	AMAG Leasing AG	Member of the Board of Directors
Barend Fruithof (CH)	Zugerberg Finanz AG	Member of the Board of Directors
Barend Fruithof (CH)	ERNI Group Holding AG	Member of the Board of Directors
David Metzger (CH/FR)	Liwet Holding AG	Managing Director Investments
David Metzger (CH/FR)	Sulzer AG	Member of the Board of Directors
David Metzger (CH/FR)	Medmix AG	Member of the Board of Directors
David Metzger (CH/FR)	Mealda Capital GmbH	Partner
David Metzger (CH/FR)	Sopeli Capital GmbH	Partner
Mario Rossi (CH)	Pilatus Aircraft Ltd	Member of the Board of Directors
Mario Rossi (CH)	Hasler Foundation	Member of the Board of Directors
Mario Rossi (CH)	Swiss Stock Exchange	Member of the Sanction Commission
Mario Rossi (CH)	Swiss Stock Exchange	Member of the Takeover Committee
Dr. Michael Schwarzkopf (AT)	Plansee Holding AG	Chairman of the Board of Directors
Dr. Michael Schwarzkopf (AT)	Künz Holding GmbH	Member of the Advisory Board
Oliver Streuli (CH)	Rieter Holding AG	Group CFO
Oliver Streuli (CH)	Autoneum Holding AG	Member of the Board of Directors
Oliver Streuli (CH)	Maschinenfabrik Rieter AG	Member of the Board of Directors
Oliver Streuli (CH)	Unikeller Sona AG	Member of the Board of Directors
Oliver Streuli (CH)	Tefina Holding-Gesellschaft AG	Chairman of the Board of Directors
Emese Weissenbacher (DE)	Mann + Hummel International GmbH & Co KG	CFO
Emese Weissenbacher (DE)	Kongsberg Automotive Holding ASA	Member of the Board of Directors
Emese Weissenbacher (DE)	Kreissparkasse Ludwigsburg	Member of the Advisory Board
Emese Weissenbacher (DE)	Horváth AG	Member of the Board of Directors

[1] Excluding mandates in business/economic associations and non-profit organizations.

The following members of the Executive Board have the following external mandates in companies with economic purpose [1]:

(audited)

Executive Board	Company	Function
Frank Koch (DE)	Deutsche Bank	Member of the Advisory Board

[1] Excluding mandates within Swiss Steel Group, business/economic associations, and non-profit organizations.

Report of the statutory auditor on the audit of the compensation report

To the General Meeting of Swiss Steel Holding AG, Lucerne

Zurich, 13 March 2024

Opinion

We have audited the compensation report of Swiss Steel Holding Ltd (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables marked "audited" on pages 81 to 104 of the compensation report.

In our opinion, the information pursuant to Art. 734a-734f CO in the compensation report complies with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the compensation report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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 opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked "audited" in the compensation report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the compensation report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the compensation report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the compensation report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors’ responsibilities for the compensation report

The Board of Directors is responsible for the preparation of a compensation report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a compensation report that is free from material misstatement, whether due to fraud or error. It is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibilities for the audit of the compensation report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is 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 Swiss law and SA-CH 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 this compensation report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the compensation report, 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee 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 the Board of Directors or its relevant committee 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, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

Christoph Michel	Roman Ottiger
Licensed audit expert (Auditor in charge)	Licensed audit expert

Financial Reporting

Swiss Steel Group consolidated financial statements

Consolidated income statement

in million EUR	Note	2023	2022
Revenue	10	3,244.2	4,051.4
Changes in inventories of semi-finished and finished goods		–165.7	–9.8
Cost of materials	11	–2,211.0	–2,894.5
Gross profit		**867.5**	**1,147.1**
Other operating income	12	84.9	124.6
Personnel expenses	13	–678.1	–693.1
Other operating expenses	12	–376.5	–389.8
Operating result before depreciation, amortization and impairments (EBITDA)		**–102.2**	**188.8**
Depreciation, amortization and impairments	16	–97.6	–115.8
Operating result (EBIT)		**–199.8**	**73.0**
Financial income	17	1.8	0.8
Financial expenses	17	–89.7	–52.5
Financial result		**–87.9**	**–51.7**
Earnings before taxes (EBT)		**–287.7**	**21.3**
Income taxes	18	–7.1	–11.9
Group result		**–294.8**	**9.4**
of which attributable to			
– shareholders of Swiss Steel Holding AG		–295.7	9.3
– non-controlling interests		0.9	0.1
Result per share in EUR (basic)	**19**	**–0.10**	**0.00**
Result per share in EUR (diluted)	**19**	**–0.10**	**0.00**

Consolidated statement of comprehensive income

in million EUR	Note	2023	2022
Group result		**–294.8**	**9.4**
Exchange differences on translation of foreign operations	27	8.6	4.3
Change in unrealized result from cash flow hedges		–0.4	–0.6
Tax effect on change in unrealized result from cash flow hedges	18	0.1	0.2
Items that may be reclassified subsequently to income statement		**8.3**	**3.9**
Actuarial result from pensions and similar obligations	28	–12.8	69.2
Tax effect on actuarial result from pensions and similar obligations	18	1.3	–5.5
Items that will not be reclassified subsequently to income statement		**–11.5**	**63.7**
Other comprehensive result		**–3.2**	**67.6**
Total comprehensive result		**–298.0**	**77.0**
of which attributable to			
– shareholders of Swiss Steel Holding AG		–298.8	76.9
– non-controlling interests		0.8	0.1

Consolidated statement of financial position

		31.12.2023		31.12.2022	
	Note	in million EUR	% share	in million EUR	% share
Assets					
Intangible assets	20	24.7		18.1	
Property, plant and equipment	21	487.5		482.1	
Right-of-use assets	22	34.0		34.6	
Non-current income tax receivables		1.5		1.1	
Non-current financial assets		1.1		1.1	
Deferred tax assets	18	19.6		21.3	
Other non-current assets	24	10.2		10.2	
Total non-current assets		**578.6**	**29.9**	**568.5**	**23.8**
Inventories	25	805.0		1,056.0	
Trade accounts receivable	26	364.3		496.7	
Current financial assets		3.1		5.9	
Current income tax receivables		5.1		6.1	
Other current assets	24	89.4		98.7	
Cash and cash equivalents		54.5		71.1	
Assets held for sale	9	33.2		83.0	
Total current assets		**1,354.6**	**70.1**	**1,817.5**	**76.2**
Total assets		**1,933.2**	**100.0**	**2,386.0**	**100.0**
Equity and liabilities					
Share capital	27	361.4		361.4	
Capital reserves	27	1,024.5		1,024.5	
Accumulated losses	27	−1,218.7		−916.8	
Accumulated income and expenses recognized in other comprehensive income		61.4		54.9	
Treasury shares		−0.1		−0.1	
Equity attributable to shareholders of Swiss Steel Holding AG		**228.5**		**523.9**	
Non-controlling interests		5.9		7.0	
Total equity		**234.4**	**12.1**	**530.9**	**22.2**
Pension liabilities	28	201.4		193.2	
Non-current provisions	29	31.6		35.5	
Deferred tax liabilities	18	5.0		7.8	
Non-current financial liabilities	30	574.1		483.9	
Other non-current liabilities	32	11.9		16.4	
Total non-current liabilities		**824.0**	**42.6**	**736.8**	**30.9**
Current provisions	29	77.7		47.2	
Trade accounts payable		343.1		440.3	
Current financial liabilities	30	309.0		435.4	
Current income tax payables		10.4		13.4	
Other current liabilities	32	131.9		163.1	
Liabilities associated with assets classified as held for sale	9	2.7		18.9	
Total current liabilities		**874.8**	**45.3**	**1,118.3**	**46.9**
Total liabilities		**1,698.8**	**87.9**	**1,855.1**	**77.8**
Total equity and liabilities		**1,933.2**	**100.0**	**2,386.0**	**100.0**

Consolidated statement of cash flows

in million EUR	Calculation	2023	2022
Earnings before taxes		–287.7	21.3
Depreciation, amortization and impairments		97.6	115.8
Result from disposals of subsidiaries and other non-current assets		–6.3	–0.4
Inflows/outflows of other assets and liabilities and other non-cash items		–8.7	–28.2
Financial income		–1.8	–0.8
Financial expenses		89.7	52.5
Cash-settled share-based payment		–0.1	–0.5
Interest received		0.6	0.6
Income taxes received/paid (net)		–11.1	–10.3
Cash flow before changes in net working capital		–127.8	150.0
Change in inventories		250.7	–81.3
Change in trade accounts receivable		127.3	–32.9
Change in trade accounts payable		–87.6	10.8
Cash flow from operating activities	**A**	**162.6**	**46.6**
Investments in property, plant and equipment		–91.7	–94.5
Proceeds from disposal of property, plant and equipment		1.1	0.7
Investments in intangible assets		–11.2	–6.5
Proceeds from disposals of subsidiaries		24.6	0.0
Cash flow from investing activities	**B**	**–77.2**	**–100.3**
Inflows/outflows of other financial liabilities		–1.7	–8.9
Proceeds from loans from shareholder		0.0	80.0
Repayment of loans to shareholder		–20.0	0.0
Inflows/outflows of state-guaranteed loans		–0.6	22.7
Payment of principal portion of lease liabilities		–11.5	–10.9
Purchase of treasury shares		0.0	–0.7
Interest paid		–71.8	–42.8
Cash flow from financing activities	**C**	**–105.6**	**39.4**
Net change in cash and cash equivalents	**A+B+C**	**–20.2**	**–14.3**
Foreign currency effects on cash and cash equivalents		–1.1	1.1
Change in cash and cash equivalents		**–21.3**	**–13.2**
Cash and cash equivalents at the beginning of the period		75.8	89.0
Cash and cash equivalents at the end of the period		54.5	75.8
Change in cash and cash equivalents		**–21.3**	**–13.2**
Free cash flow	A+B	85.4	–53.7

Cash and cash equivalents are mainly composed of demand deposits at banks.

Cash and cash equivalents of EUR 75.8 million as of December 31, 2022 reported in the consolidated statement of cash flows also contain cash and cash equivalents of EUR 4.7 million included in assets held for sale.

Consolidated statement of changes in shareholders' equity

in million EUR	Share capital	Capital reserves	Accumulated losses	Accumulated income and expenses recognized in other comprehensive result	Treasury shares	Equity attributable to shareholders of Swiss Steel Holding AG	Non-controlling interests	Total equity
As of 1.1.2022	**361.4**	**1,024.5**	**–994.9**	**51.0**	**0.0**	**442.0**	**6.9**	**448.9**
Purchase of treasury shares	0.0	0.0	0.0	0.0	–0.7	–0.7	0.0	–0.7
Expenses from share-based payments	0.0	0.0	1.4	0.0	0.0	1.4	0.0	1.4
Definitive allocation of share-based payments for the prior year	0.0	0.0	–1.1	0.0	0.6	–0.5	0.0	–0.5
Hyperinflation adjustments	0.0	0.0	4.7	0.0	0.0	4.7	0.0	4.7
Capital transactions with shareholders	**0.0**	**0.0**	**5.0**	**0.0**	**–0.1**	**4.9**	**0.0**	**4.9**
Group result	0.0	0.0	9.3	0.0	0.0	9.3	0.1	9.4
Other comprehensive result	0.0	0.0	63.7	3.9	0.0	67.6	0.0	67.6
Total comprehensive result	**0.0**	**0.0**	**73.0**	**3.9**	**0.0**	**76.9**	**0.1**	**77.0**
As of 31.12.2022	**361.4**	**1,024.5**	**–916.8**	**54.9**	**–0.1**	**523.9**	**7.0**	**530.9**
As of 1.1.2023	**361.4**	**1,024.5**	**–916.8**	**54.9**	**–0.1**	**523.9**	**7.0**	**530.9**
Change in scope of consolidation	0.0	0.0	0.0	–1.9	0.0	–1.9	–1.8	–3.7
Expenses from share-based payments	0.0	0.0	1.0	0.0	0.0	1.0	0.0	1.0
Definitive allocation of share-based payments for the prior year	0.0	0.0	–0.1	0.0	0.0	–0.1	0.0	–0.1
Hyperinflation adjustments	0.0	0.0	4.4	0.0	0.0	4.4	0.0	4.4
Capital transactions with shareholders	**0.0**	**0.0**	**5.3**	**–1.9**	**0.0**	**3.4**	**–1.8**	**1.6**
Group result	0.0	0.0	–295.7	0.0	0.0	–295.7	0.9	–294.8
Other comprehensive result	0.0	0.0	–11.5	8.4	0.0	–3.1	–0.1	–3.2
Total comprehensive result	**0.0**	**0.0**	**–307.2**	**8.4**	**0.0**	**–298.8**	**0.8**	**–298.0**
As of 31.12.2023	**361.4**	**1,024.5**	**–1,218.7**	**61.4**	**–0.1**	**228.5**	**5.9**	**234.4**

Further details on the equity positions are provided in note 27.

Notes to the consolidated financial statements

About the company

Swiss Steel Holding AG is a Swiss company limited by shares, which is listed on the SIX Swiss Exchange (SIX) and has its registered office at Landenbergstrasse 11 in Lucerne. Swiss Steel Group (Swiss Steel Holding AG and its subsidiaries) is a global steel company operating in the special long steel business. Since 2023, its activities have been divided into three Divisions Engineering Steel, Stainless Steel and Tool Steel (refer to note 35).

These consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2024, and are subject to the approval of the Annual General Meeting.

1 Accounting policies

The consolidated financial statements of Swiss Steel Group for the financial year 2023 were prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). They are based on the standards and interpretations that were effective as of December 31, 2023.

The consolidated financial statements are presented in euros (EUR). Unless otherwise stated, monetary amounts are denominated in millions of EUR.

Due to rounding differences, some figures may not exactly match the total, and the percentage figures may not reflect the underlying absolute figures.

2 Standards, interpretations and amendments applied

The accounting policies applied in the consolidated financial statements are consistent with those used at the end of the financial year 2022, except for the amendments to the IFRS Accounting Standards that were applied for the first time with effect from January 1, 2023.

In May 2023, the IASB issued the amendments to *IAS 12 Income Taxes* in connection with the International Tax Reform related to the Pillar Two Model Rules, which have been enacted in some countries in which the Group operated during 2023. The amendments introduce a temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the OECD Pillar Two Model Rules and require specific disclosures of information on the potential exposure to the Pillar Two income taxes. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Refer to note 18 for details.

In February 2021, the IASB issued the amendments to *IAS 1 Presentation of Financial* Statements, which became effective on January 1, 2023, requiring entities to disclose their material accounting policy information rather than their significant accounting policies. To support this amendment, the IASB provided detailed materiality-based guidance for the accounting policy disclosures. The Group implemented these amendments by revisiting and, as far as deemed required, updating its accounting policy disclosures compared to prior year consolidated financial statements. In addition, where applicable, specific accounting policy information is disclosed directly in the respective notes.

Further amendments that became effective in 2023 did not have a material influence on the consolidated financial statements of Swiss Steel Group.

In May 2017, the IASB had issued the new *IFRS 17 Insurance Contracts*, with some amendments issued in June 2020 and December 2021, which became effective on January 1, 2023, and replaced *IFRS 4 Insurance Contracts*. IFRS 17 does not have any impact on these consolidated financial statements.

3 Standards, interpretations and amendments published, but not yet applied

The IASB has issued amendments to IFRS Accounting Standards which will be effective in future periods. These have been assessed, and none of these changes are currently expected to have a significant influence on the consolidated financial statements.

4 Material accounting policies and measurement principles

This note outlines some general accounting and measurement policies relevant for the consolidated financial statements. Material accounting and measurement policies specific to individual positions within the consolidated financial statements are disclosed in the respective notes.

The financial statements of the subsidiaries are prepared using uniform accounting policies and have the same reporting date as Swiss Steel Holding AG.

The following exchange rates were used for foreign currency translation:

	Average rates		Year-end rates	
	2023	2022	2023	2022
EUR/CAD	1.46	1.37	1.46	1.45
EUR/CHF	0.97	1.00	0.93	0.99
EUR/GBP	0.87	0.85	0.87	0.89
EUR/USD	1.08	1.05	1.10	1.07

Hyperinflation adjustments

Turkey was classified a hyperinflationary economy as of June 2022 and continued to be classified as such throughout 2023. As a consequence, the accounting figures for the Group’s activities in Turkey needed to be adjusted for inflation prior to translation into the Group’s presentation currency. Non-monetary items measured at historical costs in the consolidated statement of financial position, in particular intangible and tangible fixed assets, inventories and equity components as well as all income statement items have been restated applying a general price index. The resulting restatement effects are shown in the financial expenses (note 17) under the separate item “hyperinflation adjustments”.

The Turkish Statistical Institute (TurkStat) publishes the Domestic Producer Price Index (DPPI) on a monthly basis. The index measures the change in the prices of goods and services sold by domestic producers. The index evolution is detailed below:

	31.12.2023	31.12.2022
General price index (Domestic Producer Price Index)	2,915.0	2,021.2
Movement in current year	1.44	1.98

5 Material estimation uncertainties, judgments and assumptions

In preparing these consolidated financial statements, assumptions and estimates have been made which affect the reported carrying amounts and disclosures of the recognized assets and liabilities, income and expenses, and contingent liabilities.

All assumptions and estimates are made according to the best of management's knowledge and belief in order to present a true and fair view of the financial position, financial performance and cash flows of the Group. Since the actual results may, in some cases, differ from the assumptions and estimates that have been made, these are reviewed on an ongoing basis.

For the consolidated financial statements, management used signification judgment to assess the Group's ability to continue as a going concern. Please refer to note 6 for the detailed assessment. For specific areas with material estimation uncertainties, judgments and assumptions, please refer to the individual notes relevant for the respective positions in the consolidated financial statements.

6 Going concern

Throughout 2023, the global economic slowdown led to a decline in demand from our main customer industries, namely the automotive and mechanical engineering industries. In response to low demand, the Group adapted its production schedule and reinforced its cost and net working capital reduction efforts to safeguard profitability and liquidity. As a result, cash generation was positive with a free cash flow of EUR 85.4 million. The decline in raw material and energy prices weighed on the valuation of inventories leading to one-time valuation losses. In addition, interest expenses rose significantly in light of rising base interest rates and due to the higher utilization of credit lines and higher interest margins. Despite countermeasures taken, the Group realized a net loss of EUR 294.8 million for the full-year 2023. Consequently, the Group's equity decreased to EUR 234.4 million corresponding to an equity ratio of 12.1% as of December 31, 2023.

The Group's ability to continue as a going concern is dependent on the adherence to the agreed financial covenants and the availability of sufficient liquidity to fund the Group's operations and to repay short-term financing. The relevant lenders agreed to suspend the existing financial covenants temporarily until June 30, 2024 in consideration of the Group's intention to raise additional equity or equity-like funding in the short term to strengthen the balance sheet. This additional funding is required to address the Group's near-term liquidity needs and to finance the net working capital that is necessary to ramp up steel production and meet customer demand.

The Group is envisaging a capital increase equal to EUR 300 million, which is up for approval by the Extraordinary General Meeting on April 4, 2024, in combination with a debt refinancing. BigPoint Holding AG, as largest shareholder of the Group, guarantees the full amount of up to EUR 300 million by way of a back-stop, subject to certain conditions. Amongst others, these include an unconditional exemption from making a mandatory takeover offer upon exceeding a shareholding level of 33 1/3 per-cent of the shares in Swiss Steel Holding AG. This exemption was granted by the Swiss Takeover Board, with an appeal period of five trading days from the publication date of the administrative decision. Alternatively, the Extraordinary General Meeting on April 4, 2024 may vote to waive the obligation to make a mandatory takeover offer (opting-out). Conditional to the aforementioned capital increase, the Group and the relevant lenders have agreed to new financing agreements with extended terms until September 2028. Further conditions include but are not limited to obtaining a declaration of goodwill from relevant trade credit insurers.

Despite the commitments of BigPoint Holding AG and the relevant lenders, there is a material uncertainty regarding the complete and timely fulfillment of the parties' conditions and obtaining the approvals required for executing the envisaged capital increase. This may cast significant doubts upon the Group's ability to continue as a going concern.

When preparing the consolidated financial statements, the continuation of Swiss Steel Group as a going concern was assessed as positive by the Board of Directors and by the Executive Board. The Board of Directors and the Executive Board assumed that the market environment will not deteriorate further and that the Group will execute the performance improvement measures as planned. Furthermore, they assumed that the conditions set out by BigPoint Holding AG and the relevant lenders will be met timely and that the Extraordinary General Meeting will be supportive of the capital increase such that the Group can obtain sufficient funding to continue its business activities over the next twelve months. Therefore, these consolidated financial statements have been prepared on a going concern basis.

7 Changes in scope of consolidation

In 2023, Panlog AG (CH) was merged into Steeltec AG (CH). As Swiss Steel Holding AG held 100% of the shares in Panlog AG, this merger had no effect on the consolidated financial statements.

Swiss Steel Chile SpA (CL) and the 60% share held in Shanghai Xinzhen Precision Metalwork Co., Ltd. (CN) were sold in the first half of 2023. In the second half of 2023, the following seven Eastern European distribution entities were sold: Swiss Steel Polska Sp. z o.o. (PL), Swiss Steel s.r.o. (CZ), Swiss Steel Slovakia s.r.o. (SK), Swiss Steel Magyarország Kft. (HU), Swiss Steel Baltic OÜ (EE), Swiss Steel Baltic UAB (LT) and Swiss Steel Baltic SIA (LV). All entities were deconsolidated upon completion of the divestments. For details, refer to note 8.

Furthermore, Swiss Steel LS Products GmbH (DE) and Finkl Thai Co. Ltd. (TH) were liquidated in 2023.

In 2022, Ugitech S.A. (FR) founded Ugi'ring S.A. (FR) and holds 91% of its shares. The main activity of Ugi'ring is the recovery of alloys through pyro-metallurgical recycling processes. Furthermore, Swiss Steel Acciai Speciali S.r.l. (IT) was merged into Swiss Steel Italia S.r.l. (IT), Swiss Steel International GmbH (DE) into Swiss Steel Edelstahl GmbH (DE), Finkl De Mexico S de R.L. de C.V. (MX) into Swiss Steel Mexico, S.A. de C.V. (MX) and Finkl Outdoor Services Inc. (US) into Finkl Steel – Chicago (US). As Swiss Steel Holding AG (and its subsidiaries) held 100 % of the shares in all abovementioned entities, these mergers had no effect on these financial statements.

Detailed information can be found in the list of shareholdings in note 38.

8 Disposal of subsidiaries

Swiss Steel Group completed the divestment of its distribution entity in Chile in January 2023. The assets and liabilities of the entity were disclosed within assets held for sale and liabilities associated with assets classified as held for sale in the consolidated statement of financial position as of December 31, 2022. An impairment loss of EUR 0.4 million was recognized in the consolidated income statement for 2022 given that the carrying amount of the net assets exceeded their fair value less costs to sell.

In May 2023, Swiss Steel Hong Kong, a fully owned subsidiary of Swiss Steel Group, sold its 60% equity interest in Shanghai Xinzhen Precision Metalwork Co., Ltd.

In February 2023, the Group signed an agreement for the sale of seven distribution entities in Eastern Europe (refer to note 7 for the list of entities), predominantly belonging to the Engineering Steel Division, to JACQUET METALS. After the completion of customary closing conditions, including approval by the relevant antitrust authorities, the transaction was closed on October 31, 2023. An impairment loss of EUR 15.6 million was recognized in the consolidated income statement for 2022 given that the carrying amount of the net assets exceeded their fair value less costs to sell.

The following total gain resulted from the deconsolidation of all nine entities in 2023 and was recognized in other operating income in the consolidated income statement for 2023:

in million EUR	2023
Total consideration received	36.2
Net assets disposed of	–38.5
Non-controlling interests	1.8
Recognition of former intra-group trade accounts receivables	4.4
Recognition of former intra-group trade accounts payables	–0.6
Gain on disposal (before reclassification of cumulative translation adjustments)	**3.3**
Reclassification of cumulative translation adjustments	1.9
Total gain on disposal	**5.2**

The following assets (net of impairment) and liabilities were disposed of:

in million EUR	2023
Goodwill	0.3
Property, plant and equipment	8.8
Deferred tax assets	0.1
Total non-current assets	**9.2**
Inventories	25.6
Trade accounts receivable	19.6
Current income tax receivables	0.4
Other current assets	0.8
Cash and cash equivalents	11.6
Total current assets	**58.0**
Total assets	**67.2**
Non-current financial liabilities	8.6
Total non-current liabilities	**8.6**
Trade accounts payable	8.9
Current financial liabilities	8.4
Other current liabilities	2.8
Total current liabilities	**20.1**
Total liabilities	**28.7**
Net assets	**38.5**
Non-controlling interests	**1.8**

The aggregate consideration of all disposals of EUR 36.2 million was received in cash. Cash and cash equivalents of the disposed entities amounting to EUR 11.6 million were derecognized, hence the net cash proceeds of all disposals were EUR 24.6 million and are shown within cash flow from investing activities in the consolidated statement of cash flows.

9 Disposal group held for sale

As of December 31, 2023, after the completed divestment of the distribution entities in Chile and Eastern Europe (refer to notes 7 and 8), the distribution entity in Argentina remained recognized as assets held for sale. Management considers a sale within the first half-year 2024 as highly probable. Additionally, land and buildings in the amount of EUR 33.2 million remained classified as assets held for sale. In January 2024, the Group signed a binding agreement to sell the respective assets and expects the transaction to be completed within the first half-year 2024. Refer to note 37 for details.

For the disposal group held for sale, cumulative income of EUR 0.1 million (2022: EUR 2.1 million) from currency translation is subject to reclassification to the income statement.

The following assets and liabilities are classified as held for sale as of the reporting date:

in million EUR	31.12.2023	31.12.2022
Property, plant and equipment	33.2	25.7
Right-of-use assets	0.0	0.6
Deferred tax assets	0.0	0.2
Total non-current assets	**33.2**	**26.5**
Inventories	0.0	33.1
Trade accounts receivable	0.0	18.3
Other current assets	0.0	0.4
Cash and cash equivalents	0.0	4.7
Total current assets	**0.0**	**56.5**
Total assets	**33.2**	**83.0**
Deferred tax liabilities	0.0	0.1
Non-current financial liabilities	0.0	0.3
Total non-current liabilities	**0.0**	**0.4**
Trade accounts payable	0.0	12.0
Current financial liabilities	0.0	0.4
Current income tax payables	0.0	0.9
Other current liabilities	2.7	5.2
Total current liabilities	**2.7**	**18.5**
Total liabilities	**2.7**	**18.9**

The increase in property, plant and equipment of EUR 7.5 million resulted from additions to land and buildings of EUR 0.7 million and the reversal of an impairment initially posted against the total of this line item in 2022, offset by the property, plant and equipment of the disposed entities in Chile and Eastern Europe (refer to note 8).

10 Revenue

Material accounting policy

The Group generates most of its revenue from the sale of special long steel for various customer industries and end markets, such as the mechanical and plant engineering and the automotive industries. The revenue from the sale of products is recognized in the income statement at the time when the contractual performance obligation has been satisfied, i.e. when control of the goods has passed to the customer.

Control passes to the customer upon delivery, which for Swiss Steel Group is essentially governed by the international commercial terms (Incoterms) defined in the contract with the customer. Delivered goods or services are invoiced and recognized as trade accounts receivable at the time when control passes to the customer.

The amount of revenue realized is based on the contractually agreed transaction price for the performance obligation. In most cases, the contracts concluded between Swiss Steel Group and its customers contain a single performance obligation.

The consideration for satisfying the performance obligation is based on a multi-tiered price mechanism and corresponds to a fixed amount at the time of delivery, with the exception of discounts granted for early payment.

Revenue is reported net of value-added tax (VAT), returns, discounts and price reductions. Discounts granted to customers are recognized as revenue deductions at the time of fulfillment of the underlying contract. Revenue deductions of this kind are estimated on the basis of contractual arrangements and historical data.

Payment arrangements with customers are governed by contracts and are based on normal commercial terms. All revenue of Swiss Steel Group is recognized at point in time.

Swiss Steel Group applies the practical expedient of IFRS 15 and thus waives the disclosure of the remaining performance obligation as of the reporting date, since the underlying contract period is less than twelve months.

Revenue can be broken down by Division as follows:

in million EUR	2023	2022 [1]
Engineering Steel	1,507.0	2,067.7
Stainless Steel	1,167.1	1,317.4
Tool Steel	535.9	640.3
Others	34.2	26.0
Total	**3,244.2**	**4,051.4**

[1] Restatement due to organizational change from the former divisions Production and Sales & Services (for financial reporting purposes until 2022) to the Engineering Steel, Stainless Steel and Tool Steel Divisions (as from 2023). Refer to note 35 for details.

11 Cost of materials

in million EUR	2023	2022
Cost of raw materials, consumables, supplies and merchandise	1,715.3	2,113.9
Energy and other purchased services	495.7	780.6
Total	**2,211.0**	**2,894.5**

The reduction in energy and other purchased services was triggered by lower production volume and decreased energy prices.

12 Other operating income and expenses

Other operating income can be broken down as follows:

in million EUR	2023	2022
Income from energy sale and energy reimbursement	5.2	28.1
Carbon compensation	25.4	27.0
Grants and allowances	11.6	15.5
Income for services	8.4	12.2
Foreign exchange gain (net)	0.0	11.1
Lease income	6.5	7.6
Insurance reimbursement	1.0	5.7
Own work capitalized	3.4	3.0
Income for training	3.2	2.9
Gains from disposal of intangible assets and property, plant and equipment	1.0	0.6
Gain on sale of subsidiaries	5.2	0.0
Miscellaneous income	14.0	10.9
Total	**84.9**	**124.6**

Income from energy sale and energy reimbursement of EUR 5.2 million (2022: EUR 28.1 million) resulted from the sale of excess energy. The income from carbon compensation of EUR 25.4 million (2022: EUR 27.0 million) comprises the sale of CO_2 certificates. The income from grants and allowances of EUR 11.6 million (2022: EUR 15.5 million) comprises government subsidies in Germany and France. For details on the gain on disposal of subsidiaries, refer to note 8.

Miscellaneous income of EUR 14.0 million (2022: EUR 10.9 million) comprises a number of individually immaterial items which cannot be allocated to another category.

Other operating expenses can be broken down as follows:

in million EUR	2023	2022
Freight, commission	99.0	117.3
Maintenance, repairs	99.1	111.3
Holding and administration expenses	36.6	36.8
IT expenses	33.6	34.0
Fees and charges	45.1	30.8
Consultancy and audit services	26.0	22.1
Non-income taxes	10.8	11.3
Expenses for leases (short-term, low value, variable leases)	9.2	8.9
Change in allowances on trade accounts receivable	1.0	2.8
Losses on disposals of subsidiaries and other non-current assets	0.1	0.2
Foreign exchange loss (net)	1.5	0.0
Miscellaneous expenses	14.5	14.3
Total	**376.5**	**389.8**

Freight and commission costs as well as repair and maintenance costs decreased compared to the previous year as a result of the lower sales and production volume. Fees and charges increased mainly due to provisions of EUR 9.2 million for environmental matters.

The item consultancy and audit services includes among others the total fees charged by the auditor EY. In 2023, EUR 2.5 million (2022: EUR 2.4 million) were charged for financial statement audits and EUR 0.0 million (2022: EUR 0.1 million) for other assurance services. In addition, EUR 0.1 million (2022: EUR 0.1 million) relate to tax advisory services and EUR 0.2 million (2022: EUR 0.2 million) to other services.

Miscellaneous expenses of EUR 14.5 million (2022: EUR 14.3 million) comprise a number of individually immaterial items which cannot be allocated to another category.

All exchange gains and losses on receivables and liabilities or derivative currency contracts concluded to hedge currency exposure are stated net and presented as other operating expenses or income, depending on whether the net figure is negative or positive.

The net figures can be broken down as follows:

in million EUR	2023	2022
Exchange gains	176.7	216.3
Exchange losses	–178.2	–205.2
Net currency effect	**–1.5**	**11.1**

13 Personnel expenses

in million EUR	2023	2022
Wages and salaries	543.5	553.9
Social security contributions	123.1	122.0
Other personnel costs	11.5	17.2
Total	**678.1**	**693.1**

In 2023, Swiss Steel Group received EUR 11.3 million (2022: EUR 4.8 million) in compensation for short-time work. This was offset against the expenses for wages and salaries. Details on personnel-related provisions are provided in notes 28 and 29.

14 Research and development expenses

Research and development expenses of EUR 7.7 million were incurred in 2023 (2022: EUR 7.3 million). These relate to third-party expenses for new product applications and process improvements. Development costs of EUR 1.6 million were capitalized in the reporting period (2022: EUR 1.1 million), recognized as intangible assets in the subcategory concessions, licenses and similar rights (note 20).

15 Government grants

Material accounting policy

Government grants are not recognized until there is reasonable assurance that the corresponding subsidiary will comply with the conditions attaching to it, and that the grant will be received. Government investment grants are reported as a reduction in the cost of the asset concerned, with a corresponding reduction in depreciation and amortization in subsequent periods. Grants not related to investments are either deducted from the expenses to be compensated by the grants in the period in which the expenses are incurred or are recognized as income, depending on their purpose. If the government grant is related to a specific expense item, such as energy costs, it is deducted from the respective expense.

Government grants of EUR 20.9 million (2022: EUR 23.0 million) were recognized in the financial year. These are primarily related to reimbursements of other operating expenses (energy costs). The energy cost reimbursement of EUR 7.6 million (2022: EUR 5.4 million) was recognized as a deduction from the respective expense, while the remaining portion of government grants has mainly been recorded as other income.

16 Depreciation, amortization and impairments

The following depreciation, amortization and impairment charges and reversals were recognized:

in million EUR	2023	2022
Amortization of intangible assets	4.1	5.0
Depreciation of property, plant and equipment	66.0	64.7
Depreciation of right-of-use assets	10.5	9.9
Impairment of intangible assets, property, plant and equipment and right-of-use assets	21.4	19.7
(Reversal of)/Impairment of assets held for sale	–4.4	16.5
Total	**97.6**	**115.8**

Detailed information on impairments charged is disclosed in note 23. The EUR 4.4 million reversal relates to the reduction in impairment on assets held for sale, which was recognized due to an increase in fair value less costs to sell compared to December 31, 2022. The remaining impairment charged in 2022 was netted against the assets held for sale divested during the financial year (refer to note 8).

17 Financial result

in million EUR	2023	2022
Interest income	1.7	0.8
Other financial income	0.1	0.0
Financial income	**1.8**	**0.8**
Interest expenses on financial liabilities	–69.6	–40.3
Interest expenses on lease liabilities	–4.0	–4.0
Net interest expense on pension provisions and plan assets	–6.8	–2.5
Capitalized borrowing costs	0.8	0.6
Hyperinflation adjustments	–4.3	–0.8
Other financial expenses	–5.8	–5.5
Financial expenses	**–89.7**	**–52.5**
Financial result	**–87.9**	**–51.7**

The item interest expenses on financial liabilities includes EUR 16.5 million (2022: EUR 9.1 million) related to the ABS program, EUR 33.3 million (2022: EUR 18.7 million) charged for the syndicated revolving credit facility and EUR 13.4 million (2022: EUR 8.6 million) interest in connection with other loans, including the shareholder loans from BigPoint Holding AG and interest expenses for state-guaranteed loans at market interest rates. The increase in interest expenses originated from the increase in reference rates, margin adjustments and higher drawings under the syndicated loan. Interest expenses of the state-guaranteed loans are offset against the reversal of the liability for deferred government support in the same amount (refer to note 30).

The increase in the hyperinflation adjustment mainly resulted from the increased Domestic Producer Price Index for Turkey (refer to note 4).

Other financial expenses mainly comprise the amortization of transaction costs from debt financing, which is recognized over its expected term.

18 Income taxes

Material accounting policy

Future tax relief in the form of deferred tax assets can only be recognized to the extent that it is considered probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. At the end of each reporting period, deferred tax assets are assessed for recoverability according to multi-year tax plans based on the Group companies' medium-term planning, which is approved by the Board of Directors. The recoverability of future taxable income hinges primarily on the sales volumes and sales prices that can be achieved in the end user markets. The estimate of future taxable income is also affected by the Group's strategic tax planning.

The main components of income tax in the financial years 2023 and 2022 were as follows:

in million EUR	2023	2022
Current taxes	7.1	19.6
– of which tax expense/(income) related to the current period	8.0	18.9
– of which tax expense/(income) from previous periods	– 0.9	0.7
Deferred taxes	0.0	– 7.7
– of which deferred tax effect from the origination and reversal of temporary differences	1.2	– 1.6
– of which deferred tax effect from tax-loss carry-forwards, interest carry-forwards and tax credits	– 1.2	– 6.1
Income tax effect (income (–) / expenses (+))	**7.1**	**11.9**

The expected income tax expense/income is calculated using the domestic income tax rate of the operating companies domiciled in Emmenbrücke, Switzerland, and then carried over to the Group result before taxes:

in million EUR	2023	2022
Earnings before taxes	– 287.7	21.3
Domestic income tax rate	12.43 %	12.43 %
Expected income tax expense/(income)	**– 35.8**	**2.6**
Effects of different income tax rates	– 57.1	– 11.5
Non-deductible expense/tax-free income	6.6	2.3
Tax effects from prior years	– 0.9	0.7
Tax effects due to changes in tax rates or changes in tax laws	– 0.1	0.2
Deferred tax assets not recognized on temporary differences, tax credits, tax-loss and interest carry-forwards in the current year	101.4	35.9
Write-off on deferred tax assets on temporary differences, tax credits, tax-loss and interest carry-forwards capitalized in prior years	– 7.0	– 18.3
Effective income tax expense/(income)	**7.1**	**11.9**
Effective tax rate	– 2.5 %	55.9 %

The local tax rates used to determine current and deferred taxes have not changed materially. The effective Group tax rate for 2023 was –2.5 % (2022: 55.9 %). This rate derives from the tax rates of the individual countries in which the Group operates, weighted for earnings before taxes.

Total unrecognized deferred tax assets for temporary differences, tax-loss and interest carry-forwards as well as tax credits increased to EUR 1,511.5 million (2022: EUR 1,256.9 million).

in million EUR	31.12.2023	31.12.2022
Expiry within		
– 1 year	4.8	1.5
– 2 to 5 years	1.8	4.0
– more than 5 years	1,504.9	1,251.4
Total	**1,511.5**	**1,256.9**

In addition, the Group has not recognized tax credits in the amount of EUR 0.1 million (2022: EUR 0.7 million) as the Group does not expect to be able to offset these against corresponding tax expenses.

The table below shows the amount of tax-loss and interest carry-forwards, and tax credits broken down by the tax rate of the companies to which they pertain:

in million EUR	31.12.2023	31.12.2022
Tax rate		
– less than 20 %	357.4	356.2
– 20 % to 30 %	224.7	207.6
– more than 30 %	929.4	693.1
Total	**1,511.5**	**1,256.9**

The table below shows a breakdown of the deferred taxes recorded on material items of the statement of financial position as well as tax-loss and interest carry-forwards and tax credits (before reclassifications to assets held for sale):

	Deferred tax assets		Deferred tax liabilities	
in million EUR	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Intangible assets	0.3	0.5	1.2	1.0
Property, plant and equipment	24.2	25.6	10.4	10.2
Financial assets	0.0	0.0	4.2	5.0
Other assets	0.7	0.7	0.0	0.0
Non-current assets	**25.2**	**26.8**	**15.8**	**16.2**
Inventories	2.4	3.4	5.5	5.4
Other assets	0.3	1.1	5.7	4.4
Current assets	**2.7**	**4.5**	**11.2**	**9.8**
Provisions	13.2	11.7	31.0	32.1
Other liabilities	5.7	5.2	0.0	0.4
Non-current liabilities	**18.9**	**16.9**	**31.0**	**32.5**
Provisions	1.2	1.0	0.9	2.4
Other liabilities	4.5	4.9	0.7	0.0
Current liabilities	**5.7**	**5.9**	**1.6**	**2.4**
Tax-loss and interest carry-forwards	21.7	20.4	0.0	0.0
Total	**74.2**	**74.5**	**59.6**	**60.9**
Netting	–54.6	–53.0	–54.6	–53.0
Reclassification to assets held for sale	0.0	–0.2	0.0	–0.1
Amount recognized	**19.6**	**21.3**	**5.0**	**7.8**

The following table presents the net change in deferred tax assets and liabilities:

in million EUR	**2023**	**2022**
Opening balance at the beginning of the period	13.5	12.5
Changes recognized in profit and loss	0.0	7.7
Reclassification to assets held for sale	–0.2	–0.1
Changes recognized in other comprehensive income	1.4	–5.3
Foreign currency effects	–0.1	–1.3
Closing balance at the end of the period	**14.6**	**13.5**
– of which deferred tax assets	19.6	21.3
– of which deferred tax liabilities	5.0	7.8

The accumulated taxes recognized in shareholders' equity (accumulated other comprehensive income and retained earnings) amounted to EUR 26.1 million for the reporting period (2022: EUR 24.8 million).

Deferred tax liabilities are recognized on temporary differences related to investments in subsidiaries if the Group is able to control the timing of the reversal and it is probable that the difference will reverse in the foreseeable future. These temporary differences, known as outside basis differences, arise when the net assets of the subsidiaries differ from the tax bases of the entity concerned.

No deferred tax liabilities are recognized for outside basis differences of around EUR 110.4 million, of which EUR 33.9 million were taxable (2022: EUR 116.2 million, of which EUR 29.9 million were taxable). This is because the reversal of temporary differences is controlled by Swiss Steel Group and is not expected in the foreseeable future.

Deferred tax assets resulting from the impairment of intangible and tangible assets in the Production Asset Ascometal were largely not recognized in 2023 and 2022. Further information can be found in note 23.

Disclosures related to amendment to IAS 12 Income Taxes in connection with the International Tax Reform related to the Pillar Two Model Rules

The Group adopted the amendments to IAS 12 upon their release on May 23, 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure.

The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax had been enacted or substantively enacted in any jurisdiction the Group operated in by December 31, 2022, and no related deferred tax had been recognized to that date, the retrospective application had no impact on the Group's consolidated financial statements.

The exposure to the risk of top-up tax highly depends on the profitability of the entities in the jurisdiction in which the Group operates and possibly applicable safe harbor rules under the Pillar Two legislation. Taking the latter into account and given the current profit and loss situations in the different jurisdictions and considering the minimum tax rate of 15% stipulated by the Pillar Two Model Rules, the Group expects a potential exposure at one of the Swiss entities necessitating payment of a top-up tax. Exact amounts at risk are currently subject to a high level of uncertainty, as they depend on relevant actual future profits. In addition, the relevant profits are dependent on different reconciling items compared to IFRS profits, which the Group is currently analyzing.

19 Result per share

	2023	2022
Group result attributable to shareholders of Swiss Steel Holding AG in EUR million	–295.7	9.3
Average number of shares	3,058,612,778	3,058,524,740
Result per share in EUR (basic/diluted)	**–0.10**	**0.00**

Basic earnings per share are calculated by dividing the net income/loss attributable to the holders of registered shares of Swiss Steel Holding AG by the weighted average number of shares outstanding during the financial year. Diluted earnings per share are the same as basic earnings per share.

20 Intangible assets

The development of intangible assets is presented below:

Year 2023

in million EUR	Concessions, licenses and similar rights	Acquired trademarks and customer bases	Prepayments for intangible assets	Goodwill	Total
Cost value as of 1.1.2023	**100.7**	**24.2**	**5.1**	**5.6**	**135.6**
Additions	1.9	0.0	9.2	0.0	11.1
Disposals	–1.3	0.0	0.0	–0.3	–1.6
Reclassifications	1.0	0.0	–1.0	0.0	0.0
Foreign currency effects	0.5	–0.4	0.5	0.0	0.6
Cost value as of 31.12.2023	**102.8**	**23.8**	**13.8**	**5.3**	**145.7**
Accumulated amortization and impairments as of 1.1.2023	**–91.6**	**–20.6**	**–0.1**	**–5.2**	**–117.5**
Amortization	–4.1	0.0	0.0	0.0	–4.1
Impairment	0.0	0.0	–0.4	0.0	–0.4
Disposals	1.1	0.0	0.0	0.0	1.1
Reclassifications	–0.3	0.0	0.3	0.0	0.0
Foreign currency effects	–0.5	0.4	0.0	0.0	–0.1
Accumulated amortization and impairments as of 31.12.2023	**–95.4**	**–20.2**	**–0.2**	**–5.2**	**–121.0**
Net carrying amount as of 31.12.2023	**7.4**	**3.6**	**13.6**	**0.1**	**24.7**

The additions of EUR 9.2 million in prepayments for intangible assets are mainly related to investments in IT infrastructure and applications.

Year 2022

in million EUR	Concessions, licenses and similar rights	Acquired trademarks and customer bases	Prepayments for intangible assets	Goodwill	Total
Cost value as of 1.1.2022	**95.8**	**23.8**	**2.7**	**5.9**	**128.2**
Additions	1.9	0.0	4.6	0.0	6.5
Disposals	–0.5	0.0	0.0	0.0	–0.5
Reclassifications	2.2	0.0	–2.2	0.0	0.0
Hyperinflation adjustments	0.2	0.0	0.0	0.0	0.2
Foreign currency effects	1.1	0.4	0.0	–0.3	1.2
Cost value as of 31.12.2022	**100.7**	**24.2**	**5.1**	**5.6**	**135.6**
Accumulated amortization and impairments as of 1.1.2022	**–85.2**	**–20.3**	**–0.3**	**–5.5**	**–111.3**
Amortization	–5.0	0.0	0.0	0.0	–5.0
Impairment	–0.1	0.0	–0.4	0.0	–0.5
Disposals	0.5	0.0	0.0	0.0	0.5
Reclassifications	–0.6	0.0	0.6	0.0	0.0
Hyperinflation adjustments	–0.1	0.0	0.0	0.0	–0.1
Foreign currency effects	–1.1	–0.3	0.0	0.3	–1.1
Accumulated amortization and impairments as of 31.12.2022	**–91.6**	**–20.6**	**–0.1**	**–5.2**	**–117.5**
Net carrying amount as of 31.12.2022	**9.1**	**3.6**	**5.0**	**0.4**	**18.1**

21 Property, plant and equipment

Material accounting policy

Property, plant and equipment are measured at cost, including any installation costs and capitalized borrowing costs, less accumulated depreciation and impairments. The assets are depreciated on a straight-line basis over their useful lives. The useful lives and depreciation methods are reviewed annually.

Routine maintenance and repair costs are expensed as incurred. Costs for the replacement of components or for general overhauls of property, plant and equipment are recognized as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the costs can be reliably determined. If property, plant and equipment subject to wear and tear comprise material identifiable components with different useful lives, these components are treated as separate units for accounting purposes and depreciated over their respective useful lives.

Borrowing costs of qualifying assets are capitalized and depreciated over the economic useful life of the qualifying assets.

The useful lives of property, plant and equipment are as follows:

in years	2023	2022
Real estate		
Solid buildings	30 to 40	30 to 40
Lightweight and heavily used solid buildings (e.g. steelworks)	15 to 40	15 to 40
Plant and equipment		
Operating plant and equipment	5 to 40	5 to 40
Machines	10 to 20	10 to 20
Road vehicles and railway wagons	5 to 30	5 to 30
Office equipment	10	10
IT hardware	4	4

The breakdown of property, plant and equipment into subcategories is presented in the table below.

Year 2023

in million EUR	Land and buildings	Plant and equipment	Prepayments for property and plants under construction	Total
Cost value as of 1.1.2023	**722.4**	**2,807.5**	**58.9**	**3,588.8**
Reclassification to assets held for sale	– 0.2	– 0.2	– 0.5	– 0.9
Changes in the scope of consolidation	– 4.0	– 7.0	0.0	– 11.0
Additions	1.1	26.1	65.3	92.5
Disposals	– 2.5	– 23.5	0.0	– 26.0
Reclassifications	4.8	55.0	– 59.8	0.0
Hyperinflation adjustments	0.6	2.4	0.4	3.4
Foreign currency effects	12.7	27.5	– 0.2	40.0
Cost value as of 31.12.2023	**734.9**	**2,887.8**	**64.1**	**3,686.8**
Accumulated depreciation and impairments as of 1.1.2023	**– 586.0**	**– 2,507.9**	**– 12.8**	**– 3,106.7**
Reclassification to assets held for sale	0.3	0.3	0.0	0.6
Changes in the scope of consolidation	0.6	2.6	0.0	3.2
Depreciation	– 7.9	– 58.1	0.0	– 66.0
Impairment	0.0	– 6.6	– 14.4	– 21.0
Reversal of impairment	0.0	0.0	0.2	0.2
Disposals	2.4	23.3	0.0	25.7
Reclassifications	– 0.4	– 12.1	12.5	0.0
Hyperinflation adjustments	– 0.4	– 1.0	0.0	– 1.5
Foreign currency effects	– 10.4	– 23.7	0.2	– 33.8
Accumulated depreciation and impairments as of 31.12.2023	**– 601.8**	**– 2,583.2**	**– 14.3**	**– 3,199.3**
Net carrying amount as of 31.12.2023	**133.1**	**304.6**	**49.8**	**487.5**

Restrictions on ownership and disposal amounted to EUR 147.0 million as of the reporting date (2022: EUR 144.2 million), of which EUR 26.5 million (2022: EUR 26.0 million) are related to assets classified as held for sale. The collateralization is in relation to the Group's debt financing. Borrowing costs capitalized during the financial year 2023 are included in additions and amounted to EUR 0.8 million (2022: EUR 0.6 million). In 2023, the average rate applied for borrowing costs was 8.04% (2022: 4.88 %).

For more information regarding assets held for sale, refer to note 9.

Year 2022

in million EUR	Land and buildings	Plant and equipment	Prepayments for property and plants under construction	Total
Cost value as of 1.1.2022	**757.7**	**2,699.2**	**70.4**	**3,527.4**
Reclassification to assets held for sale	–58.1	–12.2	–0.4	–70.7
Additions	1.2	34.3	59.6	95.1
Disposals	–2.4	–28.0	0.0	–30.4
Reclassifications	4.7	67.4	–72.1	0.0
Hyperinflation adjustments	4.4	7.9	0.9	13.2
Foreign currency effects	14.9	38.9	0.5	54.2
Cost value as of 31.12.2022	**722.4**	**2,807.5**	**58.9**	**3,588.8**
Accumulated depreciation and impairments as of 1.1.2022	**–582.2**	**–2,426.9**	**–18.4**	**–3,027.6**
Reclassification to assets held for sale	18.6	9.9	0.0	28.5
Depreciation	–9.4	–55.3	0.0	–64.7
Impairment	–0.1	0.0	–18.2	–18.3
Disposals	2.4	27.8	0.0	30.2
Reclassifications	–0.4	–23.7	24.1	0.0
Hyperinflation adjustments	–3.1	–5.9	0.0	–9.0
Foreign currency effects	–11.8	–33.8	–0.3	–45.8
Accumulated depreciation and impairments as of 31.12.2022	**–586.0**	**–2,507.9**	**–12.8**	**–3,106.7**
Net carrying amount as of 31.12.2022	**136.4**	**299.6**	**46.1**	**482.1**

22 Right-of-use assets

The development of right-of-use assets is presented in the table below:

Year 2023

in million EUR	Land and buildings	Plant and equipment	Total
Net carrying amount as of 1.1.2023	**25.0**	**9.6**	**34.6**
Additions	4.7	6.7	11.4
Disposals	–0.8	–0.1	–0.9
Hyperinflation adjustments	0.0	–0.2	–0.2
Foreign currency effects	–0.1	–0.1	–0.2
Depreciation	–5.7	–4.8	–10.5
Impairment	0.0	–0.2	–0.2
Net carrying amount as of 31.12.2023	**23.1**	**10.9**	**34.0**

Year 2022

in million EUR	Land and buildings	Plant and equipment	Total
Net carrying amount as of 1.1.2022	**22.5**	**9.1**	**31.6**
Reclassification to assets held for sale	–0.3	–0.3	–0.6
Additions	8.4	5.7	14.1
Disposals	0.0	–0.1	–0.1
Hyperinflation adjustments	0.0	0.4	0.4
Depreciation	–5.6	–4.3	–9.9
Impairment	0.0	–0.9	–0.9
Net carrying amount as of 31.12.2022	**25.0**	**9.6**	**34.6**

Further information on leases is disclosed in note 31 to the consolidated financial statements. For lease income from operating leases where the Group is acting as lessor, refer to note 12.

23 Impairment test

Material accounting policy

The Group assesses at each reporting date whether there is an indication that a non-financial asset (intangible assets, right-of-use assets, property, plant and equipment) may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or of a cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

The Group uses the discounted cash flow method to determine the value in use of a cash-generating unit. Cash flows are estimated based on the most recent medium-term plan, which is prepared separately for each of the Group's cash-generating units for a five-year detailed planning period and has been approved by the Board of Directors. The assumptions concerning sales volumes, margins, operating costs, growth rate, tax rate and discount rate have a material impact on the recoverable amount of the cash-generating units and thus on the result of impairment testing. In addition, forward-looking assumptions might deviate from the actual outcome.

Year 2023

At the end of 2023, Swiss Steel Group assessed potential indicators (triggering events) of impairments of assets. Indications of impairment were identified in two Production Assets (cash-generating units): Ascometal, belonging to the Engineering Steel Division due to continuous adverse profitability, and Deutsche Edelstahlwerke (DEW), which contributes to all three Divisions. For the Production Asset DEW, unfavorable market conditions, adverse profitability and an ongoing restructuring program, in combination, are considered an indication of impairment.

Impairment tests were performed on the basis of the identified triggers. In these impairment tests the recoverable amount of the Production Assets was determined based on their value in use, thereby considering the strategic medium-term plan of the Group.

The assessment showed that the carrying amount exceeded the value in use for the Production Asset Ascometal, requiring impairment charges to be recognized.

The following overview summarizes the key figures for the Production Asset Ascometal, for which an impairment loss was recognized:

in million EUR	Discount rate 2023 before taxes	Discount rate 2023 after taxes	Discount rate 2022 before taxes	Discount rate 2022 after taxes	Impairment 2023	Impairment 2022
Ascometal	8.49 %	8.49 %	8.80 %	8.80 %	21.4	19.6

The total impairment loss amounted to EUR 21.4 million in 2023 (2022: EUR 19.6 million) and was recognized under depreciation, amortization and impairments in the consolidated income statement. The total impairment loss was allocated with EUR 20.8 million (2022: EUR 18.3 million) to property, plant and equipment, with EUR 0.2 million (2022: EUR 0.9 million) to right-of-use assets and with EUR 0.4 million (2022: EUR 0.5 million) to intangible assets. These non-current non-financial assets of the Production Asset Ascometal are fully impaired.

Year 2022

At the end of 2022, indications of impairment were found for various Production Assets due to rising and volatile energy prices fueled by the war in Ukraine and disruptions in supply chains in the automotive industry. Moreover, the temporary stoppage of the steel mill in Ugine following a crane collapse in early January 2022 was identified as a triggering event for the Production Asset Ugitech. In 2022, the carrying amount exceeded the value in use at Production Asset Ascometal and hence the non-current non-financial assets were fully impaired.

Other intangible assets with indefinite useful lives

With a carrying amount of EUR 3.6 million (2022: EUR 3.6 million), brands are allocated in full to the Production Asset Finkl Steel. The other changes year on year in 2023 are due to currency effects.

24 Other assets

in million EUR	31.12.2023	31.12.2022
Other receivables	10.2	10.2
Total non-current	**10.2**	**10.2**
Tax receivables (excluding current income tax receivables)	49.4	68.6
Prepaid expenses	9.2	7.8
Prepayments for inventories/maintenance	14.8	10.1
Other receivables	16.0	12.2
Total current	**89.4**	**98.7**

25 Inventories

Material accounting policy

Inventories are measured at the lower of cost or net realizable value. Cost is measured using the weighted average cost method and includes direct material and labor costs as well as material and production overhead costs allocated proportionally, assuming normal utilization of production capacity.

Value adjustments are made in an amount reflecting all identifiable aging and price risks affecting the expected net realizable value.

Inventories as of December 31, 2023 and as of December 31, 2022 break down as follows:

in million EUR	31.12.2023	31.12.2022
Raw materials, consumables and supplies	171.3	224.3
Semi-finished goods and work in progress	312.3	421.7
Finished products and merchandise	321.4	410.0
Total	**805.0**	**1,056.0**

There were restrictions on ownership and disposal of EUR 286.7 million as of the reporting date (2022: EUR 408.8 million). The collateralization is in relation to the Group's debt financing.

Inventory allowances developed as follows in the financial year:

in million EUR	2023	2022
As of 1.1.	**37.8**	**32.3**
Reclassification to assets held for sale	−0.8	−2.0
Changes in the scope of consolidation	−0.2	0.0
Additions	17.1	16.0
Reversal	−14.2	−6.4
Utilization	−2.2	−2.1
Foreign currency effects	−0.2	0.0
As of 31.12.	**37.3**	**37.8**

26 Trade accounts receivable

Material accounting policy

At initial recognition, trade accounts receivable are recognized at the invoiced amount. The trade date is the relevant date for the recognition of regular sales. Amounts are reported gross, unless the Group has the right settle the amounts with respective payables and intends to settle them accordingly.

The Group sells selected trade accounts receivable on a revolving basis through an international asset backed securities (ABS) program. Since the material risks and rewards remain with the Group, the trade accounts receivable are still reported in the statement of financial position as collateral for a financial liability at amortized cost.

In addition, there are third-party factoring agreements in place to sell trade accounts receivable. Such agreements qualify as non-recourse factoring, with the credit risk fully transferred to the contracting party. Factoring serves to shorten the terms of trade accounts receivable and is a component of Swiss Steel Group's liquidity management. Under non-recourse factoring, the receivables sold are derecognized in their entirety in the statement of financial position, and a corresponding item due from the factor is recognized in the statement of financial position.

Allowances are recognized for expected credit losses for all debt instruments not measured at fair value through profit or loss, in particular for trade accounts receivable.

For trade accounts receivable, expected lifetime credit losses are calculated at each reporting date, taking into account changes in expected credit risk. Material financial difficulties faced by a customer, such as likely bankruptcy, financial reorganization, payment default or late payment, are all considered to be indicators of an increase in credit risk. The loss allowance for receivables with an increased probability of default corresponds to the exposure at default, the probability of default and the loss given default.

For trade accounts receivable and lease receivables, individual allowances are recognized on an item-by-item basis using separate allowance accounts. Effective legally confirmed defaults (e.g. by a loss certificate) result in the final derecognition of the receivables in question.

Receivables with a similar risk of default are grouped and examined for impairment collectively on the basis of past experience and forward-looking macroeconomic factors. Any allowance is recorded in profit or loss.

in million EUR	31.12.2023	31.12.2022
Gross accounts receivable	377.9	511.3
Allowances on trade accounts receivable	– 13.6	– 14.6
Net accounts receivable	**364.3**	**496.7**

All trade accounts receivable originate from contracts with customers in accordance with IFRS 15. Under the asset backed securities (ABS) financing program, Swiss Steel Group regularly sells credit-insured trade accounts receivable. Trade accounts receivable of EUR 182.7 million and USD 28.9 million (2022: EUR 276.1 million and USD 32.4 million) had been sold as of the reporting date. As most of the risks and rewards remain with Swiss Steel Group, these accounts receivable continue to be recorded in the consolidated statement of financial position. There are corresponding financial liabilities of EUR 185.5 million (2022: EUR 272.3 million). As of the reporting date, trade accounts receivable of EUR 38.4 million (2022: EUR 10.8 million) had been sold under non-recourse factoring schemes and hence were derecognized from the statement of financial position.

There were restrictions on ownership and disposal of EUR 57.7 million (2022: EUR 105.9 million) beyond the scope of the receivables sold under the ABS financing program as of the reporting date. They are mainly linked to the collateralization in relation to the Group’s debt financing.

The allowance on trade accounts receivable developed as follows:

in million EUR	2023	2022
As of 1.1.	**14.6**	**13.4**
Reclassification to assets held for sale	0.1	– 0.5
Additions	2.2	4.9
Reversal	– 1.7	– 2.2
Utilization	– 1.4	– 1.0
Foreign currency effects	– 0.2	0.0
As of 31.12.	**13.6**	**14.6**

The aging structure of the trade accounts receivable, due but not impaired, was as follows as of the reporting date:

	As of 31.12.2023			As of 31.12.2022		
in million EUR	Expected credit loss rate	Trade accounts receivable	Impairment allowance	Expected credit loss rate	Trade accounts receivable	Impairment allowance
Current	1.26 %	300.8	– 3.8	0.91 %	429.6	– 3.9
≤ 30 days	0.21 %	48.6	– 0.1	0.40 %	50.3	– 0.2
31 to 60 days	3.85 %	7.8	– 0.3	2.61 %	11.5	– 0.3
61 to 90 days	10.00 %	3.0	– 0.3	4.00 %	2.5	– 0.1
91 to 120 days	11.76 %	1.7	– 0.2	20.51 %	3.9	– 0.8
> 120 days	55.63 %	16.0	– 8.9	68.89 %	13.5	– 9.3
Total	**3.60 %**	**377.9**	**– 13.6**	**2.86 %**	**511.3**	**– 14.6**

The expected credit loss rate includes impairment losses based on both actual and expected defaults on receivables. Trade accounts receivable past due by more than 90 days, but not impaired, are mostly covered by credit insurance or had been settled by the time the consolidated financial statements were prepared.

27 Shareholders' equity

Share capital

The share capital of EUR 361.4 million (2022: EUR 361.4 million) comprises 3,058,857,471 fully paid-up shares with a nominal value of CHF 0.15 each.

Capital reserves

The capital reserves contain premiums generated upon issue of shares in the course of capital increases, less directly attributable transaction costs of the capital increases.

Retained earnings (accumulated losses)

Retained earnings (accumulated losses) comprise the net income/loss accumulated in the past, less dividend payments to shareholders, and the actuarial gains/losses from calculation of the pension obligation after taxes.

In accordance with the provisions of the syndicated loan agreement, dividend payments are subject to the attainment of certain key figures relating to the ratio of net debt to EBITDA. No dividends were distributed for the year 2022. The Board of Directors will propose to the Annual General Meeting to waive a dividend distribution for the year 2023.

Accumulated income and expense recognized directly in other comprehensive income

This position includes gains and losses resulting from translation into the reporting currency of the financial statements of subsidiaries whose financial statements are not prepared in the functional currency euro.

in million EUR	2023	2022
As of 1.1.	**54.7**	**50.4**
Change in unrealized gains/losses from currency translation	8.6	4.3
Change in scope of consolidation	– 1.9	0.0
As of 31.12.	**61.4**	**54.7**

See the table in note 33 for details on the realization of gains and losses from cash flow hedges.

28 Pensions

Material accounting policy

Provisions for pensions and similar obligations are measured using the projected unit credit method. Pension provisions (defined benefit obligation) consist of all forms of employee benefits that are payable after the employee completes the company's employment. Similar obligations comprise other post-employment benefits such as post-employment medical care.

Service costs for pensions and similar obligations are reported as personnel costs within operating profit. The net interest expense (income) on the net defined benefit liability (asset) is included in the financial result in the consolidated income statement. Payments by the Group for defined contribution plans are recognized in personnel costs.

In certain pension schemes, the pension provisions are funded by plan assets. To the extent that such plan assets exist, they are offset against the pension obligation and presented on a net basis in the statement of financial position. When the amount of plan assets exceeds the pension provision, the surplus amount recognized is limited to the asset ceiling (present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Provisions for pensions and similar obligations are based on estimates and assumptions with respect to the discount rate, expected salary and pension increases, and mortality rates. The corresponding sensitivity analyses are based on reasonably possible changes as of December 31, 2023.

The Group has both defined benefit plans and defined contribution plans.

Defined contribution plans
Some of the post-employment benefit plans in the Group are defined contribution plans, according to which the Group has an obligation to transfer a contractually defined amount to an external pension institution. Beyond the payment of these contributions, the Group does not have any further obligations in relation to post-employment benefits. The contributions paid for private and statutory defined contribution plans are recognized in personnel costs and amounted to EUR 39.6 million in 2023 (2022: EUR 39.4 million).

Defined benefit plans
Most of the plans are defined benefit plans, in which the employer undertakes to deliver the agreed pension benefits to its employees.

Employees of the Swiss operating entities (except employees working in corporate functions) are members of the pension fund of Steeltec AG, a separate legal entity. The employees of Swiss Steel Holding AG and those in corporate functions in Steeltec AG are covered by an external collective foundation. These defined benefit obligations are financed by contributions to the fund from the respective companies and their employees. The contributions are based on a certain percentage of the insured salary as defined in the plan regulations. In the event of a deficit between the defined benefit obligation and the funding (plan assets), various measures can be taken (e.g. increase contributions, adjust benefits).

All other defined benefits plans are either frozen or the committed pension benefits are financed by the companies themselves. For the plans operated in Germany, benefits are paid on the basis of voluntary commitments, but are subject to Germany's Occupational Pensions Act ("Betriebsrentengesetz").

Furthermore, there are defined benefit plans, primarily in France, which are funded to varying degrees. Pension liabilities have been recognized in the statement of financial position for obligations that exceed the plan assets.

In some European countries, there are limited obligations to make one-time payments to employees upon termination of employment. The amount due is linked to the employee's length of service. These benefits are recognized in the consolidated statement of financial position as provisions for pensions and similar obligations.

Through the defined benefit plans, Swiss Steel Group is exposed to various risks, only some of which are company- or plan-specific. The defined benefit obligations depend on factors such as the average life expectancy of the beneficiaries, length of service and interest rates.

For German plans, pension benefit payments also have to be adjusted regularly to reflect the development of consumer prices and net salaries in accordance with legal provisions and trade association requirements. Based on the legal provisions and court rulings in Germany, there is a fundamental risk that voluntary commitments could be made binding for the company in individual cases. This would make it difficult to terminate or reduce the commitments.

Defined benefit obligations and plan assets

Changes in the present value of the defined benefit obligations and in the fair value of the plan assets are as follows:

	Defined benefit obligation		Fair value of plan assets		Effect of asset ceiling		Net liability	
in million EUR	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Present value of defined benefit obligations/fair value of plan assets at the beginning of the period	**475.9**	**614.6**	**344.3**	**395.3**	**60.9**	**45.3**	**192.5**	**264.6**
Current service cost	7.4	9.6	0.0	0.0	0.0	0.0	7.4	9.6
Administration expenses	0.0	0.0	– 0.4	– 0.7	0.0	0.0	0.4	0.7
Interest expense/income	13.1	4.8	7.6	2.5	1.3	0.2	6.8	2.5
Past service costs	– 3.4	0.0	0.0	0.0	0.0	0.0	– 3.4	0.0
Settlement [1]	0.0	– 20.3	0.0	– 20.3	0.0	0.0	0.0	0.0
Net pension result	**17.1**	**– 5.9**	**7.2**	**– 18.5**	**1.3**	**0.2**	**11.2**	**12.8**
Return on plan assets less interest income	0.0	0.0	15.6	– 35.7	0.0	0.0	– 15.6	35.7
Changes in unrecognized assets due to asset ceiling	0.0	0.0	0.0	0.0	0.2	13.3	0.2	13.3
Actuarial result from changes in demographic assumptions	– 0.9	– 1.3	0.0	0.0	0.0	0.0	– 0.9	– 1.3
Actuarial result from changes in financial assumptions	33.2	– 117.7	0.0	0.0	0.0	0.0	33.2	– 117.7
Actuarial result from experience adjustments	– 4.1	0.8	0.0	0.0	0.0	0.0	– 4.1	0.8
Remeasurement effects included in other comprehensive income	**28.2**	**– 118.2**	**15.6**	**– 35.7**	**0.2**	**13.3**	**12.8**	**– 69.2**
Employer contributions	0.0	0.0	6.1	7.3	0.0	0.0	– 6.1	– 7.3
Employee contributions	5.2	5.0	5.3	5.0	0.0	0.0	– 0.1	0.0
Benefits paid	– 33.4	– 35.1	– 23.6	– 26.8	0.0	0.0	– 9.8	– 8.3
Foreign currency effects	19.4	15.5	23.5	17.7	4.4	2.1	0.3	– 0.1
Present value of defined benefit obligations/fair value of plan assets at the end of the period	**512.4**	**475.9**	**378.4**	**344.3**	**66.8**	**60.9**	**200.8**	**192.5**
Provisions from obligations similar to pensions	0.6	0.7	0.0	0.0	0.0	0.0	0.6	0.7
Total provisions for pensions and obligations similar to pensions	**513.0**	**476.6**	**378.4**	**344.3**	**66.8**	**60.9**	**201.4**	**193.2**

[1] In December 2022, the pension plan for Finkl Steel - Chicago was divested.

The negative past service costs of EUR 3.4 million in 2023 resulted from plan amendments to the Group’s pension plan in Germany related to the introduction of a lump-sum withdrawal option for employees, thereby reducing future payments and thus the present value of the defined benefit obligation.

The difference between the plan assets and the defined benefit obligation of partially or fully funded pension plans represents the funded status, which can be reconciled with the recognized amount as follows:

in million EUR	31.12.2023	31.12.2022
Fair value of plan assets	378.4	344.3
Present value of funded defined benefit obligations	– 338.4	– 307.6
Funded status	**40.0**	**36.7**
Effect of asset ceiling	**– 0.2**	**– 13.3**
Present value of unfunded defined benefit obligations	**– 174.7**	**– 169.1**
– of which from pension plans	– 174.1	– 168.4
– of which from similar liabilities	– 0.6	– 0.7
Recognized amount	**– 201.4**	**– 193.2**
– of which from pension plans	– 200.8	– 192.5
– of which from similar liabilities	– 0.6	– 0.7

Actuarial gains and losses

Actuarial gains and losses are recognized directly in other comprehensive income in the period in which they occur.

in million EUR	2023	2022
Actuarial gains/(losses)		
on pension obligations	– 28.2	118.2
on plan assets	15.6	– 35.7

In 2023, the actuarial gain from changes in demographic assumptions and from experience adjustments was EUR 0.9 million and EUR 4.1 million, respectively, whereas the actuarial loss from changes in financial assumptions was EUR 33.2 million.

In 2022, there was an actuarial gain due to changes in demographic assumptions of EUR 1.3 million. An additional gain of EUR 117.7 million resulted from changes in financial assumptions due to higher discount rates.

Effect from asset ceiling

As in 2022, the minimum funding contribution exceeded the estimated future service cost in 2023, hence there was no economic benefit available from the surplus. As a result, the effect from asset ceiling increased by EUR 5.9 million to EUR 66.8 million as of December 31, 2023 (2022: EUR 60.9 million), whereby EUR 0.2 million (2022: EUR 13.3 million) was recognized in other comprehensive income for 2023, and EUR 1.3 million (2022: EUR 0.2 million) and EUR 4.4 million (2022: EUR 2.1 million) were recognized as interest expenses and foreign currency losses, respectively.

Material actuarial assumptions for pensions

As of the reporting date, the main drivers for measuring pension liabilities – the discount rates – were evaluated and adjusted when not deemed appropriate. The following valuation assumptions were used:

	Switzerland		Euro area		Canada	
in %	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Discount rate	1.4	2.1	3.1	3.7	4.7	5.0
Salary trend	1.5	1.5	2.1-3.0	2.2-3.3	3.0	3.0
Pension increase	0.0	0.0	1.0-2.2	1.0-2.2	0.0	0.0

Material assumptions for plan assets

There are pension plans financed by funds in Switzerland, Canada, France and, to a limited extent, Germany.

With a fair value of EUR 355.4 million (2022: EUR 318.2 million), the majority of the plan assets relate to the pension fund of Steeltec AG. The pension fund has an Investment Committee responsible for developing a target portfolio structure based on asset-liability studies. This is subsequently approved by the Board of Trustees, which is made up of an equal number of employer and employee representatives. The target portfolio structure takes into account the capital market environment as well as the structure of the obligations, and sets ranges and upper limits for the individual investment classes. The management of the pension fund is responsible for implementing the target portfolio structure and reports regularly to the Investment Committee on the transactions made. The target portfolio structure is monitored continuously and adjusted to market conditions as necessary.

The table below shows a breakdown by percentage of fair values of plan assets in the various countries:

	Switzerland		Euro area		Canada	
in %	2023	2022	2023	2022	2023	2022
Shares	22.6	22.5	0.0	0.0	0.0	0.0
Fixed-interest securities	15.7	15.6	0.0	0.0	100.0	100.0
Real estate	56.4	56.2	0.0	0.0	0.0	0.0
Insurance contracts	2.7	0.0	100.0	100.0	0.0	0.0
Others	2.7	5.7	0.0	0.0	0.0	0.0

Fair value is determined based on level 1 of the fair value hierarchy for shares and fixed-interest securities and level 3 for other plan assets.

The rate applied to discount defined benefit obligations is used to determine interest income on plan assets. The interest expense from discounting the defined benefit obligations is recorded together with interest income from plan assets as net interest in the consolidated income statement.

Sensitivity analysis

As of December 31, 2023, there were defined benefit obligations of EUR 512.4 million (2022: EUR 475.9 million). The expected service cost for 2024 was EUR 8.0 million based on current interest rates. If material actuarial assumptions for the material plans listed in the table below had increased or decreased by 0.5 % as of December 31, 2023, pension liabilities and service costs would have been adjusted as follows for the subsequent financial year:

Actuarial assumptions in EUR million	Discount rate		Salary		Pension increase	
Sensitivity level	**0.5 %**	**−0.5 %**	**0.5 %**	**−0.5 %**	**0.5 %**	**−0.5 %**
Effect on pension liability as of 31.12.2023	−25.4	28.2	2.3	−2.1	19.2	−6.9
Effect on service costs 2023	−0.9	1.1	0.1	0.5	0.4	−0.1
Effect on pension liability as of 31.12.2022	−24.6	25.8	2.3	−2.1	17.4	−7.5
Effect on service costs 2022	−0.3	0.5	0.1	−0.1	0.2	−0.1

Contribution and benefit payments

In principle, the Group contributes to the plans based on the legal and/or minimum funding requirements stipulated by collective agreement in the respective country of each fund. In 2023, employer contributions of EUR 6.1 million (2022: EUR 7.3 million) were made to the plan assets. The pension payments for unfunded plans amounted to EUR 9.8 million (2022: EUR 8.3 million).

For 2024, contribution payments are expected to total EUR 17.4 million. Of this amount, EUR 6.4 million are employer contributions for financing existing funded plans and EUR 11.0 million are pension payments for plans not financed by a fund.

The table below shows the cash outflow expected by Swiss Steel Group and the pension funds over the coming years:

	Expected cash outflow	
in million EUR	**As of 31.12.2023**	**As of 31.12.2022**
Year 1	31.0	29.7
Year 2	31.6	30.9
Year 3	31.1	32.4
Year 4	32.7	31.5
Year 5	31.2	32.9
Years 6-10	152.7	154.5
Total	**310.3**	**311.9**

The weighted average duration of the defined benefit obligation was 11.8 years as of December 31, 2023 (2022: 10.9 years).

29 Provisions

Material accounting policy

Warranty provisions (assurance type warranties) are recognized when the respective products are sold or the respective services rendered. The amount of the provision is based on the historical development of warranties as well as consideration of all future possible warranty cases weighted by their probabilities of occurrence.

Provisions for restructuring measures are recognized if the Group has a present legal or constructive obligation, specifically when there is a detailed formal restructuring plan in place and the Group has informed those affected about the plan or has already initiated its implementation. Only direct expenditures which are necessary and not associated with ongoing activities shall be included in the provision.

Provisions for potential losses from onerous contracts are recognized if the expected economic benefit resulting from the contract is less than the unavoidable costs (i.e. the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfill it).

Provisions developed as follows in the financial year:

in million EUR	Warranties	Phased retirement	Jubilee	Personnel	Restructuring	Other	Total
As of 1.1.2022	6.9	7.0	15.1	10.4	2.5	37.4	79.3
Additions	7.6	3.8	0.2	5.9	0.0	20.3	37.8
Utilization	−4.0	−3.5	−1.7	−3.7	−1.2	−5.2	−19.3
Reversal	−1.0	0.0	−1.2	−1.3	0.0	−11.9	−15.4
Compounding	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Foreign currency effects	0.0	0.0	0.0	0.1	0.0	0.1	0.2
As of 31.12.2022	**9.5**	**7.3**	**12.5**	**11.4**	**1.3**	**40.7**	**82.7**
– of which non-current	0.0	4.3	10.8	6.8	0.0	13.6	35.5
– of which current	9.5	3.0	1.7	4.6	1.3	27.1	47.2
As of 1.1.2023	9.5	7.3	12.5	11.4	1.3	40.7	82.7
Additions	11.8	3.2	0.4	2.1	20.2	21.2	59.0
Utilization	−5.6	−4.0	−2.1	−4.2	0.0	−9.6	−25.5
Reversal	−1.8	0.0	−4.4	−0.2	−0.3	−1.0	−7.7
Compounding	0.0	0.3	0.4	0.0	0.0	0.0	0.7
Foreign currency effects	0.0	0.0	0.1	−0.1	0.0	0.1	0.1
As of 31.12.2023	**13.9**	**6.8**	**6.9**	**9.0**	**21.2**	**51.4**	**109.3**
– of which non-current	0.0	3.9	5.2	6.6	2.3	13.6	31.6
– of which current	13.9	2.9	1.7	2.4	18.9	37.8	77.7

The warranty provisions of EUR 13.9 million (2022: EUR 9.5 million) comprise accrued amounts for legally required warranty obligations as well as amounts for warranties provided over and above the legal liability.

The provisions for phased retirement (“Altersteilzeit”) agreements of EUR 6.8 million (2022: EUR 7.3 million) are accumulated on a pro-rata basis during the employment phase of the employee to enable continued payment to the employee in the release phase. The corresponding cash outflows are expected over the next five years.

The provisions for jubilee awards of EUR 6.9 million (2022: EUR 12.5 million) were recorded in line with the amounts of monetary or non-monetary benefits provided for company agreements for employees that attain a certain length of service. An amount EUR 4.4 million was reversed in 2023 due to a curtailment agreement in Germany. A utilization of EUR 4.9 million is expected in connection with such payments over the next five years (2022: EUR 9.2 million). For the years thereafter, a utilization of EUR 2.1 million is expected (2022: EUR 3.3 million).

Other personnel-related provisions amounted to EUR 9.0 million as of December 31, 2023 (2022: EUR 11.4 million). The corresponding cash outflows are expected mainly over the next five years.

The provision for restructuring of EUR 21.2 million (2022: EUR 1.3 million) is mainly related to the restructuring program at the Production Asset Deutsche Edelstahlwerke (DEW), of which EUR 19.5 million relate to severance pay, social supplements, and top-up amounts for short-time working allowances and unemployment benefits.

Other provisions of EUR 51.4 million (2022: EUR 40.7 million) mainly relate to environment protection of EUR 17.6 million (2022: EUR 8.6 million), onerous contracts of EUR 7.1 million (2022: EUR 1.3 million) as well as CO_2 certificates of EUR 13.0 million (2022: EUR 14.9 million). Provisions totaling EUR 10.2 million (2022: EUR 26.9 million) consist of various relatively small amounts that are not reported separately for reasons of materiality.

30 Financial liabilities

Financial liabilities as of December 31, 2023 can be broken down as follows:

in million EUR	31.12.2023	31.12.2022
Syndicated loan	366.6	266.0
State-guaranteed loans	51.9	58.4
Lease liabilities	60.6	61.0
Loans from shareholder	95.0	94.9
Other financial liabilities	0.0	3.6
Total non-current	**574.1**	**483.9**
Syndicated loan	0.0	30.0
Other bank loans	0.1	0.1
State-guaranteed loans	48.9	37.5
ABS financing program	185.5	272.3
Lease liabilities	9.3	9.7
Loans from shareholder	60.0	80.0
Negative market values of derivative financial instruments	0.9	0.7
Other financial liabilities	4.3	5.1
Total current	**309.0**	**435.4**

Financial liabilities materially consist of a syndicated revolving credit facility of up to a maximum of EUR 435.0 million (syndicated loan) after a reduction by EUR 30.0 million on December 29, 2023, and an asset backed security (ABS) financing program with a limit of EUR 298.0 million (EUR 260.0 million and USD 42.0 million). In addition, the Group has two shareholder facilities of EUR 95.0 million and EUR 100.0 million provided by its largest shareholder BigPoint Holding AG. With the exception of the latter, which has a maturity date of June 3, 2024, subject to certain conditions, the syndicated loan, the ABS financing program and the EUR 95.0 million shareholder loan have maturities until March 2025.

The EUR 95.0 million shareholder loan was fully drawn as of December 31, 2023. EUR 60.0 million of the EUR 100.0 million shareholder loan was drawn as of December 31, 2023, following a repayment of EUR 20.0 million in the first half-year 2023.

The syndicated loan drawing increased to EUR 366.6 million (2022: EUR 296.0 million). The ABS financing program drawing decreased to EUR 185.5 million (2022: EUR 272.3 million) due to generally lower business activity and the withdrawal of the Production Asset Ascometal from this financing program.

State-guaranteed loans are mostly guaranteed by the respective state. These are composed as follows:

	Carrying amount in million		Loan cover ratio by government		Grant date	Term in years
Country	31.12.2023	31.12.2022	31.12.2023	31.12.2022		
France	98.9	95.9	80 %-100 %	80 %-100 %	various [1]	1-5
Canada	1.9	0.0	0 %	n/a	various [2]	4-7
– of which non-current	51.9	58.4				
– of which current	48.9	37.5				

[1] Grant dates: May/September 2020, February/December 2022

[2] Grant dates: November 2022, March/April 2023

The state-guaranteed loans were incepted between 2020 and 2023. The interest rates in France are partially below market rate, hence the amounts recognized as financial liabilities at initial measurement were below the gross payments received. The difference between the amounts recognized and the gross payments received was initially recognized as deferred government support as part of other non-current liabilities. The interest expenses of the loans are charged to financial expenses at the market interest rate, whereas the release of the related other non-current liabilities is credited to financial expenses to offset interest expenses charged (as described in note 17). In 2023, the credited amount was EUR 5.5 million (2022: EUR 0.4 million).

Changes in liabilities, which are relevant for the financing cash flow, are presented in the table below:

Year 2023

in million EUR	Syndicated loan	Other bank loans	State-guaranteed loans	ABS financing program	Lease liabilities	Loans from shareholder	Other	Total
As of 1.1.	**296.0**	**0.1**	**95.9**	**272.3**	**70.7**	**174.9**	**9.4**	**919.3**
Changes in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	–17.0	–17.0
Increase in lease liabilities	0.0	0.0	0.0	0.0	11.4	0.0	0.0	11.4
Cash inflow from financial liabilities	70.6	0.0	0.0	0.0	0.0	0.0	0.0	70.6
Repayment of financial liabilities	0.0	0.0	–0.6	–86.0	–11.5	–20.0	–9.6	–127.7
Foreign currency effects	–5.0	0.0	0.0	–0.7	0.2	0.0	–0.3	–5.8
Other changes	5.0	0.0	5.5	0.0	–0.8	0.1	22.6	32.3
As of 31.12.	**366.6**	**0.1**	**100.8**	**185.5**	**69.9**	**155.0**	**5.2**	**883.1**
– of which non-current								574.1
– of which current								309.0

The line item “other changes” contains the amortization of transaction costs for borrowing, interest expenses and deferred government grants. The line item “foreign currency effects” contains exchange rate effects with and without effect on income.

The column “other” includes the recognition and derecognition of accrued interest and currency derivatives.

Year 2022

in million EUR	Syndicated loan	Other bank loans	State-guaranteed loans	ABS financing program	Lease liabilities	Loans from shareholder	Other	Total
As of 1.1.	**355.6**	**0.2**	**72.6**	**208.1**	**68.0**	**94.8**	**10.2**	**809.5**
Reclassification to liabilities held for sale	0.0	0.0	0.0	0.0	– 0.6	0.0	0.0	– 0.6
Increase in lease liabilities	0.0	0.0	0.0	0.0	14.1	0.0	0.0	14.1
Cash inflow from financial liabilities	0.0	0.0	22.7	63.0	0.0	80.0	0.0	165.7
Repayment of financial liabilities	– 73.0	0.0	0.0	0.0	– 10.9	0.0	– 13.0	– 96.9
Foreign currency effects	8.4	0.0	0.2	1.2	0.2	0.0	– 0.2	9.8
Other changes	5.0	– 0.1	0.4	0.0	– 0.1	0.1	12.4	17.7
As of 31.12.	**296.0**	**0.1**	**95.9**	**272.3**	**70.7**	**174.9**	**9.4**	**919.3**
– of which non-current								483.9
– of which current								435.4

31 Lease liabilities

Material accounting policy

The future lease payments considered in the calculation of lease liabilities comprise fixed payments, variable lease payments that depend on an index known at the beginning of the lease, and prolongation options that Swiss Steel Group will exercise with reasonable assurance.

Future lease payments are split into interest expense, which is presented as part of the interest paid in the consolidated statement of cash flows, and repayments of the principal portion of lease liabilities, which are presented separately in the cash flow from financing activities.

The expense for leases where the leased asset is of low value (low-value asset leases) or whose term is shorter than one year (short-term leases) is recorded in other operating expenses. This expense item also includes variable lease payments that were not included in the initial measurement of right-of-use assets and lease liabilities.

The liabilities from leases recognized as of December 31, 2023 amounted to EUR 69.9 million (2022: EUR 70.7 million).

Details of the capitalized right-of-use assets are provided in note 22, and of the corresponding financial liabilities in note 30.

Additional lease disclosures are presented in the table below:

in million EUR	2023	2022
Additional disclosures for leases		
Interest expenses on lease liabilities	–4.0	–4.0
Cash outflow for leases (including repayment of lease liabilities and interest)	–24.5	–23.8
– of which expenses for short-term leases (<12 months)	–8.4	–8.3
– of which expenses for low-value asset leases	–0.6	–0.5
– of which expenses related to variable lease payments not included in the measurement of lease liabilities	–0.2	–0.1
Income from subleasing right-of-use assets	1.8	1.8
Future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities	0.6	0.9

The future potential cash outflows are primarily related to extension options, the exercise of which was not considered reasonably certain and therefore not considered in the lease term.

32 Other liabilities

in million EUR	31.12.2023	31.12.2022
Other liabilities	11.9	16.4
Total non-current	**11.9**	**16.4**
Accrued unused vacation and overtime accounts	36.1	37.6
Liabilities for wages and salaries	24.2	37.1
Tax liabilities (excluding current income tax liabilities)	23.0	23.5
Deferred income	11.4	10.4
Social security obligations	14.0	21.8
Other liabilities	23.2	32.7
Total current	**131.9**	**163.1**

Other non-current liabilities mainly include deferred government support. Other current liabilities include items such as advanced payments from customers of EUR 0.5 million (2022: EUR 4.7 million), accruals for consulting services of EUR 3.0 million (2022: EUR 3.0 million), accruals for customs of EUR 0.4 million (2022: EUR 2.6 million) and accrued government grants of EUR 8.6 million (2022: EUR 7.4 million); it furthermore comprises (as in the prior year) a number of individually immaterial items which cannot be allocated to another line item.

33 Financial instruments

33.1 Financial instruments according to measurement category and class

Financial assets and liabilities are presented below according to their measurement category. The table also shows finance lease receivables and liabilities as well as derivatives which are part of a hedging relationship, even though these are not measurement categories pursuant to IFRS 9.

The carrying amounts of trade accounts receivable, other current receivables, and cash and cash equivalents approximate fair value.

The fair value of forward exchange contracts is calculated on the basis of the exchange rate on the reporting date, taking into account the forward premiums and discounts for the remaining term of the contract relative to the contractually agreed forward exchange rate.

The fair value of commodity futures is based on official exchange listings.

In the reporting period, there are cash flow hedges only to the extent of the commodity price risk resulting from commodity supply contracts at fixed prices.

The net gain/loss from financial instruments can be broken down as follows:

in million EUR	2023	2022
Financial assets measured at amortized cost (FAAC)	1.3	9.6
Financial assets/liabilities at fair value through profit or loss (FAFVPL/FLFVPL)	–1.8	0.2
Financial liabilities measured at amortized cost (FLAC)	–73.7	–45.2

The net gain/loss from the category “financial assets measured at amortized cost (FAAC)” primarily results from interest income from financial receivables, allowances on trade accounts receivable, and exchange rate gains and losses from receivables denominated in foreign currency.

Gains and losses from changes in the fair value of currency, interest and commodity derivatives that do not fulfill the requirements of IFRS 9 for hedge accounting are included in the category “financial assets/liabilities at fair value through profit or loss (FAFVPL/FLFVPL)”.

The net result of the category “financial liabilities measured at amortized cost (FLAC)” comprises interest expenses on financial liabilities, mainly for the syndicated loan and the ABS financing program, and amortization of related transaction costs.

Year 2023

in million EUR	Category according to IFRS 9	Carrying amount at 31.12.2023	Measurement according to IFRS 9: At amortized cost	Measurement according to IFRS 9: Fair value through other comprehen-sive income	Measurement according to IFRS 9: Fair value through profit or loss	Measurement according to IFRS 16
Assets						
Other financial assets	FAAC / n/a	2.3	1.6			0.7
Trade accounts receivable	FAAC	364.3	364.3			
Cash and cash equivalents	FAAC	54.5	54.5			
Positive market values of derivative financial instruments						
Derivatives with hedging relationship (hedge accounting)	n/a	0.2		0.2		
Derivatives without hedging relationship (no hedge accounting)	FAFVPL	1.7			1.7	
Liabilities						
Syndicated loan	FLAC	366.6	366.6			
Other bank loans	FLAC	0.1	0.1			
State-guaranteed loans	FLAC	100.8	100.8			
ABS financing program	FLAC	185.5	185.5			
Lease liabilities	n/a	69.9				69.9
Loans from shareholder	FLAC	155.0	155.0			
Other financial liabilities	FLAC	4.3	4.3			
Trade accounts payable	FLAC	343.1	343.1			
Negative market values of derivative financial instruments						
Derivatives with hedging relationship (hedge accounting)	n/a	0.3		0.3		
Derivatives without hedging relationship (no hedge accounting)	FLFVPL	0.6			0.6	
Of which aggregated by measurement category in accordance with IFRS 9 in conjunction with IFRS 7						
Financial assets measured at amortized cost (FAAC)	FAAC	420.4	420.4			
Financial assets at fair value through profit or loss (FAFVPL)	FAFVPL	1.7			1.7	
Financial liabilities measured at amortized cost (FLAC)	FLAC	1,155.4	1,155.4			
Financial liabilities at fair value through profit or loss (FLFVPL)	FLFVPL	0.6			0.6	

n/a = not applicable

Year 2022

in million EUR	Category according to IFRS 9	Carrying amount at 31.12.2022	Measurement according to IFRS 9: At amortized cost	Measurement according to IFRS 9: Fair value through other comprehen-sive income	Measurement according to IFRS 9: Fair value through profit or loss	Measurement according to IFRS 16
Assets						
Other financial assets	FAAC / n/a	2.8	2.1			0.7
Trade accounts receivable	FAAC	496.7	496.7			
Cash and cash equivalents	FAAC	71.1	71.1			
Positive market values of derivative financial instruments						
Derivatives with hedging relationship (hedge accounting)	n/a	0.2		0.2		
Derivatives without hedging relationship (no hedge accounting)	FAFVPL	4.0			4.0	
Liabilities						
Syndicated loan	FLAC	296.0	296.0			
Other bank loans	FLAC	0.1	0.1			
State-guaranteed loans	FLAC	95.9	95.9			
ABS financing program	FLAC	272.3	272.3			
Lease liabilities	n/a	70.7				70.7
Loans from shareholder	FLAC	174.9	174.9			
Other financial liabilities	FLAC	8.7	8.7			
Trade accounts payable	FLAC	440.3	440.3			
Negative market values of derivative financial instruments						
Derivatives without hedging relationship (no hedge accounting)	FLFVPL	0.7			0.7	
Of which aggregated by measurement category in accordance with IFRS 9 in conjunction with IFRS 7						
Financial assets measured at amortized cost (FAAC)	FAAC	569.9	569.9			
Financial assets at fair value through profit or loss (FAFVPL)	FAFVPL	4.0			4.0	
Financial liabilities measured at amortized cost (FLAC)	FLAC	1,288.2	1,288.2			
Financial liabilities at fair value through profit or loss (FLFVPL)	FLFVPL	0.7			0.7	

n/a = not applicable

33.2 Financial assets at fair value through profit or loss

In accordance with the requirements of IFRS 13, items which are recognized at fair value in the statement of financial position, or whose fair value is disclosed in the notes to the consolidated financial statements, are allocated to one of the following three levels of the fair value hierarchy. The table below only presents the financial instruments of relevance to Swiss Steel Group.

The fair value hierarchy distinguishes between the following levels:

Level 1:
Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2:
Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3:
Unobservable inputs for the asset or liability that materially affect the fair value.

As of the respective reporting dates, financial instruments measured at fair value were allocated exclusively to level 2:

	Fair value as of December 31	
in million EUR	**2023**	**2022**
Financial assets		
Positive market values of derivatives		
Derivatives with hedging relationship (hedge accounting)	0.2	0.2
Derivatives without hedging relationship (no hedge accounting)	1.7	4.0
Financial liabilities		
Negative market values of derivative financial instruments		
Derivatives with hedging relationship (hedge accounting)	0.3	0.0
Derivatives without hedging relationship (no hedge accounting)	0.6	0.7

Swiss Steel Group regularly reviews the procedures for measuring items at fair value. If the material input parameters change, the Group assesses whether an item needs to be transferred between the levels. There were no transfers between the individual levels during the reporting period.

33.3 Financial risk management objectives and policies

Objectives

Regarding its assets, liabilities, pending transactions and planned transactions, Swiss Steel Group is exposed to risks. These include exchange rate fluctuations, interest rates and commodity prices, as well as credit risks, i.e., the risk of default of counterparties. Solvency must also be assured at all times (liquidity risk).

The risk management objective is to manage these risks where they affect the cash flows of the Group, using appropriate measures.

Derivative financial instruments are used only for hedging purposes. They are not used for trading or speculative purposes. The Group does not hedge exchange effects from translating financial statements denominated in foreign currencies into the reporting currency of the Group. The Executive Board defines and continuously monitors the hedging policy and implementation thereof.

The sensitivity analyses relate exclusively to hypothetical changes in market prices and interest rates for primary and derivative financial instruments. The sensitivity analyses do not consider all effects from opposite movements of a non-financial underlying, even though these could substantially reduce the effects that are presented.

Currency risk

Foreign currency risks arise mainly when trade accounts receivable and payable as well as financial assets and liabilities are denominated in foreign currencies, future revenue is planned in a foreign currency, or existing or planned fixed-price commodity supply contracts are denominated in a foreign currency. Currency management is country-specific, whereby foreign currency amounts are converted on a regular basis into the respective functional currency, mainly by means of spot or forward exchange contracts.

Currency risks as defined by IFRS 7 arise from financial instruments that are denominated in a currency other than the functional currency. Fluctuations in the value of non-monetary financial instruments and the effects of translating financial statements denominated in foreign currencies into the Group's reporting currency, the euro, do not represent an exchange risk as defined by IFRS 7.

Currency risks mainly relate to the US dollar, Swiss franc and Canadian dollar relative to the euro as of the reporting date and throughout the reporting period.

The table below shows the effects on the pre-tax result if the euro were to appreciate or depreciate by 10 % in relation to selected currencies.

	Change	Effect on the pre-tax result	
in million EUR	**EUR**	**2023**	**2022**
Currency USD			
	10 %	2.5	6.7
	– 10 %	– 3.0	– 8.2
Currency CHF			
	10 %	1.2	– 0.1
	– 10 %	– 1.5	0.1
Currency CAD			
	10 %	0.4	0.0
	– 10 %	– 0.5	0.1

The sensitivities were calculated based on the values that would have resulted if the closing exchange rate of the euro against the other currencies had been 10 % higher or lower on the reporting date.

Interest rate risk

Interest rate risks for liabilities mainly arise from changing interest components like the reference interest rates (EURIBOR, SOFR or risk-free reference rates) into their respective currencies, from premiums on the credit rating of the company, and from the substitution risk of fixed-interest financial instruments. Interest effects are primarily managed through the composition of financial instruments. If required, additional interest rate derivatives can be used.

The following assumptions are applied in calculating the interest sensitivities:

1. Interest rate risks of non-derivative floating-rate financial instruments normally only affect profit or loss.

2.a) Interest rate risks of derivative financial instruments which are part of a hedging relationship in a cash flow hedge pursuant to IFRS 9 have an effect on equity. As of both reporting dates, there were no interest rate derivatives designated to hedging relationships.

2.b) Interest rate risks of derivative financial instruments which are not part of a hedging relationship in a cash flow hedge pursuant to IFRS 9 have an effect on profit or loss.

If euro and US dollar interest rates had been 100 basis points higher or lower as of the reporting date, net income/loss would have developed as follows:

	Change	Effect on the pre-tax result	
in million EUR	**Basis points**	**2023**	**2022**
EUR interest rates			
	+100	–4.8	–4.5
	–100	4.8	4.5
USD interest rates			
	+100	–1.6	–1.6
	–100	1.6	1.6

Commodity price risk

Commodity price risks result from fluctuations in the prices of raw materials required for steel production. Fluctuations in commodity prices can usually be passed on to customers in the form of scrap and alloy surcharges. If this is not possible, hedging is undertaken with marketable instruments in some cases. Currently, these mainly comprise forward exchange contracts for nickel. Swiss Steel Group receives payments depending on the development of the nickel price and is therefore generally protected from price hikes.

Credit risk

Credit risks are mainly linked to trade accounts receivable, bank balances, guarantees and derivative financial instruments. In view of the broadly diversified customer base, which spans a variety of regions and industries, the credit risk on trade accounts receivable is well diversified. Moreover, most trade accounts receivable are covered by credit insurance.

In 2023, approximately 73 % (2022: 72 %) of trade accounts receivable were covered by credit insurance as of the reporting date. Credit risk is mitigated by existing collateral, especially by our global trade credit insurance programs. Credit limits are applied to all our customers. For material credit risks beyond credit insurance, local and central credit management teams analyze the customers' creditworthiness and make a decisions on internal credit limits. In addition, the credit and collection policies of the local entities are captured by the internal control system. Where appropriate, and particularly in the case of new business relationships, external business partners are required to provide collateral to minimize credit risk. Bank guarantees, assignment of receivables, assignment of collateral and personal guarantees are all acceptable forms of security. Default risks are monitored continuously by the individual Group companies and are taken into account through allowance accounts if necessary. Impairments of trade accounts receivable are recognized in part on special allowance accounts. However, if the probability of default is assessed to be very high, the respective accounts receivable are immediately derecognized.

For all categories of capitalized financial assets, the carrying amount represents the maximum credit risk.

As of each reporting date, the financial assets that are not measured at fair value through profit or loss are assessed for any objective evidence of impairment. Objective evidence includes material financial difficulty of the debtor, actual breach of contract by the debtor, the disappearance of an active market for the financial asset, a material change in the technological, economic, legal or market environment in which the debtor operates, or a prolonged decline in the fair value of the financial asset below the carrying amount. Country-specific expected credit default risks are additionally included in the impairment.

If an impairment has occurred, the difference between the carrying amount and the expected future cash flows discounted at the original effective interest rate is recognized in profit or loss, while changes in value that were recognized in other comprehensive income are released through profit or loss. If the fair value of financial assets objectively increases over time, a reversal of the impairment is recognized through profit or loss provided that the original amortized costs are not exceeded.

Liquidity risk

Swiss Steel Group centrally manages its cash balances and continuously monitors its available liquidity. The Group's ability to continue as a going concern is dependent, amongst other, on the availability of sufficient liquidity to fund the Group's operations. Liquidity risk is mitigated through continuous steering and monitoring of available liquidity on a daily basis paired with a fortnightly liquidity forecast. Moreover, the Group is envisaging a capital increase equal to EUR 300 million to strengthen the balance sheet and to address the Group's near-term liquidity needs.

The tables below present the contractually agreed undiscounted cash outflows from non-derivative financial liabilities and cash flows from derivative financial instruments:

Year 2023

in million EUR	Carrying amount at 31.12.2023	Cash outflows 2024	Cash outflows 2025 to 2028	Cash outflows after 2028	Total cash outflows
Primary financial instruments					
Syndicated loan	366.6	0.0	371.2	0.0	371.2
Other bank loans	0.1	0.1	0.0	0.0	0.1
State-guaranteed loans	100.8	49.1	60.5	0.0	109.6
ABS financing program	185.5	185.5	0.0	0.0	185.5
Lease liabilities	69.9	12.9	30.0	140.5	183.4
Loans from shareholder	155.0	66.1	104.0	0.0	170.1
Other financial liabilities	4.3	4.3	0.0	0.0	4.3
Trade accounts payable	343.1	343.1	0.0	0.0	343.1
Total primary financial instruments	**1,225.3**	**661.1**	**565.7**	**140.5**	**1,367.3**
	Carrying amount at 31.12.2023	**Cash outflows 2024**	**Cash outflows 2025 to 2028**	**Cash outflows after 2028**	**Total cash outflows**
Derivative financial instruments					
Derivatives with hedging relationship (hedge accounting)	– 0.1	– 0.1	0.0	0.0	– 0.1
– of which outflows		– 0.1	0.0	0.0	– 0.1
Derivatives without hedging relationship (no hedge accounting)	1.1	1.1	0.0	0.0	1.1
– of which outflows		– 133.9	0.0	0.0	– 133.9
– of which inflows		135.0	0.0	0.0	135.0
Total derivative financial instruments	**1.0**	**1.0**	**0.0**	**0.0**	**1.0**
Total 31.12.2023	**1,226.3**	**662.1**	**565.7**	**140.5**	**1,368.3**

The overview above includes all financial liabilities carried as of the reporting date. Amounts denominated in foreign currencies are translated into euro using the exchange rates as of the reporting date; floating-rate interest payments are determined on the basis of the current rate. Payments are shown in the periods in which the payment might first be demanded according to the contractual arrangements. The amounts of derivative financial instruments shown above represent the net balance of undiscounted payments and receipts.

Cash outflows for lease liabilities after 2028 include a hereditary lease of the Production Asset Deutsche Edelstahlwerke (DEW) entered in 2003 with a total lease term of 99 years for properties at the Siegen and Hagen sites. The total area of approximately 650,000 m^2 is leased for an annual payment of EUR 1.8 million.

Year 2022

in million EUR	Carrying amount at 31.12.2022	Cash outflows 2023	Cash outflows 2024 to 2027	Cash outflows after 2027	Total cash outflows
Primary financial instruments					
Syndicated loan	296.0	30.0	284.2	0.0	314.2
Other bank loans	0.1	0.1	0.0	0.0	0.1
State-guaranteed loans	95.9	37.7	72.5	0.0	110.2
ABS financing program	272.3	272.3	0.0	0.0	272.3
Lease liabilities	70.7	13.6	27.6	144.2	185.4
Loans from shareholder	174.9	88.5	102.8	0.0	191.3
Other financial liabilities	8.7	5.1	2.1	1.5	8.7
Trade accounts payable	440.3	440.3	0.0	0.0	440.3
Total primary financial instruments	**1,358.9**	**887.6**	**489.2**	**145.7**	**1,522.5**
	Carrying amount at 31.12.2022	Cash outflows 2023	Cash outflows 2024 to 2027	Cash outflows after 2027	Total cash outflows
Derivative financial instruments					
Derivatives with hedging relationship (hedge accounting)	0.2	0.2	0.0	0.0	0.2
– of which inflows		0.2	0.0	0.0	0.2
Derivatives without hedging relationship (no hedge accounting)	3.3	3.3	0.0	0.0	3.3
– of which outflows		–290.8	–0.1	0.0	–290.9
– of which inflows		294.1	0.1	0.0	294.2
Total derivative financial instruments	**3.5**	**3.5**	**0.0**	**0.0**	**3.5**
Total 31.12.2022	**1,362.4**	**891.1**	**489.2**	**145.7**	**1,526.0**

Capital management

The overriding capital management objective is to maintain an adequate capital basis for the long-term growth of the Group in order to create added value for the shareholders and safeguard the solvency of the Group at all times. Fulfillment of this objective is measured against an appropriate ratio of shareholders' equity to total assets (equity ratio) and an appropriate level of net debt.

In 2023, the equity ratio decreased due to the negative comprehensive result generated in the current financial year. The equity ratio amounted to 12.1 % as of December 31, 2023 (2022: 22.2 %).

As of December 31, 2023, net debt, comprising current and non-current financial liabilities less cash and cash equivalents, decreased to EUR 828.6 million (2022: EUR 848.2 million). The gearing, which expresses the ratio of net debt to shareholders' equity, amounted to 353.5 % (2022: 159.8 %).

Since the amount of financial expenses for the syndicated loan is linked to the ratio of net debt to EBITDA, this financial ratio, besides other financial covenants minimum liquidity and consolidated economic equity, is monitored on an ongoing basis within the capital management framework so as to secure the most favorable conditions possible for the Group's financing.

34 Contingent liabilities and other financial obligations

in million EUR	31.12.2023	31.12.2022
Pledges, guarantees	79.2	77.0
Purchase commitments		
for intangible assets	0.1	0.0
for property, plant and equipment	21.9	24.4
Total	**101.2**	**101.4**

Purchase commitments result from investment programs in place at individual Group companies and remained approximately constant compared to the prior year and in line with the progress on investments. The major portion of the purchase commitments is attributable to the investments of the Production Assets Deutsche Edelstahlwerke (DEW), Ugitech and Ascometal.

Swiss Steel Group operates on an international scale. In each of the countries in which Swiss Steel Group operates, the local tax authorities examine the transfer prices for goods and services exchanged between the individual Group companies as well as management fees within the Group.

The interpretation of tax laws on intercompany financing agreements and currency translation differences can also affect the tax position.

Swiss Steel Group regularly assesses the tax expense that will be payable following tax field audits and provides for them by estimating the results of tax field audits for all open years. The actual outcome of the tax field audits can differ materially from the estimates considered in these consolidated financial statements and may impact the tax expense/income in subsequent periods.

35 Segment reporting

In 2023, the Group adjusted its internal reporting and organizational structure, which up until 2022 comprised the two divisions *Production* and *Sales & Services*. As from 2023, the segment reporting follows the Group's new organizational structure, which distinguishes between the Engineering Steel, Stainless Steel and Tool Steel Divisions. The segment reporting for 2022 has been restated accordingly.

The Engineering Steel Division satisfies the demand for special long steel wherever high mechanical loads are present and reliable, long-term use of components must be guaranteed. The customers are mainly from the mobility, mechanical engineering and energy sectors.

The Stainless Steel Division offers materials for applications where high resistance to corrosion or acid and high thermal loads are a necessity. The main customers operate in the aerospace, energy, medical, building and exploration sectors.

The Tool Steel Division provides solutions focused on economic machinability, high wear resistance and good thermal conductivity. The customers mainly belong to the mobility, packaging, optics, tools and molds sectors.

The chief operating decision maker of the Group (the Executive Board) monitors the operating results of each operating segment individually to assess their performance and decide on the allocation of resources. Earnings before interest, taxes, depreciation and amortization (EBITDA) is the key indicator used to assess the segment performance of the individual operating segments in accordance with IFRS Accounting Standards. Adjusted EBITDA is therefore segment profit/loss as defined by IFRS 8 adjusted by one-time effects.

Transactions between the individual segments have been eliminated for segment reporting purposes. The exchange of goods and services within and between the operating segments takes place at transfer prices in accordance with the arm's length principle and international transfer pricing regulations. The segments' measures of profit or loss are determined using the same accounting policies as those used for Group accounting.

The reconciliation of the operating segment financials to the consolidated group financials is limited to other products and services which are not allocated to the operating segments as well as eliminations (elimination of income and expenses and elimination of intersegment profits and losses).

Not all assets and liabilities are available on Division level. The key performance indicator related to the statement of financial position that is regularly reported to the Executive Board is the net working capital.

Revenue by region

	2023		2022	
	in million EUR	in %	in million EUR	in %
Switzerland	55.9	1.7	63.1	1.6
Germany	1,077.7	33.2	1,382.5	34.1
France	357.9	11.0	406.6	10.0
Italy	355.0	10.9	559.7	13.8
Other Europe	735.7	22.7	882.4	21.8
USA	318.7	9.8	358.0	8.8
Canada	71.8	2.2	98.0	2.4
Other Americas	66.9	2.1	54.1	1.4
China	81.7	2.5	110.2	2.7
India	40.6	1.3	42.5	1.0
Asia Pacific/Africa	82.3	2.6	94.3	2.4
Total	**3,244.2**	**100.0**	**4,051.4**	**100.0**

The revenue information is based on the location of the customer. No single customer exceeds 10.0 % of the Group's revenue.

Non-current assets by region

	As of 31.12.2023		As of 31.12.2022	
	in million EUR	in %	in million EUR	in %
Switzerland	176.1	31.6	161.3	29.6
Germany	124.6	22.4	108.7	19.9
France	132.0	23.7	130.8	24.0
Italy	14.0	2.5	15.6	2.9
Other Europe	7.4	1.3	18.3	3.4
USA	65.0	11.7	66.4	12.2
Canada	29.0	5.2	26.2	4.8
Other Americas	2.8	0.5	2.6	0.5
China	2.9	0.5	12.5	2.3
India	1.6	0.3	1.8	0.3
Africa/Asia	1.0	0.3	0.8	0.1
Total	**556.4**	**100.0**	**545.0**	**100.0**

The non-current assets comprise non-current assets other than financial instruments, deferred tax assets, pension assets and rights arising under insurance contracts.

The table below shows the segment reporting as of December 31, 2023 (2022 restated):

	Engineering Steel		Stainless Steel		Tool Steel	
in million EUR	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Third-party revenue	1,507.0	2,067.7	1,167.1	1,317.4	535.9	640.3
Intersegment revenue	0.0	0.0	0.0	0.0	0.0	0.0
Total revenue	**1,507.0**	**2,067.7**	**1,167.1**	**1,317.4**	**535.9**	**640.3**
Gross profit	**372.9**	**557.3**	**327.7**	**339.4**	**163.3**	**251.3**
Personnel expenses	–321.2	–337.5	–223.9	–215.7	–126.6	–133.5
Net operating expenses	–154.6	–125.4	–83.9	–85.6	–62.2	–66.2
Operating result before depreciation, amortization and impairments (EBITDA)	**–102.9**	**94.4**	**19.9**	**38.1**	**–25.5**	**51.6**
Adjustments [1]	32.7	12.0	13.9	11.9	14.2	4.1
Segment result (= adjusted EBITDA)	**–70.2**	**106.4**	**33.8**	**50.0**	**–11.3**	**55.7**
Depreciation and amortization of intangible assets and property, plant and equipment						
Operating result (EBIT)						
Financial income						
Financial expenses						
Earnings before taxes (EBT)						
in million EUR	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Net working capital [2]	293.8	433.1	336.1	403.4	205.8	271.6

[1] Adjustments: Performance improvement program, others (EUR 29.9 million, 2022: EUR 17.0 million); Reorganization and transformation processes (EUR 8.1 million, 2022: EUR 7.5 million); Restructuring and other personnel measures (EUR 23.3 million, 2022: EUR 3.7 million)

[2] Net working capital is calculated as the sum of inventories and trade accounts receivable, reduced by trade accounts payable.

The revenue of EUR 34.2 million shown under other products and services relates to activities that are not allocated to any of the three Divisions, such as toll manufacturing services provided by the Group’s production plants and rental income.

	Total divisions		Other products and services / Reconciliation		Total	
	2023	2022	2023	2022	2023	2022
	3,210.0	4,025.4	34.2	26.0	3,244.2	4,051.4
	0.0	0.0	0.0	0.0	0.0	0.0
	3,210.0	**4,025.4**	**34.2**	**26.0**	**3,244.2**	**4,051.4**
	863.9	**1,148.0**	**3.6**	**–0.9**	**867.5**	**1,147.1**
	–671.7	–686.7	–6.4	–6.4	–678.1	–693.1
	–300.7	–277.2	9.1	12.0	–291.6	–265.2
	–108.5	**184.1**	**6.3**	**4.7**	**–102.2**	**188.8**
	60.8	28.0	0.5	0.2	61.3	28.2
	–47.7	**212.1**	**6.8**	**4.9**	**–40.9**	**217.0**
					–97.6	–115.8
					–199.8	**73.0**
					1.8	0.8
					–89.7	–52.5
					–287.7	**21.3**
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	835.7	1,108.1	–9.5	4.3	826.2	1,112.4

36 Related party disclosures

Related parties include BigPoint Holding AG with a share of 32.7% of the voting rights in Swiss Steel Holding AG as of December 31, 2023 (2022: 40.8%), Liwet Holding AG / AO Kompleksprom with a share of 25.9% (2022: 25.9%) and PCS Holding AG with a share of 20.4% (2022: 12.3%). BigPoint Holding AG is fully owned by Martin Haefner, whereas PCS Holding AG is fully owned by Peter Spuhler.

Key management personnel comprise the members of the Board of Directors and of the Executive Board.

There were no material transactions with any related parties in 2023 and 2022 with the exception of the financing agreements with the main shareholder, Big Point Holding AG. Big Point Holding AG granted two loans (in 2020 and 2022) with a total credit line of EUR 195.0 million at market conditions. The interest expense on this was EUR 12.3 million in 2023 (2022: EUR 7.5 million).

As of December 31, 2023 and December 31, 2022, there were outstanding positions due to the following related parties:

	AMAG [1]		Big Point Holding AG	
in million EUR	**2023**	**2022**	**2023**	**2022**
Financial liabilities to related parties	0.4	0.2	155.0	174.9

[1] AMAG is fully owned by Martin Haefner

For the grants in 2022 and 2023, the LTIP was awarded in the form of performance share units that are subject to a three-year vesting period and conditional upon the achievement of two performance conditions: ROCE and the ratio of gross profit to personnel expenses. Performance share units are settled in shares. A share-based payment plan also exists for the Board of Directors in the form of restricted share units with a vesting period of one year. For the financial year ended December 31, 2023, the average fair value of equity instruments granted (grant-date fair value) was EUR 0.13 per share (2022: EUR 0.28); equity instruments totaling EUR 1.2 million (2022: EUR 1.3 million) were granted and recorded as an expense in the consolidated income statement of the corresponding year. In 2023, personnel expenses of EUR 1.6 million (2022: EUR 1.4 million) were recognized for share-based payments, and an amount of EUR 1.0 million (2022: EUR 1.2 million) was credited to retained earnings. The difference compared to the total amount of equity instruments granted relates to withholding tax and social security contributions.

Compensation amounted to EUR 1.8 million in 2023 (2022: granted EUR 1.9 million, realized EUR 1.1 million) for the Board of Directors and EUR 3.7 million (2022: granted EUR 8.1 million, realized EUR 6.2 million) for the Executive Board. Of that compensation, EUR 4.2 million (2022: EUR 6.5 million) relates to short-term benefits, EUR 0.7 million (2022: EUR 1.0 million) to post-employment benefits and EUR 0.6 million (2022: granted EUR 2.5 million, thereof EUR 0.7 million allocated to the Board of Directors were waived by resolution of the Board of Directors) to share-based payments including withholding tax.

37 Subsequent events

On January 25, 2024, the Group entered a binding sale-and-leaseback arrangement regarding land and buildings that had been disclosed as assets held for sale as of December 31, 2023. The transaction is expected to be closed within the first half-year of 2024 with expected cash proceeds of EUR 73.5 million.

38 List of shareholdings

Name	Registered office	Currency	Share capital 31.12.2023	Group ownership in % 31.12.2023
Production Assets				
A. Finkl Steel ABS SPV, LLC	Chicago US	USD	1,000	100
Ascometal Custines - Le Marais S.A.S.	Custines FR	EUR	3,500,000	100
Ascometal Fos-sur-Mer S.A.S.	Fos-sur-Mer FR	EUR	21,000,000	100
Ascometal France Holding S.A.S.	Hagondange FR	EUR	60,000,000	100
Ascometal Hagondange S.A.S.	Hagondange FR	EUR	43,000,000	100
Ascometal Les Dunes S.A.S.	Leffrinckoucke FR	EUR	10,000,000	100
Composite Forgings LLC	Detroit US	USD	1,236,363	100
Deutsche Edelstahlwerke Härterei Technik GmbH	Lüdenscheid DE	EUR	1,100,000	100
Deutsche Edelstahlwerke Karrierewerkstatt GmbH	Witten DE	EUR	100,000	100
Deutsche Edelstahlwerke Services GmbH	Witten DE	EUR	10,050,000	100
Deutsche Edelstahlwerke Speciality Steel Beteiligungs GmbH	Witten DE	EUR	25,000	100
Deutsche Edelstahlwerke Speciality Steel GmbH & Co. KG	Witten DE	EUR	50,000,000	100
dhi Rohstoffmanagement GmbH	Siegen DE	EUR	4,000,000	51
Edelstahlwerke Witten-Krefeld Vermögensverwaltungsgesellschaft mbH	Krefeld DE	EUR	511,350	100
Finkl Steel - Chicago (registered: A. Finkl & Sons Co)	Chicago US	USD	10	100
Finkl Steel - Houston, LLC	Dallas US	USD	1,000	100
Finkl Steel - Sorel (registered: Sorel Forge Co)	St. Joseph-de-Sorel CA	CAD	252,129	100
Sprint Metal Edelstahlziehereien GmbH	Hemer DE	EUR	6,500,000	100
Steeltec AG	Emmen CH	CHF	40,000,000	100
Steeltec Celik A.S.	Gebze - Kocaeli TR	TRY	53,909,626	100
Steeltec GmbH	Düsseldorf DE	EUR	2,000,000	100
Swiss Steel Denmark A/S	Norresundby DK	DKK	10,000,000	100
Swiss Steel Sweden AB	Boxholm SE	SEK	7,000,000	100
Ugi'ring S.A.	Ugine Cedex FR	EUR	100,000	91
Ugitech Italia S.r.l.	Peschiera Borromeo IT	EUR	3,000,000	100
Ugitech S.A.	Ugine Cedex FR	EUR	80,297,296	100
Ugitech Suisse S.A.	Valbirse CH	CHF	1,350,000	100
Ugitech TFA S.r.l.	Peschiera Borromeo IT	EUR	100,000	100
International Business				
Alta Tecnologia en Tratamientos Termicos S.A. de C.V.	Queretaro MX	MXN	4,560	100
Ascometal North America Inc.	Wilmington, Delaware US	USD	2,000,000	100
Dongguan German-Steels Products Co. Ltd.	Dongguan CN	HKD	83,025,000	100
Swiss Steel India Pvt. Ltd.	Thane (West) IN	INR	144,731,000	100
Swiss Steel Middle East FZCO	Dubai AE	AED	6,449,050	100
Swiss Steel (Thailand) Co. Ltd.	Bangkok TH	THB	3,000,000	100
Swiss Steel ABS SPV, LLC	Wilmington, Delaware US	USD	1,000	100
Swiss Steel Argentina SAU	Buenos Aires AR	ARS	60,430,000	100
Swiss Steel Australia Pty. Ltd.	Victoria AU	AUD	900,000	100
Swiss Steel Canada Inc.	Mississauga CA	CAD	2,369,900	100
Swiss Steel Colombia SAS	Bogota CO	COP	782,625,000	100
Swiss Steel Deutschland GmbH	Düsseldorf DE	EUR	100,000	100
Swiss Steel do Brasil Indústria e Comércio de Acos Ltda	São Paulo BR	BRL	79,565,338	100

Name	Registered office	Currency	Share capital 31.12.2023	Group ownership in % 31.12.2023
Swiss Steel France S.A.S.	Cluses FR	EUR	262,885	100
Swiss Steel Guangdong Co. Ltd.	Dongguan CN	HKD	60,000,000	100
Swiss Steel (Hong Kong) Trading Ltd.	Fo Tan Shatin HK	HKD	5,900,000	100
Swiss Steel Hong Kong Co. Ltd.	Fo Tan Shatin HK	HKD	98,140,676	100
Swiss Steel Iberica S.A.	Madrid ES	EUR	2,500,000	100
Swiss Steel Italia S.r.l.	Peschiera Borromeo IT	EUR	90,000	100
Swiss Steel JAPAN Co. Ltd.	Tokyo JP	JPY	30,000,000	100
Swiss Steel Jiangsu Co. Ltd.	Jiangsu CN	USD	6,384,960	100
Swiss Steel Malaysia Sdn. Bhd.	Port Klang MY	MYR	11,088,028	100
Swiss Steel Mexico S.A. de C.V.	Tlalnepantla MX	MXN	9,707,234	100
Swiss Steel Oy	Espoo FI	EUR	500,000	60
Swiss Steel Portugal S.A.	Rio de Mouro PT	EUR	200,500	100
Swiss Steel Eastern Europe S.R.L. (previously: Swiss Steel Romania S.R.L.)	Bucharest RO	RON	3,363,932	100
Swiss Steel Russia OOO	Moscow RU	RUB	9,000,000	100
Swiss Steel Singapore Pte. Ltd.	Singapore SG	SGD	5,405,500	100
Swiss Steel Taiwan Ltd.	Taipei TW	TWD	7,600,000	100
Swiss Steel UK Ltd.	Oldbury GB	GBP	500,000	100
Swiss Steel USA Inc.	Carol Stream, Illinois US	USD	1,935,000	100
Swiss Steel South Africa (Pty.) Ltd.	Johannesburg ZA	ZAR	2,155,003	100
Swiss Steel Zhejiang Co. Ltd.	Zhejiang CN	USD	5,086,000	100
Holdings / Others				
Swiss Steel Edelstahl GmbH	Düsseldorf DE	EUR	10,060,000	100
Swiss Steel USA Holdings Inc.	Wilmington, Delaware US	USD	80,000,000	100
Swiss Steel Technology Holding GmbH	Düsseldorf DE	EUR	25,001	100

From the subsidiaries listed with a Group ownership of less than 100%, dhi Rohstoffmanagement GmbH, located in Siegen, Germany, had material non-controlling interests in these consolidated financial statements. The proportion of ownership of voting rights of non-controlling interests was 49% as of December 31, 2023 (2022: 49%). Accumulated non-controlling interests of this subsidiary amounted to EUR 5.4 million as of December 31, 2023 (2022: EUR 5.4 million).

Report of the statutory auditor

To the General Meeting of Swiss Steel Holding AG, Lucerne

Zurich, 13 March 2024

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Swiss Steel Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholders' equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 109 to 168) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards 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 provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), 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 opinion.

Material uncertainty related to going concern

We draw attention to note 6 of the consolidated financial statements, which indicates that the Group's ability to meet its financial obligations is dependent on securing sufficient financing from a capital increase, which requires approval by the shareholders at an extraordinary general meeting, in combination with a debt refinancing. As stated in note 6, these events or conditions, along with other matters as set forth in note 6, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. 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 current period. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of property, plant and equipment and intangible assets

Risk

In the context of preparing its financial statements, the Group assesses property, plant and equipment and intangible assets whenever there is any indication of impairment. Due to the high and volatile energy prices and general ongoing economic downturn in the relevant industries, Management tested property, plant and equipment and intangible assets at several cash-generating units (CGU) for impairment as of 31 December 2023 by determining the value in use with a discounted cash flow model. As disclosed in note 23, impairment losses of EUR 21.4 million were recognized in 2023. Impairment testing is a complex process that includes several estimates and assumptions to be made by Management. For instance, the estimates and assumptions are based on medium-term plans, the expected volatility in quantity and in steel and energy prices, as well as the discount rate used. Moreover, internal operational changes and ongoing improvements initiated by Management have an influence on budgeted numbers. Due to the significance of property, plant and equipment and the uncertainties relating to significant estimates and assumptions, impairment of property, plant and equipment is a key matter in our audit.

Our audit response

The audit of the impairment testing of property, plant and equipment and intangible assets comprised a comparison of Management’s estimates to available market data and historical information, a discussion with Management of the medium-term plans, and the assessment of the significant estimates made by Management by means of sensitivity analyses on the basis of various scenarios and assessment of these for consistency. In performing these procedures, we were supported by internal specialists. We further involved internal valuation specialists in the assessment of the appropriateness and the mathematical accuracy of the models used in the impairment tests and the discount rates.

Our audit procedures did not lead to any reservations regarding the impairment of property, plant and equipment and intangible assets.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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 Swiss law, ISA and SA-CH 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Christoph Michel	Roman Ottiger
Licensed audit expert (Auditor in charge)	Licensed audit expert

Five-year overview

	Unit	2019	2020	2021	2022	2023
Key operational figures						
Production volume	kilotons	1,930	1,706	2,113	1,798	1,543
Sales volume	kilotons	1,830	1,535	1,863	1,663	1,375
Order backlog	kilotons	417	566	691	454	355
Income statement						
Revenue	million EUR	2,980.8	2,288.4	3,192.8	4,051.4	3,244.2
Average sales price	EUR/t	1,629	1,491	1,716	2,438	2,363
Gross profit	million EUR	952.2	767.3	1,113.1	1,147.1	867.5
Adjusted EBITDA	million EUR	51.2	–68.9	191.6	217.0	–40.9
EBITDA	million EUR	–12.5	–99.0	200.0	188.8	–102.2
EBIT	million EUR	–425.4	–272.7	108.7	73.0	–199.8
Earnings before taxes	million EUR	–482.9	–321.6	64.1	21.3	–287.7
Group result	million EUR	–521.0	–310.2	50.3	9.4	–294.8
Cash flow/investments/depreciation/amortization						
Cash flow before changes in net working capital	million EUR	–42.6	–85.2	199.0	150.0	–127.8
Cash flow from operating activities	million EUR	116.1	–21.9	–135.8	46.6	162.6
Cash flow from investing activities	million EUR	–123.9	–77.9	–87.9	–100.3	–77.2
Free cash flow	million EUR	–7.8	–99.8	–223.7	–53.7	85.4
Investments	million EUR	138.4	87.4	107.1	115.1	114.3
Depreciation, amortization and impairments	million EUR	412.8	173.7	91.3	115.8	97.6
Net assets and financial structure						
Non-current assets	million EUR	635.4	557.4	575.6	568.5	578.6
Current assets	million EUR	1,283.7	1,158.2	1,651.8	1,817.5	1,354.6
Net working capital	million EUR	773.1	698.1	1,040.6	1,112.4	826.2
Balance sheet total	million EUR	1,919.1	1,715.7	2,227.4	2,386.0	1,933.2
Shareholders’ equity	million EUR	183.8	166.1	448.9	530.9	234.4
Non-current liabilities	million EUR	644.5	882.2	894.8	736.8	824.0
Current liabilities	million EUR	1,090.8	667.3	883.7	1,118.3	874.8
Net debt	million EUR	798.7	639.9	720.5	848.2	828.6
Employees						
Employees as of closing date	Positions	10,318	9,950	9,914	9,857	8,812
Value management						
Capital employed	million EUR	1,384.1	1,218.0	1,588.6	1,646.8	1,372.4
Key figures on profit/net assets and financial structure						
Gross profit margin	%	31.9	33.5	34.9	28.3	26.7
Adjusted EBITDA margin	%	1.7	–3.0	6.0	5.4	–1.3
EBITDA margin	%	–0.4	–4.3	6.3	4.7	–3.2
Equity ratio	%	9.6	9.7	20.2	22.2	12.1
Gearing	%	434.5	385.2	160.5	159.8	353.5
Net debt/adj. EBITDA LTM (leverage)	x	15.6	n/a	3.8	3.9	n/a
Net working capital/revenue (L3M annualized)	%	31.2	28.9	31.1	29.0	30.5

	Unit	2019	2020	2021	2022	2023
Key share figures at reporting date						
Number of registered shares issued	Shares	945,000,000	2,028,333,333	3,058,857,471	3,058,857,471	3,058,857,471
Share capital	million EUR	378.6	221.7	361.4	361.4	361.4
Result per share	EUR/CHF	– 0.55/-0.61	– 0.15/-0.16	0.02/0.02	0.00/0.00	– 0.10/-0.10
Shareholders' equity per share	EUR/CHF	0.19/0.21	0.08/0.09	0.15/0.16	0.17/0.17	0.08/0.08
Share price high	CHF	0.617	0.340	0.478	0.348	0.230
Share price low	CHF	0.192	0.126	0.234	0.202	0.060
Closing share price	CHF	0.281	0.235	0.344	0.207	0.084

Five half-year overview

	Unit	H2 2021	H1 2022	H2 2022	H1 2023	H2 2023
Key operational figures						
Production volume	kilotons	893	1,052	746	925	618
Sales volume	kilotons	835	937	726	756	619
Order backlog	kilotons	691	590	454	386	355
Income statement						
Revenue	million EUR	1,602.1	2,144.6	1,906.8	1,857.3	1,386.9
Average sales price	EUR/t	1,921	2,290	2,629	2,460	2,244
Gross profit	million EUR	528.8	663.7	483.4	550.2	317.3
Adjusted EBITDA	million EUR	81.7	171.0	46.1	70.0	– 110.9
EBITDA	million EUR	94.6	157.1	31.7	58.5	– 160.7
EBIT	million EUR	45.9	113.2	– 40.2	17.0	– 216.8
Earnings before taxes	million EUR	22.8	89.5	– 68.2	– 23.0	– 264.7
Group result	million EUR	15.1	74.0	– 64.6	– 30.0	– 264.8
Cash flow/investments/depreciation/amortization						
Cash flow before changes in net working capital	million EUR	80.9	111.6	38.4	22.1	– 149.9
Cash flow from operating activities	million EUR	– 11.7	– 141.2	187.8	– 22.7	185.3
Cash flow from investing activities	million EUR	– 60.3	– 32.9	– 67.4	– 40.0	– 37.2
Free cash flow	million EUR	– 72.0	– 174.1	120.4	– 62.7	148.1
Investments	million EUR	72.4	42.3	72.8	44.9	69.4
Depreciation, amortization and impairments	million EUR	48.6	43.9	71.9	41.5	56.1
Net assets and financial structure						
Non-current assets	million EUR	575.6	561.7	568.5	556.6	578.6
Current assets	million EUR	1,651.8	2,196.9	1,817.5	1,861.4	1,354.6
Net working capital	million EUR	1,040.6	1,307.3	1,112.4	1,149.1	826.2
Balance sheet total	million EUR	2,227.4	2,758.6	2,386.0	2,418.0	1,933.2
Shareholders’ equity	million EUR	448.9	594.7	530.9	498.7	234.4
Non-current liabilities	million EUR	894.8	1,006.0	736.8	807.4	824.0
Current liabilities	million EUR	883.7	1,157.9	1,118.3	1,111.9	874.8
Net debt	million EUR	720.5	936.3	848.2	942.0	828.6
Employees						
Employees as of closing date	Positions	9,914	9,904	9,857	9,639	8,812
Value management						
Capital employed	million EUR	1,588.6	1,845.0	1,646.8	1,675.0	1,372.4
Key figures on profit/net assets and financial structure						
Gross profit margin	%	33.0	30.9	25.4	29.6	22.9
Adjusted EBITDA margin	%	5.1	8.0	2.4	3.8	– 8.0
EBITDA margin	%	5.9	7.3	1.7	3.1	– 11.6
Equity ratio	%	20.2	21.6	22.2	20.6	12.1
Net debt/adj. EBITDA LTM (leverage)	x	3.8	3.7	3.9	8.1	n/a
Net working capital/revenue (L3M annualized)	%	31.1	29.3	29.0	32.2	30.5

Swiss Steel Holding AG individual financial statements

Income statement

million CHF	Note	2023	2022
Other income		0.7	0.6
Financial income		81.3	44.7
Total operating income		**82.0**	**45.4**
Personnel costs		– 4.4	– 9.4
Other expenses		– 12.7	– 3.3
Depreciation and amortization of non-current assets		– 0.6	– 0.5
Financial expense		– 56.5	– 32.3
Total operating expenses		**– 74.3**	**– 45.4**
Annual result		**7.7**	**0.0**

Balance sheet

million CHF	Note	31.12.2023	31.12.2022
Cash and cash equivalents		0.0	6.7
Other current receivables, Group		27.8	34.4
Other current receivables, third parties		0.4	1.6
Current receivables, Group		173.9	377.1
Accrued income and prepaid expenses, Group		14.0	18.4
Accrued income and prepaid expenses, third parties		0.7	0.1
Total current assets		**216.8**	**438.3**
Non-current receivables, Group (subordinated)	1	268.6	0.0
Investments	2	473.8	473.8
Property, plant and equipment		0.1	1.5
Total fixed assets		**742.5**	**475.2**
Total assets		**959.3**	**913.5**
Other current liabilities, Group		0.5	0.2
Other current liabilities, third parties		0.5	0.2
Current interest-bearing liabilities, Group		156.4	114.5
Current interest-bearing liabilities, shareholder		55.7	79.5
Current interest-bearing liabilities, third parties		0.0	30.7
Accrued liabilities and deferred income		11.7	26.7
Current provisions		0.0	2.0
Lease liabilities		0.1	0.6
Total current liabilities		**224.8**	**254.6**
Non-current interest-bearing liabilities, shareholder		88.2	94.3
Non-current interest-bearing liabilities, third parties		128.9	54.1
Provisions		0.1	0.1
Lease liabilities		0.0	0.9
Total long-term liabilities		**217.2**	**149.4**
Total liabilities		**442.1**	**404.0**
Share capital	3	458.8	458.8
Statutory capital reserves	3	928.2	928.2
Own capital shares	3	−0.1	−0.1
Loss carried forward	3	−877.5	−877.5
Annual result	3	7.7	0.0
Total equity		**517.2**	**509.5**
Total liabilities and equity		**959.3**	**913.5**

Notes to the financial statements

Basis of preparation
The financial statements of Swiss Steel Holding AG with its registered office in Lucerne were prepared in accordance with the principles set out in the Swiss Code of Obligations. The main accounting policies applied are described below.

Investments
Investments are recognized at acquisition cost less appropriate valuation allowances.

Positions with valuation at market prices
Assets and liabilities with observable market prices are valued at the respective rate on the balance sheet date. These are currency derivatives with positive or negative market values and are included in the position “Other current receivables from third parties”.

Treasury shares
Treasury shares are recognized at cost at the acquisition date and deducted from equity without any subsequent remeasurement. Any gain or loss arising from the subsequent sale of treasury shares is posted to retained earnings.

Share-based compensation
Swiss Steel Holding AG has share-based payment plans in place for members of the Board of Directors, for the Executive Board and for the senior leadership team. Expenses for these share-based payment plans are recognized in the income statement in the period in which they were granted. The gain or loss results from the difference between the acquisition cost of the treasury shares and their fair value as of the grant date.

Going concern
Throughout 2023, the global economic slowdown led to a decline in demand from our main customer industries, namely the automotive and mechanical engineering industries. In response to low demand, the Group adapted its production schedule and reinforced its cost and net working capital reduction efforts to safeguard profitability and liquidity. As a result, cash generation was positive with a free cash flow of EUR 85.4 million. The decline in raw material and energy prices weighed on the valuation of inventories leading to one-time valuation losses. In addition, interest expenses rose significantly in light of rising base interest rates and due to the higher utilization of credit lines and higher interest margins. Despite countermeasures taken, the Group realized a net loss of EUR 294.8 million for the full-year 2023. Consequently, the Group’s equity decreased to EUR 234.4 million corresponding to an equity ratio of 12.1% as of December 31, 2023.

Swiss Steel Group’s and Swiss Steel Holding AG’s ability to continue as a going concern is dependent on the adherence to the agreed financial covenants and the availability of sufficient liquidity to fund ’s operations and to repay short-term financing. The relevant lenders agreed to suspend the existing financial covenants temporarily until June 30, 2024 in consideration of the Group’s intention to raise additional equity or equity-like funding in the short term to strengthen the balance sheet. This additional funding is required to address the Group’s near-term liquidity needs and to finance the net working capital that is necessary to ramp up steel production and meet customer demand.

The Group is envisaging a capital increase equal to EUR 300 million, which is up for approval by the Extraordinary General Meeting on April 4, 2024, in combination with a debt refinancing. BigPoint Holding AG, as largest shareholder of the Group, guarantees the full amount of up to EUR 300 million by way of a back-stop, subject to certain conditions. Amongst others, these include an unconditional exemption from making a mandatory takeover offer upon exceeding a shareholding level of 33 1/3 per-cent of the shares in Swiss Steel Holding AG. This exemption was granted by the Swiss Takeover Board, with an appeal period of five trading days from the publication date of the administrative decision. Alternatively, the Extraordinary General Meeting on April 4, 2024 may vote to waive the obligation to make a mandatory takeover offer (opting-out). Conditional to the aforementioned capital increase, the Group and the relevant lenders have agreed to new financing agreements with extended terms until September 2028. Further conditions include but are not limited to obtaining a declaration of goodwill from relevant trade credit insurers.

Despite the commitments of BigPoint Holding AG and the relevant lenders, there is a material uncertainty regarding the complete and timely fulfillment of the parties' conditions and obtaining the approvals required for executing the envisaged capital increase. This may cast significant doubts upon the Group's ability to continue as a going concern.

When preparing the consolidated financial statements, the continuation of Swiss Steel Holding AG as a going concern was assessed as positive by the Board of Directors and by the Executive Board. The Board of Directors and the Executive Board assumed that the market environment will not deteriorate further and that the Group will execute the performance improvement measures as planned. Furthermore, they assumed that the conditions set out by BigPoint Holding AG and the relevant lenders will be met timely and that the Extraordinary General Meeting will be supportive of the capital increase such that Swiss Steel Group and Swiss Steel Holding AG can obtain sufficient funding to continue its business activities over the next twelve months. Therefore, these consolidated financial statements have been prepared on a going concern basis.

1. Non-current receivables

On October 10, 2023, Swiss Steel Holding AG signed a subordination agreement regarding the loan receivable in favor of its subsidiary Swiss Steel Edelstahl GmbH for a principal amount of EUR 600.0 million plus interest. As of December 31, 2023, the carrying amount of the loan receivable amounted to CHF 268.6 million and is recognized as a non-current receivable due from Group companies on the balance sheet.

2. Investments

The table shows the investments of Swiss Steel Holding AG as of December 31, 2023 and December 31, 2022:

	Domicile of investments	Currency	Share capital 31.12.2023	Share capital 31.12.2022	Voting rights and capital share 31.12.2023	Voting rights and capital share 31.12.2022
Steeltec AG	Emmen (CH)	CHF	40,000,000	40,000,000	100.00 %	100.00 %
Panlog AG[1)]	Emmen (CH)	CHF	0	1,500,000	100.00 %	100.00 %
Swiss Steel France S.A.S.	Cluses (FR)	EUR	262,885	262,885	100.00 %	100.00 %
Swiss Steel Edelstahl GmbH	Düsseldorf (DE)	EUR	10,060,000	10,060,000	100.00 %	100.00 %
Swiss Steel Technology Holding GmbH	Düsseldorf (DE)	EUR	25,001	25,001	100.00 %	100.00 %
Ascometal France Holding S.A.S.	Hagondange (FR)	EUR	60,000,000	60,000,000	100.00 %	100.00 %

1) As of January 1, 2023, Steeltec AG acquired Panlog AG, which was absorbed through a merger.

The information on the indirectly owned subsidiaries is included in note 38 of the consolidated financial statements of this Annual Report.

3. Statement of changes in shareholders' equity

in CHF million	Share capital	Legal reserves from capital contributions	Legal reserves	Accumulated losses	Treasury shares	Total equity
01.01.2023	**458.8**	**928.2**	**0.0**	**–877.5**	**–0.1**	**509.5**
Annual result	0.0	0.0	0.0	7.7	0.0	7.7
31.12.2023	**458.8**	**928.2**	**0.0**	**–869.8**	**–0.1**	**517.2**

4. Contingent liabilities and pledges

There are contingent liabilities in favor of:

million CHF	31.12.2023	31.12.2022
Group companies	454.6	554.5

The following collaterals were pledged to lending banks and bond creditors in the form of pledges of company shares and assignments of receivables:

million CHF	31.12.2023	31.12.2022
Investments	255.8	255.8
Current receivables, Group	9.0	13.2
Total	**264.8**	**269.0**

5. Significant shareholders

The holding percentages shown below for shareholders with share capital and voting rights above the 3 % threshold are based on the share register of Swiss Steel Holding AG. Notifiable changes in significant shareholders since the balance sheet date are published by the company on the electronic publication platform of the SIX Swiss Exchange at www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html. The notifications published during the 2022 financial year can also be found there.

	31.12.2023		31.12.2022	
	Shares [1]	in percent	Shares [1]	in percent
BigPoint Holding AG	1,001,284,739	32.73	1,248,284,739	40.81
Liwet Holding AG / AO Kompleksprom [2)/3)]	791,793,054	25.89	791,793,054	25.89
PCS Holding AG / Peter Spuhler	622,676,856	20.36	375,676,856	12.28

[1] Percentage of shares issued as per the share register of Swiss Steel Holding AG
[2] Shareholder Agreement between Liwet Holding AG and AO Kompleksprom
[3] Based on regular information by Liwet
Viktor Vekselberg is a beneficiary of a discretionary trust that is effectively one of our minority shareholders. Viktor Vekselberg is a beneficiary of this discretionary trust which indirectly owns less than 8 % of Swiss Steel Group

6. Shareholdings

6.1 Shares owned by members of the Board of Directors

The following members of the Board of Directors own shares in Swiss Steel Holding AG:

		Number of shares		Number of restricted share units
Board of Directors		31.12.2023	31.12.2022	31.12.2023
Jens Alder (CH)	Chairman	1,885,133	1,885,133	0
Dr. Svein Richard Brandtzæg (NO) [1]	former Member	531,054	531,054	0
Barend Fruithof (CH)	Member	0	0	0
David Metzger (CH/FR)	Member	308,072	308,072	0
Mario Rossi (CH)	Member	149,106	149,106	0
Dr. Michael Schwarzkopf (AT)	Member	531,054	531,054	0
Oliver Streuli (CH)	Member	0	0	0
Emese Weissenbacher (DE)	Member	111,830	111,830	0
Total amount		**3,516,249**	**3,516,249**	**0**

[1] Member of the Board of Directors until October 5, 2023

6.2 Shares owned by members of the Executive Committee

The following members of the Executive Board own shares in Swiss Steel Holding AG:

		Number of shares	
Executive Board		**31.12.2023**	**31.12.2022**
Frank Koch (DE)	CEO	16,000,000	16,000,000
Marco Portmann (CH)	CFO	0	0
Jürgen Alex (DE)	former CCO	14,621	14,621
Dr. Florian Geiger (CH/DE)	CCO	2,381	2,381
Patrick Lamarque d'Arrouzat (FR)	CCO	22,938	22,938
Total Executive Board		**16,039,940**	**16,039,940**

7. Treasury shares

	Date	Share price in CHF	Share
Treasury shares as of 31.12.2021			**40**
Purchase	Apr 22	0.28	2,500,000
Allocation to BoD	May 22	0.28	−2,255,347
Treasury shares as of 31.12.2022			**244,693**
Purchase	-	-	0
Allocation to BoD	-	-	0
Treasury shares as of 31.12.2023			**244,693**

8. Share-based compensation

In 2023, the allocation of shares to the members of the Board of Directors for the period from the annual general meeting (AGM) 2022 to the AGM 2023 was waived by resolution of the Board of Directors. In 2022, a total of 2,255,347 shares for a total cost value of CHF 0.64 million were allocated to the members of the Board of Directors.

9. Other statutory disclosures

Full-time equivalents, yearly average	31.12.2023	31.12.2022
Up to ten full-time equivalents	X	X
> 10 to 50 full-time equivalents	-	-
> 50 to 250 full-time equivalents	-	-
> 250 full-time equivalents	-	-

10. Lease obligations

Payments under existing leases extend over the following maturity profile:

in CHF million	31.12.2023	31.12.2022
< 1 year	0.1	0.8
1 to 5 years	0.0	1.1
> 5 years	0.0	0.0
Total	**0.1**	**1.9**

Report of the statutory auditor

To the General Meeting of Swiss Steel Holding AG, Lucerne

Zurich, 13 March 2024

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Swiss Steel Holding AG (the Company), which comprise the balance sheet as at 31 December 2023 and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 176 to 182) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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 opinion.

Material uncertainty related to going concern

We draw attention to note "Going concern" of the financial statements, which indicates that the Company's ability to meet its financial obligations is dependent on securing sufficient financing from a capital increase, which requires approval by the shareholders at an extraordinary general meeting, in combination with a debt refinancing. As stated in the note "Going concern", these events or conditions, along with other matters as set forth in the note "Going concern", indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Recoverability of investments and receivables from subsidiaries

Risk

The Company holds direct and indirect investments in various subsidiaries with a carrying amount of CHF 473.8 million as of 31 December 2023. An overview can be found in note 2 to the financial statements. Moreover, the Company has amounts due from subsidiaries totaling CHF 484.3 million as of 31 December 2023. The Company calculates the recoverable amount of its investments based on net asset values or values in use. To determine value in use Management performs a DCF valuation which requires assumptions and estimates. Estimates and assumptions are based on medium-term plans, the expected volatility in quantity and in steel and energy prices, as well as the discount rate used. Moreover, internal operational changes and ongoing improvements initiated by Management have an influence on budgeted numbers. Due to the significance of investments and receivables from subsidiaries and the uncertainties relating to significant estimates and assumptions, impairment of investments and receivables from subsidiaries is a key audit matter in our audit.

Our audit response

We tested the analyses prepared by Management, which in some cases consisted of comparing the carrying amount with the subsidiary’s equity. If the assessment of the recoverability of investments and receivables from subsidiaries was done using values in use, our audit comprised a comparison of Management’s estimates to available market data and historical information, a discussion with Management of the medium-term plans, and the assessment of the significant estimates made by Management by means of sensitivity analyses on the basis of various scenarios and assessment of these for consistency. In performing these procedures, we were supported by internal specialists. We further involved internal valuation specialists in the assessment of the appropriateness and the mathematical accuracy of the models used in the impairment tests and the discount rates. Our audit procedures did not lead to any reservations regarding the impairment of investments and receivables from subsidiaries.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor’s reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors’ responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse’s website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Christoph Michel	Roman Ottiger
Licensed audit expert (Auditor in charge)	Licensed audit expert

Glossary

A |

Adjusted EBITDA margin (%) Ratio of adjusted EBITDA to revenue

Adjusted EBITDA Operating profit before depreciation, amortization and non-recurring effects

C |

Capital employed Net working capital plus intangible assets (excl. goodwill) plus property, plant and equipment

Cash flow before changes in net working capital Cash flow from operating activities excluding changes in net working capital

E |

EAT Group result, earnings after taxes

EBIT Earnings before interest and taxes

EBITDA Earnings before interest, taxes, depreciation and amortization

EBITDA leverage Ratio of net debt to adjusted EBITDA

EBITDA margin (%) Ratio of EBITDA to revenue

EBT Earnings before taxes

Equity ratio Ratio of shareholders' equity to total assets

F |

FCFaIL Free cash flow after interest and lease payments

Free cash flow Cash flow from operating activities plus cash flow from investing activities

G |

Gearing Ratio of net debt to shareholders' equity

Gross margin Revenue plus change in semi-finished and finished goods less cost of materials

Gross margin (%) Ratio of gross margin to revenue

I |

Investment ratio Ratio of investments to depreciation/amortization

N |

Net financial expense Financial expense less financial income

Net debt Non-current financial liabilities plus current financial liabilities less cash and cash equivalents

Net working capital/revenue Ratio of net working capital as of reporting date to annualized quarterly revenue

Net working capital Inventories plus trade accounts receivable less trade accounts payable

O |

Operating free cash flow Adjusted EBITDA +/– change in inventories, trade accounts receivable and payable less segment investments less capitalized borrowing costs

R |

ROCE Return on capital employed

Legal notice

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This Annual Report contains forward-looking statements, including without limitation, statements relating to our financial condition, results of operations and business, and certain of our strategic plans and objectives, presentations of developments, plans, intentions, assumptions, expectations, beliefs and potential impacts, as well as descriptions of future events, income, results, situations or outlooks.

These are based on the company's current expectations, beliefs and assumptions, which are subject to risks and uncertainty and may differ materially from the current facts, situation, impact or developments. Actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Swiss Steel Holding AG's control or ability to estimate precisely, such as future market conditions, currency fluctuations, the behavior of other market participants, the actions of governmental regulators and other risk factors. Readers are cautioned not to put undue reliance on forward-looking statements.

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