Ad hoc announcement pursuant to Art. 53 LR

Swiss Steel Group reports lower results in a challenging environment

- **Sales volume decreased by – 19 % from 937 kilotons in the first half of 2022 to 756 kilotons in the first half of 2023 due to generally lower demand, amplified by customer destocking**
- **Revenue for the first half of 2023 in comparison fell by – 13 % year over year from EUR 2,144.6 million to EUR 1,857.3 million despite also lower input cost from decreasing energy and raw material prices**
- **Adjusted EBITDA in the first half of 2023 came in lower at EUR 70.0 million versus EUR 171.0 million in the prior-year period**
- **Net debt amounted to EUR 942.0 million, an increase of EUR 93.8 million from EUR 848.2 million recorded at the end of 2022**
- **Outlook for 2023: Swiss Steel Group maintains the full year guidance of an adjusted EBITDA in a range of EUR 160 to 200 million on the back of expected specific demand improvements towards the latter half of the year**

CEO Frank Koch comments: "Swiss Steel Group's financial performance has been significantly impacted by the ongoing challenging geopolitical and economical market environment. Faced with declining demand from crucial end markets and reduced sales volume in the first half of 2023, together with sustained high sales prices, our team's dedication and several cost-cutting efforts resulted in an adjusted EBITDA of EUR 70 million. Given the adverse global market conditions and significant drop-off in financial performance compared with the previous year, we stay resolutely committed to our strategic path as we navigate this crucial phase of our Group's restructuring.

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 critical assessment of the future viability and potential of each of our entities has become more decisive given the current market conditions. Following the communication earlier this year regarding the planned divestment of several entities in Eastern Europe that no longer reflect our core business, we are making significant progress in actively evaluating viable solutions for further entities in focus of SSG 2025. We have achieved several major milestones in recent months, including the approval received for the restructuring program for our German entity, Deutsche Edelstahlwerke. This will allow us to reduce our workforce by at least 350 employees as a step towards a sustainably profitable setup, supported by additional significant savings. Further, this program involves splitting Deutsche Edelstahlwerke into two individually operating entities and significantly enhancing the operational efficiency. In the coming months, our focus will be on implementing the re-aligned measures, paving the way for the entity to achieve sustainable future performance. Throughout this process, we deeply appreciate and recognize the efforts and commitment of our colleagues who are instrumental in making this transformation a reality.

We continue to advance our commitment to sustainability and green steel production, meeting the growing demand for sustainably produced steel. Initial customer successes on long-term Green Steel commitments show that sustainable steel is needed in Europe and beyond. We are meeting the growing demand for sustainably produced steel and have partnered with CDP (Carbon Disclosure Project) to disclose our upstream carbon footprint, providing our customers with transparent emission data. Furthermore, we continue to work diligently to ensure the availability of scrap for production, develop recycling concepts, and increase the share of green energy in our operations. Under current legal and industrial conditions, we have set ourselves the ambitious goal of net-zero CO_2 emissions by 2038.

The ongoing market downturn may test our resolve but provides us with the opportunity to showcase our resilience and adaptability. These challenges are steppingstones toward building a stronger and more agile Swiss Steel Group, taking the year of 2023 as our year of transition into the future of a sustainable special green steel producer firmly committed to our transformation path."

Key figures

Swiss Steel Group	Unit	H1 2023	H1 2022	Δ in %
Order backlog	kilotons	386	590	–34.6
Sales volume	kilotons	756	937	–19.3
Revenue	million EUR	1,857.3	2,144.6	–13.4
Average sales price	EUR/t	2,460	2,290	7.4
Adjusted EBITDA	million EUR	70.0	171.0	–59.1
EBITDA	million EUR	58.5	157.1	–62.8
Adjusted EBITDA margin	%	3.8	8.0	–
EBITDA margin	%	3.1	7.3	–
EBIT	million EUR	17.0	113.2	–85.0
Earnings before taxes	million EUR	–23.0	89.5	–
Group result	million EUR	–30.0	74.0	–
Investments	million EUR	44.9	42.3	6.1
Free cash flow	million EUR	–62.7	–174.1	64.0
	Unit	**30.6.2023**	**31.12.2022**	**Δ in %**
Net debt	million EUR	942.0	848.2	11.1
Shareholders' equity	million EUR	498.7	530.9	–6.1
Gearing	%	188.9	159.8	–
Net debt/adj. EBITDA LTM (leverage)	x	8.1	3.9	–
Balance sheet total	million EUR	2,418.0	2,386.0	1.3
Equity ratio	%	20.6	22.2	–
Employees as of closing date	Positions	9,639	9,857	–2.2
Capital employed	million EUR	1,675.0	1,646.8	1.7
	Unit	**H1 2023**	**H1 2022**	**Δ in %**
Earnings/share [1)]	EUR/CHF	–0.01/-0.01	0.02/0.02	–
Shareholders' equity/share [2)]	EUR/CHF	0.16/0.16	0.17/0.17	–
Share price high/low	CHF	0.230/0.123	0.348/0.210	–

[1)] Earnings per share are based on the result of the Group after deducting the portions attributable to non-controlling interests
[2)] As of June 30, 2023 and as of December 31, 2022

Lucerne, August 10, 2023– Swiss Steel Group, a world leader in special long steel, today reported a –19 % decrease in sales volume for the first half of 2023 to 756 kilotons, down from 937 kilotons in the first half of 2022. Revenue of EUR 1,857.3 million was –13 % lower compared to EUR 2,144.6 million in the same period of the previous year. Adjusted EBITDA came to EUR 70.0 million, versus EUR 171.0 million in the first half of 2022. Net debt amounted to EUR 942.0 million, an increase of EUR 93.8 million from EUR 848.2 million recorded at the end of 2022.

Business performance in first-half 2023

In the first half-year 2023, Swiss Steel Group's business environment was shaped by numerous factors, including a slowdown of the global economy and rising interest rates as a counter measure to inflation. Our main customer segments, the automotive industry and the mechanical and plant engineering sector, continued to be negatively affected by the global distortions. On a positive note, a gradual easing was observed in supply chain issues.

As a result, both incoming orders and order backlog continued to decline in the first half of 2023. This was due to lower market demand combined with destocking behavior on the part of our customers, as well as the seasonal based hesitancy to place new orders before the summer break.

Sales volume decreased considerably, leading to lower revenue despite ongoing high sales prices. This resulted in a lower sales volume of 756 kilotons across all product groups versus 937 kilotons in the same period of last year. The sales volume decreased in all our divisions with the strongest decrease observable in the Tool Steel Division (–32.0 %). The sales volume of the Engineering Steel Division was also considerably below the prior half-year (–19.6 %) on the back of a lower sales volume in the automotive industry.

After a prolonged period of price increases, the average sales price per ton of steel decreased in the first half of 2023. However at EUR 2,460 per ton, the average sales price is still higher than the average price achieved in the same half of the previous year (H1 2022: EUR 2,290 per ton). An improved product mix with a higher share of stainless steel in the product portfolio as well as higher alloy surcharges led to this effect.

Driven by lower sales volume, revenue declined to EUR 1,857.3 million, down –13.4 % compared to the prior half-year (H1 2022: EUR 2,144.6 million). The decrease in revenue was spread across all divisions, with the strongest decline in the Engineering Steel Division (–21.9 %). By region, revenue decreased in all our sales markets, except in the American market.

Despite the introduction of cost-cutting countermeasures, adjusted EBITDA of EUR 70.0 million was considerably below the half-year result of the prior year, which came in at EUR 171.0 million. One-time effects amounted to EUR 11.5 million and included, among others, costs for the reorganization program and losses from deconsolidation. In the first half-year 2023, the adjusted EBITDA margin decreased to 3.8 % (H1 2022: 8.0 %).

For the first half-year 2023, the Group achieved a result of EUR –30.0 million, down on the previous year (2022: EUR 74.0 million).

At the end of June 2023, shareholders' equity had decreased by EUR 32.2 million compared to December 31, 2022. This is mainly attributable to the negative Group result. The equity ratio of 20.6 % was therefore lower compared to the end of the year at 22.2 %.

Free cash flow for the year for the first six months was negative at EUR –62.7 million, following the usual seasonality.

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 942.0 million, a significant increase compared to December 31, 2022 (EUR 848.2 million). This is mainly due to the low operational profitability and ongoing net working capital funding.

Outlook for fiscal year 2023

In the wake of the economic slowdown, we have experienced a weaker demand amplified by destocking from our customers leading to first half-year results below our expectations. While we foresee that volatility will persist, we would expect that business activity and the specific demand will improve towards the latter half of the year. On this basis, despite the challenging environment economically and politically, we for the time being maintain our full year guidance of an adjusted EBITDA in a range of EUR 160 to 200 million.

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About Swiss Steel Group
Swiss Steel Group is today one of the world's leading providers of individual solutions in the special long steel products sector. The Group is one of the leading manufacturers of tool steel and non-corrosive long steel on the global market and one of the largest companies in Europe for alloyed and high-alloyed quality and engineering steels. With close to 10,000 employees and its own production and distribution companies in 30 countries on 5 continents, the company guarantees global support and supply for its customers and offers them a complete portfolio of production and sales & services around the world. Customers benefit from the company's technological expertise, consistently high product quality around the world as well as detailed knowledge of local markets.

Forward-looking statements
This media release contains forward-looking statements, including 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 may differ materially from future results, performance or achievements. The information contained herein is provided with the publication of this document. The forward-looking statements contained herein are not updated as a result of new information, future events or for any other reason.