Ad hoc announcement pursuant to Art. 53 LR

Swiss Steel Group reports revenue of EUR 3,244.2 million and adjusted EBITDA of EUR – 40.9 million as a result of weak markets and significant one-time losses

To further strengthen the Group, additional financial, strategic and operational measures to be implemented, including a ca. EUR 300 million equity capital increase and new financing arrangements

Lucerne, March 14, 2024

- **Sales volume decreased by – 17 % from 1,663 in 2022 to 1,375 kilotons in 2023, especially materializing in the second half of the year**
- **Revenue for the full-year 2023 decreased accordingly by – 20 % from EUR 4,051.4 million in 2022 to EUR 3,244.2 million**
- **As a result of weak markets, amplified by significant one-time losses, adjusted EBITDA in 2023 was EUR – 40.9 million versus EUR 217.0 million in 2022**
- **Free cash flow was positive at EUR 85.4 million (2022: EUR – 53.7 million) mainly on the back of strong net working capital reduction efforts (down from EUR 1,112.4 million in 2022 to EUR 826.2 million)**
- **Year-end net debt was slightly lower at EUR 828.6 million versus EUR 848.2 million at the end of the previous year**
- **The Group's equity decreased to EUR 234.4 million corresponding to an equity ratio of 12.1% as of December 31, 2023, attributable to the negative Group result of EUR – 294.8 million**
- **Extensive operational measures and strict cost control implemented in 2023 to mitigate impact of external factors and to support the stabilization of the Group**
- **Despite poor financial results, significant strategic progress was achieved, including (planned) divestments of various assets and extensive restructuring**
- **Capital increase of approximately EUR 300 million planned, fully backstopped by BigPoint Holding AG, to be voted on at Extraordinary General Meeting scheduled today for April 4, 2024; recapitalization to strengthen liquidity and balance sheet, as well as to allow full participation in markets**
- **Capital increase supported by the Group's financial lenders with new financing arrangements that last into 2028 expected to become effective following the capital increase**

Group performance

Our full-year performance was impacted by very weak market demand. Order activity from the mechanical and plant engineering sectors remained muted throughout 2023, and European automotive production remained below pre-pandemic levels. In addition, customers destocked their inventories, and increased imports further exacerbated demand weakness.

This led to a sales volume of 1,375 kilotons in 2023, which was – 17.3% lower year-over-year (2022: 1,663 kilotons). 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 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).

The Engineering Steel Division, our largest division in terms of sales volume, was particularly affected by the weak demand from automotive production and the contractions in the mechanical and plant engineering sectors. The sales volume was down 17.5 % year-over-year at 1,028 kilotons in 2023 (2022: 1,246 kilotons).

In addition, the performance of the Group was impacted by multiple one-time effects: After unprecedented price peaks and volatilities in 2022, the 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. Additionally, the Group incurred one-time expenses of EUR 61.3 million mainly linked to performance improvement programs, restructuring and personnel measures and other non-recurring items that are excluded from adjusted EBITDA.

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 (down from EUR 1,112.4 million to EUR 826.2 million), proceeds from the divestment of non-core distribution activities and cost control measures.

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 828.6 million, a slight reduction compared to December 31, 2022 (EUR 848.2 million).

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

Swiss Steel Group

Next phase of SSG 2025 strategy implementation to build a strong and resilient Swiss Steel Group

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 have started the systematic divestment of 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.

In the course of 2023, Swiss Steel Group successfully divested seven distribution entities in Eastern Europe, as well as its distribution entity in Chile and the Group's share in the joint venture Shanghai Xinzhen Precision Metalwork. The Group is eliminating complexity from its worldwide distribution network and concentrating on activities that focus on Swiss Steel Group products in relevant markets. The Group has entered a binding agreement to sell its former headquarters in Düsseldorf, with the transaction expected to be closed in the first half-year of 2024. 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 have not reached a final 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. Finkl Steel will not be integrated into the Group and a divestiture 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 ensure operational excellence throughout the remaining Group. In 2023, our focus was on initiating an extensive restructuring program for our largest Production Asset, 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 with various measures relating to selling, general and administrative expenses (SG&A), procurement, and efficient operations. In collaboration with employee representatives, we have reached comprehensive agreements on the reduction of over 350 jobs, primarily in indirect areas of DEW. The majority of this reduction had already been successfully implemented by the end of 2023. Ongoing discussions with the parties involved in the workers agreement will address further reduction possibilities depending on future market conditions. The program furthermore includes the organizational separation of DEW into two legal production entities. The organizational separation has been successfully completed and will allow enhanced focus on the relevant businesses. The legal separation is planned to be implemented retroactively to January 1, 2024.

In 2023, headcount decreased by 1,045 employees or 10.6 % to 8,812. The decrease was mainly driven by the ongoing reorganization of our German Production Asset 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. 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 strengthening of the Group

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 Group will include two key measures:

1. A capital increase of Swiss Steel Holding AG for an equivalent of approximately EUR 300 million, fully backstopped by BigPoint Holding AG (subject to certain conditions) 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;
2. 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 completion of the equity capital increase.

The Board of Directors today invited the shareholders to an Extraordinary General Meeting (EGM) to be held on April 4, 2024, at which the capital increase is intended to be approved. A total of 3'101'000'000 new shares are to be offered at a price of CHF 0.0925. This results in an amount of CHF 286'842'500 corresponding to at least EUR 300 million. Subscription rights of existing shareholders will be preserved, subect to restrictions under applicable law and regulations. Completion of the capital increase is intended before the end of April 2024. The EGM will be asked to approve certain further amendments to the Articles of Association related to the proposed capital increase. Swiss Steel Group refers to the invitation to the EGM for further details [LINK].

In connection with the planned capital increase, Swiss Steel Group and BigPoint Holding AG has obtained two rulings from the Swiss Takover Board. The Swiss Takeover Board has granted a restructuring exemption and declared the possible introduction of a transaction-specific opting-out clause to be permissible under takeover law. The corresponding rulings will be published by the Swiss Takover Board today and excerpts thereof have been published on Swiss Steel Group's website [LINK] today. For further details see also the above referred today's invitation to the EGM.

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, means that the carbon footprint of our products is up to 83% lower than the industry average. Swiss Steel Group supplies sustainable steel, known as green steel, to I essential future markets – including mobility, energy generation, medical and aerospace – and thus makes a significant contribution to the decarbonization of our society. In consequence, we are strategically positioned not only to recover but also to surpass the European market share held before the COVID-19 pandemic. To drive forward this ambitious goal, SSG 2025 includes a comprehensive set of measures to increase the sales volume.

To achieve the decarbonization of end products, efforts must be integrated and leveraged along the entire value chain. Steel is a crucial link in this chain and thus plays a vital role in the essential process of decarbonization. Against the backdrop of climate change and the decarbonization requirements in our customers' value chains across various industries, the green steel segment is expected to further grow in 2024 and beyond. Current discussions and a notable uptick in orders for greener products from our customers confirm this trend and are expected to support the global transformation going forward. Through intensified R&D efforts to develop innovative products and especially to meet the increasing requirements for green steel, we aim to recapture market potential and ensure sustained growth. To capitalize fully on the potential offered by green steel, additional investments are essential in all areas from processing and equipment, through to mindset and knowledge. Swiss Steel Group remains committed to achieving its ultimate goal of reaching net zero by 2038.

Outlook 2024

Although 2023 was a very challenging year, Swiss Steel Group is determined to continue along its strategic path, which has been confirmed by an independent opinion. The measures that have already been initiated and additionally defined will contribute to strengthening the Group in the long term.

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. 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.

We have observed a higher rate of requests for quotations since the beginning of the year. However, the markets have not yet normalized overall. We expect a gradual improvement in earnings in the first half of 2024, followed by a stronger second half of the year. The envisioned capital increase should support our business by providing the means to capture the next economic cycle, make targeted investments in product and sustainability innovations, and restore confidence among customers and suppliers. It will be on the agenda at the Extraordinary General Meeting on April 4, 2024 for which the Group has invited its shareholders today.

CEO Frank Koch comments: "After a disappointingly weak 2023, heavily influenced by economic conditions, we have initiated the next stage of our strategy execution to consolidate our position and enhance our competitiveness in a rapidly changing environment. As the leading European producer of green steel, we have very attractive opportunities for future growth. As part of our strategy, we are implementing far-reaching measures to stabilize and future-proof our business. Following the capital increase, we expect to be able to drive forward the restructuring and refocus on profitable participation in markets. Given the multitude of changes underway in our industry and the work required at Swiss Steel Group, this transformation is fundamental. It will necessitate time, capital and a great deal of commitment from our teams across Swiss Steel Group. The planned capital increase is imperative for our success. Thank you to our employees, our clients and our investors for helping to make this transformation a success."

Key figures

Swiss Steel Group	Unit	2023	2022	Δ in %
Order backlog	kilotons	355	454	–21.8
Sales volume	kilotons	1,375	1,663	–17.3
Revenue	million EUR	3,244.2	4,051.4	–19.9
Average sales price	EUR/t	2,363	2,438	–3.1
Adjusted EBITDA	million EUR	–40.9	217.0	–
EBITDA	million EUR	–102.2	188.8	–
Adjusted EBITDA margin	%	–1.3	5.4	–
EBITDA margin	%	–3.2	4.7	–
EBIT	million EUR	–199.8	73.0	–
Earnings before taxes	million EUR	–287.7	21.3	–
Group result	million EUR	–294.8	9.4	–
Investments	million EUR	114.3	115.1	–0.7
Free cash flow	million EUR	85.4	–53.7	–
	Unit	31.12.2023	31.12.2022	Δ in %
Net debt	million EUR	828.6	848.2	–2.3
Shareholders' equity	million EUR	234.4	530.9	–55.8
Gearing	%	353.5	159.8	–
Net debt/adj. EBITDA LTM (leverage)	x	n/a	3.9	–
Balance sheet total	million EUR	1,933.2	2,386.0	–19.0
Equity ratio	%	12.1	22.2	–
Employees as of closing date	Positions	8,812	9,857	–10.6
Capital employed	million EUR	1,372.4	1,646.8	–16.7
	Unit	2023	2022	Δ in %
Result/share [1]	EUR/CHF	–0.10/-0.10	0.00/0.00	–
Shareholders' equity/share [2]	EUR/CHF	0.08/0.08	0.17/0.17	–
Share price high/low	CHF	0.230/0.060	0.348/0.202	–

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

Swiss Steel Group

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About Swiss Steel Group
Swiss Steel Group with headquarters in Lucerne (Switzerland) is one of the world's leading producers of special steel long products. Thanks to the exclusive use of steel scrap in electric arc furnaces, the Group is one of the most relevant companies in Europe in the circular economy and is among the market leaders in the field of sustainably produced steel - Green Steel. Swiss Steel Group has its own production and distribution entities in over 30 countries and, through its strong local presence, offers a wide range of individual solutions in the fields of engineering steel, stainless steel, and tool steel. Swiss Steel Group is listed on the SIX Swiss Exchange and generated a revenue of around EUR 3 billion in 2023 with approximately 8,800 employees.

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Swiss Steel Group

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