Annual Report 2022

shaping the transformation

Swiss Steel Group

Key figures

Swiss Steel Group	Unit	2022	2021	Δ in %	Q4 2022	Q4 2021	Δ in %
Order backlog	kilotons	454	691	– 34.3	454	691	– 34.3
Sales volume	kilotons	1,663	1,863	– 10.7	362	425	– 14.8
Revenue	million EUR	4,051.4	3,192.8	26.9	960.0	837.1	14.7
Average sales price	EUR/t	2,438	1,716	42.1	2,654	1,972	34.6
Adjusted EBITDA	million EUR	217.0	191.6	13.3	36.5	39.9	– 8.5
EBITDA	million EUR	188.8	200.0	– 5.6	26.5	53.1	– 50.1
Adjusted EBITDA margin	%	5.4	6.0	–	3.8	4.8	–
EBITDA margin	%	4.7	6.3	–	2.8	6.3	–
EBIT	million EUR	73.0	108.7	– 32.8	– 17.7	27.9	–
Earnings before taxes	million EUR	21.3	64.1	– 66.8	– 33.2	16.2	–
Group result	million EUR	9.4	50.3	– 81.3	– 27.2	11.5	–
Investments	million EUR	115.1	107.1	7.5	41.4	43.9	– 5.7
Free cash flow	million EUR	– 53.7	– 223.7	76.0	68.2	– 53.8	–
	Unit	**31.12.2022**	**31.12.2021**	**Δ in %**			
Net debt	million EUR	848.2	720.5	17.7			
Shareholders' equity	million EUR	530.9	448.9	18.3			
Gearing	%	159.8	160.5	–			
Net debt/adj. EBITDA LTM (leverage)	x	3.9	3.8	2.6			
Balance sheet total	million EUR	2,386.0	2,227.4	7.1			
Equity ratio	%	22.2	20.2	–			
Employees as of closing date	Positions	9,857	9,914	– 0.6			
Capital employed	million EUR	1,646.8	1,588.6	3.7			
	Unit	**2022**	**2021**	**Δ in %**	**Q4 2022**	**Q4 2021**	**Δ in %**
Earnings/share [1]	EUR/CHF	0.00/0.00	0.02/0.02	–	– 0.01/-0.01	0.00/0.00	–
Shareholders' equity/share [2]	EUR/CHF	0.17/0.17	0.15/0.16	–	0.17/0.17	0.15/0.16	–
Share price high/low	CHF	0.348/0.202	0.478/0.234	–	0.249/0.202	0.381/0.340	–

[1] Earnings per share are based on the result of the Group after deduction of the portions attributable to non-controlling interests
[2] As of December 31, 2022 and as of December 31, 2021

Swiss Steel Group

Annual Report 2022

"We are well positioned to become the leading player for Green Steel."

Frank Koch
Chief Executive Officer

Dear reader,

Swiss Steel Group faced multiple external and internal challenges in 2022, ranging from skyrocketing raw material and energy prices to interrupted supply chains due to the geopolitical volatilities. Despite this challenging environment and the shortfall from our operations in Ugine following the severe accident in early 2022, Swiss Steel Group was successful. We were able to increase revenue and adjusted EBITDA year on year. This is thanks to our foresightedness, our flexibility and the exceptional commitment of our employees.

More than ever, we are faced with change. The world around us is evolving with increasing speed, forcing society, industries and companies to think outside the box, 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. Thanks to our expertise in recycling, 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 the wide range of customer needs. And 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 customers, shareholders and other stakeholders. Swiss Steel Group and our steels are an indespensable part of the ongoing transitions.

The past year has shown how important it is that we stick to our strategy program SSG 2025. We are shaping the transformation of our Group in order to ensure resilience, increase performance and lay the foundation for further organic growth by cost improvement and customer centricity.

I am convinced Swiss Steel Group will succeed in contributing to shaping a future that matters.

Yours sincerely,

Frank Koch

SSG 2025 Goal #1

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

SSG 2025

shaping the transformation

Transforming scrap into molten steel

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.

The steel industry is facing a large transition.

Jens Alder
Chairman of the Board

Frank Koch
Chief Executive Officer

Frank, when you started as CEO in the summer of 2021, you were faced with the COVID-19 pandemic and turbulent market conditions. Since then, the conflict in Ukraine, inflation and rapidly rising energy prices have been added to the equation. How has this influenced your actions?

Frank Koch The environment has indeed been quite challenging and has put our flexibility, foresightedness and production planning to the test. We were forced to implement immediate solutions to mitigate some of the effects – for example the introduction of an energy surcharge. But overall we were able to prevail with a good result, despite the challenging environment. This shows we are on the right path and it is all the more important we continue to focus on creating a resilient Swiss Steel Group.

Jens, you have experienced different industries in your professional career. How do you assess the steel market in comparison with other sectors, and what is Swiss Steel Group's position today?

Jens Alder Given the current volatility in the economic and geopolitical environments, many industries are challenged. That said, the steel industry is facing a large transition, maybe even more so than other industries. Steel is a significant contributor to global carbon emissions and has to radically alter production processes. This transformation has the potential to change the playing field. With its expertise in sustainable steel production, Swiss Steel Group is in an excellent position to lead the green transformation in Europe.

> "An open dialog within and between industries will be key."
> Jens Alder

> "It is all the more important we continue to focus on creating a resilient Swiss Steel Group."
> Frank Koch

What economic policy framework do you expect from politicians in order to achieve this green transformation?

Frank Koch Steel produced with scrap in electric arc furnaces holds great opportunities for a carbon-neutral future, but also has its own challenges along the way. Let me just name three areas in which a political framework will be key: For one, in order to continue the path toward carbon-neutral steel, the availability and affordability of sufficient green energy is key. Furthermore, the creation of green lead markets will support the transformation by creating a pull from the demand side. And finally, large sums are being spoken to support players on the blast furnace route in their decarbonization efforts, which may lead to distortion of competition if funds are spoken one-sidedly.

Jens Alder And of course we have to understand the green transformation requires significant investments and will require entire value chains to share the burden of the transformation costs. An open dialog within and between industries will be key.

Swiss Steel Group has launched its strategy program SSG 2025 – what were the triggers and what are the most important cornerstones?

Jens Alder We have been able to improve our results in each of the last two years. Although the trend is moving in the right direction, we are convinced that there is much more potential for Swiss Steel Group. We not only have the production technology of the future already in place today, we also produce a range of products that are part of the energy transformation – be it for hydrogen or wind power. So really SSG 2025 is all about leveraging all of our potential.

Frank Koch In the course of SSG 2025, we are putting all Group entities to the test in regard to their future viability. We have to make sure every element of Swiss Steel Group is contributing to our profitability. This will make us all the more resilient, even in challenging environments, and will lay the foundation for further organic growth. A key element is our new operating model which replaces the former Business Unit structure.
It is built around the three Divisions Engineering Steel, Stainless Steel and Tool Steel and allows us to become one integrated Group. Finally, of course, SSG 2025 also includes expanding our position in sustainable steel production.

“The external factors reduce the room to maneuver and demand additional flexibility.”

Jens Alder

SSG 2025 is quite a transformation – what are the biggest challenges?

Frank Koch The transformation holds quite some complexity as it leaves no stone unturned. The organization needs to focus on day-to-day operations and let go of old habits, as it finds its way into new, more efficient processes and builds a new identity. It is only normal that many also perceive a threat in such complex change processes, so we are required to communicate as transparently and proactively as possible.

Jens Alder The volatile geopolitical and economic environment add another layer of complexity to the program. The external factors reduce the room to maneuver and demand additional flexibility. But the strategic tact of the Executive Board, paired with the willpower of the entire Swiss Steel Group team, have succeeded in keeping SSG 2025 on track, despite the intensifying environment.

What qualities must managers and employees alike possess to steer a company through such a transformation?

Jens Alder A culture of trust is an absolute necessity, especially in times of change and increased uncertainty. This requires listening to each other, taking concerns seriously, putting aside personal sensitivities and making room for new ideas. It is key that managers are able to demonstrate understanding as much as they do assertiveness.

Frank Koch It is imperative that everyone takes responsibility for their own work and its results. An organization in transition must be able to rely on each other all the more. In essence, it’s all about the right mindset – openness for new ideas, thinking outside the box and a willingness for change.
In this context, the seed of innovation can grow – and that is key going forward.

“We are putting all Group entities to the test in regard to their future viability.”

Frank Koch

What is key to Swiss Steel Group’s future success?

Frank Koch Building on our expertise, we push to meet the challenges of our customers across industries. Our deep understanding of value chains allow innovative products and tailored advice for tangible improvements, resulting step by step in safer, more efficient and more sustainable solutions for everyone. But that is not enough. We dedicate all our capabilities to the success of our customers, so together we achieve a powerful partnership experience, where reliability translates into operational excellence. And finally, we empower industries with materials with a carbon footprint inherently well below the industry average, offering a decisive response to the challenge of green transformation.

Our modern world is built on steel – from bearings to bridges, from cutlery to cars and from screwdrivers to surgical instruments. Steel is our foundation, for progress, for reliability, for sustainability, for the future. For us at Swiss Steel Group, sustainable steel is our backbone, our DNA. It’s what we do best to contribute to shaping a sustainable tomorrow.

Strategic starting point

Shaping the transition in a dynamic framework

Mobility transformation

The development toward post-fossil mobility is going strong. With alternative drive systems, light-weight 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

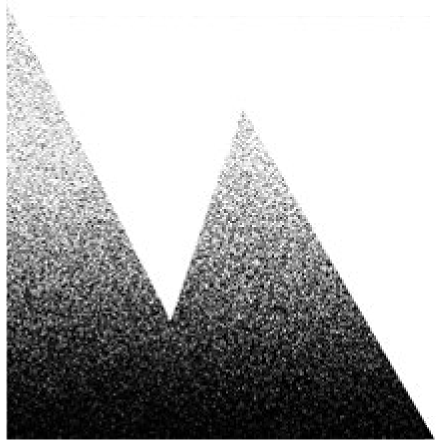
Climate change is an existential threat to the world. We are all called upon to transition to a sustainable economy. Sustainable steel production based on EAF technology, decarbonized electricity and circular economy is part of our DNA. Swiss Steel Group empowers customers with materials with a carbon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

Digital transformation

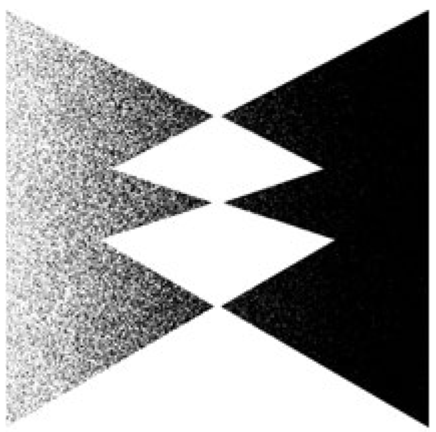
To assess and activate digital potential to its fullest, we need to take a holistic view of digitization that encompasses more than just technological aspects. Making use of data warehouses, Swiss Steel Group seamlessly tracks material quality beyond processing steps. Through strategic partnerships,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

Operating in a volatile context

Skyrocketing energy prices



Inflation and economic downturn

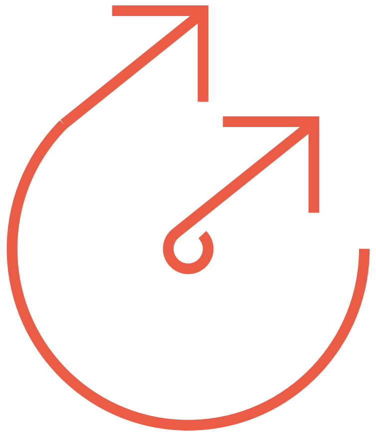


Volatile supply chains and geopolitical instabilities

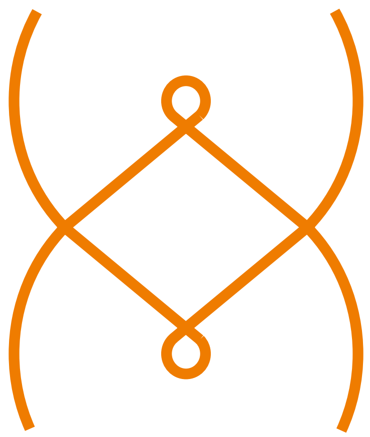
Strategy Program SSG 2025

Built on the three pillars

Resilience and Profitability



Customer Centricity and Reliability



Innovation and Sustainability

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. In order 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 will strengthen 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.

Our strategy program SSG 2025 comprises structural improvements, measures to increase our profitability and important levers for growth to secure our future.

Maintain a stable performance

The implementation of our new 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 potentials

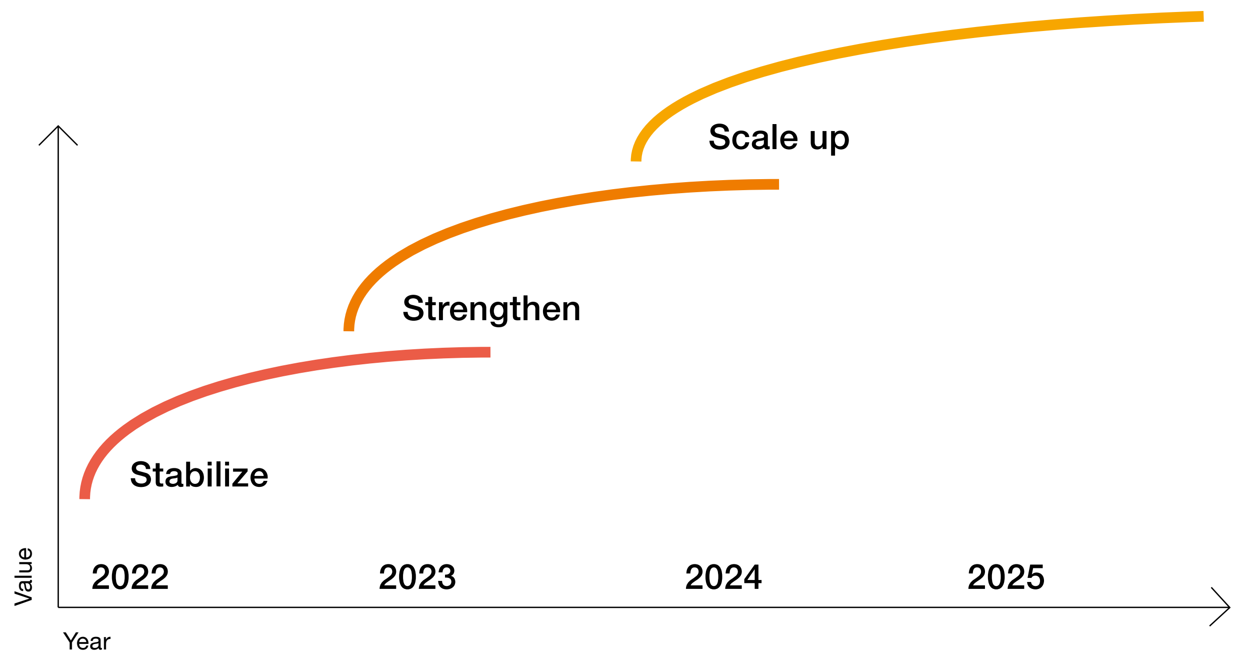
Knowing the sources of our profitability and their levers allows targeted steering toward businesses offering attractive margins. This makes it crucial to continuously reassess the current and future viability of each of our entities in order to spot obvious and uncover hidden leverage potential, and especially to channel efforts into forward-thinking new ideas.

What steers us through difficult times? Resilience!

The term resilience comes from the Latin word resilire: to leap or spring back, to rebound. The term was first used in a psychological context by the American psychologist John Block in the 1950s referring to the ability of children to adapt to change and to experience positive development despite difficult circumstances. It was only in the 21st century that the term was increasingly applied to the ability to manage crises of companies, systems and organizations. In the wake of political and economic challenges including the international debt crisis, major refugee movements and recently the pandemic, resilience has become a major target on the political and economic agenda.

The triad for sustainable value

The implementation of our strategy program SSG 2025 will turn us into a leading and best-in-class steel manufacturer, leading the green transformation in Europe. It will create an integrated Group with one strong brand, ensuring profitable growth with a focus on core markets. And finally, it will allow us to deliver excellent performance.



Stabilize

We are focusing on our core business and driving improvement initiatives to become more resilient. This requires us to assess all our assets and our product portfolio, and to ensure our core business areas have a clear focus and mission and deliver performance. This will boost our performance and stabilize our Group.

Strengthen

To achieve long-term success, we are adapting our organizational setup to respond quickly and flexibly in our continually changing business environment. This allows us to focus on key activities and drives us to achieve greater efficiency and performance.

Scale up

With 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.

“The main driver for our transformation is efficiency.”

Torsten Niemann Vice President Strategy

Having worked for over 15 years in the steel industry, Torsten Niemann had already gained profound knowledge of the business before he joined Swiss Steel Group in 2021. As Vice President Strategy, he applied his strategic experience during the development of SSG 2025 and is one of the masterminds behind the new strategy. He holds a degree in business administration and an MBA.

Torsten Niemann explains how the strategy program SSG 2025 will turn Swiss Steel Group into a resilient and profitable leader in the steel industry. Torsten, why has Swiss Steel Group embarked on such a substantial transformation?

Given our constantly changing environment and the unprecedented challenges in the past few years, the pressure for change was high. It quickly became clear that the main driver for our transformation had to be efficiency – efficiency through synergies and integration in order to drive profitability, sustainable management and growth.

Can you give an example of the mentioned efficiency through synergy and integration?

With raw materials and energy making up the largest proportion of production costs, it is obvious to implement procurement optimization measures. Among others, a Group-wide scrap sourcing strategy will reinforce our purchasing power. Optimizing our purchasing strategy by means of bundling and collaboration will make a notable contribution to our profitability. There is no doubt that putting our focus immediately on procurement is a wise choice of direction in the current times. Such optimized processes that involve functions Group-wide will additionally require adjusted organizational structures to provide an effective basis for implementation.

An economic downturn seems to be looming – can you realistically speak of growth by 2025?

Once the robustness of our Group is set and the foundation built to become best-in-class, we will be well prepared to position ourselves even stronger in the special long steel market. We are keen to move ahead with organic growth. Of course, we are also dependent on the market environment providing us with some tailwind. But first, we must strictly follow the path we have laid out until we are convinced that we have empowered ourselves to withstand any upcoming adverse conditions and have the capability to maintain our defined profitability corridor in the future. We know our promise and we will keep our promise toward our customers, shareholders and employees, striving for steady value creation.

What is your vision of Swiss Steel Group once the strategy program SSG 2025 is completed?

We will be a Group where efficiency is at the center throughout all dimensions of our business – in operations, in production, but also on an organizational level. We will leverage synergies within our production network and across the core businesses Engineering Steel, Stainless Steel and Tool Steel. The ratio between input and output will have been optimized, inefficiencies will have been eliminated and our position in Green Steel will be even stronger. All this will increase the strength and resilience of our Group so we can better manage change and unpredictability. It also puts us in an ideal position to serve our customers.

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.

Swiss Steel Group is on a transformation path. Along this 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. And so while the Divisions know our markets and their needs, our Production Assets ensure that quality, service levels and cost efficiency are spot on.

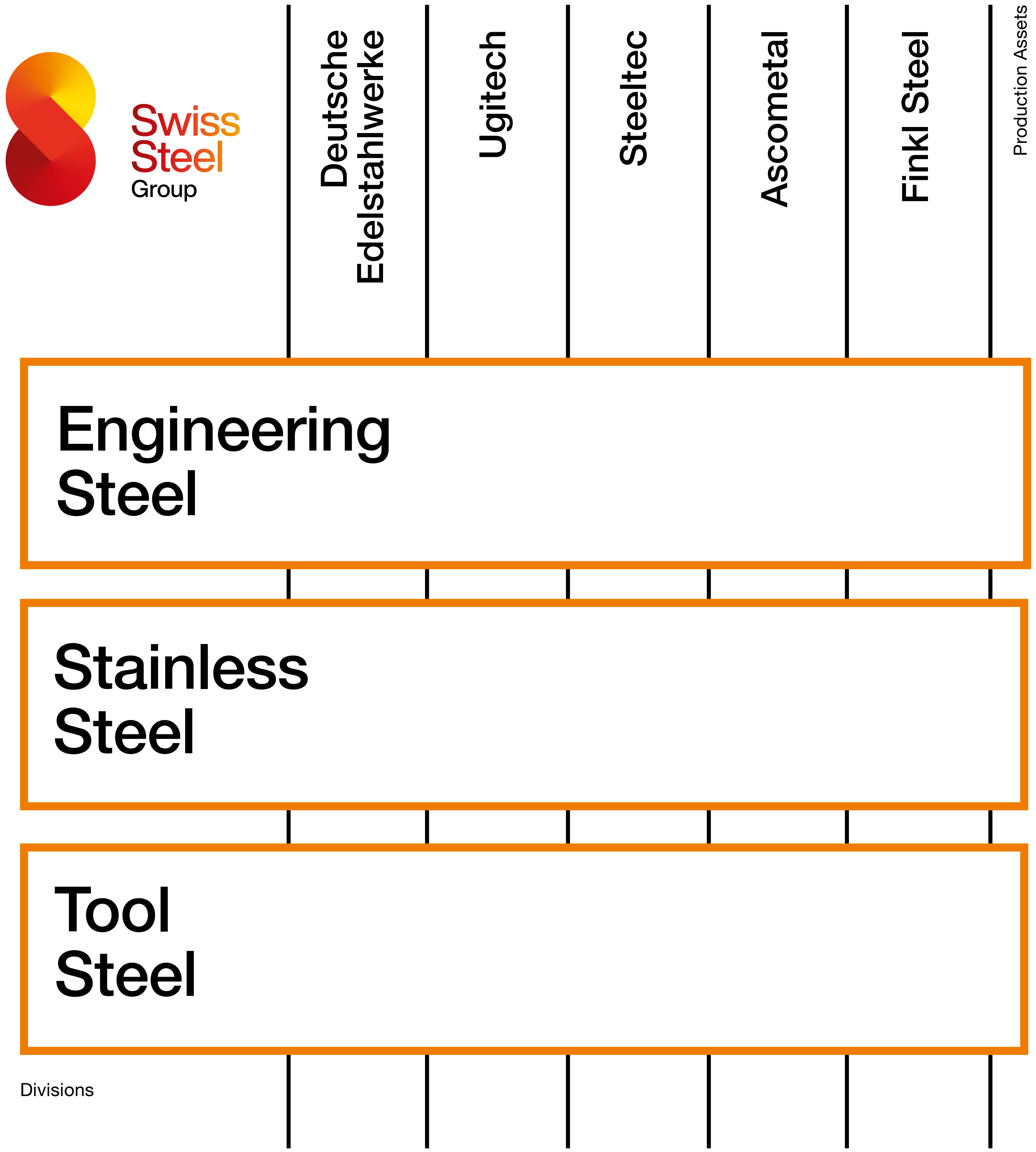
One central point of contact

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 are being merged into one strong brand: Swiss Steel Group. Going forward, we stand united under one flag that now encompasses all our entities. Our logo will continue to combine the colors of glowing steel with the shape of infinity – symbolizing our commitment to a sustainable value chain and circular economy.

Reshaping into an efficient and effective organization



At the doorstep of our partners – Swiss Steel Group around the globe

8
Melt shops

> 25
Production sites

> 70
Sales and distribution centers

> 30
Countries

~ 10,000
Employees

> 20,000
Customers

Swiss Steel Group is one of the world's leading providers of individual solutions in the special long steel products sector. As one of Europe's largest electric steel producers, Swiss Steel Group is at the forefront of sustainable steel production. Offering engineering, stainless and tool steel solutions, the Group's portfolio services a large range of customer needs.

With approximately 10,000 employees together with in-house production and distribution entities in over 30 countries and on five continents, Swiss Steel Group guarantees its customers global supply and customer service at their doorstep.

Our Divisions

Engineering Steel

Engineering Steel is the largest segment in specialty long steel and 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, by growing profitably through a mix of high-margin technical and cost-competitive standard products and by building on our in-depth customer understanding.

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 will strengthen 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.

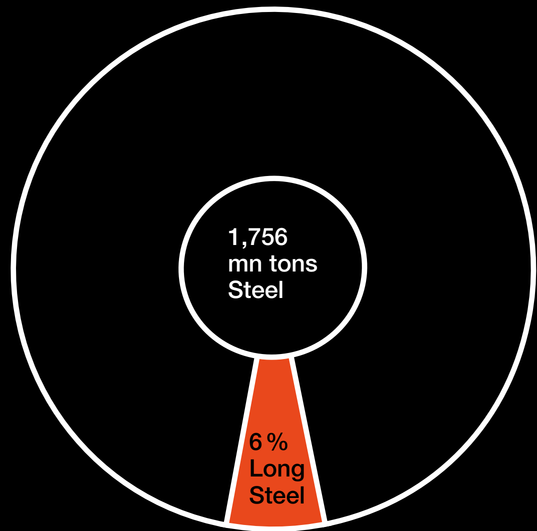
Tool Steel

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

Engineering Steel	Stainless Steel	Tool Steel
– Mobility (Train, Automotive) – Mechanical Engineering – Energy (e.g. wind) – Turbines	– Aerospace – Energy (e.g. hydrogen) – Medical – Building – Exploration	– Mobility – Packaging – Optics – Tools – Molds

Global finished steel production 2021

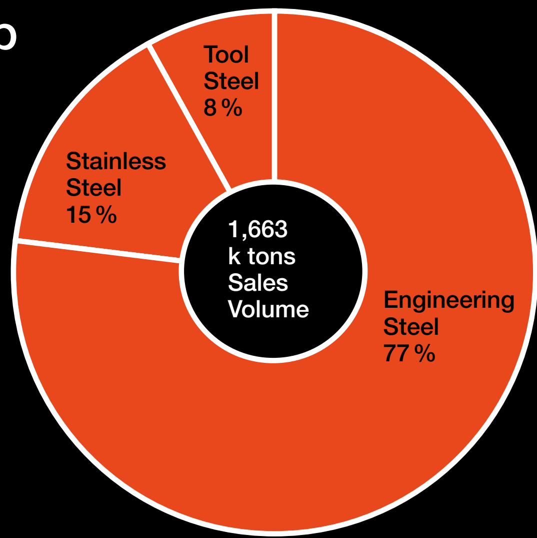


Special long steel – a promising niche market

Of the global steel production volume of approximately 1,756 million tons, 105 million tons are special long steel.

Estimates based on data from SMR, rounded

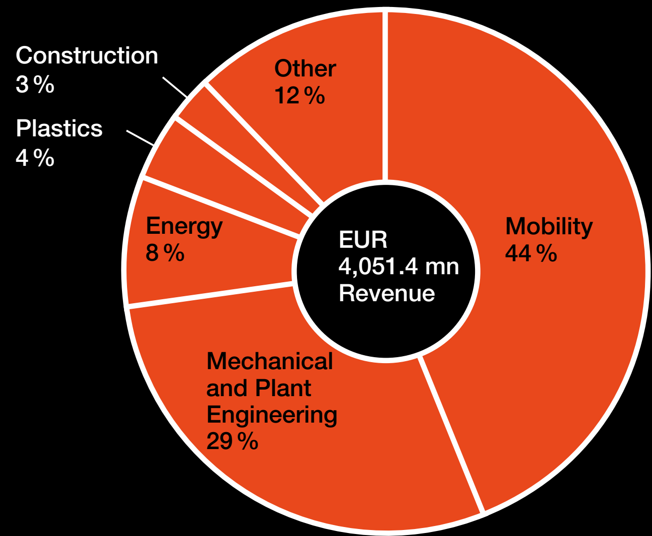
Share of sales by product group 2022



Offering a broad range of special steel solutions

Swiss Steel Group offers a large range of different types of steel aligned to customers' needs. We can supply one of the most comprehensive portfolios of steel grades on the market and are focused on products in the form of bars and wire.

Revenue by customer industry 2022



Servicing a wide range of industries

Our world is built on steel. The special steel solutions of Swiss Steel Group find application in a wide range of industries and often stand at the forefront of innovation.

“We are creating a powerful partnership experience that moves our customers forward.”

Anina Berger
Vice President Marketing and Communications

Anina Berger joined Swiss Steel Group in 2016 and thus benefits from an in-depth knowledge of the business and an extensive corporate network. She is a marketing and communications expert based at the headquarters in Lucerne and has been involved in the change process from the very start, making sure that change as significant as this is accompanied by clear, timely and transparent communication.

Anina Berger talks about creating an integrated Group, the value of one strong brand and the benefit for customers. Anina, why is the new structure the right path into a sustainable future?

Our Group has a lot of potential. We have highly motivated and skilled employees, sustainable production facilities, a broad portfolio and a global presence. The creation of an integrated Group will enable us to leverage this potential and harness our strengths to maximum effect. As a strong, solid and successful Group, we will be able to secure the future of our business, create value for our shareholders and raise the necessary funds to invest in our products, our processes and our team. This is what makes us a reliable and long-term partner for our customers.

What is it Swiss Steel Group is changing?

We have begun to implement an entirely new operating model. This model is focused around the three sales Divisions Engineering Steel, Stainless Steel and Tool Steel. Of course production remains the core of our business, but going forward our Divisions can access the respective Production Asset directly, resulting in closer Group-wide collaboration. This means the Business Unit structure has disappeared with the beginning of 2023.

What about your employees – how are you facilitating the change in the organization?

Very often, change is not exactly comfortable. But what it comes down to is the right mindset. To facilitate this, everyone of us has to lead by example. Of course, any change takes time and needs to be implemented in a transparent, communicative and supportive manner.

What role does the new Group-wide branding play in enacting the change?

Although seemingly just an image, the logo of a brand is a key identifier – both internally and externally. It provides direction and stands for common values. Unifying under one brand helps build a common understanding of who we are and what we stand for: 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 the highest quality and profound passion. Our drive, expertise and dedication make us a powerful ally. Furthermore, the new brand values – curious, active and united – capture the essence of Swiss Steel Group’s culture.

How will customers benefit from the new and improved Swiss Steel Group?

We are creating a powerful partnership experience that moves our customers forward into a more successful and more sustainable future. Through us, our customers can realize concrete and tangible improvements – and take advantage of close collaboration that focuses on their challenges. We dedicate all our capabilities to the success of our customers, integrating them into a flexible and reliable long steel supplier with a broad product portfolio, cross-divisional production, fast and efficient processes, powerful technical and innovation competencies, and a leading carbon footprint.

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.

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 manufacturers, Swiss Steel Group is committed to living up to its responsibility.

Sustainable steel production is our DNA

The steel industry is one of the biggest carbon emitters. But because steel is such a valuable material, it influences our daily lives in so many ways that we cannot do without it. In consequence, 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.

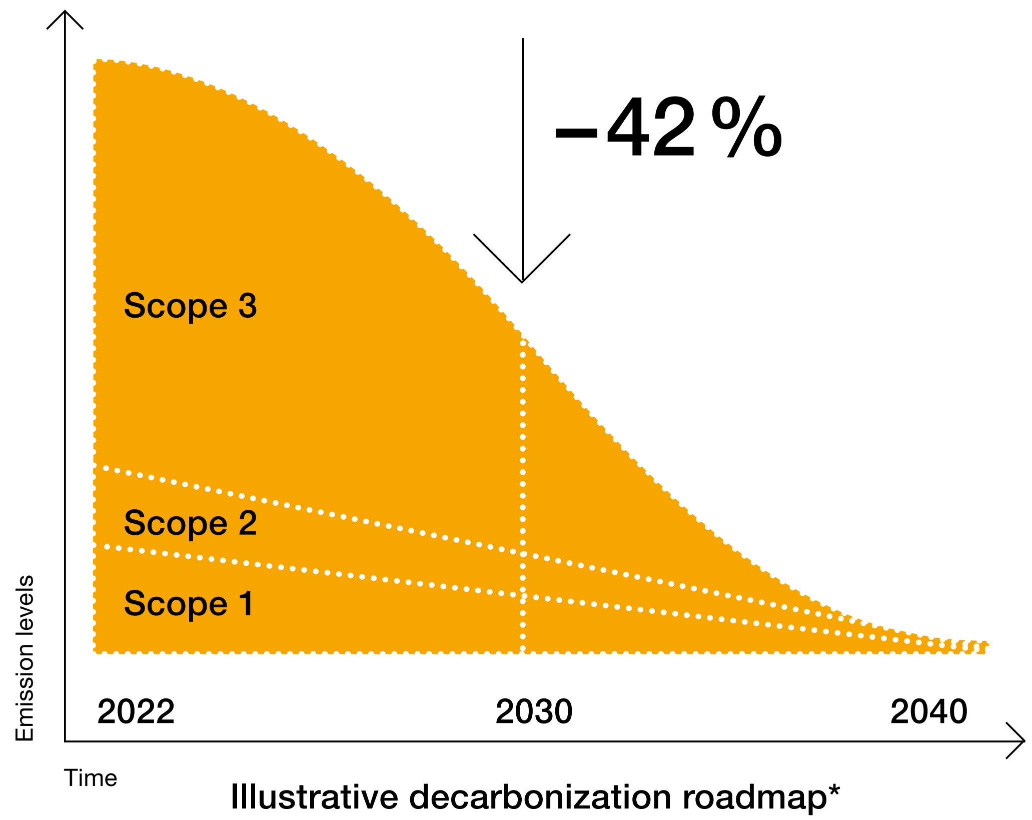
Carbon footprint well below industry average

Our profound expertise in recycling and electric arc furnace technology, highest operational standards and use of energy from renewable sources have allowed us to reduce the carbon footprint of our products well below the industry average, offering a distinct environmental value proposition to our customers. While the worldsteel average is approx. 1,9 tons of CO_2 per ton of carbon/engineering steel produced, our Group average for Scopes 1+2 lies at 195 kilograms. Scope 3 lies between 134 kg for engineering and 2050 kg for stainless steel. Overall our carbon emissions are up to 83 % below the industry mean. In Switzerland, a record low of 45 kilograms of CO_2 were emitted for every ton of engineering crude steel produced (Scope 1 and 2).

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 validated and holistic roadmap 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.

Swiss Steel Group is committed to the Science Based Target initiative (SBTi)



Illustrative decarbonization roadmap*

* Our final targets will be developed in accordance with the sectoral guidance for the steel industry provided by SBTi. The final percentual reduction of our carbon emissions will result from these targets.

In May 2022, Swiss Steel Group joined the Science Based Targets initiative (SBTi).

Ambitious target levels

In cooperation with the SBTi, we have set ambitious levels for our targets and have committed to net zero by 2050. This partnership between the disclosure system provider CDP, the United Nations Global Compact, the World Resources Institute and the World Wide Fund for Nature drives ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets.

Major part of reduction in Scope 3 emissions

In line with our commitment to the SBTi, we have developed and defined our decarbonization roadmap. A major part of this reduction will be realized in Scope 3 emissions, i.e. emissions in the upstream process mainly driven by the carbon footprint of exploiting raw materials. New recycling concepts offer a strong lever to push Scope 3 emissions toward zero.

Scope 2 reduction depending on availability of green energy

Scope 2 emissions are directly linked to the purchased electric power mix, whereas further reduction is closely linked to the availability of green electricity.

Extensive investment required for Scope 1 reduction

Finally, lowering Scope 1 emissions, which are caused by our own production and closely linked to our use of natural gas, will require extensive investments. For Swiss Steel Group this means continuously focusing on energy efficiency, as well continuing our research of the effect of hydrogen in furnaces to prepare our production process for the transition from natural gas to green hydrogen.

Our Green Steel products

We serve a wide range of customers with individual solutions and therefore empower many industries on their decarbonization path. Offering a broad Green Steel portfolio allows our customers to choose the most suitable product.

Products currently on offer

Product categories		
Green Steel	Green Steel Climate+	Green Steel Stainless+
Description		
Current portfolio with below industry average emissions	Steel with renewlable power only	Stainless steel from 95 % + recycled raw materials
Power Source		
Any	Renewables, e.g. wind, hydropower	Any
Gas		
Any	Any	Any
Green Steel refers to steel produced solely with electric arc furnace technology resulting in significantly lower carbon emissions compared to the industry average.	Green Steel Climate+ is our label for products with an even lower carbon footprint, produced with electricity exclusively from renewable sources such as wind or solar power – thus addressing mainly Scope 2 emissions from purchased electricity.	Green Steel Stainless+ is our stainless portfolio produced with a scrap rate of more than 95 percent. It is the segment that strongly targets the lowest Scope 3 emissions from purchased raw materials that account for the largest part of CO_2 emissions in steel production.

Technology, experimentation and innovation platforms

The tasks of Swiss Steel Group's production sites and scientific laboratories will be expanded with Green Steel. Green Steel turns them into technology, experimentation and innovation platforms whose horizons, but also their impact, are intended to extend far beyond the steel sector.

Products in development

Product categories	
Green Steel Climate + H_2	Green Steel Zero Emission
Description	
Steel with renewable power only and H_2	Steel with fully compensated emissions
Power Source	
Renewables, e.g. wind, hydropower	Any
Gas	
Green hydrogen	Any
Green Steel Climate + H_2 is a product segment still under development which will include products produced exclusively with energy from renewable power sources and green hydrogen.	Swiss Green Steel Net Zero is a portfolio under development that will offer customers steel from production with completely compensated carbon emissions.

SSG Green Steel – for a sustainable future

Our Green Steel builds on circular economy and low carbon energy sources. We facilitate trust by transparently disclosing our carbon footprint and thus help our customers achieve their decarbonization targets.

The steel industry distinguishes between two production routes: the primary and the secondary route, or the blast furnace and the electric arc furnace route. Swiss Steel Group's steel mills operate exclusively on the electric arc furnace (EAF) route.

EAF route works exclusively with steel scrap

Instead of iron ore, the electric arc furnace route uses exclusively steel scrap, resulting in carbon emissions well below the industry average. The EAF route is well-established and proven, especially as steel is one of the most recycled materials in the world. Swiss Steel Group is one of the largest EAF producers in Europe.

Prime example of circular economy

With our use of scrap, we are a role model in circular economy. We do not wait for our steel scrap to make its way back to us, but actively approach our customers with our scrap recycling system. Furthermore, carbon capture, utilization and storage are key – we will not be able to achieve climate neutrality with carbon avoidance alone.

More than 2 million tons of scrap used per year

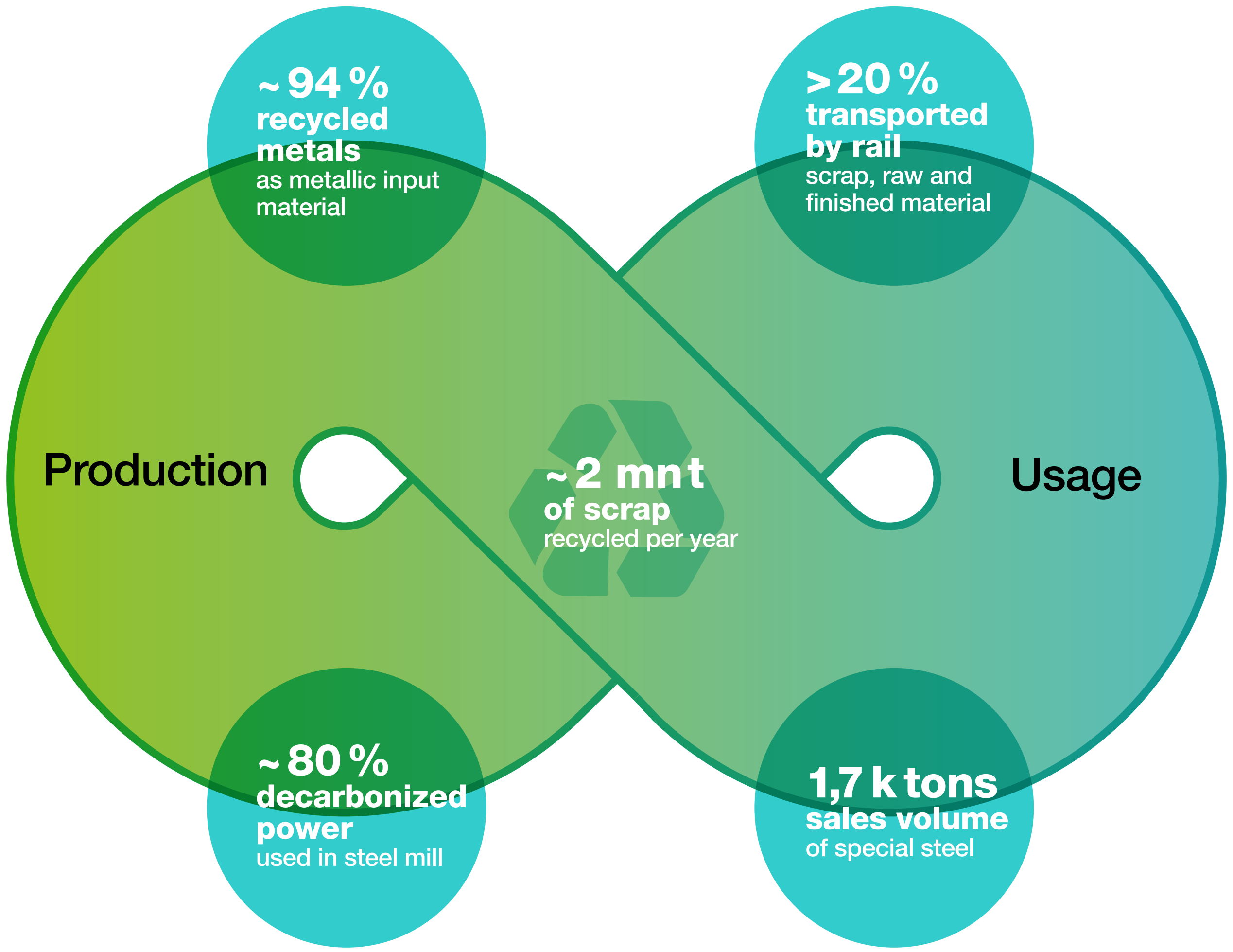
Our Green Steel is produced by recycling steel scrap and reprocessing it using low carbon and renewable energy. Processing 2 million tons of steel scrap per year makes us a relevant recycling company.

The EAF allows the further use of by-products

- Electric arc furnace slag is reusable in road construction
- Filtering of exhaust air, extraction of zinc for brass alloys and electroplating plants
- Mill scale is reused in the cement industry
- Surplus heat from rolling mill is used to heat households

Circular economy in Swiss Steel Group's production

Whether in transportation, infrastructure, energy, mechanical engineering or automotive, 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 2022

“Our low carbon footprint is a great benefit for our customers.”

Dr. Klaus Harste Vice President Technology

Klaus Harste holds a Ph.D. in metallurgy from the Clausthal University of Technology in Germany. During his career, he acquired extensive experience regarding the decarbonization of steel production and related certification processes at major steel producers and also as an independent researcher. He joined Swiss Steel Group in September 2021 and has put these topics even higher on the agenda.

Dr. Klaus Harste explains why CO_2 reduction targets are important and how they can be reached. Klaus, Swiss Steel Group has set ambitious goals in carbon reduction. What will be the main levers to reach this?

It will require many small steps and improvements in many areas. Our electric arc furnace production of steel already emits much less CO_2 than blast furnace production. A blast furnace producer emits approx. 2 tons of CO_2 per ton of steel produced, whereas at our production site in Emmenbrücke in Switzerland, for example, we only emit 45 kilograms of CO_2. Needless to say, while in blast furnace production there is huge potential for reduction that is quite easy to leverage, we have to look for many extra opportunities to improve even further from our already much lower level. One of them will be to replace fossil power sources for reheating processes at our steel mills.

The CO_2 footprint of Swiss Steel Group is already much lower than at many other steel companies. Why is it important to reduce it even further?

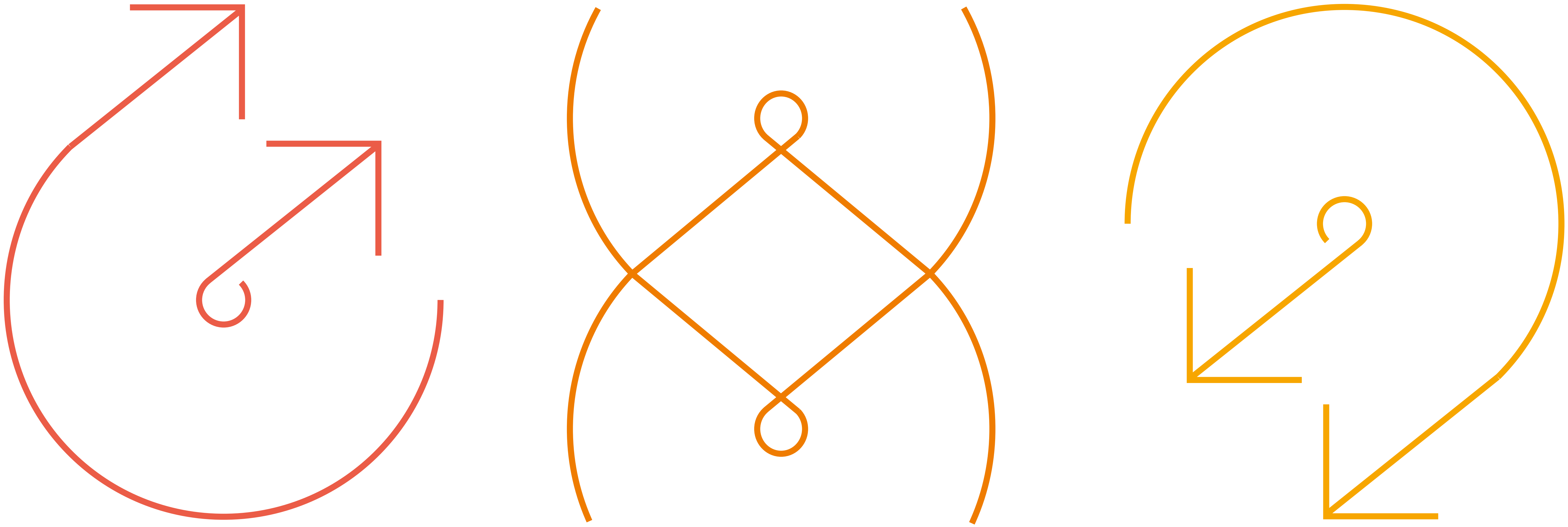
Even though our nominal CO_2 reduction will be smaller than that of many competitors due to our lower overall volume of emissions, 40 percent is still 40 percent. And every company has to make its contribution if we want to achieve the goal of limiting global warming to 1.5 degrees by 2050. The image of the steel industry as one of the biggest industrial emitters will suffer declining public acceptance if we do not demonstrate that we are prepared to do our bit. For us, a challenge will be to communicate and explain our green production processes to the public, setting us apart from the overall steel industry.

Have customers already understood this and what was the response to the ambitious target you have set yourself as part of the Science Based Targets initiative?

For our customers, it is a great benefit that our carbon footprint is already low and we will reduce it even further. They themselves have to lower their footprint. And if they procure materials with a low footprint from us, it will improve their Scope 3 emissions. Our targets are therefore also an obligation toward our customers and they have eagerly welcomed our participation in the SBTi and the related targets.

Do you see any external hurdles that could obstruct the path to achieving your reduction goals?

A lot will depend on whether the governments will be able to reach their own green energy goals. If they don’t succeed in decarbonizing their energy supply, we will not have the possibility to purchase enough green energy for our production. Investing big sums in switching from gas to electricity will not have the desired reduction effect if there is not enough electricity from renewable sources. With regard to hydrogen in particular, a lot of questions about where it will come from and how it will be generated still remain unanswered.



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

SSG 2025 Goal #2
Lead the Green Transformation in Europe

Management Report

Transforming liquid steel into solid blooms

Once the steel scrap is liquid, the addition of selected alloy materials defines the chemical composition. The liquid steel in the desired grade is then cast and cooled, transforming it into a solidified product.

Business environment

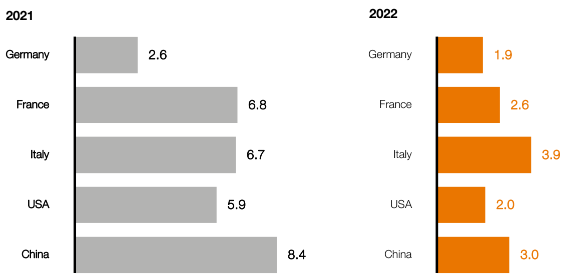
Our financial performance is influenced by numerous external and internal factors. These range from the war in Ukraine and related concerns about energy shortages fueling rising energy prices in 2022, to the continuing impact of the global COVID-19 pandemic and temporary supply chain issues. The macroeconomic and industry-specific environment play a major role, as does the development of commodity prices. The following sections give an overview of the most important factors.

Economic situation

The economic situation deteriorated over the course of 2022 due to the high volatility of the geo-political environment, affecting numerous industries. Business climate indicators and consumer confidence indices generally trended downward throughout the year.

The International Monetary Fund (IMF) estimated (as of January 2023) that in 2022 global gross domestic product (GDP) increased by 3.4 %, following growth of 6.2 % in 2021. The advanced economies, which make up our largest sales market, recorded an increase in GDP of 2.7 %, compared to growth of 5.4 % in 2021. The Eurozone and the USA posted GDP growth of 3.5 % and 2.0 %, respectively, compared with growth of 5.3 % and 5.9 % in 2021. GDP in the emerging markets and developing economies also grew by 3.9 %, versus growth of 6.7 % in 2021. China recorded GDP growth of 3.0 %, down from growth of 8.4 % in 2021.

GDP growth in selected markets
in %



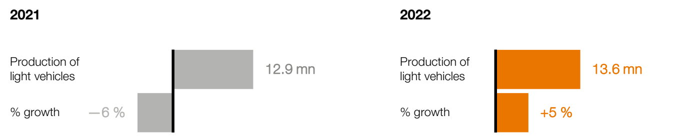
Source: IMF, World Economic Outlook (January 2023)

Customer industries

In 2022, our customer industries continued to stage a partial recovery from the impact of the COVID-19 pandemic. In one of our largest customer industries, the automotive sector, production was impacted by the war in Ukraine, the related shortage of wire harnesses and concerns about energy supply disruptions, compounding existing shortages of semi-conductor chips.

In Q4 2022, light vehicle production in Europe (17 European countries: Germany, France, Spain, the United Kingdom, Italy, Austria, Belgium, Finland, the Netherlands, Portugal, Sweden, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia) increased by 18 % com-pared to the third quarter and by 16 % compared to Q4 2021. Overall, in the full-year 2022, European light vehicle production grew by 5 % to 13.6 million units compared to 12.9 million units in 2021, while remaining 24 % below the pre-pandemic production level of 2019 (17.8 million units). (Source: LMC Automotive as of January 2023).

Automotive production in Europe
Number



Source: LMC Automotive

Monthly US passenger car production trended upward until August 2022, including a seasonal decline in July, followed by a downward trend from September until the end of the year. In Q4 2022, passenger car production in the USA fell by 5 % compared to Q3 2022, but rose by 9 % compared to Q4 2021. For the full-year 2022, passenger car production increased by 11 % compared to 2021.

Chinese passenger car production was impacted by the lockdowns in China, especially in the first half of 2022, reaching a bottom in April 2022. Production followed an overall upward trend until September, before declining through the remainder of the year. Chinese passenger car production declined in the fourth quarter by 2 % compared to both Q3 2022 and Q4 2021. For the full-year 2022, Chinese passenger car production grew by 11 % from 21.4 million units in 2021 to 23.8 million units in 2022.

Following slight year-on-year increases in production in the German mechanical and plant engineering sector in January and February 2022, the sector was impacted by ongoing supply chain problems, in particular due to the lockdowns in China, as well as the war in Ukraine. Production continued to trend upward in the second half of the year. However, order intake trended down-ward, attributable in part to subdued investment sentiment related to the economic downturn. In December, the German Engineering Federation (VDMA) confirmed its expectation from March 2022 that production in the German engineering sector would grow by just 1 % in 2022, significantly less than the 7 % growth forecast in December 2021.

In Q4 2022, production in the German mechanical and plant engineering sector increased by 1% compared to the previous quarter and by 3% compared to Q4 2022. During the same period, order intake declined by 6% compared to the third quarter and by 13% compared to Q4 2021. In the full-year 2022, production was almost unchanged compared to the previous year, while order intake declined by 6% year-on-year.

Commodity prices

Monthly average prices for German scrap type 2/8 trended upwards until April 2022 with the average price peaking at EUR 568 per ton. Following declines in May and June, during the second half of 2022, monthly average prices ranged between EUR 325 and EUR 355 per ton, while remaining on an elevated level compared to pre-pandemic price levels in 2019. For the full-year 2022, the average scrap price increased by 4% year on year to EUR 414 per ton compared to EUR 399 per ton in 2021, while rising by 81% compared to the average price of EUR 229 per ton in 2019. Price developments in 2022 were driven by temporarily lower demand from Turkey and domestic steel mills, also related to high energy prices on the demand side. Additionally, prices were impacted by the temporarily lower availability of scrap as well as low water levels in the summer paired with rising transportation costs.

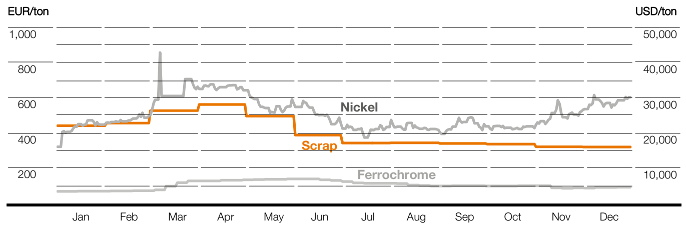
Prices for nickel at the London Metal Exchange (LME) continued to trend upward in January and February 2022, followed by strong increases to more than USD 100,000 per ton in early March, which resulted in a disruption to trading at the LME. Prices remained volatile for the remainder of 2022, with monthly average prices trending downward until mid-July and showing only slight month-on-month variations in August to October. The monthly average prices trended upward again in November and December, increasing more strongly compared to the previous months. In the second half of 2022, prices for nickel were impacted by factors such as the deteriorating macroeconomic situation, expectations of reduced supply, renewed demand in China and easing of China's COVID-19 policies.

In Q4 2022, the quarterly average price for nickel increased by 15% compared to the previous quarter and by 28% compared to Q4 2021. The annual average price for nickel rose by 39% to USD 25,605 per ton, up from USD 18,484 per ton in 2021.

The prices for European high carbon ferrochrome (higher grade with 65-70% Cr) exhibited an overall upward trend until mid-June 2022. After this, prices trended generally downward until November 2022, followed by higher prices again in December 2022. The development of high carbon ferrochrome prices, in particular in the second half of 2022, was impacted by high energy prices, resulting in production cuts and lower demand from steel mills as well as reduced availability due to production cuts at smelters.

In Q4 2022, the quarterly average price for high carbon ferrochrome declined by 12% com-pared to Q3 2022, while remaining 33% above the Q4 2021 level. The annual average price increased by 80% to USD 5,790 per ton chrome (Cr), compared to USD 3,220 per ton Cr in 2021.

Change in raw material prices (scrap, nickel, ferrochrome)



Scrap: left-hand scale; nickel and ferrochrome: right-hand scale
Sources: BDSV, London Metal Exchange, Fastmarkets sourced from ICDA (International Chromium Development Association)

Consumables

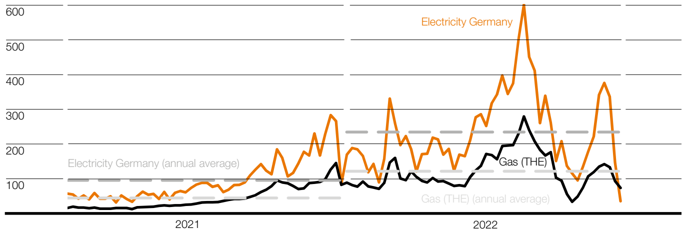
As a producer of special long steel in electric arc furnaces, Swiss Steel Group relies on a constant supply of energy, graphite electrodes, refractory materials and other consumables.

After cost of raw materials and personnel expenses, energy is the third-largest expenditure item. 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.

The Group attempts to mitigate the effect of 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. The supply contracts with different terms are concluded by the Group companies at local level.

From August 2021, wholesale prices for electricity and gas at the European Energy Exchange posted strong gains compared to previous months. European energy prices were volatile during 2022, exacerbated by uncertainties about energy supply in light of the war in Ukraine and maintenance shutdowns at French nuclear power plants. However, the gas storage replenishment, a warmer-than-expected fall and higher-than normal ambient temperatures in Europe on average in December favored a drop in gas prices at the end of the year.

Wholesale energy prices (spot prices)
Weekly average values in EUR / MWh



50 %[1)] Epex Spot German Day-Ahead Electricity Auction Baseload Index 2) THE (Trading Hub Europe) Day-Ahead spot price
Source: Bloomberg

Annual average spot prices for electricity in Germany, France and Switzerland increased between 140 % and 160 % from levels of EUR 97, EUR 109 and EUR 111 per MWh in 2021, respectively, to levels of EUR 235, EUR 276 and EUR 281 per MWh in 2022. The annual average spot price for gas (THE) climbed by 162 % to EUR 123 per MWh, up from EUR 47 per MWh in 2021.

In the USA, the annual average electricity price also increased strongly, though at a lower rate than in Europe, up by 65 % to USD 59 per MWh compared to USD 36 per MWh in 2021. The annual average gas price (Henry Hub) rose by 67 % to USD 22 per MWh compared to USD 13 per MWh in 2021.

Financial development

Business development of the Group

Following the post COVID-19 market recovery throughout our main customer industries in 2021, Swiss Steel Group's business environment in 2022 was impacted the war in Ukraine, ongoing supply chain issues resulting from COVID-19 related lockdowns in China, and increasing energy prices in Europe. This development adversely affected demand from our two main customer segments: the automotive industry as well as the mechanical and plant engineering sector.

In addition, the operations of Swiss Steel Group were negatively impacted by the stoppage of the steel mill in Ugine following a crane collapse in early January 2022. The melt shop production ramped up to approximately 65 % capacity in June and reached full capacity again in the first quarter of 2023.

Furthermore, the high price levels for raw materials and energy throughout 2022 put pressure on the Group's operational performance. Swiss Steel Group responded to these developments by adjusting production volumes to the high energy costs and lower market demand with regular shutdown windows at most European sites. Moreover, price increases were largely passed on to our customers through energy surcharges. Thanks to these efforts, the Group succeeded in recording strong adjusted EBTIDA of EUR 217.0 million, despite a lower sales volume overall.

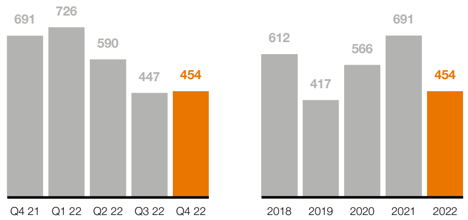
Overview of fourth quarter and 2022

In the fourth quarter of 2022, Swiss Steel Group faced overall reduced market demand exacerbated by general hesitancy due to ongoing macroeconomic uncertainties such as rising inflation, high energy costs and ongoing supply chain challenges. Moreover, shipments in the fourth quarter of 2022 were negatively impacted by reduced production activities at our steel mills in Europe. Overall, 14.8 % less steel was sold in the fourth quarter of 2022 compared to the same quarter of the previous year. Nevertheless, at EUR 36.5 million, adjusted EBITDA was only slightly below the prior year quarter (Q4 2021: EUR 39.9 million), with fixed cost savings able to partially offset the negative impact from the lower sales volume.

The key financial figures for 2022 were shaped by global market uncertainties such as the war in Ukraine, ongoing supply chain issues resulting from lockdowns in China, and increasing energy prices. The volatility in demand is reflected in a –10.7 % lower sales volume across all product groups. Following the implementation of an energy surcharge coupled with the high level of raw material prices, the average sales price rose considerably in 2022 to EUR 2,438 (+42.1 %), leading to revenues of EUR 4,051.4 million, an increase of 26.9 % on the prior year (2021: EUR 3,192.8 million). In this market environment, accompanied by ongoing measures to cut costs and enhance efficiency, adjusted EBITDA improved to EUR 217.0 million (2021: EUR 191.6 million). Free cash flow on the other hand, was negative at EUR –53.7 million due to a significant increase in net working capital, especially inventories. Moreover, the key figures for 2022 were impacted by the first-time application of hyperinflation accounting in Turkey as well as by reclassification of assets held for sale.

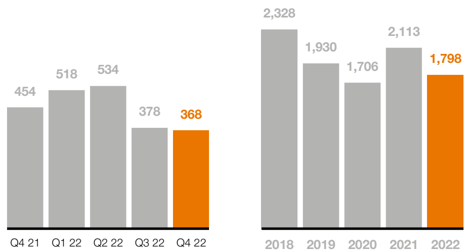
Production, sales and order situation

Order backlog at quarter/year-end
in kilotons



Following an increase in the first quarter, the order backlog declined considerably in the second and third quarters of 2022. This was due to lower market demand in some areas, but also due to planned lower production capacities as the group focused on higher-margin products, foregoing certain volumes. The order backlog recovered slightly in the fourth quarter of 2022, but the order situation remains at a reduced level, providing limited visibility into 2023. Overall, the order backlog of 454 kilotons at year-end 2022 was 34.3 % below the prior-year level of 691 kilotons.

Production volume
in kilotons



After a seasonally low third quarter, crude steel production was cut as well in the fourth quarter of 2022 in order to adapt to lower market demand and ongoing high energy prices. At 368 kilotons, less crude steel was produced than in the same quarter of the previous year (Q4 2021: 454 kilotons). Full-year crude steel production in 2022 was 1,798 kilotons, substantially lower than in the previous year (2021: 2,113 kilotons). This was due to various production shutdowns during energy peak times, lower market demand, but also missing production volumes from Ugitech in the first half of 2022 due to the stoppage of the steel mill in Ugine following the severe accident in early January. Melt shop production in Ugine ramped up in June 2022 but remained at reduced capacity throughout the second half year of 2022 and will reach full capacity in the first quarter of 2023.

Sales volume by product group in kilotons	**2022**	**2021**	**Δ in %**	**Q4 2022**	**Q4 2021**	**Δ in %**
Engineering steel	1,284	1,403	− 8.5	275	317	− 13.2
Stainless steel	249	321	− 22.4	60	76	− 21.1
Tool steel	126	134	− 6.0	26	31	− 16.1
Others	4	5	− 20.0	1	1	0.0
Total	**1,663**	**1,863**	**− 10.7**	**362**	**425**	**− 14.8**

At 362 kilotons, 14.8 % less steel was sold in the fourth quarter of 2022 than in the same quarter of the previous year (Q4 2021: 425 kilotons), reflecting the overall lower market demand. The sales volume decreased in all of our product groups, with the strongest decrease in stainless steel (−21.1 %).

Steel sales were 1,663 kilotons, in the full-year 2022, down 10.7 % compared to the previous year (2021: 1,863 kilotons). The sales volume decreased in all of our product groups with stainless steel recording the sharpest decline (−22.4 %), mainly driven by missing volumes from Ugitech due to the stoppage of the steel mill in Ugine.

Key figures on the income statement

in million EUR	2022	2021	Δ in %	Q4 2022	Q4 2021	Δ in %
Revenue	4,051.4	3,192.8	26.9	960.0	837.1	14.7
Gross profit	1,147.1	1,113.1	3.1	231.5	272.1	–14.9
Adjusted EBITDA	217.0	191.6	13.3	36.5	39.9	–8.5
EBITDA	188.8	200.0	–5.6	26.5	53.1	–50.1
Adjusted EBITDA margin (%)	5.4	6.0	–	3.8	4.8	–
EBITDA margin (%)	4.7	6.3	–	2.8	6.3	–
EBIT	73.0	108.7	–32.8	–17.7	27.9	–
Earnings before taxes	21.3	64.1	–66.8	–33.2	16.2	–
Group result	9.4	50.3	–81.3	–27.2	11.5	–

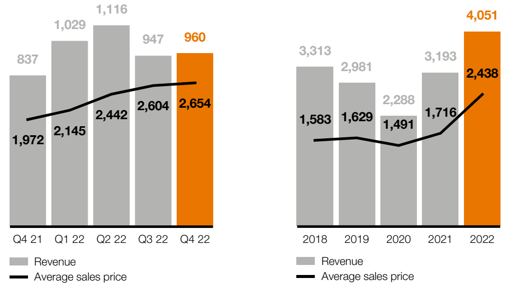
Revenue by product group in million EUR	2022	2021	Δ in %	Q4 2022	Q4 2021	Δ in %
Engineering steel	2,145.8	1,570.2	36.7	481.3	409.8	17.4
Stainless steel	1,255.6	1,149.1	9.3	325.2	303.4	7.2
Tool steel	537.3	396.1	35.6	120.3	105.1	14.5
Others	112.7	77.4	45.7	33.2	18.8	76.6
Total	**4,051.4**	**3,192.8**	**26.9**	**960.0**	**837.1**	**14.7**

Revenue by region in million EUR	2022	2021	Δ in %	Q4 2022	Q4 2021	Δ in %
Germany	1,382.5	1,120.2	23.4	312.1	283.5	10.1
Italy	559.7	455.2	23.0	127.3	127.0	0.2
France	406.6	332.6	22.2	89.7	82.8	8.3
Switzerland	63.1	48.7	29.6	14.8	14.4	2.8
Other Europe	882.4	651.2	35.5	224.2	169.6	32.2
Europe	**3,294.3**	**2,607.9**	**26.3**	**768.1**	**677.3**	**13.4**
USA	358.0	233.6	53.3	95.8	66.0	45.2
Canada	98.0	70.8	38.4	23.8	17.7	34.5
Other Americas	54.1	38.2	41.6	13.2	10.0	32.0
America	**510.1**	**342.6**	**48.9**	**132.8**	**93.7**	**41.7**
China	110.2	112.6	–2.1	26.2	31.0	–15.5
India	42.5	38.3	11.0	9.9	11.6	–14.7
Asia Pacific/Africa	94.3	91.4	3.2	23.0	23.5	–2.1
Africa/Asia	**247.0**	**242.3**	**1.9**	**59.1**	**66.1**	**–10.6**
Total	**4,051.4**	**3,192.8**	**26.9**	**960.0**	**837.1**	**14.7**

At EUR 2,654, the average sales price was considerably higher in the fourth quarter of 2022, than the average sales price achieved in the same quarter of the previous year (Q4 2021: EUR 1,972 per ton). This is due to increased base prices as well as higher surcharges. Besides a surcharge for scrap and alloys, an energy surcharge was implemented in our pricing mechanism in 2022 in order to pass on the energy cost inflation to our customers. While scrap prices were lower in the fourth quarter of 2022 compared to the same quarter of the previous year, higher alloy and energy surcharges led to significantly higher sales prices.

In the full-year 2022, the average sales price of EUR 2,438 was 42.1 % above the previous year (2021: EUR 1,716 per ton), also driven by increased base prices, higher raw material prices and especially high energy surcharges.

Revenue and average sales prices
in EUR million / in EUR/t



Despite a lower sales volume, revenue in the fourth quarter increased by 14.7 % to EUR 960.0 million compared to the same quarter in the previous year (Q4 2021: EUR 837.1 million). This jump in revenue – resulting from higher average sales prices – was spread across all product groups. By region, revenue increased in Europe (+13.4 %) and in the Americas (+41.7 %), but decreased in Africa/Asia (–10.6 %).

In the full-year 2022, revenue was up by 26.9 % year on year to EUR 4,051.4 million. Revenue increased across all product groups, with the strongest gain in engineering steel at 36.7 %. By region, revenue increased in all our sales markets, except in China where revenue was negatively impacted by the COVID-19 lockdowns. Revenue in our American market saw the greatest uptick (+48.9 %).

Expenses

in million EUR	2022	2021	Δ in %	Q4 2022	Q4 2021	Δ in %
Cost of materials (incl. change in semi-finished and finished goods)	2,904.3	2,079.7	39.6	728.5	565.0	28.9
Personnel expenses	693.1	663.2	4.5	172.3	159.5	8.0
Other operating expenses	389.8	338.2	15.3	98.8	96.8	2.1
Depreciation, amortization and impairments	115.8	91.3	26.8	44.2	25.1	76.1

Cost of materials and gross profit

Cost of materials – including change in semi-finished and finished goods – increased in the fourth quarter by 28.9 % to EUR 728.5 million. This was mainly due to higher energy prices.

For the full-year 2022, cost of materials – including change in semi-finished and finished goods – rose by 39.6 % to EUR 2,904.3 million. This was primarily attributable to significantly higher raw material and energy prices.

Gross profit – revenue less cost of materials – decreased by 14.9 % in the fourth quarter to EUR 231.5 million (Q4 2021: EUR 272.1 million). The gross profit margin decreased to 24.1 % (Q4 2021: 32.5 %), mainly impacted by the energy surcharge squeeze and inventory valuation.

In the full-year 2022, gross profit increased by 3.1 % to EUR 1,147.1 million (2021: EUR 1,113.1 million). The gross profit margin contracted to 28.3 % (2021: 34.9 %), as significantly higher raw material and energy prices diluted the realized margin despite being passed on to our customers.

Personnel expenses

Personnel expenses increased by 8.0 % in the fourth quarter to EUR 172.3 million (Q4 2021: EUR 159.5 million). In Q4 2021, this included a reversal of restructuring provisions at Deutsche Edelstahlwerke in the amount of EUR 5.8 million and at Ascometal in the amount of EUR 2.3 million.

In the full-year 2022, personnel expenses were up by 4.5 % to EUR 693.1 million. This was driven by higher wages following an inflation driven adjustment in the tariff agreement in Germany. Additionally, personnel expenses were negatively impacted by the appreciation of the US dollar and the Swiss franc against the Group's reporting currency, the Euro. In the full-year 2022, Swiss Steel Group received EUR 4.8 million in compensation for short-time work, which was offset against personnel expenses (2021: EUR 3.6 million). Headcount decreased by 57 employees year on year to 9,857 in 2022.

Other operating income and expenses

At EUR 66.1 million, other operating income in the fourth quarter was considerably higher than in the same quarter of the previous year (Q4 2021: EUR 37.3 million). In the fourth quarter of 2022, this included foreign exchange gains, government subsidies in France as well as income from the sale of CO_2 certificates and excess energy during production shutdown. In the fourth quarter of 2021, it comprised the compensation from property and business interruption insurances following the flood disaster in Hagen in the amount of EUR 22.6 million.

Consequently, other operating income for the full-year 2022 of EUR 124.6 million was also higher than in the previous year (2021: EUR 88.3 million).

Other operating expenses increased slightly by 2.1 % over the same quarter in the previous year to EUR 98.8 million (Q4 2021: EUR 96.8 million). While freight and commission costs increased considerably (+31 %) driven by logistical capacity constraints, costs for maintenance and repairs were lower (-20 %) due to higher repair costs to rebuild the Hagen site after the flooding in the prior-year quarter. For the full-year 2022, other operating expenses rose by 15.3 % to EUR 389.8 million (2021: EUR 338.2 million). This increase was mainly driven by higher freight and commission costs, but also higher holding and administration expenses as well as higher IT costs.

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

Adjusted EBITDA was EUR 36.5 million in the fourth quarter of 2022, a slight decrease compared to the same quarter of the previous year (Q4 2021: EUR 39.9 million). One-time effects amounted to EUR 10.0 million and included, among others, repair costs related to the accident in Ugine and costs for the reorganization and transformation program. Including these one-time effects, EBITDA decreased to EUR 26.5 million (Q4 2021: EUR 53.1 million).

For the full-year 2022, adjusted EBITDA was EUR 217.0 million, an increase over the previous year (2021: EUR 191.6 million). One-time effects amounted to EUR 28.2 million (2021: EUR –8.4 million) and were attributable to costs for the efficiency improvement program, costs for the reorganization program, expenses related to rebuilding the Hagen plant after the flooding (for which insurance payment was received in 2021), as well as repair costs related to the accident in Ugine. EBITDA amounted to EUR 188.8 million, below the previous year (2021: EUR 200.0 million).

In the fourth quarter of 2022, the adjusted EBITDA margin decreased to 3.8 % (Q4 2021: 4.8 %) and the EBITDA margin to 2.8 % (Q4 2021: 6.3 %). For the full-year 2022, the adjusted EBITDA margin was 5.4 % (2021: 6.0 %), while the EBITDA margin was 4.7 % (2021: 6.3 %).

One-time effects

in million EUR	2022	2021	Δ in %	Q4 2022	Q4 2021	Δ in %
EBITDA (IFRS)	**188.8**	**200.0**	**–5.6**	**26.5**	**53.1**	**–50.1**
Performance improvement program, others	17.0	–7.1	–	7.7	–9.6	–
Reorganization and transformation processes	7.5	4.6	63.0	1.2	3.7	–67.6
Restructuring and other personnel measures	3.7	–5.9	–	1.1	–7.3	–
Adjusted EBITDA	**217.0**	**191.6**	**13.3**	**36.5**	**39.9**	**–8.5**

Depreciation, amortization and impairments

Depreciation, amortization and impairments came to EUR 44.2 million in the fourth quarter, above the figure for the same quarter in the previous year (Q4 2021: EUR 25.1 million). This includes impairments from Ascometal of EUR 6.0 million (Q4 2021: EUR 6.6 million) as well as impairments related to assets held for sale in the amount of EUR 16.5 million. For the full-year 2022, at EUR 115.8 million, depreciation, amortization and impairments were higher than the prior-year level (2021: EUR 91.3 million). This was due to the impairment loss related to assets held for sale.

Financial result

At EUR –15.5 million, the financial result in the fourth quarter was lower than in the same quarter in the previous year (Q4 2021: EUR –11.6 million) mainly due to increased interest expenses given higher utilization of the Asset Backed Securities (ABS) financing program, as well as increased loan interests. For the full-year 2022, the financial result decreased to EUR –51.7 million, from EUR –44.6 million recorded in 2021.

Tax expense (income)

Earnings before tax (EBT) in the fourth quarter were EUR –33.2 million (Q4 2021: EUR 16.2 million) and amounted to EUR 21.3 million for the full-year 2022 (2021: EUR 64.1 million). The tax income in the fourth quarter was EUR 6.0 million (Q4 2021: expense EUR –4.7 million), mainly due to the recognition of a deferred tax asset on loss carry forwards at the France tax group. For the full-year 2022, tax expenses were EUR –11.9 million (2021: EUR –13.8 million). Current taxes include the positive effect of EUR 5.0 million from an internal reorganization of the Swiss entities.

Group result
A negative Group result of EUR –27.2 million was recorded in the fourth quarter (Q4 2021: EUR 11.5 million). For the full-year 2022, the Group achieved a positive Group result of EUR 9.4 million, below the previous year (2021: EUR 50.3 million).

Key figures on the balance sheet

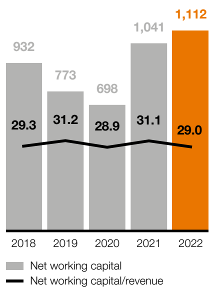
	Unit	31.12.2022	31.12.2021	Δ in %
Shareholders' equity	million EUR	530.9	448.9	18.3
Equity ratio	%	22.2	20.2	–
Net debt	million EUR	848.2	720.5	17.7
Gearing	%	159.8	160.5	–
Net working capital (NWC)	million EUR	1,112.4	1,040.6	6.9
Balance sheet total	million EUR	2,386.0	2,227.4	7.1

Non-current assets
Non-current assets decreased compared to December 31, 2021 by EUR 7.1 million to EUR 568.5 million. The decrease is mainly attributable to property, plant and equipment, where assets have been reclassified to assets held for sale. The share of non-current assets in the balance sheet total fell to 23.8 % (December 31, 2021: 25.8 %).

Net working capital
Compared to December 31, 2021, net working capital increased from EUR 1,040.6 million to EUR 1,112.4 million. This development is mainly the result of the significant increase in raw material and energy prices. Inventories increased by EUR 56.4 million driven by a higher valuation impact while inventory volumes decreased by 54kt on the prior year. Trade accounts receivable were up by EUR 17.4 million. These two effects outweighed the increase in trade accounts payable by EUR 2.0 million. Moreover, there was a reduction in net working capital of EUR 39.4 million in 2022 due to the reclassification to assets held for sale. The ratio of net working capital to revenue (L3M annualized) as of December 31, 2022 was 29.0 %, down on the figure at the end of 2021 (31.1 %) driven by increased revenues.

Shareholders' equity and equity ratio
At the end of December 2022, shareholders' equity had increased by EUR 82.0 million since December 31, 2021. This was attributable to the positive Group result of EUR 9.4 million as well as to other comprehensive income of EUR 67.6 million. The other comprehensive result was positively impacted by actuarial gains from pensions and similar obligations in the amount of EUR 63.7 million, resulting from increased discount rates as well as currency translation differences in the amount of EUR 4.3 million. The equity ratio of 22.2 % therefore increased from the previous year (2021: 20.2 %).

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

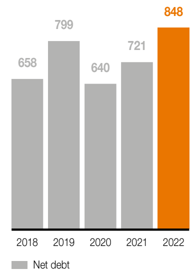


Liabilities
Non-current liabilities amounted to EUR 736.8 million as of the reporting date and were thus EUR 158.0 million lower than on December 31, 2021, primarily as a result of the EUR 87.1 million decrease in non-current financial liabilities. This position decreased due to lower utilization of the syndicated loan, as well as a reclassification of the shareholder loan in the amount of EUR 80.0 million to current liabilities as this tranche needs to be paid back in the upcoming twelve months. Pension liabilities were also reduced by EUR 75.8 million, primarily on the back of actuarial gains resulting from higher discount rates. The share of non-current liabilities in the balance sheet total decreased from 40.2 % to 30.9 %.

Current liabilities of EUR 1,118.3 million were EUR 234.6 million higher than at the end of 2021. This was primarily attributable to the rise in current financial liabilities of EUR 196.9 million due to the reclassification of the shareholder loan from non-current to current financial liabilities, as well as the higher utilization of the ABS financing program, which resulted in a higher liability at year-end. The share of current liabilities in the balance sheet is 46.9 % (December 31, 2021: 39.6 %).

Net debt
Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, amounted to EUR 848.2 million, an increase compared to December 31, 2021 (EUR 720.5 million). This was mainly due to ongoing high raw material prices and the sharp rise in energy prices requiring significantly higher net working capital.

Net debt
in million EUR



Key figures on the cash flow statement

in million EUR	2022	2021	Δ in %	Q4 2022	Q4 2021	Δ in %
Cash flow before changes in net working capital	150.0	199.0	–24.6	2.9	47.9	–93.9
Cash flow from operating activities	46.6	–135.8	–	106.2	–15.8	–
Cash flow from investing activities	–100.3	–87.9	–14.1	–38.0	–38.0	0.0
Free cash flow	–53.7	–223.7	76.0	68.2	–53.8	–
Cash flow from financing activities	39.4	236.3	–83.3	–39.4	61.8	–

Cash flow from operating activities
At EUR 2.9 million, operating cash flow before changes in net working capital in the fourth quarter of 2022 was slightly positive and considerably lower than in the same quarter of the previous year (Q4 2021: EUR 47.9 million). This was driven by the lower profitability as well as the negative cash impact from changes in other assets and liabilities. Despite the low operating result, cash flow from operating activities was positive at EUR 106.2 million (Q4 2021: EUR –15.8 million), driven by the reduction in net working capital, especially inventories.

For the full-year 2022, cash flow from operating activities was EUR 46.6 million, higher than in the previous year (2021: EUR –135.8 million). This was due to the lower negative cash impact from changes in net working capital compared to the previous year.

Cash flow from investing activities

Cash flow from investing activities in the fourth quarter amounted to EUR –38.0 million, unchanged on the prior year quarter. Cash flow from investing activities for the full-year 2022 was higher than in the previous year at EUR –100.3 million (2021: EUR –87.9 million).

Free cash flow (cash flow from operating activities less cash flow from investing activities) in the fourth quarter of 2022 was EUR 68.2 million (Q4 2021: EUR –53.8 million). For the full-year 2022, free cash flow was EUR –53.7 million, higher than in the previous year (2021: EUR –223.7 million).

Cash flow from financing activities

Cash flow from financing activities in the fourth quarter of 2022 was EUR –39.4 million (Q4 2021: EUR 61.8 million), mainly due to the reduced syndicated loan financing. The cash inflow from financing activities for the full-year 2022 was EUR 39.4 million (2021: EUR 236.3 million). This includes cash inflow from the utilization under the shareholder loan in the amount of EUR 80 million, as well higher ABS financing. The syndicated loan, on the other hand was reduced.

Change in cash and cash equivalents

The total change in cash and cash equivalents in 2022 thus came to EUR –13.2 million (2021: EUR 14.3 million). At the end of December 2022, cash and cash equivalents amounted to EUR 75.8 million, compared with EUR 89.0 million at the end of December 2021.

Business development of the divisions

Key figures divisions in million EUR	2022	2021	Δ in %	Q4 2022	Q4 2021	Δ in %
Production						
Revenue	3,732.5	2,948.9	26.6	890.7	781.5	14.0
Adjusted EBITDA	173.2	159.3	8.7	35.6	35.0	1.7
EBITDA	155.1	175.8	–11.8	28.9	52.8	–45.3
Adjusted EBITDA margin (%)	4.6	5.4	–	4.0	4.5	–
EBITDA margin (%)	4.2	6.0	–	3.2	6.8	–
Investments	101.2	99.0	2.2	39.3	41.8	–6.0
Operating free cash flow	–1.9	–247.8	99.2	106.7	–66.6	–
Employees as of closing date	8,420	8,437	–0.2	8,420	8,437	–0.2
Sales & Services						
Revenue	679.7	575.9	18.0	157.0	148.5	5.7
Adjusted EBITDA	62.3	50.6	23.1	8.9	12.5	–28.8
EBITDA	61.1	50.6	20.8	8.1	12.5	–35.2
Adjusted EBITDA margin (%)	9.2	8.8	–	5.7	8.4	–
EBITDA margin (%)	9.0	8.8	–	5.2	8.4	–
Investments	12.1	7.0	72.9	1.8	1.8	0.0
Operating free cash flow	46.7	29.0	61.0	43.8	8.0	–
Employees as of closing date	1,296	1,346	–3.7	1,296	1,346	–3.7

Production

Despite a lower sales volume and less favorable product mix, the *Production* division recorded growth in revenue of 14.0 % in the fourth quarter of 2022 due to the significant increase in average sales prices (+34.2 %). At EUR 35.6 million, adjusted EBITDA was slightly higher than in the same quarter of the previous year (Q4 2021: EUR 35.0 million), mainly driven by lower fixed costs, while margins were below the prior-year quarter. The one-time effects amounted to EUR 6.7 million and mainly included repair costs related to the accident in Ugine.

Revenue for the full-year 2022 increased by 26.6 %, also driven by higher sales prices, offsetting the lower sales volume, which was down by 11.6 % versus the full-year 2021 due to lost volumes resulting from the stoppage in Ugine and lower market demand. Adjusted EBITDA amounted to EUR 173.2 million, an increase on the previous year (2021: EUR 159.3 million). One-time effects amounted to EUR 18.1 million and were attributable to costs for the performance improvement program, costs for the reorganization program, expenses associated with the rebuilding of the Hagen plant after the flooding (for which insurance payment was received in 2021), as well as repair costs related to the accident in Ugine.

Sales & Services

Growth in revenue was also evident in the *Sales & Services* division. Overall, revenue increased by 5.7 %. Like in the *Production* division, this was driven by higher sales prices, with the sales volume down 17.4 % on the prior-year quarter. At EUR 8.9 million, adjusted EBITDA is below the figure for the same quarter of the previous year (Q4 2021: EUR 12.5 million). One-time effects amounted to EUR 0.8 million and included restructuring costs.

For the full-year 2022, revenue increased by 18.0 % while sales volume was 9.9 % below the prior year. Adjusted EBITDA was above the previous year at EUR 62.3 million with one-time effects of EUR 1.2 million.

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.

Stakeholder engagement

Active engagement

Stakeholders encompass all individuals, groups or organizations that have a vested interest in our Group. They can influence the actions, objectives and policies of the Group, or also be affected by the same. Our key criteria for involving individual interest groups are the applicable legal conditions, the frequency and focal points of cooperation, any existing business relationships and also the physical proximity to the sites. We cultivate regular dialog in the aim of building long-term relationships with these groups and understanding their needs, and take them into account, wherever feasible and appropriate. All employees are committed to this goal, and the employees entrusted with stakeholder relations always try to communicate with the parties involved in person. Our communication experts support and plan the processes and help facilitate measures fostering the active representation of interests.

We engage with the various interest groups beyond the scope of day-to-day business, for example by means of the following channels:

- Publications (such as the annual report, media releases and the employee communication platform)
- Events (such as open houses, customer days, topical conferences and training programs)
- Customer and employee surveys
- Trade fairs
- Innovation partnerships with scientific institutions, industrial partners among our customers and suppliers
- Local and regional involvement by reciprocal invitations (such as visitor groups, or our participation in regional or local bodies)

We participate actively in working groups of steel associations such as worldstainless, EUROFER and the German Steel Association and thus contribute to industry efforts toward pertinent, well-adapted standards through technical arguments in the political spheres.

Our major interest groups are listed and described below.

Customers	Close customer partnerships are ensured by committed Management, Key Account Managers and dedicated teams. Specifications, requirements and ongoing dialog provide the Group with direction and focus for maintaining and further developing products and services, as well as researching and developing innovative products and improving all aspects of the customer interface and customer service. Special attention is given to multi-site customers.
Investors and lenders	As a publicly traded company, shareholders, banks, credit insurers and financial analysts are important business partners for Swiss Steel Group. They finance the Group and influence opinions on the capital market. Our Corporate Finance and Treasury teams are in constant contact with banks and credit insurers that provide us with credit lines. This gives us the best possible financing conditions and adequate financial flexibility.
Suppliers	Our dedicated procurement officers are in regular contact with our suppliers, supported by topical teams to advance processes and technologies. We ensure that competitively priced materials and services are received in the right quantity and quality and on time – and to enable progress in a joint win-win mentality. Through integration across our sites, we ensure access to a large and diverse supplier base and are able to focus Group demands on strong suppliers and business partners.
Communities and public institutions	Regions and communities determine the environment and conditions for each of our operating sites. Beyond strict compliance with all local laws and regulations, we care for them and maintain a close dialog, usually with local management, functional experts and other representatives taking an active role. Typical functions include management, human resources, environmental engineers and scientific staff in research cooperation.
Certifying bodies	Beyond auditors of our financials and various functionally oriented management systems, we gladly and fully cooperate with certifying bodies within the context of sustainability on our environmental, social and governance management systems.
Employees	Employees at all our sites have the right to form and elect representative bodies, and management maintains close dialog with these. Employees' full engagement is sought and reinforced through everyday management as well as dedicated, larger-scale initiatives. Typical topics include workplace quality, health & safety, equal opportunity, and professional training and advancement. Dedicated human resources officers for each site are always available to listen to our employees' concerns and initiate appropriate responses. We foster an open business culture that attracts new talents and keeps the existing workforce motivated.
Management	The Board of Directors, the Group Executive Board as well as the Executive Boards of the Production Assets represent and lead the entire management that defines the Group's strategy and manages its business operations.

Materiality analysis

In order to align our sustainability strategy with stakeholder expectations and in anticipation of future regulatory requirements, we conducted a double materiality analysis in 2022. 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).

The 2022 materiality analysis was performed in three steps, namely the identification of possibly material sustainability topics (based on reporting standards, regulations and competitors' reports), stakeholder engagement (structured face-to-face interviews with employees, customers and suppliers) and an analysis of environmental, social and governance (ESG)-related risks and opportunities.

In identifying sustainability topics, we took holistic account of all aspects of sustainability (economic, environmental, social and governance). We identified the following topics:

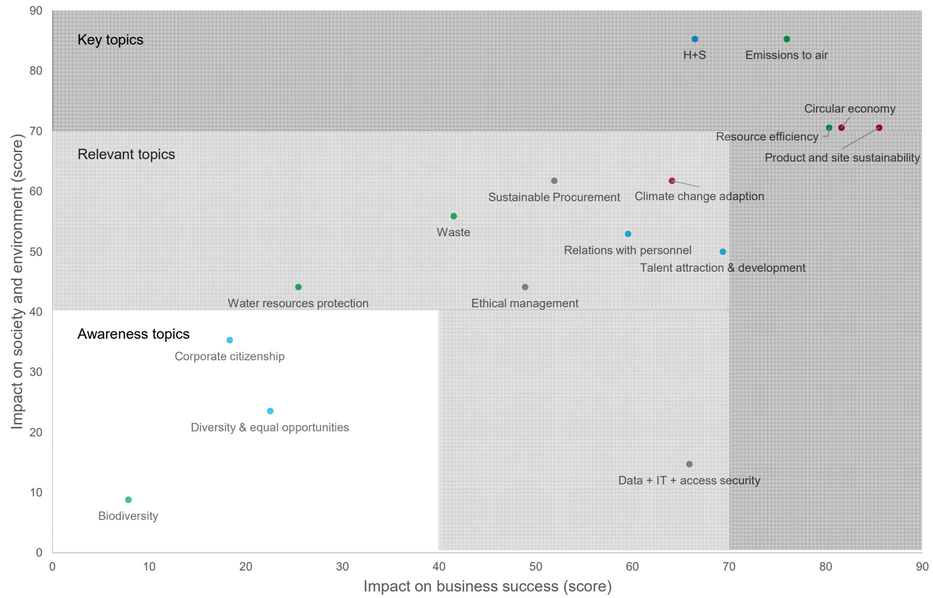
Economic Topics	Definition
Product and site sustainability	Continuous business success of our sites through innovation, investments, site development and improvement of the product portfolio.
Climate change adaptation	Our ability to adapt to climate change and manage related risks and opportunities. Risks can be physical risks like floods or droughts, or transition risks like changing markets, additional need for CAPEX, etc. Opportunities can include higher demand for green steel, attracting funds for green investments or increased attractiveness as an employer.
Circular economy	Using a 100% EAF and scrap-based production route, we play a significant role in fostering a circular economy. We continuously observe how industry trends affect the availability of our supplies, such as the conversion from the BF-BOF route to EAF steelmaking and the resulting increased demand for scrap and electrodes. We strive for the highest recycling content technically and economically possible in our input materials.

Environmental Topics	Definition
Waste	The management of unwanted materials (e.g. dust, scale, oily sludge) or byproducts (e.g. slag) that cannot be fully avoided in our technical processes and need to be disposed of or recovered.
Resource efficiency	The efficient use of raw materials, energy and all other resources.
Emissions to air	The control and reduction of all emissions to air, including CO_2, NO_x and dust.
Water resources protection	Responsible withdrawal and discharge of water. Protection of water resources through minimization of emissions to water and avoidance of leaks and spills.
Biodiversity	The protection and support of biodiversity at and around our sites.

Social Topics	Definition
Health & Safety	The protection and promotion of the safety, health and welfare of employees, contractors and other people at our sites (e.g. visitors).
Relations with personnel	The maintenance and promotion of a positive relationship with employees, employee representatives and unions.
Diversity & Equal opportunities	The equal treatment of all employees, regardless of social and ethnic background, gender, age, religion, political views, disabilities or any other features that differentiate groups in society.
Corporate citizenship	All our social, economic, cultural and environmental responsibilities toward the communities where we operate.
Talent attraction & development	Our ability to attract and develop high-potential and high-performing employees.

Governance Topics	Definition
Ethical management	Strict compliance with legal requirements and behavioral principles of business ethics in relations with all our business partners and stakeholders.
Sustainable procurement	The identification and assessment of risks and opportunities associated with our suppliers and the monitoring and management of environmental and social impacts in the supply chain, including the responsible sourcing of conflict minerals.
Data + IT + access security	Protection of data and IT infrastructure from external destruction, unauthorized use, cyberattacks and data breaches, as well as controlling physical access to our sites, plants and offices through technical and organizational means.

Materiality Matrix



Based on the score of each topic in the two dimensions, we distinguish three clusters:

Key topics

Key topics have significant impact on our business success and/or we have significant impact on the environment and society with regard to these topics. For key topics, we will define and 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 will define 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.

We are currently evaluating meaningful KPIs for relevant and key topics as well as targets for our key topics. An initial selection of representative KPIs for our key topics is shown below. The targets as well as our progress will be published at the latest in our next Annual Report 2023.

Our key topics

Health & Safety
The Health & Safety of our employees is our first and utmost priority. We are dedicated to continuously decreasing the lost time injury frequency rate (LTIFR).

Result 2022: LTIFR = 3.5 / target 2023 LTIFR max. 3.0

Emissions to air
We are a leading provider of sustainable steel solutions. Aligned with the SBTi sectoral decarbonization guideline and the 1.5°C goal, we are dedicated to developing and validating our decarbonization targets.

Result 2022: 0.197 t CO_2 per ton ex-cast (Scope 1+2)

Resource efficiency
For us, the careful use of resources is not only an environmental commitment, but also a prerequisite for competitiveness. We are dedicated to pushing toward maximum resource efficiency.

Result 2022: 2.38 MWh total energy consumption per ton crude steel

Circular economy
Circular economy is an integral part of our business model. We are dedicated to steadily increasing the share of recycled input materials.

Result 2022: 94 % recycled metallic input materials

Product and site sustainability
Long-term success builds on a healthy business. Our investments and efforts in innovation and continuous improvement are dedicated to increasing our profitability

Result 2022: Adjusted EBITDA margin = 5.4 %

UN Sustainable Development Goals

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.

Goal 7

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.

7 AFFORDABLE AND CLEAN ENERGY

Goal 8

Globally we employ more than 9,000 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.

8 DECENT WORK AND ECONOMIC GROWTH

Goal 9

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.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Goal 12

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, e.g. slag and dust.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Goal 13

Our CO_2 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.

13 CLIMATE ACTION

Goal 17

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.

17 PARTNERSHIPS FOR THE GOALS

Economic sustainability

Innovation

Progress is the key to the future. For this reason, Swiss Steel Group strives to manufacture the best products and promotes new and promising ideas in the field of technology and process innovation.

R&D is one of the key factors in the further development of the product range and manufacturing processes. It is currently carried out by approximately 100 employees, leading close to 200 R&D projects which as a rule involve multifunctional and often multi-site teams. The activities are coordinated at a Group level.

Every Swiss Steel Group entity works closely with its customers, often in tandem with specialized research institutes such as universities. Swiss Steel Group is active at all levels of the special long steel value chain, starting with material development, input and process elaboration; through melting & 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.

In 2022, we generated more than 30% of our revenue with new products. These are defined as products whose specifications were outside the currently achievable range recognized by our customers, and which were launched not more than six years ago.

Although our product range is highly diverse, the production processes are very similar. For this reason, an internal Corporate Technology team coordinates R&D activities to ensure efficient transfer of know-how and close technological collaboration between the entities. Topics range from product characteristics and process innovations to tools, feedstock and residues.

The research teams at of all our Production Assets meet several times a year to discuss leading-edge projects, to present new ideas and to drive forward working groups. Promising ideas go through a six-stage development process, leading to marketability.

One of the R&D focus areas is the development of lead-free steel grades with excellent machinability. Thanks to successful cooperation between the different R&D teams, our German experts provide support with thermodynamic calculations, while our French R&D center, CREAS, carries out machinability tests. We have since achieved first positive results in both laboratory and industrial-scale trials.

In order to tap the full potential of our Xtreme Performance Technology (XTP) products, collaboration between Sales and R&D has been intensified further. The added value of the innovative XTP technology is focused on four main topics, such as the drastically improved mechanical and technological steel properties and the enhanced surface quality and yield. In 2022, we received product approvals from customers in the tool, valve and sports equipment industries. Our intensified target-oriented marketing activities have also resulted in the launch of several new projects, for example in the market segments for fasteners and agricultural machinery.

Another focus area of our R&D activities is the use of hydrogen in steelmaking and its effects on steel properties. Ugitech as lead applicant and project coordinator has won a multi-year EU research project named HYDREAMS. The core topics of this project, in which Deutsche Edelstahlwerke and Ascometal will also be involved, are materials and processes for hydrogen in reheating and heat treatment furnaces, including advanced digital control. The project will start in Q2 2023.

Taking the initiative in the green steel transformation, we held the first Hydrogen Symposium at the Henrichshütte Iron and Steel Works in Hattingen in September 2022. Eminent speakers from academia, business and politics lectured in four sessions dedicated to the key topics of hydrogen supply strategy, hydrogen-resistant steels, industrial use of hydrogen, and supply and use of hydrogen.

Other current research topics include innovative in-service verification processes for our steel products in growing applications, which support our marketing, as well as extended usage of numerical simulation to improve liquid steel processes (mixed solid, liquid, gaseous phases) and solid steel processes (heat treatment, hot forming, cold forming, including surface treatment), which support process mastery and cost efficiency.

The R&D areas are also used to promote talent within the Group. Ongoing research and development projects present challenges, for example in terms of "predictive quality" in quality systems, production and processing, use of new sensors and systems (Industry 4.0), as well as initiatives to guarantee optimized consumption values for selected product fields as part of our sustainability initiatives.

Investments

To ensure that our sites achieve sustainable business success and our ambitious decarbonization targets, our investments follow our long horizon technology roadmaps.

Reflecting our ambitions to further strengthen our contribution to a circular economy, we enhanced the scrap yard at our site in Chicago by increasing the segregation space for different grades. This enables us to replace primary alloys by alloyed scrap and reduce our Scope 3 CO_2 emissions.

At our plant in Siegen, we made an important investment in the steel mill. After 20 years of operation and over 9 million tons of molten steel, it became time to replace the EAF shell. The new shell has a maximum tap weight of approx. 140 tons and is equipped with natural gas burners. These will increase our flexibility to react to changing energy prices and availability. Furthermore, we increased our product range in the steel mill by implementing an additional casting format. The new format creates further stainless steel capacities for rolling in Ugine and increases our cross-site flexibility, allowing us to react to market changes and ensure supply for our customers at all times.

The Electric Arc Furnace (EAF) in Emmenbrücke will be equipped with a new lance manipulator that will further increase our energy efficiency and reduce our CO_2 footprint by means of improved oxygen and energy transfer into the steel bath. Furthermore, we expect less interruptions, maintenance costs and refractory repairs. With our investment in a new slag pot carrier, we will reduce the consumption of diesel for the transportation of slag by 33% and at the same time decrease repair and maintenance costs. The continuous casting machine will be equipped with an online casting model and state-of-the-art mold and mold powder level detection technology, taking our process control and industry 4.0 system to the next level. The additional process data will be integrated into the existing data warehouse that links data from melt shop, rolling mill and bright bar plant. This important step will allow us to further enhance our predictive quality capabilities.

A reduction of our environmental footprint in Hagondange will be achieved by installing new air compressors that consume at least 20% less energy and enable us to use the waste heat in other process steps.

At our site in Hagen, the goal was to bring the rolling mill back to full production as fast as possible after the catastrophic flood in July 2021, which we achieved as seamlessly as possible thanks to the tremendous support and commitment of our employees and partners.

In addition to the two cranes that were replaced in Ugine, we are continuing our safe crane operation project with a Group-wide benchmarking initiative and further crane replacements in Witten and Hagen. This will improve Health & Safety at our sites and reduce downtimes.

Continuous improvement

The continuous improvement teams in our Production Assets are striving for capable and lean processes with a strong focus on productivity, efficiency and quality. They are supported by the Corporate Technology team by sharing best practices via workshops, surveys or internal consulting.

The optimum use of selected scrap types is one of the most important success factors in the recycling of steel. Our continuous improvement programs in this field aim for optimum separation of different scrap types and the best-possible mix that fulfills the requirements on the technical properties (e.g. chemical composition, density) in the most cost-efficient way, also allowing the use of abundant obsolete scrap types which today are often exported.

After successful trials, we were able to boost our productivity by extending the EAF operation campaign by 50 % at the Siegen melt shop. At the remelting plant, we have successfully tested a new mold design that allows us to shorten the process route and further reduce our CO_2 footprint. By optimizing the dimensions of the remelted ingots we can omit two process steps and thus save transportation to another site, reducing energy consumption, increasing yields and decreasing throughput times.

A leading example of successful digitization and lean processes is the development and implementation of an algorithm that automatically grades the surface quality of wire coils based on data from in-line eddy current testing at the rolling mill in Emmenbrücke. This allows us to automatically release or block coils directly after hot rolling at the trimming station. Additional manual checks and internal transport of material can be avoided, which improves our on-time delivery performance and reduces fuel consumption for internal transport.

Further improvements made to the walking beam furnace, inductive heating and Garrett coiler installed in Emmenbrücke in 2021 are ongoing. The elimination of smaller equipment flaws and the continuous improvement of production processes will allow us to exploit the full potential of both the new walking beam furnace and the Garrett coiler. This will lead to a further increase in overall productivity and hence also energy efficiency. With the recent installation in Emmenbrücke, we now apply inductive heating at five rolling mills for light bars and wire rods, which has increased our flexibility, quality level and the use of electricity, partly replacing natural gas. The implementation of a fine-tuned temperature model at the rolling mill in Siegen is also contributing to the reduced consumption of natural gas and a more efficient process.

On our pickling line in Hagen, we use a new acidic solution for stainless steel coils. This avoids the generation of NO_x and the need for subsequent removal. As a result, we have been able to reduce our consumption of natural gas and our CO_2 emissions by approximately 500 t per year. In another finishing plant in Bourg-en-Bresse, we will separate the water circuits for cleaning and cooling, and as a result ensure homogeneous properties of the drawn wire and reduce our water consumption.

Certifications

All products are certified according to internationally recognized industry or customer standards. Swiss Steel Group is always working to achieve new certifications so it can develop materials for highly sensitive and challenging components, such as structural elements for airplanes, vehicle engines or machines. One of these certifications is the Nadcap accreditation required for aviation industry suppliers. Other large customers have established their own certifications, and Swiss Steel Group fully complies with these. All our production plants are certified according to the established ISO 9001 standard for quality management systems. Plants supplying the automotive industry are additionally IATF 16949 certified.

Environmental sustainability

Sustainable production and environmental protection are at the top of our list of priorities. This applies to our products as well as to our production processes. Our approach to environmental sustainability is based on a holistic concept. The environmental management system has the overriding objective of structuring production processes in a sustainable manner in order to lower the amount of waste produced and to reduce, as far as technically possible, the emission of greenhouse gases, nitrogen oxides and dust. Furthermore, with the help of resource management, we optimize the cost and recycled content of materials, energy efficiency and water consumption.

Swiss Steel Group’s Production Assets in Europe run environmental management systems which are certified according to the internationally recognized standard ISO 14001. At all production sites of Swiss Steel Group, Management is responsible for the environmental management systems. It defines strategic goals and priorities and coordinates the local dialog with stakeholders, ensuring the interests of politics, associations, industry-specific organizations and local neighborhoods are represented.

One of the major advantages of steel products is that they are almost 100 % recyclable at the end of their lifetime, over and over again and without impacting product quality. Steel production based on scrap, also known as secondary steel production, therefore does not just preserve the world’s natural resources; it also requires much less energy and results in less environmental impact overall. Steel at Swiss Steel Group’s plants is exclusively produced using scrap and electric arc furnaces, which makes us an integral part of the circular economy.

All production processes comply with strict local environmental requirements at our locations in Germany, France, Canada, Switzerland and the USA.

If not stated otherwise, the environmental figures presented were collected from our major production sites. These include all Ugitech and Steeltec production sites as well as all major Deutsche Edelstahlwerke sites (Hagen, Hattingen, Krefeld, Siegen, Witten), Ascometal (Hagondange, Fos-sur-Mer, Les Dunes), Finkl Chicago and Finkl Sorel. Due to this changed scope, deviations from previously reported numbers cannot be ruled out. The published data represent the best available data at the time of publication. The pending Emissions trading systems (ETS) verification of the Scope 1 CO_2 emissions may also lead to later adjustments.

Emissions to air

The most significant emissions from Swiss Steel Group's production processes are carbon dioxide (CO_2), nitrogen oxides (NO_x) and dust. Our production plants remain within or come in below all emission limits, which are mandated by law. Emission levels are measured through constant recording as well as through regular evaluations.

CO_2 emissions

With the 100 % EAF production route, Swiss Steel Group is perfectly positioned for a decarbonized future. The CO_2 footprint of our steelmaking processes that use metallic scrap and electric energy is significantly lower than the footprint of the Blast Furnace-Basic Oxygen Furnace (BF-BOF) route that is based on the use of iron ore and coal.

By signing the SBTi commitment in 2022, we will adopt decarbonization measures and further reduce our CO_2 emissions in keeping with world climate targets. Aligned with SBTi's sectoral 1.5°C-decarbonization approach, Swiss Steel Group will develop targets and have them validated by SBTi as a next step. In close cooperation between the production sites and the Corporate Technology Team, site-specific decarbonization roadmaps have already been developed which will be implemented in the coming years.

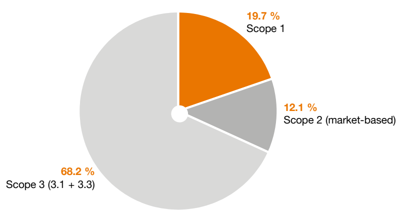
Carbon emissions reporting methodology

Our site and Group-level carbon footprint data are prepared in accordance with our Group-wide emissions calculation manual, which is based on the framework and principles of the WRI/WBCSD Greenhouse Gas Protocol for Corporate Accounting and Reporting Standard. We have obtained independent verification by DNV over the data of 2021. Alongside this, we have created our periodic Carbon Reporting that covers all major sites. Both serve as controlling instruments for our decarbonization efforts in line with our SBTi commitment.

In line with the Greenhouse Gas Protocol Corporate Standard, we categorize CO_2 emissions into three scopes. Scope 1 emissions are direct emissions from combustion that occur from sources that are owned or controlled by Swiss Steel Group. Scope 2 emissions are indirect emissions from the generation of purchased energy. CO_2 emissions that occur in our value chain (excluding Scope 2 emissions) are classified as Scope 3.

Site-level carbon emissions are assigned to the relevant production process (e.g. melt shop and rolling mill). The production output from each process step is used to calculate the carbon intensity. The figures in the subsequent section refer to CO_2e. Given the nature of Swiss Steel Group's operations, CO_2 is the only material greenhouse gas (GHG) among the direct emissions.

CO_2 emissions of melt shops and rolling mills by scope



Scope 1 CO_2 emissions

In Europe and Canada, direct emissions are reported annually to the authorities under an ETS (emissions trading system). Sites that do not fall under any ETS apply a mass balance methodology to calculate their 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.

Scrap, ferro-alloys and other input materials contain carbon that needs to be removed from the steel to reach the specified chemical composition. This is ensured by the injection of oxygen into the electric arc furnace (EAF), the argon oxygen decarburization (AOD) converter and the vacuum oxygen decarburization (VOD) plant. Further Scope 1 CO_2 emissions in the melt shops result from the combustion of natural gas by EAF burners, the injection of coal for slag foaming (essential for ensuring e.g. energy efficiency and protection of refractories) and the burnup of graphite electrodes.

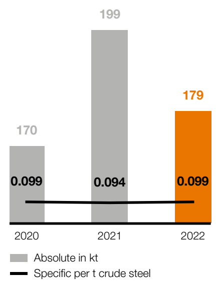
For the subsequent hot-forming processes, the cast steel needs to be re-heated to temperatures > 1,100°C in our natural gas fired rolling mill and forge furnaces. To adjust the mechanical and technological properties of our products as required by the customer, additional heat treatment operations are often indispensable.

Our Group operates more than 150 natural gas-fired furnaces for rolling and forging processes as well as for heat treatment. Five of our eight rolling mills apply inductive heating which partly replaces natural gas. At the steel plant in Sorel, we operate two electric heat treatment furnaces. We aim to switch additional equipment to electric power in the future.

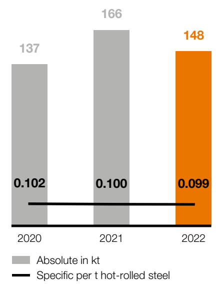
Also, we are researching and looking into options for replacing natural gas with hydrogen that overcome the many technical challenges regarding the impact on steel quality and process technology. The success of these promising initiatives relies heavily on the availability of renewable energy in the regions where we operate. With the current electricity mix in Germany, generating heat by combustion of natural gas is less emission-intensive than using electric energy.

The specific Scope 1 emissions in our melt shops and rolling mills were at a stable level in the last three years.

Scope 1 CO_2 emissions
of all melt shops in kt / in t per t of crude steel



Scope 1 CO_2 emissions
of all rolling mills in kt / in t per t of hot-rolled steel



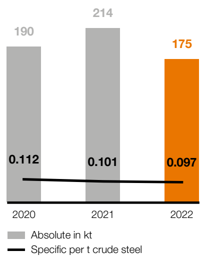
Scope 2 CO_2 emissions

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, as well as rolling and processing equipment. The emissions are calculated according to the location-based method with local grid factors. If a site procures power from specific sources or renewable energy certificates, emissions are also calculated according to the market-based method with source-specific emission factors. If waste energy is utilized by a third party, the site can reduce its reported Scope 2 emissions. The emissions that would have been caused by the combustion of natural gas to create the equivalent amount of energy can be deducted.

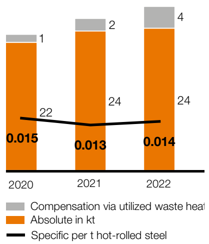
The reduction of Scope 2 emissions goes hand in hand with energy efficiency and the availability of power generated from renewable sources or by nuclear power plants. Thus, our production plants in France (predominantly nuclear power), Canada and Switzerland have considerably lower Scope 2 emissions than those in the USA or Germany where the electricity mix is dominated by carbon-based energy sources. The sites in Emmenbrücke, Switzerland and Sorel, Canada use 100 % renewable power.

Due to the increased use of power from decarbonized sources, we were able to reduce our specific Scope 2 emissions in the last few years. Location-based figures can be found in the section “Sustainability notes”.

Scope 2 CO_2 emissions
of all melt shops in kt / in t per t of crude steel (market-based)



Scope 2 CO_2 emissions
of all rolling mills in kt / in t per t of hot-rolled steel (market-based, net)



Scope 3 CO_2 emissions

The main contributor to our Scope 3 emissions are purchased materials (Scope 3.1), in particular ferroalloys. The latter are needed to adjust the chemical composition and material properties of the steel as specified by customers.

In order to achieve a reduction in our Scope 3.1 emissions, we are striving to replace CO_2-intensive primary materials like ferroalloys and deoxidizers with secondary materials (e.g. alloyed scrap or recycled aluminum). This comes with technical and logistical challenges, especially regarding scrap management. Close cooperation with customers and the more thorough separation of different types of scrap in the metal industry will be needed to further close material loops and establish a truly circular economy.

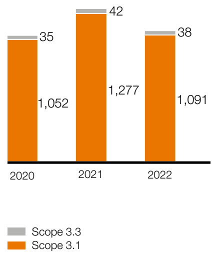
Some of the common higher-alloyed steel grades can already be produced without or with only the small addition of primary ferroalloys in Swiss Steel Group’s plants. The Ugi’Ring project, which is part of our circular economy strategy, will enable us to further increase the recycled content in our steel through the vertical integration of alloy recycling from waste (e.g. batteries, catalysts) and by-products into our steel production.

Another pillar for the future reduction of our Scope 3.1 emissions is supplier engagement. We will be the first European steel producer and the first EAF steel producer globally to participate in the Carbon Disclosure Project’s (CDP) Supply Chain program. Via this disclosure system, we will reach out to approximately 150 of our major raw materials and consumables suppliers in 2023 to better understand the specific carbon footprint of the materials we source from them. This will not only enable us to incorporate the environmental performance of our suppliers into the buying decision process, but also improve the accuracy of our Scope 3.1 CO_2 reporting by retrieving primary emission data.

For Scope 3.1, we distinguish between more than 3,000 different input materials, which are aggregated into material categories. Secondary emission factors from public sources such as worldsteel, industry associations or other publicly available databases are then applied to these categories to calculate Scope 3.1 emissions. If available, primary emissions data from specific suppliers are used.

Scope 3.3 emissions originate from the extraction, production and transportation of the purchased fuels and energy. For our calculation, all fuels considered in Scope 1 are tracked and either location-specific emission factors or secondary emission factors from public sources are applied.

Scope 3 CO_2 emissions
of melt shops and rolling mills in kt



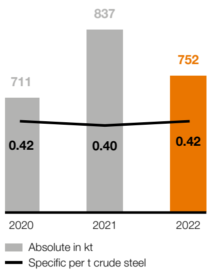
Other emissions

NO_x emissions

Even though Nitrogen oxides (NO_x) are not a greenhouse gas, they can have an effect on global warming and form acid rain. In secondary steelmaking, they are primarily generated as thermal NO_x in natural gas fired reheating and heat treatment furnaces. At temperatures >1,000°C, the molecular nitrogen contained in the combustion air can be oxidized to NO_x. The pickling of steel with nitric acid (HNO_3) is another source for nitrogen oxides.

NO_x emissions have been steadily reduced over recent years by means of more efficient production processes and state-of-the-art furnace and burner technology. Swiss Steel Group is committed to the statutory rulings in place at each production plant, and whenever feasible we aim to achieve levels below the limit values.

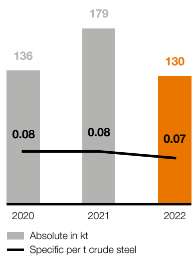
NO_x emissions
in t / in kg per t of crude steel produced



Dust emissions

Dust emissions in steelmaking are unavoidable. They mainly originate from melting steel scrap and other input materials in our electric arc furnaces. At each melt shop, off-gas systems and filters capture more than 99.4 % of the dust. Only 0.08 kg of dust per ton of crude steel were emitted in 2022. The figure remained unchanged in comparison to the previous year.

Melt shop dust emissions to air
in t /in kg per t of crude steel produced



Resource efficiency

Swiss Steel Group's production is based on the recycling of steel scrap in EAF, which mainly use electric energy for melting. Compared to the BF-BOF route, where the main resources used are iron ore and coal, we have a significantly smaller impact on the environment and thus the optimum foundation for further improvement. The careful and efficient use of resources is not only an environmental commitment; it is a key prerequisite for competitiveness and success. Through efficiency improvement programs and investments in new technology (see section "Economic sustainability"), we foster the economical use of valuable resources.

Used materials

Our main input material is steel scrap. For each heat we use the scrap mix that represents the best possible compromise in terms of economic and technical aspects such as price, energy efficiency during melting, chemical composition and density. The continuous optimization of the scrap mix is supported by software tools and algorithms in our melt shops.

We use all scrap categories, namely internal or home scrap (from our production processes), fabrication or prompt scrap (manufacturing scrap from outside our boundary) and post-consumer or obsolete scrap (from products that have reached their end of life). Even though most impurities and contaminations of steel scrap can be eliminated in the steelmaking process, there are some tramp elements (e.g. copper, tin) that cannot be removed. Since their influence on the steel properties (e.g. loss of ductility) can be detrimental, their content has to be limited through careful scrap separation; an aspect that becomes increasingly more important in light of the increasing use of copper in electrified products and the higher demand for scrap triggered by the conversion from the BF-BOF route to the EAF route (which we use exclusively). With dhi Rohstoffmanagement GmbH (a joint venture between Swiss Steel Group and Horn & Co. Group), we operate our own competence center for scrap management.

The adjustment of the chemical composition as required by the customer makes the addition of alloying elements indispensable in most cases. Currently, we predominantly use primary alloying elements and deoxidizers. Where feasible, we are reducing the addition of primary materials by using alloyed scrap and secondary alloying elements and deoxidizers (e.g. recycled aluminum). We are aiming to increase the share of these materials in the future. Coal is used for slag-foaming (in order to reduce energy consumption during melting) and alloying.

A small share of the hot-rolled steel that we process in our bright-bar plants is purchased from third parties. Due to the unplanned production stoppage of the melt shop in Ugine, we also had to source blooms from outside Swiss Steel Group in 2022.

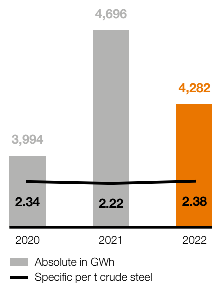
At our melt shops in Germany, France, Canada, Switzerland and the USA, the recycled metallic input for production of our high-quality steel (i.e. the share of scrap, secondary pig iron, secondary alloys and deoxidizers in the metallic input materials) is around 94 % and increased slightly over the last few years.

Materials used		2020	2021	2022
Scrap	kt	1,802	2,218	1,910
Pig iron (primary+secondary)	kt	68	78	67
Alloys and deoxidizers	kt	143	173	129
Coal, carbon, coke	kt	23	22	20
Slag formers	kt	121	147	121
Graphite electrodes	kt	6	7	6
Purchased steel from third parties (semis and hot-rolled/forged)	kt	35	49	102
Recycled metallic input	%	93	93	94

Energy management

The production of steel inherently requires large amounts of energy. To counteract rising energy costs, enhance our competitiveness on the international market and reduce our impact on the environment, we aim to improve our energy efficiency on a continuous basis. The specific energy consumption per ton of steel generally depends on the steel grade and the raw materials used, as well as the depth of processing. External factors also play an important role. Volatility on the steel markets influences our product portfolio as well as our capacity utilization. A lower capacity utilization decreases energy efficiency due to smaller production orders and increased changeover and ramp-up time.

Energy consumption
in GWh / in MWh per t of crude steel produced



At Swiss Steel Group, all European steelmaking sites run ISO 50001 certified energy management systems. Within the framework of our energy policies, we record and analyze the consumption of our energy carriers. This information is used to define strategic and operational energy targets as well as to plan, implement and monitor power conservation measures. Increases in efficiency are achieved through innovation, investments, continuous improvement (see also section "Economic sustainability") and active participation of our employees.

Our main energy sources are electricity (about 40 %) and natural gas (about 60 %). Electric energy is mainly consumed by our electric arc furnaces, whereas natural gas is primarily used in our rolling mill, forging and heat treatment furnaces. Where possible, we use the heat contained in the exhaust gas in heat exchangers such as regenerators. Diesel and other fuels are mainly used by vehicles for material transport such as forklifts, trucks, locomotives and slag transporters.

By utilizing waste heat, not only can we significantly reduce our own natural gas consumption and CO_2 emissions for heating, but also feed energy into district heating networks. The Emmenbrücke rolling mill supplies more than 18 GWh (equivalent to the demand of approx. 1,000 households) to homes and businesses via an energy center located at the site. Waste heat is also used at our site in Ugine, where in 2022 approximately 1.6 GWh of waste heat from heat treatment furnaces were fed into the district heating network. In 2023, we expect to increase this number to approximately 4.8 GWh.

Energy consumption in GWh	2020	2021	2022
Electricity consumption total	1,700	2,018	1,811
- thereof renewable	605	947	920
- thereof nuclear	879	647	519
- thereof fossil	216	424	372
Natural gas	2,277	2,658	2,451
Other (e.g. diesel, fuel oil)	17	20	20
Total energy consumption	**3,994**	**4,696**	**4,282**

Residues and waste

Many residues and waste materials from the production and processing of steel can be recycled for internal purposes or used as secondary raw materials in other industries. Slag is an integral part of steelmaking; it is essential for steel cleanliness and metallurgical reactions like desulfurization. After the steelmaking process, the metallic content of the solidified slag can be recovered by magnetic separation. As an example, our supply partner at DEW recovers approximately 20,000 t of iron containing fractions per year from the slag.

Where technically possible and where local legislation permits, our slag is used in the construction industry (e.g. road construction). Slag can also be partially re-used in the production process, for example as a replacement for sand or gravel in slag pots.

A portion of our refractories from melting furnaces and ladles is returned to our supply partners to be recycled into new refractories such as bricks and gunning materials or slag builders. Smaller fractions are partially and directly re-used in the production process as slag builders. Dust from the melting process can be used in the zinc industry. In Ugine, dust from the EAF and AOD converter is collected and re-used as briquettes in the EAF in order to recover valuable alloying elements.

Scale can be used in sinter plants and the cement industry, and separately captured materials such as used oil, plastic waste or paper are sent for recycling.

Waste quantity in kt	2020	2021	2022
Hazardous waste recovered	33	42	35
- thereof steelmaking dust	26	30	25
- thereof acid/acidic materials	5	9	6
Non-hazardous waste recovered	175	211	173
- thereof slag	123	143	113
- thereof scale	37	48	45
Total waste recovered	**208**	**254**	**207**
Hazardous waste directed to disposal	20	21	18
- thereof steelmaking dust	9	10	9
- thereof acid/acidic materials	0	0	0
Non-hazardous waste directed to disposal	177	245	233
- thereof slag	159	221	207
- thereof scale	5	9	10
Total waste directed to disposal	**197**	**267**	**251**

Despite the numerous recovery operations and successful partnerships with suppliers, we regard it as an important task for the future to further reduce the share of waste requiring disposal.

Water management

In steel production, water is mainly used for cooling of equipment, for spray cooling of steel in our continuous casting machines and in pickling.

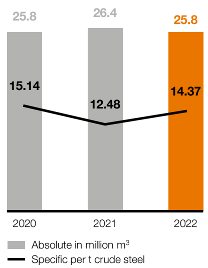
Depending on local circumstances, we use recirculating water systems in order to minimize water withdrawal and impacts on water bodies. Cooling towers are used to remove the absorbed heat of the outlet cooling water by heat dissipation and evaporation before the water re-enters the circuit. This ensures a constant temperature of the inlet cooling water, which is essential for operational safety.

Our cooling systems are continuously monitored and the water is cleaned directly at our plants if necessary (e.g. through skimming or removal of solid fractions). Scale is removed from open process cooling water and can be recycled, for example in the cement industry. We strictly adhere to local laws and monitor emissions to water, supervised by the authorities.

According to an assessment carried out for our major production plants using the Aqueduct Water Risk Atlas, we only withdraw a small amount of water from water-stressed areas (baseline water stress). None of our major production plants are located in areas of very high water stress.

Water discharge figures can be found in the section "Sustainability notes".

Water withdrawal
in million m^3 / in m^3 per t of crude steel produced



Water withdrawal in million m^3	2020	2021	2022
Surface water	9.2	9.7	9.3
Groundwater	0.8	0.8	0.8
Seawater	15.0	15.0	15.0
Municipal water supply	0.8	0.9	0.8
Total water withdrawal	**25.8**	**26.4**	**25.8**

Freshwater withdrawal in million m^3	2020	2021	2022
Areas of low water stress	2.7	2.9	3.1
Areas of low-medium water stress	2.8	2.8	2.9
Areas of medium-high water stress	5.3	5.6	4.8
Areas of high water stress	0.0	0.0	0.0
Areas of extremely high water stress	-	-	-
Total freshwater withdrawal	**10.8**	**11.4**	**10.8**

Social sustainability

We strive to create an environment where people feel welcome, are safe, are motivated to per-form and are satisfied. This includes employees, neighbors, customers and suppliers. We focus on the following three key areas of social responsibility: Health & Safety, Workforce & Talent management and Corporate citizenship.

Occupational Health & Safety management system

The Health and Safety of employees is of the highest priority for Swiss Steel Group. We continue to consistently pursue a path of zero accidents.

Taking into account the statutory requirements in the individual countries where we are active, the Health & Safety Management System is based on the cycle Plan-Do-Check-Act, Health & Safety standards and guidelines, e.g. risk assessment, training (behavior-based safety), inspection of workplaces and processes (transport), incident analysis, analyses of near-misses and category 3 (major incidents or serious near-misses), and industry and professional standards.

Our Health & Safety managers meet and exceed all local requirements. They receive suitable and regular training, have experience in our industry and attend continuing education courses. The continuous improvement process is primarily based on accident analyses, statistics, audits, as well as employee suggestions for improvement.

Hazard identification, risk assessment and incident investigation

The procedure used to identify hazards is described in the Global Directive Incident Investigation, which has been implemented throughout Swiss Steel Group. Safety officers and supervisors receive regular training on using this procedure and are subject to a continuous improvement process. Several years ago, we introduced a system for the reporting of near-misses. Our safety culture and the importance of Health & Safety prevent reprisals for reporting cases. The process used to investigate incidents and accidents is laid down in the Global Directive Accident Reporting and is tracked with the help of digital systems such as SaaS IT tools.

Occupational health services

Depending on the size of the site, occupational physicians, emergency paramedics or paramedics are present at all sites. They are responsible for acute medical care of our employees and the employees of our service providers who are involved in an accident or become ill. Their standards and professional training conform to local statutory regulations.

Employees have access to occupational-medical health examinations and vaccinations (e.g. flu vaccinations at our sites). In addition we run special health protection campaigns and conduct workplace inspections.

Worker participation, consultation and communication on occupational health and safety

Target-group oriented communication and information for employees are important factors for success of our Health & Safety culture. Based on local requirements, employees take part in meetings and committees in the area of Health & Safety and receive a wide range of information in the form of presentations, print or digital media. Other information on Health & Safety topics is provided worldwide within the framework of annual Global Health & Safety Day initiatives. Regular committee meetings are held based on local requirements at the sites and the company's overarching Health & Safety guidelines.

Worker training on occupational health and safety
Health & Safety training is based on risk assessments, legal requirements and various hazardous situations. We use digital media, instruction and online training courses for this purpose. The educational matrix and presentations are adapted to the respective sites and produced in the language spoken by their local employees. The initial training of new employees and apprentices is particularly important in this context. At the Group level, additional Health & Safety documents are made available to prevent specific risks, e.g. transport of loads.

Promotion of worker health
To best preserve the health of all employees, we focus on measures to promote health that are preventive, needs-driven and target-oriented. This includes but is not limited to:

- Preventive medical examinations
- Virtual campaigns and online training courses
- Health & Safety campaigns worldwide, e.g., Global Health & Safety Day 2022

As an example, our site in Les Dunes, France, held a Health & Safety Day on September 21, 2022 within the framework of the Group Global Health & Safety Day and under the motto "Our safety – Everyone does their part". The plant manager presented the day's targets:

- Continue development of the safety culture
- Make our employees actors of prevention
- Train a rescue scenario following a traffic accident
- Train the handling of fire extinguishers

Throughout the event, employee participation was very high and lots of positive feedback was received.

A second example is the Mini Health Days. Devised as a communications event and dialog platform, the purpose of these days is to present the occupational health management offerings available to employees, create awareness among employees on various health topics and promote programs aligned to prevailing health issues. They also provide a platform for employees to dialog with experts on health topics of personal and individual interests. Furthermore, the Mini Health Days open up the possibility to examine concrete needs and review progress on previous or new redemptive or preventive measures.

The positive effects are:

- Employee availability and involvement
- Direct dialog among colleagues and experts
- Specific presentation and explanation of offers, e.g. Heart Health training

COVID-19 pandemic
The year 2022 continued to be marked by the COVID-19 pandemic. At Swiss Steel Group, we rigorously protected the health of our employees as our top priority. We were able to continue our production throughout the pandemic. The following processes and protective measures were continued, among others:

- Social distancing hygiene concepts
- Updates of pandemic plans
- Continuation of booster vaccines at several sites
- Dispensing of COVID-19 rapid tests to employees
- Option of remote working
- Regular meetings of the Coronavirus Task Force to coordinate protective measures

We have learned and will continue to learn lessons from the coronavirus pandemic so we are even better prepared for future pandemics and are able to identify risks that still exist. We will improve our pandemic resilience in particular by protecting employee health, improving individual behaviors and ensuring the business continuity of Swiss Steel Group.

Prevention and mitigation of occupational health and safety impacts directly linked to business relationships
Hazards are assessed by workplace and activity. Managers receive the support of local Health & Safety specialists at the sites to eliminate any hazards discovered, supported by a Health & Safety software tool.

In this context, information from safety data sheets is used for directions / standard operating procedures and for training employees, as well as for providing suitable personal protective equipment as needed.

By introducing ergonomics, we have reduced the loads and stresses at the workplace and developed exercise and training content by target group, e.g. correct lifting and carrying.

Swiss Steel Group includes subcontractors, external companies and staff in their Health & Safety protective measures.

We expect our suppliers to take responsibility for the health and safety of their employees. This includes, in particular, controlling hazards and taking the best reasonably possible precautionary measures against accidents and occupational diseases; providing training and ensuring that employees are educated in health and safety issues; and running a reasonable occupational health and safety management system.

Within the framework of plant inspections, exhaustive and binding Health & Safety plans are established and their implementation regularly monitored by means of audits. Employees of subcontractors also receive specific Health & Safety instructions. As part of an inspection in summer 2022 at Steeltec Emmenbrücke, online instruction for approx. 480 employees of sub-contractors was used for the first time in the form of the newly introduced digital Health & Safety tool.

The training included a theoretical component with information and guidelines relevant for Health & Safety as well as a subsequent knowledge test.

Workers covered by an occupational health and safety management system
We design our workplaces for safety and ergonomics to prevent accidents and illnesses. To meet legal requirements and implement and refine global Health & Safety directives and standards, corresponding Health & Safety management systems are used at all productions sites. Several sites are certified in compliance with international Health & Safety standard ISO 45001 and audited by external certification companies. Further certification of production sites is planned.

Work-related injuries
The health and safety of employees and an excellent safety culture are of great importance to Swiss Steel Group. Our goal is to prevent all accidents and work-related illnesses.

Unfortunately, a fatal accident occurred at our Ugine site in early January 2022. The accident has been fully investigated and we are doing everything we can to prevent such an event in the future.

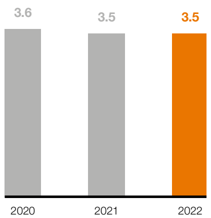
We achieved an LTIFR of 3.5 in 2022. This corresponds to the prior-year figure. In 2023, our goal is to further reduce the LTIFR to a value of 3.0.

KPI	Type	Business year 2020 (31.12.2020)	Business year 2021 (31.12.2021)	Business year 2022 (31.12.2022)
Total number of hours worked (million)	Number	15.3	16.7	16.1
Number of fatalities	Number	0	0	1
Number of lost time injuries (LTI)	Number	55	59	57
Lost time injury frequency rate (LTIFR)	Number	3.6	3.5	3.5
Lost time injury severity rate (LTISR)	Number	0.28	0.29	0.39
Number of medical treatment cases (MTC)	Number	189	202	216
Number of first aid cases (FAC)	Number	662	779	755

$$\textbf{LTIFR} = \frac{\text{No. of lost time injuries in the reporting period}}{\text{Total hours worked}} \times 1{,}000{,}000$$

$$\textbf{LTISR} = \frac{\text{Number of accident-related days lost}}{\text{Total hours worked}} \times 1{,}500$$

LTIFR
Lost time injury frequency rate



Workforce & Talent management

The Human Resources function provides the business with tools, frameworks and analyses that enable us to effectively manage our workforce. Effective workforce management plays a vital role in achieving transformational goals. It includes supporting managers in performing their daily tasks, from recruitment to development, and providing insights to senior management, which in turn supports strategy and planning activity and enables better-informed decisions. Human Resources already delivers solid reporting, metrics and KPIs and is continuously moving toward forward-looking modelling and predictive analytics.

Human Resources initiatives and continuous improvement programs

Taking care of our employees, keeping them engaged and their skills up-to-date, and offering opportunities for professional and personal development remain top priorities for Swiss Steel Group, especially in times of transformational change. Building on our established professional Human Resources services, we have implemented and continue to incorporate multiple projects to take people management to the next level. We foster team spirit and learning from one another across functions, units and countries. Continuous Group-wide information and direct communication by the Executive Board in addition to timely and transparent local communication by Management have also been paramount in strengthening our sense of community and belonging. As such, Swiss Steel Group is becoming an ever-more attractive employer for a multi-generational workforce and offers progressive career opportunities on all levels and across

The COVID-19 pandemic was a catalyst for rethinking the workplace worldwide. At Swiss Steel Group, we established a Future of Work strategy that was driven by employee feedback and preferences. Our hybrid working models provide eligible employees the option to work remotely on a voluntary basis for a portion of their working time, at times up to 80%. To ensure effective planning and reporting, all remote working arrangements are agreed with man-agers.

Overall, constructive and forward-looking collaboration and coordination with employee representatives and unions were key to guiding our Group's everyday work at all sites. Together, we continued to support new, needs-based labor options. This collaboration also enabled flexibility, for example at the Hagondange and Fos-sur-Mer mills, where parts of production were shifted to periods with lower energy costs. Also, targeted training plans were established, e.g. at Ugitech, to enable short-time work with as little disruption as possible.

The digitization of Human Resources processes and services played an increasingly important role Group-wide. Thus, online workflows in local and global Human Resources IT systems guide core processes for effective workforce management – such as recruiting, performance and talent management, learning and development, time and attendance. Globally, managers were enabled to request and approve vacancies online in a seamless end-to-end online process. As part of this digital workflow, recruiters can post open positions directly on our Swiss Steel Group career page as well as on connected external job boards.

To increase Swiss Steel Group's employer attractiveness externally and internally, a re-branding initiative was kicked-off with an initial focus on IT recruiting to attract new IT talents. The Employ-er Brand represents our values to create unity among employees and foster a positive working environment for current and future employees. The Employer Brand was used in focused social media campaigns on social media with good results. Further initiatives to attract talent included job dating events at Ugitech and plant tours for employment agencies in Switzerland. To reach out specifically to local craftspeople, job ads in newspapers in addition to online postings proved to be invaluable for our Emmenbrücke site.

Learning and development programs ensure that our people maintain, refresh and enhance their skills in line with business needs, which is crucial for the performance of Swiss Steel Group. Therefore, all units conducted technical and non-technical instruction, training sessions and leadership qualification – beyond mandatory or legally required certifications and training. For in-stance, new leaders at the Emmenbrücke plant participated in leadership induction sessions and leadership programs were held at the Les Dunes and Hagondange plants. Furthermore, sexual harassment training was continued for over 130 colleagues at two additional Ascometal sites. At Deutsche Edelstahlwerke, the management development program "Karriereschmiede" was held in person again and three cohorts of frontline leaders attended qualification programs. Ugitech ran a comprehensive in-house training curriculum consisting of more than 30 technical and soft skills courses for all employee groups. Group-wide, individual training initiatives are agreed be-tween manager and employee, e.g. as part of the annual employee dialogue, as required for on-the-job development or career development.

At Swiss Steel Group, we offer a variety of apprenticeship programs. In 2022, we hired 143 new apprentices, 62 % of whom started at DEW, 17 % at Ascometal, 8 % at each Steeltec and Ugitech, and less than 3 % at each Finkl and Swiss Steel International. At the end of 2022, a total of 359 apprentices were employed Group-wide. Of these, 66 % were employed at DEW, 12 % at Ascometal, 11 % at Steeltec, 7 % at Ugitech and less than 5 % each at Corporate Center, Finkl Steel and Swiss Steel International. We were able to take on 95 former apprentices into regular employment after completing their program. The majority, 80 %, now work in various production functions, 13 % in Health & Safety, and the remaining colleagues in corporate functions.

Talent management

Like all organizations, Swiss Steel Group would like to know who our best people are. And we need to make sure that they stay with us and are placed in the right roles. Also, we would like to have a pipeline for more people to do their best. At the same time, it is paramount that our entire workforce stays engaged and positively challenged. Lastly, we need to be able to identify talent risks early on and address them appropriately. With that in mind, we have revised our performance management approach.

Our new Group-wide process is easier to use and accessible online in our HRIS. It encompasses systematic steps for evaluating and selecting employees to ensure the right placements, coordinating succession planning, defining personalized development plans (such as e.g. training, coaching, mentoring or project assignments) and giving feedback to employees. Lastly, performance management determines where to focus the organization's development efforts, budget and resources. At Swiss Steel Group, functional and management careers are equally fostered in all units.

The performance management process is based on assessing employee performance, including past behavior, potential and expected future behavior, in relation to our Group's value-based competencies and job performance. The '9 Box Grid,' a standard talent management method created by McKinsey in the 1970s, was introduced to give an overview of employees allocated to nine groups, based on their performance and potential. Allocation in the '9 Box Grid' was the result of a step-by-step assessment process that is supported entirely in our talent management software.

This initial assessment of supervisors was discussed and calibrated among local management teams in every entity in cascading Local Talent Round Tables. Human Resources managers facilitated discussion and calibration in these Talent Round Tables, with guiding questions to ensure fair and transparent outcomes. In the subsequent Global Talent Round Table, the Executive Board reviewed the Group's identified high potentials for global succession and development planning. To conclude the process, managers shared performance and potential feedback with employees and discuss suitable development plans and career paths.

Revised, short-term incentive regulations were implemented Group-wide in accordance with local laws and regulations for defined target groups. In combination with Swiss Steel Group's ongoing performance management, the plan supports coordination of strategic and operational Group, Division and Production Asset goals with a view to increasing the efficiency of the entire organization through the cascading setting of specific objectives. Specific objectives were agreed between Management and included employees according to the SMART guideline, which specifies describing objectives in a way that is specific, measurable, achievable, relevant and timely so as to ensure that achievement can be objectively evaluated. Through the plan, we aspire to encourage entrepreneurial behavior and foster a greater focus on aligned performance, on successful results and on cross-departmental cooperation. In this context, the short term goals of the plan are designed to drive outstanding performance throughout the organization by closely aligning variable compensation with the achievement of annual financial and non-financial objectives. The aim is to foster a high-performance culture with a strong focus on long-term value creation for Swiss Steel Group.

As of December 31, 2022, Swiss Steel Group employed 9,857 employees worldwide.

Employees as of closing date	**2020 [1]**	**2021**	**2022**
by region			
Germany	4,336	4,241	4,253
France	2,819	2,797	2,783
Switzerland	755	766	765
Italy	215	206	204
Other Europe	451	460	451
USA	482	516	509
Canada	339	373	363
China	317	324	312
Rest of world	236	231	217
by division			
Production	8,498	8,437	8,420
Sales&Services	1,351	1,346	1,296
Corporate Center [2]	101	131	141
Total number of employees	**9,950**	**9,914**	**9,857**

[1] Restatement between Sales & Services and Production due to business model changes at Swiss Steel Deutschland GmbH of 35 employees

[2] 2021 number includes 32 IT employees who transferred from Swiss Steel International (Sales & Services) and DEW (Production) to Corporate Center

Swiss Steel Group has employees in around 80 Group companies or locations in more than 35 countries on all continents. More than 90 % of employees work in locations outside Switzerland. In Switzerland we employ 765 people. Within the framework of respective statutory rulings, employees of Swiss Steel Group have the opportunity to organize themselves as part of a trade union and to elect employee representatives at the plants.

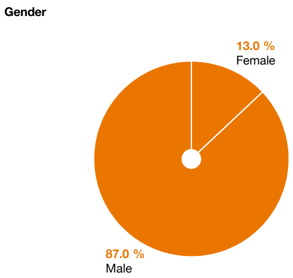
Diversity

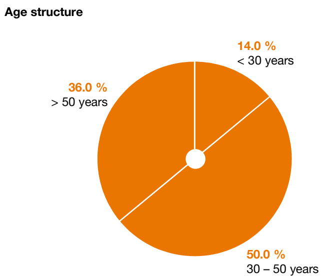
Talent Sourcing supports gender diversity goals. In order to support gender diversity, the Talent Sourcing function has determined a series of sustainable actions to enable recruitment and development of women. This includes, but is not limited to, effective internal and external candidate engagement, improved messaging in relation to our inclusive culture, hiring manager education and awareness of diversity, as well as enhanced focus on data-driven, accountable and transparent hiring decisions.

Ascometal specifically promotes applications from and the development of women in production areas and has made relevant updates at its sites. Based on Ascometal's Gender Agreement with local authorities and discussion with the workers council, gender equity programs across all sites were expanded. For each site, procedures to manage possible harassment were established in 2021 and continuously applied to foster accountability and continue to build an equitable workplace.

The average length of service is 15 years.

Workplace diversity





Corporate citizenship

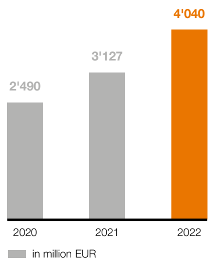
The basis for our corporate citizenship is our desire to make the society in which we operate a better place. We support people and communities in the vicinity of our sites who are committed to the betterment of our society.

Our social involvement continued in open and active dialog with the respective interest groups. But it is also important to connect with people and society. With that in mind, each year we conduct numerous plant tours with different stakeholders in order to provide an insight into our production processes, promote dialog and facilitate mutual understanding. After the COVID-19 restrictions were lifted, we were not only able to restart these tours, but also organize events for our employees' families. For National Future Day at Steeltec, students from 5th to 7th grade were able to get to know the workplace of their parents or acquaintances, and 33 interested children came to the event. We also offer a number of internships to curious young people, and Ugitech received the label "Best Trainee Experience" for the second year in a row. At Finkl Steel, our colleagues volunteered to assist with Senior Brunch as part of their involvement in the local community of our US production site.

Economic value distributed (EVD) is the share of revenue and other operating income that Swiss Steel Group returns to society. This includes, for example, wages and salaries paid to employees, materials procured from local and international providers, the awarding of consulting contracts, donations, or interest and tax charges.

At Swiss Steel Group, this share in percent of revenue and other operating income decreased in 2022 to 96.8 % compared with 95.3 % in 2021.

Economic value distributed
in EUR million



Governance

Ethics & 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, Swiss Steel Group implemented a strong Compliance program driven by Management, including ongoing trainings, practical communications, and a compliance network to abide by local regulations and comply with international integrity standards.

In 2022, the Compliance program focused on the following topics:

The review of the role and responsibilities of the different departments and management functions on ethics and compliance matters at the corporate and operational level. As a result: 1) Compliance KPIs have been designed to monitor implementation of the compliance program on a regular basis across the Group applicable to all organizational entities; 2) Regular updates were organized in 2022 for the Audit Committee and local Management (27 times) to report on the implementation status and answer management concerns; 3) Compliance officers were nominated per asset and communicated to all employees; 4) Policy was updated to formalize roles and responsibilities as well as the reporting process.

The Group decided to extend the management compliance commitment to the Swiss Steel Group Code of Conduct and the Corporate Policy Manual to all legal entities of the Group in 2022. To achieve this, it was decided to ensure that all legal entities of the Group certify their engagement with the Swiss Steel Group Code of Conduct and its values (respect of human rights, zero tolerance for corruption, etc.).

The update to the existing whistleblower system has led to a process change to handle whistleblower messages. To ensure broad-based knowledge of the whistleblower system and the updates implemented, we launched a large-scale communication campaign across the Group in Q1 2022 on the reporting channel options. Management communication has been translated into 25 languages, over 220 posters in local languages were placed at our sites with QR codes and phone numbers to access our reporting platform, and our intranet and Internet information was updated with the platform details. A whistleblower reporting system policy was issued in Q1 2022 documenting the entire process, and a summary to facilitate the information is also available in 25 languages on the intranet. The communication campaign had an impact, resulting in a significant increase in terms of cases reported in 2022 with 20 cases. Each year, the Group CEO sends all employees an overview of the cases (harassment, conflicts of interest, etc.) reported through the whistleblower line and the number and type of sanctions (terminations, warnings, etc.) taken for the cases where the investigations revealed proven facts and where sanctions were needed.

The Ethics Steering Committee (a governance body) was created in 2021. It is responsible for reviewing alerts received from the whistleblower line and deciding on the next course of action. The Ethics Steering Committee has four members who were approved by the Executive Board and the Audit Committee: Group Head of Human Resources, Legal, Internal Audit and Compliance. The Group Compliance team receiving the alerts is responsible for the meetings' organization, schedule and minutes. The committee meets as often as business requires, usually at least once per month or more. The committee met 12 times in the fiscal year 2022, with each meeting lasting approximately one hour. The whistleblower protection policy formalizes the role and responsibilities of the Ethic Steering Committee which include, but are not limited to: 1) Reviewing whistleblower alerts received; 2) Determining the best investigation approach (internal or external) and the person responsible for this; 3) Reviewing the action plans following the investigation results, if required; 4)

Approving or deciding on the individual sanctions, where applicable; 5) Determining any external reporting to authorities for disclosures; 6) Approving or deciding on any legal action to be taken with respect to third parties or individuals. The Audit Committee is updated twice per year on the overall whistleblower cases. If any major issues were to be raised, the Head of Legal would immediately contact the Audit Committee and the Board of Directors.

The process with respect to sanctions and embargoes was changed in 2022. Additional controls were implemented across the Group in Q2 2022 to prevent risks given the new sanctions imposed by the USA, the EU and other authorities (relating to the conflict between Russia and Ukraine). Several of our business partners were affected by the war, with a knock-on effect on our operations, particularly on the raw materials and energy supply side. In addition, the situation triggered a significant increase in numbers of KYC (know your customer) questionnaires received from business partners by the different subsidiaries of the Group in 2022.

The antitrust prevention activities focused on employees attending trade associations or any event with competitors. Employees joining those meetings or fairs are systematically trained and asked to confirm their understanding and commitment to the fair competition rules of Swiss Steel Group. Furthermore, for every event organized by Swiss Steel Group involving customers or suppliers, participants were reminded of the fair competition rules and asked to formalize their commitment to these.

Implementation of a specific corruption risk assessment was launched at 2 of our assets in Q4 2022 as planned. This exercise will be launched in all the other organizational entities in 2023, providing a base to ensure the correct focus of our Compliance program and a tailor-made action plan aligned to our business risks.

A new compliance training program was rolled out in 2022. It adapts the trainings (face-to-face or e-learning) to the function of the employees and the risks derived from their role. Nearly all functions are covered by the target groups that are defined with local knowledge at each asset. The e-learnings cover matters such as our Code of Conduct, anti-bribery, anti-money laundering, antitrust, data privacy and trade compliance. In 2021, 4,178 employees were registered, of whom 96% completed their training successfully. In 2022, only new employees were registered for the e-learnings.

Cyber security

The risk of falling victim to a cyber security attack is omnipresent. In light of the growing threats, our investment into 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. It thus serves implementation of the corporate strategy and supports business processes. These steps assist management in making decisions to successfully manage cyber risks.

The cornerstones of the multi-year cyber security programs form the Group-wide Information Security Management System (ISMS). It is complemented by targeted ad hoc projects to mitigate current threats. For example, current phishing attacks are countered by additional, target group-oriented awareness campaigns in the finance and procurement areas or assessing the recoverability of operational technology (OT) systems.

We have combined the decentralized security resources to form a powerful Cyber Security Team. This enables the much more focused deployment and Group-wide exchange of our Cyber security experts.

For Swiss Steel Group, IT and OT are of crucial business importance. The value chain is heavily dependent on computerized processes and equipment. We therefore take a holistic view of both IT and process-related OT in cybersecurity and have abolished the classic separation of responsibilities, now operating with a 360° view of all components. This reinforces our protection against typical attack vectors such as ransomware.

IT Security training is mandatory for all employees with a company e-mail address. The current e-learning was first rolled out in 2020 and continued in 2021, when 100% of the 3,268 registered participants completed the course successfully. In 2022, new employees were registered for e-learning and at-risk target groups were registered for refresher trainings. We will release an updated training on IT Security covering specific topics in 2023. As part of the refresher cycle, new topics will then be rolled out on a quarterly basis.

Sustainability in the supply chain

Supplier Code of Conduct

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 dignity, 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 of our business partners, including all suppliers and subcontractors, to likewise abide by our principles of behavior and to live up to their particular responsibilities.

Swiss Steel Group's Supplier Code of Conduct defines the basic requirements placed on the Group's suppliers, including subcontractors, as regards their responsibilities toward their stakeholders and the environment. Swiss Steel Group expects all its suppliers to share the principles which are expressed in its Supplier Code of Conduct and which constitute an important component of supplier selection and evaluation. Moreover, Swiss Steel Group expects its suppliers to replicate these standards further down the supply chain.

In the most recent evaluation conducted in 2022, Swiss Steel Group covered more than 75% of its purchasing spend by a signed Supplier Code of Conduct or an equivalent declaration. Going forward, it is the Group's clear aim to make the Supplier Code of Conduct an integral part of all its contracts and its general terms and conditions. The Supplier Code of Conduct is available on the Group's website.

Risks in the supply chain

Swiss Steel Group applies an active risk-based approach in supplier management. Before a supplier is qualified and added to the Group's supplier portfolio, it needs to undergo a thorough approval process. In this process, potential risks are identified and evaluated to ensure all suppliers comply not only with legal requirements, but also with the Group's standards.

In 2022, the Group harmonized its supplier risk assessment processes, which going forward will be facilitated by a common due diligence software tool in all Production Assets.

Suppliers are mapped against country-specific risks, official sanctions lists and ESG-related databases. This will not only make potential red flags promptly identifiable, but also help the Group's procurement professionals to better understand and mitigate the ESG-related risk in the supply chain. Measures to mitigate risks include the ongoing assessment of risks by a central risk committee and, based on this, the derivation of further measures such as risk-related questionnaires or audits.

Conflict minerals

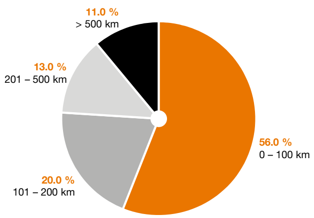
Swiss Steel Group has a Group policy on sourcing tin, tungsten, tantalum, gold (3TGs) and cobalt. Swiss Steel Group entities and their customers are subject to the main regulations (U.S. Dodd-Frank Act, EU and Swiss Conflict Minerals Regulation), and consequently their suppliers are indirectly subject to those laws as well.

To comply with the above-mentioned regulations, Swiss Steel Group requests its suppliers to provide information on their supply chains guaranteeing that sourced materials do not contain 3TGs or cobalt from a conflict region. For all purchases of 3TG or cobalt, a certificate of origin is requested proving the material's origin is conflict-free (alternatively, conflict minerals or cobalt reporting templates by the responsible minerals initiative). We only use small quantities of tungsten and cobalt as alloying elements. In 2022, the share of alloying elements containing tungsten and cobalt was less than 0.13 % of the total weight of purchased ferroalloys and metals.

Local sourcing

Swiss Steel Group aims to source a large portion of materials and services locally. To ensure flexible supply, to support the local economy and foster our relations with local communities, we are striving for a high share of our procurement spend with suppliers that are not located more than 100 km (linear distance) from our sites. In 2022, the share of spend of our most significant sites (all sites with an EAF) with local partners was approximately 56 % (excluding raw materials). Regional sourcing also helps to close material loops and further cut down on emissions caused by the transport of materials. Approximately 25 % of our scrap is delivered by rail. Due to the lower production volume at the Ugine plant in 2022, the value decreased slightly in the reporting year (-1 %). A lack of railroad connections or flexibility and service quality are some of the reasons why a larger share of transportation by rail is not always feasible.

Share of procurement spend by supplier distance

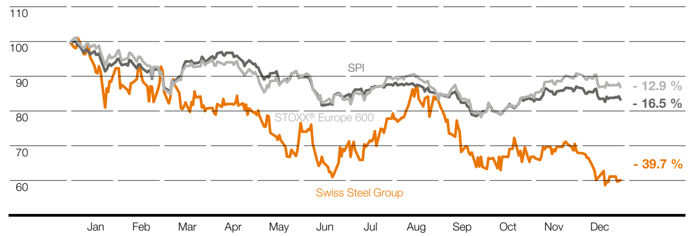


Capital market

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

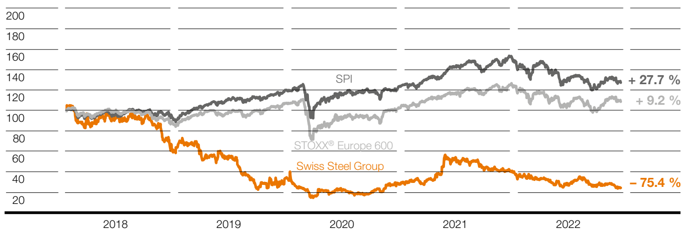
Share price development 2022
indexed



It was a difficult year for stocks given geopolitical tensions, a looming recession and rising interest rates. Market indices such as the Swiss Performance Index (SPI®) and STOXX® Europe 600 ended lower year-on year. Our share price remained volatile throughout the year and could not counteract these effects, and it ended up 39.7 % lower for the full-year. In absolute terms, the share price decreased from CHF 0.344 to CHF 0.207. Over the same period the STOXX® Europe 600 Index fell by 16.5 % and the SPI®, which includes the share of Swiss Steel Holding AG, came in lower by 12.9 %.

In 2022, the average daily trading volume of shares of Swiss Steel Group on the Swiss stock market was around 0.5 million. This compares with around 2.0 million in 2021.

Five-year share price development
indexed



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, 2021: 3,058,857,471)
Nominal value in CHF	0.15

Dividend policy

Swiss Steel Group generated positive net income in 2022. Despite this fact, the Board of Directors will propose to the Annual General Meeting on April 20, 2023 to refrain from a dividend distribution for 2022. 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 Annual General Meeting, taking into account 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 in the future.

Analyst estimates

Today, one financial analyst covers Swiss Steel Holding AG's share:

Financial institution	Analyst
Kepler Cheuvreux	Rochus Brauneiser

Investor Relations

Active and open communication with existing and potential investors and financial analysts are at the forefront of Investor Relations. In 2022, focus topics were the operating performance, the repositioning of the group with its SSG 2025 program and the Green Steel initiative.

More information, including the company's annual and interim reports, press releases, presentations and fact sheets with financial figures as well as documents related to the Annual General Meeting, can be found at www.swisssteelgroup.com/investor-relations.

The key dates in the financial calendar are accompanied by presentations and conference calls, together with events for investors and financial analysts.

Financial calendar

March 8, 2023	Annual Report 2022, conference call for media, financial analysts and investors
April 20, 2023	Annual General Meeting 2023
August 10, 2023	Interim Report H1 2023, conference call for media, financial analysts and investors

Investor Relations

Burkhard Wagner

Vice President
Corporate Finance & Investor Relations

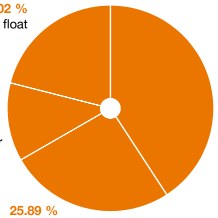
Phone: +41 41 581 4180

burkhard.wagner@swisssteelgroup.com

Shareholder structure

The share capital as of December 31, 2022 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 40.81 % as of December 31, 2022. Liwet Holding AG / AO Kompleksprom maintain a 25.89 % stake in Swiss Steel Group. The third major shareholder is PCS Holding AG with 12.28 %. The remaining 21.02 % of the shares are in free float.

Shareholder structure per 31.12.2022



[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 a EUR 465.0 million revolving credit facility advanced by a syndicate of banks, an ABS financing program of EUR 299.2 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 2023 with a three-month extension option, the other financing instruments have maturities until March 2025. In addition, Swiss Steel Group had state-guaranteed bank loans of EUR 110.0 million at the end of the fiscal year 2022. Unused bank loans and liquid funds came to around EUR 218.7 million as of December 31, 2022, ensuring the company has sufficient financial resources. In addition, the ABS financing program had a headroom of EUR 26.9 million.

in million EUR	Credit line	Status as of 31.12.2022	Unused lines and cash
Syndicated loan (excl. transaction costs) [1]	435.0	312.1	122.9
ABS financing (excl. transaction costs)	299.2	272.3	26.9
Loans from shareholder (excl. transaction costs)	195.0	175.0	20.0
State-guaranteed loans (excl. transaction costs)	110.0	110.0	0.0
Cash and cash equivalents [2]		75.8	75.8
Total			**245.6**

[1] The credit line of the syndicated loan has been reduced in December 2022 by EUR 30.0 million and will be increased back to EUR 465.0 million in January 2023
[2] Thereof EUR 4.7 million recognized as assets held for sale in the consolidated statement of financial position

Opportunities and risks

Swiss Steel Group's business activities are exposed to a number of opportunities and risks. Operational gains are relevant milestones for the strategy SSG 2025 roadmap, together with our commercial ambitions to leverage business opportunities. The main objective of Risk Management is identifying risk at an early stage and implementing effective mitigating measures.

Since fiscal 2022, Swiss Steel Group has begun implementing a new target operating model. The new organization in Divisions ensures target setting alignment in all key dimensions and a more customer-centric management model. The Group has initiated organizational changes focused on efficiency improvements and initiatives designed to meet the SSG 2025 targets. Among other major challenges, the Group is adapting to changing demand patterns by realigning its products, services and customer applications.

In 2022, energy and raw material prices were extremely volatile. These costs are in most cases passed on to customers through surcharges, but result in increased net working capital (NWC) necessary to finance production. The Group liquidity forecast allows us to anticipate precisely our cash situation. Many initiatives have been taken to control and improve the tight liquidity and in some cases the Group has decided for controlled production stops.

With the increased importance of ESG Swiss Steel Group strives to seize numerous opportunities. Nonetheless, for a comprehensive implementation of these opportunities, respective risks are to be mitigated.

Cyber security risks are a focus area of our governance for its technical and human components with multiple potential impacts, including business interruption, General Data Protection Regulation (GDPR) breaches, or ransomware. Our IT is forming four Group Service Organizations (GSOs) to support the SSG 2025 transition. Within the GSOs, the dedicated IT specialists are grouped in CoEs (Centers of Excellence) to create and deliver standardized and professional IT services to our internal customers.

Opportunity management

With our commitment to setting ambitious de-carbonization targets (SBTi) we want to further strengthen our leading position in Green Steel and become the first choice for customers when it comes to steel with a verified low CO_2 footprint.

Industry experts at Swiss Steel Group are in constant contact with market participants in order to identify and exploit business opportunities within the range of our capabilities. They provide regular updates on key market developments during monthly Division calls, performance review meetings and on an ad hoc basis, contributing to the Group actions steps.

Decarbonization and sustainability potential
With our 100 % EAF and scrap based production route we have a significantly lower CO_2 foot-print than BF-BOF-based steel producers.

Our commitment to setting SBTi de-carbonization targets reflects our ambition to further strengthen our leadership in Green Steel. By offering our green steel product categories, we are in the best position to seize future market opportunities. In that sense we are aiming to further shift the energy mix purchased to renewable sources (e.g. hydro, solar or wind power). Swiss Steel Group's renewed focus on each dimension of ESG yields opportunities not limited to de-carbonization, but extending to investment policy, employee and community involvement, and effective management. In anticipation of future legal requirements we will continuously improve our performance and transparency in ESG matters, aiming to convince all stakeholders and increase our attractiveness as an employer.

The "Sustainability" section provides specific insight on the Group strategy in the related area.

Value enhancement potential
The COVID-19 crisis had major impacts on demand and created multiple significant supply chain disruptions. Nevertheless, we expect global strategic growth in the long term, driven by factors such as scarce resources, growing industrialization in developing countries, increasing urbanization and electro mobility.

Swiss Steel Group anticipates numerous strategic and operational opportunities in these fields, for which we already offer appropriate products. The efficient use of resources and lightweight construction will also move up on corporate agendas; the same goes for the optimization of value chains, which will require increasingly sophisticated materials. The process of adapting and optimizing our product characteristics is ongoing, as customers demand increasingly lighter and stronger, tougher, and more enduring products. The Group's future economic success is founded on its ability to identify opportunities in market and technological trends and to develop operational strategies based on these. This involves three strategic thrusts:

- Long-term systematic market analysis and strategic market development
- Consistent application-driven product development activities
- Renewal of our asset base, both of the industrial equipment and systems and of our employees and teams by dynamic development

As a unique, full-range supplier with a broad portfolio of high-value products, we consider ourselves well positioned to serve technically demanding segments in growth markets. Our business model is aligned to the constantly evolving demands of steel products and well prepared for future performance levels. With our application-driven strategy, we detect trends, developments and innovations as they emerge, offering customized solutions in response. We track these through long-term, systematic analysis of developments in our customer industries. Working in close collaboration with technical areas – ranging from technical customer service through to R&D, quality management, production, maintenance and IT – we constantly optimize production processes and our product portfolio to adapt them to future challenges. An important, well observed dimension of optimization is skill and employee development.

Product excellence and innovation organization
The core competence of our ambitious technical development organization lies in the three critical areas of "product innovation", "process innovation", and "technical services". R&D operations in general and intense cross-border collaboration among technical staff are the cornerstones of our diverse product range offerings, our product quality leadership and our close customer partnerships. Several R&D centers and innovation teams across Swiss Steel Group in Europe and North America are actively engaged with development projects, searching for the best innovative ideas for new products and processes to serve the most complex needs of our highly demanding end use markets around the world.

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 long special steel segment, and make the new products and processes a reality, thanks to their close contacts with our international customers. Innovation in our Group happens at all levels of the special long steel value chain, starting with material development, input and process elaboration; through melting & refining, continuous 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.

The innovation landscape of Swiss Steel Group sets the vision for the future of our R&D activities; it defines the roadmap to innovate together with our customers, addressing their needs for increased sophistication and narrowly defined precision levels. About one half of our R&D workforce is also active in cross-country working groups in nine major development fields that contribute to the Group's successful growth initiatives. We hold several multi-day workshops during the year, where we discuss and examine challenges, experiences and know-how in the strategic research projects, and also come up with solutions through technical discussion among the experts within the working groups.

Finally, Swiss Steel Group's technical development organization is the engine of recruitment, development and transfer of our technical staff by inspiring new talents to tackle promising projects and forge a career in the fascinating field of the special steel business. Some of the challenges in the near future include the use of artificial intelligence in product and process design as well as predictive tools in quality assurance, steel production and processing.

IT and digital innovation
Rapidly advancing digitalization is playing a major role in enhancing the efficiency and quality of processes. Swiss Steel Group exploits opportunities to enhance efficiency and quality by means of IT and digital transformation. IT and digital innovation can make a decisive contribution to sustainable improvement, particularly in the context of transformation, and will be of particular importance as a focal point in the years ahead.

Future digitalization projects, the modernization of the IT landscape and the harmonization of the system landscape – which are aimed at increasing efficiency and lowering costs as a basis for Industry 4.0– are ongoing in all Divisions, legal entities and at the Corporate Center. The same applies to our strategic focus to migrate to SAP S/4HANA as the next generation business suite for the digital age in the coming years.

We require standardized, harmonized and highly automated IT services from external service providers and focus the internal IT employees on exploiting the possibilities of digital change for customers in order to add additional value to Swiss Steel Group.

Procurement
In early 2022 Swiss Steel Groupconcluded that there is a significant improvement potential in the Procurement area. During 2022 the Group procurement function was reshaped, new procurement experts have been hired, and a collaborative centralized operating model has been introduced to start capturing procurement improvements and synergies. A large part of the short-term improvements are in scrap sourcing and optimization. Several initiatives have been taken to improve the total cost of the materials required to produce specific alloys. A new energy hedging strategy was proposed and implemented to the degree possible. Notable synergies have emerged within inter-site support to secure the supply of scrap at competitive terms. From 2023 a structured improvement program will be started to continuously improve the total cost of ownership of the externally purchased materials and services.

Risk situation and key risk factors

Our risk management aims to identify risks at an early stage and takes appropriate mitigation measures. The key risk areas, which from today's perspective, have a significant impact on our business, financial position and results of operations, include the structural economic conditions in the steel industry, the availability and significant cost inflation of our raw materials, the significant increase in energy prices, which impact our liquidity, as well as cyber risks. Risks to global economic growth are also prevalent from escalating international trade conflicts and policy interventions alongside an increasing regulatory environment.

Regarding environment, governance and compliance laws and regulations, companies that breach applicable regulations must expect substantial fines, penalties or restrictions to their business activities, as well as potential reputational damage.

Risk arising from competitive and economic environment
For Swiss Steel Group, structural market risk is related to permanent changes in our market environment such as fundamental shifts in steel consumption of end user industries, and new technologies.

Specifically, the move toward electric vehicles (EVs) will have an impact on our business. The shift from the internal combustion engine (ICE) to electrified powertrains such as hybrid electric vehicles (HEV), plug-in hybrid electric vehicles (PHEV) and pure battery electrical vehicles (BEV) is gaining speed. Pure battery electric vehicles use less specialty long steel compared to an internal combustion engine. The adoption of hybrid vehicles (HEVs or PHEVs) has no significant impact on Swiss Steel Group since these motors have a comparable special steel long product content as in ICE vehicle.

With increasing adoption of electrified powertrains, special steel demand in the automotive industry will likely be lower in the medium- to long-term. Growth rates of electrified powertrains adoption are projected to be exponential. According to LMCA automotive forecasts, in 2030 around 40 % of vehicles produced in Europe will be BEVs, compared to 2 % in 2018 and 12 % in 2020.

However, this shift towards EV's also provides opportunities for Swiss Steel Group. As EV's gain market share, the number of models will increase. An increase and replacement of models, regardless of powertrain require molds for parts, which will be a boost for the Tool Steel division, a major supplier to the auto industry for molds. In additions, the diversity of steel grades, coupled with diversity of applications will likely see demand across all special steel markets (Engineering, Stainless and Tool), and no-doubt there will still be a degree of interchangeability of special steel products. The shift from ICE to EV's will also provide opportunities for Swiss Steel Group.

The Group mitigates structural market risks with multiple initiatives geared toward our product excellence and innovation, detailed in the "Opportunity management" section.

From an economic point of view, the International Monetary Fund (IMF) forecast in October 2022, that global GDP growth would be 2.7 % in 2023, a downgrade of 0.2 % versus its July 2022 forecast; the Eurozone was forecast to grow by 0.5 %, a downgrade of 0.7 %, while German GDP was forecast at -0.3 %, a downgrade of 1.1 % compared the July 2022 forecast. At the time of writing (January 2023), there is much speculation of a global recession, as inflation keeps rising, dragging down consumer confidence and spending. These factors have been causing the recent GDP downgrade globally. Slower GDP growth tends to have an impact on steel demand.

Swiss Steel Group business is exposed to the economic situation in Germany. Approximately one-third of the Group's revenue is generated from sales to Germany. Any deterioration in the German economy could have an impact on Swiss Steel Group sales and EBITDA.

Risks in procurement markets
As a producer of special long steel from electric arc furnaces, Swiss Steel Group relies on a constant supply of large amounts of scrap, alloys and energy, as well as on graphite electrodes, refractory materials and other consumables. We procure some of these consumables from oligopolistic markets, where only a limited number of suppliers are available. In addition, due to the nature of the materials, sources of supply are spread across the globe. Therefore, the availability of such consumables can be influenced by factors beyond our control.

To mitigate such risks Swiss Steel Group companies are increasingly identifying and qualifying new suppliers and qualifying new materials.

Pressure on global supply chains has eased since the summer of 2022, but disruptions still exist today and are likely to remain well into 2023. In view of our international supply sources, uninterrupted supplies to our plants must be ensured. Difficulties in the logistics and transportation sector, labor shortages or pandemic-related restrictions in production countries poses a risk to the supply of materials.

The situation in the energy markets, especially in Europe, can lead to distortions in the alloy and metal markets. In 2022 several producers shut down furnaces due to high energy costs. However, in the wake of a recession, reduced output seems to match reduced demand from consumers. In addition to the impact on the cost of energy, the conflict in Ukraine poses a risk to the supply of selected raw materials due to sanctions or possible future sanctions. To mitigate this risk actions have been taken to avoid and minimize direct and indirect supply from this region. In 2022, we also saw a limited availability of trucks or train wagons. This was a manageable challenge in 2022, but transportation will continue to be a risk in 2023

ESG risks
ESG is becoming an increasingly important topic for our stakeholders (e.g. customers, investors and financial institutions, employees and the general public). Numerous imminent legal requirements (e.g. CSRD, EU-Taxonomy, Swiss Code of Obligations, due diligence laws) call for a more comprehensive sustainability management system, tracking of ESG KPIs and extensive non-financial reporting.

Swiss Steel Group's commitment to ESG principles is designed to meet and exceed stakeholder's expectations and standards. Particularly, the decarbonization targets reflect our ambition to further strengthen our leadership in Green Steel (explained in more detail in the "Sustainability" and "Opportunity management" sections).

Compliance & Governance risks

Due to the conflict between Ukraine and Russia, several countries imposed sanctions in 2022 on some Russian Nationals (UK, US, etc.). As a result, the Swiss Steel Group has received frequent clarification requests (Know Your Customers – KYC) about its shareholders. In some cases, payments have been halted during checks by banks, customers or suppliers. However, in most cases discussions with third parties were sufficient to resolve the situation. To mitigate this risk, transparent information has been published on the SSG website and a systematic internal communication system has been agreed to speed up answers provided to third parties.

The Group has set up Compliance program to reach the entire company population and even third parties when needed (i.e.: whistleblower system). Compliance activities are adapted to the risks that every individual may face based on function (seniority) and department. The program includes face-to-face training courses and/or e-learnings, regular communication, policies, etc. Efforts in compliance relate to numerous fields related to our industry, such as sanctions and embargos, export control (military use / dual use), anti-corruption / bribery, due diligence (corruption, sustainability, etc.), GDPR and whistleblower line management. Status update on the program are given on a regular basis to the different management level of the organization. The Compliance pro-gram is reviewed yearly to adapt to new risks and new laws expectations and/or legal developments.

Swiss Steel Group has a subsidiary in Russia which has adapted its operations to the sanctions imposed by the European Union, US and other international sanction regimes.

Legal and regulatory risks

The Group's business activities depend strongly on the legal and regulatory environment, both nationally and internationally. Changes in submarkets may therefore be associated with risks, leading to higher costs or other disadvantages. We monitor international, national and European legislative processes through industrial associations and use consultation procedures to draw attention to potential competitive imbalances.

The fourth EU emissions trading period (2021–2030) is expected to result in substantial costs for electricity and gas suppliers, which will be reflected in price increases for consumers. As an energy-intensive industrial and trading group, Swiss Steels Group's results of operations may be at risk if these costs cannot be completely passed on to customers. Swiss Steel Group actively follows the ongoing debate on emissions trading through industry associations such as the World Stainless Association and World Steel Association (WSA).

Production at all our locations is subject to a broad range of laws and regulations with regard to emissions, waste water treatment and discharge, hazardous materials, waste management and other aspects of environmental protection. At all production sites of Swiss Steel Group, the management is responsible for the environmental management systems. Our European sites are certified according to the internationally recognized standard ISO 14001.

Risks arising from information technology

Our business is increasingly exposed to cyber risks, such as external attackers as well as system and network vulnerabilities.

An Information Security Management System is in place, actively managed and continuously improved. Common growth possibilities for IT and OT are explored where possible to enable common state-of-the-art security standards.

Information technology ensures the professional operation of business processes within the Group, as well as with customers, suppliers and business partners. Risks in this respect relate to IT security, such as unauthorized access to sensitive electronic data and operational risks, such as negative financial impacts caused by flawed or failed processes, policies, systems or events that disrupt business operations. We counter risks by performing regular reviews and making adjustments in the information technologies we use and have taken measures to further develop our information security management and the security technologies we use. Additional periodic penetration tests are carried out to further reduce the risk of unauthorized intrusion into IT systems and applications. In doing so, we continuously develop and expand our existing IT applications and IT infrastructure with the aim of minimizing the risks identified. We further ensure through dedicated e-learning initiatives that our employees are sensitized to the careful handling of confidential data and are aware of security issues.

Failure risks at Production Assets

Our Production Assets operations may be interrupted in general by equipment failures, fire, human error, IT failures, natural disasters, power outages, work stoppages or for other reasons. While property damage and business interruptions are generally insured, certain causes of failures inherent to our production capabilities, namely equipment failure from human error or material weakness, may not be fully insured or are generally not insurable.

Related to our industrial equipment the following main risks may impact competitiveness:

- Obsolescence: Outdated plants and technologies, lagging in productivity behind state-of-the-art, and increasing maintenance costs as well as operational interruptions
- Breakdown or failure, leading to business interruption
- Site event (fire, flooding), impacting a full plant or a workshop

Corporate Technology regularly reviews the technological competitiveness and strategic development plan of all sites, sets priorities, and drives key developments. Each Production Asset maintains an independent list of equipment, continuously evaluates this form a critical standpoint and updates mitigation action plans including preventive maintenance, spare parts inventory, business continuity and contingency plans, and fire prevention and intervention plans, which are consolidated at Swiss Steel Group level as an input to our insurance policy.

Personnel risks

Swiss Steel Group's success depends on the expertise and commitment of its employees. One major challenge is therefore to recruit and retain executive management and other key personnel. Our senior management team has extensive experience within the steel industry. Our business and future development depends on our ability to retain individual persons in key positions, particularly at the level of the Senior Leadership Team and employees in key functions with strategic relevance for the company.

Demographic developments and the deferred statutory retirement age in many countries also pose considerable challenges. Swiss Steel Group relies, among other things, on internal training and further education and increasingly on the internal succession planning process, which is supported by management development. Modern working conditions and a positive corporate culture are other key points in this respect.

A comprehensive description of financial risks can be found in notes 17 (Income taxes), 21 (Impairment test), 27 (Pensions), 28 (Provisions for restructuring) and 32 (Financial instruments) of the consolidated financial statements.

Outlook

Besides the macroeconomic environment, the outlook for our business will be particularly influenced by developments in the relevant market segments for special long steel and in our customer industries. External factors and internal measures designed to optimize the Group's performance will define our outlook. Market performance will be dependent on the further course of the COVID-19 pandemic and how long and to what extent temporary supply chain issues, high energy prices and the economic slowdown will continue to impact major customer industries like the automotive industry. Expectations therefore remain highly uncertain.

Macro outlook

As of January 2023, the International Monetary Fund (IMF) forecasts that global gross domestic product (GDP) will grow by 2.9% in 2023, following growth of 3.4% in 2022, thus, constituting a slowdown in GDP growth in 2023. GDP of the advanced economies is forecast to grow by 1.2% after an increase of 2.7% in 2022, while GDP of the Eurozone and the USA is expected to grow by 0.7%, and 1.4%, respectively (versus increases of 3.5% and 2.0% in 2022). GDP of the emerging market and developing economies is expected to grow by 4.0% compared to estimated GDP growth of 3.9% in 2022. China's GDP is forecast to increase by 5.2% com-pared to 3.0% in 2022.

Industry outlook

Based on market data from Steel & Metals Market Research (SMR), following a partial recovery in 2021 and a partial contraction in 2022, we are anticipating a degree of uncertainty for special long steel demand in 2023 amid persisting product group-specific, regional and sectoral differences.

Overall, the trend toward more sophisticated production and steel applications will continue unabated, which for the industry is commensurate with long-term structural growth. However, the short-term situation depends greatly on how the economy performs as a whole, which is linked to external factors beyond the structural outlook of the industry. Besides this, in structural terms we anticipate a growing trend toward CO2-reduced green steel products favoring our electric arc production route versus traditional blast furnace production, which in turn will create growth opportunities for Swiss Steel Group beyond pure market growth.

Outlook for our customer industries

The outlook for Swiss Steel Group's most important end user markets remains subject to broad economic uncertainties. Specifically, according to LMC Automotive (as of January 2023), continuing supply chain problems are expected to impact the European light vehicle production out-look amid cost pressures, threats to European energy supplies, COVID-19-related disruptions in China as well as a possible decline in vehicle demand due to the economic slowdown. Such factors may also impact other customer segments besides the automotive industry.

After European light vehicle production (17 European countries: Germany, France, Spain, UK, Italy, Austria, Belgium, Finland, Netherlands, Portugal, Sweden, Czech Republic, Hungary, Po-land, Romania, Slovakia and Slovenia) grew by 5 % to 13.6 million units in 2022, LMC Automotive (as of January 2023) forecasts production to increase by 8 % to 14.7 million units in 2023.

In December 2022, VDMA confirmed its outlook from September 2022 forecasting that production of the German mechanical engineering sector will decline by 2 % year on year in 2023, with inflation and ramifications of the war in the Ukraine expected to continue to weigh on the sector.

Outlook for 2023 for Swiss Steel Group

In the current environment of geopolitical and economic volatility, the outlook for Swiss Steel Group for 2023 is characterized by a degree of uncertainty, as is the case for the macroeconomic and industry outlook in general. Nonetheless, Swiss Steel Group pushes ahead with the further implementation of SSG 2025 and expects the strategic measures begin to take effect.

As part of the SSG 2025, we will continue to focus on our core business and drive improvement initiatives to become more resilient. To do so, we will reassess the current status and future viability of each of our entities in regard to profitability, with the aim of identifying and uncovering obvious and hidden leverage potential. Furthermore, we are taking a closer look at our cost structure, examining process efficiency and effectiveness, and identifying opportunities for improving our profitability.

In terms of customer centricity and market effectiveness, we are focusing on transforming to become a fully integrated partner. We will continue to bundle expertise across the Group, roll out our single-brand strategy and build on our innovation competencies to drive efficiency at all levels. As we continue to strengthen of our new organization, this will allow a more holistic market approach and more effective and tailored customer service. Building on this strong foundation, Swiss Steel Group has the potential to expand its market position in sustainable steel production.

We will continue to forge our chosen path as a pioneer of decarbonization in the steel industry. In line with our commitment to the Science Based Targets initiative (SBTi), we will start with the implementation of our decarbonization roadmaps, aiming to reach our net zero target before 2040, given the appropriate framework conditions. For example, we will grow our share of renewable energy used for steel production and focus on trailblazing recycling concepts to lower both our Scope 2 and Scope 3 footprints. Ongoing efficiency improvements will further support our pathway to zero in Scope 1 emissions. After having certified all our production sites according to the Greenhouse Gas Protocol (GHG) in 2022, we will start to disclose individual product footprints in order to empower customers on their decarbonization journeys.

SSG 2025
Goal
#3
Develop into one integrated Group with one strong brand

Corporate Governance

Transforming blooms into wire rod

Steel blooms are re-heated and then enter the rolling process, where several mills reduce the bloom cross-section to the desired diameter or size. The rolling process also influences the geometric tolerances and microstructure of the steel.

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 34, Segment reporting of the consolidated financial statements of this Annual Report. Management and supervision of Swiss Steel Group are based on the company’s Articles of Incorporation, organizational regulations including chart of functions, committee regulations as well as mission statement 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://www.swisssteel-group.com/en/group/corporate-governance/corporate-regulations.

The management structure is aligned to 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 37, 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 633.2 million (closing price on 30.12.2022: CHF 0.207)
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 37 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, 2022, the company had received notification of three significant shareholders whose voting rights exceed the 3 % threshold: BigPoint Holding AG, which owned 40.81 %; Liwet Holding AG and AO Kompleksprom, which together held 25.89 % via a shareholder agreement, and PCS Holding AG / Peter Spuhler, which owned 12.28 %. 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 2022 financial year 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, 2022, 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 conditional and authorized capital established in its Articles of Incorporation as of December 31, 2022.

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 three 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	-	-

2.4 Shares and participation certificates
As of December 31, 2022, 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://www.swisssteel-group.com/en/group/corporate-governance/corporate-regulations), 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 2022. 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, 2022.

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, 2022.

Jens Alder (CH)	**Svein Richard Brandtzæg (NO)**	**Barend Fruithof (CH)**
Year of birth 1957	Year of birth 1957	Year of birth 1967
Chairman		
Compensation Committee (Member)	Compensation Committee (Chairman)	Audit Committee (Member)
Member since 2021	Member since 2020	Member since 2022
Elected until 2023	Elected until 2023	Elected until 2023
David Metzger (CH/FR)	**Mario Rossi (CH)**	**Dr. Michael Schwarzkopf (AT)**
Year of birth 1969	Year of birth 1960	Year of birth 1961
Audit Committee (Member)	Audit Committee (Chairman)	Compensation Committee (Member)
Member since 2020	Member since 2021	Member since 2020
Elected until 2023	Elected until 2023	Elected until 2023
Oliver Streuli (CH)	**Emese Weissenbacher (DE)**	
Year of birth 1988	Year of birth 1964	
Compensation Committee (Member)	Audit Committee (Member)	
Member since 2022	Member since 2021	
Elected until 2023	Elected until 2023	

At the Annual General Meeting on April 26, 2022, Jens Alder, Dr. Svein Richard Brandtzæg, David Metzger, Dr. Michael Schwarzkopf, Mario Rossi and Emese Weissenbacher, who stood for re-election, were confirmed in office. The shareholders approved the appointment of Barend Fruithof and Oliver Streuli as new members of the Board of Directors. Jens Alder was elected Chairman of the Board of Directors.

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 35, 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 holds a Master of Science (MSc) in Electrical Engineering from ETH Zurich, Switzerland, and a Master of Business Administration (MBA) from INSEAD, Fontainebleau, France.

Dr. Svein Richard Brandtzæg (NO)
non-executive member
Dr. Svein Richard Brandtzæg is currently Vice Chairman of Den Norske Bank ASA (NO), member of the Board of Mondi Plc. (UK) and Vice Chairman and Lead Independent Director of Dormakaba AG. From 2009 to 2019 he was President and CEO of Norsk Hydro ASA (NO). Before his role as President and CEO of Norsk Hydro, he held various positions at the company between 1985 and 2009, including management positions such as President of Hydro Magnesium, President of Metal Products, President of Rolled Products and Executive Vice President of Aluminium Products. From 2014 to 2020 Svein Richard Brandtzæg was Chairman of the Board of Directors of the Norwegian University of Science and Technology and from 2009 to 2019 he was a member of the European Roundtable of Industrialists (ERT), member of the Board of International Council of Mining and Metals and International Aluminium Institute. From 2019 to 2021 he was a member of the Board of Directors at SRC-Sibelco (BE). From 2019 to 2022 he was Chairman of the Board of Directors of Veidekke ASA (NO) and member of the Board of Directors of Eramet Norway AS. Svein Richard Brandtzæg holds a Master of Science from the Norwegian University of Science and Technology/NTNU in Trondheim (NO), where he also obtained his PhD degree at the Institute of Inorganic Chemistry. Between 1998 and 2006 he attended several executive education programs at IMD, Harvard Business School and the Wharton and International Forum. Since 2021 Svein Richard Brandtzæg has been Vice Chairman of the Council of Ethics for the Norwegian Government Pension Fund Global.

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 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. Mr. Fruithof is currently a member of the Board of Directors at esisuisse (Einlagensicherung), AMAG Leasing AG, HRS Real Estate AG and Zugerberg Finanz AG. In addition, he is member of the Board at Swissmem. Mr. 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 currently serves as Managing Director Investments of Liwet Holding AG, where he provides consulting services to a range of international companies in the area of investments and portfolios. From 2011 until 2018 David Metzger worked as CFO of Venetos Management AG, and subsequently as Deputy Managing Director Mergers & Acquisitions and Strategic Development of RMAG. Prior to this, David Metzger worked as Investment Executive at Good Energies AG (part of COFRA Holding, CH), a highly renowned renewable energy fund. During this time he additionally served as CFO and Board member of several portfolio companies. Before Good Energies, David Metzger was a Senior Manager at Bain & Company, focusing on strategy and private equity. Besides his executive positions, he has at present other non-executive appointments as a member of the Board of Directors of Italy-based company Octo Telematics, Sulzer AG and Medmix AG. David Metzger holds a Master's degree in Business Economics (lic. oec.) from the University of Zurich (CH) and a Master of Business Administration from INSEAD (Fontainebleau, FR).

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. 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. 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.

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Oliver Streuli (CH)
non-executive member
Oliver Streuli has been CEO of the holding company PCS Holding AG, based in Frauenfeld, since 2019. Mr Streuli is a member of the Board of Directors of Autoneum Holding AG and a member of the Supervisory Board of Traktionssysteme Austria GmbH. 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. Ms. 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 by 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, and designates a Secretary, who needs not be a member of the Board. The terms of office of each member and 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, usually once per quarter. The Board of Directors convened on nine occasions in the fiscal year 2022 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://www.swisssteel-group.com/en/group/corporate-governance/corporate-regulations). For the notarization of resolutions related to capital increases, only one member needs to be present (art. 651a, 652g, 653g of the Swiss Code of Obligations). 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 two committees from its members: the Audit Committee and the Compensation Committee.

Audit Committee
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 four times per fiscal year. In the fiscal year 2022, the Audit Committee met five times with an average meeting duration of three hours. The external auditor, the Head of Corporate Accounting and Controlling, 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 on important litigations as well as significant legal, compliance and tax matters

Internal Audit
- Selecting the Vice President 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.

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 Dr. Svein Richard Brandtzæg (Chairman, since the 2021 Annual General Meeting), Jens Alder (member, since the 2021 Annual General Meeting), 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 five times in the fiscal year 2022. 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 Executive Board compensation, 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 reelection 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.

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://www.swisssteel-group.com/en/group/corporate-governance/corporate-regulations). The CEO chairs the Executive Board, which consists of the CEO, the CFO and the Chief Commercial Officers of the Divisions Engineering Steel, Stainless Steel and Tool Steel. 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 Business Unit 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 Business Units 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. Every six months, the organizational entities and corporate departments establish and report their risk assessments to risk management. 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 2022, Internal Audit reported to the Audit Committee in five 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 three Chief Commercial Officers (CCOs).

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

[1)] At the time of publication, Jürgen Alex is no longer a member of Swiss Steel Group and Patrick Lamarque d'Arrouzat holds the position as CCO Tool Steel Division ad interim.

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), MBA

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 Steel (FR), MBA

Patrick Lamarque d'Arrouzat (MBA) has been CEO of Ugitech with 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. 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.

Jürgen Alex, CCO Tool Steel (DE)
Jürgen Alex has been CEO of the largest Production Asset of Swiss Steel Group since January 2019. Since January 2022 he has been a member of the Executive Board of Swiss Steel Group as Chief Commercial Officer (CCO) for Tool Steel. Jürgen Alex studied metallurgy and materials engineering at RWTH Aachen (Dipl.-Ing.) and completed a trainee program at Fried. Krupp AG Hoesch-Krupp. Since 1994 he has held various positions at Deutsche Edelstahlwerke and its predecessor companies. In 1999 he moved to the Hagen site, where he first became head of quality and later of bright steel production. From 2005 to 2006 he was plant manager at Hagener Feinstahl and returned to the core team of the EWS and EWK merger to form Deutsche Edelstahlwerke in 2007. Following the successful merger, he took over as plant manager of the Hagen mill. From 2011 to 2017 he headed the Technology division of Deutsche Edelstahlwerke as Chief Operating Officer (COO). In 2018 he took over as Chief Sales Officer (CSO).

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 section 3.2.

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 124 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://www.swisssteel-group.com/en/group/corporate-governance/corporate-regulations).

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 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. The meeting is held at the registered office of the company or at a different location determined by the Board of Directors.

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 one tenth of the share capital (see art. 5 of the Articles of Incorporation). If the meeting is convened by shareholders or the external auditor, the Board of Directors must, if expressly requested, hold the meeting within 60 days.

6.4 Inclusion of items on the agenda
Shareholders who represent shares with a par value of CHF 1 million may submit a written request, no later than 45 days before the Annual General Meeting, requesting inclusion of 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 2022. Christian Schibler has been the lead auditor in charge and signatory of the auditor's report since the fiscal year 2019. The rotation cycle of the lead auditor is generally seven years.

8.2 Audit fees
In 2022, EUR 2.4 million (2021: EUR 2.0 million) was paid for financial statement audits and EUR 0.1 million (2021: EUR 0.2 million) for other assurance services.

8.3 Additional fees
In addition, EUR 0.1 million (2021: EUR 0.1 million) was paid for tax advisory services in the reporting period and EUR 0.2 million (2021: EUR 0.4 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 also the detailed description of the duties and authority of the Audit Committee, section 3.4). 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://www.swisssteel-group.com/en/pressmedia/contact-and-mailing-list/

The regulations of the SIX Swiss Exchange also apply.

Financial calendar

March 8, 2023	Annual Report 2022, conference call for media, financial analysts and investors
April 20, 2023	Annual General Meeting 2023
August 10, 2023	Interim Report H1 2023, conference call for media, financial analysts and investors

Investor Relations

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Media releases and other information are publicly available on our website:
www.swisssteel-group.com

SSG 2025 Goal #4 Achieve profitable growth and market share expansion in core markets

Transforming ingots into forged pieces

The ingots are shaped and formed using compressive forces, such as pressing. The result is changed geometrical shapes, higher fatigue resistance and strength as well as specific mechanical properties achieved in the finished product.

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 2022. The compensation report is written in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations (OaEC), 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 2022.

On January 1, 2022, three new members were appointed to the Executive Board of Swiss Steel Group. Jürgen Alex, Dr. Florian Geiger and Patrick Lamarque d'Arrouzat each lead one of the three new Divisions as CCO. In April 2022, Marco Portmann was appointed Group CFO as successor to Markus Böning, who stepped down from the Executive Board on April 1, 2022.

The fiscal year 2022 started off on an optimistic note as the effects of the COVID-19 pandemic faded into the background. However, unexpected geopolitical instability in the first few months further exacerbated already high commodity and energy prices. Disruptions in the global supply chain and threats of a recessionary environment continued to challenge our customers and us, and demand for our products significantly decreased in the second half of the year. In addition, the fatal Ugitech accident in early January 2022 significantly affected the overall financial performance in 2022, despite the excellent handling of the local crises by all management teams and employees.

Revenue in 2022 increased compared to 2021, primarily due to higher sales prices due to an energy surcharge with sales volume decreasing overall due to a lower demand. In response, the Group adjusted production volumes, cut costs and increased efficiency resulting in an adjusted EBITDA significantly higher than in 2021. However, free cash flow was negative due to low inventory values at the start of the year and subsequent investments in NWC. In August 2022, when prospects for energy cost and availability became very bleak, the Board of Directors decided to de-risk the Company by asking management to steer the Company for liquidity for at least the rest of the year, possibly at the expense of profitability and growth. Since this decision was significantly deviating from the profit- and growth-oriented incentive programs for management, the Board of Directors decided to apply some discretionary judgement when looking back at the pay for performance for 2022.

Despite these short-term challenges, Swiss Steel Group has made good progress with its strategic program, SSG 2025. On September 1, 2022, Swiss Steel Group took the first important step by operationalizing the new sales Divisions Stainless Steel, Engineering Steel and Tool Steel. Supported by the Group-wide harmonization of production processes, the holistic market approach of the new organization will create more effective and tailored customer services in the future.

The current energy crisis shows the importance and necessity of further strengthening our positioning in sustainable steel production. Swiss Steel Group finalized its roadmap to meet the SBTi commitment and will reduce its CO_2 emissions by 42 % over the next decade, starting from the current carbon footprint which is already approximately 78 % below the global industry average.

We will explain in this report how performance in 2022 impacted the compensation awarded to the Executive Board under the incentive plans. In 2022, the Compensation Committee implemented several changes to the compensation system for the Executive Board members that were approved by the Board of Directors following a thorough review in the previous year:

- 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, NWC and the achievement of strategic objectives at the Group and Division levels. Any form of guaranteed payout has been discontinued.
- The long-term incentive is now 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 and the ratio of gross profit divided by personnel expenses. 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, effective as of 2023.

In addition to the changes described above, the compensation system for the Board of Directors was also modified slightly to include share ownership requirements. The Compensation Committee and the Board of Directors trust that the revised design of the compensation programs for the Executive Board reinforces their alignment with the business strategy and the long-term interests of our shareholders.

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,
Dr. Svein Richard Brandtzæg | 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/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 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 set forth 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 26, 2022, 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 is the Chairman of the committee.

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, 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 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 2022, the Compensation Committee met five times, including one ad-hoc meeting to discuss nomination topics. The Chair 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 consult external advisors where necessary. In 2022, Agnès Blust Consulting was mandated to provide advisory services on the redesign of the compensation programs of the Executive Board. Agnès Blust Consulting had no other mandates with Swiss Steel Group, however it was acquired on April 1, 2022 by PricewaterhouseCoopers (PwC). PwC provides other services to Swiss Steel Group and there are clear rules in place to ensure the independence of PwC consulting. In addition, support and expertise are provided by internal experts such as the Vice President Corporate Human Resources or the Director Corporate Human Resources Compensation & Benefits.

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, transparent disclosure is one of many necessary steps 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 2022, one in eight members of the Board of Directors and no members of the Executive Board are female. The revised Code of Obligations defines acceptable female representation levels for listed companies to be a minimum of 30 % of the Board of Directors and 20 % of the Executive Board. Reporting obligations become effective in 2027 for the Board and in 2032 for members of the Executive Board.

Swiss Steel Group is committed to embedding diversity and inclusion in the company culture and people 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

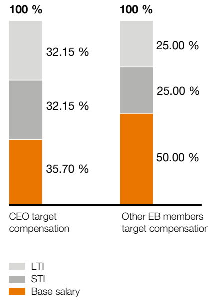
The policy of Swiss Steel Group is to position the Executive Board's compensation at the median of the market, which is defined as industrial companies listed in Switzerland that are part of the SMIM and/or the SPI Industrials. With the leverage of the short-term and long-term incentive plans, the members 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:

General composition of compensation for the Executive Board in 2022 [1]



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

	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, net working capital, 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

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 throughout the organization to ensure strategic alignment. The STI continues to take the form of 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.

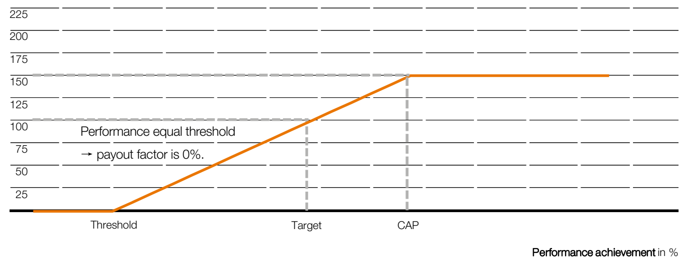
The STI target amount corresponds to 90 % of the base salary for the CEO and 50 % of the base salary for the other members of the Executive Board. The maximum payout amounts to 150 % of target.

The performance objectives consist of financial targets for the Group and Division (adjusted EBITDA and net working capital) as well as specific targets. Adjusted EBITDA is a well-established measure of the company's performance. Net working capital instills discipline throughout the organization in managing inventory, accounts receivable and accounts payable as well as in production planning. 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 2022. The performance indicators and their respective weightings for 2022 are as follows:

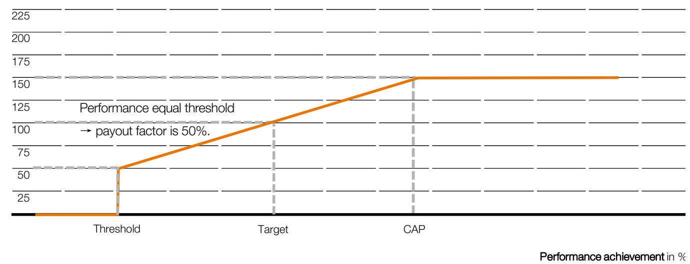
Performance objectives	Adjusted EBITDA	Net working capital (NWC)	Specific goals
Definition	IFRS EBITDA minus defined adjustments (reviewed by the external auditor and approved by the Audit Committee)	Inventory + trades receivable - trades payable, measured as % of revenue (NWC ratio) as rolling average	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	Measure of discipline in managing inventories, trades receivable and payable, most relevant element contributing to cash flow 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 payout is calculated based on the number of days from the beginning of the fiscal year until the day on which employment ends, divided by the total number of days in the fiscal year. Claims for the remainder of the compensation period after the employment ends are explicitly excluded.

Changes to STI for 2023

- In the fiscal year 2022, the Compensation Committee and the Executive Board continued to review the underlying performance conditions of the STI plan in the context of the company's Strategy 2025 and a new organizational structure. As a result, in 2023 net working capital will be replaced by free cash flow after interest and lease payments (FCFaIL). The Compensation Committee believes that FCFaIL as a well-established key performance indicator, is aligned with externally published cash flow statements, is more consistent with the company's business plan and better reflects market conditions.
- In addition, the members of the Executive Board who are CCOs will be accountable for the sales volume objectives in their Divisions. More details will be provided in the 2023 compensation report.

4.2.3 Long-term incentive (LTI)

Compensation for sustainable growth in the company's value

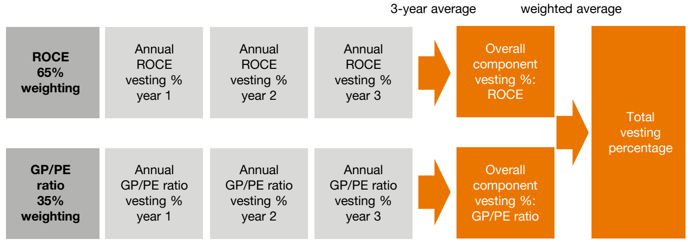
The LTI rewards the members of the Executive Board for long-term performance and sustainable value creation for the shareholders. The LTI target amount corresponds to 90 % of the base salary for the CEO and 50 % of the base salary for the other members of the Executive Board. The maximum vesting level 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 will be 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 law 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 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 2022, the Executive Board consisted of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the three Chief Commercial Officers (CCO):

Name	Function	Period
Frank Koch	CEO	01.01.2022 – 31.12.2022
Dr. Markus Böning (DE) [1]	Former CFO	01.01.2022 – 31.03.2022
Marco Portmann	CFO	01.04.2022 – 31.12.2022
Jürgen Alex	CCO Tool Steel	01.01.2022 – 31.12.2022
Dr. Florian Geiger	CCO Engineering Steel	01.01.2022 – 31.12.2022
Patrick Lamarque d'Arrouzat	CCO Stainless Steel	01.01.2022 – 31.12.2022

[1] Dr. Markus Böning, former CFO, stepped down from the Executive Board as of March 31, 2022. The notice period of his employment contract ends on March 31, 2023

4.4 Compensation tables (audited)
The Annual General Meeting approved a total amount of CHF 7,500,000 for the members of the Executive Board for the fiscal year 2022. The compensation awarded for 2022 amounted to CHF 8,195,499 (2021: CHF 8,326,734) and is, therefore, above the maximum amount approved[5]. Frank Koch, CEO, was the highest-earning member of the Executive Board in 2022; in 2021 this was Clemens Iller, former CEO.

Pursuant to the provisions of the Articles of Association, the Company may award each new member of the Executive Board an additional amount of not more than 40 % of the previously approved total compensation of the Executive Board. The Annual General Meeting does not vote on the additional amount. For 2022, this allows for a potential maximum additional amount of CHF 3.0 million for each new member of the Executive Board[5].

The compensation for the four new members of the Executive Board – Marco Portmann, appointed CFO as of April 1, 2022; Jürgen Alex, appointed CCO Tool Steel as of January 1, 2022; Dr. Florian Geiger, appointed CCO Engineering Steel as of January 1, 2022; and Patrick Lamarque d'Arrouzat, appointed CCO Stainless Steel as of January 1, 2022 – was first allocated in the amount of CHF 7.5 million to exhaust the approved maximum aggregate compensation amount of CHF 7.5 million. The additional amount of CHF 695,499 was subsequently allocated, of which CHF 173,874 relate to the compensation for Marco Portmann; CHF 173,874 for Jürgen Alex; CHF 173,874 for Dr. Florian Geiger; and CHF 173,877 for Patrick Lamarque d'Arrouzat.

		Cash/deposits				Pension fund expenses		
in CHF (gross)		Fixed remuneration	STI (variable)	LTI (variable) [1]	Other payments/benefits [2]	Postemployment benefit contributions [3]	Health, accident and other insurance contributions	Total
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**
2021								
Highest-paid person: Clemens Iller (DE)	CEO	1,200,000	889,970	550,371	503,091	348,433	16,676	3,508,541
Total Executive Board		**3,490,000**	**1,683,929**	**1,622,287**	**678,901**	**812,340**	**39,277**	**8,326,734**

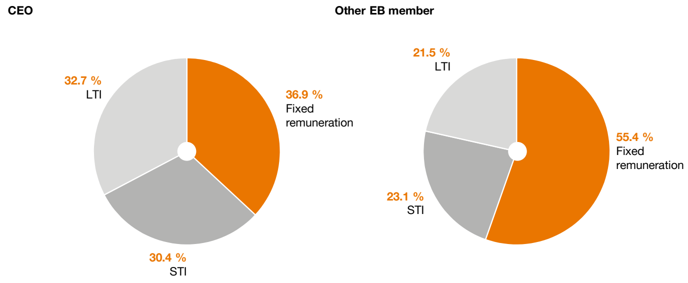
1) For the LTI grants until 2021, grant date value based on the Black-Scholes valuation. For the departing CEO in 2021, the grant was partially forfeited due to termination of employment. For the LTI grant in 2022, grant value based on the share price at the date of grant.
2) Includes the value of benefits such as private use of company car and cost reimbursement/allowances provided in the context of schooling and tax advice. In addition, other payments include an individual fee of CHF 34,128 paid to Frank Koch, Marco Portmann, and Florian Geiger for their membership on the Supervisory Board of DEW during 2022.
3) Employer contributions to the pension fund and other post-employment benefit plans including government social security.
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.
5) Maximum approved remuneration plus 40 % for any additionally appointed executive (Art. 16e of the Articles of Incorporation)

Explanatory comments to the compensation table

- The Executive Board comprised six members in 2022, four of whom served on a full-year basis. This compares with three members in the previous year, two of whom served on a full-year basis.
- In general, the compensation levels of the new EB members were set lower than those of the former EB members.
- The performance achievement under the STI was higher in 2022 than in 2021. Further details are provided in section 4.5. Performance in fiscal year 2022.
- One member of the EB waived his variable compensation (payout of STI for fiscal year 2022 and vesting of the LTI cycle ending in 2022) due to the government energy crisis support program.

The variable compensation (STI and LTI) amounted to 170 % of the annual base salary for the CEO and an average of 81 % of the annual base salary for the other members of the Executive Board.

Compensation
in %



4.5 Performance in fiscal year 2022 (STI)

For 2022, adjusted EBITDA was EUR 217.0 million, a significant increase on the previous year (2021: EUR 191.6 million). Despite the unexpected geopolitical instability with accompanying strong price increases for energy and commodities, the severe accident at Ugitech, disruptions in the global supply chain, turbulences on the market and threats of a recessionary environment, the Group generated a strong adjusted EBITDA result.

For 2022, the net working capital ratio (NWC ratio) was 30.2 %. The NWC-Ratio targets were severely affected by extraordinary effects of the strong energy price increase, the incident-related production shut-down at Ugitech and the subsequent cash-oriented management, which led to a significant increase in the NWC ratio.

Based on the decision of the Board of Directors in August 2022 to ask management to steer the Company for liquidity for at least the rest of the year and thereby deviating from the incentive targets set, an additional discretionary bonus payment was decided. For the CEO the amount was CHF 300'000, for the other members of the Executive Board it was CHF 80'000 in total.

For 2022, the calculation of STI financial performance is based on the previous BU structure. Effective 2023 targets related to Division and Production Asset will be defined.

CEO and CFO

Performance objectives	Performance achievements	Payout Percentage		
		Threshold	Target	Stretch
Group Adjusted EBITDA (40 %)	The adjusted EBITDA result was above target, leading to a payout factor of 108.6 %		★	
Group NWC (40 %)	The net working capital result was below threshold, leading to a payout factor of 0 %	★		
Specific objectives (20 %)	The achievement of the specific objectives was 100 % on average		★	
Total	**Overall payout factor of 91 % for the CEO and 85 % for the CFO (pro rata basis for the year of hire).**			

Other members of the Executive Board

Performance objectives	Performance achievements	Payout Percentage		
		Threshold	Target	Stretch
Adjusted EBITDA				
Group (20 %)	The adjusted EBITDA result was above target, leading to a payout factor of 108.6 %		★	
BU (20 %)	The adjusted EBITDA target for all BUs was met, leading to a payout factor ranging from 100 % to 150 %		★ - - -	- - - ★
Net working capital				
Group (20 %)	The net working capital result was below threshold, leading to a payout factor of 0 %	★		
BU (20 %)	The net working capital target for all BUs was partially met, leading to a payout factor ranging from 80 % to 100 %		★ - ★	
Specific objectives				
Specific objectives (20 %)	The achievement of the specific objectives was 100 % on average		★	
Total	**Overall payout factor for the other members of the Executive Board is in the range of 94 % to 99 %.**			

4.6 Vesting of long-term incentive in the reporting year

The current members of the Executive Board did not receive any vesting under the long-term incentive in the reporting year, considering that they started to participate in the program in 2021 and 2022 respectively (first vesting in 2023 and 2024). The departing CFO received pro-rata vesting of the long-term incentive granted in 2020. The payment will be made in 2023.

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

In the fiscal years 2022 and 2021, the members of the Executive Board did not receive any compensation beyond the compensation disclosed above.

In the fiscal years 2022 and 2021, 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 (audited)

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

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 in 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 (audited)

The Annual General Meeting approved a maximum amount of CHF 2,300,000 for the Board of Directors for the compensation period from the 2021 Annual General Meeting until the 2022 Annual General Meeting. The compensation paid for this period is within the approved limits.

The Annual General Meeting approved a maximum amount of CHF 2,300,000 for the members of the Board of Directors for the compensation period from the 2022 Annual General Meeting until the 2023 Annual General Meeting. This compensation period has not yet expired. The compensation paid for the period included in this compensation report (from the 2022 Annual General Meeting until December 31, 2022) is within the approved amount. A conclusive assessment will be provided in the next compensation report.

The compensation paid for 2022 increased compared to the previous year by 10.9 %. This is due to changes in the composition of the Board of Directors.

in CHF		Fixed remuneration	Fixed remuneration in restricted share units [1]	Contribution to mandatory social security systems [2]	Total
2022					
Jens Alder (CH) [3]	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) [5]	Member	78,750	47,945	18,690	145,385
Ralf Göttel (DE) [6]	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) [4]	Member	123,750	70,000	28,590	222,340
Dr. Michael Schwarzkopf (AT)	Member	105,000	70,000	0	175,000
Karin Sonnenmoser (DE) [6]	Former Member	26,250	22,247	7,199	55,696
Oliver Streuli (CH) [5]	Member	78,750	47,945	18,690	145,385
Emese Weissenbacher (DE) [4]	Member	98,750	70,000	0	168,750
Adrian Widmer (CH) [6]	Former Member	30,000	22,247	7,767	60,014
Total amount		**1,025,000**	**687,631**	**186,553**	**1,899,184**
2021					
Jens Alder (CH) [3]	Chairman	168,750	119,384	41,116	329,250
Dr. Svein Richard Brandtzæg (NO)	Member	122,500	70,000	10,751	203,251
Heinrich Christen (CH) [8]	Former Member, Former Chairman	72,123	45,548	16,843	134,514
Ralf Göttel (DE) [6]	Former Member	26,250	16,685		42,935
David Metzger (CH/FR)	Member	105,000	70,000	26,007	201,007
Mario Rossi (CH) [4]	Member	26,250	16,685	6,432	49,367
Dr. Michael Schwarzkopf (AT)	Member	108,750	70,000		178,750
Karin Sonnenmoser (DE) [6]	Former Member	105,000	70,000	21,728	196,728
Jörg Walther (CH) [7]	Former Member, Former Chairman	57,795	42,575	15,071	115,441
Emese Weissenbacher (DE) [4]	Member	26,250	16,685		42,935
Adrian Widmer (CH) [6]	Former Member	120,000	70,000	28,074	218,074
Total amount		**938,668**	**607,562**	**166,023**	**1,712,253**

[1] Grant date value of the restricted share units.
[2] All contributions of employer and employee to social security are paid by the company
[3] Chairman of the Board of Directors since April 27, 2021
[4] Member of the Board of Directors since October 6, 2021
[5] Member of the Board of Directors since April 26, 2022
[6] Member of the Board of Directors until April 26, 2022
[7] Member of the Board of Directors until August 10, 2021
[8] Chairman of the Board of Directors until April 5, 2021

5.4 Share ownership requirements

For the compensation period starting at the Annual General Meeting in April 2022, a minimum holding requirement in the amount of 200% of the annual share compensation portion was introduced.

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

In the fiscal years 2021 and 2022, 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 35 to the consolidated financial statements.

6 Loans and credits

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, 2022, 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:

		Number of shares		Number of restricted share units [1]
Board of Directors		31.12.2022	31.12.2021	31.12.2022
Jens Alder (CH)	Chairman	1,885,133	1,214,891	403,173
Dr. Svein Richard Brandtzæg (NO)	Member	531,054	328,981	120,952
Barend Fruithof (CH) [2]	Member	0	n/a	161,269
Ralf Göttel (DE) [3]	former Member	111,830	0	n/a
David Metzger (CH/FR)	Member	308,072	39,975	161,269
Mario Rossi (CH)	Member	149,106	0	161,269
Dr. Michael Schwarzkopf (AT)	Member	531,054	329,981	120,952
Karin Sonnenmoser (DE) [3]	former Member	586,856	389,981	n/a
Oliver Streuli (CH) [2]	Member	0	n/a	161,269
Emese Weissenbacher (DE)	Member	111,830	0	120,952
Adrian Widmer (CH) [3]	former Member	1,006,421	738,324	n/a
Total amount		**5,221,356**	**3,042,133**	**1,411,105**

[1] Respective number of restricted share units earned pro rata temporis during the current term of office by the members of the Board of Directors as of December 31, 2022. These restricted share units, including the remaining portion for the period from January 1, 2023 until the AGM 2023, will be converted into shares that will be transferred to the members of the Board of Directors after the AGM 2023
[2] Member of the Board of Directors since April 26, 2022
[3] Member of the Board of Directors until April 26, 2022

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

		Number of shares	
Executive Board [1]		31.12.2022	31.12.2021
Frank Koch (DE)	CEO	16,000,000	0
Marco Portmann (CH)	CFO	0	n/a
Dr. Markus Böning (DE) [1]	former CFO	0	0
Jürgen Alex (DE)	CCO	14,621	n/a
Dr. Florian Geiger (CH/DE)	CCO	2,381	n/a
Patrick Lamarque d'Arrouzat (FR)	CCO	22,938	n/a
Total Executive Board		**16,039,940**	**0**

[1] Including shares held by related parties of members of the Executive Board

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

To the General Meeting of Swiss Steel Holding AG, Luzern

Zurich, 7 March 2023

Opinion

We have audited the compensation report of Swiss Steel Holding AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on compensation, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked "audited" on pages 124 to 147 of the compensation report.

In our opinion, the information on compensation, loans and advances in the compensation report complies with Swiss law and Art. 14-16 VegüV.

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. The Board of Directors 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 on compensation, loans and advances pursuant to Art. 14-16 VegüV 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 scepticism 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

Christian Schibler	Max Lienhard
Licensed audit expert (Auditor in charge)	Licensed audit expert

SSG 2025 Goal #5 Excel in performance, reliability and customer satisfaction

Transforming wire rod into drawn bright bars

Wire rod deformed when passing through a drawing die is transformed into bright steel. The process enables narrowed dimensional tolerances, improved surface qualities and higher mechanical properties.

Financial Reporting

Swiss Steel Group consolidated financial statements

Consolidated income statement

in million EUR	Note	2022	2021
Revenue	9	4,051.4	3,192.8
Changes in inventories of semi-finished and finished goods		–9.8	254.1
Cost of materials	10	–2,894.5	–2,333.8
Gross profit		**1,147.1**	**1,113.1**
Other operating income	11	124.6	88.3
Personnel expenses	12	–693.1	–663.2
Other operating expenses	11	–389.8	–338.2
Operating result before depreciation, amortization and impairments (EBITDA)		**188.8**	**200.0**
Depreciation, amortization and impairments	15	–115.8	–91.3
Operating profit (EBIT)		**73.0**	**108.7**
Financial income	16	0.8	1.2
Financial expenses	16	–52.5	–45.8
Financial result		**–51.7**	**–44.6**
Earnings before taxes (EBT)		**21.3**	**64.1**
Income taxes	17	–11.9	–13.8
Group result		**9.4**	**50.3**
of which attributable to			
– shareholders of Swiss Steel Holding AG		9.3	50.1
– non-controlling interests		0.1	0.2
Earnings per share in EUR (basic)		**0.00**	**0.02**
Earnings per share in EUR (diluted)	**18**	**0.00**	**0.02**

Consolidated statement of comprehensive income

in million EUR	Note	2022	2021
Group result		**9.4**	**50.3**
Exchange differences on translation of foreign operations	26	4.3	5.8
Change in unrealized result from cash flow hedges		–0.6	0.7
Tax effect on change in unrealized result from cash flow hedges	17	0.2	–0.2
Items that may be reclassified subsequently to income statement		**3.9**	**6.3**
Actuarial result from pensions and similar obligations	27	69.2	11.4
Tax effect on actuarial result from pensions and similar obligations	17	–5.5	–0.3
Items that will not be reclassified subsequently to income statement		**63.7**	**11.1**
Other comprehensive result		**67.6**	**17.4**
Total comprehensive result		**77.0**	**67.7**
of which attributable to			
– shareholders of Swiss Steel Holding AG		76.9	67.5
– non-controlling interests		0.1	0.2

Consolidated statement of financial position

	Note	31.12.2022 in million EUR	31.12.2022 % share	31.12.2021 in million EUR	31.12.2021 % share
Assets					
Intangible assets	19	18.1		16.9	
Property, plant and equipment	19	482.1		499.8	
Right-of-use assets	20	34.6		31.6	
Non-current income tax receivables		1.1		2.6	
Non-current financial assets	22	1.1		1.4	
Deferred tax assets	17	21.3		16.4	
Pension assets	27	0.0		3.3	
Other non-current assets	23	10.2		3.6	
Total non-current assets		**568.5**	**23.8**	**575.6**	**25.8**
Inventories	24	1,056.0		999.6	
Trade accounts receivable	25	496.7		479.3	
Current financial assets	22	5.9		3.5	
Current income tax receivables		6.1		6.1	
Other current assets	23	98.7		74.3	
Cash and cash equivalents		71.1		89.0	
Assets held for sale	8/19	83.0		0.0	
Total current assets		**1,817.5**	**76.2**	**1,651.8**	**74.2**
Total assets		**2,386.0**	**100.0**	**2,227.4**	**100.0**
Equity and liabilities					
Share capital	26	361.4		361.4	
Capital reserves	26	1,024.5		1,024.5	
Accumulated losses	26	−916.8		−994.9	
Accumulated income and expenses recognized in other comprehensive income (loss)		54.9		51.0	
Treasury shares		−0.1		0.0	
Equity attributable to shareholders of Swiss Steel Holding AG		**523.9**		**442.0**	
Non-controlling interests		7.0		6.9	
Total equity		**530.9**	**22.2**	**448.9**	**20.2**
Pension liabilities	27	193.2		269.0	
Non-current provisions	28	35.5		39.3	
Deferred tax liabilities	17	7.8		3.9	
Non-current financial liabilities	29	483.9		571.0	
Other non-current liabilities	31	16.4		11.6	
Total non-current liabilities		**736.8**	**30.9**	**894.8**	**40.2**
Current provisions	28	47.2		40.0	
Trade accounts payable		440.3		438.3	
Current financial liabilities	29	435.4		238.5	
Current income tax payables		13.4		7.0	
Other current liabilities	31	163.1		159.9	
Liabilities associated with assets classified as held for sale	8	18.9		0.0	
Total current liabilities		**1,118.3**	**46.9**	**883.7**	**39.6**
Total liabilities		**1,855.1**	**77.8**	**1,778.5**	**79.8**
Total equity and liabilities		**2,386.0**	**100.0**	**2,227.4**	**100.0**

Consolidated statement of cash flows

in million EUR	Calculation	2022	2021
Earnings before taxes		21.3	64.1
Depreciation, amortization and impairments		115.8	91.3
Result from disposal of intangible assets, property, plant and equipment		−0.4	−1.4
Inflows/outflows of other assets and liabilities and other non-cash items		−28.2	13.1
Financial income		−0.8	−1.2
Financial expenses		52.5	45.7
Cash-settled share base payment		−0.5	−2.2
Interest received		0.6	0.5
Income taxes received/paid (net)		−10.3	−10.9
Cash flow before changes in net working capital		**150.0**	**199.0**
Change in inventories		−81.3	−341.2
Change in trade accounts receivable		−32.9	−129.3
Change in trade accounts payable		10.8	135.7
Cash flow from operating activities	**A**	**46.6**	**−135.8**
Investments in property, plant and equipment		−94.5	−86.6
Proceeds from disposal of property, plant and equipment		0.7	2.9
Investments in intangible assets		−6.5	−4.2
Cash flow from investing activities	**B**	**−100.3**	**−87.9**
Inflows/outflows of other financial liabilities		−8.9	89.4
Proceeds from loans from shareholder		80.0	0.0
Inflows/outflows of other bank loans		0.0	−5.2
Inflows/outflows of state-guaranteed loans		22.7	−8.4
Transaction costs on refinancing		0.0	−5.5
Proceeds from capital increase		0.0	223.5
Transaction costs on capital increase		0.0	−6.5
Payment of principal portion of lease liabilities		−10.9	−9.6
Purchase of treasury shares		−0.7	−0.8
Dividends to non-controlling interests		0.0	−0.2
Interest paid		−42.8	−40.4
Cash flow from financing activities	**C**	**39.4**	**236.3**
Net change in cash and cash equivalents	**A+B+C**	**−14.3**	**12.6**
Foreign currency effects on cash and cash equivalents		1.1	1.7
Change in cash and cash equivalents		**−13.2**	**14.3**
Cash and cash equivalents at the beginning of the period		89.0	74.7
Cash and cash equivalents at the end of the period		75.8	89.0
Change in cash and cash equivalents		**−13.2**	**14.3**
Free cash flow	**A+B**	**−53.7**	**−223.7**

The amounts reported above include cash flows from “Assets held for sale”.

The aforementioned 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 1.1.2021	**221.7**	**1,118.2**	**–1,224.9**	**44.7**	**–0.5**	**159.2**	**6.9**	**166.1**
Capital increase	139.7	77.3	0.0	0.0	0.0	217.0	0.0	217.0
Reclassifications	0.0	–171.0	171.0	0.0	0.0	0.0	0.0	0.0
Purchase of treasury shares	0.0	0.0	0.0	0.0	–0.8	–0.8	0.0	–0.8
Expenses from share-based payments	0.0	0.0	1.3	0.0	0.0	1.3	0.0	1.3
Definitive allocation of share-based payments for the prior year	0.0	0.0	–3.5	0.0	1.3	–2.2	0.0	–2.2
Dividend payment	0.0	0.0	0.0	0.0	0.0	0.0	–0.2	–0.2
Capital transactions with shareholders	**139.7**	**–93.7**	**168.8**	**0.0**	**0.5**	**215.3**	**–0.2**	**215.1**
Group result	0.0	0.0	50.1	0.0	0.0	50.1	0.2	50.3
Other comprehensive result	0.0	0.0	11.1	6.3	0.0	17.4	0.0	17.4
Total comprehensive result	**0.0**	**0.0**	**61.2**	**6.3**	**0.0**	**67.5**	**0.2**	**67.7**
As of 31.12.2021	**361.4**	**1,024.5**	**–994.9**	**51.0**	**0.0**	**442.0**	**6.9**	**448.9**
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**

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. Its activities are divided into two divisions: *Production* and *Sales & Services*.

These consolidated financial statements were authorized for issue by the Board of Directors on March 7, 2023, and are subject to the approval of the Annual General Meeting on April 20, 2023.

1 Accounting policies

The consolidated financial statements of Swiss Steel Group for the fiscal year 2022 were prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). They are based on the standards and interpretations that were effective as of December 31, 2022. Notes 4 and 5 present information about the standards and interpretations that became effective during the fiscal year 2022, and the standards and interpretations that have already been published but are not yet effective.

The consolidated financial statements are presented in euro. Unless otherwise stated, monetary amounts are denominated in millions of euro.

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

2 Significant estimation uncertainties and judgments

Estimates and assumptions

In preparing these consolidated financial statements, assumptions and estimates have been made which affect the reported 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. Adjustments to estimates that are relevant for financial reporting are considered in the period in which the change occurs, provided that the change relates only to this period. If the change relates not only to the reporting period, but also to subsequent periods, the change is taken into account both in the period of the change and in all subsequent periods affected.

Conflict between Russia and Ukraine

The Russian invasion of Ukraine on February 24, 2022 further amplified the substantial price increases for electricity and natural gas seen since the second half of 2021, propelling these to historic highs in 2022, particularly in Europe. The Group has a limited exposure to price risk as energy costs are mostly passed on to our customers through energy surcharges. However, the Group is exposed to a significant increase in working capital requirements resulting from these price increases.

The Group operates in the Russian market through its subsidiary Swiss Steel Russia OOO. The following table describes the operating activities by presenting selected key figures as of December 31, 2022:

in million EUR	2022
Revenue	10.1
EBITDA	0.5
Cash flow from operating activities	0.0
Cash and cash equivalents	1.6

There are no significant intercompany assets and liabilities within the Group. Deliveries to the Russian entity are executed against cash in advance. Possible future effects on the measurement of individual assets and liabilities are being analyzed on an ongoing basis.

In this context of strong geopolitical tensions, the Group has outlined clear principles of conduct and updated the Foreign Trade Policy for managing its Russian and Belarus activities, extending beyond ensuring strict compliance with current and future international regulations regarding sanctions and embargoes. The Group has made the decision not to provide any further capital for the development of projects in Russia and Belarus and has initiated the gradual suspension of its activities.

Going concern assumption (note 3)

Management used significant judgement to assess the Group's ability to continue as a going concern.

Recoverability of deferred tax assets (note 17)

Future tax relief in the form of deferred tax assets should 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 relevant for the locations Germany, France and the USA. The estimate of future taxable income is also affected by the Group's strategic tax planning.

Depreciation and amortization of non-current assets with finite useful lives (notes 15, 19 and 20)

Assets with finite useful lives are subject to depreciation and amortization. For this purpose, the useful life of each asset is estimated upon initial recognition, reviewed at each reporting date and adjusted when necessary.

Impairment testing of non-current, non-financial assets (note 21)

If the Group identifies indications that an asset may be impaired, it estimates the recoverable amount of the assets, usually based on their value in use. 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 budget and medium-term plan, which are prepared separately for each of the Group's cash-generating units for a five-year detailed planning period and have been approved by the Board of Directors. The assumptions concerning sales volumes, margins, operating costs, growth rate, tax rate and discount rate have a significant 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.

Recognition and measurement of provisions (notes 28, 33)

Provisions are generally recognized and measured on the basis of the best estimate of the expenditure required to settle a present obligation as a result of a past event. In making this estimate, the Group takes into account all risks and uncertainties affecting the estimate. Provisions are therefore, by definition, liabilities of uncertain amount. Future events can thus lead to adjustments that affect profit or loss.

Recognition and measurement of liabilities for defined benefit obligations (note 27)

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 realistically possible changes as of December 31, 2022. Any change in significant actuarial assumptions was analyzed separately. Interactions were not taken into account.

3 Going concern

Beginning in 2021 and intensifying in 2022, Swiss Steel Group benefited from the strong post COVID-19 market recovery throughout its main customer industries, leading to higher margin realization and improved profitability. The market recovery in combination with the ongoing transformation efforts enabled Swiss Steel Group to record a strong EBITDA in 2022.

However, the continued global semiconductor shortage and additional automotive supply chain disruptions triggered by the Russia/Ukraine conflict, coupled with logistical capacity constraints in Europe, have negatively affected both the demand for and the ability to produce and ship the Group's products. Furthermore, sales volume and profitability have been adversely impacted by the stoppage of the steel mill in Ugine following the crane collapse in early January 2022. The steel mill production in Ugine restarted with approximately 65 % of capacity in June 2022 and will reach full capacity again in the first quarter of 2023.

Starting in Q4 2021, energy prices, namely for electricity and natural gas, increased significantly and escalated further in 2022, exacerbated by uncertainties about energy supply in light of the war in Ukraine and maintenance shutdowns at French nuclear power plants. A further escalation of energy prices during winter 2022/2023 did not materialize but prices remained elevated in Q4 2022 and in the beginning of 2023. While Swiss Steel Group managed to pass on these significant cost increases to customers by establishing an energy surcharge, it has led to a significant increase in working capital and thus in a negative free cash flow in the first half of 2022. The Group was able to mitigate the impact of high energy prices and realized a positive free cash flow in the second half of 2022, but this strict cash focus led to foregoing certain market opportunities and negatively impacted shipments in the second half of 2022 and in the beginning of 2023.

The Group's ability to continue as a going concern is mainly dependent on the availability of sufficient liquidity, the adherence to the agreed financial covenants and the ability to repay short-term external financing. The Group expects to return to a normalized production level and sales volume in 2023 with Ugitech again fully participating in the market. Decreasing energy prices, as observed in the spot and futures market since late December 2022 are expected to lead to a normalization of the Group's working capital over time, releasing liquidity in the process. Moreover, in February 2023, the Group signed a definitive agreement for the sale of several distribution entities with sale proceeds expected for Q2 2023. However, several uncertainties with regard to liquidity levels remain. These are mainly related to the future development of relevant markets, energy prices, the implementation of the planned net working capital and restructuring measures.

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. It is expected that the rebound in the Group's market participation paired with stabilizing energy markets as well as the expected cash inflow from divestments will enable Swiss Steel Group to cover its liquidity needs and to remain compliant with the applicable financing conditions so that the Group can continue its business activities over the next twelve months. Furthermore, it is expected that sufficient mitigating factors are available to overcome the inherent and specific forecasting risks, should they materialize during 2023. Therefore, these consolidated financial statements have been prepared on a going concern basis.

4 Standards and interpretations applied

The accounting policies applied in the consolidated financial statements are consistent with those used at the end of the fiscal year 2021, with the exception of the amendments to the IFRS standards that were applied for the first time with effect from January 1, 2022. These did not have a significant influence on the financial statements of Swiss Steel Group.

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

The IASB has issued amendments to IFRS standards which will be effective in future periods. None of these changes are currently expected to have a significant influence on the consolidated financial statements. Swiss Steel Group intends to apply these new and amended standards and interpretations from their effective date.

6 Significant accounting policies and measurement principles

With the exception of certain financial instruments that are measured at fair value, these consolidated financial statements were prepared on a historical cost basis.

Consolidation principles

The consolidated financial statements include Swiss Steel Holding AG and all entities over which Swiss Steel Holding AG has direct or indirect control. Swiss Steel Holding AG controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

These companies are included in the consolidated financial statements from the date on which Swiss Steel Holding AG obtains control, and are deconsolidated when control is lost.

Subsidiaries

The net income or loss of subsidiaries that are acquired or disposed of during the year is included in the consolidated financial statements from the date on which control begins, or until the date on which it ends.

The financial statements of the subsidiaries are prepared using uniform accounting policies and have the same reporting date as Swiss Steel Holding AG. Non-controlling interests represent the portion of equity in a subsidiary not directly or indirectly attributable to the shareholders of Swiss Steel Holding AG.

All intercompany receivables, liabilities, income, expenses, profits and losses are eliminated in the consolidated financial statements.

Business combinations

Business combinations are recognized using the acquisition method, according to which the consideration transferred for the business combination is offset against the Group's interest in the fair values of the identifiable assets and the liabilities assumed as of the date on which it obtains control. Any resulting positive difference (goodwill) is capitalized, whereas any negative difference (badwill) is reassessed and then immediately recorded in profit or loss.

Currency translation

The consolidated financial statements are prepared in the reporting currency, euro, which is also the functional currency of Swiss Steel Holding AG.

The annual financial statements of subsidiaries that are included in the consolidated financial statements and whose functional currency is not euro are translated from their functional currency – usually the local currency – into the Group's presentation currency (euro). Assets and liabilities are translated from the functional currency into the presentation currency at the closing rate on the reporting date, while income and expenses recognized in the income statement or the statement of comprehensive income are translated at the average rates over the reporting period, assuming that they approximate the exchange rates at the dates of the transactions. Gains and losses arising from currency translation are recognized in other comprehensive income. Upon sale or loss of control over the respective company, the accumulated exchange difference relating to that company is reclassified to profit or loss.

In the consolidated statement of cash flows, amounts are translated at the average exchange rates for the period or at the rates prevailing on the date of the cash flows.

Transactions in foreign currencies are initially recognized in the subsidiary's functional currency at the spot rates at the date of the transaction. Exchange gains and losses resulting from the subsequent measurement of monetary assets and liabilities denominated in foreign currencies at the spot rate on the reporting date are recognized in profit or loss. The following exchange rates were used for foreign currency translation:

	Average rates		Year-end rates	
	2022	2021	2022	2021
EUR/CAD	1.37	1.48	1.45	1.44
EUR/CHF	1.00	1.08	0.99	1.04
EUR/GBP	0.85	0.86	0.89	0.84
EUR/USD	1.05	1.18	1.07	1.14

Intangible assets (excluding goodwill)

Intangible assets are recognized at cost and, if they have a finite useful life, are amortized on a straight-line basis over their expected economic useful life. If the contractual useful life is less than the economic useful life, the asset is amortized on a straight-line basis over the contractual useful life. The useful lives and amortization methods are reviewed annually.

Internally generated intangible assets are capitalized if it is probable – based on a reliable estimate – that a future economic benefit from the use of the asset will flow to the entity and the cost of the asset can be determined reliably.

The useful lives of intangible assets are as follows:

in years	2022	2021
Concessions, licenses, similar rights and miscellaneous	4 to 5	4 to 5
Customer lists	10 to 15	10 to 15
Acquired trademarks	indefinite	indefinite

Right-of-use assets

Right-of-use assets are initially recognized at cost at the commencement date of the lease. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Subsequently, the right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life, and are adjusted to reflect any revaluation of the related lease liability. An impairment test is carried out if there are indications of impairment.

Capitalized right-of-use assets are primarily rented buildings/property as well as machines, facilities, vehicles and IT hardware.

Property, plant and equipment

Property, plant and equipment are measured at cost, including any decommissioning costs and capitalized borrowing costs, less accumulated depreciation and impairments. The assets are depreciated on a straight-line basis. 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 significant identifiable components with different useful lives, these components are treated as separate units for accounting purposes and depreciated over their respective useful lives.

Upon sale or decommissioning of an item of property, plant and equipment, the cost and accumulated depreciation of the respective items are derecognized from the statement of financial position. Any resulting gains or losses are recognized in profit or loss.

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

in years	2022	2021
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

Impairment of non-current, non-financial assets

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, or when annual impairment testing for an asset is required, 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 measurement of the recoverable amount is mainly influenced by assumptions regarding the development of sales volumes and sales prices in the respective end user markets, the development of costs (raw materials, energy, personnel and other operating costs) and the tax rates in the relevant countries. The growth rate for cash flows beyond the detailed planning period and the discount rate applied are also factored into the calculation.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

If the reason for an earlier impairment loss no longer exists, the impairment loss – with the exception of goodwill – is reversed. Impairment losses cannot be reversed beyond the carrying amount (net of amortization and depreciation) that would have resulted without the past impairment loss.

Intangible assets with an indefinite useful life are tested for impairment at least annually or whenever there are indications of impairment. Any impairment is immediately recognized through profit or loss. Reversals of impairment are also recognized through profit or loss and are limited to the amortized cost of the asset.

Leases

Whether an arrangement is or contains a lease depends on the economic substance of the arrangement. It also requires an assessment of whether fulfillment of the agreement depends on the use of a particular asset or assets and whether the arrangement conveys the right to use these assets to Swiss Steel Group. The Group acts as both lessee and lessor.

Lessee
Where the Group acts as lessee, a right-of-use asset is recognized and a corresponding lease liability recorded, except for short-term leases and leases of low-value assets. The lease liability is measured at the present value of future lease payments for the right-of-use asset to be made over the lease term. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. To calculate the present value of the lease liabilities, the future payments are discounted either at the rate implicit in the lease (if available) or at the lessee's incremental borrowing rate. The section "Right-of-use assets" describes the recognition and subsequent measurement of right-of-use assets.

The portion of the lease liability that is paid in the next twelve months is reported as current. The future lease payments 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.

The 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 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.

Lessor
Where the Group, acting as lessor, transfers all the significant risks and rewards incidental to ownership of a leased asset, the leases concerned are recognized as finance leases at the lessor. A receivable is recognized in the amount of the net investment in the lease, with interest income recorded in profit or loss. All other leases for which the Group acts as lessor are treated as operating leases. Assets leased under operating leases remain in the consolidated statement of financial position and are depreciated. The lease payments are recognized as income on a straight-line basis over the term of the lease.

Financial assets
Financial assets include, but are not limited to, cash and cash equivalents, trade accounts receivable, current and non-current financial assets, as well as non-derivative and derivative financial instruments held for trading.

At initial recognition, financial assets are classified into the following categories: subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on the financial asset's contractual cash flow characteristics and on the Group's business model for managing them. They are reclassified where necessary and permissible.

With the exception of trade accounts receivable, financial assets are measured at fair value when initially recognized. In the case of a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the asset are also taken into account.

For regular purchases or sales, the trade date is the relevant date, both for initial recognition in the statement of financial position as well as for derecognition from the statement of financial position. Financial assets and financial liabilities are generally reported gross; they are netted only if the Group currently has a right to offset amounts and intends to settle the amounts on a net basis.

Trade accounts receivable and other current receivables
Trade accounts receivable and other current receivables are recognized at the transaction price in accordance with IFRS 15. Subsequent measurement is at amortized cost less any impairment.

The Group sells selected trade accounts receivable on a revolving basis through an international asset backed securities (ABS) program. Since the significant 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 factoring agreements in place with third parties to sell trade accounts receivable. The trade accounts receivable sold as of the reporting date, which are now recorded as receivables from the factoring company, are measured at fair value through profit or loss.

Such agreements constitute non-recourse factoring where the credit risk is fully transferred to the contracting party (the "factor"). 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.

Financial assets/liabilities at fair value through profit or loss
This category mainly comprises derivatives, including separately recognized embedded derivatives, except such derivatives that are designated as effective hedging instruments. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Gains or losses on financial assets held for trading and derivatives are recognized in profit or loss.

The Group uses derivative financial instruments to hedge price, interest and currency risks that result from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculative purposes.

Derivative financial instruments are carried as assets when the fair value is positive, and as liabilities when the fair value is negative. If no market values are available, the fair values are determined using recognized valuation models.

Changes in the fair value of derivative financial instruments are immediately recognized in profit or loss unless the criteria of IFRS 9 for hedge accounting are satisfied. With one insignificant exception, Swiss Steel Group does not apply hedge accounting.

Impairment of financial assets
As of each reporting date, an allowance is recognized for expected credit losses for all debt instruments not measured at fair value through profit or loss.

For trade accounts receivable, expected lifetime credit losses are calculated at each reporting date, taking into account changes in expected credit risk. Significant 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 (e.g. by a loss certificate) defaults result in a 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.

Inventories
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 overheads 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.

Taxes
Current taxes
Current income tax receivables and liabilities for the current and earlier reporting periods are measured at the expected amount of reimbursement from, or payment to, the tax authorities. This amount is calculated applying the tax rates and tax laws that are enacted or substantively enacted at the reporting date.

Deferred taxes
Deferred taxes are recognized using the liability method on temporary differences between carrying amounts in the consolidated financial statements and tax accounts, as well as on tax-loss and interest carry-forwards and tax credits. Any such difference is always recognized as a liability if it leads to future tax expenses. An exception is made for the initial recognition of goodwill, for which no deferred taxes are recognized. Deferred tax assets, on the other hand, are only recognized if it is probable that the associated tax benefits will be realized. Deferred taxes are calculated using the tax rates that are expected to apply at the date on which the temporary differences are expected to reverse. Future tax rates are used if they are already enacted or substantively enacted at the reporting date.

Changes in the deferred taxes in the statement of financial position result in deferred tax expense or income. If transactions that result in changes in deferred taxes are recognized directly in equity or in other comprehensive income, the change in deferred taxes is recognized within the same item.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred taxes relate to the same taxable entity and the same tax authority.

Liabilities for pensions and similar obligations
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. The total past service cost resulting from plan amendments is recognized in profit or loss as soon as the improvements are announced. Actuarial gains and losses are recognized directly in other comprehensive income in the period in which they occur. 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
Provisions are recognized if the Group has a present obligation from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Provisions are measured at the amount that reflects the best estimate of the expenditure required to settle the present obligation as of the reporting date, with expected reimbursements from third parties not netted but instead recognized as a separate asset if it is virtually certain that they will be realized. Material non-current provisions are discounted at a discount rate that reflects the time value of money and the risks specific to the liability.

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.

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).

Financial liabilities
Financial liabilities are recognized at fair value upon initial application. Transaction costs directly attributable to the transaction are also included in the measurement of all financial liabilities that are not subsequently measured at fair value through profit or loss.

Other financial liabilities
Trade accounts payable and other non-derivative financial liabilities are measured at amortized cost using the effective interest method.

Hyperinflation adjustments
Turkey was classified a hyperinflationary economy as of June 2022. As a consequence, the accounting figures for the Group's activities in Turkey need to be adjusted for inflation prior to translation to the Group's presentation currency. Non-monetary items 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 are restated applying a general price index. The resultant restatement effects are shown in the financial expenses (note 16) under the separate item "hyperinflation adjustment". Monetary items in the consolidated statement of financial position do not have to be restated.

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

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

Revenue
The Group generates most of its revenue from the sale of special long steel for various customer industries and end markets, such as mechanical and plant engineering and the automotive industry. 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. control of the goods has passed to the customer).

Control passes 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 also governed by contracts, are based on normal commercial terms and are generally shorter than twelve months after delivery. All revenue of Swiss Steel Group is recognized at point in time.

Swiss Steel Group applies the exemption 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.

Government grants
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 posted as income, depending on their purpose. If the government grant is related to a specific expense item, such as compensation for energy costs, it is deducted from the respective expenses.

Research and development
Research expenses are recorded immediately in profit or loss. Development expenses are capitalized if a newly developed product or method can, among other things, be unequivocally identified, if the product or process is technically and economically feasible, if the development is marketable, if the expenses can be reliably measured, and if the Group has adequate resources to complete the development project. All other development expenses are recorded immediately in profit or loss. Capitalized development expenses of completed projects are reported at cost less any accumulated depreciation. Cost includes all costs directly allocable to development as well as a portion of directly attributable development overheads.

Borrowing costs
Borrowing costs which can be attributed to the acquisition, construction or production of a qualifying asset are capitalized and depreciated over the economic useful life of the qualifying asset.

7 Consolidated Group and business combinations

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 have had no effect on these financial statements.

There was no significant change in the scope of consolidation in 2021. Detailed information can be found in the list of shareholdings in note 37.

8 Disposal group held for sale

As of December 31, 2022, nine legal entities of the *Sales & Services* division were recognized as assets held for sale. In January 2023, Swiss Steel Group completed the divestment of its distribution entity in Chile. In February 2023, the Group signed an agreement for the sale of seven distribution entities in Eastern Europe to JACQUET METALS. Completion of this transaction is subject to customary closing conditions including the approval by the relevant anti-trust authorities, which is expected in the first half-year of 2023. Additionally, land and buildings in the amount of EUR 32.7 million were reclassified to assets held for sale (note 19). It is highly probable that the sales will be completed within the first half-year of 2023.

For the disposal group held for sale cumulative income of EUR 2.1 million from currency translation is subject to recycling into income statement.

An impairment loss of EUR 16.5 million is recognized in the consolidated income statement given that the carrying amount of the disposal group exceeds its fair value less costs to sell.

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

9 Revenue

Revenue can be broken down by product groups and regions as follows, whereby the revenue information is based on the location of the customer:

	Production		Sales & Services	
in million EUR	2022	2021	2022	2021
Engineering steel	1,960.5	1,430.8	185.3	139.4
Stainless steel	1,022.2	936.0	233.4	213.1
Tool steel	331.8	226.8	205.5	169.3
Others	98.0	63.7	14.7	13.7
Total	**3,412.5**	**2,657.3**	**638.9**	**535.5**

	Production		Sales & Services	
in million EUR	2022	2021	2022	2021
Germany	1,380.9	1,118.4	1.6	1.8
Italy	513.4	416.2	46.3	39.0
France	359.8	292.3	46.8	40.3
Switzerland	63.1	48.7	0.0	0.0
Other Europe	648.8	459.9	233.6	191.3
Europe	**2,966.0**	**2,335.5**	**328.3**	**272.4**
USA	219.6	114.7	138.4	118.9
Canada	53.3	39.7	44.7	31.1
Other Americas	10.4	5.8	43.7	32.4
America	**283.3**	**160.2**	**226.8**	**182.4**
China	60.9	62.0	49.3	50.6
India	26.6	24.7	15.9	13.6
Asia Pacific/Africa	75.7	74.9	18.6	16.5
Africa/Asia	**163.2**	**161.6**	**83.8**	**80.7**
Total	**3,412.5**	**2,657.3**	**638.9**	**535.5**

10 Cost of materials

in million EUR	2022	2021
Cost of raw materials, consumables, supplies and merchandise	2,113.9	1,860.4
Energy and other purchased services	780.6	473.4
Total	**2,894.5**	**2,333.8**

11 Other operating income and expenses

Other operating income can be broken down as follows:

in million EUR	2022	2021
Income from energy sale and energy reimbursement	28.1	4.4
Carbon compensation	27.0	4.7
Grants and allowances	15.5	5.0
Income for services	12.2	9.0
Foreign exchange gain (net)	11.1	0.0
Lease income	7.6	6.9
Insurance reimbursement	5.7	36.3
Own work capitalized	3.0	3.0
Income for training	2.9	2.6
Gains from disposal of intangible assets and property, plant and equipment	0.6	2.3
Miscellaneous income	10.9	14.1
Total	**124.6**	**88.3**

Income from energy sale and energy reimbursement of EUR 28.1 million (2021: EUR 4.4 million) resulted from the sale of excess energy in the Swiss production plant due to temporary production shutdowns in the financial year. The income from carbon compensation of EUR 27.0 million (2021: EUR 4.7 million) comprises the sale of CO_2 certificates in Switzerland, Germany and France. The income from grants and allowances of EUR 15.5 million (2021: EUR 5.0 million) comprises government subsidies in France.

Miscellaneous income of EUR 10.9 million (2021: EUR 14.1 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	2022	2021
Freight, commission	117.3	93.5
Maintenance, repairs	111.3	109.3
Holding and administration expenses	36.8	30.4
IT expenses	34.0	28.2
Fees and charges	30.8	29.0
Consultancy and audit services	22.1	17.4
Non-income taxes	11.3	8.6
Expenses for leases (short-term, low value, variable leases)	8.9	9.2
Change in allowances on trade accounts receivable	2.8	– 2.4
Losses on disposal of intangible assets and property, plant and equipment	0.2	0.9
Foreign exchange loss (net)	0.0	2.3
Miscellaneous expenses	14.3	11.8
Total	**389.8**	**338.2**

Freight and commission costs increased as a result of higher transport costs due to logistics constraints. IT expenses climbed on the back of various factors including higher spending for IT security measures.

Miscellaneous expenses of EUR 14.3 million (2021: EUR 11.8 million) comprise a number of individually immaterial items which cannot be allocated to another category.

The item "Consultancy and audit services" includes among others the total fees billed by the auditor Ernst & Young. In 2022, EUR 2.4 million (2021: EUR 2.0 million) were paid for financial statement audits and EUR 0.1 million (2021: EUR 0.2 million) for other assurance services. In addition, EUR 0.1 million (2021: EUR 0.1 million) were paid for tax advisory services in the reporting period and EUR 0.2 million (2021: EUR 0.4 million) for other services.

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	2022	2021
Exchange gains	216.3	104.3
Exchange losses	– 205.2	– 106.6
Net currency effect	**11.1**	**– 2.3**

12 Personnel expenses

in million EUR	2022	2021
Wages and salaries	553.9	524.0
Social security contributions	122.0	123.6
Other personnel costs	17.2	15.6
Total	**693.1**	**663.2**

In 2022, Swiss Steel Group received EUR 4.8 million (2021: EUR 3.6 million) in compensation for short-time work, which is mainly related to the COVID-19 crisis. This was offset against the expenses for wages and salaries.

13 Research and development expenses

Research and development expenses of EUR 7.3 million were incurred in 2022 (2021: EUR 9.3 million). They relate to third-party expenses for new product applications and process improvements. Development costs of EUR 1.1 million were capitalized in the reporting period (2021: EUR 1.6 million); this amount is capitalized under intangible assets in the subcategory "Concessions, licenses and similar rights" (note 19).

14 Government grants

Government grants of EUR 23.0 million (2021: EUR 11.4 million) were recognized in the fiscal year. These are primarily related to reimbursements of other operating expenses (energy costs). The energy cost reimbursement of EUR 5.4 million (2021: EUR 5.3 million) was recognized as a deduction from the respective expense, while the remaining portion of government grants has been recorded as other income.

Government support within the context of the COVID-19 crisis affected personnel expenses (note 12) and financial liabilities (note 29).

15 Depreciation, amortization and impairments

in million EUR	2022	2021
Amortization of intangible assets	5.0	5.1
Depreciation of property, plant and equipment	64.7	58.1
Depreciation of right-of-use assets	9.9	8.2
Impairment of intangible assets, property, plant and equipment, and right-of-use assets	19.7	19.9
Impairment of assets held for sale	16.5	0.0
Total	**115.8**	**91.3**

Detailed information on impairments is disclosed in note 8 and note 21.

16 Financial result

in million EUR	2022	2021
Interest income	0.8	1.0
Other financial income	0.0	0.2
Financial income	**0.8**	**1.2**
Interest expenses on financial liabilities	– 40.3	– 36.0
Interest expenses on lease liabilities	– 4.0	– 3.6
Net interest expense on pension provisions and plan assets	– 2.5	– 1.7
Capitalized borrowing costs	0.6	0.8
Hyperinflation adjustments	– 0.8	0.0
Other financial expenses	– 5.5	– 5.3
Financial expenses	**– 52.5**	**– 45.8**
Financial result	**– 51.7**	**– 44.6**

The item “Interest expenses on financial liabilities” includes, among others, the interest expense for state-guaranteed loans at the market interest rate. Interest expenses are offset against the reversal of the liability for deferred government support in the same amount (see note 29).

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

17 Income taxes

The main components of income tax in the fiscal years 2022 and 2021 were as follows:

in million EUR	2022	2021
Current taxes	19.6	12.9
– of which tax expense/(income) related to the current period	18.9	12.5
– of which tax expense/(income) from previous periods	0.7	0.4
Deferred taxes	– 7.7	0.9
– of which deferred tax effect from the origination and reversal of temporary differences	– 1.6	– 0.5
– of which deferred tax effect from tax-loss carry-forwards, interest carry-forwards and tax credits	– 6.1	1.4
Income tax effect (income (–) / expenses (+))	**11.9**	**13.8**

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

in million EUR	2022	2021
Earnings before taxes	21.3	64.1
Domestic income tax rate	12.43 %	12.55 %
Expected income tax expense/(income)	**2.6**	**8.0**
Effects of different income tax rates	– 11.5	8.1
Non-deductible expense/tax-free income	2.3	1.0
Tax effects from prior years	0.7	0.4
Tax effects due to changes in tax rates or changes in tax laws	0.2	0.4
Deferred tax assets not recognized on temporary differences, tax credits, tax-loss and interest carry-forwards in the current year	35.9	16.6
Write-off of deferred tax assets on temporary differences, tax credits, tax-loss and interest carry-forwards capitalized in prior years	– 18.3	– 20.7
Effective income tax expense/(income)	**11.9**	**13.8**
Effective tax rate	55.9 %	21.5 %

The local tax rates used to determine current and deferred taxes have not changed materially. The effective Group tax rate for 2022 was 55.9 % (2021: 21.5 %). 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 decreased to EUR 1,256.9 million (2021: EUR 2,357.3 million). The decrease is due, among other factors, to a revaluation of participation(s) for tax purposes.

in million EUR	31.12.2022	31.12.2021
Expiry within		
– 1 year	1.5	0.0
– 2 to 5 years	4.0	3.4
– more than 5 years	1,251.4	2,353.9
Total	**1,256.9**	**2,357.3**

In addition, the Group has not recognized tax credits in the amount of EUR 0.7 million (2021: EUR 1.5 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	31.12.2022	31.12.2021
Tax rate		
– less than 20 %	356.2	1,477.2
– 20 % to 30 %	207.6	226.1
– more than 30 %	693.1	654.0
Total	**1,256.9**	**2,357.3**

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:

	Deferred tax assets		Deferred tax liabilities	
in million EUR	31.12.2022 [1]	31.12.2021	31.12.2022 [1]	31.12.2021
Intangible assets	0.5	0.7	1.0	0.9
Property, plant and equipment	25.6	24.7	10.2	12.3
Financial assets	0.0	0.0	5.0	4.1
Other assets	0.7	0.6	0.0	0.0
Non-current assets	**26.8**	**26.0**	**16.2**	**17.3**
Inventories	3.4	4.6	5.4	10.1
Other assets	1.1	0.5	4.4	2.0
Current assets	**4.5**	**5.1**	**9.8**	**12.1**
Provisions	11.7	17.7	32.1	29.7
Other liabilities	5.2	4.9	0.4	0.0
Non-current liabilities	**16.9**	**22.6**	**32.5**	**29.7**
Provisions	1.0	1.0	2.4	1.6
Other liabilities	4.9	4.9	0.0	0.5
Current liabilities	**5.9**	**5.9**	**2.4**	**2.1**
Tax-loss and interest carry-forwards	20.4	14.1	0.0	0.0
Total	**74.5**	**73.7**	**60.9**	**61.2**
Netting	– 53.0	– 57.3	– 53.0	– 57.3
Reclassification to assets held for sale	– 0.2	0.0	– 0.1	0.0
Amount recognized	**21.3**	**16.4**	**7.8**	**3.9**

[1] Before reclassification to assets held for sale

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

in million EUR	2022	2021
Opening balance at the beginning of the period	12.5	14.1
Changes recognized in profit and loss	7.7	– 0.9
Reclassification to assets held for sale	– 0.1	0.0
Changes recognized in other comprehensive income	– 5.3	– 0.5
Foreign currency effects	– 1.3	– 0.2
Closing balance at the end of the period	**13.5**	**12.5**
– of which deferred tax assets	21.3	16.4
– of which deferred tax liabilities	7.8	3.9

The taxes recognized in shareholders' equity (accumulated other comprehensive income and retained earnings) amounted to EUR 24.8 million for the reporting period (2021: EUR 30.1 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 116.2 million, of which EUR 29.9 million were taxable (2021: EUR 164.7 million, of which EUR 27.9 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 Business Unit Ascometal were largely not recognized in 2022 and 2021. Further information can be found in note 21.

18 Earnings per share

	2022	2021
Group result attributable to shareholders of Swiss Steel Holding AG in EUR million	9.3	50.1
Average number of shares	3,058,524,740	2,829,591,585
Earnings per share in EUR (basic/diluted)	**0.00**	**0.02**

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 fiscal year. Diluted earnings per share are the same as basic earnings per share.

19 Intangible assets and property, plant and equipment

Changes in intangible assets are presented below:

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**

Year 2021

in million EUR	Concessions, licenses and similar rights	Acquired trademarks and customer bases	Prepayments for intangible assets	Goodwill	Total
Cost value as of 1.1.2021	**91.0**	**22.7**	**3.3**	**5.9**	**122.9**
Additions	2.2	0.0	2.0	0.0	4.2
Disposals	−1.0	0.0	−0.1	0.0	−1.1
Reclassifications	2.4	0.0	−2.4	0.0	0.0
Foreign currency effects	1.2	1.1	−0.1	0.0	2.2
Cost value as of 31.12.2021	**95.8**	**23.8**	**2.7**	**5.9**	**128.2**
Accumulated amortization and impairments as of 1.1.2021	**−79.3**	**−19.4**	**−0.9**	**−5.5**	**−105.1**
Amortization	−5.0	−0.1	0.0	0.0	−5.1
Impairment	0.0	0.0	−0.3	0.0	−0.3
Disposals	1.0	0.0	0.2	0.0	1.2
Reclassifications	−0.7	0.0	0.7	0.0	0.0
Foreign currency effects	−1.2	−0.8	0.0	0.0	−2.0
Accumulated amortization and impairments as of 31.12.2021	**−85.2**	**−20.3**	**−0.3**	**−5.5**	**−111.3**
Net carrying amount as of 31.12.2021	**10.6**	**3.5**	**2.4**	**0.4**	**16.9**

There were no restrictions on ownership or disposal as of each reporting date. The development costs of EUR 1.1 million capitalized in 2022 (note 13) are included in the additions in subcategory “Concessions, licenses and similar rights”.

The breakdown of property, plant and equipment into subcategories can be seen in the table below. Most of the additions are attributable to the *Production* division.

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**

Restrictions on ownership and disposal amounted to EUR 144.2 million as of the reporting date (2021: EUR 143.4 million), of which EUR 26.0 million are related to assets reclassified to assets held for sale. The collateralization is in relation to the Group’s debt financing. Borrowing costs capitalized during the fiscal year 2022 are included in additions and amounted to EUR 0.6 million (2021: EUR 0.8 million). In 2022, the average rate applied for borrowing costs was 4.88 % (2021: 5.93 %).

For more information regarding the reclassification to assets held for sale, see note 8.

Year 2021

in million EUR	Land and buildings	Plant and equipment	Prepayments for property and plants under construction	Total
Cost value as of 1.1.2021	**734.7**	**2,606.4**	**71.7**	**3,412.8**
Additions	2.6	33.4	51.4	87.4
Disposals	– 0.6	– 39.4	0.0	– 40.0
Reclassifications	3.5	50.4	– 53.9	0.0
Foreign currency effects	17.5	48.4	1.2	67.2
Cost value as of 31.12.2021	**757.7**	**2,699.2**	**70.4**	**3,527.4**
Accumulated depreciation and impairments as of 1.1.2021	**– 558.6**	**– 2,355.1**	**– 21.1**	**– 2,934.8**
Depreciation	– 9.3	– 48.8	0.0	– 58.1
Impairment	0.0	0.0	– 18.4	– 18.4
Disposals	0.3	38.2	0.0	38.5
Reclassifications	– 1.3	– 20.0	21.3	0.0
Foreign currency effects	– 13.4	– 41.2	– 0.2	– 54.8
Accumulated depreciation and impairments as of 31.12.2021	**– 582.2**	**– 2,426.9**	**– 18.4**	**– 3,027.6**
Net carrying amount as of 31.12.2021	**175.5**	**272.3**	**52.0**	**499.8**

20 Right-of-use assets

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**

Year 2021

in million EUR	Land and buildings	Plant and equipment	Total
Net carrying amount as of 1.1.2021	**16.9**	**7.5**	**24.4**
Additions	9.6	6.8	16.4
Disposals	– 0.1	– 0.1	– 0.2
Foreign currency effects	0.4	0.0	0.4
Depreciation	– 4.3	– 3.9	– 8.2
Impairment	0.0	– 1.2	– 1.2
Net carrying amount as of 31.12.2021	**22.5**	**9.1**	**31.6**

Further information on leases is disclosed in note 30 to the consolidated financial statements.

21 Impairment test

Impairment testing of intangible assets with finite useful lives, right-of-use assets, and property, plant and equipment

The following overview summarizes the key figures per Business Unit for which an impairment loss was recognized:

in million EUR	Discount rate 2022 before taxes	Discount rate 2022 after taxes	Discount rate 2021 before taxes	Discount rate 2021 after taxes	Impairment 2022	Impairment 2021
Ascometal	8.80 %	8.80 %	9.29 %	7.32 %	19.6	19.9

Year 2022

At the end of 2022, Swiss Steel Group assessed potential indicators of impairments of assets with definite life. For various Business Units indicators (triggering events) have been identified and impairment tests have been performed. In these impairment tests the recoverable amount of the Business Units was determined based on their value in use.

Indications of impairment for various Business Units were found in 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 Business Unit Ugitech.

These assessments showed that only for Business Unit Ascometal (*Production* Division), the carrying amount exceeded the value in use and, thus, an impairment loss had to be recognized. Property, plant and equipment, right-of-use assets and intangible assets are fully impaired.

The total impairment amounted to EUR 19.7 million in 2022, of which EUR 19.6 million (2021: EUR 19.9 million) related to Business Unit Ascometal, and was recognized under depreciation, amortization and impairments in the consolidated income statement. The allocation of impairment losses to asset categories is as follows: EUR 18.3 million (2021: EUR 18.4 million) to property, plant and equipment (note 19), EUR 0.9 million (2021: EUR 1.2 million) to right-of-use assets (note 20) and EUR 0.5 million (2021: EUR 0.3 million) to intangible assets (note 19).

Year 2021

In 2021, Swiss Steel Group identified indications (triggering events) due to increased energy prices affecting the production cost base and also potentially the operating result in the short term. Furthermore, the shortages in the supply chain for the main customer industry automotive might lead to lower volumes sold and thus negatively affect operating performance as well. Swiss Steel Group responded to these indications of impairment by conducting impairment tests on the basis of the outlook starting on September 30, 2021. The ensuing impairment test resulted in a further impairment in the Business Unit Ascometal, which was also identified in a later impairment test with reference date December 31, 2021.

The impairment in the Business Unit Ascometal has its roots in the pronounced weakness in the automotive market in 2019, which triggered a sharp decline in sales volumes and had a negative impact on profitability. When the COVID-19 crisis started to escalate in March 2020, this compounded an already challenging situation and continued to negatively impact the operating result into 2021. Furthermore, as mentioned above, the triggering events identified in 2021 deteriorated the short term outlook and resulted in a further impairment in 2021.

Other intangible assets with indefinite useful lives
With a carrying amount of EUR 3.6 million (2021: EUR 3.5 million), brands are allocated in full to the Business Unit Finkl Steel (*Production* division). The other changes year on year in 2022 are due to currency effects.

22 Financial assets

in million EUR	31.12.2022	31.12.2021
Receivables from finance leases	0.6	0.7
Other financial receivables	0.5	0.7
Total non-current	**1.1**	**1.4**
Receivables from finance leases	0.1	0.1
Positive market values of derivative financial instruments	4.2	1.1
Other financial receivables	1.6	2.3
Total current	**5.9**	**3.5**

23 Other assets

in million EUR	31.12.2022	31.12.2021
Other receivables	10.2	3.6
Total non-current	**10.2**	**3.6**
Tax receivables (excluding current income tax receivables)	68.6	48.8
Prepaid expenses	7.8	8.4
Prepayments for inventories/maintenance	10.1	9.4
Other receivables	12.2	7.7
Total current	**98.7**	**74.3**

24 Inventories

Inventories as of December 31, 2022 and as of December 31, 2021 break down as follows:

in million EUR	31.12.2022	31.12.2021
Raw materials, consumables and supplies	224.3	196.8
Semi-finished goods and work in progress	421.7	416.3
Finished products and merchandise	410.0	386.5
Total	**1,056.0**	**999.6**

There are restrictions on ownership and disposal of EUR 408.8 million as of the reporting date (2021: EUR 389.0 million). The collateralization is in relation to the Group's debt financing.

Inventory allowances developed as follows in the fiscal year:

in million EUR	2022	2021
As of 1.1.	**32.3**	**27.6**
Reclassification to assets held for sale	– 2.0	0.0
Additions	16.0	14.8
Reversal	– 6.4	– 8.3
Utilization	– 2.1	– 2.3
Foreign currency effects	0.0	0.5
As of 31.12.	**37.8**	**32.3**

25 Trade accounts receivable

in million EUR	31.12.2022	31.12.2021
Gross accounts receivable	511.3	492.7
Allowances on trade accounts receivable	– 14.6	– 13.4
Net accounts receivable	**496.7**	**479.3**

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 276.1 million and USD 32.4 million (2021: EUR 210.0 million and USD 27.5 million) had been sold as of the reporting date. As most of the risk and reward remains 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 272.3 million (2021: EUR 208.1 million).

There are restrictions on ownership and disposal of EUR 105.9 million (2021: EUR 131.0 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.

Additional factoring agreements are in place between certain Group entities and factoring companies ("factor"). Such agreements constitute non-recourse factorings where the default risk of the counterparty is fully transferred to the factor. Trade accounts receivable of EUR 10.8 million

(2021: EUR 8.9 million) had been sold as of the reporting date. These receivables were derecognized from the statement of financial position as related risks and rewards have been transferred.

The allowance on trade accounts receivable developed as follows:

in million EUR	2022	2021
As of 1.1.	**13.4**	**16.4**
Reclassification to assets held for sale	– 0.5	0.0
Additions	4.9	2.7
Reversal	– 2.2	– 5.2
Utilization	– 1.0	– 0.5
As of 31.12.	**14.6**	**13.4**

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

	As of 31.12.2022			As of 31.12.2021		
in million EUR	Expected credit loss rate	Trade accounts receivable	Impairment allowance	Expected credit loss rate	Trade accounts receivable	Impairment allowance
Current	0.91 %	429.6	– 3.9	1.20 %	442.3	– 5.3
≤ 30 days	0.40 %	50.3	– 0.2	0.00 %	34.1	0.0
31 to 60 days	2.61 %	11.5	– 0.3	1.56 %	6.4	– 0.1
61 to 90 days	4.00 %	2.5	– 0.1	7.14 %	1.4	– 0.1
91 to 120 days	20.51 %	3.9	– 0.8	22.22 %	0.9	– 0.2
> 120 days	68.89 %	13.5	– 9.3	100.00 %	7.7	– 7.7
Total	**2.86 %**	**511.3**	**– 14.6**	**2.72 %**	**492.7**	**– 13.4**

The expected credit loss rate includes impairment losses based on both actual and expected defaults on receivables. 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.

26 Shareholders' equity

Share capital

The share capital of EUR 361.4 million (2021: EUR 361.4 million) comprises 3,058,857,471 fully paid-up shares with a nominal value of CHF 0.15 each.

In March 2021, Swiss Steel Group executed a capital increase. The gross inflow amounted to EUR 223.5 million, of which EUR 139.7 million was allocated to the share capital and EUR 83.8 million to the capital reserves. After deducting transaction costs of EUR 6.5 million (offset against capital reserves), Swiss Steel Group collected a total of EUR 217.0 million.

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. There were no changes in capital reserves in 2022.

In 2021, capital reserves decreased in total by EUR 93.7 million. The capital increase in 2021 resulted in a net addition of EUR 77.3 million. A transfer of EUR 171.0 million from capital reserves to retained earnings was made following a resolution at the Annual General Meeting on April 27, 2021.

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 2021. The Board of Directors will propose to the Annual General Meeting to waive a dividend distribution for the year 2022.

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	2022	2021
As of 1.1.	**50.4**	**44.6**
Change in unrealized gains/losses from currency translation	4.3	5.8
As of 31.12.	**54.7**	**50.4**

See the table in note 32 for details of the realization of gains and losses from cash flow hedges.

27 Pensions

The Group has both defined benefit plans and defined contribution plans, where contractually defined amounts are transferred to an external pension institution.

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 39.4 million in 2022 (2021: EUR 39.0 million).

Defined benefit plans

Most of the Group's pension schemes are defined benefit plans, according to which the employer undertakes to provide the agreed pension benefits.

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 Canada and 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	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Present value of defined benefit obligations/fair value of plan assets at the beginning of the period	**614.6**	**646.9**	**395.3**	**367.5**	**45.3**	**0.0**	**264.6**	**279.4**
Current service cost	9.6	10.2	0.0	0.0	0.0	0.0	9.6	10.2
Administration expenses	0.0	0.0	−0.7	−0.6	0.0	0.0	0.7	0.6
Interest expense/income	4.8	2.9	2.5	1.2	0.2	0.0	2.5	1.7
Past service costs	0.0	−0.6	0.0	0.0	0.0	0.0	0.0	−0.6
Settlement [1]	−20.3	0.0	−20.3	0.0	0.0	0.0	0.0	0.0
Net pension result	**−5.9**	**12.5**	**−18.5**	**0.6**	**0.2**	**0.0**	**12.8**	**11.9**
Return on plan assets less interest income	0.0	0.0	−35.7	20.8	0.0	0.0	35.7	−20.8
Changes in unrecognized assets due to asset ceiling	0.0	0.0	0.0	0.0	13.3	43.6	13.3	43.6
Actuarial result from changes in demographic assumptions	−1.3	−11.9	0.0	0.0	0.0	0.0	−1.3	−11.9
Actuarial result from changes in financial assumptions	−117.7	−22.3	0.0	0.0	0.0	0.0	−117.7	−22.3
Actuarial result from experience assumptions	0.8	0.0	0.0	0.0	0.0	0.0	0.8	0.0
Remeasurement effects included in other comprehensive income	**−118.2**	**−34.2**	**−35.7**	**20.8**	**13.3**	**43.6**	**−69.2**	**−11.4**
Employer contributions	0.0	0.0	7.3	6.9	0.0	0.0	−7.3	−6.9
Employee contributions	5.0	4.4	5.0	4.4	0.0	0.0	0.0	0.0
Benefits paid	−35.1	−30.3	−26.8	−21.9	0.0	0.0	−8.3	−8.4
Foreign currency effects	15.5	15.3	17.7	17.0	2.1	1.7	−0.1	0.0
Present value of defined benefit obligations/fair value of plan assets at the end of the period	**475.9**	**614.6**	**344.3**	**395.3**	**60.9**	**45.3**	**192.5**	**264.6**
Provisions from obligations similar to pensions	0.7	1.1	0.0	0.0	0.0	0.0	0.7	1.1
Total provisions for pensions and obligations similar to pensions	**476.6**	**615.7**	**344.3**	**395.3**	**60.9**	**45.3**	**193.2**	**265.7**
– of which in pension liabilities							193.2	269.0
– of which in pension assets							0.0	3.3

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

The difference between the plan assets and 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	31.12.2022	31.12.2021
Fair value of plan assets	344.3	395.3
Present value of funded defined benefit obligations	– 307.6	– 384.0
Funded status	**36.7**	**11.3**
Effect of asset ceiling	**– 13.3**	**43.6**
Present value of unfunded defined benefit obligations	**– 169.1**	**– 231.7**
– of which from pension plans	– 168.4	– 230.6
– of which from similar liabilities	– 0.7	– 1.1
Recognized amount	**– 193.2**	**– 265.7**
– of which from pension plans	– 192.5	– 264.6
– of which from similar liabilities	– 0.7	– 1.1

Past service costs (income) and compensation payment
No past service cost was recognized in 2022.

In 2021, the reduction of the conversion rate of the pension plan for Swiss Steel Holding AG and Ugitech Suisse S.A. generated a past service income of EUR 0.9 million in 2021. This was partially offset by the change in the death lump sum capital in one of the pension plans operated by Steeltec AG that created past service costs of EUR 0.4 million.

Net pension costs
The net interest on the net defined benefit obligation is included within financial expenses in the consolidated income statement.

The actuarial gains on defined benefit obligations result from changes in estimates of the mortality rate as well as from other actuarial parameters.

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	2022	2021
Actuarial gains/(losses)		
on pension obligations	118.2	34.2
on plan assets	– 35.7	20.8

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.

In 2021, based on the new mortality tables BVG 2020, the mortality estimate was updated to calculate the pension obligations of the Swiss plans. This resulted in an actuarial gain of EUR 11.7 million, which was recognized in other comprehensive income (changes in demographic assumptions).

Furthermore, there was an actuarial gain of EUR 22.3 million due to changes in financial assumptions, mainly driven by higher discount rates in those countries with the relevant pension plans.

Effect from asset ceiling
The effect from the asset ceiling arose in 2021 from the overfunding of one of the Swiss pension plans. The minimum funding contribution exceeds the estimated future service cost, hence there is no economic benefit available from the overfunding. As a result, the overfunding amount was derecognized through posting the other comprehensive loss in the amount of EUR 43.6 million. In 2022, an additional amount of EUR 13.3 million was recognized in other comprehensive income.

Significant actuarial assumptions for pensions
The following significant actuarial assumptions were used:

	Switzerland		Euro area		USA		Canada	
in %	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Discount rate	2.1	0.4	3.7	0.9-1.0	-	2.6	5.0	3.2
Salary trend	1.5	1.3	2.2-3.3	2.5-3.0	-	nm	3.0	3.0
Pension increase	0.0	0.0	1.0-2.2	1.0-1.75	-	0.0	0.0	0.0

Significant 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 318.2 million (2021: EUR 328.4 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		USA		Canada	
in %	2022	2021	2022	2021	2022 [1]	2021	2022	2021
Shares	22.5	26.7	0.0	0.0	0.0	37.1	0.0	0.0
Fixed-interest securities	15.6	15.7	0.0	0.0	0.0	59.7	100.0	100.0
Real estate	56.2	50.0	0.0	0.0	0.0	2.2	0.0	0.0
Insurance contracts	0.0	1.0	100.0	100.0	0.0	0.0	0.0	0.0
Others	5.7	6.5	0.0	0.0	0.0	1.0	0.0	0.0

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

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, 2022, there are defined benefit obligations of EUR 475.9 million (2021: EUR 614.6 million). The expected service cost for 2023 is EUR 7.1 million based on current interest rates. If significant actuarial assumptions for the material plans listed in the table below had increased or decreased by 0.5 % as of December 31, 2022, pension liabilities and service costs would have been adjusted as follows for the subsequent fiscal 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 31.12.2022	−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
Effect on pension liability as of 31.12.2021	−37.3	42.0	3.4	−3.3	29.2	−12.1
Effect on service costs 2021	−0.9	0.9	0.2	−0.2	0.4	−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 2022, employer contributions of EUR 7.3 million (2021: EUR 6.9 million) were made to the plan assets. The pension payments for unfunded plans amount to EUR 8.3 million (2021: EUR 8.4 million).

For 2023, contribution payments are expected to total EUR 16.0 million. Of this amount, EUR 5.9 million are employer contributions for financing existing funded plans and EUR 10.1 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 31.12.2022	As of 31.12.2021
Year 1	29.7	30.6
Year 2	30.9	31.0
Year 3	32.4	31.7
Year 4	31.5	32.3
Year 5	32.9	31.8
Years 6-10	154.5	155.2
Total	**311.9**	**312.6**

The weighted average duration of the defined benefit obligation was 10.9 years as of December 31, 2022 (2021: 13.7 years).

28 Provisions

Provisions developed as follows in the fiscal year:

in million EUR	Warranties	Phased retirement	Jubilee	Personnel	Restructuring	Other	Total
As of 1.1.2021	5.8	8.4	16.8	12.0	20.3	22.2	85.4
Additions	6.5	2.3	0.3	3.4	0.0	22.3	34.9
Utilization	−3.8	−3.6	−1.9	−2.5	−9.3	−4.9	−25.9
Reversal	−1.7	−0.1	−0.2	−2.5	−8.5	−2.4	−15.5
Foreign currency effects	0.1	0.0	0.1	0.1	0.0	0.2	0.4
As of 31.12.2021	**6.9**	**7.0**	**15.1**	**10.4**	**2.5**	**37.4**	**79.3**
– of which non-current	0.0	4.2	13.6	7.2	0.0	14.3	39.3
– of which current	6.9	2.8	1.5	3.2	2.5	23.1	40.0
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

The warranty provisions of EUR 9.5 million (2021: EUR 6.9 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 7.3 million (2021: EUR 7.0 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 12.5 million (2021: EUR 15.1 million) are 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. A utilization of EUR 9.2 million is expected in connection with such payments over the next five years (2021: EUR 10.3 million). For the years thereafter, a utilization of EUR 3.3 million is expected (2021: EUR 4.8 million).

Other personnel-related provisions amounted to EUR 11.4 million as of December 31, 2022 (2021: EUR 10.4 million). The corresponding cash outflows are expected mainly over the next five years.

The provision for restructuring of EUR 1.3 millions (2021: EUR 2.5 million) is mainly related to the restructuring program and the closure of the rolling mill at Ascometal Les Dunes S.A.S which was established in 2020 and will be fully utilized in 2023.

Other provisions of EUR 40.7 million (2021: EUR 37.4 million) comprise environment protection of EUR 8.6 million (2021: EUR 9.3 million), onerous contracts provisions of EUR 1.3 million (2021: EUR 12.3 million), discounts for customers of EUR 3.9 million (2021: EUR 4.8 million), provisions for

CO_2 certificates of EUR 14.9 million as well as various relatively small amounts totaling EUR 12.0 million (2021: EUR 11.0 million) that are not reported separately for reasons of materiality.

29 Financial liabilities

Financial liabilities as of December 31, 2022 can be broken down as follows:

in million EUR	31.12.2022	31.12.2021
Syndicated loan	266.0	355.6
State-guaranteed loans	58.4	58.3
Lease liabilities	61.0	58.5
Loans from shareholder	94.9	94.8
Other financial liabilities	3.6	3.8
Total non-current	**483.9**	**571.0**
Syndicated loan	30.0	0.0
Other bank loans	0.1	0.2
State-guaranteed loans	37.5	14.3
ABS financing program	272.3	208.1
Lease liabilities	9.7	9.5
Loans from shareholder	80.0	0.0
Negative market values of derivative financial instruments	0.7	3.2
Other financial liabilities	5.1	3.2
Total current	**435.4**	**238.5**

Financial liabilities materially consist of a syndicated revolving credit facility up to a maximum of EUR 465.0 million (syndicated loan) and an asset backed security (ABS) financing program with a limit of EUR 260.0 million and USD 42.0 million respectively. In addition, a EUR 95.0 million shareholder loan from BigPoint Holding AG has been advanced.

All of the above were raised or restructured in 2020, with a term of five years ending in March 2025.

The Group secured additional financing through a second shareholder loan from Big Point Holding AG at the beginning of the year. The loan granted in 2022 has a final maturity in June 2023 with a three-month extension option. Of the total amount of EUR 100 million, EUR 80 million had been drawn as of December 31, 2022.

The syndicated loan drawing decreased to EUR 296.0 million (2021: EUR 355.6 million). The ABS financing program was utilized to a greater extent and could be increased to EUR 272.3 million (2021: EUR 208.1 million) due to invoicing activity and materially extended credit limits.

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	31.12.2022	31.12.2021	31.12.2022	31.12.2021		
Switzerland	0.0	7.7	n/a	85 %	Sep 2020	0-5
France	95.9	64.9	80 %-100 %	80 %-100 %	various [1]	1-6
– of which non-current	58.4	58.3				
– of which current	37.5	14.3				

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

The interest rates on the state-guaranteed loans are below market rate. The loans were incepted between 2020 and 2022. Due to the below-market interest rate, the amount recognized at initial measurement in financial liabilities was lower than the payment received. The difference was initially recognized as (non-current) deferred government support in connection with the COVID-19 crisis and posted to other liabilities (non-current). The interest expenses of the loans are charged to financial expenses at the market interest rate, while the deferred government support in the same amount is released over the expected term and credited to financial expenses.

In 2022, Swiss Steel Group released EUR 0.4 million (2021: EUR 3.8 million) of deferred government support in terms of interest expenses.

Swiss Steel Group terminated the state-guaranteed loan in Switzerland in July 2022.

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

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 assets 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

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 2021

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.	**313.3**	**5.3**	**76.9**	**154.8**	**61.2**	**94.7**	**8.4**	**714.6**
Increase in lease liabilities	0.0	0.0	0.0	0.0	16.2	0.0	0.0	16.2
Cash inflow from financial liabilities	31.6	0.0	0.0	51.9	0.0	0.0	0.0	83.5
Repayment of financial liabilities	0.0	– 5.1	– 8.4	0.0	– 9.6	0.0	– 6.3	– 29.4
Foreign currency effects	7.4	0.0	0.3	1.4	0.4	0.0	0.4	9.9
Other changes	3.3	0.0	3.8	0.0	– 0.2	0.1	7.7	14.7
As of 31.12.	**355.6**	**0.2**	**72.6**	**208.1**	**68.0**	**94.8**	**10.2**	**809.5**
– of which non-current								571.0
– of which current								238.5

30 Lease liabilities

The liabilities from leases recognized as of December 31, 2022 amounted to EUR 70.7 million (2021: EUR 68.0 million).

Details of the capitalized right-of-use assets are provided in note 20, and of the corresponding financial liabilities in note 29.

in million EUR	2022	2021
Additional disclosures for leases		
Interest expenses on lease liabilities	– 4.0	– 3.6
Cash outflow for leases (including repayment of lease liabilities and interest)	– 23.8	– 22.3
– of which expenses for short-term leases (<12 months)	– 8.3	– 8.6
– of which expenses for low-value asset leases	– 0.5	– 0.4
– of which expenses related to variable lease payments not included in the measurement of lease liabilities	– 0.1	– 0.1
Income from subleasing right-of-use assets	1.8	1.7
Future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities	0.9	2.7

The future potential cash outflows are primarily related to extension options, the exercise of which was not considered to be reasonably certain and therefore not considered in the lease term.

31 Other liabilities

in million EUR	31.12.2022	31.12.2021
Other liabilities	16.4	11.6
Total non-current	**16.4**	**11.6**
Accrued unused vacation and overtime accounts	37.6	39.2
Liabilities for wages and salaries	37.1	38.7
Tax liabilities (excluding current income tax liabilities)	23.5	27.3
Deferred income	10.4	12.9
Social security obligations	21.8	20.3
Other liabilities	32.7	21.5
Total current	**163.1**	**159.9**

Other non-current liabilities mainly include the deferred government support in connection with the COVID-19 crisis. The other current liabilities include items such as advanced payments from customers of EUR 4.7 million (2021: EUR 1.8 million), accruals for consulting services of EUR 3.0 million (2021: EUR 5.5 million), accruals for customs of EUR 2.6 million (2021: EUR 2.4 million) and accrued government grants of EUR 7.4 million (2021: EUR 2.3 million); it furthermore comprises (as in the prior year) a number of individually immaterial items which cannot be allocated to another line item.

32 Financial instruments

32.1 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	2022	2021
Financial assets measured at amortized cost (FAAC)	9.6	7.6
Financial assets/liabilities at fair value through profit or loss (FAFVPL/FLFVPL)	0.2	– 5.8
Financial liabilities measured at amortized cost (FLAC)	– 45.2	– 40.5

The net gain/loss from the category “Financial assets measured at amortized cost” 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 category “Financial liabilities measured at amortized cost (FLAC)” comprises the interest expenses on financial liabilities, amortized transaction costs from the financial liabilities issued and losses on foreign currency liabilities.

Year 2022

			Measurement according to IFRS 9			
in million EUR	Category according to IFRS 9	Carrying amount at 31.12.2022	At amortized cost	Fair value through other comprehensive income	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

Year 2021

in million EUR	Category according to IFRS 9	Carrying amount at 31.12.2021	Measurement according to IFRS 9: At amortized cost	Measurement according to IFRS 9: Fair value through other comprehensive income	Measurement according to IFRS 9: Fair value through profit or loss	Measurement according to IFRS 16
Assets						
Other financial assets	FAAC / n/a	3.8	3.0			0.8
Trade accounts receivable	FAAC	479.3	479.3			
Cash and cash equivalents	FAAC	89.0	89.0			
Positive market values of derivative financial instruments						
Derivatives with hedging relationship (hedge accounting)	n/a	0.8		0.8		
Derivatives without hedging relationship (no hedge accounting)	FAFVPL	0.3			0.3	
Liabilities						
Syndicated loan	FLAC	355.6	355.6			
Other bank loans	FLAC	0.2	0.2			
State-guaranteed loans	FLAC	72.6	72.6			
ABS financing program	FLAC	208.1	208.1			
Lease liabilities	n/a	68.0				68.0
Loans from shareholder	FLAC	94.8	94.8			
Other financial liabilities	FLAC	7.0	7.0			
Trade accounts payable	FLAC	438.3	438.3			
Negative market values of derivative financial instruments						
Derivatives without hedging relationship (no hedge accounting)	FLFVPL	3.2			3.2	
Of which aggregated by measurement category in accordance with IFRS 9 in conjunction with IFRS 7						
Financial assets measured at amortized cost (FAAC)	FAAC	571.3	571.3			
Financial assets at fair value through profit or loss (FAFVPL)	FAFVPL	0.3			0.3	
Financial liabilities measured at amortized cost (FLAC)	FLAC	1,176.5	1,176.5			
Financial liabilities at fair value through profit or loss (FLFVPL)	FLFVPL	3.2			3.2	

n/a = not applicable

The fair value of financial assets and liabilities measured at amortized cost materially approximates their carrying amount as of the reporting dates.

The method used to determine fair value corresponded to level 2 of the fair value hierarchy for financial liabilities.

32.2 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, 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:

in million EUR	Fair value as of December 31: 2022	Fair value as of December 31: 2021
Financial assets		
Positive market values of derivatives		
Derivatives with hedging relationship (hedge accounting)	0.2	0.8
Derivatives without hedging relationship (no hedge accounting)	4.0	0.3
Financial liabilities		
Negative market values of derivative financial instruments		
Derivatives without hedging relationship (no hedge accounting)	0.7	3.2

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.

32.3 Financial risk management objectives and policies

Objectives

With regard to 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 (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 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	2022	2021
Currency USD			
	10 %	6.7	4.2
	– 10 %	– 8.2	– 5.1
Currency CHF			
	10 %	– 0.1	– 1.3
	– 10 %	0.1	1.6
Currency CAD			
	10 %	0.0	0.7
	– 10 %	0.1	– 0.9

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, Libor 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	2022	2021
EUR interest rates			
	+100	– 4.5	– 4.8
	– 100	4.5	4.8
USD interest rates			
	+100	– 1.6	– 1.4
	– 100	1.6	1.4

Commodity price risk

The 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 protected against 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, the majority of the trade accounts receivable is covered by credit insurance.

In 2022, approximately 72 % (2021: 73 %) of trade accounts receivable are 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 customers' creditworthiness and conclude 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 the 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 significant financial difficulty of the debtor, actual breach of contract by the debtor, the disappearance of an active market for the financial asset, a significant 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 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

The Group ensures solvency at all times through a largely centralized cash management system. This particularly involves preparing liquidity plans comparing the anticipated cash receipts and cash outflows for a specified time period. In addition, cash balances and credit facilities are held with banks as liquidity reserves.

The tables below present the contractually agreed undiscounted cash outflows from non-derivative financial liabilities and cash flows from derivative financial instruments:

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**

Year 2021

in million EUR	Carrying amount at 31.12.2021	Cash outflows 2022	Cash outflows 2023 to 2026	Cash outflows after 2026	Total cash outflows
Primary financial instruments					
Syndicated loan	355.6	0.0	366.8	0.0	366.8
Other bank loans	0.2	0.2	0.0	0.0	0.2
State-guaranteed loans	72.6	14.5	72.9	0.0	87.4
ABS financing program	208.1	208.1	0.0	0.0	208.1
Lease liabilities	68.0	12.6	27.7	141.7	182.0
Loans from shareholder	94.8	5.2	101.5	0.0	106.7
Other financial liabilities	7.0	3.2	2.2	1.5	6.9
Trade accounts payable	438.3	438.3	0.0	0.0	438.3
Total primary financial instruments	**1,244.6**	**682.1**	**571.1**	**143.2**	**1,396.4**
	Carrying amount at 31.12.2021	**Cash outflows 2022**	**Cash outflows 2023 to 2026**	**Cash outflows after 2026**	**Total cash outflows**
Derivative financial instruments					
Derivatives with hedging relationship (hedge accounting)	0.8	0.8	0.0	0.0	0.8
– of which inflows		0.8	0.0	0.0	0.8
Derivatives without hedging relationship (no hedge accounting)	– 2.9	– 3.4	0.0	0.0	– 3.4
– of which outflows		– 132.3	– 0.9	0.0	– 133.2
– of which inflows		128.9	0.9	0.0	129.8
Total derivative financial instruments	**– 2.1**	**– 2.6**	**0.0**	**0.0**	**– 2.6**
Total 31.12.2021	**1,242.5**	**679.5**	**571.1**	**143.2**	**1,393.8**

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 2027 include a hereditary lease of the Business Unit Deutsche Edelstahlwerke entered into 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.

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 2022, the equity ratio increased due to the positive comprehensive result generated in the current fiscal year. In the previous year the equity ratio increased mainly due to the capital increase carried out in March 2021. The equity ratio amounted to 22.2 % as of December 31, 2022 (2021: 20.2 %).

As of December 31, 2022, net debt, comprising current and non-current financial liabilities less cash and cash equivalents, increased to EUR 848.2 million (2021: EUR 720.5 million). The gearing, which expresses the ratio of net debt to shareholders' equity, amounts to 159.8 % (2021: 160.5 %).

Since the amount of the 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.

A further capital management objective is to ensure an appropriate distribution of net income for shareholders. The ratio of net debt to EBITDA is also monitored because the syndicated loan agreement contains provisions governing dividend distributions depending on this indicator.

33 Contingent liabilities and other financial obligations

in million EUR	31.12.2022	31.12.2021
Pledges, guarantees	77.0	43.1
Purchase commitments		
for intangible assets	0.0	0.1
for property, plant and equipment	24.4	22.5
Total	**101.4**	**65.7**

The purchase commitments result from investment programs in place at individual Group companies and remained approximately constant 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 Business Units Deutsche Edelstahlwerke (DE), Ugitech (FR) and Ascometal (FR).

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 significantly from the estimates considered in these consolidated financial statements and may impact the tax expense/income in subsequent periods.

34 Segment reporting

The Group is presented in accordance with its internal reporting and organizational structure, comprising the two divisions *Production* and *Sales & Services*.

In addition, shared services and processes are reported as holding activities. This segment combines the activities at Group headquarters and other financing activities of the Group.

The chief operating decision maker of the Group (the Executive Board) monitors the operating results of each operating segment individually, in order 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 and is measured after eliminating extraordinary items. Adjusted EBITDA is therefore segment profit/loss as defined by IFRS 8. Independently thereof, the Executive Board also receives regular reports at the level of the operating segments on further key performance indicators down to earnings before taxes (EBT), based on IFRS accounting. These additional indicators are also disclosed in the segment reporting.

The Group's operating segments are summarized below:

Production

The *Production* division encompasses the Business Units Deutsche Edelstahlwerke, Finkl Steel, Steeltec, Ugitech and Ascometal. These companies produce engineering steel, stainless steel, tool steel and other specialty products for sale to third parties directly or to the *Sales & Services* division of Swiss Steel Group.

Sales & Services

The *Sales & Services* division comprises the global distribution and service activities of Swiss Steel Group. The product mix mainly includes articles manufactured by the production companies of Swiss Steel Group, and to a smaller extent articles sourced from third parties.

Transactions between the individual segments have been eliminated for segment reporting purposes. The exchange of goods and services 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 segment figures to the Group figures is thus limited to management holding and financing activities which are not allocated to the operating segments as well as eliminations (elimination of income and expenses and elimination of intersegment profits and losses).

The reconciliation of segment assets and segment liabilities also considers adjustments to reflect the fact that not all assets and liabilities are allocated to the operating segments for management purposes.

Revenue by region

	2022		2021	
	in million EUR	in %	in million EUR	in %
Switzerland	63.1	1.6	48.7	1.5
Germany	1,382.5	34.1	1,120.2	35.1
France	406.6	10.0	332.6	10.4
Italy	559.7	13.8	455.2	14.3
Other Europe	882.4	21.8	651.2	20.4
USA	358.0	8.8	233.6	7.3
Canada	98.0	2.4	70.8	2.2
Other Americas	54.1	1.4	38.2	1.2
China	110.2	2.7	112.6	3.5
India	42.5	1.0	38.3	1.2
Asia Pacific/Africa	94.3	2.4	91.4	2.9
Total	**4,051.4**	**100.0**	**3,192.8**	**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 31.12.2022		As of 31.12.2021	
	in million EUR	in %	in million EUR	in %
Switzerland	161.3	29.6	156.2	28.2
Germany	108.7	19.9	134.3	24.2
France	130.8	24.0	127.6	23.0
Italy	15.6	2.9	17.9	3.2
Other Europe	18.3	3.4	14.8	2.7
USA	66.4	12.2	58.5	10.6
Canada	26.2	4.8	25.6	4.6
Other Americas	2.6	0.5	2.9	0.5
China	12.5	2.3	13.5	2.4
India	1.8	0.3	2.0	0.4
Africa/Asia	0.8	0.1	0.7	0.2
Total	**545.0**	**100.0**	**554.0**	**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, 2022:

	Production		Sales & Services		Total operating segments		Reconciliation: Corporate activities		Reconciliation: Eliminations/adjustments		Total	
in million EUR	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Third-party revenue	3,412.5	2,657.3	638.9	535.5	4,051.4	3,192.8	0.0	0.0	0.0	0.0	4,051.4	3,192.8
Internal revenue	320.0	291.6	40.8	40.4	360.8	332.0	0.0	0.0	– 360.8	– 332.0	0.0	0.0
Total revenue	**3,732.5**	**2,948.9**	**679.7**	**575.9**	**4,412.2**	**3,524.8**	**0.0**	**0.0**	**– 360.8**	**– 332.0**	**4,051.4**	**3,192.8**
Segment result (= adjusted EBITDA)	**173.2**	**159.3**	**62.3**	**50.6**	**235.5**	**209.9**	**– 18.0**	**– 13.1**	**– 0.5**	**– 5.2**	**217.0**	**191.6**
Adjustments [1]	– 18.1	16.5	– 1.2	0.0	– 19.3	16.5	– 9.0	– 8.1	0.1	0.0	– 28.2	8.4
Operating profit before depreciation and amortization (EBITDA)	**155.1**	**175.8**	**61.1**	**50.6**	**216.2**	**226.4**	**– 27.0**	**– 21.2**	**– 0.4**	**– 5.2**	**188.8**	**200.0**
Depreciation and amortization of intangible assets and property, plant and equipment	– 67.6	– 60.4	– 9.9	– 8.6	– 77.5	– 69.0	– 3.0	– 3.3	0.9	1.0	– 79.6	– 71.3
Impairment of intangible assets, property, plant and equipment, and right-of-use assets	– 21.2	– 20.0	– 16.5	0.0	– 37.7	– 20.0	0.0	0.0	1.5	0.0	– 36.2	– 20.0
Operating profit (EBIT)	**66.3**	**95.4**	**34.7**	**42.0**	**101.0**	**137.4**	**– 30.0**	**– 24.5**	**2.0**	**– 4.2**	**73.0**	**108.7**
Financial income	2.1	2.8	3.5	4.1	5.6	6.9	52.3	57.6	– 57.1	– 63.3	0.8	1.2
Financial expenses	– 49.3	– 50.7	– 7.6	– 9.9	– 56.9	– 60.6	– 48.2	– 44.6	52.6	59.4	– 52.5	– 45.8
Earnings before taxes (EBT)	**19.1**	**47.5**	**30.6**	**36.2**	**49.7**	**83.7**	**– 25.9**	**– 11.5**	**– 2.5**	**– 8.1**	**21.3**	**64.1**
Segment investments [2]	101.2	99.0	12.1	7.0	113.3	106.0	1.8	1.1	0.0	0.0	115.1	107.1
Segment operating free cash flow [3]	– 1.9	– 247.8	46.7	29.0	44.8	– 218.8	– 11.6	– 37.5	– 3.0	– 1.8	30.2	– 258.1
in million EUR	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Segment assets [4]	1,935.1	1,823.8	277.3	288.3	2,212.4	2,112.1	51.3	90.0	122.3	25.3	2,386.0	2,227.4
Segment liabilities [5]	473.7	463.5	128.0	134.6	601.7	598.1	11.9	8.3	1,241.5	1,172.1	1,855.1	1,778.5
Segment assets less segment liabilities (capital employed)	**1,461.4**	**1,360.3**	**149.3**	**153.7**	**1,610.7**	**1,514.0**						
Employees as of closing date (headcounts)	8,420	8,437	1,296	1,346	9,716	9,783	141	131	0	0	9,857	9,914

[1] Adjustments: Performance improvement program, others (EUR 17.0 million); Reorganization and transformation processes (EUR 7.5 million); Restructuring and other personnel measures (EUR 3.7 million)
[2] Segment investments: Additions to intangible assets (excluding goodwill) + additions to property, plant and equipment without acquisitions + additions to right-of-use assets
[3] Segment operating free cash flow: Adjusted EBITDA +/– change in net working capital (inventories, trade accounts receivable and payable valued at spot rate) – segment investments – capitalized borrowing costs
[4] Segment assets: Intangible assets (excluding goodwill) + property, plant and equipment + right-of-use of leased assets + inventories + trade accounts receivable (total matches total assets in the statement of financial position)
[5] Segment liabilities: Trade accounts payable (total matches total liabilities in the statement of financial position)

35 Related party disclosures

Related parties include BigPoint Holding AG, which held a share of 40.8% of the voting rights in Swiss Steel Holding AG as of December 31, 2022 (2021: 41.3%) and Liwet Holding AG / AO Komplesprom, which held 25.9% (2021: 25.0%). BigPoint Holding AG is fully owned by Martin Haefner.

Key management personnel comprise the members of the Board of Directors and of the Executive Board.

There were no significant transactions with any related parties in 2022 and 2021 with the exception of the financing agreements with Big Point Holding AG. The main shareholder of Swiss Steel Group, 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 7.5 million in 2022 (2021: EUR 5.1 million).

As of December 31, 2022 and December 31, 2021, there were outstanding positions due from the following related parties:

	AMAG [1]		Big Point Holding AG	
in million EUR	2022	2021	2022	2021
Financial liabilities to related parties	0.2	0.0	174.9	94.8

[1] AMAG is fully owned by Martin Haefner

Since 2014, a share-based Long-Term Incentive Plan (LTIP) has been in place for the Group management. For the grants awarded in 2021 and earlier, the amount of remuneration depends on the development of the two performance indicators return on capital employed (ROCE) and absolute shareholder return (ASR) within a three-year performance period. At the end of the three-year performance period, the compensation is paid out in shares or in cash at the sole discretion of the Board of Directors. In 2021, the vesting of the Long-Term Incentive Plan (LTIP) was cash-settled with an amount of EUR 2.2 million. The vesting period of these programs prior to 2022 was three years.

For the grant in 2022, 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 fiscal year ended December 31, 2022, the average fair value of equity instruments granted (grant-date fair value) was EUR 0.28 per share (2021: EUR 0.26); equity instruments totaling EUR 1.3 million (2021: EUR 0.9 million) were granted and recorded as an expense in the consolidated income statement of the corresponding year. In 2022, personnel expenses of EUR 1.4 million (2021: EUR 1.5 million) were recognized for share-based payments, and an amount of EUR 1.2 million (2021: EUR 1.3 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.

For evaluating the equity instruments of the LTIP granted in 2021 and earlier, the main factors taken into account were the past share price and the expected development of ROCE and ASR, which was projected using Monte Carlo simulation based on assumptions such as risk-free interest rates and historical and expected volatility. For evaluating the performance share units granted in 2022, the share price at the grant date was used. For evaluating the restricted share units for the Board of Directors, the share price at grant date was used.

Compensation amounted to EUR 1.9 million in 2022 (2021: EUR 1.6 million) for the Board of Directors and EUR 8.1 million (2021: EUR 7.6 million) for the Executive Committee. Of that compensation, EUR 6.5 million (2021: EUR 6.3 million) relates to short-term benefits, EUR 1.0 million (2021: EUR 0.9 million) to post-employment benefits and EUR 2.5 million (2021: EUR 2.1 million) to share-based payments including withholding tax.

36 Subsequent events

In January 2023, Swiss Steel Group completed the divestment of its distribution entity in Chile. In February 2023, the Group signed an agreement for the sale of seven distribution entities in Eastern Europe to JACQUET METALS. Completion of this transaction is subject to customary closing conditions including the approval by the relevant anti-trust authorities, which is expected in the first half-year of 2023.

37 List of shareholdings

Name	Registered office	Currency	Share capital 31.12.2022	Group ownership in % 31.12.2022
Production				
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
Finkl Thai Co. Ltd. (in liquidation)	Samutprakarn TH	THB	6,500,000	49
Panlog AG	Emmen CH	CHF	1,500,000	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
Sales & Services				
Alta Tecnologia en Tratamientos Termicos S.A. de C.V.	Queretaro MX	MXN	50,001	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	119,155,500	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
Shanghai Xinzhen Precision Metalwork Co., Ltd.	Shanghai CN	CNY	50,150,000	60
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 Baltic OÜ	Tallinn EE	EUR	4,470	100

Name	Registered office	Currency	Share capital 31.12.2022	Group ownership in % 31.12.2022
Swiss Steel Baltic SIA	Riga LV	EUR	298,803	100
Swiss Steel Baltic UAB	Kaunas LT	EUR	5,423	100
Swiss Steel Canada Inc.	Mississauga CA	CAD	2,369,900	100
Swiss Steel Chile SpA	Santiago de Chile CL	CLP	1,497,867,849	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
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 LS Products GmbH (in liquidation)	Düsseldorf DE	EUR	25,000	100
Swiss Steel Magyarország Kft.	Budapest HU	HUF	3,000,000	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	55,352,775	100
Swiss Steel Oy	Espoo FI	EUR	500,000	60
Swiss Steel Polska Sp.z o.o.	Myslowice PL	PLN	7,000,000	100
Swiss Steel Portugal S.A.	Rio de Mouro PT	EUR	200,500	100
Swiss Steel Romania SRL	Bucharest RO	RON	3,363,932	100
Swiss Steel Russia OOO	Moscow RU	RUB	9,000,000	100
Swiss Steel s.r.o.	Kladno CZ	CZK	7,510,000	100
Swiss Steel Singapore Pte. Ltd.	Singapore SG	SGD	5,405,500	100
Swiss Steel Slovakia s.r.o.	Trencianske Stankovce SK	EUR	99,584	100
Swiss Steel Taiwan Ltd.	Taipei TW	TWD	7,600,000	100
Swiss Steel Technology Holding GmbH	Düsseldorf DE	EUR	25,001	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

Report on the audit of the consolidated financial statements

To the General Meeting of Swiss Steel Holding AG, Lucerne

Zurich, 7 March 2023

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 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholder's equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 154 to 215) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) 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.

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 consolidated financial statements.

Adherence to financial covenants and liquidity situation

Risk

The Group has outstanding credit facilities that are subject to contractual financial covenants related to minimum liquidity and consolidated equity that are required to be met by the Group.

As described in note 3, the Group's ability to continue as a going concern depends on the availability of sufficient liquidity and the adherence to the agreed financial covenants. The Board of Directors and Management expect that there will not be a breach of covenants that would cause the financing institutions to renegotiate the terms of the credit facilities or to accelerate repayment during the 2023 financial year which would jeopardize the Group's ability to continue as a going concern. The assessment process is complex and includes several estimates and assumptions related to future cash flows during the assessment period. Management also considered the risks of uncertainties, including those related to the future development of relevant markets, energy prices, the implementation of the planned net working capital and restructuring measures. Due to the complex process and the estimates and judgments required by Management, adherence to financial covenants and the liquidity situation is a key audit matter in our audit.

Our audit response

To gain an understanding of the risk of a potential breach of the financial covenants and the assessment of the liquidity situation, we analyzed the liquidity forecast for 2023. We discussed with Management the underlying assumptions used, the basis for their evaluation and sensitivities with the support of our internal specialists. We compared the assumptions to publicly available data and historical information specific to the Group and calculated our own sensitivities thereon. We also read the relevant contracts and audited the disclosures in note 3 to the consolidated financial statements. Our audit procedures did not lead to any reservations regarding the adherence to financial covenants and the liquidity situation.

Impairment of property, plant and equipment

Risk

In the context of preparing its financial statements, the Group assesses property, plant and equipment whenever there is any indication of impairment. Due to the high and volatile energy prices and ongoing disruptions in supply chains in the automotive sector, Management tested property, plant and equipment at several cash-generating units (CGU) for impairment as of 31 December 2022 by determining the value in use with a discounted cash flow model. As disclosed in note 21, impairment losses of EUR 19.6 million were recognized in 2022. 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 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.

Valuation of deferred tax assets

Risk
The Group has recognized deferred tax assets in various companies. Income taxes are disclosed in note 17. Income tax assets are recognized for certain tax loss carry forwards as well as for temporary differences between carrying amounts and the tax bases of various assets and liabilities. The assessment of the recoverability of deferred tax asset balances is important to our audit since the recognition is based on the estimation of future taxable income which requires a significant level of judgment by Management regarding timing and amounts to be offset against future taxable profits as well as tax loss carry forwards expiration limits.

Our audit response
During our audit, we compared book values to the tax bases and assessed the net deferred tax asset. We assessed recoverability of recognized deferred tax assets based on the planning of taxable earnings and discussions with Management. In various countries, we were supported by our internal tax professionals in assessing the deferred tax position. Our audit procedures did not lead to any reservations regarding the recoverability of deferred tax assets.

Other information in the annual report

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 compensation 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 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

Christian Schibler	Max Lienhard
Licensed audit expert (Auditor in charge)	Licensed audit expert

Five-year overview

	Unit	2018	2019	2020	2021	2022
Key operational figures						
Production volume	kilotons	2,328	1,930	1,706	2,113	1,798
Sales volume	kilotons	2,093	1,830	1,535	1,863	1,663
Order backlog	kilotons	612	417	566	691	454
Income statement						
Revenue	million EUR	3,312.7	2,980.8	2,288.4	3,192.8	4,051.4
Average sales price	EUR/t	1,583	1,629	1,491	1,716	2,438
Gross profit	million EUR	1,203.4	952.2	767.3	1,113.1	1,147.1
Adjusted EBITDA	million EUR	236.7	51.2	−68.9	191.6	217.0
EBITDA	million EUR	251.4	−12.5	−99.0	200.0	188.8
EBIT	million EUR	34.7	−425.4	−272.7	108.7	73.0
Earnings before taxes	million EUR	−8.7	−482.9	−321.6	64.1	21.3
Group result	million EUR	−0.7	−521.0	−310.2	50.3	9.4
Cash flow/investments/depreciation/amortization						
Cash flow before changes in net working capital	million EUR	154.8	−42.6	−85.2	199.0	150.0
Cash flow from operating activities	million EUR	5.3	116.1	−21.9	−135.8	46.6
Cash flow from investing activities	million EUR	−165.1	−123.9	−77.9	−87.9	−100.3
Free cash flow	million EUR	−159.8	−7.8	−99.8	−223.7	−53.7
Investments	million EUR	139.6	138.4	87.4	107.1	115.1
Depreciation, amortization and impairments	million EUR	216.7	412.8	173.7	91.3	115.8
Net assets and financial structure						
Non-current assets	million EUR	889.5	635.4	557.4	575.6	568.5
Current assets	million EUR	1,642.3	1,283.7	1,158.2	1,651.8	1,817.5
Net working capital	million EUR	931.7	773.1	698.1	1,040.6	1,112.4
Balance sheet total	million EUR	2,531.8	1,919.1	1,715.7	2,227.4	2,386.0
Shareholders' equity	million EUR	707.7	183.8	166.1	448.9	530.9
Non-current liabilities	million EUR	808.2	644.5	882.2	894.8	736.8
Current liabilities	million EUR	1,015.9	1,090.8	667.3	883.7	1,118.3
Net debt	million EUR	657.6	798.7	639.9	720.5	848.2
Employees						
Employees as of closing date	Positions	10,486	10,318	9,950	9,914	9,857
Value management						
Capital employed	million EUR	1,739.5	1,384.1	1,218.0	1,588.6	1,646.8
Key figures on profit/net assets and financial structure						
Gross profit margin	%	36.3	31.9	33.5	34.9	28.3
Adjusted EBITDA margin	%	7.1	1.7	−3.0	6.0	5.4
EBITDA margin	%	7.6	−0.4	−4.3	6.3	4.7
Equity ratio	%	28.0	9.6	9.7	20.2	22.2
Gearing	%	92.9	434.5	385.2	160.5	159.8
Net debt/adj. EBITDA LTM (leverage)	x	2.8	15.6	n/a	3.8	3.9
Net working capital/revenue (L3M annualized)	%	29.3	31.2	28.9	31.1	29.0

	Unit	2018	2019	2020	2021	2022
Key share figures at reporting date						
Number of registered shares issued	Shares	945,000,000	945,000,000	2,028,333,333	3,058,857,471	3,058,857,471
Share capital	million EUR	378.6	378.6	221.7	361.4	361.4
Earnings per share	EUR/CHF	0.00/0.00	−0.55/-0.61	−0.15/-0.16	0.02/0.02	0.00/0.00
Shareholders' equity per share	EUR/CHF	0.75/0.88	0.19/0.21	0.08/0.09	0.15/0.16	0.17/0.17
Share price high	CHF	0.886	0.617	0.340	0.478	0.348
Share price low	CHF	0.495	0.192	0.126	0.234	0.202
Closing share price	CHF	0.540	0.281	0.235	0.344	0.207

Five-quarter overview

	Unit	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Key operational figures						
Production volume	kilotons	454	518	534	378	368
Sales volume	kilotons	425	480	457	364	362
Order backlog	kilotons	691	726	590	447	454
Income statement						
Revenue	million EUR	837.1	1,028.8	1,115.8	946.8	960.0
Average sales price	EUR/t	1,972	2,145	2,442	2,604	2,654
Gross profit	million EUR	272.1	310.7	353.0	251.9	231.5
Adjusted EBITDA	million EUR	39.9	75.0	96.0	9.6	36.5
EBITDA	million EUR	53.1	67.6	89.5	5.2	26.5
EBIT	million EUR	27.9	46.3	66.9	−22.5	−17.7
Earnings before taxes	million EUR	16.2	34.8	54.7	−35.0	−33.2
Group result	million EUR	11.5	27.1	46.9	−37.4	−27.2
Cash flow/investments/depreciation/amortization						
Cash flow before changes in net working capital	million EUR	47.9	50.8	60.8	35.5	2.9
Cash flow from operating activities	million EUR	−15.8	−93.5	−47.7	81.6	106.2
Cash flow from investing activities	million EUR	−38.0	−14.6	−18.3	−29.4	−38.0
Free cash flow	million EUR	−53.8	−108.1	−66.0	52.2	68.2
Investments	million EUR	43.9	21.8	20.5	31.4	41.4
Depreciation, amortization and impairments	million EUR	25.1	21.3	22.6	27.7	44.2
Net assets and financial structure						
Non-current assets	million EUR	575.6	581.1	561.7	579.6	568.5
Current assets	million EUR	1,651.8	1,894.8	2,196.9	1,987.4	1,817.5
Net working capital	million EUR	1,040.6	1,191.8	1,307.3	1,270.6	1,112.4
Balance sheet total	million EUR	2,227.4	2,475.9	2,758.6	2,567.0	2,386.0
Shareholders' equity	million EUR	448.9	510.6	594.7	575.5	530.9
Non-current liabilities	million EUR	894.8	945.4	1,006.0	923.6	736.8
Current liabilities	million EUR	883.7	1,019.9	1,157.9	1,067.9	1,118.3
Net debt	million EUR	720.5	849.6	936.3	913.2	848.2
Employees						
Employees as of closing date	Positions	9,914	9,937	9,904	9,897	9,857
Value management						
Capital employed	million EUR	1,588.6	1,745.9	1,845.0	1,822.0	1,646.8
Key figures on profit/net assets and financial structure						
Gross profit margin	%	32.5	30.2	31.6	26.6	24.1
Adjusted EBITDA margin	%	4.8	7.3	8.6	1.0	3.8
EBITDA margin	%	6.3	6.6	8.0	0.5	2.8
Equity ratio	%	20.2	20.6	21.6	22.4	22.2
Net debt/adj. EBITDA LTM (leverage)	x	3.8	3.8	3.7	4.1	3.9
Net working capital/revenue (L3M annualized)	%	31.1	29.0	29.3	33.5	29.0

Swiss Steel Holding AG individual financial statements

Income statement

million CHF	Note	2022	2021
Other income		0.6	19.2
Financial income		44.7	55.3
Total operating income		**45.4**	**74.6**
Personnel costs		– 9.4	– 20.1
Other expenses		– 3.3	– 26.5
Depreciation and amortization of non-current assets	3	– 0.5	– 0.8
Financial expense		– 32.3	– 38.4
Total operating expenses		**– 45.4**	**– 85.8**
Annual result		**0.0**	**– 11.2**

Balance sheet

million CHF	Note	31.12.2022	31.12.2021
Cash and cash equivalents		6.7	0.1
Other current receivables, Group		34.4	37.0
Other current receivables, third parties		1.6	0.1
Current receivables, Group		377.1	329.7
Accrued income and prepaid expenses, Group		18.4	0.0
Accrued income and prepaid expenses, third parties		0.1	0.7
Total current assets		**438.3**	**367.6**
Investments	1	473.8	473.8
Property, plant and equipment		1.5	2.5
Total fixed assets		**475.2**	**476.3**
Total assets		**913.5**	**843.9**
Other current liabilities, Group		0.2	4.3
Other current liabilities, third parties		0.2	4.6
Current interest-bearing liabilities, Group		114.5	50.5
Current interest-bearing liabilities, shareholder		79.5	0.0
Current interest-bearing liabilities, third parties		30.7	0.5
Accrued liabilities and deferred income		26.7	11.4
Current provisions		2.0	1.1
Lease liabilities		0.6	0.7
Total current liabilities		**254.6**	**73.0**
Non-current interest-bearing liabilities, shareholder		94.3	98.3
Non-current interest-bearing liabilities, third parties		54.1	149.4
Provisions		0.1	0.1
Lease liabilities		0.9	1.4
Total long-term liabilities		**149.4**	**249.3**
Total liabilities		**404.0**	**322.3**
Share capital	2	458.8	458.8
Legal reserves from capital contributions	2	928.2	928.2
Accumulated losses	2	– 877.5	– 865.5
Treasury shares	2	– 0.1	0.0
Total equity		**509.5**	**521.6**
Total liabilities and equity		**913.5**	**843.9**

Notes to the financial statements

Basis of preparation
The financial statements of Swiss Steel Holding AG 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. These 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
Beginning in 2021 and intensifying in 2022, Swiss Steel Group benefited from the strong post COVID-19 market recovery throughout its main customer industries, leading to higher margin realization and improved profitability. The market recovery in combination with the ongoing transformation efforts enabled Swiss Steel Group to record a strong EBITDA in 2022.

However, the continued global semiconductor shortage and additional automotive supply chain disruptions triggered by the Russia/Ukraine conflict, coupled with logistical capacity constraints in Europe, have negatively affected both the demand for and the ability to produce and ship the Swiss Steel Group’s products. Furthermore, sales volume and profitability have been adversely impacted by the stoppage of the steel mill in Ugine following the crane collapse in early January 2022. The steel mill production in Ugine restarted with approximately 65 % of capacity in June 2022 and will reach full capacity again in the first quarter of 2023.

Starting in Q4 2021, energy prices, namely for electricity and natural gas, increased significantly and escalated further in 2022, exacerbated by uncertainties about energy supply in light of the war in Ukraine and maintenance shutdowns at French nuclear power plants. A further escalation of energy prices during winter 2022/2023 did not materialize but prices remained elevated in Q4 2022 and in the beginning of 2023. While Swiss Steel Group managed to pass on these significant cost increases to customers by establishing an energy surcharge, it has led to a significant increase in working capital and thus in a negative free cash flow in the first half of 2022. Swiss Steel Group was able to mitigate the impact of high energy prices and realized a positive free cash flow in the second half of 2022, but this strict cash focus led to foregoing certain market opportunities and negatively impacted shipments in the second half of 2022 and in the beginning of 2023.

Swiss Steel Group’s and Swiss Steel Holding AG’s ability to continue as a going concern is mainly dependent on the availability of sufficient liquidity, the adherence to the agreed financial covenants and the ability to repay short-term external financing. Swiss Steel Group expects to return to a normalized production level and sales volume in 2023 with Ugitech again fully participating in the market. Decreasing energy prices, as observed in the spot and futures market since late December 2022 are expected to lead to a normalization of Swiss Steel Group’s working capital over time, releasing liquidity in the process. Moreover, in February 2023, Swiss Steel Group signed a definitive agreement for the sale of several distribution entities with sale proceeds expected for Q2 2023. However, several uncertainties with regard to liquidity levels remain. These are mainly related to the future development of relevant markets, energy prices, the implementation of the planned net working capital and restructuring measures.

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. It is expected that the rebound in the Swiss Steel Group’s market participation paired with stabilizing energy markets as well as the expected cash inflow from divestments will enable Swiss Steel Group and Swiss Steel Holding AG to cover its liquidity needs and to remain compliant with the applicable financing conditions so that the company can continue its business activities over the next twelve months. Furthermore, it is expected that sufficient mitigating factors are available to overcome the inherent and specific forecasting risks, should they materialize during 2023. Therefore, these consolidated financial statements have been prepared on a going concern basis.

1. Investments

The table shows the investments of Swiss Steel Holding AG with its registered office in Lucerne as of December 31, 2022 and December 31, 2021:

	Domicile of investments	Currency	Share capital 31.12.2022	Share capital 31.12.2021	Voting rights and capital share 31.12.2022	Voting rights and capital share 31.12.2021
Steeltec AG	Emmen (CH)	CHF	40,000,000	40,000,000	100.00 %	100.00 %
Panlog AG	Emmen (CH)	CHF	1,500,000	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 %

The information on the indirectly owned subsidiaries is included in note 37 of the consolidated financial statements of this Annual Report.

2. Statement of changes in shareholders' equity

in CHF million	Share capital	Legal reserves from capital contributions	Legal reserves	Accumulated losses	Treasury shares	Total equity
01.01.2022	**458.8**	**928.2**	**0.0**	**– 865.5**	**0.0**	**521.6**
Purchase of treasury shares	0.0	0.0	0.0	0.0	– 0.1	– 0.1
Asset transfer to subsidiary	0.0	0.0	0.0	– 12.0	0.0	– 12.0
Annual result	0.0	0.0	0.0	0.0	0.0	0.0
31.12.2022	**458.8**	**928.2**	**0.0**	**– 877.5**	**– 0.1**	**509.5**

As of January 1, 2022, all corporate functions with the exception of Board of Directors, CEO and CFO were transferred from Swiss Steel Holding AG to Steeltec AG. As a result, a total of CHF 12.0 million net assets were transferred to Steeltec AG and debited to the retained earnings of Swiss Steel Holding AG.

3. Contingent liabilities and pledges

There are contingent liabilities in favor of:

million CHF	31.12.2022	31.12.2021
Group companies	554.5	471.7

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	31.12.2022	31.12.2021
Investments	255.8	255.8
Current receivables, Group	13.2	62.3
Total	**269.0**	**318.1**

4. 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.six-exchange-regulation.com/de/home/publications/significant-shareholders.html. The notifications published during the 2022 financial year can also be found there.

	31.12.2022		31.12.2021	
	Shares [1]	in percent	Shares [2]	in percent
BigPoint Holding AG	1,248,284,739	40.81	1,264,284,739	41.33
Liwet Holding AG / AO Kompleksprom [3/4]	791,793,054	25.89	764,774,688	25.00
PCS Holding AG / Peter Spuhler	375,676,856	12.28	361,000,000	11.80

[1] Percentage of shares issued as per the share register of Swiss Steel Holding AG
[2] Percentage of shares issued as reported at SIX Swiss Exchange
[3] Shareholder Agreement between Liwet Holding AG and AO Komplekprom
[4] 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

5. Shareholdings

5.1 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 [1]
Board of Directors		31.12.2022	31.12.2021	31.12.2022
Jens Alder (CH)	Chairman	1,885,133	1,214,891	403,173
Dr. Svein Richard Brandtzæg (NO)	Member	531,054	328,981	120,952
Barend Fruithof (CH) [2]	Member	0	n/a	161,269
Ralf Göttel (DE) [3]	former Member	111,830	0	n/a
David Metzger (CH/FR)	Member	308,072	39,975	161,269
Mario Rossi (CH)	Member	149,106	0	161,269
Dr. Michael Schwarzkopf (AT)	Member	531,054	329,981	120,952
Karin Sonnenmoser (DE) [3]	former Member	586,856	389,981	n/a
Oliver Streuli (CH) [2]	Member	0	n/a	161,269
Emese Weissenbacher (DE)	Member	111,830	0	120,952
Adrian Widmer (CH) [3]	former Member	1,006,421	738,324	n/a
Total amount		**5,221,356**	**3,042,133**	**1,411,105**

[1] Respective number of restricted share units earned pro rata temporis during the current term of office by the members of the Board of Directors as of December 31, 2022. These restricted share units, including the remaining portion for the period from January 1, 2023 until the AGM 2023, will be converted into shares that will be transferred to the members of the Board of Directors after the AGM 2023
[2] Member of the Board of Directors since April 26, 2022
[3] Member of the Board of Directors until April 26, 2022

5.2 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[1]		31.12.2022	31.12.2021
Frank Koch (DE)	CEO	16,000,000	0
Marco Portmann (CH)	CFO	0	n/a
Dr. Markus Böning (DE) [1]	former CFO	0	0
Jürgen Alex (DE)	CCO	14,621	n/a
Dr. Florian Geiger (CH/DE)	CCO	2,381	n/a
Patrick Lamarque d'Arrouzat (FR)	CCO	22,938	n/a
Total Executive Board		**16,039,940**	**0**

[1] Including shares held by related parties of members of the Executive Board

6. Treasury shares

	Date	Share price in CHF	Share
Treasury shares as of 31.12.2020			**1,124,962**
Purchase	May 21	0.32	2,548,829
Allocation to BoD	May 21	0.39	−3,673,791
Purchase	Jul 21	0.42	40
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**

7. Share-based compensation

In 2022, 2,255,347 shares for a total cost value of CHF 0.64 million were allocated to the members of the Board of Directors. In 2021, a total of 3,673,791 shares for a total cost value of CHF 1.42 million were allocated to the members of the Board of Directors.

8. Other statutory disclosures

Full-time equivalents, yearly average	31.12.2022	31.12.2021
Up to ten full-time equivalents	X	-
> 10 to 50 full-time equivalents	-	X
> 50 to 250 full-time equivalents	-	-
> 250 full-time equivalents	-	-

9. Lease obligations

Payments under existing leases extend over the following maturity profile:

in CHF million	31.12.2022	31.12.2021
< 1 year	0.8	0.7
1 to 5 years	1.1	1.7
> 5 years	0.0	0.0
Total	**1.9**	**2.4**

Report on the audit of the financial statements

To the General Meeting of Swiss Steel Holding AG, Lucerne

Zürich, 7 March 2023

Opinion

We have audited the financial statements of Swiss Steel Holding AG (the Company), which comprise the statement of financial position as at 31 December 2022 and the statement of income 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 224 to 231) 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.

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 financial statements.

Adherence to financial covenants and liquidity situation

Risk

The Company has outstanding credit facilities that are subject to contractual financial covenants related to minimum liquidity and consolidated equity that are required to be met by Swiss Steel Group.

As described in note "Going concern", the Company's ability to continue as a going concern depends on the availably of sufficient liquidity and the adherence to the agreed financial covenants. The Board of Directors and Management expect that there will not be a breach of covenants that would cause the financing institutions to renegotiate the terms of the credit facilities or to accelerate repayment during the 2023 financial year which would jeopardize the Company's ability to continue as a going concern. The assessment process is complex and includes several estimates and assumptions related to future cash flows during the assessment period. Management also considered the risks of uncertainties, including those related to the future development of relevant markets, energy prices, the implementation of the planned net working capital and restructuring measures. Due to the complex process and the estimates and judgments required by Management, adherence to financial covenants and the liquidity situation is a key audit matter in our audit.

Our audit response

To gain an understanding of the risk of a potential breach of the financial covenants and the assessment of the liquidity situation, we analyzed the liquidity forecast on consolidated level for 2023. We discussed with Management the underlying assumptions used, the basis for their evaluation and sensitivities with the support of our internal specialists. We compared the assumptions to publicly available data and historical information specific to Swiss Steel Group and calculated our own sensitivities thereon. We also read the relevant contracts and audited the disclosures in note "Going concern" to the financial statements. Our audit procedures did not lead to any reservations regarding the adherence to financial covenants and the liquidity situation.

Impairment 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 2022. An overview can be found in note 1 to the financial statements. Moreover, the Company has amounts due from subsidiaries totalling CHF 411.5 million as of 31 December 2022. The Company calculates the recoverable amount of its investments based on net asset values or estimated values in use. Management uses a variety of valuation methods and makes assumptions and estimates that require the use of judgement. 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 investments and receivables from subsidiaries and the uncertainties relating to significant estimates and assumptions, impairment of investments and receivables from subsidiaries is a key 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 estimated 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 compensation 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

Christian Schibler	Max Lienhard
Licensed audit expert (Auditor in charge)	Licensed audit expert

Sustainability notes

Environmental sustainability

Location-based Scope 2 CO_2 emissions in kt	2020	2021	2022
Melt shops	193	224	217
Rolling mills	24	26	26

Dust emissions in t	2020	2021	2022
Melt shop dust emissions filtered	28,259	32,487	26,188
Melt shop dust emissions to air	136	179	130

Water discharge in million m^3	2020	2021	2022
Discharge to surface water	7.6	8.0	7.6
Discharge to sea	15.3	15.4	15.5
Discharge to municipal waste water system	0.6	0.6	0.5
Other	0.1	0.1	0.0
Total water discharge	**23.5**	**24.0**	**23.6**

Social sustainability

		2020			2021			2022		
		Blue collar	White collar	Mgt.	Blue collar	White collar	Mgt.	Blue collar	White collar	Mgt.
Europe	**Age**	**5,031**	**3,066**	**479**	**4,980**	**3,029**	**461**	**4,897**	**3,102**	**457**
Male	<30	16.50 %	5.87 %	0.63 %	18.61 %	7.46 %	0.43 %	17.48 %	7.48 %	0.66 %
	30-50	49.87 %	39.37 %	38.00 %	46.73 %	35.26 %	36.01 %	47.70 %	36.52 %	39.82 %
	>50	31.66 %	26.26 %	43.63 %	32.89 %	28.36 %	46.20 %	32.98 %	27.18 %	42.01 %
Female	<30	0.32 %	3.23 %	0.21 %	0.42 %	3.83 %	0.22 %	0.29 %	3.22 %	0.22 %
	30-50	1.03 %	15.13 %	9.60 %	0.68 %	13.80 %	9.11 %	0.82 %	14.76 %	9.19 %
	>50	0.62 %	10.14 %	7.93 %	0.66 %	11.29 %	8.03 %	0.74 %	10.83 %	8.10 %
North America		**573**	**178**	**70**	**633**	**184**	**72**	**604**	**195**	**73**
Male	<30	10.30 %	7.87 %	1.43 %	14.26 %	9.06 %	0.00 %	14.07 %	9.74 %	0.00 %
	30-50	50.09 %	36.52 %	54.29 %	46.72 %	36.60 %	48.61 %	44.70 %	36.41 %	42.47 %
	>50	36.82 %	21.35 %	34.29 %	36.10 %	19.25 %	38.89 %	39.24 %	21.54 %	46.58 %
Female	<30	1.05 %	1.69 %	0.00 %	0.73 %	3.40 %	0.00 %	0.33 %	2.05 %	0.00 %
	30-50	1.57 %	20.22 %	7.14 %	2.04 %	21.51 %	8.33 %	1.16 %	17.95 %	6.85 %
	>50	0.17 %	12.36 %	2.86 %	0.15 %	10.19 %	4.17 %	0.50 %	12.31 %	4.11 %
Rest of world		**251**	**246**	**56**	**255**	**243**	**57**	**217**	**253**	**59**
Male	<30	12.35 %	9.35 %	0.00 %	16.42 %	6.79 %	0.00 %	11.52 %	5.53 %	0.00 %
	30-50	64.54 %	39.02 %	41.07 %	60.20 %	40.12 %	38.60 %	62.21 %	40.71 %	38.98 %
	>50	17.53 %	8.54 %	19.64 %	16.42 %	8.64 %	22.81 %	22.58 %	11.46 %	22.03 %
Female	<30	0.80 %	5.69 %	0.00 %	1.00 %	6.79 %	0.00 %	0.92 %	5.14 %	0.00 %
	30-50	3.98 %	34.15 %	28.57 %	5.47 %	32.72 %	26.32 %	2.30 %	31.62 %	25.42 %
	>50	0.80 %	3.25 %	10.71 %	0.50 %	4.94 %	12.28 %	0.46 %	5.53 %	13.56 %

	2020	2021	2022
Female	**1,284**	**1,274**	**1,285**
Full time	77.80 %	78.18 %	77.98 %
Part time	22.20 %	21.82 %	22.02 %
Permanent	96.65 %	94.90 %	94.40 %
Temp	1.95 %	2.75 %	2.88 %
Intern/Apprenticeship	1.25 %	2.04 %	2.72 %
Employee turnover	9.03 %	12.95 %	13.62 %
Male	**8,666**	**8,640**	**8,572**
Full time	91.10 %	90.61 %	90.56 %
Part time	8.90 %	9.39 %	9.44 %
Permanent	96.63 %	93.02 %	94.39 %
Temp	0.96 %	1.71 %	1.83 %
Intern/Apprenticeship	1.47 %	2.77 %	3.78 %
Employee turnover	8.02 %	9.72 %	9.58 %

	2020	2021	2022
Employed persons with disabilities	449	427	421
Employees on parental leave at end of reporting period	185	252	248
Average training hours per employee	16.40	19.09	17.34
Absence rate	5.69 %	6.45 %	6.76 %
Employees covered by collective bargaining agreements	82.99 %	83.78 %	84.00 %

Sustainability in the supply chain

Transport mode incoming scrap in %	2020	2021	2022
Transport by road	74.5	74.8	75.7
Transport by rail	25.5	25.2	24.3

GRI content index

GRI standards	Information	Comment/reference
Statement of use		**Swiss Steel Group has reported the information cited in this GRI content index for the period 01.01.2022-31.12.2022 with reference to the GRI Standards.**
GRI 1 used	**GRI 1: Foundation 2021**	
GRI 2:2021	**General disclosures**	
2-1	Organizational details	Swiss Steel Holding AG Landenbergstrasse 11 CH-6005 Luzern
2-2	Entities included in the organization's sustainability reporting	All Swiss Steel Group entities. For environmental data please see p. 61.
2-3	Reporting period, frequency and contact point	January 1 – December 31 (annually) Burkhard Wagner, Vice President Corporate Finance & Investor Relations, burkhard.wagner@swisssteelgroup.com
2-4	Restatements of information	Slightly changed reporting boundary (p. 61). Carbon footprint data were prepared in accordance with our new Group-wide emissions calculation manual. The calculation methodology of waste figures at one major site was harmonized.
2-5	External assurance	None
2-6	Activities, value chain and other business relationships	p. 18-21, 28-29
2-7	Employees	p. 77, 237
2-9	Governance structure and composition	p. 104-113
2-10	Nomination and selection of the highest governance body	p. 100-108, 128-129
2-11	Chair of the highest governance body	p. 104-105
2-16	Communication of critical concerns	p. 79-80
2-19	Remuneration policies	p. 124-145
2-20	Process to determine remuneration	p. 124-145
2-22	Statement on sustainable development strategy	p. 2-3, 6-9
2-26	Mechanisms for seeking advice and raising concerns	p. 79
2-28	Membership associations	We are a member of, among others, World Steel Association (worldsteel), German Steel Association (Wirtschaftsvereinigung Stahl), European Steel Association (EUROFER).
2-29	Approach to stakeholder engagement	p. 52-53
2-30	Collective bargaining agreements	p. 238
GRI 3:2021	**Material Topics**	
3-1	Process to determine material topics	p. 53-56
3-2	List of material topics	p. 55
3-3	Management of material topics	p. 52-82

GRI standards	Information	Comment/reference
GRI 201:2016	**Economic Performance**	
201-1	Direct economic value generated and distributed	p. 78
201-3	Defined benefit plan obligations and other retirement plans	p. 187-192
201-4	Financial assistance received from government	p. 175
GRI 203:2016	**Procurement practices**	
204-1	Proportion of spending on local suppliers	p. 82
GRI 205:2016	**Anti-corruption**	
205-1	Operations assessed for risks related to corruption	p. 80
205-2	Communication and training about anti-corruption policies and procedures	p. 79-80
205-3	Confirmed incidents of corruption and actions taken	p. 79
GRI 301:2016	**Materials**	
301-1	Materials used by weight or volume	p. 66-67
301-2	Recycled input materials used	p. 66-67
GRI 302:2016	**Energy**	
302-1	Energy consumption within the organization	p. 67-68
302-3	Energy intensity	p. 67-68
302-4	Reduction of energy consumption	p. 59-60, 67-68
GRI 303:2018	**Water and Effluents**	
303-1	Interactions with water as a shared resource	p. 70
303-3	Water withdrawal	p. 70
303-4	Water discharge	p. 236
GRI 305:2016	**Emissions**	
305-1	Direct (Scope 1) GHG emissions	p. 63
305-2	Energy indirect (Scope 2) GHG emissions	p. 64
305-3	Other indirect (Scope 3) GHG emissions	p. 65
305-4	GHG emissions intensity	p. 63-64
305-5	Reduction of GHG emissions	p. 59-60, 64
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	p. 66, 236
GRI 306:2020	**Waste**	
306-1	Waste generation and significant waste-related impacts	p. 68-69
306-2	Management of significant waste-related impacts	p. 68-69
306-4	Waste diverted from disposal	p. 68-69
306-5	Waste directed to disposal	p. 68-69
GRI 401:2016	**Employment**	
401-1	New employee hires and employee turnover	p. 237
401-3	Parental leave	p. 238

GRI standards	Information	Comment/reference
GRI 403:2018	**Occupational Health and Safety**	
403-1	Occupational health and safety management system	p. 71
403-2	Hazard identification, risk assessment, and incident investigation	p. 71
403-3	Occupational health services	p. 71
403-4	Worker participation, consultation, and communication on occupational health and safety	p. 71
403-5	Worker training on occupational health and safety	p. 72
403-6	Promotion of worker health	p. 72-73
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 73
403-8	Workers covered by an occupational health and safety management system	p. 73
403-9	Work-related injuries	p. 73-74
GRI 404:2016	**Training and Education**	
404-1	Average hours of training per year per employee	p. 238
404-2	Programs for upgrading employee skills and transition assistance programs	p. 74-76
GRI 405:2016	**Diversity and Equal Opportunity**	
405-1	Diversity of governance bodies and employees	p. 77-78, 128-129, 237
GRI 406:2016	**Non-discrimination**	
406-1	Incidents of discrimination and corrective actions taken	p. 79
GRI 415:2016	**Public Policy**	
415-1	Political contributions	None

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

Abbreviations

3D Three dimensional

3TGs Tin, tungsten, tantalum, gold

ABS Asset-backed securities

AE / AED United Arab Emirates / Dirham

AGM Annual General Meeting

AOA Auditor Oversight Act

AOD Argon oxygen decarburization

AR / ARS (p. 195) Argentina / Argentine peso

Art. Article

ASR Absolute shareholder return

AT Austria

AU / AUD Australia / Australian dollar

BDSV Bundesvereinigung Deutscher Stahlrecycling- und Entsorgungsunternehmen e. V. (Federal Association of German Steel Recycling and Waste Management Companies)

BEV Battery electrical vehicles

BF-BOF Basic Oxygen Furnace

BoD Board of Directors

BR / BRL Brazil / Brazilian real

BVG Occupational pension (LPP)

CA / CAD Canada / Canadian Dollar

CAPEX Capital expenditure

CC Compensation Committee

CCO Chief Customer Officer

CDP Carbon Disclosure Project

CEO Chief Executive Officer

CFO Chief Financial Officer

CGU Cash-generating unit

CH / CHF Switzerland / Swiss franc

CL / CLP Chile / Chilean peso

CN China

CO / COP (p.195) Colombia / Colombian Peso

CO_2 Carbon dioxide

CoEs Centers of Excellence

COO Chief Operating Officer

COVID-19 Coronavirus

Cr Chrome

CSO Chief Security Officer

CSR Corporate Social Responsibility

CSRD Corporate Sustainability Reporting Directive

CZ / CZK Czech Republic / Czech koruna

D-PPI Domestic Producer Price Index

D&O Directors' and officers' liability insurance

DE Germany

DEW Deutsche Edelstahlwerke

Dipl.-Ing. Degreed engineer

DK / DKK Denmark / Danish krone

DNA Deoxyribonucleic acid

Dr. Doctor

Dr. rer. Pol Doctor rerum politicarum

DRI Direct reduced iron

e.g. exempli gratia (for example)

EAF Electric arc furnace

EB members Executive Board members

EBT Earnings before taxes

EBIT Earnings before interest and taxes

EBITDA Earnings before interest, taxes, depreciation and amortization

EE Estonia

ERM Enterprise risk management

ES Spain

ESG Environmental, Social and Governance

etc. et cetera

ETS Emissions trading systems

EU / EUR European Union / euro

EUROFER European Steel Association

EV Electric vehicle

EVD Economic value distributed

excl. excluding

FAAC Financial assets measured at amortized cost

FAC First aid case

FAFVPL Financial assets at fair value through profit or loss

FCFaIL Free cash flow after interest and lease payments

FI Finland

FLAC Financial liabilities measured at amortized cost

FLFVPL Financial liabilities at fair value through profit or loss

FR France

GB / GBP Great Britain / British pound sterling

GDP Gross domestic product

GDPR General Data Protection Regulation

GHG Greenhouse gas

GRI Global Reporting Initiative

GP Gross profit

GWH Gigawatt hour

HBI Hot briquetted iron

HEV Hybrid electric vehicle

HNO3 Nitric acid

HRIS Human resources information system

HU / HUF Hungary / Hungarian forint

HK / HKD Hong Kong / Hong Kong dollar

i.e. id est (that is)

IAS International Accounting Standards

IASB International Accounting Standards Board

IATF International Automotive Task Force

ICDA International Chromium Development Association

ICE Internal combustion engine

IESBA International Ethics Standards Board for Accountants

IFRS International Financial Reporting Standards

IMF International Monetary Fund

IN / INR India / Indian rupee

incl. including

ISAs International Standards on Auditing

ISIN International securities identification number

ISMS Information security management system

ISO International Organization for Standardization

ISSF International Stainless Steel Forum

IT Information technology

IT (p. 195) Italy

JP / JPY Japan / Japanese yen

kg Kilogram

km Kilometer

KPI Key performance indicator

KPM Key people management

kt Kiloton

KYC Know your customer

L3M / LTM Last three months / last twelve months

Lic. Oec Licentia docendi

LME London Metal Exchange

LT Lithuania

LTI Long-term incentive

LTI Lost time injury

LTIFR Lost time injury frequency rate

LTIP Long-Term Incentive Plan

LTISR Lost time injury severity rate

LV Latvia

m^3 Cubic meter

MBA Master of Business Administration

MIS Management information system

MSc Master of Science

MTC Medical treatment case

MWh Megawatt hour

MX / MXN Mexico / Mexican peso

MY / MYR Malaysia / Malaysian ringgit

n/a Not applicable

NO Norway

NO_x Nitrogen oxide

NWC Net working capital

OCI Other comprehensive income

OT Operational technology

p. Page

PE ratio Price earnings ratio

PhD Doctor of Philosophy

PHEV Plug-in hybrid electric vehicle

PL / PLN Poland / Polish złoty

PSU Performance share unit

PT Portugal

Q1 / Q2 / Q3 / Q4 First quarter / Second quarter / Third quarter / Fourth quarter

QR Quick response

R&D Research and development

ROU Right-of-use

RO / RON Romania / Romanian leu

ROCE Return on capital employed

RU / RUB Russia / Russian ruble

SaaS Software as a Service

SBTi Science Based Targets initiative

SE / SEK Sweden / Swedish krona

SG / SGD Singapore / Singapore dollar

SG&A Selling, general & administrative

SIX SIX Swiss Exchange

SK Slovakia

SMART Specific, measurable, achievable, relevant, timely

SMR Steel & Metals Market Research

SPI Swiss Performance Index

SSG Swiss Steel Group

STI Short-term incentive

t Ton

TH / THB Thailand / Thai Bat

THE Trading Hub Europe

TR / TRY Turkey / Turkish lyre

TurkStat Turkish Statistical Institute

TW / TWD Taiwan / New Taiwan dollar

UBO Ultimate beneficial owner

UK United Kingdom

UN United Nations

US / USA / USD United States / United States of America / US dollar

VAT Value-added tax

VDMA Verband Deutscher Maschinen- und Anlagenbau (German Engineering Federation)

VOD Vaccum oxygen decarburization

VWAP Volume-weighted average price

WBCSD World Business Council for Sustainable Development

WRI Word Resources Institute

WSA World Steel Association

WTI West Texas Intermediate

XTP Xtreme Performance Technology

ZA / ZAR South Africa / South African rand

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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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