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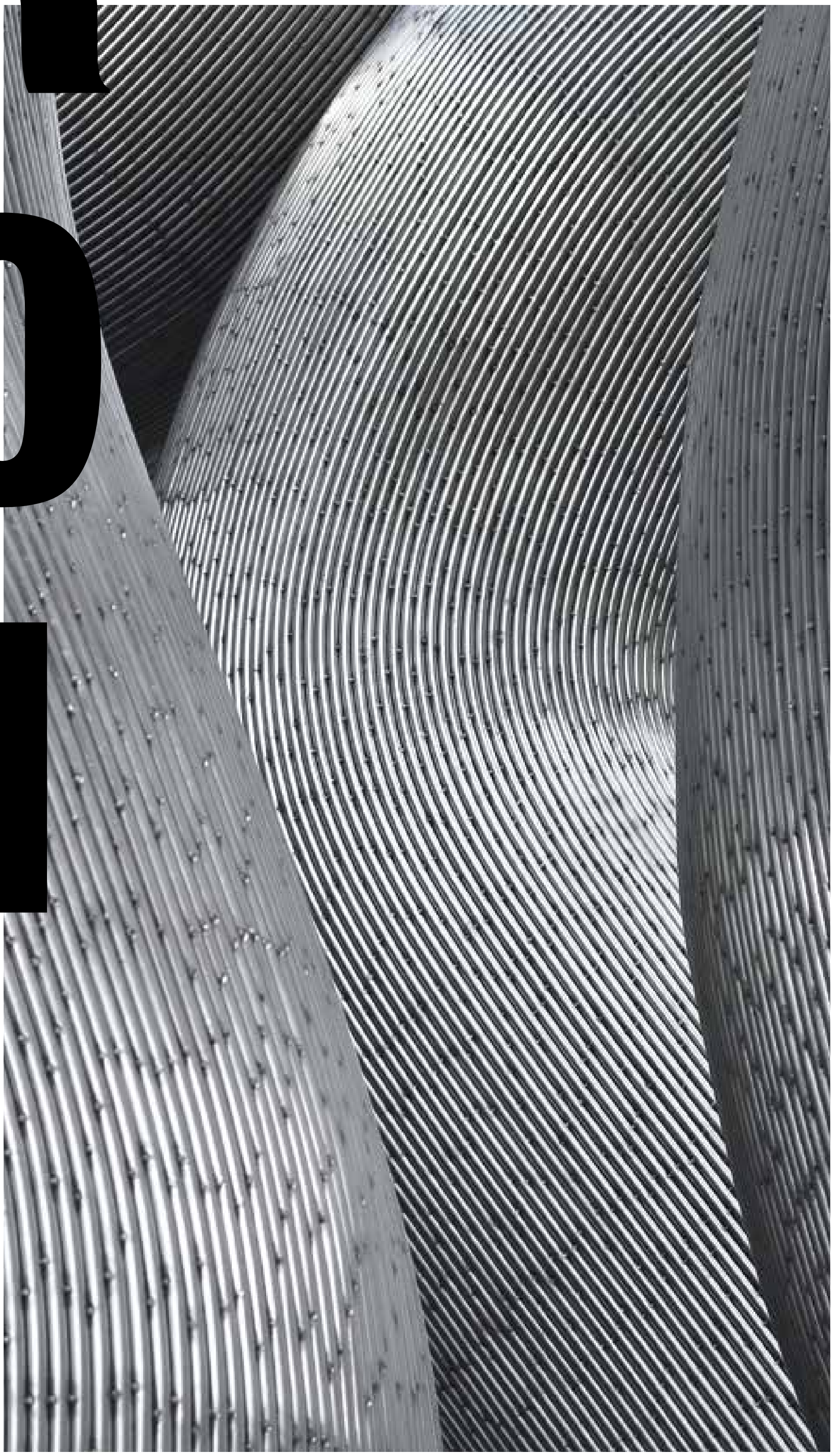
Annual Report
2021



Swiss Steel Group

www.swisssteel-group.com

Key figures

Swiss Steel Group	Unit	2021	2020	Δ in %	Q4 2021	Q4 2020	Δ in %
Sales volume	kilotons	1,863	1,535	21.4	425	445	–4.5
Revenue	million EUR	3,192.8	2,288.4	39.5	837.1	604.5	38.5
Average sales price	EUR/t	1,716	1,491	15.1	1,972	1,358	45.1
Adjusted EBITDA	million EUR	191.6	–68.9	–	39.9	4.1	–
EBITDA	million EUR	200.0	–99.0	–	53.1	–8.9	–
Adjusted EBITDA margin	%	6.0	–3.0	–	4.8	0.7	–
EBITDA margin	%	6.3	–4.3	–	6.3	–1.5	–
EBIT	million EUR	108.7	–272.7	–	27.9	–28.8	–
Earnings before taxes	million EUR	64.1	–321.6	–	16.2	–43.0	–
Group result	million EUR	50.3	–310.2	–	11.5	–42.4	–
Investments	million EUR	107.1	87.4	22.5	43.9	33.6	30.7
Free cash flow	million EUR	–223.7	–99.8	–	–53.8	–19.0	–
	Unit	31.12.2021	31.12.2020	Δ in %			
Net debt	million EUR	720.5	639.9	12.6			
Shareholders’ equity	million EUR	448.9	166.1	–			
Gearing	%	160.5	385.2	–			
Net debt/adj. EBITDA LTM (leverage)	x	3.8	n/a	–			
Balance sheet total	million EUR	2,227.4	1,715.7	29.8			
Equity ratio	%	20.2	9.7	–			
Employees as of closing date	Positions	9,914	9,950	–0.4			
Capital employed	million EUR	1,588.6	1,218.0	30.4			
	Unit	2021	2020	Δ in %	Q4 2021	Q4 2020	Δ in %
Earnings/share [1]	EUR/CHF	0.02/0.02	–0.15/-0.16	–	0.00/0.00	–0.02/-0.02	–
Shareholders’ equity/share [2]	EUR/CHF	0.15/0.16	0.08/0.09	–	0.15/0.16	0.08/0.09	–
Share price high/low	CHF	0.478/0.234	0.340/0.126	–	0.381/0.340	0.250/0.170	–

[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, 2021 and as of December 31, 2020

Alternative Performance Measures
This Annual Report contains certain information that are non-IFRS financial measures, including adjusted EBITDA. The Group believes that such information provide useful supplementary information to investors in light of normalized and overall performance assessment. Furthermore, the Group believes that such measures provide additional useful information on the Group’s operational performance and is consistent with how the business performance is measured internally.

CONTENTS

DEAR READER,

Leadership is a matter of taking responsibility.

Responsibility towards our employees, toward society, other stakeholders and the environment. For each of these groups, sustainable management is of particular importance. That is why it is part of the DNA of Swiss Steel Group.

I am pleased to report that despite difficult conditions and exceptional circumstances, 2021 was a successful year for Swiss Steel Group.

More than ever, we are focusing on the efficiency of all our Group's processes. Step by step, we are getting closer to our ecological goal of sustainable steel production. Targeted investments in low-carbon production processes and process innovations – based on the many great ideas from our employees – embody our mission to take a worldwide leading role in the production of climate-neutral special steels with the most demanding technical applications. It is a perfect circular economy. With our electric arc furnace technology and scrap used for steel production, we are already one of the world's most ecologically efficient steel producers. This efficiency is also reflected in our CO_2 emissions, which are significantly lower than the global average.

It is a widely accepted yet often underappreciated fact that only few materials are as sustainable as steel. It is the most recycled material on earth. It is infinitely recyclable. Yes, steel is energy-intensive. Technologically, however, our sustainably produced steel – green steel – is already available to our business partners, helping to create a decarbonized world of steel production.

At the same time, we continue to pursue our aspiration of achieving the productivity increases required by the global competition. Besides investment measures, our cumulated experience and knowledge allow us to act fast and effectively.

It is part of the realigned focus of Swiss Steel Group to foster the transfer of know-how, to grow closer together as a Group, and to bundle market, application, and technology competencies. For this purpose, the Executive Board has been expanded with the CEOs of three Business Units as of January 1, 2022. We will have clear responsibilities for our core products group-wide – an important first step in the reorientation of Swiss Steel Group toward growth, innovation, and sustainability. We are already making good progress in this respect. Nevertheless, we still have some way to go to achieve these important targets for the future. We will set crucial milestones and follow this path together with consistency and conviction.

In addition to the indisputable quality of our products, we are developing unique selling propositions that we can leverage in the future.

Our aim is to identify the best steel solutions for our customers and their specific applications. Together with our partners, we are investing all our energies to challenge the boundaries of what is possible, over and over again. Our experienced specialists enable large parts of our application industries to produce components with completely new requirements even more effectively, efficiently and safely.

Our activities last year were tested by the challenges imposed by the pandemic, the historic flooding in Hagen, and the tragic accidents in Emmenbrücke and then also in Ugine at the beginning of this year. Strokes of fate that have deeply affected all of us and have made us aware, once again, what it means to take responsibility. First and foremost, our thoughts are with the families, friends, and colleagues of those who tragically lost their lives.

As a company eager to learn, we strive for improvement in all our processes. Our aspiration for quality guides us – from initial customer contact, through concerted product development, until the final application for the customer. In the pages that follow, besides the financials, we would like to give you an insight into the world of our products, our processes, and what defines us.

I hope you enjoy reading our report.

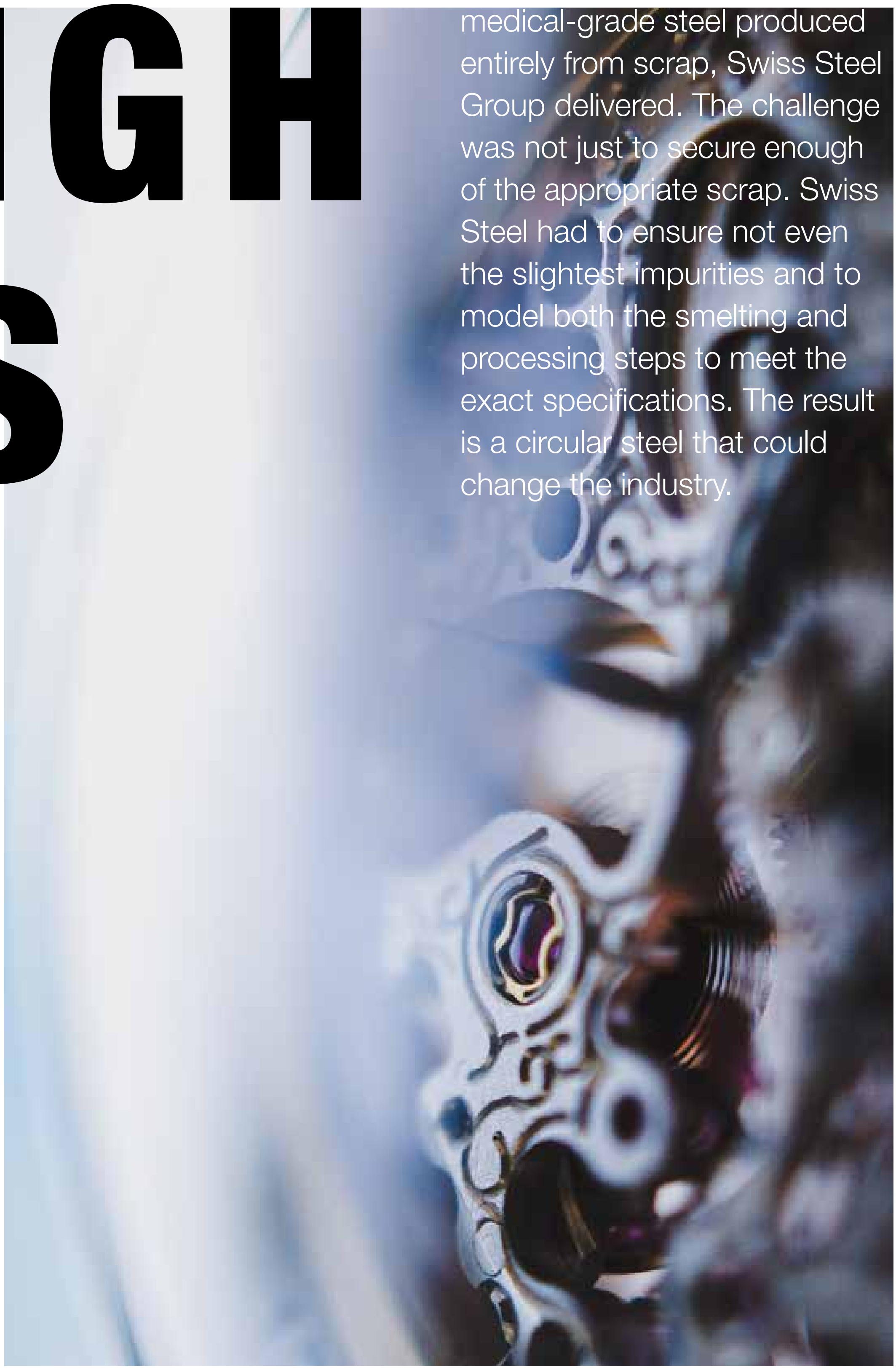
Yours sincerely

Frank Koch
CEO of Swiss Steel Group

IN SIGH TS

100 %

recycled. When a renowned Swiss watch brand needed medical-grade steel produced entirely from scrap, Swiss Steel Group delivered. The challenge was not just to secure enough of the appropriate scrap. Swiss Steel had to ensure not even the slightest impurities and to model both the smelting and processing steps to meet the exact specifications. The result is a circular steel that could change the industry.



LUXURY REMADE

Working with a watchmaker and a company specializing in circular economy solutions, Swiss Steel Group was able to produce the world's first batch of fully recycled 4441 steel. It meets the highest standards in biocompatibility and may contain only trace amounts of elements such as cobalt or copper. Preparations took months and involved sourcing cases and bracelets of end-of-life luxury watches as well as cuttings and turnings from watch manufacturers and their suppliers. Detailed computer simulations helped ensure a successful batch on the first attempt. Closing the material loop this way was an industry-first and made headlines in the watch world.

Images: Swiss Steel Group, Getty Images

STEEL CLOSES THE LOOP

Steel is the most recycled material in the world. That is good news for the planet. It shows how a **circular economy** can help save resources and reduce greenhouse gas emissions. Even better, Swiss Steel Group is tapping into more sustainable sources for quality scrap. This improves recycling processes and makes the business case for circular steel for the most demanding applications.

A valuable resource Swiss Steel Group differentiates more than 100 grades of steel scrap. Steeltec processes about 650,000 tons of scrap each year.

Men with brightly colored hard hats and futuristic pistols walk among piles of grayish steel. It is a common sight here on the outskirts of Siegen in Germany. The men work for dhi Rohstoffmanagement, a subsidiary of Swiss Steel Group. And their pistols are, in fact, handheld X-ray fluorescent analyzers. At the squeeze of a trigger, these devices read the elemental composition of the steel at hand. “It tells us exactly what grade and quality of scrap we are dealing with,” says Boris Weiffen, head of procurement at dhi. “This makes it is easy to analyze incoming material thoroughly and precisely.” It is just one of many ways in which Swiss Steel Group improves steel recycling.

Steel is vital. From homes to hospitals, from bridges to buses, and from refrigerators to refineries – modern living standards depend on this versatile material. In countless ways, steel makes our lives more comfortable, safer, and in many cases more sustainable. Neither electric cars nor wind power or plastic recycling would be conceivable without steel. As a result, global demand

has tripled since the 1970s. About 1.8 billion tons of steel were produced in 2020 alone. No other metal comes even close. And steel production is expected to grow further and faster as more countries across the globe continue to prosper and urbanize. Meeting this surging demand sustainably is one of the great challenges of our generation.

Luckily, steel is already the most recycled material in the world. According to the World Steel Association, over 25 billion tons of steel have been recycled since 1900, reducing our global iron ore consumption by about 35 billion tons and coal by about 18 billion tons.

Steel is unique in that it is infinitely recyclable. Unlike other commonly recycled materials such as paper or plastic, steel does not deteriorate with each use. There is no need to downgrade. A steel beam can become a new steel beam just as strong and reliable. Or it can turn into a car door, a toaster, or even a hip replacement implant. It is all just a matter of know-how.

An exact recipe These ladles are used to treat raw steel to adjust its chemical composition and turn it into specialty steel.

FROM **WASTE** TO **VALUE**

Smelting scrap to make new steel is an art almost as ancient as steelmaking itself. Obtaining iron from ore and processing it to make steel takes resources, labor, and energy. Reusing scrap steel is an obvious shortcut. Recycling one ton of steel saves more than two tons of ore, coal, and limestone. Throughout history, steelmakers have perfected their recycling techniques, particularly in times of scarcity and high demand. Probably the biggest global push came during World War II, when steel for tanks, planes, ships, and guns was of strategic importance. Back then, governments called on civilians to scour their homes and businesses for scrap to help with the war effort.

Today, recycling steel is strategically important in a very different fight – the global effort to stop climate change. A ton of recycled steel scrap saves about 1.6 tons of CO_2 compared with primary steel made from iron ore. According to the American Iron and Steel Institute, recycling the steel from a single car cuts more greenhouse gas than saving 680 liters of gasoline. Improved recycling methods and the use of renewable energy for smelting yield even greater savings.

Swiss Steel Group relies entirely on the scrap-based secondary route of steelmaking. Its facilities in Germany, France, Switzerland, and USA produce engineering steel, stainless steel, and tool steel with the help of electric arc furnaces using 90 % scrap on average. Much of the material is sourced from local and regional suppliers, which helps to further cut down on emissions and environmental costs in transport. Its joint venture dhi Rohstoffmanagement in Siegen, for example, procures most of the scrap used at the company's German production sites. "This backward integration helps Swiss Steel Group close material loops by procuring high-quality scrap both directly from its customers and on the market," Weiffen explains.

Increasingly, scrap is a strategic resource for companies around the world. With regulations tightening, there is a run on quality scrap as primary steel producers expand their use of electric arc furnaces and scrap to improve their ecological footprint. Steelmakers thus face increased competition for their material. Scrap prices recently reached their highest in more than a decade, and experts see markets tightening in the long run as recycling rates increase.

Around the world, rates of scrap steel use still differ significantly. The number is in Europe and the United States among the highest. Much of that is due to availability. Decades of strong steel use make for a lot of scrap in circulation. Compared with such heavily industrialized nations, emerging economies have much less scrap available. China is the world's largest steel producer today. Yet the country is only gradually entering a phase where more of its steel products and infrastructure need replacing. In time, this transition, coupled with the country's growing commitment to climate action, will change China's recycling rate. That, in turn, will leave a mark on the global scrap market. Only recently, China lifted its ban on scrap steel imports.

Ready for processing Finished steel leaves the continuous casting process as hot steel billets. These are then cut, drawn, and rolled to shape.

FROM **SIMPLE** TO **COMPLEX**

With roughly 20 million tons per year, the European Union is the world's leading net exporter of scrap steel, followed by the United States. Recycling companies in these regions thus compete globally for scrap. That is one reason why Swiss Steel Group strives to improve procurement. The company aims to close material loops and tap into new sources of high-purity scrap.

Images: Swiss Steel Group

"The more you know about your scrap stream, the better you can fine-tune both your input and output," Weiffen explains. "That helps save resources and energy, but it adds complexity."

Swiss Steel Group now distinguishes more than 100 different scrap groups at its Siegen site alone. Segregating these material flows requires complex logistics, sophisticated labs, and close cooperation along the value chain. Swiss Steel Group invests time, effort, and capital on all fronts. The company works with specialized scrap dealers and sorters to track the flow of specific steel grades. "Some of our partners have roots in the precious metals industry and specialize in low-volume, high-value recycling," says Claude Bourret, Deputy Sales Director for Aerospace, Medical, Energy and Niche markets at Ugitech in France, which is part of Swiss Steel Group. Efficient supply chains usually need scale. But Swiss Steel Group builds complex and lower-volume supply chains for high-quality scrap. Digitalization helps. The company uses digital simulations and tools to track material and model processes.

There are three main categories of scrap. So-called home scrap is generated in steel mills themselves, for example, during rolling, cutting, and trimming. It is easily recycled on-site. Then there is prompt or industrial scrap, which comes from downstream manufacturing processes such as machining. Like home scrap, prompt scrap is usually fully recycled and easy to sort. "Knowing where the scrap is from is half the battle," Weiffen explains. "Turnings and offcuts of our own product, for example, from automotive customers, are a best-case scenario." It is a symbiotic relationship. Working closely with customers lets Swiss Steel Group close loops, keep scrap grades separate, and even pass on savings.

90%

of Swiss Steel Group's steel is produced from scrap. This significantly reduces its ecological footprint. Further improvements in scrap sorting and recycling reduce the need for new material.

The third category is obsolete or post-consumer scrap, which is collected once a steel product has reached the end of its life. This category is more complicated. For one, steel products can lead long lives. New York's Brooklyn Bridge, the world's first steel-wire suspension bridge, is still going strong after almost 140 years. For another, collecting and sorting post-consumer steel is more involved. Take the fine steel wire that makes up 10 to 20% of a modern car tire. It is extracted from ground-up tires using magnets. The fine wire is prone to oxidize and requires elaborate logistics to collect. Nevertheless, as scrap markets tighten, tire wire is one source of quality scrap attracting more attention.

Accuracy is key Pulling steel through drawing dies like these yields steel wire of a precise diameter. Such wires are a widely used product in the manufacturing industry.

FROM **INDUSTRY** TO **CONSUMER**

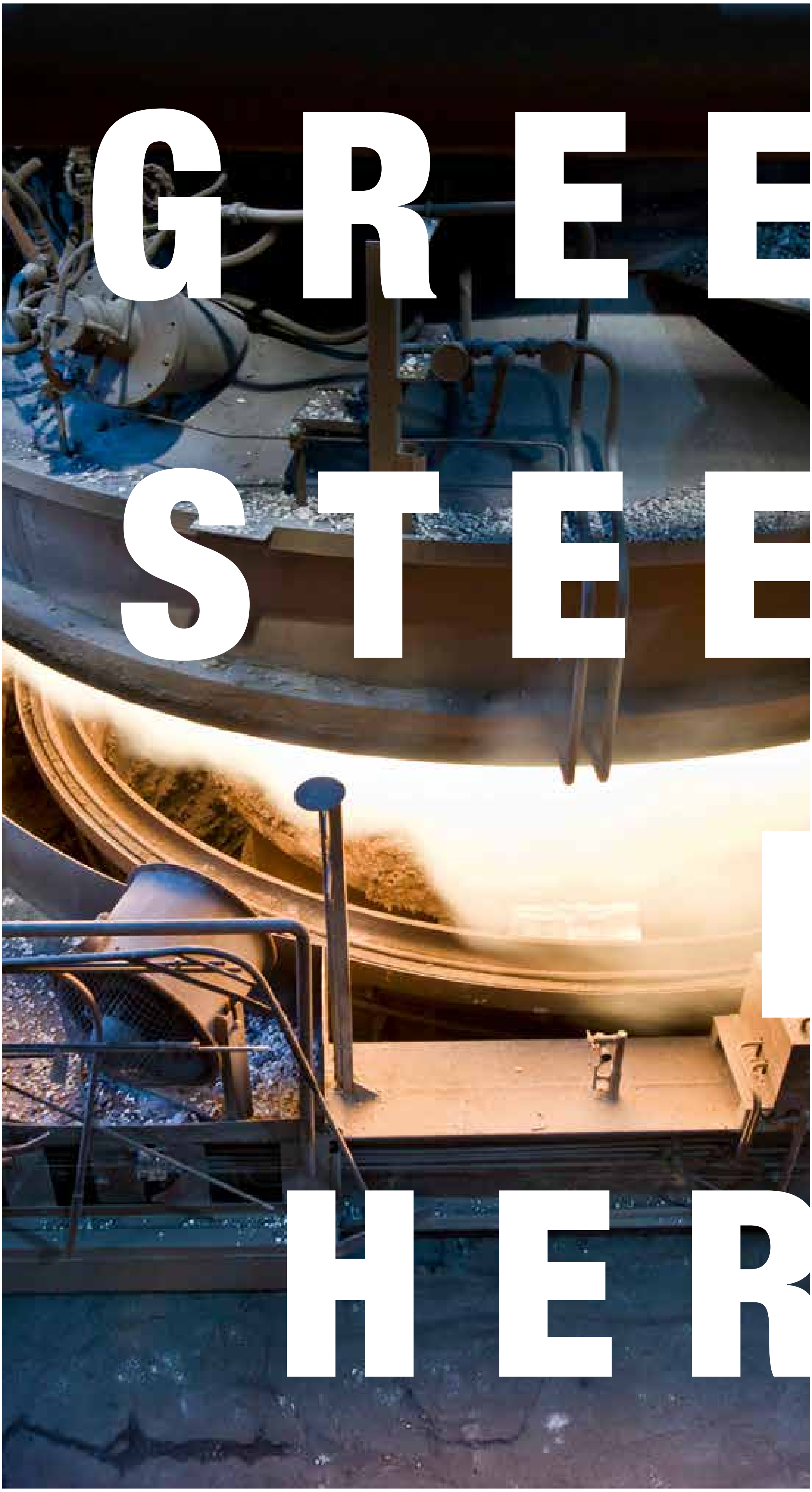
Swiss Steel Group caters to very technical markets. From aerospace to medical applications to nuclear energy – customers require extremely low tolerances in the composition and performance of their specialty steels. Meeting these specifications with scrap requires perfect control over the input material. “It’s as much about keeping the wrong elements out as it is about keeping the right ones in,” says Bourret. For its medical-grade stainless steels, for example, Swiss Steel Group eliminates contaminants such as sulfur, phosphor or copper at all costs. Meanwhile, employing scrap with a precise composition of alloying metals, such as nickel and molybdenum, reduces the need to add these metals. That makes economic sense. It also saves energy, resources, and emissions in mining. “It is a virtuous cycle,” says Bourret. “Better recycling means fewer contaminants, less waste, improved sustainability, and higher profitability.”

Perhaps most importantly, Swiss Steel Group adds value for its customers. That is because many of them now use life cycle analyses to take upstream emissions and material use into account. “Producing a certain steel with a smaller ecological footprint is a benefit to our customers,” says Bourret. “A benefit many are happy to pay a premium for.” From high-end watch makers to makers of bathroom faucets, Swiss Steel Group increasingly works with consumer brands. “Those are the first to market specifically to growing consumer expectations in terms of sustainability,” Bourret explains. It all starts with Swiss Steel Group’s knowledge of what goes into steel.

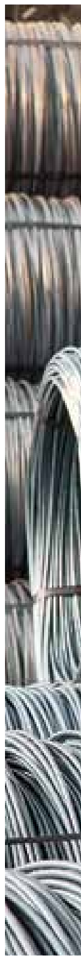
Safety first Swiss Steel Group uses state-of-the-art databases to detect potential causes of accidents and eliminate them.

Images: Swiss Steel Group

You can find more information at
https://www.swisssteel-group.com/home



GREEN STEEL IS HERE



As the world seeks climate-friendly ways of making steel, electric arc furnaces seem like an obvious solution. The technology may help **re-shape** more than just the steel industry.

0.06

tons of CO_2 per ton of steel*: Using clean energy, Swiss Steel Group's green steel cuts emissions by up to 95 % compared to blast furnaces.

*e.g. at Business Unit Steeltec / Scope 1+2

It is always an impressive sight, even for old-timers. Giant electrodes lower into the furnace, and an electric arc of 61,000 amperes ignites with a deafening roar. Sparks fly as 120 tons of steel scrap begin to melt and churn. "You create an inferno at the push of a button," is how one long-time operator describes it. The electric arc furnace (EAF) in Witten, Germany, is one of nine Swiss Steel Group operates worldwide. They may seem archaic, but they represent the future of steelmaking.

Steel is indispensable. It is also undeniably energy-intensive to make. Steel producers account for about 8 % of the world's energy demand and close to the same share of all human-made greenhouse gas emissions. If the steel industry were a country, it would rank third in carbon emissions only behind China and the US. With climate change looming, the world is desperate for greener and more climate-friendly ways of producing steel. Electric arc furnaces like the one in Witten offer precisely that.

The traditional or primary route to making steel relies on blast furnaces that extract pig iron from iron oxide ores. They do so by burning vast amounts of fossil fuel, mainly coal. Another stage then burns off even more carbon from the pig iron to make steel. If steel is ever to be climate-neutral, both these stages will have to be either reinvented or replaced altogether. The industry is attempting both.

HOPES IN HYDROGEN

Hydrogen is one option. By replacing coal and coke at least partially, it could greatly reduce direct greenhouse gas emissions in blast furnaces. That is because burning hydro-

Images: Swiss Steel Group

Improved processes Manufacturing engineering steel wire rods is one specialty of Swiss Steel Group. Its sites invest in efficient processing equipment to meet new customer demands.

gen produces not carbon dioxide but water. Direct reduction is another option. It does away with blast furnaces altogether and uses natural gas to turn iron ore into a so-called iron sponge ready for steelmaking. The hope is to adapt this process to use hydrogen instead of natural gas.

Both hydrogen solutions still face significant hurdles, however. The most serious is that today practically all hydrogen available comes from natural gas. It is extracted using steam reformers that emit about 10 tons of CO_2 for every ton of hydrogen. So, for now at least, hydrogen is nothing close to climate-neutral. Green hydrogen could change that. It is made by splitting water molecules into hydrogen and oxygen with the help of renewable electricity. But so far, green hydrogen is both expensive and hard to come by.

The good news is that there already is a more efficient, more economical, and more climate-friendly way to make steel. Electric arc furnaces like the one in Witten produce 40 % of all steel in Europe and about 30 % globally. Experts agree that this

Images: Swiss Steel Group

Versatile materials
Hot steel billets await processing. Swiss Steel Group's six steel works across Europe and North America turn these billets into a wide range of products.

figure is set to rise. The direct reduction route relies on EAFs to turn its iron sponge into usable steel. More importantly, EAFs are the main way of recycling steel from scrap. The way they work makes them particularly well suited for a circular economy and the energy transition.

THE HEART OF GREEN STEEL

Although there are different designs, every electric arc furnace essentially consists of a hearth and an electrode. Loading the furnace is as easy as dropping scrap steel into it from a giant bucket. Once filled, the furnace is closed before large graphite electrodes dig into the scrap mix as the electric arc between them heats it to about 1,700 degrees Celsius.

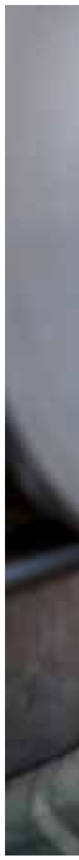
EAFs are not entirely without emissions or waste. For one, any organic material found in the scrap, such as oils, coatings, and adhesives, is burnt off in the process. For another, additional oxygen and natural gas help speed up the process. Still, EAFs produce only a fraction of the greenhouse gas emissions common in blast furnaces. While the blast furnace route emits an average of circa 2 tons of CO_2 per ton crude steel of crude steel, EAFs emit a mere 0.4 tons.

QUICK FACTS

KEEPING POWER AFFORDABLE

Swiss Steel Group's nine EAFs are among the most advanced and efficient in the world. Still, they require vast amounts of electrical energy. The EAF in Witten alone consumes about as much electricity as the whole of Witten, a city of roughly 100,000 people.

That is why the availability of both scrap steel and reliable, green, affordable electricity is vital to electric steelmaking. It is also why wrong-headed public policy could hamper its adoption. Europe is a net exporter of steel scrap, and Germany already has some of the highest prices for electricity in the world. The country's phase-out of nuclear power and its costly way of adding renewable sources put undue stress on all green steel producers. Facilities in Switzerland and France could face similar pressure if prices for climate-friendly electricity rise. The most unwelcome outcome could be a slowdown in Europe's transition to green steel.



At its facility in Witten, Swiss Steel Group achieves emissions as low as just 110 kg per ton of steel by using renewable electricity.

EVER IMPROVING

Electric arc furnaces may already represent the future of steelmaking. However, Swiss Steel Group remains dedicated to further improving the efficiency throughout the value chain. To this end, the company uses life cycle assessments to analyze the climate impact of its products and processes. “They show us that it is by no means just the energy-intensive smelting processes that impact the carbon footprint,” says Christoph Lutz, Manager of Swiss Steel Group’s rolling mill in Emmenbrücke, Switzerland. “Some of our more recent investments prove this.”

The plant in Emmenbrücke was outfitted with a new state-of-the-art walking beam furnace. It allows billets to be heated more quickly and efficiently before entering the rolling mill. This not only increases output and reduces quality losses.

It is by no means just the energy-intensive smelting processes that impact the carbon footprint.

Christoph Lutz – Manager of Swiss Steel Group’s rolling mill in Emmenbrücke, Switzerland

Tailored solutions Swiss Steel Group is one of world’s leading manufacturers of both tool and stainless steel. Both can be tailored to a wide range of applications and customer specifications.

It also achieves substantial energy and CO_2 savings. An extended convective zone, for example, preheats billets using waste gases instead of active burners. Swiss Steel is pushing even further, for example, by exploring ways to eventually replace natural gas with hydrogen in all processing stages.

FIT FOR THE FUTURE

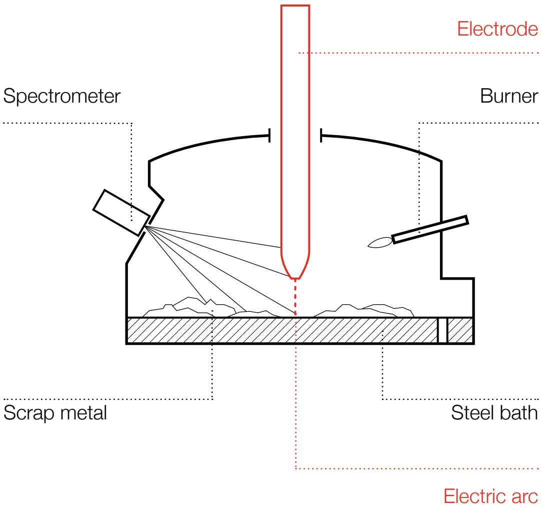
In committing to the Paris Agreement, countries around the world have set climate goals and are tightening emission standards. The EU aims to achieve net-zero emissions by 2050. Germany recently moved its target to 2045. Carbon pricing and climate regulation are on the rise. Heavy industries are scrambling to retool and reinvent their processes. Steel leads the way. More and more conventional steel producers are moving towards EAFs, ever-higher recycling rates, and greener steel production. This exemplifies how even heavy industry can decarbonize, and Swiss Steel Group is spearheading the trend by increasing capacity, investing in efficiency, and finding new solutions for downstream industries.

QUICK FACTS

THE GREENER ROUTE

Steel production is dominated by two process routes: converting iron ore to steel and converting scrap to steel.

The iron ore route uses blast furnaces to produce pig iron from iron oxide ores. This iron is then processed into crude steel via an oxygen converter. Both steps emit large amounts of carbon dioxide. Swiss Steel Group employs only the scrap-based route using electric arc furnaces or EAFs. These smelt and recycle scrap steel to yield any type of special steel.



Compared with blast furnaces, steel production in an EAF is much more flexible and environmentally friendly. On average, the blast furnace route emits about 1.8 tons of CO_2 for each ton of crude steel. The average for EAFs is 0.4 tons. Using only renewable energy, Swiss Steel is able to achieve as little as 0.1 tons.

Today, EAFs account for roughly 30 % of all steel produced worldwide and about 40 % in Europe. Swiss Steel operates nine electric arc furnaces at its sites in Germany, France, Switzerland, and the United States. These range in capacity from 40 to 140 tons.

It is always an impressive sight, even for old-timers. Giant electrodes lower into the furnace, and an electric arc of 61,000 amperes ignites with a deafening roar. Sparks fly as 120 tons of steel scrap begin to melt and churn.

Electrifying steel production makes it more flexible and decentralized. It certainly helps that EAFs are faster, more flexible, and much less costly to set up than blast furnaces. They can close local and regional material loops and thus create circular economies in steel. But producing steel in EAFs also helps with the energy transition. Increasing solar, wind, and biomass makes for decentralized and fickle electricity grids. EAFs offer a way of dealing with that. At its French site in Ugine, Swiss Steel Group already practices so-called load shedding. The plant shuts down its most electricity-hungry facilities at certain peak times in a coordinated effort to free up capacity for households. Such schemes are critical for utilities as more countries phase out coal and nuclear plants. It is just one of many ways Swiss Steel Group is helping to shape a greener future.

You can find more information at
https://www.swisssteel-group.com/home

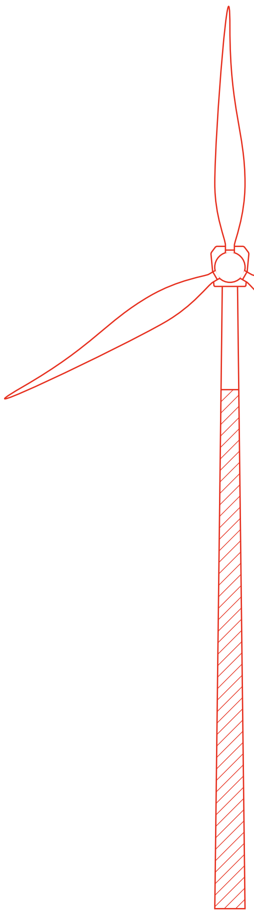
Images: Swiss Steel Group

OUR GREEN NEW DEAL

Today's world is built on steel, and tomorrow's will be even more so. Most of the **technologies** we pin our hopes on to save the climate rely heavily on innovations made in steel.

Upon entering one of the world's busiest ports, the endless stream of ships passes a beacon of the global energy transition. The blades of the Haliade-X wind turbine reach almost 260 meters high into the sky above a man-made island outside of Rotterdam. When it was commissioned in 2019, it was both the largest and most powerful wind turbine in the world. That was until an even larger one came along last year in Denmark. It, in turn, will be dethroned again in 2022 by a new 16-megawatt behemoth under construction in China.

Engineers are racing to reshape the wind power industry with modern-day giants each now adding more than a dozen megawatts of clean power to electricity grids across the globe. One by one, they reduce our reliance on fossil fuels. In 2020 alone, the industry added a record capacity of almost 100 gigawatts. Competition and innovation have led prices for wind power to drop by nearly a third in the past decade. Modern steel is literally at the heart of this.



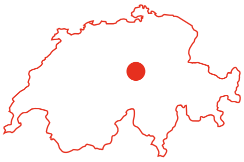
80t

of steel are used per wind turbine: By 2030, Germany alone will need an additional 4.5 million tons of steel.

Images: Swiss Steel Group

WIND POWER IS A GROWTH MARKET FOR SUSTAINABLE STEEL

Depending on the design, steel accounts for about a third of the weight of a modern wind turbine. Much of that goes into the tower and foundation. But some of the most demanding applications for steel are in the turbine itself. Shafts, bolts, bearings, and gears have to withstand tremendous loads. And they have to do so reliably for decades in order for wind power to be reliable and affordable. "Maintaining or refurbishing wind farms is expensive – especially off-shore," says Till Schneiders, Vice President Technology & Quality at Deutsche Edelstahlwerke, a part of Swiss Steel Group. No wonder, then, that critical components are machined to utmost precision from specialty steels. "Wind power is an important and fast-growing market for our materials," Schneiders explains. And it is only one of many booming technologies that rely on steel.



The Mooshüsli is a popular outdoor and indoor swimming pool in Emmen, Switzerland. Swiss Steel's exhaust heat ensures a well-tempered indoor pool.

Steel has been synonymous with progress since the beginning of industrial steelmaking in the 19th century. From railroads and steam engines to skyscrapers, cars, jet planes, modern medicine, and space travel – few of the innovations that catapulted humanity into the modern age would have been conceivable without steel. Now, humanity aims to reinvent progress by decarbonizing industries and decoupling our way of life from greenhouse gases. From electric cars to hydrogen power and additive manufacturing, the world again looks to modern steel for answers.

STEEL HAS THE HIGHEST RECYCLING RATE OF ALL BUILDING MATERIALS

Construction is one area where steel can help reduce the climate footprint. That is important as the world's population keeps growing and more people move into cities. Steel is uniquely efficient and has the highest recycling rate of any building material. Today's high-strength steels make it possible to use up to 50 % less steel in high-rise buildings than in the 1970s. Stainless steel helps extend the lifetime of buildings, bridges, and other infrastructure, which reduces the need for maintenance, repair or replacement. Used as corrosion-resistant rebar, it allows engineers to use less concrete and fewer additives, since stainless steel needs less protection from the elements. Ugitech, part of Swiss Steel Group, has even developed a new duplex steel called UGITHERM with a 20 % lower thermal conductivity to help eliminate thermal bridges, which today account for up to 40 % of all heat losses in modern buildings.

QUICK FACTS

WARMING HOMES AND HEARTS

Swiss Steel Group's rolling mill in Emmenbrücke, Switzerland, provides specialty steels for the world. It uses about as much electricity as all the households of neighboring Lucerne combined, but the site also gives back. For some years now, homes, businesses, and even a local swimming pool have relied on district heating fed with waste heat from the rolling mill's processing operations. The exhaust heat supplied by Steeltec helps save more than 1,500 tons of CO_2 per year.

After a year of construction, the energy center in Littauerboden, Switzerland, opened in 2018. Using waste heat from Steeltec AG, it supplies several buildings – including the Emmen Center. "This is an enormous ecological contribution," says Stephan Marty, Managing Director of Energie Wasser Luzern (EWL). After metal scrap is melted down, the waste heat comes from the second production step, in which steel products are manufactured under high heat in the rolling mill.

Part of the waste heat is fed into the energy center, where it is used to heat water. The water is then piped in specially insulated underground pipes to the connected houses, where it is used for heating, cooling or hot water.

With highly efficient production facilities and exclusive production using electric arc furnaces (EAFs), Swiss Steel Group manages to significantly reduce CO_2 emissions compared to the world steel mix and keep its environmental footprint as low as possible.

Transportation is another sector scrambling for climate-friendly solutions. Electric cars are an obvious answer. According to the International Energy Agency (IEA), their global numbers jumped 43 % in 2020 alone. By the end of this decade, the world's fleet of electric cars, buses, vans, and trucks could grow to 230 million. "Fully electric vehicles have fewer moving parts and need about half as much engineering steel as cars running on internal combustion engines," says Schneiders. "However, during the transition period hybrids will need both the conventional and the electric power train. Plus, makers of electric cars are opting for more advanced high-strength steels to cut weight and extend the battery range."

Swiss Steel Group is part of an initiative to reduce the weight of passenger cars and light commercial vehicles with materials such as ALUDUR steel. This special alloy engineering steel has a high aluminum content that helps cut weight. A proprietary processing technology called Xtreme Performance Technology (XTP) makes these new specialty steels machinable for automotive applications. Plus, Swiss Steel Group has tailored other steel grades for shafts used in smaller electric motors in cars.

STEEL ENABLES THE DECARBONIZATION OF ENTIRE INDUSTRIES

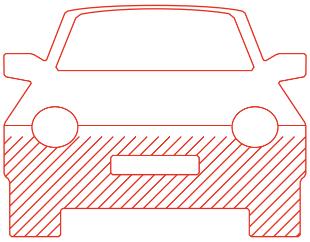
From high-speed trains and public transport to charging stations for electric cars – the future of transportation will require additional infrastructure beyond cars. Much of that relies on steel in new ways. And some technologies will need new types of steel altogether. Fuel cell cars, for example, run on hydrogen. But in order to achieve a viable range on a single tank, the gas needs to be pressurized at up to 700 bar.

Images: Swiss Steel Group

“At those pressures, hydrogen can diffuse into most common steel grades and make them brittle, which can cause catastrophic failure,” Schneiders explains. He and his team have been working on new materials tailored explicitly to high-pressure hydrogen applications.

These hydrogen-friendly steels will prove essential for the hydrogen economy. The idea is to link renewable power production, energy storage, heating, transportation, and many industrial sectors via carbon-free hydrogen made using renewable electricity. Replacing fossil hydrocarbons as the primary source of chemical energy this way could help decarbonize much of the economy. It is an age-old dream that could finally come true. The European Union and governments across the globe all have their own hydrogen strategy and are investing heavily.

Ugitech, another member of Swiss Steel Group, recently established a competence center for hydrogen applications. It aims to bundle resources and know-how in stainless steel grades for hydrogen applications. The company is also working with the French Alternative Energies and Atomic Energy Commission (CEA) on a demonstration plant for a high-temperature electrolyzer. Using



50 %

of a car is made of steel: Electric cars have about 70 % fewer moving parts in their power train and use about 50 % less engineering steel overall. However, electric car makers are increasingly opting for new specialty steel grades to cut weight and improve performance.

Special steel is the core business of Swiss Steel Group. However, Swiss Steel Group not only supplies steel that has been produced in-house, but also knows the material inside out to ensure correct processing. Further services include sawing, "just in time" deliveries, technical support, customized stocking, and drilling.

Image: Swiss Steel Group

exhaust heat from Ugitech's steel processing operations, this technology could produce hydrogen with 30% less electricity than conventional electrolyzers.

BAINIDUR ALSO ENABLES 3D PRINTING AS A STEEL

Another technology that is reshaping industries is 3D printing or additive manufacturing. 3D-printed steel has great potential in various applications from medicine to aviation and the automotive sector. It is especially useful for one-off prototypes or highly individualized parts, and one reason why 3D printing is well established in producing dentures or medical implants. Car makers also use it for prototype development to cut time and costs. Tool costs are slightly lower, and the material itself is used more efficiently. The technology also aids in designing for low weight, which is particularly important in the aviation sector.

In most scenarios, 3D printers use lasers to fuse steel powders to build components layer by layer. Swiss Steel Group provides up to 200 such powders tailored to additive manufacturing. One example is Bainidur, a bainitic steel developed for forged components in the automotive industry. This steel has a low carbon footprint due to its simple process chain with no additional heat treatment. It is now also available in a version that is optimized for additive manufacturing. This makes Bainidur one of the few steels on the market available for both 3D printing and large-scale conventional production. "It allows you, for example, to quickly and efficiently print initial samples that will have the same properties as the mass-produced components," Schneiders explains. "And after volume production ends, you can always produce spare parts on demand by simply printing them."

While powder bed and powder feed systems dominate today's additive manufacturing in steel, Ugitech is also making inroads into wire arc additive manufacturing, or WAAM. As a leading supplier of stainless steels and alloys for welding applications, Ugitech's Research Center (CRU) has developed wires fit to print. WAAM uses a feed of welding wire that is melted by an electric arc to create 3D components layer by layer. The process allows large components of several meters to be produced quickly and cost-effectively. The technology could have a profound impact on aerospace, construction, and shipbuilding, as well as the oil and gas industry. Again, modern steel and Swiss Steel Group, in particular, are at the forefront of technological progress.

You can find more information at
https://www.swisssteel-group.com/

QUICK FACTS

CLOSING LOOPS

A circular economy that reuses material to preserve resources is one of the most promising solutions for making industries more sustainable. The European Commission's Circular Economy Action Plan is an essential part of the European Green Deal and just one of many such national and international strategies. Steel is an ideal material for any circular economy. It is durable, repairable, and already one of the most frequently recycled materials in the world. As industries experiment with mineral and organic composite materials, for example to cut weight, some may soon come to rethink this approach. Unfortunately, most composite materials are hard or even impossible to recycle. So, once the entire lifecycle of such composites is taken into account, they regularly lose out to steel, which is easily and infinitely reusable.

INT ERV IEW

Jens Alder
(born 1957) was re-appointed Chairman of the Board of Directors for Swiss Steel Group in 2021. He had held that position for two years prior. Alder has served as Chairman for Alpiq Holding Ltd. in Lausanne, Switzerland and as Board member for CA, Inc., New York, US. Other board appointments for Swiss firms included Goldbach Group AG, Sanitas Health Insurances, BG Ingénieurs Conseils, and Industrielle Werke Basel. Alder has served as CEO for TDC A/S in Denmark and Swisscom AG, based in Berne, Switzerland.

Mr. Koch, you took over as CEO for Swiss Steel Group last summer amidst an ongoing pandemic and turbulent markets. How has that experience been?

Frank Koch 2021 marked my 30th year working in steel. I can tell you, change is constant in our industry. Steel is at the heart of progress. It always has been. We are driven by innovation, and we drive innovation in so many other sectors. However, with a global energy transition challenging everything and economies only just rebounding from a virus-induced global downturn, it was reassuring to find that Swiss Steel Group has both solid fundamentals and is nonetheless open to change.

Mr. Alder, one of the more recent changes was the appointment of three new members to the Board of Directors. How will this impact your work?

Jens Alder We are pleased our shareholders approved these nominations. They are great additions to the Board. All three come with unique experience and insight that will prove valuable to us. Change needs new perspectives, and real transformation starts at the top.

Frank Koch We are lucky to have board members with such a fitting mix of backgrounds in industries and markets relevant to Swiss Steel Group. There is already a great dynamic between the Executive Board and the Board of Directors. That bodes well for our way forward, as does the long-term focus of our shareholders.

What makes long-term investors particularly important to you?

Frank Koch We value all our shareholders. But having three major owners that look at the bigger picture and are not easily led astray by short-term trends helps us. In the real world, fortunes aren't made in fiscal years. We focus on 2025 and beyond.

Jens Alder Our roots go back 180 years. Swiss Steel Group has grown and evolved over generations. It is a legacy we are proud to build on. Shaping Swiss Steel Group's future is about our stance in a changing world. It is about secure jobs for our employees, new opportunities for our businesses, and much more. We have a responsibility to all stakeholders.

Where does Swiss Steel Group stand today?

Frank Koch Our numbers tell a story. While macroeconomic challenges dominated 2020, 2021 shows us finding our footing and gaining new momentum. That is not to say that the challenges are over. In a sense, our work has only just begun.

Jens Alder I agree. Steel is at the heart of the global energy transition outlined in the Paris Agreement. The good news is that Swiss Steel Group is starting ahead of the field. Recycling and circular economy are part of our DNA. With our electric arc furnaces and the use of green energy, we are spearheading carbon-neutral steelmaking.

Frank Koch Much of our future success will depend on using our technological edge. We are faster, more flexible, and ahead of the game in terms of efficiency and metallurgy.

How do you intend to leverage those advantages?

Frank Koch Knowing and focussing our strengths is a big part of it. We are bundling and connecting our greatest minds in R&D, for example. Some of our target markets are desperate for new solutions – be it automotive, manufacturing or the energy sector. Deeper cooperation and co-innovation both with customers and within our group will help us find new solutions faster. As part of various industry initiatives, we work to shape future technologies and industry standards.

Jens Alder It makes perfect sense to source know-how and use synergies throughout the entire group – not just in R&D. Strong networks in sales and marketing help us bring new solutions to market more effectively. Having information and data flow both ways is essential. Our markets inform how we produce, and our process know-how helps strengthen our stance in the market. I see Swiss Steel Group as a sleeping giant who is only just stretching his arms and legs.

Frank Koch I agree. But we still have some way to go in how open we are to new technologies and markets. To be honest, that is probably something we and many others in Europe could learn from cultures in emerging markets.

What are challenges for Swiss Steel Group and steelmaking in Europe?

Frank Koch No doubt, the input side is concerning. We depend on scrap and energy. Both their availability and price are tied to market forces and public policy. There is a global run on scrap, and we compete with European exports. That is worrying, not just for us. To make steel recycling as economical and ecological as possible, we need to close material loops locally. That is what we strive for by closely managing material flows along our value chain.

Jens Alder The other factor is energy. There is a clear path to carbon-neutral steelmaking. But it depends on low-cost, low-carbon electricity. Europe has some of the highest electricity prices in the world. Much of that is due to public policy and the way to bankroll renewables. It is undoubtedly wise to spearhead the energy transition. But it would be counterproductive if that led to energy-intensive industries, their emissions, and jobs being outsourced.

What are areas where Swiss Steel Group needs to improve?

Frank Koch Most recently, the company was driven by acquisitions and a regrouping. Our focus now is on operational excellence. To successfully compete in a global market, we need to work on our productivity by improving processes and technologies. That is a never-ending pursuit. But it is what we do best. Being best in class is what justifies premium prices. Our way to differentiate ourselves is with technological excellence and customer focus. Being close to customers, understanding their needs, and providing tailored solutions is what creates the most value.

How can Swiss Steel Group help customers in their energy transition?

Jens Alder Our greatest lever is our know-how. That goes for established as well as new industries. Nuclear energy, for example, relies on our specialty steels and is seeing a comeback as a climate-friendly energy source. A new field is carbon capture and storage. This technology will prove crucial in the fight against climate change. But exploring storage sites all over the world, preferably close to today's largest emitters, will depend on specialty steels unaffected by the Earth's magnetic field, the kind we have been providing for oil and gas exploration for decades. Another example is the green hydrogen economy, which will require newly developed hydrogen-resistant steel for high-pressure tanks, valves, and other equipment to make handling hydrogen safe and reliable.

Frank Koch Transitions in other industries are not as clear-cut. Take automotive and the shift to electric cars. Tomorrow's cars will have fewer moving parts and less stainless steel overall. However, the retooling of an entire industry will require more of our product and expertise. Plus, the makers of electric cars will use more high-performing steel to cut weight.

Do you expect this to compensate losses?

Frank Koch Yes. However, it will not happen by default! It requires us to rethink our portfolio and to analyze areas where we can offer more value and grow faster in the future. That is why we are working closely with both leading OEMs and some of the most innovative newcomers in automotive. It is a similar story in construction. The sector is growing but seeks to reduce the material footprint for each building. In doing so, innovators turn to our most advanced stainless steels for higher strength, longer lifetimes, and lower energy conductivity. Leading in innovation will help us over-compensate losses in other areas.

Jens Alder Doing so requires solid finances, and we need to grow organically – by creating additional value and developing new business ideas. The good news is, we have laid the groundwork and are ready to shape the future.

Frank Koch
(born 1972) was appointed Chief Executive Officer (CEO) for Swiss Steel Group in 2021, following a three-year tenure as CEO for the German steel producer GMH Group in which he led its successful restructuring. Koch had been a member of GMH's Executive Board since 2008. Koch began his career at ThyssenKrupp in 1991. He held various management positions in the group, including at Deutsche Edelstahlwerke, now part of Swiss Steel Group. Between 2004 and 2006, Koch worked for the Italian steel producer Danieli.

Images: Swiss Steel Group

An increase in orders confirms the post-pandemic recovery. Quality and engineering steel was impacted by volatility in demand from the automotive industry.

691 (+ 22.1 %*)

Order backlog
in kilotons

1,863 (+ 21.4 %*)

Sales volume
in kilotons

*Change from 2020

MANAGEMENT REPORT

Business environment

Our financial performance is influenced by numerous external and internal factors, not least the continuing impact of the global COVID-19 pandemic as well as temporary supply chain issues in 2021. The macroeconomic and industry-specific environment play a big role, as does the development of commodity prices. The following sections give an overview of the most important factors.

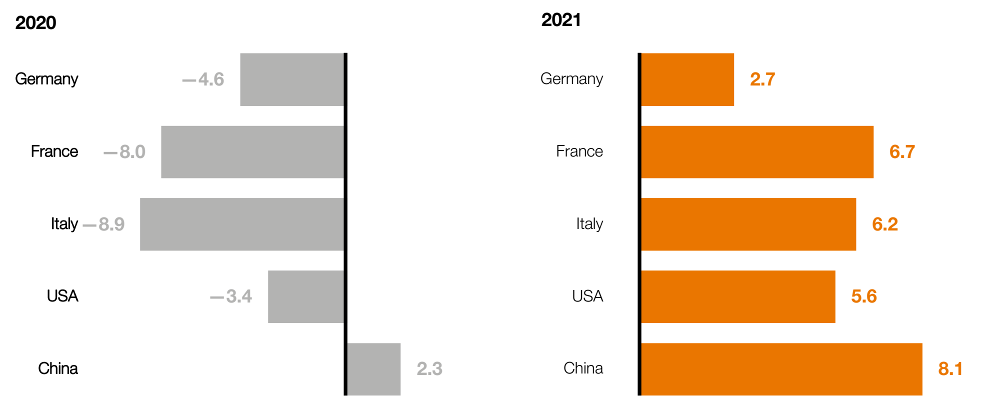
External factors

Economic situation

2021 got off to a positive start with the rollout of the COVID-19 vaccination programs and expectations for a return to normalcy in the months ahead. However, over the course of the year and towards year-end in particular, prospects deteriorated in view of temporary supply chain issues, rising energy prices, the spread of the Delta variant and the emergence of the new Omicron variant.

The International Monetary Fund (IMF) estimated (as of January 2022) that in 2021 global gross domestic product (GDP) increased by 5.9 %, following a contraction by 3.1 % in 2020. The advanced economies, which make up our largest sales market, recorded an increase in GDP by 5.0 %, compared to a decrease by 4.5 % in 2020. The Eurozone and the USA posted GDP growth of 5.2 % and 5.6 %, respectively, compared with declines of 6.4 % and 3.4 % in 2020. GDP in the emerging markets and developing economies also grew by 6.5 %, versus a decline by 2.0 % in 2020. China recorded GDP growth of 8.1 %, up from growth of 2.3 % in 2020.

GDP growth in selected markets
in %



Source: IMF, World Economic Outlook

Business climate indicators such as the Manufacturing Purchasing Managers Indices (PMIs) for the USA and the Eurozone continued to increase in the first quarter of 2021 compared to Q4 2020. From April to November 2021, the US Manufacturing PMI was relatively stable, but at a lower level than in Q1 2021, before dipping in December. The Eurozone Manufacturing PMI remained elevated in Q2 2021, followed by a decline toward the end of Q3 2021. In Q4 2021, the Eurozone Manufacturing PMI stabilized, but at a lower level. The Chinese manufacturing sector, by contrast, expanded at a relatively stable, but lower level than in the USA and in the Eurozone during the first half of 2021. It subsequently reversed, signaling a contraction of the Chinese manufacturing sector in September and October. In November and December 2021, however, the Chinese Manufacturing PMI returned to the expansion zone.

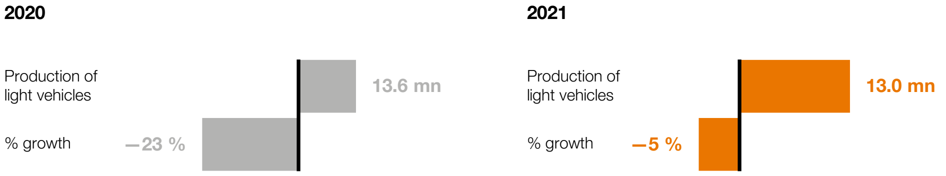
Customer industries

Our customer industries recovered only partially from the impact of the pandemic. In 2021, the global automotive industry – our most important end user market – continued to be impacted by disruptions, in particular shortages of semiconductors.

Back in December 2020, European light vehicle production (17 European countries: Germany, France, Spain, UK, Italy, Austria, Belgium, Finland, Netherlands, Portugal, Sweden, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia) was forecast to grow by 22 % to 16.6 million units in 2021. However, European light vehicle production contracted by 5 % to 13.0 million units compared to 13.6 million units in 2020, and by 27 % compared to the pre-pandemic production level of 2019 (17.8 million units). (Source: LMC Automotive as of January 2022)

Over the course of the year, European light vehicle production weakened in Q2 and Q3 2021 compared with previous quarters, followed by a strong uptick in the fourth quarter of 2021 by 35 % compared to Q3 2021. However, production in the fourth quarter remained below Q4 2020 and Q4 2019 levels by 25 % and 24 %, respectively.

Automotive production in Europe
Number



Source: LMC Automotive

Chinese passenger car production also showed a strong increase in the fourth quarter compared to Q3 2021 (+40 %), while remaining on par with the production level in Q4 2020. For the full-year 2021, it grew by 7 % from 19.9 million units in 2020 to 21.4 million units in 2021, which also constitutes a marginal increase compared to the pre-pandemic level in 2019.

For the full-year 2021 and after a decline in production of the German mechanical engineering sector in 2020, production increased by 7 % in 2021 compared to 2020, while still remaining 7 % below the pre-pandemic level of 2019. Over the course of the year, production of the German mechanical engineering sector showed significant growth in Q2 2021 compared with Q2 2020, which was adversely impacted by COVID-19. This was followed by declining production in Q3 and Q4 2021, albeit still at a higher level than in Q3 and Q4 2020. While production recovered only partially in 2021, order intake of the German mechanical engineering sector rebounded and exceeded the pre-pandemic level, growing by 16 % and 28 % compared to 2019 and 2020, respectively.

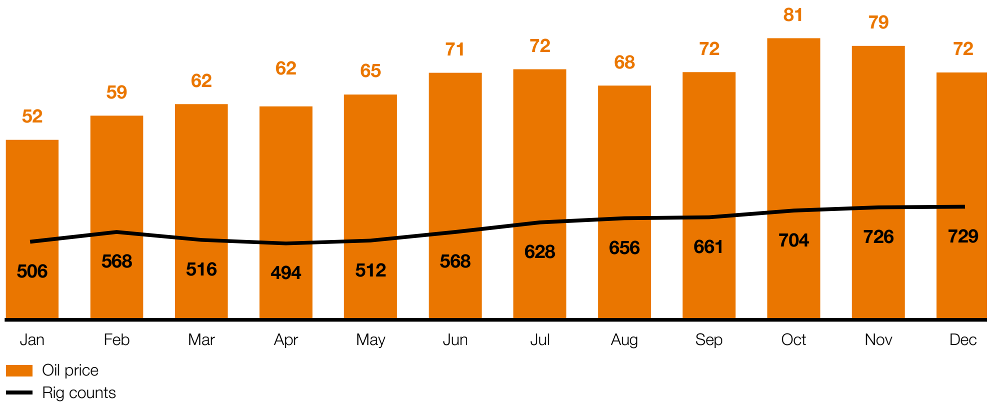
Developments in the oil and gas industry in 2021 were marked by rising global oil consumption and production, a market in deficit, as well as an overall upward trend in the North American rotary rig count and crude oil prices, which however plunged in late November 2021 due to the emergence of the Omicron variant.

According to estimates by the US Energy Information Administration (as of January 2022), in Q4 2021, global oil consumption and production increased, respectively, by 1 % and 2 %, compared to Q3 2021, and by 5 % and 6 % year on year. With the bigger increase in production, the gap to consumption narrowed, and the oil market is now expected to turn into a surplus in 2022. For the full-year, global oil consumption and production increased by 5 % and 2 % year on year to an average of 96.9 million and 95.5 million barrels per day, respectively. However, both crude oil consumption and production remained below the pre-pandemic levels of 2019.

The average crude oil price for West Texas Intermediate (WTI) increased in Q4 2021 by 10 % compared to Q3 2021 and by 81 % compared to the COVID 19-impacted Q4 2020. After a decline of the annual average price by 31 % from USD 57 per barrel in 2019 to USD 39 per barrel in 2020, the average crude oil price increased by 73 % to USD 68 per barrel and, thus, exceeded the pre-pandemic price level.

The North American rotary rig count increased in Q4 2021 by 11 % compared to the previous quarter and by 81 % compared to the COVID-19-impacted Q4 2020. However, it remained 25 % below Q4 2019. On an annual basis, the rig count increased by 16 % year on year to 606 active rigs on average in 2021, but remained 44 % below the level in 2019 (1,077 active rigs).

Change in the oil price (WTI) and rotary rig counts (North America)
Monthly average values in USD/barrel and quantity



Source: Bloomberg

Commodity prices

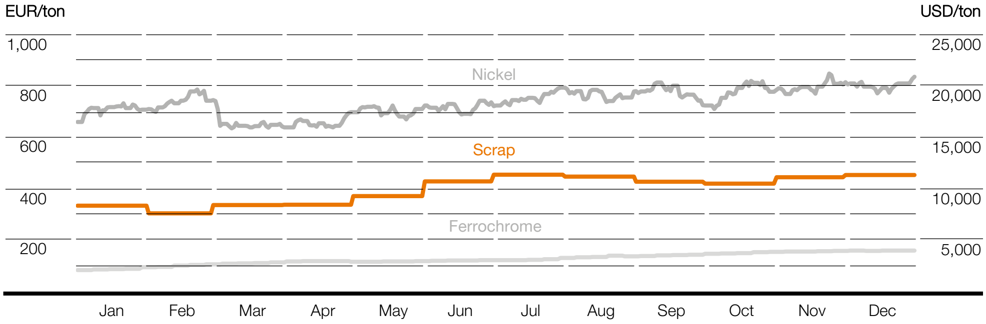
Throughout 2021, prices for important raw materials increased steadily, at times posting significant increases to or near all-time highs.

Monthly average prices for German scrap type 2 continued their upward trend from Q4 2020, with only brief interruptions to the overall upward trend resulting from price dips in February, September and October. The price increases were mainly driven by rising demand and tight supply due to lower availability of new scrap, for example from the automotive industry. In Q4 2021, the average scrap price was marginally lower than in Q3 2021 (-1 %), while it was 92 % higher year on year. For the full-year 2021, the average scrap price increased by 86 % year on year to EUR 399 per ton, compared to EUR 214 per ton in 2020.

In 2021, nickel prices trended upward, except for interruptions from March to April and from the end of September to the beginning of October 2021. The average price for the fourth quarter increased by 4 % compared to Q3 2021 and by 24 % compared to Q4 2020. On an annual basis, the average price in 2021 increased by 34 % to USD 18,484 per ton, compared to USD 13,789 per ton in 2020.

The European price for high carbon ferrochrome (higher grade with 65-70 % Cr) also continued to trend upward over the course of 2021. In the fourth quarter, the average price increased by 16 % compared to Q3 2021 and by 87 % year on year. On an annual basis, the average price increased by 63 % to USD 3,220 per ton, compared to USD 1,977 in 2020. The price development in 2021 was mainly driven by continuous strong demand and tight supply.

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



Scrap: left-hand scale; nickel and ferrochrome: right-hand scale
Sources: BDSV, London Metal Exchange, 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 for material and personnel expenses, energy is the third-largest expenditure item. Here, electricity and natural gas are the primary energy sources for the production process. Electricity is mainly required for operating electric arc furnaces and thus for the melting of scrap, while natural gas is primarily used to operate the ladle furnaces during subsequent steps in the production process.

The Group attempts to mitigate the effect of the volatility in electricity and natural gas prices through a combination of a certain level of long-term supply contracts with short-term purchases at spot prices. These supply contracts with different terms are concluded by the Group companies at local level.

From August 2021, electricity and gas prices at the European Energy Exchange showed strong increases compared to the previous months. In the fourth quarter, quarterly average spot prices for electricity increased by 84 % in Germany and 127 % in France compared to Q3 2021. In the same period, the quarterly average spot price for gas (Trading Hub Europe (THE)) increased by 97 % versus Q3 2021.

Given these price increases, average spot prices for the fourth quarter and the full-year 2021 increased several fold versus the corresponding average prices in 2020. The annual average spot price for electricity in Germany and France increased to EUR 97 per MWh and EUR 109 per MWh, respectively, compared to EUR 31 per MWh and EUR 32 per MWh in 2020. The annual average spot price for gas (THE) climbed to EUR 47 per MWh, up from EUR 10 per MWh in 2020.

Internal factors

Product excellence and innovations

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.

Product excellence and innovation

Research and development (R&D) is one of the key factors in the further development of the product range and manufacturing processes. R&D activities are coordinated at Group level. This work is currently carried out by a workforce of around 100 employees, who are involved in close to 200 R&D projects.

Every Business Unit and production plant works closely with one or more 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 corrosive environment.

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

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. We aim to achieve this certification for more sites and plants. Other large customers have established their own certifications that Swiss Steel Group has to comply with.

All our production plants are certified according to the established ISO 9001 standard for quality management systems. Production plants in Germany, France and Switzerland also have an environmental management system according to ISO 14001 as well as an energy management system according to ISO 50001.

The research teams of the production units at Ascometal, Deutsche Edelstahlwerke, Finkl Steel, Steeltec and Ugitech meet four times a year to discuss universally 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.

The R&D areas are used to promote talent within the Group. The aim is to seek out young talents to take part in promising projects and offer them a career within Swiss Steel 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.

Customer centricity

The customer is at the center of everything that Swiss Steel Group does. We aim to offer our customers precisely those solutions that will enable them to achieve the best possible results. This is ensured by the commitment of experienced account managers and designated experts working Group-wide.

Customer centricity

This enables Swiss Steel Group to benefit from more than 20,000 strong and long-standing customer relationships across the globe. Leveraging its position in the traditional core markets of Europe and North America, Swiss Steel Group now maintains a presence in all the key markets worldwide.

Our global presence and far-reaching industry expertise enable us to serve an exceptionally demanding customer base with a broad range of products for various applications. This includes products for the industry sectors of mechanical engineering, automotive, energy, construction, plastics, foods and beverages, mining, chemicals, and aviation and aerospace. Maintaining a presence along the entire value chain allows us to work closely with customers. We develop customized products with superior product characteristics, which are tailored perfectly to customer requirements. This in turn promotes close customer relationships. Most revenue comes from customers that have been part of the customer base for many years.

Environmentally friendly manufactured steel for sustainable future technologies

"Sustainable concepts for a green approach to steel production"

Steel manufacturers all over the world are reviewing their steel solutions with regard to their environmental impact and sustainability. This is also being driven by future technologies in electro mobility, wind power and fuel cells. Be it Green Steel, Blue Steel or Eco Steel – there are lots of different concepts. Swiss Steel Group is a pioneer in the production of green steel. Together with its Business Units, the Group is pressing ahead with sustainable steel concepts.

Supply chain management

The rapid economic recovery from the COVID-19 crisis became a true challenge in all important segments of procurement: The return of new steel scrap from steel-consuming and steel-processing customer industries was lagging, which resulted in scrap market tightness and a strongly increasing price landscape. The global ferroalloy markets were in a similar situation due to logistic constraints and various production shortages at mines and refining facilities. Finally, skyrocketing energy prices became a major concern from mid-year onward.

Supply chain management

Deliveries of steel scrap and ferroalloys were largely secured by well-managed long-term agreements and well-established supplier relationships, while rising energy costs could not be avoided to a large extent.

Our site in Hagen (DEW), North Rhine-Westphalia, Germany, was badly affected by heavy rainfall and flooding in the summer. The required repair and refurbishing services were contracted quickly, and production started again in the fourth quarter.

Swiss Steel Group continued to optimize the use of domestic secondary raw materials in the form of alloyed and unalloyed steel scrap to limit volumes of primary raw materials as much as reasonable for an improved environmental impact, which is also supported by the consequent treatment and use of internal residues.

Confirmation of compliance with recognized ethical standards is an essential contractual component for all of Swiss Steel Group's suppliers with an annual revenue of EUR 100,000 or more.

Suppliers confirm their compliance with the required ethical standards either by accepting Swiss Steel Group's Supplier Code of Conduct or by means of an equivalent or higher voluntary agreement in the form of an own code of conduct.

Consequently going the path of secondary materials

2.7

million tons of CO_2 emissions avoided by using alloyed and unalloyed steel scrap grades compared to a typical conventional production route

1.9 million tons of alloyed and unalloyed steel scrap were charged in the various melt shop operations of Swiss Steel Group in 2021. This equals 2.4 million tons of CO_2 emissions avoided in terms of contained iron, plus another 0.3 million tons in terms of contained alloying metals.

Governance

The management bodies ensure that Swiss Steel Group has an optimal setup in terms of corporate governance and that there are no conflicts of interest. The company is organized and managed on the basis of a group structure, in which active collaboration and transparency are encouraged with the aim of enabling the Group to generate the best possible results.

Governance
Refer also to pages 65, 76

One of the components necessary for achieving this strategic goal is the creation of a uniform Group-wide corporate identity and culture. The renaming to Swiss Steel Group in 2020 embodies the vision and values of the Group. Our claim “Together. For a future that matters” summarizes how we will grow together as a Group through close collaboration and how we strive toward joint success in the near and distant future. The creation of a shared identity is an important step for the future. It lays the foundation for the Business Units’ shared market presence and promotes the exploitation of synergies. Swiss Steel Group used 2020 and 2021 to realign its corporate identity and culture and further embed this in the organization by means of communication measures, integration of employees at all levels and specific Group-wide change initiatives.

Consistent implementation of the change initiatives will also play an important role from 2021 onward to be able to exploit all potential synergies in the Group, to consistently leverage our outstanding technological know-how for innovation and to get closer to our customers.

“Together. For a future that matters.”

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

Swiss Steel Group continues to view governance in accordance with uniform Group-wide key figures as a major success factor. Swiss Steel Group’s governance focuses on key figures that include:

- Absolute and adjusted EBITDA
- EBITDA margin
- Capital expenditure (capex)
- Leverage (ratio of net debt to adjusted EBITDA)
- Net debt
- Net working capital (as a % of revenue)
- Free cash flow
- Accident rate (LTIFR: lost time injury frequency rate)

Business conduct

Business conduct, as set out in the Code of Conduct, is a guideline for decision and action that applies to each and every employee. It is geared toward the Group's sustainable and successful development in keeping with fair practices. The understanding of what constitutes good corporate citizenship is reflected in the respectful, fair and responsible treatment of all interest groups, most notably employees and business partners as well as society and the environment.

Business conduct

At Swiss Steel Group, we perceive compliance to be more than just adhering to applicable national and international law. We feel bound to ethical and moral values as well. The principles of the compliance system are summarized in the Code of Conduct. Our Code of Conduct can be found online at https://www.swisssteel-group.com/en/group/corporate-governance. It contains guidelines for appropriate conduct in various work situations.

In keeping with a corporate social responsibility (CSR) approach, Swiss Steel Group views the company's success from three perspectives:

- Ecological performance
- Social performance
- Economic performance

All three performance areas are analyzed and evaluated according to defined Group-wide standards relating to stakeholder management and material topics. The principles of these activities are: efficient use of resources, energy efficiency, recyclability of products, minimization of emissions, safety in the workplace, continuous innovation and open dialog with interest groups.

Financial development

Business development of the Group

Financial performance

Following a difficult financial year 2020 with a massive pandemic-related drop in demand, Swiss Steel Group benefited from the strong post COVID-19 market recovery in all main customer industries. Sales began to normalize in the first quarter of 2021, primarily driven by the recovery in demand in the automotive industry. In the first half of 2021 this trend extended to mechanical and plant engineering and increased sales across the entire Group. Not only did sales volumes increase substantially, prices also rose significantly, leading to high margin realization and strong profitability. In the second half of 2021, however, economic uncertainties started to reemerge. Supply chain disruptions in the automotive industry triggered by the semi-conductor shortages affected our order volumes. Additionally, the recent strong price levels for raw materials and energy put pressure on the Group's operational performance and profitability. Swiss Steel Group responded to these developments by adjusting production volumes in the fourth quarter of 2021. Despite this volatility and a softening of demand towards year-end, Swiss Steel Group was able to increase its profitability to a significant degree, reaching an adjusted EBITDA of EUR 191.6 million.

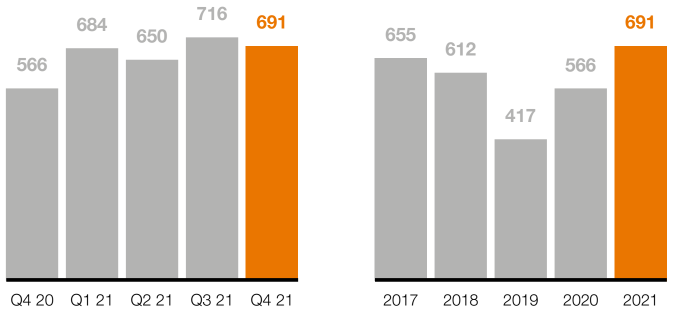
Overview of fourth quarter and 2021

In the fourth quarter of 2021, Swiss Steel Group was able to continue the positive business development of the previous quarters, despite challenging factors such as the global increase in energy prices, semiconductor shortages and the resurging pandemic. Driven by the volatility in demand from the automotive industry, 4.5 % less steel was sold in the fourth quarter 2021 compared to the same quarter of the previous year. Nevertheless, at EUR 39.9 million, adjusted EBITDA was considerably higher than in the previous year quarter (Q4 2020: EUR 4.1 million). The profitability was driven by improving margins reflecting high raw material prices, combined with adapted production and strong cost control to mitigate the impact of high energy prices.

The key financial figures for 2021 were shaped by the post-COVID-19 recovery. The increased demand is reflected in 21.4 % higher sales volumes across all regions and product groups. In addition, the average sales price rose considerably, leading to revenue of EUR 3,192.8 million, an increase of 39.5 % on the prior year (2020: EUR 2,288.4 million). In this overall positive market environment, accompanied by ongoing measures to cut costs and enhance efficiency, adjusted EBITDA improved substantially to EUR 191.6 million (2020: EUR –68.9 million). Free cash flow, on the other hand, was negative at EUR –223.7 million due to low inventory values at the end of 2020 and subsequent investments in net working capital driven by increased market activity and significantly higher raw material and energy prices.

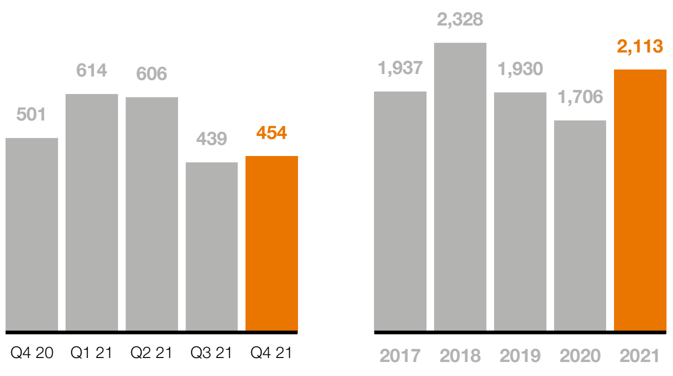
Production, sales and order situation

Order backlog at quarter/year-end
in kilotons



Along with the post-COVID-19 recovery and increased market demand, the order backlog improved toward the end of 2020 and increased substantially in 2021. After reaching a peak in the third quarter 2021, the order backlog declined slightly in the fourth quarter of 2021, reflecting the uncertainties in the automotive industry due to supply chain disruptions triggered by the semi-conductor shortage. Nevertheless, an order backlog of 691 kilotons is still 22.1 % above the prior-year level of 566 kilotons.

Production volume
in kilotons



Crude steel production was scaled up significantly in the first half year 2021 in response to the increased demand. After a seasonally low third quarter, crude steel production was also cut in the fourth quarter of 2021 in order to adapt to lower automotive intake and high energy prices. At 454 kilotons, less crude steel was produced than in the same quarter of the previous year (Q4 2020: 501 kilotons). Overall, crude steel production in 2021 was at 2,113 kilotons, substantially higher than in the previous year (2020: 1,706 kilotons). In the previous year, crude steel production was reduced significantly in order to respond to the COVID-19-related drop in demand.

Sales volume by product group in kilotons	2021	2020	Δ in %	Q4 2021	Q4 2020	Δ in %
Quality & engineering steel	1,403	1,115	25.8	317	342	−7.3
Stainless steel	321	295	8.8	76	70	8.6
Tool steel	134	120	11.7	31	31	0.0
Others	5	5	0.0	1	2	−50.0
Total	**1,863**	**1,535**	**21.4**	**425**	**445**	**−4.5**

At 425 kilotons, 4.5 % less steel was sold in the fourth quarter of 2021 than in the same quarter of the previous year (Q4 2020: 445 kilotons). This decrease was attributable to the 7.3 % decrease in sales volumes of quality and engineering steel due to the decreased demand from the automotive industry. On the other hand, stainless steel sales volumes were increased by 8.6 % compared to the same quarter of the previous year.

At 1,863 kilotons, 21.4 % more steel was sold in the full-year 2021 than in the previous year (2020: 1,535 kilotons), reflecting the upswing in market demand after the COVID-19 related drop in the previous year. At 25.8 %, the increase was strongest in the quality and engineering product group, resulting from strong demand from the automotive industry at the beginning of the year. As this positive market sentiment also extended to mechanical and plant engineering and oil & gas, sales were improved across all product groups.

Key figures on the income statement

in million EUR	2021	2020	Δ in %	Q4 2021	Q4 2020	Δ in %
Revenue	3,192.8	2,288.4	39.5	837.1	604.5	38.5
Gross profit	1,113.1	767.3	45.1	272.1	208.5	30.5
Adjusted EBITDA	191.6	−68.9	–	39.9	4.1	–
EBITDA	200.0	−99.0	–	53.1	−8.9	–
Adjusted EBITDA margin (%)	6.0	−3.0	–	4.8	0.7	–
EBITDA margin (%)	6.3	−4.3	–	6.3	−1.5	–
EBIT	108.7	−272.7	–	27.9	−28.8	–
Earnings before taxes	64.1	−321.6	–	16.2	−43.0	–
Group result	50.3	−310.2	–	11.5	−42.4	–

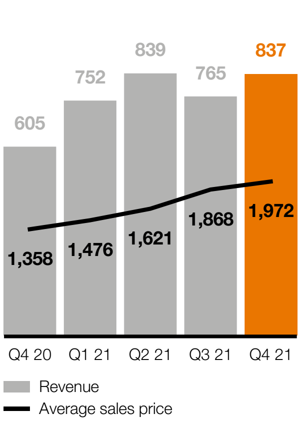
Revenue by product group in million EUR	2021	2020	Δ in %	Q4 2021	Q4 2020	Δ in %
Quality & engineering steel	1,570.2	1,010.7	55.4	409.8	296.1	38.4
Stainless steel	1,149.1	890.4	29.1	303.4	216.9	39.9
Tool steel	396.1	327.8	20.8	105.1	76.6	37.2
Others	77.4	59.5	30.1	18.8	14.9	26.2
Total	**3,192.8**	**2,288.4**	**39.5**	**837.1**	**604.5**	**38.5**

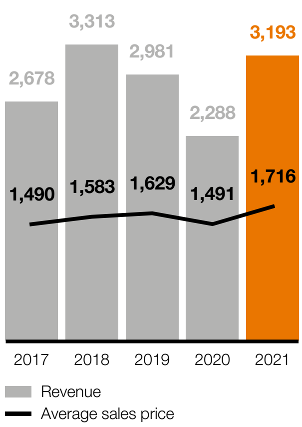
Revenue by region in million EUR	2021	2020	Δ in %	Q4 2021	Q4 2020	Δ in %
Germany	1,120.2	829.0	35.1	283.5	208.6	35.9
Italy	455.2	280.7	62.2	127.0	85.1	49.2
France	332.6	248.0	34.1	82.8	69.4	19.3
Switzerland	48.7	36.5	33.4	14.4	8.3	73.5
Other Europe	651.2	434.0	50.0	169.6	117.6	44.2
Europe	**2,607.9**	**1,828.2**	**42.6**	**677.3**	**489.0**	**38.5**
USA	233.6	188.3	24.1	66.0	43.6	51.4
Canada	70.8	54.0	31.1	17.7	12.2	45.1
Other Americas	38.2	32.1	19.0	10.0	8.9	12.4
America	**342.6**	**274.4**	**24.9**	**93.7**	**64.7**	**44.8**
China	112.6	89.9	25.3	31.0	25.2	23.0
India	38.3	24.8	54.4	11.6	7.8	48.7
Asia Pacific/Africa	91.4	71.1	28.6	23.5	17.8	32.0
Africa/Asia	**242.3**	**185.8**	**30.4**	**66.1**	**50.8**	**30.1**
Total	**3,192.8**	**2,288.4**	**39.5**	**837.1**	**604.5**	**38.5**

The average sales price per ton of steel was EUR 1,972 in the fourth quarter of 2021, considerably higher than the average price achieved in the same quarter of the previous year (Q4 2020: EUR 1,358 per ton). This was mainly due to the increase in raw material prices. Moreover, base prices were increased and the Group started to implement energy surcharges toward the end of 2021 to pass on the energy price inflation to customers.

In the full-year 2021, the average sales price of EUR 1,716 was 15.1 % above the previous year (2020: EUR 1,491 per ton) driven by higher raw material prices but also increased base prices. The price increase in all product groups outweighed the negative impact from the product mix, with a continued high share of the quality & engineering steel product group at a lower average sales price.

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





Despite a lower sales volume, revenue in the fourth quarter increased by 38.5 % to EUR 837.1 million compared to the same quarter in the previous year, resulting from higher average sales prices. The increase in revenue was spread across all product groups. By region, revenue increased in all our sales markets with the strongest increase in the American market (44.8 %), reflecting the recovery in the oil and gas market.

In the full-year 2021, revenue increased by 39.5 % year on year to EUR 3,192.8 million. Revenue increased across all product groups with the strongest increase in quality & engineering steel at 55.4 %. This product group was particularly impacted by the COVID-19-related drop in demand from the automotive industry and mechanical and plant engineering in the previous year. By region, revenue increased in all our sales markets. In particular, revenue in Europe, our largest sales market, was up 42.6 %. This region was particularly affected by the COVID-19 pandemic containment measures in the prior-year.

Expenses

in million EUR	2021	2020	Δ in %	Q4 2021	Q4 2020	Δ in %
Cost of materials (incl. change in semi-finished and finished goods)	2,079.7	1,521.0	36.7	565.0	396.0	42.7
Personnel expenses	663.2	624.4	6.2	159.5	154.7	3.1
Other operating expenses	338.2	292.8	15.5	96.8	78.6	23.2
Depreciation, amortization and impairments	91.3	173.7	−47.4	25.1	19.9	26.1

Cost of materials and gross profit

Cost of materials – including change in semi-finished and finished goods – increased in the fourth quarter by 42.7 % to EUR 565.0 million. This was due to high raw material and energy prices which offset the impact from lower production volumes.

For the full-year 2021, cost of materials – including change in semi-finished and finished goods – rose by 36.7 % to EUR 2,079.7 million. This was due to the considerably higher production volume, additionally amplified by high raw material and energy prices.

Gross profit – revenue less cost of materials – was up by 30.5 % in the fourth quarter to EUR 272.1 million (Q4 2020: EUR 208.5 million). The gross profit margin decreased to 32.5 % (Q4 2020: 34.5 %), mainly caused by the energy prices that could not yet be fully passed on to our customers.

In the full-year 2021, gross profit increased by 45.1 % to EUR 1,113.1 million (2020: EUR 767.3 million). This was primarily attributable to the significant increase in sales volumes. The gross profit margin rose to 34.9 %, up on the previous year (2020: 33.5 %).

Personnel expenses

Personnel expenses increased by 3.1 % in the fourth quarter to EUR 159.5 million (Q4 2020: EUR 154.7 million). In Q4 2021, this included a reversal of restructuring provisions at the Business Unit DEW in the amount of EUR 5.8 million and at the Business Unit Ascometal in the amount of EUR 2.3 million. In the fourth quarter of 2020, personnel expenses included one-time expenses of EUR 7.9 million relating to the restructuring at Ascometal.

In the full-year 2021, personnel expenses were up by 6.2 % to EUR 663.2 million. This was preliminary driven by higher operational activity along with the market recovery. In the previous year, several measures, such as changes in shift models or short-time work programs were introduced as a response to the drop in the demand. In 2021, short-time work was reduced in almost all production areas, with only sporadic use made of this instrument for specific production areas. In the full-year 2021, Swiss Steel Group received EUR 3.6 million in compensation for short-time work, which was offset against personnel expenses (2020: EUR 23.2 million). In 2021, despite higher activity, the headcount decreased by 36 employees year on year to 9,914.

Other operating income and expenses

At EUR 37.3 million, other operating income in the fourth quarter was considerably higher than in the same quarter of the previous year (Q4 2020: EUR 15.9 million). In the fourth quarter 2021, this included the compensation from property and business interruption insurances due to the flood disaster in Hagen in the amount of EUR 22.6 million. For the full-year 2021, an insurance reimbursement of EUR 35.3 million was recognized. Consequently, other operating income of EUR 88.3 million was higher in the full-year 2021 than in the previous year (2020: EUR 50.8 million).

Other operating expenses increased by 23.2 % over the same quarter in the previous year to EUR 96.8 million (Q4 2020: EUR 78.6 million). This was preliminary driven by higher repair and maintenance expenses to rebuild the Hagen site after the flooding. Furthermore, freight and commission costs increased due to logistic constraints. For the full-year 2021, other operating expenses rose by 15.5 % to EUR 338.2 million (2020: EUR 292.8 million). This increase was due to higher freight and commission expenses given increased commercial activity, additionally amplified by higher transportation costs. Moreover, repair and maintenance expenses were up considerably on the prior year, driven on the one hand by the additional expenditure in Hagen, and on the other by the generally higher maintenance costs due to increased production.

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

Adjusted EBITDA was EUR 39.9 million in the fourth quarter of 2021; an increase over the same quarter of the previous year (Q4 2020: EUR 4.1 million). The one-time effects amounted to EUR –13.2 million and included the reversal of restructuring accruals at the Business Units DEW of EUR - 5.8 million and Ascometal of EUR - 2.3 million, EUR - 10.3 million insurance income for Hagen for which expenses have not yet been incurred due to the ongoing repairs, as well as costs for the reorganization and transformation program. Including these one-time effects, EBITDA increased to EUR 53.1 million (Q4 2020: EUR –8.9 million).

For the full-year 2021, adjusted EBITDA was EUR 191.6 million, a very significant increase over the previous year (2020: EUR –68.9 million). One-time effects amounted to EUR –8.4 million (2020: EUR 30.1 million) and were attributable to costs for the efficiency improvement program, income from the reversal of restructuring provisions at DEW and Ascometal and insurance income from the Hagen flooding. EBITDA came to EUR 200.0 million, significantly higher than the previous year (2020: EUR –99.0 million).

In the fourth quarter of 2021, the adjusted EBITDA margin rose to 4.8 % (Q4 2020: 0.7 %) and the EBITDA margin to 6.3 % (Q4 2020: –1.5 %). For the full-year 2021, the adjusted EBITDA margin was 6.0 % (2020: –3.0 %), while the EBITDA margin was 6.3 % (2020: –4.3 %).

One-time effects

in million EUR	2021	2020	Δ in %	Q4 2021	Q4 2020	Δ in %
EBITDA (IFRS)	**200.0**	**–99.0**	**–**	**53.1**	**–8.9**	**–**
Performance improvement program, others	–7.1	16.3	–	–9.6	3.3	–
Reorganization and transformation processes	4.6	1.0	–	3.7	0.5	–
Restructuring and other personnel measures	–5.9	12.6	–	–7.3	9.2	–
M&A and integration	0.0	0.2	–	0.0	0.0	–
Adjusted EBITDA	**191.6**	**–68.9**	**–**	**39.9**	**4.1**	**–**

Depreciation, amortization and impairments

Depreciation, amortization and impairments came to EUR 25.1 million in the fourth quarter, above the figure for the same quarter in the previous year (Q4 2020: EUR 19.9 million). This includes impairments from the Business Unit Ascometal of EUR 6.6 million (Q4 2020: EUR 3.0 million). For the full-year 2021, at EUR 91.3 million, depreciation, amortization and impairments were considerably lower than the prior-year level (2020: EUR 173.7 million). This was due to lower impairments year on year. In 2021, this included impairments of the Business Unit Ascometal amounting to EUR 19.9 million. In the previous year, the item included impairments of the Business Units Ascometal and DEW in the amount of EUR 101.2 million.

Financial result

At EUR –11.6 million, the financial result in the fourth quarter was higher than in the same quarter in the previous year (Q4 2020: EUR –14.2 million). For the full-year 2021, the financial result improved to EUR –44.6 million, from EUR –48.9 million recorded in 2020.

The early redemption of the bond had a total effect of EUR 6.2 million on the financial result in 2020, of which EUR 2.5 million was recognized in interest expenses on financial liabilities and EUR 3.7 million in other financial expenses.

Tax expense (income)

Earnings before tax (EBT) in the fourth quarter were EUR 16.2 million (Q4 2020: EUR –43.0 million) and amounted to EUR 64.1 million for the full-year 2021 (2020: EUR –321.6 million) The tax expenses in the fourth quarter were EUR –4.7 million (Q4 2020: EUR 0.6 million), while for the full-year 2021 it was EUR –13.8 million (2020: EUR 11.4 million).

In 2020, current taxes included a positive one-time effect of EUR 13.1 million from offsetting losses in the current fiscal year against profits in previous years in the USA. This tax refund was granted as part of the COVID-19 aid package. Deferred taxes on loss carry-forwards from the France tax group and the Business Unit Steeltec (formerly Swiss Steel), amounting to EUR 7.3 million, were also capitalized.

Group result

A positive Group result of EUR 11.5 million was recorded in the fourth quarter (Q4 2020: EUR –42.4 million). For the full-year 2021 the Group achieved a positive Group result of EUR 50.3 million, considerably above the previous year (2020: EUR –310.2 million) given the significantly increased operating result and lower impairment amount.

Key figures on the balance sheet

	Unit	31.12.2021	31.12.2020	Δ in %
Shareholders' equity	million EUR	448.9	166.1	–
Equity ratio	%	20.2	9.7	–
Net debt	million EUR	720.5	639.9	12.6
Gearing	%	160.5	385.2	–
Net working capital (NWC)	million EUR	1,040.6	698.1	49.1
Balance sheet total	million EUR	2,227.4	1,715.7	29.8

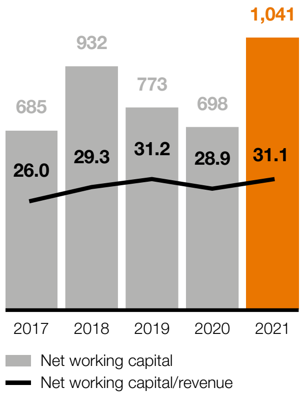
Non-current assets

Non-current assets increased compared with December 31, 2020 by EUR 18.2 million to EUR 575.6 million. The increase was mainly the result of additions to property, plant and equipment and right-of-use assets. In the previous year these positions were subject to an impairment in the amount of EUR 101.2 million, while the impairment in 2021 was considerably lower (EUR 19.9 million). The share of non-current assets in the balance sheet total decreased to 25.8 % (December 31, 2020: 32.5 %).

Net working capital

Compared with December 31, 2020, net working capital increased from EUR 698.1 million to EUR 1,040.6 million. This development is the result of increased market activities leading to higher production volumes, additionally very significantly amplified by very high raw material and energy prices. Trade accounts receivable increased by EUR 132.2 million and inventories by EUR 350.0 million. These two effects outweighed the increase in trade accounts payable by EUR 139.7 million. The ratio of net working capital to revenue (L3M annualized) as of December 31, 2021 was 31.1 % compared with 28.9 % at the end of 2020.

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



Shareholders' equity and equity ratio

At the end of December 2021, shareholders' equity had increased by EUR 282.8 million since December 31, 2020. This was mainly attributable to the capital increase completed on March 22, 2021, which generated a gross inflow of EUR 223.5 million. After deducting transaction costs, Swiss Steel Group collected EUR 217.0 million. In addition, the positive Group result of EUR 50.3 million as well as the actuarial gains from pensions and similar obligations in the amount of EUR 11.1 million had a positive effect on shareholders' equity. The equity ratio of 20.2 % is therefore significantly higher than it was at the end of the previous year (2020: 9.7 %).

Liabilities

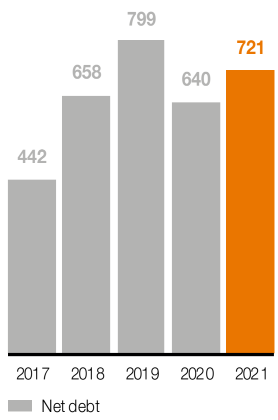
Non-current liabilities amounted to EUR 894.8 million as of the reporting date and were thus EUR 12.6 million higher than on December 31, 2020, primarily as a result of the EUR 45.8 million increase in non-current financial liabilities. This position includes higher financing from the syndicated loan. Pension liabilities on the other hand were reduced by EUR 21.7 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 51.4 % to 40.2 %.

Current liabilities of EUR 883.7 million were EUR 216.4 million higher than at the end of 2020. This was primarily attributable to the rise in trade accounts payable of EUR 139.7 million resulting from increased market activity and higher raw material prices. In addition, the ABS financing program was utilized to a greater extent, resulting in an increase in current financial liabilities. The share of current liabilities in the balance sheet is 39.7 % (December 31, 2020: 38.9 %).

Net debt

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 720.5 million, an increase compared to December 31, 2020 (EUR 639.9 million). This was mainly due to the ongoing high raw material prices and the sharp rise in energy prices in the fourth quarter of 2021, requiring significantly higher net working capital.

Net debt
in million EUR



Key figures on the cash flow statement

in million EUR	2021	2020	Δ in %	Q4 2021	Q4 2020	Δ in %
Cash flow before changes in net working capital	199.0	–85.2	–	47.9	–27.7	–
Cash flow from operating activities	–135.8	–21.9	–	–15.8	11.8	–
Cash flow from investing activities	–87.9	–77.9	–12.8	–38.0	–30.7	–23.8
Free cash flow	–223.7	–99.8	–	–53.8	–19.0	–
Cash flow from financing activities	236.3	124.2	90.3	61.8	38.7	59.7

Cash flow from operating activities

At EUR 47.9 million, operating cash flow before changes in net working capital in the fourth quarter of 2021 was considerably higher than in the same quarter of the previous year (Q4 2020: EUR –27.7 million), driven by the increased profitability. Despite the good operating result, cash flow from operating activities was negative at EUR –15.8 million (Q4 2020: EUR 11.8 million). This was due to the increase in net working capital, especially the increase in inventories.

For the full-year 2021, cash flow from operating activities was EUR –135.8 million, lower than in the previous year (2020: EUR –21.9 million). This was due to the increase in net working capital, compared with the reduction in net working capital in the previous year.

Cash flow from investing activities

Cash flow from investing activities in the fourth quarter amounted to EUR –38.0 million, up on the same quarter of the previous year of EUR –30.7 million. Cash flow from investing activities for the full-year 2021 was also higher than that of the previous year at EUR –87.9 million (2020: EUR –77.9 million).

Free cash flow (cash flow from operating activities less cash flow from investing activities) in the fourth quarter of 2021 was EUR –53.8 million (Q4 2020: EUR –19.0 million). For the full-year 2021, free cash flow was EUR –223.7 million, lower than in the previous year (2020: EUR –99.8 million).

Cash flow from financing activities

Cash flow from financing activities in the fourth quarter of 2021 was EUR 61.8 million (Q4 2020: EUR 38.7 million). This mainly includes additional financing from the syndicated loan as well as a higher utilization of the ABS finance program. The cash inflow from financing activities for the full-year 2021 was EUR 236.3 million (2020: EUR 124.2 million). This includes the net proceeds from the capital increase completed on March 22, 2021 in the amount of EUR 223.5 million, additional financing from the syndicated loan as well as higher utilization of the ABS finance program.

Change in cash and cash equivalents

The total change in cash and cash equivalents in 2021 thus came to EUR 14.3 million (2020: EUR 20.7 million). At the end of December 2021, cash and cash equivalents amounted to EUR 89.0 million, compared with EUR 74.7 million at the end of December 2020.

Business development of the divisions

Key figures divisions in million EUR	2021	2020 [1]	Δ in %	Q4 2021	Q4 2020	Δ in %
Production						
Revenue	2,948.9	2,097.6	40.6	781.5	537.1	45.5
Adjusted EBITDA	159.3	–80.0	–	35.0	–3.0	–
EBITDA	175.8	–101.5	–	52.8	–13.9	–
Adjusted EBITDA margin (%)	5.4	–3.8	–	4.5	–0.6	–
EBITDA margin (%)	6.0	–4.8	–	6.8	–2.6	–
Investments	99.0	80.5	23.0	41.8	31.2	34.0
Operating free cash flow	–247.8	–100.7	–	–66.6	1.2	–
Employees as of closing date	8,437	8,498	–0.7	8,437	8,533	–1.1
Sales & Services						
Revenue	575.9	451.4	27.6	148.5	119.3	24.5
Adjusted EBITDA	50.6	24.2	–	12.5	11.0	13.6
EBITDA	50.6	23.4	–	12.5	10.4	20.2
Adjusted EBITDA margin (%)	8.8	5.4	–	8.4	9.2	–
EBITDA margin (%)	8.8	5.2	–	8.4	8.7	–
Investments	7.0	6.1	14.8	1.8	2.0	–10.0
Operating free cash flow	29.0	36.9	–21.4	8.0	19.9	–59.8
Employees as of closing date	1,346	1,351	–0.4	1,346	1,316	2.3

[1] Restatement between Sales & Services and Production due to business model changes at Swiss Steel Deutschland GmbH (Note 33)

In 2021, adjustments were made in the business model between the two divisions. For the German market, sales are now handled by the local Sales & Services division, which serves as an agent for the production companies and no longer acts for its own account. The German Sales & Services division is now compensated on the basis of a sales commission. This adjustment impacts the allocation of revenue and EBITDA between Sales & Services to Production. The 2020 figures have been adjusted accordingly.

Production

In the fourth quarter, the *Production* division recorded growth in revenue of 45.5 % despite slightly lower sales volumes. This was due to significantly increased sales prices additionally amplified by a more favorable product mix. At EUR 35.0 million, adjusted EBITDA was considerably higher than in the same quarter of the previous year (Q4 2020: EUR –3.0 million), preliminary driven by the increased margin. The one-time effects amounted to EUR –17.8 million and mainly included the reversal of restructuring expenses at the Business Units DEW of EUR - 5.8 million and Ascometal of EUR - 2.3 million as well as EUR - 10.3 million insurance income for Hagen for which expenses have not yet been incurred.

Revenue for the full-year 2021 increased by 40.6 %, driven by higher sales volume as well as higher sales prices. Adjusted EBITDA amounted to EUR 159.3 million, a significant increase on the previous year (2020: EUR –80.0 million). One-time effects amounted to EUR –16.5 million, mainly attributable to the reversal of restructuring provisions at the Business Units DEW and Ascometal and insurance income from the Hagen flooding.

Sales & Services

With nearly constant sales volume, the *Sales & Services* division increased revenue in the fourth quarter of 2021 by 24.5 %. This increase was also driven by the increased sales prices even though less pronounced compared to the *Production* division. At EUR 12.5 million, adjusted EBITDA is above the figure for the same quarter of the previous year (Q4 2020: EUR 11.0 million). Only minimal one-time effects were recorded in the *Sales & Services* division.

For the full-year 2021, revenue increased by 27.6 % and adjusted EBITDA was above the previous year at EUR 50.6 million with only minimal one-time effects.

Non-financial development

Together with financial value, the creation and maintenance of non-financial value is key to the existence and successful development of our organization. This primarily means acting responsibly in our dealings with people and nature. We consider it a central goal of a responsible organization to strike and maintain a balance between social, environmental and economic success factors.

Environment

Our approach toward the environment 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 cost of materials, energy efficiency and water consumption.

The major advantage of steel products is that they are 100 % recyclable after they are no longer needed – usually after an extended period of use. What is more important, this in no way impacts the quality. This means that, in principle, steel products of the same or higher quality can be produced from scrap. Steel production based on scrap, also known as secondary steel production, therefore does not just preserve the world's raw materials; it also requires much less energy and results in less environmental degradation overall. The scrap-based steel industry and by default Swiss Steel Group are therefore an integral part of the circular economy.

Steel at Swiss Steel Group's production plants is exclusively produced using scrap in electric arc furnaces, currently the most environmentally friendly method of steel production.

Environmental protection

Another major pillar of corporate social responsibility at Swiss Steel Group is the continuous and sustainable development of environmental and climate protection activities. 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. All production processes comply with strict local environmental requirements at our locations in Germany, France, Canada, Switzerland and the USA.

Environmental protection

Environmental management system

The production units in Europe use environmental management systems which are certified to the internationally recognized standard ISO 14001. Management is responsible for the environmental management system at all production locations of the Group. Management defines the strategic goals and priorities of environmental management and coordinates the dialog with stakeholders of individual Business Units, ensuring the interests of politics, associations, industry-specific organizations and local neighborhoods are represented.

Since 2019, the environmental managers of the individual production plants have come together to form a Group-wide team. This team is now working on joint Group-wide focal issues, key figures and targets for environmental and resource management themes. The following four key issues have been defined:

- Climate and energy
- Water and effluents
- Waste
- Other airborne emissions

Standard key figures were collated by each production plant relating to these key issues. The baseline has therefore been established, and the next step is to identify further potential for improvement at the plants and set objectives across the Group. The environmental impact or ecological footprint of several steel works is currently being analyzed in more depth.

Emissions into the air

In addition to greenhouse gases – CO_2 in particular – the main air pollutants from Swiss Steel Group's production processes are nitrogen oxides (NO_x) and dust. Swiss Steel Group with its production plants remains within or often even comes in below all these emission limits, which are mandated by law. Emission levels are measured through constant records as well as through regular evaluations.

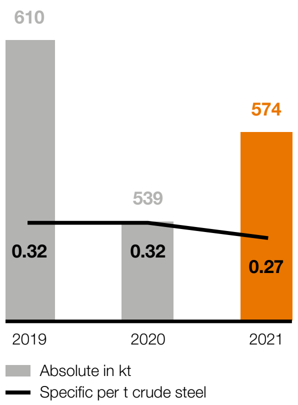
Scope 1 CO_2 emissions

Production of crude steel in the production process using electric arc furnaces leads to process-related CO_2 emissions resulting from combustion of natural gas, melting of steel scrap, alloys and additives as well as burnup of graphite electrodes. Further CO_2 emissions arise from natural gas fired furnaces during reheating of steel for processing in the rolling plant or forge shop as well as during heat treatment of our steel products. Scope 1 are the direct CO_2 emissions which result from our production and processing operations.

In 2021, the total Scope 1 CO_2 emissions of the Ascometal, Deutsche Edelstahlwerke, Finkl Steel, Steeltec and Ugitech sites rose to 574 kilotons, up from 539 kilotons in 2020. This was due to an increase in production quantities brought about by the economic recovery. Nevertheless, the emissions per ton of crude steel produced decreased because of the efforts and measures made at our production sites.

Further measures to reduce the specific Scope 1 emissions have been initiated and will be monitored by Swiss Steel Group on an ongoing basis.

Scope 1 CO_2 emissions
of all production plants manufacturing crude steel in kt / in t per t of crude steel produced



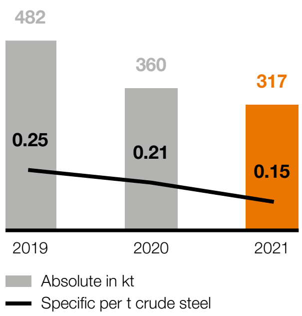
Scope 2 CO_2 emissions

A significant portion of CO_2 emissions from the production of electric steel falls under the indirect Scope 2 emissions. These are the emissions generated during the production of the energy we purchase, in other words mainly electricity, heat and steam. Depending on how electricity is generated in a country, for example whether it comes from renewable sources, nuclear power, coal or natural gas, the level of Scope 2 CO_2 emissions will vary. However, as climate change becomes more apparent, all countries are striving to reduce CO_2 emissions from electricity generation. For example, Germany has reduced its CO_2 emissions factor for electricity by around 20 % over the last ten years by expanding its renewable energy sector. Basically, the more environmentally friendly the form of electricity generation used in a country, the more environmentally friendly our steel is at production plants in that country. It must also be noted that our production plants in France, Canada and Switzerland have considerably lower Scope 2 emissions than those in Germany because of the electricity mix available locally. Most electricity in Germany is generated in coal-fired power stations, which produce very high CO_2 emissions.

In 2021, the total Scope 2 CO_2 emissions of the Ascometal, Deutsche Edelstahlwerke, Finkl Steel, Steeltec and Ugitech sites fell to 317 kilotons down from 360 kilotons in 2020. This was despite an increase in production quantities brought about by the improving economy and mainly due to a greater proportion of zero-emissions electricity.

Specific Scope 2 emissions can be reduced by making production processes more efficient and thereby reducing energy consumption. However, the proportion of emission-free electricity available in each country plays a crucial role in this. Such electricity also includes electricity from nuclear power plants, even though this is not a renewable source.

Scope 2 CO_2 emissions
of all production plants manufacturing crude steel in kt / in t per t of crude steel produced



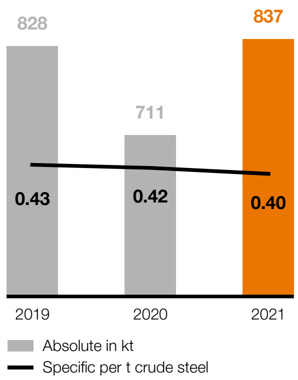
NO_x emissions

Nitrogen oxides (NO_x) are gaseous nitrogen compounds released during combustion but also during the natural microbiological degradation process in the ground. During steel production and processing, nitrogen oxides mainly result from combustion of natural gas in furnaces of rolling plants and during heat treatment. These emissions have been reduced significantly in the past few years by using state-of-the-art furnace and burner technology.

Swiss Steel Group is committed to the statutory rulings in place at each production plant, some of which are very strict. Whenever possible, Swiss Steel Group aims to achieve levels below the limit values.

Reducing specific NO_x emissions goes hand-in-hand with more efficient production processes and the use of low-NO_x burners. Although total NOx emissions have risen due to increased production, initial successes have been achieved in reducing the specific NOx emissions.

NO_x emissions
of all production plants manufacturing crude steel in t / in kg per t of crude steel produced

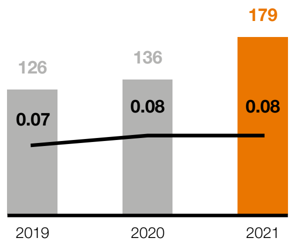


Dust emissions

Exhaust air and waste gas containing dust, which mainly originates from the smelting of steel in steel plants, is captured and fed into state-of-the-art dust extraction facilities.

The specific dust emissions in 2021 were 0.08 kg per ton of crude steel and therefore unchanged in comparison to the figure from the previous year.

Dust emissions
of all production plants manufacturing crude steel in t /in kg per t of crude steel produced



Residues and waste

Many residues and waste materials from production and processing of steel can be recycled for internal purposes or used as secondary raw materials in other branches of the industry. For example, used refractory materials from melting furnaces and ladle furnaces are returned to suppliers for conditioning, the dust from the smelting process is used in the zinc industry or in mine filling, sinter and scale from the forging process are used in blast furnaces, and separately captured materials such as used oil, plastic waste or paper are sent for recycling. Even what is known as slag, which is produced during the smelting of scrap, is recycled in road building and the construction materials industry.

Waste quantity in t	2019	2020	2021
Recyclable waste	332,346	241,067	372,866
Non-recyclable waste	214,061	203,561	256,224
Total waste quantity	**546,407**	**444,628**	**629,090**
– of which hazardous waste	67,057	69,355	74,542
– of which non-hazardous waste	479,350	375,273	554,548
Waste quantity per ton of crude steel products	0.28	0.26	0.30

Of the total amount of waste generated in the crude steel production plants, around 63 % is recyclable. The amount of waste has increased in comparison with 2020, mainly as a result of a higher steel production.

Resource management

Swiss Steel Group's production is based on steel scrap, which is 100 % recyclable. The careful and efficient use of resources not only saves money, but first and foremost reduces the impact on the environment. Through this and other Group-wide efficiency improvement programs, we foster the economical use of valuable resources.

Resource management

In terms of resource management, sustainability is not limited to production and processing alone. We have implemented numerous measures to optimize the life span of products as well as their reuse and recyclability.

At our production sites in Germany, France, Canada, Switzerland and the USA, the share of recycling material, i.e. the use of scrap in overall material for the production of our high-quality steel, is around 90 %. This makes us one of the biggest recyclers of steel scrap worldwide.

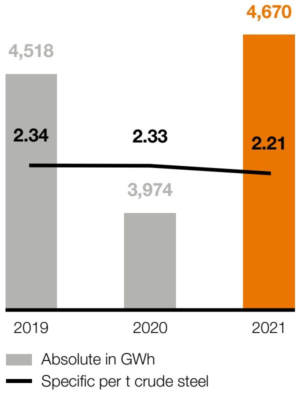
Energy management

Energy efficiency is a constant challenge in the steel industry, not only because of the cost involved. Our priority is therefore to continually reduce the energy needed to produce our steel products. A key focus here is to raise awareness of this topic among employees and to encourage them to take an active role in our efforts. Only with the ideas and, in particular, involvement of employees will we be able to achieve a sustainable reduction in energy consumption. Using less energy conserves our planet's resources, mitigates our impact on the environment and reduces costs – a three-fold benefit.

Increases in efficiency are achieved through, for example, energetic optimization of plants and processes as well as use of heating potential. Political decisions lend the topic another long-term significance. An energy management system is an economic necessity for all production and service processes. At Swiss Steel Group, all European sites use energy management systems certified according to ISO 50001.

In 2021, the specific energy consumption of the steelworks was 2.21 MWh per ton of crude steel. This figure was reduced compared with 2020, mainly due to increased efficiency and internal energy saving programs. About 40 % of the energy used comes from electricity and about 60 % from natural gas. The amount of energy consumed generally depends on the quality of the steel produced and the processing involved. The quality of the raw materials used also plays an important role. To put it simply: the higher the quality of steel produced and its depth of processing, the higher the specific energy consumption for manufacturing of products. Since the product portfolio of Swiss Steel Group is subject to volatility depending on the requirements on the steel market, the specific energy consumption for steel production and processing is also subject to fluctuations.

Energy consumption
of all production plants manufacturing crude steel in GWh / in MWh per t of crude steel produced

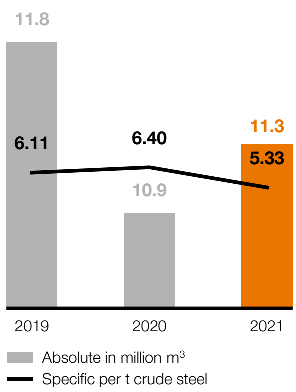


Water management

In steel production, water is mainly used as process water to cool the equipment. Careful use of water taking into consideration local circumstances is achieved through the installation of recycling systems and reuse of process water. Since process water is partly converted into steam, it has to be refilled, which is represented by the figures shown.

All Swiss Steel Group production plants are located in regions where there is no immediate shortage of water. The increase in production volume resulted in a higher water supply year on year. Nevertheless, the specific water consumption per ton of crude steel was reduced thanks to technological improvements.

Water supply
of all production plants manufacturing crude steel in million m³ / in m³ per t of crude steel produced



Social responsibility

We strive to create an environment in which people feel welcome, are safe, are motivated to perform and are satisfied. This includes employees, neighbors, customers or suppliers. We focus on four key areas of social responsibility.

Health and safety

Health and safety

We bear a great responsibility for the health and safety of our employees and business partners. Consequently, we do everything we can to avoid accidents and every type of injury. The topic of health and safety is assigned the highest priority both at the Business Units and at the Group level. Awareness among employees of the importance of safety and the development and implementation of new formats for specific target groups help us to implement a prevention strategy that will put us on a course toward zero accidents. Several of our Business Units have already ISO 45001 certified Health & Safety management systems in place or are in the implementation process including external certification. We have developed several strategies, including the successful launch of a global campaign focusing on accidents associated with tripping, slipping, falling and hand injuries.

Since the beginning of the pandemic, a Group Task Force of Health & Safety experts has been in place that collaborates closely with the pandemic staff units at the locations. The Task Force analyzes and implements the most important crisis prevention and response measures as well as business continuity measures.

Health management

Keeping our employees healthy is one of our most important objectives in our effort to remain successful and competitive in the long term. We are convinced that the health and wellbeing of our employees are a prerequisite for performance, success, creativity and innovation. The goal is to promote factors which preserve good health while eliminating those that would cause illness. One of the leading tools is the Employee Assistance Program (EAP) that allows employees at all levels to seek help and advice from external experts in conflict and / or medical crisis situations in order to get the support they need.

Our digital offerings were expanded and intensified in 2021 in the wake of the COVID-19 pandemic, alongside established occupational health topics such as flu shots for employees. These digital offerings include virtual health weeks at the locations (e.g. on topics like nutrition, sleep and shift work) as well as multilingual training videos on hygiene protection measures during the pandemic.

Global Health & Safety Day 2021 (GHSD)

Tripping, slipping, falling and hand protection

The GHSD initiatives of Swiss Steel Group this past year focused on accidents caused by tripping, slipping, falling and lack of hand protection. Due to the special circumstances of the COVID-19 pandemic, no in-person events were held. The campaign content is available on posters and in a training video in nine languages and has been successfully rolled out worldwide.

Measures to combat the coronavirus pandemic

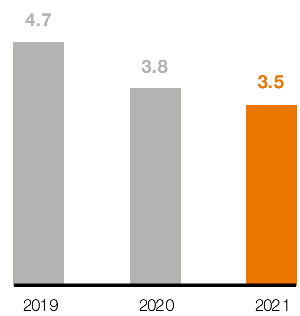
The protective measures and work regulations for employees are constantly being adapted as the pandemic develops and in line with the continually changing guidelines at the national level. Modern forms of mobile working and digital collaboration were made possible, and business travel was reduced to an absolute minimum. Measures designed to change behavior and promote hygiene were communicated on an ongoing basis, rapid tests were distributed, campaigns designed to raise awareness were initiated, and vaccination offerings were organized by our medical staff and external providers - even on the premises of our Business Units - and support provided to maintain external vaccination offerings. In Germany, our medical staff administered around 3,500 COVID-19 vaccinations.

Work safety

We aspire to be the best company in our industry and achieve our goal of zero accidents.

To continue to develop safe behavior guidelines for employees, we have introduced programs on behavior-based occupational safety. Risk assessments and accident investigations take place regularly according to a preventive process as defined in the Health & Safety management system. The results of recommended Health & Safety protection initiatives are also measured on a regularly basis. The processes for reporting near-misses were improved further, with the reported incidents leading to more effective accident prevention as a result. Established local safety committees, briefings as well as Health & Safety campaigns – e.g. Global Health & Safety Day – make sure that all employees get instructions and support on all Health and Safety measures and initiatives. Additional Health & Safety information is available on the intranet. In 2021, we also introduced standard Group-wide software for health and safety. Using this software, not only can we obtain faster and more detailed analyses and evaluations of incident data and risks, but also introduce effective prevention and achieve effectual compliance.

LTIFR



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

The LTI indicator (LTI = lost time injury; an incident that results in an employee having to miss work after sustaining an injury while working) is central to work safety. It takes accidents into account that result in a loss of working time of more than one day. When multiplied by one million work hours and divided by the number of total hours worked, the product is the LTIFR (lost time injury frequency rate). LTIFR is a common safety KPI in the steel industry. Compared to 2019, we reduced it by 25 % through continuous efforts and measures such as training courses, campaigns to raise awareness among the workforce, and behavior-based work safety.

Personnel and talent management

Personnel and talent management

COVID-19 continued to impact our employees and the way we organized work at Swiss Steel Group. Learning from our experiences in 2020, throughout the Group we further adjusted work processes, working hours and mobile work options in accordance with statutory requirements and prioritized measures that had proven to be effective to accommodate the latest developments of the pandemic. It was possible in many areas to return to regular processes while taking required and necessary protective measures. This greatly contributed to relieving some of the COVID-19 fatigue that employees and managers had experienced over the summer, despite our best efforts to organize work as effectively as possible during these unprecedented times.

During this year characterized by immense volatility and uncertainty, the element of community and teamwork within and across functional areas and our Business Units was more important than ever.

In addition to maintaining and continuously developing skills, competencies and knowledge, collaboration and support among our employees is a beacon of our Group culture. As a further pillar of support in cases of individual need, the employee assistance program offered to colleagues in Germany and multiple dialogs initiated by HR Business Partners with employees played a key role in relieving personal stress.

To ensure that managers set the right tone and further strengthen our collaborative culture, several leadership training courses were offered. For example, frontline leaders at DEW participated in a virtual modular training series to enhance their understanding of leadership responsibilities. Furthermore, workshops were offered by the continuing education team at Ugitech designed to foster a common leadership culture that is characterized by value-based behavior and is geared to appreciation for work performed and people's individual contributions. Continuous Group-wide information and direct communication by Frank Koch in addition to timely and transparent local communication by BU Management have also been paramount in fostering our sense of community and belonging.

Our goal of preserving jobs throughout the pandemic and retaining our qualified workforce has continued to unite the Group. In this environment, we stepped up our efforts to attract specialist talents in line with the demands of digitalization, changing markets and industrial recovery, and rolled out focused recruiting activities for engineers and IT specialists. Likewise, vocational training continued to play an important role in our workforce planning in Germany. So did the active involvement of Finkl with high schools in the US to promote entry-level positions and highlight attractive career paths in the steel industry. Regarding internal career development for experienced potentials, our annual cascading human resources planning process ensured once again that local talents were identified and appropriate development plans – including learning or placement activities – were set up.

Several core people processes were supported by a variety of local and global HR IT systems for greater ease-of-use and efficiency. In the past year, managers and current and future employees were able to benefit specifically from online learning and recruiting as well as paperless paystubs and timekeeping. Global e-learning enabled our global workforce to participate in Compliance and IT Security trainings as well as local language courses. Thousands of employees also took part in the annual performance management cycle online, where they agreed targets to guide their focused performance, received feedback on their competencies and lodged their interest in working abroad or in other career tracks.

While our global compensation management has always promoted the implementation of strategic priorities, we took steps to further strengthen the compensation and benefits system. Therefore, the new global short-term incentive regulation includes KPIs that are balanced between bottom-line contributions and the effective management of the company's capital. Specific performance objectives for managers and employees, defined according to the SMART guideline, will be decisive in steering the organization and managing the various priorities of the Business Units. Application was communicated in 2021 and will come into effect in 2022 in accordance with local laws and regulations.

In addition, starting in 2022, performance management activities will further encourage and support open and continuous employee dialog. In a structured annual process, managers will discuss and provide calibrated feedback based on transparent criteria regarding employee competencies and on-the-job performance. Employees will be offered potential evaluations for increased guidance on career and development planning. These activities will facilitate Group-wide identification of high performers and high potentials and enable sustainable succession planning by creating talent pipelines and offering career paths. Local and global talent management is fostered on the basis of demonstrated performance and potential.

Strong collaboration with employee representatives always supports sustainable personnel management in our Business Units and therefore strengthens the Group. Furthermore, giving back and getting more involved in the communities where our sites are located is a crucial element of the Group's people strategy. Overall, Swiss Steel Group is well positioned and prepared to address the many demands of workforce flexibility and engagement that may arise for different reasons.

As of December 31, 2021, Swiss Steel Group employed 9,914 employees worldwide.

Employees as of closing date	**2019**	**2020** [1]	**2021**
by region			
Germany	4,445	4,336	4,241
France	2,943	2,819	2,797
Switzerland	781	755	766
Italy	221	215	206
Other Europe	463	451	460
USA	521	482	516
Canada	364	339	373
Other Americas	168	157	153
Africa/Asia	412	396	402
by division			
Production	8,853	8,498	8,437
Sales&Services	1,353	1,351	1,346
Corporate Center [2]	112	101	131
Total number of employees	**10,318**	**9,950**	**9,914**

[1] Restatement between Sales & Services and Production due to business model changes at Swiss Steel Deutschland GmbH (Note 33)
[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 90 Group companies or locations in more than 30 countries on all continents. More than 90 % of employees work in locations outside Switzerland. The Swiss Group entity has 766 employees. Within the framework of respective statutory rulings, employees of Swiss Steel have the opportunity to organize themselves as part of a trade union and to elect employee representatives at the plants.

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.

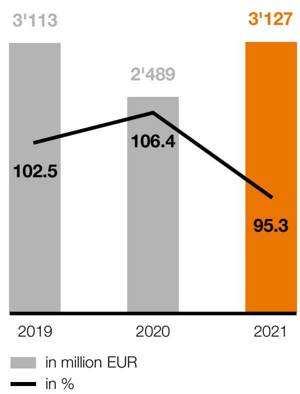
Corporate citizenship

Our social involvement is documented in open and active dialog with the respective interest groups. For us, however, it is about more than that: It is also about corporate integrity, which we define by the values set out in our Group-wide Code of Conduct.

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 2021 to 95.3 % compared with 106.4 % in 2020.

Economic value distributed
in EUR million / in %



Active engagement

Active engagement means that we cultivate regular dialog with all of our interest groups. We do this in the aim of building long-term relationships with these groups and understanding their needs – and taking them into account, wherever feasible and appropriate. The employees responsible for this within Swiss Steel Group at each individual site are committed to this goal. Our communication experts support and plan the processes and help facilitate measures fostering the active representation of interests.

Active engagement

Our interest groups comprise all individuals, groups or organizations who have an interest in or request of Swiss Steel Group. Interest groups can influence the actions, objectives and policies of the Group, or also be affected by the same.

102-42

GRI standard
Identifying and selecting stakeholders

We also cultivate a dialog with the various interest groups beyond the scope of day-to-day business, for example at conferences and symposia, in panel debates, at trade fairs and university events, at analyst and investor meetings, through employee surveys and feedback discussions, and through memberships in industry associations.

The major interest groups are listed and defined below. The 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.

102-40

GRI standard
List of stakeholder groups

We currently do not endorse or subscribe to any externally-developed economic, environmental and social charters, principles, or other initiatives

Customers

We work in close partnership with our customers via committed Key Account Managers as well as Management at the level of the Business Units and Group. Their specifications and requirements provide the Group with direction and focus for researching and developing innovative products.

Suppliers

We are in regular contact with our suppliers through dedicated procurement officers. This is necessary to ensure that the required commodities are received in sufficient quantity, in high quality and on time.

Companies in the steel industry
In terms of industry-specific issues such as energy efficiency or environmental protection, we are in active dialog with companies from the steel industry in a variety of networks, e.g. the World Steel Association (worldsteel), the International Stainless Steel Forum (ISSF), EUROFER, the German Steel Federation or the German Steel Institute (VDEh).

Shareholders/investors/financial analysts
As a publicly traded company, shareholders, investors and financial analysts are important business partners for Swiss Steel Group since they hold equity positions, invest money and influence opinions on the capital market.

Banks
Our Corporate Finance and treasury teams are in constant contact with banks that provide us with credit lines and allow us to transfer money with our suppliers and customers. This gives us the best possible financing conditions and adequate financial flexibility.

Employees
In addition to a central Corporate Human Resources, dedicated human resources officers are stationed in all Business Units. They are responsible for all issues affecting employees and are always available to listen to our employees' concerns.

Members of the Board of Directors, Executive Board and Executive Committees of the Business Units
The members of the Board of Directors and Executive Board as well as the Executive Committees of the Business Units represent the internal interest groups that define, manage and guide the Group’s strategy and business operations.

Local communities/authorities/non-governmental organizations (NGOs)
Representatives of the individual locations assume our local responsibility and fulfill the information requirement of the local communities, authorities and NGOs.

Experts from Swiss Steel Group serve on numerous working groups and committees of industry and sector associations such as the World Steel Association (worldsteel), International Stainless Steel Forum (ISSF), EUROFER and the German Steel Federation or the German Steel Institute (VDEh), where they work together with representatives of other steel companies on defining issues for the sector.

Swiss Steel Group addresses the concerns and requests of interest groups at various management levels, at various locations and through various specialist departments. We always try to speak to the parties involved in person. In addition to this, interest groups are integrated and supported by means of the following channels:

102-43

GRI standard
Approach to stakeholder engagement

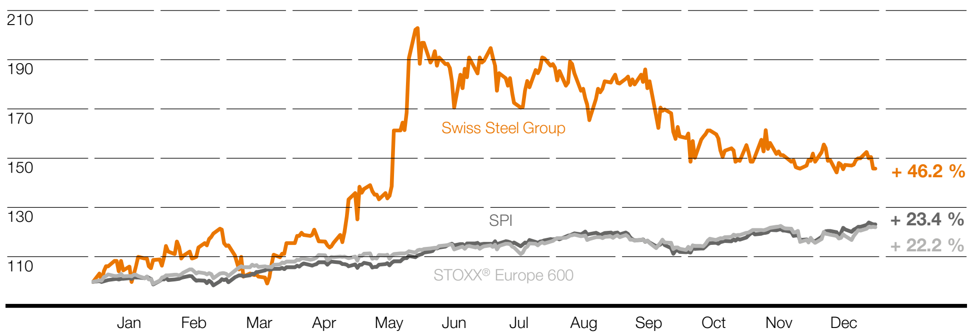
- Surveys (on customer satisfaction, for example)
- Publications (such as the annual report, press releases and the employee magazine)
- Events (such as open days, roadshows for investors, customer days and training programs)
- Trade fairs
- Involvement in committees and lectures

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 the capital market.

Shares in Swiss Steel Group

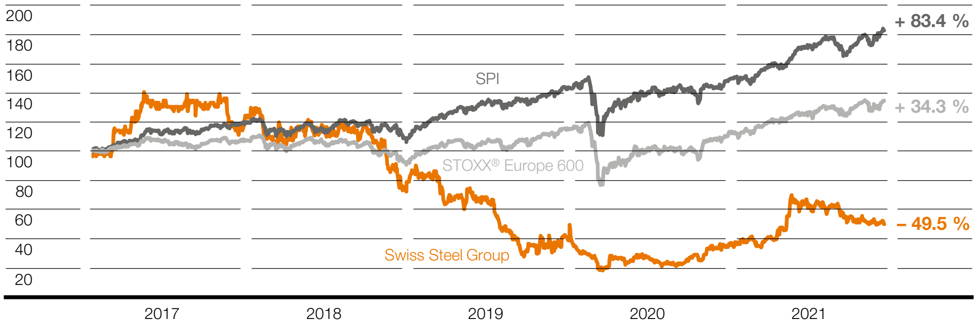
Share price development 2021
indexed



On March 22, 2021, Swiss Steel Group executed a capital increase which generated gross proceeds of EUR 223.5 million, exceeding the initially targeted gross proceeds of EUR 200 million. The registered share capital was increased to 3,058,857,471 shares with a nominal value of CHF 0.15 each. The share price reacted positively to the capital increase and to the first signs of a business uptick, as reported in the 2021 first quarter results. In addition, at the shareholding level, PCS Holding AG acquired a stake from the major shareholder BigPoint Holding AG in May 2021 that improved market sentiment for the stock. However, trading of the shares remained volatile throughout the year and gains in the first half were partially reversed in the second half, nonetheless leading to a price increase of more than 46 % for the full-year and an outperformance of relevant market indices. In absolute terms, the share price increased from CHF 0.235 to CHF 0.344. Over the same period the Stoxx® Europe 600 Index rose by 23.4 % and the Swiss Performance Index (SPI), which includes the share of Swiss Steel Holding AG, climbed by 22.2 %.

In 2021, the average daily trading volume of shares of Swiss Steel Group on the Swiss stock market was around 2.0 million. This compares with around 1.6 million in 2020.

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, 2020: 2,028,333,333)
Nominal value in CHF	0.15

Dividend policy

Swiss Steel Group generated positive net income in 2021. Despite this fact, the Board of Directors will propose to the Annual General Meeting on April 26, 2022 to refrain from a dividend distribution for 2021. 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 was maintained by a series of investor conferences, road shows, conference calls and personal discussions. In 2021, the COVID-19 pandemic meant that the Executive Board and Investor Relations team only had limited and virtual presence at roadshows and investor conferences. At these events, investors from around the world were informed about Swiss Steel Group's key figures and the company's operative and strategic development.

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, 2022	Annual Report 2021, conference call for media, financial analysts and investors
April 26, 2022	Annual General Meeting 2022
May 10, 2022	Media Release Q1 2022
August 16, 2022	Interim Report Q2 2022, conference call for media, financial analysts and investors
November 10, 2022	Media Release Q3 2022

Investor Relations

Burkhard Wagner

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Corporate Finance & Investor Relations

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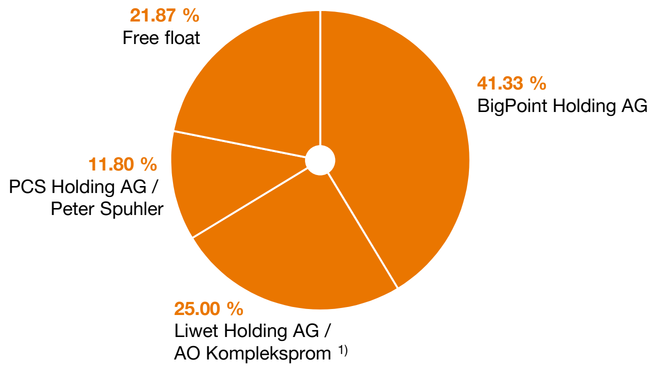
Shareholder structure

The share capital as of December 31, 2021 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 41.33 % as of December 31, 2021. Liwet Holding AG / AO Kompleksprom maintain a 25.00 % stake in Swiss Steel Group. The third major shareholder is PCS Holding AG with 11.80 %. The remaining 21.87 % of the shares are in free float.

Shareholder structure per 31.12.2021



[1] Shareholder Agreement between Liwet Holding AG and AO Kompleksprom

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 295.9 million and a shareholder loan of EUR 95.0 million. All loans have an initial maturity of five years until 2025. State-guaranteed bank loans amounting to EUR 90.9 million were also available in 2021.

Unused bank loans and liquid funds came to around EUR 161 million as of December 31, 2021, ensuring the company has sufficient financial resources. In addition, the ABS financing program had a headroom of EUR 87.8 million.

On December 22, 2021, Swiss Steel Holding AG signed a revolving facility agreement with Big Point Holding AG, available from January 3, 2022 with a basic term of twelve months and a three month extension option. The lending amount is initially EUR 100 million with a reduction to EUR 80 million as of June 30, 2022, to EUR 60 million as of September 30, 2022 and to EUR 40 million as of December 31, 2022, if the extension option is exercised. Furthermore, on January 26, 2022, the nominal amount of the state guaranteed loans in France increased by EUR 20 million.

in million EUR	Credit line	Status as of 31.12.2021	Unused lines and cash
Syndicated loan (excl. transaction costs) [1]	435.0	366.8	68.2
ABS financing (excl. transaction costs)	295.9	208.1	87.8
Loan from shareholder (excl. transaction costs)	95.0	95.0	0.0
State-guaranteed loans (excl. transaction costs)	90.9	87.1	3.8
Cash and cash equivalents		89.0	89.0
Total			**248.8**

[1] The credit line of the syndicated loan has been reduced in December 2021 by EUR 30.0 million and will be increased back to EUR 465.0 million in January 2022

Opportunities and risks

Swiss Steel Group's business activities are exposed to number of opportunities and risks. Our risk management has two main objectives: to tap into value enhancement potential by seizing opportunities as they arise, and to identify risks at an early stage and implement effective measures to mitigate them.

Governance
Refer also to pages 35, 76

In early 2020, the COVID-19 crisis led to an extraordinary strong reduction in steel demand as businesses across the value chain reacted to substantially lower market demand and were forced to reduce their inventories to adjust to the changing circumstances. The sharp decrease in the automotive segment was accompanied by a substantially weakening mechanical engineering market and a very low oil and gas market due to depressed demand and limited investments. While these core end markets of Swiss Steel Group started to recover in late 2020 and especially throughout 2021, market experts do not expect them to return fully to pre-crisis levels before 2023. The risks were compounded in late 2021 by distorted supply chains, especially the intensified semiconductor shortage in the automotive industry, as well as very high and ongoing spiraling energy prices. Swiss Steel Group responded to these market distortions by further tightening its restructuring program aimed at reducing costs and securing additional operating liquidity. In addition, public funding via the COVID-19 stimulus programs in various regions and further funding from our shareholders was secured. This allowed the Group to mitigate the impact of the COVID-19 crisis and has put it in a good position to profit from the ongoing recovery of its end markets.

Aside from this, the crisis in the steel industry harbors not only risks, but also opportunities. Swiss Steel Group's opportunity management and main risks are described below.

Further information on opportunity management can be found in the "Outlook" section of the Annual Report. The "Corporate governance" section also includes details on how risk management is incorporated into the Group's strategic planning and day-to-day decision-making.

Opportunity management

One of the keys to future market success is shaping current trends such as green steel, electro mobility and Industry 4.0 with new innovations. This process is managed and supported by the Board of Directors, the Executive Board, and Corporate Strategy and Technology Developments. We collect and analyze information about the market, production, and research and development (R&D), both at Business Unit level and centrally from a Corporate Center perspective. This allows well-informed strategic decisions to be made at Group level and implemented in cooperation with the Business Unit Heads.

Value enhancement potential

The ongoing COVID-19 crisis is having a major impact on demand and has created multiple significant supply chain disruptions, especially due to the ongoing semiconductor shortage. 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 an ongoing one, as customers demand increasingly lighter and more stress-resilient 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 observation and analysis
- Consistent application-based alignment of our product development activities
- Refinement of the industrial production basis and employee 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 through investments. With such an 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 advisory through to R&D, quality management, production, maintenance and IT – we constantly optimize production processes and the product portfolio and adapt them to future challenges.

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”. Research and Development (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 group.

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 restructuring, 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 Business Units and at 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.

Risk situation and key risk factors

Our risk management aims to identify risks at an early stage and take appropriate mitigation measures. The key risk areas with a significant impact on our business and our financial position and results of operations from a current perspective include the structural economic conditions in the steel industry (where the risks have been amplified due to the ongoing COVID-19 crisis), the availability and significant cost inflation of our raw materials, as well as the significant increase in energy prices and our IT cyber security. Risks to global economic growth are also prevalent from escalating international trade conflicts and policy interventions alongside an increasing regulatory environment.

A comprehensive description of financial risks can be found in notes 15 (Income taxes), 19 (Impairment test), 25 (Pensions), 27 (Provisions for restructuring) and 31 (Financial instruments) of the consolidated financial statements.

Risks relating to the overall economic conditions and development

Our business activities are strongly influenced by macroeconomic developments, overall global economic performance and deviations from expected developments, which can have either a negative or positive impact on the net assets, financial position and results of operations of the Group. Macroeconomic risks are generally beyond our control despite all risk control measures.

Being at the beginning of the value chain, we are heavily dependent on demand in our customers' end markets. This applies especially in the following industries: automotive, mechanical and plant engineering, energy, construction, plastics, foods and beverages, mining, chemicals and aviation. These industries are largely cyclical, and the ongoing COVID-19 crisis is adversely affecting most of them. The automotive industry is among the hardest hit by the COVID-19 crisis due to the ongoing semiconductor shortage, which is limiting production below actual demand. Mechanical engineering also felt the impact of these developments in 2020, but recovered significantly towards the end of 2021. Energy end markets posted a steady recovery in 2021, but are lagging somewhat behind other markets.

In addition, we are dependent not only on our customers' production quantities, but also on changes in product characteristics and the development of new products, such as new car models in the automotive industry, which require the development and manufacture of new tools. Also, inventory effects are especially pronounced among long steel producers. As seen in 2020, extensive inventory reductions during periods of economic weakness further reduce demand for our products, which can have a significant impact on business performance, financial position and results of operations. We have implemented a series of countermeasures, such as the temporary closure of our facilities and the implementation of short-time working schedules to the extent possible, to mitigate the highly negative impact. At the same time, we are continuing to pursue the goal of a flexible organization and a more diversified customer base to better respond to short- and long-term changes in demand. These efforts include focusing on niche products and supply chain optimization.

Compliance risks

Non-compliance in the form of breaches of antitrust, anti-corruption, data protection and foreign trade laws may have negative implications – incurring both financial and reputational damage. We counter these risks using our Compliance Management System, described in the "Business conduct" section.

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 International Stainless Steel Forum (ISSF) 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, use and handling of hazardous and toxic materials, waste disposal processes, removal of environmental pollution and other aspects of environmental protection. Companies that breach these regulations must expect substantial fines, penalties or restrictions to their business activities.

Risks arising from the competitive environment

Swiss Steel Group operates in an environment of ever-increasing competition, e.g. from Eastern Europe, India and China. The competition is based on various factors, including service, know-how, availability, price, performance and quality of products. There is a risk that our competitors, most of whom are firmly established in the market and have significantly greater financial resources than we do, may be able to invest in production technologies and develop products that are less expensive and in higher demand than our technologies and products. Some competitors are also increasing their inventories in order to offer shorter lead times to meet customer demand. This could have a fundamental negative impact on our ability to uphold or improve our market share while maintaining our profitability. The combination of this intense competition with excessive production capacities for some steel products at times exerted downward pressure on prices for our products.

But despite the challenging competitive situation, Swiss Steel Group is a leading producer in the special long steel market. According to the latest available SMR data, in 2020 we were the world's fourth-largest producer of tool steel, the world's fifth-largest producer of stainless long steel and Europe's third-largest producer of quality & engineering steel long products, as measured by volume in each case. This positioning is one of the success factors of our competitiveness in the market.

Risks arising from information technology

Information technology ensures the professional operation of business processes within the Group 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. We 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.

Risks in procurement markets

Some key areas of demand are shaped by oligopolistic market structures. For energy, graphite electrodes, refractory materials and special ferroalloys in particular, there is only a limited number of suppliers. The availability of commodities from third-party suppliers can be influenced by factors beyond our control, including interruptions to the supply chain, allocations of commodities by suppliers to other customers, price fluctuations, export restrictions and transportation costs. Due to these factors, suppliers may get into financial difficulties and not be able to deliver the materials on time or their products could be subject to quality deficiencies.

To secure the supply of commodities and energy in the required quantity and quality, we have for a number of years pursued a diversified procurement strategy designed to counter the risks of the recent past (e.g. closure of mines, capacity adjustments, uncertainties related to “energy transition”). Long-term supplier relationships and expansions to the supplier portfolio are the core elements we use to counter the continued volatility on the commodity and energy markets. Price fluctuations in commodities are offset by a surcharge system for scrap and alloy metals. Given the strained economic situation of the steel industry in general and Swiss Steel Group in particular since 2019, reductions were made in commercial credit lines and it was not possible to maintain normal payment terms with a considerable number of key suppliers. Supplier payment terms gradually improved over the course of 2021 following the successful strengthening of the equity base and turnaround in profitability which had already started in the first quarter.

Failure risks of production plants

Our production plant operations may be interrupted by human error, equipment failures, fire, natural disasters, work stoppages, power outages, IT failures 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. To minimize the risk of failure of critical plants, targeted investments are made in technical optimization, for example by implementing the latest sensor technology, rolling out advanced monitoring and analysis systems or installing new replacement units. This is complemented by regular preventive maintenance, risk-oriented storage of spare parts and corresponding training for our employees.

In times of unexpected production capacity underutilization (as seen during the COVID-19 lockdown), we may seek to delay part of our capital expenditures for routine maintenance and may be able to do so for a certain period of time without significant implications for our equipment or our operational efficiency. However, we also take a long-term outlook in order to maintain our competitive position and advantages.

Environmental risks

Although all our production processes at our sites in Germany, France, Switzerland, USA and Canada comply with strict local environmental regulations, there are nevertheless environmental risks associated with the production processes of the steel industry. We are subject to increasingly stringent environmental laws and regulations within each of the jurisdictions in which we operate. Some of our manufacturing facilities are located on properties with a long history of industrial use, whether by us or by previous occupants. This has led us to adopt responsibility for protecting the environment and climate as an important corporate goal for Swiss Steel Group. Making efficient use of resources and energy, promoting recyclable products, minimizing the environmental impact of our activities and engaging in open dialog with neighbors, authorities and other interest groups are the principles that underpin our environmental management and behavior. It should also be noted that Swiss Steel Group only uses scrap-based steel production, in which special long steel is produced in an electric arc furnace by recycling scrap steel. Compared to the blast furnace/basic oxygen converter process route, production in the electric arc furnace is significantly more environmentally friendly.

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 Executive Committee.

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.

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 key end user markets. 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 COVID-19 pandemic and how long and to what extent temporary supply chain issues will continue to impact major end user markets like the automotive industry. Expectations therefore remain highly uncertain.

Macro outlook

The year 2021 ended with rising uncertainties surrounding the emergence and spread of the Omicron variant, including worker absenteeism and temporary supply chain issues, which will likely continue to some extent until at least the second half of 2022.

As of January 2022, the International Monetary Fund (IMF) forecasts that global gross domestic product (GDP) will grow by 4.4 % in 2022, following growth of 5.9 % in 2021. GDP of the advanced economies is forecast to grow by 3.9 % after an increase by 5.0 % in 2021, while GDP of the Eurozone and the US is expected to grow by 3.9 % and 4.0 %, respectively (versus increases of 5.2 % and 5.6 % in 2021). GDP of the emerging market and developing economies is expected to grow by 4.8 % compared to estimated GDP growth of 6.5 % in 2021. China's GDP is forecast to increase by 4.8 % compared to 8.1 % in 2021.

Industry outlook

Based on market data from Steel & Metals Market Research (SMR), following the drop in demand in all special long steel segments in 2020 and a partial recovery in 2021, we are anticipating the recovery to continue in 2022 despite 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 CO_2-reduced green steel products favoring our electric arc production route vs. traditional blast furnace production, which in turn will create growth opportunities for Swiss Steel Group beyond pure market growth.

Outlook for end user markets

The outlook for Swiss Steel Group's most important end user markets remains subject to broad economic uncertainties. Specifically, the spread of the Omicron variant, including possible operational lockdowns and worker absenteeism, coupled with continuing supply chain problems, for example the semiconductor shortage, are expected to continue to impact European light vehicle production in particular into the first half of 2022. Those 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, Poland, Romania, Slovakia and Slovenia) contracted by 5 % to 13.0 million units in 2021, LMC Automotive (as of January 2022) forecasts production to increase by 22 % to 15.8 million units in 2022.

The German mechanical engineering sector is expected to continue to recover in 2022. According to its December 2021 outlook, the German Engineering Federation (VDMA) forecasts the production of the German mechanical engineering sector to increase by 7 % year on year in 2022.

According to the US Energy Information Administration as of January 2022, the global oil market is forecast to turn into a surplus in 2022, after the gap of oil production to oil consumption already started to narrow in 2021. Global oil consumption and production are forecast to increase by 4 % and 6 % year on year to on average 100.5 million barrels per day and 101.0 million barrels per day, respectively. As a result, both global oil consumption and production are expected to return to pre-pandemic levels in 2022.

The crude oil price for West Texas Intermediate is forecast to decline over the course of 2022.However, the latest annual average price forecast for 2022 puts prices at USD 71 per barrel and thus 5 % higher than in 2021.

Outlook for 2022 for Swiss Steel Group

Demand for steel products is expected to be strong at the beginning of the year. After the drop in offtake from the automotive sector at the start of the fourth quarter of 2021, the general consensus is that the semiconductor shortages and supply chain issues will ease in the second half of 2022.

In February 2022, the Russia/Ukraine conflict emerged. The situation is changing rapidly creating high volatility and price levels in the energy markets, especially in Europe. Swiss Steel Group is closely monitoring and analyzing the market developments. It is, however, too early to fully assess the effects of the situation.

Recent energy price turbulence has prompted Swiss Steel Group to introduce a surcharge mechanism to counter the effects of recent price increases for electricity and gas. This practice is in line with the generally accepted methodology for surcharges for scrap and alloys.

For reasons still under investigation, a crane transporting a ladle furnace collapsed at the production site in Ugine in early 2022, leading to a significant loss of production in the steel mill in the first half of 2022 (see note 35 for further details). The incident is expected to have a significant negative impact on the operational performance and the liquidity situation in 2022 due to the cost of repairs and especially due to lost revenue from the reduced production volumes of the Business Unit Ugitech.

Furthermore, we will continue our pioneering efforts in the decarbonization of the steel industry. By growing the share of wind and hydropower, we will further lower the carbon footprint of our products. We will also expand our green steel offering with the introduction of a CO_2-neutralized product and continue our research of the effect of hydrogen in furnaces to prepare our production process for the transition from natural gas to green hydrogen. To help our customers track emissions in their value chain, we will disclose Scope 1+2+3 emissions for their individual products and certify all our production sites according to the Greenhouse Gas Protocol.

Improved capital structure and strengthened Board of Directors build the foundation for success.

3,192.8 (+ 39.5 %*)

Revenue
in million EUR

1,716 (+ 15.1 %*)

Average sales price
in EUR/t

*Change from 2020

CORP ORATE GOVER NAN CE

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

Governance
Refer also to pages 35, 64

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 33, 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 authority, 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 supply chain with two divisions: Production and Sales & Services. This structure leverages global synergies, enabling the Group to secure a stable business basis even in a difficult market environment. In doing so, Swiss Steel Group is pursuing its goal of defending and expanding its position in the global market. Please refer to note 36, 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 1,050.7 million (Closing price on 30.12.2021: CHF 0.344)
Symbol	STLN
Securities number	579 566
ISIN	CH0005795668

1.1.3 Non-listed companies

All Group companies are unlisted companies. The list of shareholdings in note 36 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, 2021, the company had received notification of three significant shareholders whose voting rights exceed the 3 % threshold: BigPoint Holding AG, which owned 41.33 %; Liwet Holding AG and AO Kompleksprom, which together held 25.00 % via a shareholder agreement, and PCS Holding AG / Peter Spuhler, which owned 11.80 %. The remaining shares were in free float.

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 2021 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, 2021, 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

Pursuant to the resolutions of the Extraordinary General Meeting of the company on September 21, 2020, art. 3a (authorized capital) and art. 3b (conditional capital) of the company’s Articles of Incorporation have been revoked without replacement. The company no longer has any conditional and authorized capital as of December 31, 2021.

2.3 Changes in capital

An Extraordinary General Meeting of the company decided on December 22, 2020 to execute an ordinary capital increase, which was implemented by the Board of Directors in its resolution dated March 22, 2021 and was subsequently entered in the commercial register. Pursuant to these resolutions, the share capital was increased by CHF 154,578,620.70 through the issue of 1,030,524,138 fully paid-up registered shares with a nominal value of CHF 0.15 each at an issue price of CHF 0.15 each. The company's share capital entered in the commercial register has been CHF 458,828,620.65 since March 22, 2021 and is divided into 3,058,857,471 registered shares with a nominal value of CHF 0.15 each. The new registered shares were listed and first traded on the SIX Swiss Exchange on March 23, 2021.

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
2019	472,500,000.00	945,000,000	0.50	236,250,000	110,000,000
2020	304,249,999.95	2,028,333,333	0.15	-	-
2021	458,828,620.65	3,058,857,471	0.15	-	-

2.4 Shares and participation certificates

As of December 31, 2021, 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 40 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 para. 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 2021. 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, 2021.

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, 2021.

Jens Alder (CH)	**Dr. Svein Richard Brandtzæg (NO)**	**Ralf Göttel (DE)**
Year of birth 1957	Year of birth 1957	Year of birth 1966
Chairman	Compensation Committee (Chairman)	
Compensation Committee (Member)	Industrial Committee (Member)	Industrial Committee (Member)
Member since 2021	Member since 2020	Member since 2021
Elected until 2022	Elected until 2022	Elected until 2022
David Metzger (CH/FR) [1]	**Mario Rossi (CH)**	**Dr. Michael Schwarzkopf (AT)**
Year of birth 1969	Year of birth 1960	Year of birth 1961
		Compensation Committee (Member)
Audit Committee (Member)	Audit Committee (Member)	Industrial Committee (Chairman)
Member since 2020	Member since 2021	Member since 2020
Elected until 2022	Elected until 2022	Elected until 2022
Karin Sonnenmoser (DE)	**Emese Weissenbacher (DE)**	**Adrian Widmer (CH)**
Year of birth 1969	Year of birth 1964	Year of birth 1968
Audit Committee (Member)	Industrial Committee (Member)	Audit Committee (Chairman)
Member since 2020	Member since 2021	Member since 2019
Elected until 2022	Elected until 2022	Elected until 2022

[1] Representative of Liwet Holding AG

At the Annual General Meeting on April 27, 2021, Adrian Widmer, Dr. Svein Richard Brandtzæg, David Metzger, Dr. Michael Schwarzkopf, Karin Sonnenmoser und Jörg Walther, who stood for re-election, were confirmed in office. Jens Alder was elected Chairman of the Board of Directors. Jörg Walther resigned from his position as a member of the Board of Directors on August 10, 2021.

At the Extraordinary General Meeting on October 6, 2021, the shareholders approved the appointment of Ralf Göttel, Mario Rossi and Emese Weissenbacher as members 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 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 34, 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 Chair of Den Norske Bank ASA (NO), and member of the Board of Mondi Plc. (UK) and Eramet Norway (NO). Until May 2022 he was Chairman of the Board of Directors of Veidekke ASA (NO). From 2009 to 2019 he was President & CEO of Norsk Hydro ASA (NO). Before his role as President & 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 Dr. 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). Dr. 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 Dr. Svein Richard Brandtzæg has been a vice chair of the Council of Ethics for the Norwegian Government Pension Fund Global.

Ralf Göttel (DE)
non-executive member

Ralf Göttel (DE, 1966) is currently CEO of the globally active Benteler International AG based in Salzburg. Before joining Benteler in 2010, Ralf Göttel held various global responsibilities at the American Dana Inc. from 1993 onward and worked in development at Ford in Germany. Ralf Göttel holds a degree in engineering from RWTH Aachen University with a specialization in the automotive industry.

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 one other non-executive appointment as a member of the Board of Directors of Italy-based company Octo Telematics and of Sulzer 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 (CH, 1960) 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 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 (A), 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 (A) from 2004 to 2018, Molibdenos y Metales S.A. from 2011 to 2018, Molyporc Inc. from 2013 to 2015, and Mayr-Melnhof Karton AG in Vienna (A) 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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Karin Sonnenmoser (DE)
non-executive member

Karin Sonnenmoser was Chief Financial Officer of Ceconomy AG, Düsseldorf (DE) from 2019 to April 2021. She previously served as Chief Financial Officer of Zumtobel Group AG in Dornbirn (A) from 2014 to 2018. Prior to joining Zumtobel, Karin Sonnenmoser was Managing Director Finance and Controlling at Volkswagen Sachsen GmbH, and at Gläserne Manufaktur GmbH (DE) from 2010 to 2014. From 2007 to 2010 she was Chief Executive Officer with responsibility for finance, procurement, legal, strategy and organization, IT, investment management and process management at Autovision GmbH (today Volkswagen Group Services GmbH). Before this, she was Head of the General Secretariat of the Volkswagen Brand Group and Secretary General of the Chief Executive Officer of Volkswagen AG between 2002 and 2006. From 1996 to 2002 she held various positions in controlling and accounting of the Volkswagen Brand Group and SEAT S.A., Spain. From February 2014 through April 2020, Karin Sonnenmoser was a member of the Board of Directors and Chairwoman of the Audit Committee of Vivantes Netzwerk für Gesundheit GmbH, Berlin, (DE), and between July 2016 and July 2019 she was a member of the Supervisory Board of Schweizer Electronic AG. Karin Sonnenmoser holds a degree in business studies from the University of Augsburg (DE) with a focus on controlling/auditing and marketing, and a Master of Business Administration from the University of Dayton (Ohio, USA).

Emese Weissenbacher (DE)
non-executive member

Emese Weissenbacher (DE, 1964) has been Chief Financial Officer at Mann + Hummel International GmbH & Co KG in Ludwigsburg (DE) 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, Schmalz GmbH, a member of the Advisory Board of Kreissparkasse Ludwigsburg and a member of the Beirat Süd of Deutsche Bank. Emese Weissenbacher holds a Masters in Economics, Controlling & Business Development from the University of Stuttgart and a degree in advanced management from Harvard Business School, Boston.

Adrian Widmer (CH)
non-executive member
Adrian Widmer has been Group CFO of Sika AG, a global specialty chemical company based in Baar, Switzerland, since 2014. Previously, he was Head Group Controlling and M&A at Sika from 2007 to 2014. Since June 2020 Adrian Widmer has been a Board Member and Member of the Audit Committee of Sonova AG, Switzerland. Between 1995 and 2007 Adrian Widmer held various management positions, including Managing Director Construction Systems Germany/Austria/Switzerland at BASF (Degussa) Construction Chemicals, Switzerland, from 2005 to 2007, and Head of Finance, Finance Director Business Line Flooring Europe and Manager Corporate Finance at Degussa Construction Chemicals, Switzerland, from 2000 to 2005. Adrian Widmer was Manager M&A at Textron Industrial Products in the United Kingdom and in Switzerland from 1997 to 2000. From 1995 to 1997 he worked as Market Development Manager at Textron Inc. in the United States and in the United Kingdom. Prior to this, from 1994 to 1995, he served as business analyst at Nordostschweizer Kraftwerke (NOK) in Switzerland. Adrian Widmer holds a Master of Arts (M.A.) in Economics from the University of Zurich, Switzerland, and has completed the Advanced Management Program of INSEAD Fontainebleau, France, and company Executive Trainings at IMD in Lausanne, Switzerland.

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 need 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 16 occasions in the fiscal year 2021 to discuss current business. These meetings lasted between one and eight 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 are 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 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 evaluated its performance and the work of the committees for the first time in 2021. It conducted a self-evaluation on the basis of a questionnaire, which deals with the Board's composition, organization and processes, the Board's responsibilities as well as succession planning. The topics were discussed and measures defined for incorporation in the coming year.

The Board of Directors has constituted two committees from its members: the Audit Committee and the Compensation Committee. In the reporting period, the Board of Directors additionally formed two Ad Hoc Committees on specific issues and an Industrial Committee (see below).

Audit Committee
The members of this committee are Adrian Widmer (Chairman; since the 2019 Annual General Meeting), David Metzger (Member; since the 2020 Annual General Meeting), Mario Rossi (Member; since the Extraordinary General Meeting in October 2021) and Karin Sonnenmoser (Member; since the 2020 Annual General Meeting).

The Audit Committee regulations provide that the Audit Committee meet as often as business requires, usually at least twice per fiscal year. In the fiscal year 2021, the Audit Committee met seven times. 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 as required. The members of the Executive Board also participated. Generally, such meetings lasted between one and three hours.

There are separate regulations governing 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 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 and assessing the effects of departures from these 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

Internal Audit
- Assisting with the selection of Internal Audit and its tasks
- Evaluating the performance of Internal Audit
- Reviewing and approving the audit plan
- Evaluating cooperation with the external auditor

Other duties
- Evaluating the internal control and information system
- Taking receipt of and discussing the Annual report on important, threatened, pending and closed litigation with significant financial consequences
- Reviewing the measures to prevent and detect fraud, illegal activities or conflicts of interest

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) and Dr. Michael Schwarzkopf (Member; since the 2021 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 eight times in the fiscal year 2021. The meetings lasted between one and two 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 Board of Directors' and Executive Board's 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
- 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.

Ad Hoc Committee

The Board of Directors convened an Ad Hoc Committee consisting of Adrian Widmer (Chairman) Dr. Svein Richard Brandtzæg, Dr. Michael Schwarzkopf and Karin Sonnenmoser to discuss the block obtained by Liwet Holding AG from the Commercial Register Office of the Canton of Lucerne for registration of the capital increase resolved by the General Meeting on December 22, 2020. The committee met three times in February 2021. In this context, the Board of Directors also convened a committee consisting of the independent members of the Board of Directors in October 2021.

Industrial Committee
The Industrial Committee was convened by the Board of Directors after the Extraordinary General Meeting on October 6, 2021. The members of this committee are Dr. Michael Schwarzkopf (Chairman; since the Extraordinary General Meeting in October 2021), Dr. Svein Richard Brandtzæg (Member; since the Extraordinary General Meeting in October 2021), Ralf Göttel (Member; since the Extraordinary General Meeting in October 2021) and Emese Weissenbacher (Member; since the Extraordinary General Meeting in October 2021).

The Industrial Committee met once in the fiscal year 2021. The meeting lasted two hours. The committee is tasked with preparing the resolution of the Board of Directors related to strategic plans and investment projects that are specific to the business of the Group.

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
- 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, 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 and the CFO. The CEO issues supplementary guidelines governing the duties and authority of members of the Executive Board and Business Unit 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 Business Unit Management are appointed by the Executive Board. 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.

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 Business Units 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 enterprise risk management (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 Business Units and Corporate Departments 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 Business Units 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 2021, Internal Audit reported to the Audit Committee in four 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) and the Chief Financial Officer (CFO).

On December 19, 2021, the Board of Directors appointed three additional members to the Executive Board effective January 1, 2022 for the core products of the Group – tool steel, engineering steel and stainless steel: Jürgen Alex, Dr. Florian Geiger and Patrick Lamarque d'Arrouzat.

Name	Function	Period
Frank Koch	CEO	Since July 1, 2021
Dr. Markus Böning	CFO	Since October 1, 2020

Frank Koch, CEO (DE)
Frank Koch successfully led and restructured the long-established German steel producer GMH Group (Georgsmarienhütte) as CEO from 2017 until the end of December 2020. Since 2008, he has been responsible for various functions within the Group. Prior to this he was CSO and Head of Logistics for the largest company in the GMH Group, the steel mill in Georgsmarienhütte. In 2015, he became COO of the entire GMH Group and thus joined the Executive Board as Managing Director. 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, including at Deutsche Edelstahlwerke, now part of Swiss Steel Group, before taking on responsibility for strategy and sales at leading Italian steel producer Danieli from 2003 to 2005. In 2005 he returned to Deutsche Edelstahlwerke, where he was responsible for sales and strategy until the beginning of 2008.

Dr. Markus Böning, CFO (DE)
Dr. Markus Böning, graduate economist and Dr. rer. oec. of Ruhr University Bochum, has been Chief Financial Officer of Swiss Steel Group since October 1, 2020. He gained his first professional experience in the Controlling and Mergers & Acquisitions areas of the ThyssenKrupp Group. In 2004 Dr. Böning assumed CFO responsibility at ThyssenKrupp Budd Company, an automotive supplier headquartered in Troy, Michigan. From 2007 to 2014 Dr. Böning was CFO responsible for the construction, ramp-up and optimization of a steel processing plant in Calvert, Alabama. From 2015 to 2020, Dr. Böning served as CFO of two private equity led international companies, first the Aenova Group, a contract manufacturer for pharmaceutical products, and then the Tekfor Group, an automotive supplier. Due to his many years of international CFO activity, Dr. Böning has broad management experience with a focus on cost optimization, restructuring and mergers & acquisitions.

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 98 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 him by the shareholders in accordance with the instructions. If he has not received any instructions, he 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 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 2021. 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 2021, EUR 2.0 million (2020: EUR 2.4 million) was paid for financial statement audits and EUR 0.2 million (2020: EUR 0.2 million) for other assurance services.

8.3 Additional fees

In addition, EUR 0.1 million (2020: EUR 0.1 million) was paid for tax advisory services in the reporting period and EUR 0.4 million (2020: EUR 0.2 million) for other services.

8.4 Instruments for supervision and control: external auditor

The Audit Committee conducts an annual review of the performance, fees and independence of the auditors and makes a proposal to the Board of Directors, and subsequently to the Annual General Meeting, concerning the appointment of the statutory auditor. The Audit Committee decides annually on the scope of the internal audit and coordinates this with the external auditor's audit plans. The Audit Committee agrees the audit scope and plan with the external auditor and discusses the audit findings with the external auditors, who usually attend two meetings per year (see 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 and media releases in May and November. 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, 2022	Annual Report 2021, conference call for media, financial analysts and investors
April 26, 2022	Annual General Meeting 2022
May 10, 2022	Media Release Q1 2022
August 16, 2022	Interim Report Q2 2022, conference call for media, financial analysts and investors
November 10, 2022	Media Release Q3 2022

Investor Relations

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

Fair compensation matching performance and progress in the transformation of the Group.

9,914 (–0.4 %*)

Employees

*Change from 2020

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 2021. 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 2021.

In December 2020, Frank Koch was appointed by the Board of Directors as CEO of Swiss Steel Group. He finally joined Swiss Steel Group in July 2021 and has started initiatives that will lay the foundation for profitable growth for Swiss Steel Group.

In 2021, the COVID-19 pandemic once again had a significant impact on our professional and private lives. Swiss Steel Group has also been faced with considerable adversities. The global semiconductor bottlenecks and current raw material prices have become huge challenges that Swiss Steel Group must overcome. Nevertheless, the main customer markets are recovering and Swiss Steel Group has significantly improved its Group result compared to last year.

Sales began to normalize in the first quarter of 2021, primarily driven by the recovery in demand from the automotive industry. In the first half of 2021, this trend extended to mechanical and plant engineering, increasing sales across the entire Group. Not only did the sales volume increase substantially, prices also rose significantly, leading to higher margin realization and improved profitability.

In the second half of 2021, however, economic uncertainties started to reemerge. Supply chain disruptions in the automotive industry triggered by the semiconductor shortages affected our order volumes. Additionally, the recent strong price level of raw materials and energy put pressure on the Group’s operating performance and profitability.

Despite volatility toward year-end, Swiss Steel Group was able to increase its profitability to a significant degree.

We will explain in this report how performance in 2021 impacted the compensation awarded to the Executive Board under the incentive plans.

During the reporting year, the Compensation Committee conducted a thorough review of the compensation programs applicable to the Executive Board to ensure that they are competitive and aligned with the business strategy as well as the long-term interests of our shareholders. As a result of this review, the Compensation Committee proposed several changes that were approved by the Board of Directors and will be implemented in the fiscal year 2022:

- The short-term incentive (STI) will be harmonized throughout the organization to ensure strategic alignment. It will continue to be delivered in the form of an annual cash payment and will be based on a balanced set of measurable performance conditions: adjusted EBITDA, net working capital and the achievement of strategic objectives at the Group and Business Unit levels. Any form of guaranteed payout will be discontinued.
- The long-term incentive will be awarded in the form of performance share units settled in shares, 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 will be discontinued and the long-term incentive award will be subject to stringent termination provisions.
- Clawback and malus provisions will be introduced in the short-term and long-term incentives for members of the Executive Board.
- Minimum share ownership requirements will be introduced for members of the Executive Board.

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.

Aside from this compensation review, the Compensation Committee performed 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 para. 2), the allocation of shares, conversion rights and options (art. 16b para. 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 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 annually 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 27, 2021, the shareholders elected Jens Alder, Dr. Svein Richard Brandtzæg and Dr. Michael Schwarzkopf 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 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
– 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 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 2021, the Compensation Committee met eight times. 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 2021, Agnès Blust Consulting was mandated to provide advisory services on the redesign of the compensation programs of the Executive Board. This company does not have other mandates with Swiss Steel Group. 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.

3 Compensation principles

The compensation of the Executive Board is set so 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).

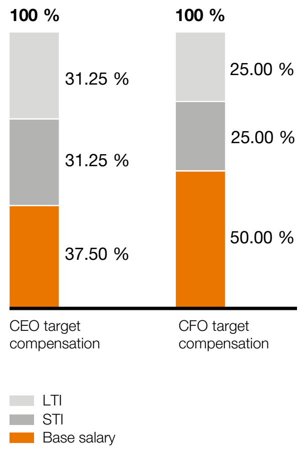
The diagram shows the general composition of incentive compensation for the Executive Board:

	Short-term incentive	Long-term incentive
Purpose	Rewards annual business and individual performance	Rewards sustainable growth in the company's value and aligns with shareholder interests
Granted	Annually	Annually
Vested	Annually	After three years
Performance conditions	Adjusted EBITDA, operating free cash flow, personal goals	Return on capital employed, absolute shareholder return

	CEO [1]	CFO	CEO	CFO
Minimum as a percentage of base salary	0 % [2]	0 %	0 % [2]	0 % [3]
Percentage of base salary if targets are reached	83.3 %	50 %	83.3 %	50 %
Maximum as a percentage of base salary if targets are exceeded	125 %	75 %	166.6 %	100 %
Compensation	Cash	Cash	Shares and/or cash	Shares and/or cash

[1] New CEO as of July 1, 2021. For 2021, compensation is pro-rated for six months
[2] A minimum guaranteed payout of 75 % of target had been contractually agreed for the year of hire (for the STI 2021 and for the year 2021 of the LTI granted in 2021). Any form of guaranteed payout will be discontinued as of 2022
[3] A minimum guaranteed payout of 50 % of target had been contractually agreed. Any form of guaranteed payout will be discontinued as of 2022

General composition of compensation for the Executive Board in 2021 [4]



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

4.2.1 Base salary

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

4.2.2 Short-term incentive (STI)

Compensation for short-term performance

The STI rewards the Executive Board for achieving annual performance objectives that are specific, quantifiable and challenging.

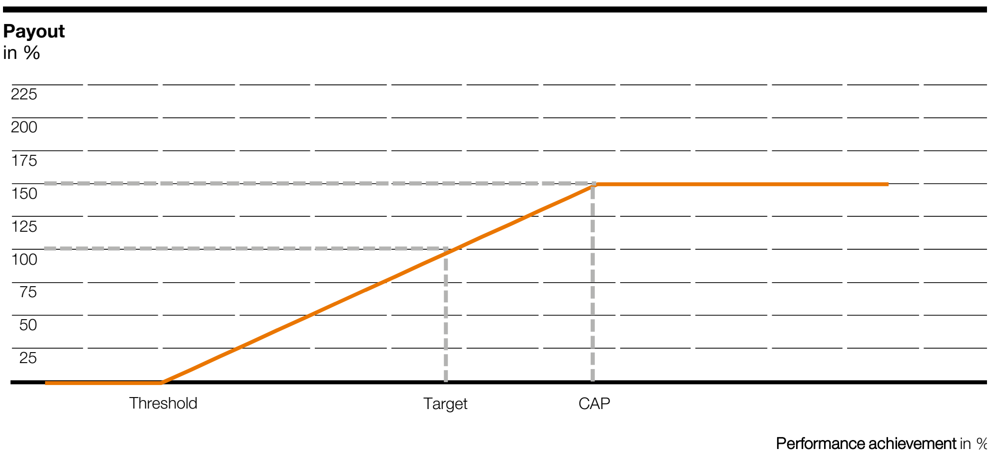
The STI target amount corresponds to 83.3 % of the base salary for the CEO and to 50 % of the base salary for the CFO. The maximum payout amounts to 150 % of target.

The performance objectives consist of financial targets for the Group (adjusted EBITDA and operating free cash flow (OFCF)) as well as personal targets. Adjusted EBITDA is a well-established measure of the company's bottom line and is aligned with the financial covenant for leverage. Operating free cash flow includes the change in networking capital from the balance sheet. Personal targets relate to matters including the reorganization and steering of Swiss Steel Group (including the recruitment of new key functions), the strategic realignment of Swiss Steel Group by setting up a strategy program (SSG 2025), active stakeholder and customer management, the strengthening of the Group's cash management and the achievement of savings target for 2021.

The performance indicators and their respective weightings for 2021 are as follows:

Performance indicator	Weighting
Adjusted EBITDA	35 %
Operating free cash flow	35 %
Personal targets	30 %

For each performance objective, an expected level of performance is determined (target), for which the STI payout amounts to 100 %. A minimum level of performance (threshold) below which there is no payout, and a maximum level of performance (cap) above which the payout is limited to 150 % are determined as well. For performance achievement between the threshold and the target, the payout is calculated by linear interpolation. 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.



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 employment ends are explicitly excluded.

The STI will be changed for 2022; please refer to section 8 "Outlook" for further details.

- Discontinuation of guarantees and advance payments
- Stricter joiner and termination rules
- Clawback and malus provisions
- KPI's: adjusted EBITDA, NWC, specific goals

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 83.3 % of the base salary for the CEO and to 50 % of the base salary for the CFO. The maximum vesting level is 200 %.

The LTI is based on two performance indicators: the return on capital employed (ROCE) and the absolute shareholder return (ASR), measured over a three-year period and equally weighted. ROCE measures how effectively the company generates returns from its capital, and ASR measures the returns realized by the shareholders in the form of share value creation. The ROCE growth and ASR are measured as illustrated below.

$$\textbf{ROCE growth} = \frac{3 \text{ x ROCE year 1} + 2 \text{ x ROCE year 2} + \text{ROCE year 3}}{6}$$

and

$$\textbf{Absolute shareholder return (ASR)} = \frac{\text{closing price year 3} - \text{opening price year 1}}{\text{Opening price year 1}} \text{ x } 100$$

For both performance indicators, an expected level of performance is determined (target), for which the payout percentage amounts to 100 %. A minimum level of performance (threshold) below which there is no payout, and a maximum level of performance (cap) above which the payout is limited to 200 % of target are determined as well. For ROCE growth, the threshold is set at a performance achievement of 75 % of the target, and the cap corresponds to a performance achievement of 125 % of the target. For ASR, the threshold is set at a performance achievement of 60 % of the target, and the cap corresponds to a performance achievement of 140 % of the target.

The compensation payable under the LTI is calculated until the end of the performance period based on the ROCE growth and ASR achievement. At the discretion of the Board of Directors, the compensation payable under the LTI program can be paid in Swiss Steel Holding AG shares, in cash or a mixture of the two.

There are no voting rights or rights to dividends from potentially receivable shares during the three-year performance period. As soon as shares have been transferred, the owners have full rights relating to these shares, excepting any internal trading restriction periods.

If the employment contract of a member of the Executive Board is terminated before the end of the three-year period, the member is entitled to a pro rata allocation of the compensation due under the LTI. This pro rata allocation is calculated based on the number of days from the beginning of the compensation period up to and including the day on which employment ends, divided by the total number of days in the compensation period. Claims for the remainder of the compensation period after employment ends are explicitly excluded. The achievement of the ROCE growth and ASR targets is not assessed until the end of the performance period, including in the case of pro rata allocation (e.g. no acceleration of payout).

The LTI will be changed for 2022; please refer to section 8 “Outlook” for further details.

- Annual performance share units
- Discontinuation of any guarantee
- Stricter termination rules
- Clawback and malus provisions
- KPI’s: ROCE, ratio of gross profit/personnel expenses (productivity)
- Share ownership guidelines

4.2.4 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).

4.2.5 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.

4.2.6 Contractual components and termination payments
According to the company's Articles of Incorporation, contracts can be concluded with members of the Executive Committee 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.

4.2.7 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 2021, the Executive Board consists of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO):

Name [1]	Function	Period
Frank Koch	CEO	01.07.2021 – 31.12.2021
Dr Markus Böning	CEO ad interim	01.04.2021 – 30.06.2021
Clemens Iller	CEO	01.01.2021 – 31.03.2021
Dr Markus Böning	CFO	01.01.2021 – 31.12.2021

[1] Josef Schultheis, former CRO, left his position at the end of 2020 and retired from the Executive Board on February 28, 2021.

4.4 Compensation tables

The Annual General Meeting approved a total amount of CHF 7,500,000 for the members of the Executive Board for the fiscal year 2021. The compensation awarded for 2021 amounted to CHF [8,326,734] (2020: CHF 5,344,466) and is, therefore, below the maximum amount approved [4]. Clemens Iller, CEO, was the highest-earning member of the Executive Board in both 2021 and 2020.

		Cash/deposits				Pension fund expenses		
in CHF (gross)		**Fixed remuneration**	**STI (variable)**	**LTI (variable) [1]**	**Other payments/ benefits [2]**	**Postemploy-ment benefit contributions [3]**	**Health, accident and other insurance contributions**	**Total**
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 Committee		**3,490,000**	**1,683,929**	**1,622,287**	**678,901**	**812,340**	**39,277**	**8,326,734**
2020								
Highest-paid person: Clemens Iller (DE)	CEO	1,200,000	600,000	575,824	13,891	336,942	45,904	2,772,561
Total Executive Committee		**2,448,275**	**1,334,772**	**850,140**	**42,986**	**613,187**	**55,105**	**5,344,466**

[1] Grant value at the date of grant based on the Black-Scholes valuation. For the leaving CEO, the grant is partially forfeited due to the termination of employment

[2] Includes the value of benefits such as the private use of the company car and cost reimbursement/allowances provided in the context of internal relocation such as moving, shipment of household goods, temporary housing, schooling, tax equalization and tax advice, outstanding vacation days of the former CEO

[3] Employer contributions to the pension fund and other post-employment benefit plans including government social security

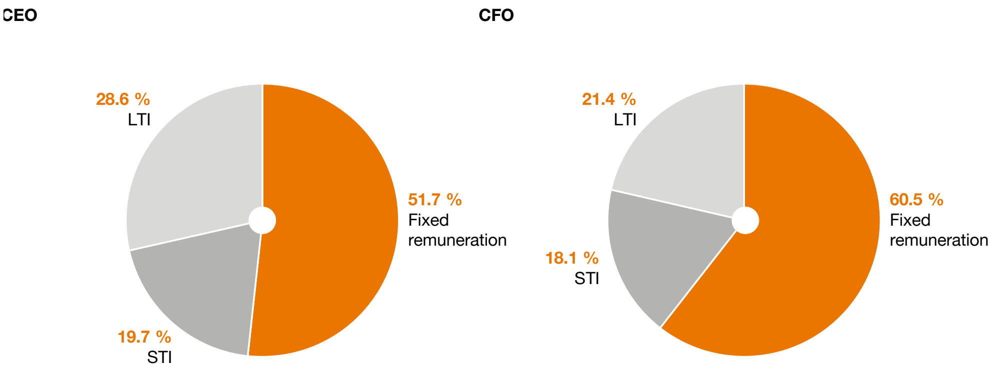
[4] Maximum approved remuneration plus 40 % for an additionally appointed executive (Art. 16e of the Articles of Incorporation)

Explanatory comments to the compensation table

- There were three members in the Executive Board in 2021, of whom two on a full-year basis. This compares to four members in the previous year, of whom two on a full-year basis.
- The fixed compensation increased compared to the previous year. This is due to the following factors: overlap in compensation for the CEO position due to the compensation of the former CEO during the notice period and that of the new CEO; additional compensation paid to the CFO for assuming the CEO role ad interim from April to June 2021; and replacement award to the new CEO as compensation for forfeited compensation at his previous employer as a consequence of joining Swiss Steel Group.
- The performance achievement under the STI was higher in 2021 than in 2020. Further details are provided in section 4.5. Performance in fiscal year 2021.
- The grant value of the long-term incentive increased compared to the previous year. This is because of the overlap in compensation for the CEO position, considering that the former CEO received a regular grant (subsequently partially forfeited due to termination of employment) and that the new CEO received a pro rata grant when joining the company.
- The other payments/benefits increased substantially compared to the previous year, mainly due to the fact that the outstanding vacation days of the former CEO were settled at termination and that certain cost of relocation were reimbursed to the new CEO.
- The social security contributions and pension contributions increased in line with the compensation increase as explained above.

The variable compensation amounted to 48.3 % of the annual base salary for the CEO and to 39.5 % of the annual base salary for the CFO.

Compensation
in %



4.5 Performance in fiscal year 2021

For 2021, adjusted EBITDA was EUR 191.6 million, a significant increase on the previous year (2020: EUR –68.9 million). Profitability was driven by the post COVID-19 market recovery, with strong sales volumes and improving margins achieved through ongoing good internal cost management and the transfer of increasing raw material prices to customers.

For 2021, OFCF was EUR -258.1 million. OFCF for performance objectives was adjusted to eliminate the temporary high working capital impact directly attributable to the strong increase in raw material and energy prices.

Performance objectives	Performance achievement	Payout percentage		
		Threshold	Target	Stretch
Adjusted EBITDA (35 %)	The adjusted EBITDA target was exceeded, leading to a payout factor of 150 %			
OFCF (35 %)	The operating free cash flow target was not met, leading to a payout factor of 50 %			
Individual objectives (30 %)	The achievement of the strategic objectives was 101 % on average			
Total	**Overall payout factor of 100 % for the CEO (pro rata basis for the year of hire) and 105 % for the CFO.**			

The current members of the Executive Committee did not receive any payout under the LTI, as their first LTI grant is still in the performance period.

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 2020 respectively (first vesting in 2023 and 2022).

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

In the fiscal years 2021 and 2020, the members of the Executive Board did not receive any compensation beyond the compensation disclosed above.

In the fiscal years 2021 and 2020, no compensation was paid to former members of the Executive Board or to parties closely related to them.

5 Compensation of the Board of Directors

5.1 Determining compensation

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

5.2 Individual components of compensation

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

	Compensation structure from AGM to AGM (net amounts)	
Function	**Cash in CHF**	**Shares in CHF**
Board retainer		
Chairman of the Board of Directors	225,000	175,000
Member of the Board of Directors	80,000	70,000
Additional committee fees [1]		-
Audit Committee Chairman	40,000	-
Audit Committee member	25,000	-
Compensation Committee Chairman	40,000	-
Compensation Committee member	25,000	-
Industrial Committee Chairman	40,000	-
Industrial 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

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 2021 Annual General Meeting until the 2022 Annual General Meeting. This compensation period has not yet run its course. The compensation paid for the period included in this compensation report (from the 2021 Annual General Meeting until December 31, 2021) is within the approved amount. A conclusive assessment will be provided in the next compensation report.

The Annual General Meeting approved a maximum amount of CHF 2,300,000 for the Board of Directors for the compensation period from the 2020 Annual General Meeting until the 2021 Annual General Meeting. The compensation paid for this period is within the approved limits.

The compensation paid for 2021 decreased slightly compared to the previous year (-3 %). There were substantial changes in the constitution of the Board of Directors: more importantly, however, the amount of the annual Board retainer and committee fees had been reduced as of the 2021 Annual General Meeting. The annual retainer for the Chairman of the Board of Directors was reduced from CHF 500,000 to CHF 400,000 and for the members of the Board of Directors from CHF 180,000 to CHF 150,000. The committee fees were decreased by up to CHF 10,000 p. a. depending on the committee.

in CHF		Fixed remuneration	Fixed remuneration in restricted share units [1]	Contribution to mandatory social security systems [2]	Total
2021					
Jens Alder (CH) [3]	Chairman	168,750	119,384	41,116	329,250
Dr. Svein Richard Brandtzæg (NO) [6]	Member	122,500	70,000	10,751	203,251
Heinrich Christen (CH) [4]	former Chairman	72,123	45,548	16,843	134,514
Ralf Göttel (DE) [5]	Member	26,250	16,685		42,935
David Metzger (CH/FR) [6]	Member	105,000	70,000	26,007	201,007
Mario Rossi (CH) [5]	Member	26,250	16,685	6,432	49,367
Dr. Michael Schwarzkopf (AT) [6]	Member	108,750	70,000		178,750
Karin Sonnenmoser (DE) [6]	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) [5]	Member	26,250	16,685		42,935
Adrian Widmer (CH)	Member	120,000	70,000	28,074	218,074
Total amount		**938,668**	**607,562**	**166,023**	**1,712,253**
2020					
Jens Alder (CH) [3]	Chairman	209,829	194,726	57,409	461,964
Dr. Svein Richard Brandtzæg (NO) [6]	Member	78,750	47,562	0	126,312
Michael Büchter (DE) [8]	Member	27,500	32,055	6,814	66,369
Heinrich Christen (CH) [4]	Chairman	74,301	50,151	18,252	142,704
Martin Haefner (CH) [8]	Vice-Chairman	27,500	32,055	6,814	66,369
Isabel Corinna Knauf (DE) [8]	Member	26,250	32,055	8,519	66,824
David Metzger (CH/FR) [6]	Member	78,750	47,562	18,568	144,880
Alexey Moskov (CYP) [8]	Member	26,250	32,055	8,519	66,824
Dr. Michael Schwarzkopf (AT) [6]	Member	60,000	47,562	0	107,562
Karin Sonnenmoser (DE) [6]	Member	78,750	47,562	0	126,312
Dr. Oliver Thum (DE) [9]	Member	6,667	6,575	0	13,242
Jörg Walther (CH) [7]	Member	60,000	47,562	15,739	123,301
Adrian Widmer (CH)	Member	122,500	79,617	29,602	231,719
Total amount		**877,047**	**697,099**	**170,233**	**1,744,379**

[1] Grant value of the restricted share units.
[2] All contributions of employer and employee to social security are paid by the company
[3] Chairman since April 27, 2021
[4] Chairman until April 5, 2021
[5] Member of the Board of Directors since October 6, 2021
[6] Member of the Board of Directors since April 28, 2020
[7] Member of the Board of Directors until August 10, 2021
[8] Member of the Board of Directors until April 28, 2020
[9] Member of the Board of Directors until January 24, 2020

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

In the fiscal years 2021 and 2020, 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 34 of 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, 2021, 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:

Board of Directors [1]		Number of shares 31.12.2021	Number of shares 31.12.2020	Number of restricted share units [2] 31.12.2021
Jens Alder (CH) [3]	Chairman	1,214,891	494,658	457,234
Dr. Svein Richard Brandtzæg (NO) [6]	Member	328,981	0	137,170
Heinrich Christen (CH) [4]	former Chairman	0	950,000	0
Ralf Göttel (DE) [5]	Member	0	n/a	47,927
David Metzger (CH/FR) [6]	Member	39,975	0	182,894
Mario Rossi (CH) [5]	Member	0	n/a	47,927
Dr. Michael Schwarzkopf (AT) [6]	Member	329,981	0	137,170
Karin Sonnenmoser (DE) [6]	Member	389,981	0	134,298
Jörg Walther (CH) [7]	former Member, former Chairman	0	0	77,124
Adrian Widmer (CH)	Member	738,324	197,864	182,894
Emese Weissenbacher (DE) [5]	Member	0	n/a	47,927
Total amount		**3,042,133**	**1,642,522**	**1,452,565**

[1] Including shares held by related parties of members of the Board of Directors (see note 34 to the consolidated financial statements as of December 31, 2021)
[2] 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, 2021. These restricted share units, including the remaining portion for the period from January 1, 2022 until the AGM 2022, will be converted into shares that will be transferred to the members of the Board of Directors after the AGM 2022
[3] Chairman since April 27, 2021
[4] Chairman until April 5, 2021
[5] Member of the Board of Directors since October 6, 2021
[6] Member of the Board of Directors since April 28, 2020
[7] Member of the Board of Directors until August 10, 2021

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

Executive Board [1]		Number of shares 31.12.2021	Number of shares 31.12.2020
Frank Koch (DE)	CEO	0	n/a
Clemens Iller (DE)	former CEO	0	1,251,336
Dr. Markus Böning (DE)	CFO	0	0
Josef Schultheis (DE)	former CRO	0	0
Total Executive Board		**0**	**1,251,336**

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

8 Outlook: Changes to the compensation system

8.1 Compensation structure of the Board of Directors

Starting in 2022 the Compensation Committee reviewed the compensation structure of the Board of Directors. The objective was to be in line with Swiss listed companies of comparable size and consistent with the compensation principles of the Executive Board.

The Compensation Committee concluded that both the structure and absolute compensation levels are well in line with Swiss listed companies of comparable size. As of the new compensation period starting at the Annual General Meeting in April 2022, only a minor change will be adopted to the compensation of the committee chair. Consistent with the new Executive Board compensation structure, a minimum holding requirement of 200 % of the annual share compensation portion will also be introduced.

8.2 Compensation structure of the Executive Board

In the fiscal year 2021, the Compensation Committee undertook a thorough review of the compensation structure applicable to the Executive Board in order to ensure that it is aligned with the business strategy and, with the long-term interests of shareholders, and it is well balanced in rewarding business performance and individual contributions in both the short and long term.

As a result of this review, the Compensation Committee proposed several changes that were approved by the Board of Directors and will be implemented in the fiscal year 2022.

8.2.1 Short-term incentive

The STI plan will be harmonized throughout the organization in order to ensure strategic alignment. The STI will continue to take the form of an annual cash bonus and will be based on the achievement of financial objectives at the Group and Business Unit levels, as well as strategic performance goals. The structure and weighting of the performance conditions is summarized in the table below:

Performance objectives	Adjusted EBITDA	Net working capital (NWC)	Specific goals
Definition	IFRS EBITDA minus defined adjustments (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 unit under responsibility
Rationale	Measure of profitability which is aligned with financial covenant for leverage	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 Business Units
Weighting for CEO	40 % (Group)	40 % (Group)	20 % (Group)
Weighting for EB members	40 % (20 % Group, 20 % BU)	40 % (20 % Group, 20 % BU)	20 % (Group or BU)

For each performance objective, the Board of Directors will define the expected level of performance (target) providing for a 100 % payout, a minimum level of performance (threshold) below which there is no payout, and a maximum level of performance (cap) above which the payout will be capped at 150 % of target. Any form of guaranteed payout will be discontinued.

In case of termination of employment during the year, members of the Executive Board are entitled to a pro rata payout based on the effective performance (no acceleration of payout). In case of termination for cause, any entitlement is forfeited.

8.2.2 Long-term incentive

The LTI plan will be 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/expenses
Definition	Adjusted EBIT / 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 %

For both performance objectives, the Board of Directors will define 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 %. Any form of guarantee will be discontinued.

In the longer term, once the sustainability strategy of the company is determined and implemented, the LTI may also include performance conditions related to sustainability (ESG; Environmental, Social and Governance). The Board of Directors established that it is premature to include sustainability metrics in the LTI considering that the sustainability strategy is not yet finalized.

At vesting, the PSU will be converted into shares of Swiss Steel Holding AG. In case of termination of employment during the three-year vesting period, unvested PSU will forfeit, except in the case of retirement, disability, death or change of control, where a pro rata vesting will apply. There will be no acceleration of vesting except in the case of death or change of control.

8.2.3 Clawback and malus provisions

Clawback and malus provisions will apply to both the STI and the LTI for members of the Executive Board. Those provisions allow the Board of Directors to reduce any future STI and/or LTI award (malus) or to recover STI and/or LTI already awarded in case of financial restatement due to non-compliance with accounting standards and in the event of fraud or violations of law.

8.2.4 Share ownership guideline

A minimum share ownership requirement will be introduced for members of the Executive Board as follows:

	Minimum requirement	Build-up period
Definition	200 % of annual base salary	Five years
Weighting	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 that time period accordingly.

Report of the statutory auditor on the compensation report

To the General Meeting of Swiss Steel Holding Ltd., Lucerne

Zurich, 7 March 2022

We have audited the compensation report of Swiss Steel Holding Ltd. for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 4.4 and 5.3 to 7 on pages 109 to 116 of the compensation report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended 31 December 2021 of Swiss Steel Holding Ltd., complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

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

Our consolidated financials reflect the progress made over 2021 in a market recovering from the shock of a pandemic.

191.6

Adjusted EBITDA
in million EUR

6.0

Adjusted EBITDA margin
in %

FINANCIAL REPORTING

Swiss Steel Group consolidated financial statements

Consolidated income statement

in million EUR	Note	2021	2020
Revenue	7	3,192.8	2,288.4
Changes in inventories of semi-finished and finished goods		254.1	– 60.3
Cost of materials	8	– 2,333.8	– 1,460.7
Gross profit		**1,113.1**	**767.3**
Other operating income	9	88.3	50.8
Personnel expenses	10	– 663.2	– 624.4
Other operating expenses	9	– 338.2	– 292.8
Operating result before depreciation, amortization and impairments (EBITDA)		**200.0**	**– 99.0**
Depreciation, amortization and impairments	13	– 91.3	– 173.7
Operating profit (EBIT)		**108.7**	**– 272.7**
Financial income	14	1.2	1.6
Financial expenses	14	– 45.8	– 50.5
Financial result		**– 44.6**	**– 48.9**
Earnings before taxes (EBT)		**64.1**	**– 321.6**
Income taxes	15	– 13.8	11.4
Group result		**50.3**	**– 310.2**
of which attributable to			
– shareholders of Swiss Steel Holding AG		50.1	– 310.1
– non-controlling interests		0.2	– 0.2
Earnings per share in EUR (undiluted/diluted)	**16**	**0.02**	**– 0.15**

Consolidated statement of comprehensive income

in million EUR	Note	2021	2020
Group result		**50.3**	**–310.2**
Exchange differences on translation of foreign operations	24	5.8	–4.7
Change in unrealized result from cash flow hedges		0.7	0.2
Tax effect on change in unrealized result from cash flow hedges	15	–0.2	–0.1
Items that may be reclassified subsequently to income statement		**6.3**	**–4.6**
Actuarial result from pensions and similar obligations	25	11.4	6.6
Tax effect on actuarial result from pensions and similar obligations	15	–0.3	–0.4
Items that will not be reclassified subsequently to income statement		**11.1**	**6.2**
Other comprehensive result		**17.4**	**1.6**
Total comprehensive result		**67.7**	**–308.6**
of which attributable to			
– shareholders of Swiss Steel Holding AG		67.5	–308.4
– non-controlling interests		0.2	–0.2

Consolidated statement of financial position

		31.12.2021		31.12.2020	
	Note	in million EUR	% share	in million EUR	% share
Assets					
Intangible assets	17	16.7		17.6	
Property, plant and equipment	17	500.0		478.2	
Right-of-use assets	18	31.6		24.4	
Non-current income tax receivables		2.6		3.6	
Non-current financial assets	20	1.4		1.3	
Deferred tax assets	15	16.4		18.0	
Pension assets	25	3.3		10.4	
Other non-current assets	21	3.6		3.9	
Total non-current assets		**575.6**	**25.8**	**557.4**	**32.5**
Inventories	22	999.6		649.6	
Trade accounts receivable	23	479.3		347.1	
Current financial assets	20	3.5		7.5	
Current income tax receivables		6.1		9.3	
Other current assets	21	74.3		70.0	
Cash and cash equivalents		89.0		74.7	
Total current assets		**1,651.8**	**74.2**	**1,158.2**	**67.5**
Total assets		**2,227.4**	**100.0**	**1,715.7**	**100.0**
Equity and liabilities					
Share capital	24	361.4		221.7	
Capital reserves	24	1,024.5		1,118.2	
Accumulated losses	24	–994.9		–1,224.7	
Accumulated income and expenses recognized in other comprehensive income (loss)		51.0		44.5	
Treasury shares		0.0		–0.5	
Equity attributable to shareholders of Swiss Steel Holding AG		**442.0**		**159.2**	
Non-controlling interests		6.9		6.9	
Total equity		**448.9**	**20.2**	**166.1**	**9.7**
Pension liabilities	25	269.0		290.7	
Non-current provisions	26	39.3		46.2	
Deferred tax liabilities	15	3.9		3.9	
Non-current financial liabilities	28	571.0		525.2	
Other non-current liabilities	30	11.6		16.2	
Total non-current liabilities		**894.8**	**40.2**	**882.2**	**51.4**
Current provisions	26	40.0		39.2	
Trade accounts payable		438.3		298.6	
Current financial liabilities	28	238.5		189.4	
Current income tax payables		7.0		9.8	
Other current liabilities	30	159.9		130.3	
Total current liabilities		**883.7**	**39.7**	**667.3**	**38.9**
Total liabilities		**1,778.5**	**79.8**	**1,549.5**	**90.3**
Total equity and liabilities		**2,227.4**	**100.0**	**1,715.7**	**100.0**

Consolidated statement of cash flows

in million EUR	Calculation	2021	2020
Earnings before taxes		64.1	– 321.6
Depreciation, amortization and impairments		91.3	173.7
Result from disposal of intangible assets, property, plant and equipment		– 1.4	– 2.0
Inflows/outflows of other assets and liabilities and other non-cash items		13.1	12.7
Financial income		– 1.2	– 1.6
Financial expenses		45.7	50.5
Cash-settled share base payment		– 2.2	– 0.9
Interest received		0.5	1.0
Income taxes received/paid (net)		– 10.9	3.0
Cash flow before changes in net working capital		**199.0**	**– 85.2**
Change in inventories		– 341.2	104.3
Change in trade accounts receivable		– 129.3	15.6
Change in trade accounts payable		135.7	– 56.6
Cash flow from operating activities	**A**	**– 135.8**	**– 21.9**
Investments in property, plant and equipment		– 86.6	– 76.1
Proceeds from disposal of property, plant and equipment		2.9	2.9
Investments in intangible assets		– 4.2	– 4.7
Cash flow from investing activities	**B**	**– 87.9**	**– 77.9**
Inflows/outflows of other financial liabilities		89.4	73.4
Proceeds from loan from shareholder		0.0	94.5
Inflows/outflows of other bank loans		– 5.2	– 5.6
Inflows/outflows of state-guaranteed loans		– 8.4	95.1
Transaction costs on refinancing		– 5.5	– 9.0
Repayment of bond		0.0	– 350.0
Proceeds from capital increase		223.5	300.4
Transaction costs on capital increase		– 6.5	– 9.3
Payment of principal portion of lease liabilities		– 9.6	– 10.6
Purchase of treasury shares		– 0.8	0.0
Dividends to non-controlling interests		– 0.2	0.0
Interest paid		– 40.4	– 54.6
Cash flow from financing activities	**C**	**236.3**	**124.2**
Net change in cash and cash equivalents	**A+B+C**	**12.6**	**24.5**
Foreign currency effects on cash and cash equivalents		1.7	– 3.8
Change in cash and cash equivalents		**14.3**	**20.7**
Cash and cash equivalents at the beginning of the period		74.7	54.0
Cash and cash equivalents at the end of the period		89.0	74.7
Change in cash and cash equivalents		**14.3**	**20.7**
Free cash flow	**A+B**	**– 223.7**	**– 99.8**

Consolidated statement of changes in shareholders' equity

in million EUR	Share capital	Capital reserves	Retained earnings	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 1.1.2020	**378.6**	**952.8**	**–1,202.9**	**49.3**	**–1.2**	**176.6**	**7.1**	**183.8**
Capital increase	300.4	–9.3	0.0	0.0	0.0	291.1	0.0	291.1
Capital decrease	–457.3	174.7	282.6	0.0	0.0	0.0	0.0	0.0
Expenses from share-based payments	0.0	0.0	0.8	0.0	0.0	0.8	0.0	0.8
Definitive allocation of share-based payments for the prior year	0.0	0.0	–1.6	0.0	0.7	–0.9	0.0	–0.9
Capital transactions with shareholders	**–156.9**	**165.4**	**281.8**	**0.0**	**0.7**	**291.0**	**0.0**	**291.0**
Group result	0.0	0.0	–310.0	0.0	0.0	–310.0	–0.2	–310.2
Other comprehensive result	0.0	0.0	6.2	–4.6	0.0	1.6	0.0	1.6
Total comprehensive result	**0.0**	**0.0**	**–303.8**	**–4.6**	**0.0**	**–308.4**	**–0.2**	**–308.6**
As of 31.12.2020	**221.7**	**1,118.2**	**–1,224.9**	**44.7**	**–0.5**	**159.2**	**6.9**	**166.1**
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**

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, 2022, and are subject to the approval of the Annual General Meeting on April 26, 2022.

1 Accounting policies

The consolidated financial statements of Swiss Steel Group for the fiscal year 2021 were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board (IASB). They are based on the standards and interpretations that were effective as of December 31, 2021. Notes 4 and 5 present information about the standards and interpretations that became effective during the fiscal year 2021, 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.

Going concern assumpion (note 3)
Management used significant judgement to assess the Group’s ability to continue as a going concern.

Recoverability of deferred tax assets (note 15)
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 13, 17 and 18)
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 19)
The Group estimates the recoverable amount of the asset, which is usually based on its 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 budgets and medium-term plans, which are prepared separately for each of the Group’s CGUs for a five-year detailed planning period and have been approved by the Board of Directors. The assumptions concerning the achievable volumes, margin, operating costs, growth rate, tax rate and discount rate have a significant impact on the recoverable amount of the cash-generating unit and therefore, on the impairment test results. In addition, the assumptions might be subject to differences between assumed and actual outcomes, which could lead to changes in the results of impairment testing.

In 2021, Swiss Steel Group identified indications (triggering events) due to increased energy prices affecting the production cost base and potentially also the operating result over the short term. Furthermore, the shortages in supply chains for the main customer industries such as 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 September 30, 2021 (note 19). The ensuing impairment test resulted in a further impairment in the Business Unit Ascometal.

The situation is being continuously monitored. If the situation continues to deteriorate, it might result in additional impairments of current and non-current assets.

Recognition and measurement of provisions (notes 26, 27, 32)
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 income.

Recognition and measurement of liabilities for defined benefit obligations (note 25)
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, 2021. Any change in significant actuarial assumptions was analyzed separately. Interactions were not taken into account.

Effects of the COVID-19 crisis
In 2021 the Group continued to contend with the impact of COVID-19 on its financial performance. The consequences of the pandemic are still causing increased uncertainty regarding the future trends in sales volumes, revenues and cash flows as well as the value of current and non-current assets. Assumptions and estimates may differ from the actual values and have a significant impact on the consolidated financial statements. The Group believes that the negative effects of COVID-19 - specifically the temporary yet sharp drop in demand from core end customer markets due to COVID-19 containment measures and the ongoing supply chain disruptions such as the semiconductor shortage affecting the automotive industry - have been sufficiently factored into the current budget and the medium-term plan with regard to sales volumes, revenues, cash flows and capital costs, and therefore also into the valuation of current and non-current assets. The situation is being continuously monitored and the values of non-current assets re-measured on each reporting date. If the situation deteriorates again, it may result in additional impairments of current and non-current assets such as receivables, inventories or property, plant and equipment (note 19).

3 Going concern

In 2021, Swiss Steel Group benefited from the strong post COVID-19 market recovery throughout main customer industries, leading to high margin realization and strong profitability. The market recovery in combination with the ongoing transformation efforts enabled Swiss Steel Group to show a positive group result after three years of losses.

However, supply chain issues, namely a semiconductor shortage affecting the automotive industry, resurged in the second half of 2021. Additionally, on top of already high and further increasing raw material prices, prices for electricity and natural gas multiplied and reached unprecedented high levels. While Swiss Steel Group managed to roll-over these cost increases to customers, it required a significantly higher of working capital, resulting in a significantly negative free cash flow in 2021.

Additionally, for reasons still under investigation, a crane transporting a ladle furnace collapsed at the production site in Ugine in early 2022, leading to a significant loss of production in the steel mill in the first half of 2022 (see note 35 for further details). The incident is expected to have a significant negative impact on the operational performance and the liquidity situation in 2022 due to the cost of repairs and especially due to lost revenue from the reduced production volumes of the Business Unit Ugitech.

Swiss Steel Group has responded to these developments with various measures:

- Production volumes were adapted together with strong cost control measures in order to mitigate the impact of high energy prices in the fourth quarter 2021 and first quarter of 2022. The Group also significantly increased base prices and, in many cases, established an energy cost surcharge to roll-over the cost increases to customers, similar to existing scrap and alloy surcharge mechanisms
- Following the incident in Ugine, the Group allocated production volumes for semi-finished goods from other sites and sourced additional third-party material to support Ugitech's downstream activities and customer shipments
- Further, the Group secured additional liquidity in order to finance the high working capital needs through a EUR 100 million revolving facility agreement with Big Point Holding AG, available from January 3, 2022 with a base term of twelve months and a three month extension option. The facility amount is initially EUR 100 million with a reduction to EUR 80 million as of June 30, 2022, to EUR 60 million with effect from September 30, 2022 and to EUR 40 million effective December 31, 2022, if the extension option is exercised. Additionally, on January 26, 2022, an increase of the state guaranteed loans in France by EUR 20 million was agreed.

In order to address the latest developments, the Group revised its budget 2022 and its liquidity planning. The ability to continue as a going concern is dependent on the availability of sufficient liquidity and compliance with the relevant financing conditions. There are uncertainties related to the development of the supplier and customer end markets, the development and impact of the raw material and energy prices, the supply chain issues, the further development of the COVID-19 pandemic and the restart of melt shop production in Ugine. Swiss Steel Group considers these uncertainties as not material since the updated planning demonstrated enough financial headroom and since the Group is in a position to reduce production volumes in favor of releasing liquidity by reducing net working capital.

The Board of Directors and the Executive Board continue to closely monitor developments in the relevant supplier and customer end markets, the available liquidity, the compliance with financial covenants and are repeatedly assessing the impact on Swiss Steel Group's ability to continue as a going concern. When preparing the consolidated financial statements, the continuation of Swiss Steel Group as a going concern was assessed as positive by the Board of Directors and by the Executive Board. It is expected that the various measures initiated (as listed above) are sufficient in order to cover the additional liquidity needs from the latest developments and to be compliant with the financing conditions so that the company can continue its business activities over the next twelve months. 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 2020, with the exception of the amendments to the IFRS standards that were applied for the first time with effect from January 1, 2021. This 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 an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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	
	2021	2020	2021	2020
EUR/BRL	6.38	5.89	6.34	6.33
EUR/CAD	1.48	1.53	1.44	1.55
EUR/CHF	1.08	1.07	1.04	1.08
EUR/GBP	0.86	0.89	0.84	0.89
EUR/USD	1.18	1.14	1.14	1.22

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 will flow to the entity from the use of the asset and the cost of the asset can be determined reliably.

The useful lives of intangible assets are as follows:

in years	2021	2020
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 and 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	2021	2020
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 (CGU) 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, other operating costs) and the tax rates in the relevant production 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 CGU 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 (ROU) 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 (if available) at the rate implicit in the lease or at the lessee's incremental borrowing rate.

The section “Right-of-use assets” describes the recognition and subsequent measurement of ROU 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 OCI 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 life time 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 of 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 current 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 fulfil 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.

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 of Swiss Steel Group 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 billed at the time when control passes to the customer and recognized are as trade accounts receivable.

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, to which 100 % of the relevant consideration is allocated.

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

Revenue is reported net of 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 of their purpose. If the government grant is related to a specific position item in the expenses such as compensation for energy costs, it is deducted from such 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 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	**2021**	**2020 [1]**	**2021**	**2020 [1]**
Quality & engineering steel	1,430.8	913.9	139.4	96.8
Stainless steel	936.0	722.6	213.1	167.8
Tool steel	226.8	182.4	169.3	145.4
Others	63.7	46.9	13.7	12.6
Total	**2,657.3**	**1,865.9**	**535.5**	**422.5**

in million EUR	Production 2021	Production 2020 [1]	Sales & Services 2021	Sales & Services 2020 [1]
Germany	1,118.4	825.6	1.8	3.4
Italy	416.2	255.7	39.0	25.0
France	292.3	218.7	40.3	29.3
Switzerland	48.7	36.5	0.0	0.0
Other Europe	459.9	292.2	191.3	141.8
Europe	**2,335.5**	**1,628.7**	**272.4**	**199.5**
USA	114.7	82.1	118.9	106.2
Canada	39.7	26.7	31.1	27.3
Other Americas	5.8	8.9	32.4	23.2
America	**160.2**	**117.7**	**182.4**	**156.7**
China	62.0	46.4	50.6	43.5
India	24.7	15.0	13.6	9.8
Asia Pacific/Africa	74.9	58.1	16.5	13.0
Africa/Asia	**161.6**	**119.5**	**80.7**	**66.3**
Total	**2,657.3**	**1,865.9**	**535.5**	**422.5**

[1] Restatement between Sales & Services and Production due to business model changes at Swiss Steel Deutschland GmbH (Note 33)

8 Cost of materials

in million EUR	2021	2020
Cost of raw materials, consumables, supplies and merchandise	1,860.4	1,179.9
Other purchased services	473.4	280.8
Total	**2,333.8**	**1,460.7**

9 Other operating income and expenses

Other operating income can be broken down as follows:

in million EUR	2021	2020
Rent and lease income	6.9	6.7
Grants and allowances	5.0	7.9
Insurance reimbursement	36.3	0.2
Gains from disposal of intangible assets and property, plant and equipment	2.3	2.1
Own work capitalized	3.0	7.2
Income for energy recharges	4.4	2.1
Income for services	9.0	8.5
Income for training	2.6	2.6
Miscellaneous income	18.8	13.5
Total	**88.3**	**50.8**

The insurance reimbursement of EUR 36.3 million mainly comprises the compensation from property and business interruption insurances due to the flood disaster that affected the production site in Hagen of Business Unit Deutsche Edelstahlwerke (DEW) in July 2021. Related costs (EUR 14.6 million) were recognized in repair and maintenance expenses.

Miscellaneous income of EUR 18.8 million (2020: EUR 13.5 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	2021	2020
Freight, commission	93.5	70.9
Allowances on trade accounts receivable	–2.4	5.5
Maintenance, repairs	109.3	79.7
Holding and administration expenses	30.4	26.9
Fees and charges	29.0	24.2
Expenses for leases (short-term, low value, variable leases)	9.2	10.0
Consultancy and audit services	17.4	20.6
IT expenses	28.2	21.8
Losses on disposal of intangible assets and property, plant and equipment	0.9	0.1
Non-income taxes	8.6	12.5
Foreign exchange loss (net)	2.3	3.6
Restructuring expenses	0.0	0.1
Miscellaneous expenses	11.8	16.8
Total	**338.2**	**292.8**

Freight and commission costs increased as a result of higher transport costs due to logistic constraints and reflect the generally higher sales volume. Maintenance and repair expenses include the rebuild of the Hagen site after the flooding and were also driven to a large extend by increased production. IT expenses climbed on the back of various factors including higher spending for IT security measures.

Miscellaneous expenses of EUR 11.8 million (2020: EUR 16.8 million) comprise a number of individually immaterial items which cannot be allocated to another category.

The item "Consultancy and audit services" includes the total fees billed by the auditor Ernst & Young. In 2021, EUR 2.0 million (2020: EUR 2.4 million) was paid for financial statement audits and EUR 0.2 million (2020: EUR 0.2 million) for other assurance services. In addition, EUR 0.1 million (2020: EUR 0.1 million) was paid for tax advisory services in the reporting period and EUR 0.4 million (2020: EUR 0.2 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	2021	2020
Exchange gains	104.3	96.1
Exchange losses	– 106.6	– 99.7
Net currency effect	**– 2.3**	**– 3.6**

10 Personnel expenses

in million EUR	2021	2020
Wages and salaries	524.0	498.5
Social security contributions	123.6	113.6
Other personnel costs	15.6	12.3
Total	**663.2**	**624.4**

In 2021, Swiss Steel Group received EUR 3.6 million (2020: EUR 23.2 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.

11 Research and development expenses

Research and development expenses of EUR 9.3 million were incurred in 2021 (2020: EUR 10.4 million). They relate to third-party expenses for new product applications and process improvements. Development costs of EUR 1.6 million were capitalized in the reporting period (2020: EUR 2.0 million); this amount is capitalized under intangible assets in the subcategory “Concessions, licenses and similar rights” (note 17).

12 Government grants

Government grants of EUR 11.4 million (2020: EUR 18.1 million) were recognized in the fiscal year which were used to reimburse the Group for its expenses. These are primarily related to reimbursements of other operating expenses (energy costs). The energy cost reimbursement of EUR 5.3 million was recognized as a deduction from the respective expense, while the remaining portion of government grants has been recorded as income.

Government support within the context of the COVID-19 crisis affected personnel expenses (note 10) and financial liabilities (note 28).

13 Depreciation, amortization and impairments

in million EUR	2021	2020
Amortization of intangible assets	5.1	4.9
Depreciation of property, plant and equipment	58.1	59.1
Depreciation of right-of-use assets	8.2	8.5
Impairment of intangible assets, property, plant and equipment, and right-of-use assets	19.9	101.2
Total	**91.3**	**173.7**

Detailed information on impairments is disclosed in note 19.

14 Financial result

in million EUR	2021	2020
Interest income	1.0	1.4
Other financial income	0.2	0.2
Financial income	**1.2**	**1.6**
Interest expenses on financial liabilities	– 36.0	– 41.1
Interest expenses on lease liabilities	– 3.6	– 3.3
Net interest expense on pension provisions and plan assets	– 1.7	– 2.6
Capitalized borrowing costs	0.8	3.4
Other financial expenses	– 5.3	– 6.9
Financial expenses	**– 45.8**	**– 50.5**
Financial result	**– 44.6**	**– 48.9**

The item “interest expenses” includes, among other things, the interest expense for the state-guaranteed loans at the market interest rate. The interest expenses are offset against the reversal of the liability of the deferred government support in the same amount (see note 28). In 2021, Swiss Steel Group reversed EUR 3.8 million of this liability and credited it to interest expenses.

Other financial expenses mainly include the amortization of transaction costs from debt financing, which is recognized over its expected term. In 2020, it included the structuring fee of EUR 1.5 million for the backstop facility that was concluded in September 2020.

15 Income taxes

The main components of income tax in the fiscal years 2021 and 2020 were as follows:

in million EUR	2021	2020
Current taxes	12.9	– 4.1
– of which tax expense/(income) related to the current period	12.5	8.8
– of which tax expense/(income) from previous periods	0.4	– 12.9
Deferred taxes	0.9	– 7.3
– of which deferred tax effect from the origination and reversal of temporary differences	– 0.5	0.9
– of which deferred tax effect from tax-loss carry-forwards, interest carry-forwards and tax credits	1.4	– 8.2
Income tax effect (income (–) / expenses (+))	**13.8**	**– 11.4**

In 2020, current taxes included a positive one-time effect of EUR 13.1 million from offsetting losses in the current fiscal year against profits in previous years in the USA. This tax refund was granted as part of the COVID-19 aid package.

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	2021	2020
Earnings before taxes	64.1	– 321.6
Domestic income tax rate	12.55 %	12.57 %
Expected income tax expense/(income)	**8.0**	**– 40.4**
Effects of different income tax rates	8.1	– 57.9
Non-deductible expense/tax-free income	1.0	6.3
Tax effects from prior years	0.4	– 12.9
Tax effects due to changes in tax rates or changes in tax laws	0.4	0.2
Deferred tax assets not recognized on temporary differences, tax credits, tax-loss and interest carry-forwards in the current year	16.6	95.3
Valuation adjustments on deferred tax assets on temporary differences, tax credits, tax-loss and interest carry-forwards capitalized in prior years	– 20.7	– 2.0
Effective income tax expense/(income)	**13.8**	**– 11.4**
Effective tax rate	21.5 %	3.5 %

The local tax rates used to determine current and deferred taxes have not changed materially. The effective Group tax rate for 2021 was 21.5 % (2020: 3.5 %). 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 carry-forwards and interest carry-forwards as well as tax credits increased compared with the prior year to EUR 2,357.3 million (2020: EUR 2,217.0 million).

in million EUR	31.12.2021	31.12.2020
Expiry within		
– 1 year	0.0	1.4
– 2 to 5 years	3.4	3.9
– more than 5 years	2,353.9	2,211.7
Total	**2,357.3**	**2,217.0**

In addition, the Group has not recognized tax credits in the amount of EUR 1.5 million (2020: EUR 3.6 million) as the Group does not expect to be able to offset them against corresponding tax expenses.

The table below shows the amount of temporary differences, 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	31.12.2021	31.12.2020
Tax rate		
– less than 20 %	1,477.2	1,415.4
– 20 % to 30 %	226.1	44.5
– more than 30 %	654.0	757.1
Total	**2,357.3**	**2,217.0**

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	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Intangible assets	0.7	0.1	0.9	0.6
Property, plant and equipment	24.7	19.0	12.3	12.1
Financial assets	0.0	0.0	4.1	2.2
Other assets	0.6	0.6	0.0	1.3
Non-current assets	**26.0**	**19.7**	**17.3**	**16.2**
Inventories	4.6	2.2	10.1	3.0
Other assets	0.5	0.5	2.0	2.5
Current assets	**5.1**	**2.7**	**12.1**	**5.5**
Provisions	17.7	16.7	29.7	24.2
Other liabilities	4.9	3.4	0.0	0.0
Non-current liabilities	**22.6**	**20.1**	**29.7**	**24.2**
Provisions	1.0	0.6	1.6	1.0
Other liabilities	4.9	4.4	0.5	1.9
Current liabilities	**5.9**	**5.0**	**2.1**	**2.9**
Tax-loss and interest carry-forwards	14.1	15.4	0.0	0.0
Total	**73.7**	**62.9**	**61.2**	**48.8**
Netting	– 57.3	– 44.9	– 57.3	– 44.9
Amount recognized	**16.4**	**18.0**	**3.9**	**3.9**

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

in million EUR	2021	2020
Opening balance at the beginning of the period	14.1	7.1
Changes recognized in profit and loss	– 0.9	7.3
Changes recognized in other comprehensive income	– 0.5	– 0.5
Foreign currency effects	– 0.2	0.2
Closing balance at the end of the period	**12.5**	**14.1**
– of which deferred tax assets	16.4	18.0
– of which deferred tax liabilities	3.9	3.9

The taxes recognized in shareholders' equity (accumulated other comprehensive income and retained earnings) amounted to EUR 30.1 million for the current year (2020: EUR 30.7 million).

Deferred tax liabilities are recognized on temporary differences related to investments in subsidiaries. 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 were recognized for outside basis differences of around EUR 164.7 million, of which EUR 27.9 million was taxable (2020: EUR 110.9 million, of which EUR 17.5 million was 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 various Business Units were largely not recognized in 2021 and 2020. Further information can be found in note 19 to the consolidated financial statements.

16 Earnings per share

	2021	2020
Group result attributable to shareholders of Swiss Steel Holding AG in EUR million	50.1	– 310.1
Average number of shares	2,829,591,585	2,002,962,384
Earnings per share in EUR (basic/diluted)	**0.02**	**– 0.15**

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.

17 Intangible assets and property, plant and equipment

Changes in intangible assets are presented below:

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	**90.8**	**22.7**	**3.3**	**5.9**	**122.7**
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	**95.6**	**23.8**	**2.7**	**5.9**	**128.0**
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	**10.4**	**3.5**	**2.4**	**0.4**	**16.7**

Year 2020

in million EUR	Concessions, licenses and similar rights	Acquired trademarks and customer bases	Prepayments for intangible assets	Goodwill	Total
Cost value as of 1.1.2020	**89.8**	**23.9**	**4.1**	**5.8**	**123.5**
Additions	2.8	0.0	1.9	0.0	4.7
Disposals	–3.6	0.0	0.0	0.0	–3.6
Reclassifications	2.7	0.0	–2.7	0.0	0.0
Foreign currency effects	–0.9	–1.2	0.0	0.1	–1.9
Cost value as of 31.12.2020	**90.8**	**22.7**	**3.3**	**5.9**	**122.7**
Accumulated amortization and impairments as of 1.1.2020	**–76.6**	**–20.3**	**–2.0**	**–5.4**	**–104.3**
Amortization	–4.9	–0.1	0.0	0.0	–4.9
Impairment	–0.4	0.0	–0.7	0.0	–1.1
Disposals	3.6	0.0	0.0	0.0	3.6
Reclassifications	–1.8	0.0	1.8	0.0	0.0
Foreign currency effects	0.8	1.0	0.0	–0.1	1.6
Accumulated amortization and impairments as of 31.12.2020	**–79.3**	**–19.4**	**–0.9**	**–5.5**	**–105.1**
Net carrying amount as of 31.12.2020	**11.5**	**3.3**	**2.4**	**0.4**	**17.6**

There were no restrictions on ownership or disposal as of each reporting date. The development costs of EUR 1.6 million capitalized in 2021 (note 11) are included in the additions in the 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 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	**735.0**	**2,606.9**	**71.1**	**3,413.0**
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	**758.0**	**2,699.7**	**69.8**	**3,527.6**
Accumulated depreciation and impairments as of 1.1.2021	**– 558.6**	**– 2,355.6**	**– 20.6**	**– 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**	**– 2,427.4**	**– 17.9**	**– 3,027.6**
Net carrying amount as of 31.12.2020	**176.4**	**251.3**	**50.5**	**478.2**
Net carrying amount as of 31.12.2021	**175.8**	**272.3**	**51.9**	**500.0**

The restrictions on ownership and disposal amounted to EUR 143.4 million as of the reporting date (2020: EUR 139.8 million). They are mainly linked to the collateralization of the Group debt financing. Borrowing costs capitalized during the fiscal year 2021 are included in additions and came to EUR 0.8 million (2020: EUR 3.4 million). In 2021, the average rate applied for borrowing costs was 5.93 % (2020: 7.46 %).

Year 2020

in million EUR	Land and buildings	Plant and equipment	Prepayments for property and plants under construction	Total
Cost value as of 1.1.2020	**728.3**	**2,552.0**	**118.4**	**3,398.7**
Additions	2.3	26.5	50.6	79.5
Disposals	– 2.6	– 24.5	– 0.7	– 27.9
Reclassifications	16.2	80.2	– 96.4	0.0
Foreign currency effects	– 9.2	– 27.3	– 0.8	– 37.3
Cost value as of 31.12.2020	**735.0**	**2,606.9**	**71.1**	**3,413.0**
Accumulated depreciation and impairments as of 1.1.2020	**– 538.6**	**– 2,275.2**	**– 29.8**	**– 2,843.6**
Depreciation	– 10.0	– 49.1	0.0	– 59.1
Impairment	– 18.2	– 46.2	– 25.6	– 90.0
Disposals	2.1	24.2	0.7	27.0
Reclassifications	– 0.5	– 33.3	33.8	0.0
Foreign currency effects	6.6	24.0	0.3	31.0
Accumulated depreciation and impairments as of 31.12.2020	**– 558.6**	**– 2,355.6**	**– 20.6**	**– 2,934.8**
Net carrying amount as of 31.12.2020	**176.4**	**251.3**	**50.5**	**478.2**

18 Right-of-use assets

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**

Year 2020

in million EUR	Land and buildings	Plant and equipment	Total
Net carrying amount as of 1.1.2020	**27.1**	**9.8**	**37.0**
Additions	3.5	3.1	6.6
Foreign currency effects	– 0.5	– 0.1	– 0.6
Depreciation	– 4.2	– 4.2	– 8.5
Impairment	– 9.0	– 1.1	– 10.1
Net carrying amount as of 31.12.2020	**16.9**	**7.5**	**24.4**

Further information on leases is disclosed in note 29 to the consolidated financial statements.

19 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:

in million EUR	Recoverable amount 2021 (value in use)	Recoverable amount 2020 (value in use)	Discount rate 2021 before taxes	Discount rate 2021 after taxes	Discount rate 2020 before taxes	Discount rate 2020 after taxes	Impairment 2021	Impairment 2020
DEW		298.2			11.22 %	7.92 %	0.0	82.3
Ascometal	91.9	38.7	9.29 %	7.32 %	9.60 %	7.58 %	19.9	18.9

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 a 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.

The total impairment amounted to EUR 19.9 million in 2021 (2020: EUR 101.2 million). This was booked under depreciation, amortization and impairments in the consolidated income statement. The allocation of impairment losses to asset categories is as follows: EUR 18.4 million (2020: EUR 90.0 million) to property, plant and equipment (note 17), EUR 1.2 million (2020: EUR 10.1 million) to right-of-use assets (note 18) and EUR 0.3 million (2020: EUR 1.1 million) to intangible assets (note 17).

Year 2020

Due to the outbreak of the COVID-19 crisis in spring 2020 and its increasingly pronounced impact on sales volumes in the main end markets, an impairment test was conducted on intangible assets, property, plant and equipment, and right-of-use assets on June 30, 2020.

The impairment tests prepared and validated in July 2020 showed that the recoverable amount of the Business Units DEW and Ascometal (both in the *Production* segment) as of June 30, 2020 was lower than the carrying amount. As of December 31, 2020, only the Business Unit Ascometal required a further impairment, as the present impairment exceeded the existing carrying amount of the available non-current assets. The description of the Business Units DEW and Ascometal and the reasons for impairment are shown in the following tables:

Business Unit	Description	Reason for impairment
DEW	Deutsche Edelstahlwerke (DEW) is the largest Business Unit in the *Production* segment, with several subsidiaries and production facilities at various locations in Germany. DEW's products and services include tool steel, stainless steel, and quality & engineering steel for all the Group's main markets and applications. DEW's products are mainly sold to customers in the automotive and engineering industries.	The reasons for the impairment were the medium-term delay in demand and a generally weak market environment. The very limited sales recovery that got underway in the first three months of 2020 was abruptly stopped in its tracks by the COVID-19 crisis. The countermeasures imposed by numerous countries hit practically all end customer markets, especially the automotive industry, where production was temporarily interrupted. The impact of the crisis became more pronounced in the first six months of 2020, as confirmed by in-depth analyses. Compared with the assessment dated December 31, 2019, Swiss Steel Group expects a delayed recovery in demand in the medium term coupled with persistently high macroeconomic uncertainty. This resulted in a repeated impairment, effective June 30, 2020.
Ascometal	Ascometal (*Production* segment), which was added to the Group portfolio in 2018, consists of several subsidiaries with production facilities at various locations in France. Ascometal's products and services include quality & engineering steel for various markets and applications such as automotive, mechanical engineering and ball bearings.	The impairment was due to the pronounced weakness of the automotive market, which triggered a sharp decline in sales volumes and had a commensurate negative impact on profitability. Low volumes caused delays in realizing the planned synergy effects beyond the usual valuation horizon. The COVID-19 crisis, which started to escalate in March 2020, exacerbated this effect.

Other intangible assets with indefinite useful lives

With a carrying amount of EUR 3.5 million (2020: EUR 3.3 million), the brands are allocated in full to the *Production* segment. Within the *Production* segment, brands with a carrying amount of EUR 2.0 million (2020: EUR 1.9 million) are allocated to Finkl Steel – Chicago (US), and of EUR 1.5 million (2020: EUR 1.4 million) to Finkl Steel – Sorel (CA). The other changes year on year in 2021 were due to currency effects.

20 Financial assets

in million EUR	31.12.2021	31.12.2020
Receivables from finance leases	0.7	0.8
Other financial receivables	0.7	0.5
Total non-current	**1.4**	**1.3**
Receivables from finance leases	0.1	0.1
Positive market values of derivative financial instruments	1.1	4.6
Other financial receivables	2.3	2.8
Total current	**3.5**	**7.5**

21 Other assets

in million EUR	31.12.2021	31.12.2020
Other receivables	3.6	3.9
Total non-current	**3.6**	**3.9**
Tax receivables (excluding current income tax receivables)	48.8	41.2
Prepaid expenses	8.4	6.6
Prepayments for inventories/maintenance	9.4	0.6
Other receivables	7.7	21.7
Total current	**74.3**	**70.0**

22 Inventories

Inventories as of December 31, 2021 and as of December 31, 2020 break down as follows:

in million EUR	31.12.2021	31.12.2020
Raw materials, consumables and supplies	196.8	135.6
Semi-finished goods and work in progress	416.3	250.2
Finished products and merchandise	386.5	263.8
Total	**999.6**	**649.6**

There were restrictions on ownership and disposal of EUR 389.0 million as of the reporting date (2020: EUR 224.4 million). They are mainly linked to the collateralization of the Group debt financing.

Inventory allowances changed as follows in the fiscal year:

in million EUR	2021	2020
As of 1.1.	**27.6**	**26.5**
Additions	14.8	15.3
Reversal	– 8.3	– 11.5
Utilization	– 2.3	– 2.1
Foreign currency effects	0.5	– 0.6
As of 31.12.	**32.3**	**27.6**

23 Trade accounts receivable

in million EUR	31.12.2021	31.12.2020
Gross accounts receivable	492.7	363.5
Allowances on trade accounts receivable	– 13.4	– 16.4
Net accounts receivable	**479.3**	**347.1**

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 210.0 million and USD 27.5 million (2020: EUR 156.0 million and USD 22.3 million) had been sold as of the reporting date. As the majority of risks and rewards remain with Swiss Steel Group, these accounts receivable continue to be recorded in the balance sheet. There are corresponding financial liabilities of EUR 208.1 million (2020: EUR 154.8 million).

There were restrictions on ownership and disposal of EUR 131.0 million (2020: EUR 79.8 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 of the Group debt financing.

Additional factoring agreements are in place between certain Group entities and factoring companies ("factor") to sell trade accounts receivable. Such agreements constitute non-recourse factorings where the default risk of the counterparty is fully transferred to the factor. Trade accounts receivable of EUR 8.9 million (2020: EUR 7.6 million) had been sold as of the reporting date. These receivables were derecognized from the statement of financial position as all risks and rewards have been transferred. A receivable was recorded from the factoring company accordingly.

The allowance on trade accounts receivable developed as follows:

in million EUR	2021	2020
As of 1.1.	**16.4**	**13.6**
Additions	2.7	6.1
Reversal	– 5.2	– 1.1
Utilization	– 0.5	– 1.8
Foreign currency effects	0.0	– 0.4
As of 31.12.	**13.4**	**16.4**

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

	2021			2020		
in million EUR	Expected credit loss rate	Trade accounts receivable	Impairment allowance	Expected credit loss rate	Trade accounts receivable	Impairment allowance
Current	1.20 %	442.2	– 5.3	1.17 %	316.7	– 3.7
≤ 30 days	0.00 %	34.1	0.0	0.00 %	24.9	0.0
31 to 60 days	1.56 %	6.4	– 0.1	3.39 %	5.9	– 0.2
61 to 90 days	7.14 %	1.4	– 0.1	20.00 %	2.0	– 0.4
91 to 120 days	22.22 %	0.9	– 0.2	21.05 %	1.9	– 0.4
> 120 days	100.00 %	7.7	– 7.7	96.69 %	12.1	– 11.7
Total	**2.72 %**	**492.7**	**– 13.4**	**4.51 %**	**363.5**	**– 16.4**

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.

24 Shareholders' equity

Share capital

At the Extraordinary General Meeting on December 22, 2020, the Group resolved to conduct a capital increase for Swiss Steel Holding AG, which was executed on March 22, 2021.

As a result of the capital increase, the share capital in local currency of Swiss Steel Holding AG increased by CHF 154.6 million from CHF 304.2 million to CHF 458.8 million, divided into 3,058,857,471 registered shares with a nominal value of CHF 0.15 each. As the capital increase was carried out at a subscription price of CHF 0.24 per newly issued registered share, an additional amount of CHF 92.7 million was recognized in the capital reserves. After deducting transaction costs of CHF 7.2 million, this resulted in an increase in capital reserves of CHF 85.5 million.

In euro, 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.

In January 2020, Swiss Steel Group executed a capital increase with net proceeds of EUR 291.1 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. The transaction costs for the capital increase in 2021 amounted to EUR 6.5 million. A transfer of EUR 171.0 million from capital reserves to retained earnings was made in 2021 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, plus the capital released through the capital reduction in 2020 less dividend payments to shareholders, and the actuarial gains/losses from the calculation of the pension obligation after taxes.

In accordance with the provisions of the new syndicated loan agreement, dividend payments are linked to the attainment of certain key figures relating to the ratio of net debt to EBITDA. No dividends were distributed for the year 2020. The Board of Directors will propose to the Annual General Meeting to waive a dividend distribution for the year 2021 as well.

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 already prepared in the functional currency euro.

in million EUR	2021	2020
As of 1.1.	**44.6**	**49.3**
Change in unrealized gains/losses from currency translation	5.8	–4.7
As of 31.12.	**50.4**	**44.6**

See the table in note 31 for details of the realization of gains and losses from cash flow hedges.

25 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 in 2021 to EUR 39.0 million (2020: EUR 38.4 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 are members of the pension fund of Steeltec AG, a separate legal entity. The employees of Swiss Steel Holding 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 (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 the USA, 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.

The defined benefit plans in the USA are subject to US rules regarding the coverage of gaps between the defined benefit obligation and the plan assets, which have to be closed within seven years. In some European countries, there are also 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 balance sheet 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 average life expectancy of the beneficiaries, length of service and interest rates.

For the 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.

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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	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Present value of defined benefit obligations/fair value of plan assets at the beginning of the period	**646.9**	**657.8**	**367.5**	**362.0**	**0.0**	**0.0**	**279.4**	**295.8**
Current service cost	10.2	11.4	0.0	0.0	0.0	0.0	10.2	11.4
Administration expenses	0.0	0.0	−0.6	−0.7	0.0	0.0	0.6	0.7
Interest expense/income	2.9	4.8	1.2	2.2	0.0	0.0	1.7	2.6
Past service costs	−0.6	−6.4	0.0	0.0	0.0	0.0	−0.6	−6.4
Net pension result	**12.5**	**9.8**	**0.6**	**1.5**	**0.0**	**0.0**	**11.9**	**8.3**
Return on plan assets less interest income	0.0	0.0	20.8	13.8	0.0	0.0	−20.8	−13.8
Changes in unrecognized assets due to asset ceiling	0.0	0.0	0.0	0.0	43.6	0.0	43.6	0.0
Actuarial result from changes in demographic assumptions	−11.9	−0.7	0.0	0.0	0.0	0.0	−11.9	−0.7
Actuarial result from changes in financial assumptions	−22.3	18.4	0.0	0.0	0.0	0.0	−22.3	18.4
Actuarial result from experience assumptions	0.0	−10.8	0.0	0.0	0.0	0.0	0.0	−10.8
Remeasurement effects included in other comprehensive income	**−34.2**	**6.9**	**20.8**	**13.8**	**43.6**	**0.0**	**−11.4**	**−6.9**
Employer contributions	0.0	0.0	6.9	10.2	0.0	0.0	−6.9	−10.2
Employee contributions	4.4	4.8	4.4	4.8	0.0	0.0	0.0	0.0
Benefits paid	−30.3	−30.4	−21.9	−22.8	0.0	0.0	−8.4	−7.6
Foreign currency effects	15.3	−2.0	17.0	−2.0	1.7	0.0	0.0	0.0
Present value of defined benefit obligations/fair value of plan assets at the end of the period	**614.6**	**646.9**	**395.3**	**367.5**	**45.3**	**0.0**	**264.6**	**279.4**
Provisions from obligations similar to pensions	1.1	0.9	0.0	0.0	0.0	0.0	1.1	0.9
Total provisions for pensions and obligations similar to pensions	**615.7**	**647.8**	**395.3**	**367.5**	**45.3**	**0.0**	**265.7**	**280.3**
– of which in pension liabilities							269.0	290.7
– of which in pension assets							3.3	10.4

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	31.12.2021	31.12.2020
Fair value of plan assets	395.3	367.5
Present value of funded defined benefit obligations	– 384.0	– 403.1
Funded status	**11.3**	**– 35.6**
Effect of asset ceiling	**– 43.6**	**0.0**
Present value of unfunded defined benefit obligations	**– 231.7**	**– 244.5**
– of which from pension plans	– 230.6	– 243.7
– of which from similar liabilities	– 1.1	– 0.8
Recognized amount	**– 265.7**	**– 280.3**
– of which from pension plans	– 264.6	– 279.4
– of which from similar liabilities	– 1.1	– 0.9

Past service costs (income) and compensation payment

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.

In 2020, past service costs amounted to EUR 6.4 million, of which EUR 4.5 million is attributable to the reduced pension conversion rates in some of the pension plans operated by Steeltec AG. An additional effect of EUR 1.3 million resulted from the partial transfer of some Swiss managers to a defined contribution plan. Added to this, the decision to reduce the headcount in Les Dunes had a positive effect of EUR 0.6 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	2021	2020
Actuarial gains/(losses)		
on pension obligations	34.2	– 6.9
on plan assets	20.8	13.8

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 countries with the relevant pension plans.

In 2020, actuarial losses from pension obligations primarily resulted from the decrease in discount rates as of December 31, 2020 compared with the previous year. These were partially offset by actuarial gains from experience adjustments, in particular in connection with a high ratio of lump-sum withdrawals upon retirement in the Swiss pension fund. The actuarial gains on plan assets in 2020 in the amount of EUR 13.8 million essentially resulted from higher valuation of property in the Swiss pension fund.

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 unrecognized through posting the other comprehensive loss.

Significant actuarial assumptions for pensions

The following significant actuarial assumptions were used:

	Switzerland		Euro area		USA		Canada	
in %	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Discount rate	0.4	0.1	0.9-1.0	0.6	2.6	2.2	3.2	2.7
Salary trend	1.3	1.3	2.5-3.0	2.5-3.0	nm	nm	3.0	3.0
Pension increase	0.0	0.0	1.0-1.75	1.0-1.5	0.0	0.0	0.0	0.0

Significant assumptions for plan assets

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

With a fair value of EUR 328.4 million (2020: EUR 301.0 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 on the transactions made to the Investment Committee. 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:

in %	Switzerland 2021	Switzerland 2020	Euro area 2021	Euro area 2020	USA 2021	USA 2020	Canada 2021	Canada 2020
Shares	26.7	15.6	0.0	0.0	37.1	35.8	0.0	0.0
Fixed-interest securities	15.7	14.6	0.0	0.0	59.7	60.6	100.0	100.0
Real estate	50.0	51.9	0.0	0.0	2.2	2.5	0.0	0.0
Insurance contracts	1.0	1.0	100.0	100.0	0.0	0.0	0.0	0.0
Others	6.5	16.9	0.0	0.0	1.0	1.1	0.0	0.0

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

The rate used 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, 2021, there are defined benefit obligations of EUR 614.6 million (2020: EUR 646.9 million). The expected service cost for 2022 is EUR 9.3 million based on current interest rates. If the significant actuarial assumptions for the material plans listed in the table below had increased or decreased by 0.5 % as of December 31, 2021, 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 31.12.2021	– 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
Effect on pension liability as of 31.12.2020	– 42.1	47.6	3.5	– 3.4	31.2	– 13.4
Effect on service costs 2020	– 1.1	1.1	0.3	– 0.4	0.5	– 0.2

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 2021, employer contributions of EUR 6.9 million (2020: EUR 10.2 million) were made to the plan assets. The pension payments for unfunded plans amounted to EUR 8.4 million (2020: EUR 7.6 million).

For 2022, contribution payments are expected to total EUR 15.4 million. Of this amount, EUR 5.5 million are employer contributions for financing existing funded plans and EUR 9.9 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 31.12.2021	As of 31.12.2020
Year 1	30.6	29.0
Year 2	31.0	29.3
Year 3	31.7	29.9
Year 4	32.3	30.1
Year 5	31.8	31.1
Years 6-10	155.2	152.4
Total	**312.6**	**301.8**

The weighted average duration of the defined benefit obligation was 13.7 years as of December 31, 2021 (2020: 15 years).

26 Provisions

Provisions developed as follows in the fiscal year:

in million EUR	Warranties	Phased retirement	Jubilee	Personnel	Restructuring expenses	Other	Total
As of 1.1.2020	5.8	8.1	21.2	13.8	15.8	16.6	81.2
Additions	4.6	3.9	0.6	3.0	10.1	12.5	34.8
Utilization	–3.8	–3.6	–2.1	–4.2	–5.5	–6.3	–25.6
Reversal	–0.8	0.0	–3.1	–0.4	–0.1	–0.4	–4.8
Compounding	0.0	0.0	0.2	0.0	0.0	0.0	0.2
Foreign currency effects	0.0	0.0	0.0	–0.2	0.0	–0.1	–0.4
As of 31.12.2020	**5.8**	**8.4**	**16.8**	**12.0**	**20.3**	**22.2**	**85.4**
– of which non-current	0.0	5.3	15.4	8.9	4.5	12.2	46.2
– of which current	5.8	3.1	1.4	3.1	15.7	10.0	39.2
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

The warranty provisions of EUR 6.9 million (2020: EUR 5.8 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 7.0 million (2020: EUR 8.4 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 15.1 million (2020: EUR 16.8 million) are recorded in line with the amounts of monetary or non-monetary benefits provided for in some company agreements for employees that attain a certain length of service. A utilization of EUR 10.3 million is expected in connection with such payments over the next five years (2020: EUR 10.8 million). For the years thereafter, a utilization of EUR 4.8 million is expected (2020: EUR 6.0 million).

Other personnel-related provisions amounted to EUR 10.4 million as of December 31, 2021 (2020: EUR 12.0 million). The corresponding cash outflows are expected over the next five years.

Information on restructuring provisions can be found in note 27.

Other provisions of EUR 37.4 million (2020: EUR 22.2 million) comprise environment protection of EUR 9.3 million (2020: EUR 9.2 million), onerous contracts provisions of EUR 12.3 million (2020: EUR 0.1 million), discounts for customers of EUR 4.8 million (2020: EUR 4.1 million) as well as various relatively small amounts totaling EUR 11.0 million (2020: EUR 8.8 million) that are not reported separately for reasons of materiality. The increase in provisions for onerous contracts in 2021 was driven by higher anticipated losses for existing customer orders due to the increased energy prices.

27 Provisions for restructuring

In 2021, several restructuring programs for the Business Units Ascometal, Steeltec and DEW were ongoing.

The restructuring program for Ascometal Les Dunes S.A.S was established in 2020 and included a reduction in the number of employees. In 2020, a provision of EUR 7.9 million was posted. In 2021, EUR 4.2 million was utilized and EUR 2.4 million was reversed. The personnel expenses of the restructuring plan were lower than initially estimated due to employees leaving the company and transfers to other sites, reducing the number of layoffs. The remaining amount of EUR 1.3 million will be paid out in 2022.

A provision for restructuring totaling EUR 5.3million had already been created in 2019 for the closure of the Ascometal rolling mill in Les Dunes. As of 2020, there was a remaining provision of EUR 1.8 million which was fully utilized in 2021.

In addition, a provision of EUR 2.1 million was established for the Business Unit Steeltec in 2020 for individual severance payments owing to the reduction in the employee base. EUR 0.6 million was already used for this purpose in 2020. In 2021, the remaining portion of EUR 1.5 million was either utilized (EUR 1.2 million) or reversed (EUR 0.3 million).

Provisions amounting to EUR 10.0 million were likewise established in the Business Unit DEW in 2019 to cover severance payments to employees who will be taking early retirement in the next few years. The group of potentially affected employees was expanded in 2020, resulting in the need for personnel measures such as termination or rescission agreements. DEW used EUR 1.8 million for this in 2020. In 2021, an amount of EUR 2.0 million was utilized and EUR 5.9 million reversed. The reversal was due to the higher-than-expected employee turnover coupled with ability of the company to transfer employees within the Business Unit instead of having to resort to outplacements. The remaining amount of EUR 0.3 million will be used in 2022.

28 Financial liabilities

Financial liabilities as of December 31, 2021 can be broken down as follows:

in million EUR	31.12.2021	31.12.2020
Syndicated loan	355.6	313.3
State-guaranteed loans	58.3	61.0
Lease liabilities	58.5	52.9
Loan from shareholder	94.8	94.7
Other financial liabilities	3.8	3.3
Total non-current	**571.0**	**525.2**
Other bank loans	0.2	5.3
State-guaranteed loans	14.3	15.9
ABS financing program	208.1	154.8
Lease liabilities	9.5	8.3
Negative market values of derivative financial instruments	3.2	0.9
Other financial liabilities	3.2	4.2
Total current	**238.5**	**189.4**

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 financing program (ABS) with a limit of EUR 230.0 million and USD 75.0 million respectively. Furthermore, there is a EUR 95.0 million shareholder loan from BigPoint Holding AG, the largest shareholder of Swiss Steel Holding AG with a 41.3 % stake.

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

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	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2020	31.12.2020
Switzerland	7.7	15.2	85 %	85 %	Sep 2020	0-5
France	64.9	61.7	80 %-100 %	80 %-100 %	May/Sep 2020	1-6
– of which non-current	58.3	61.0				
– of which current	14.3	15.9				

The interest rate on the loans is below market rate. The state-guaranteed loans were incepted in 2020. 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 2021, Swiss Steel Group released EUR 3.8 million of deferred government support in terms of interest expenses.

The loan in Switzerland is reported as current because both borrower and lender have a right to terminate at short notice. This is revolving up to a maximum amount of EUR 16.2 million. The loans in France have a term of between one and six years, although Swiss Steel Group has an annual extension option. The option was exercised in 2021.

In the prior year, the bond issued in April 2017 and increased in 2018 was fully redeemed.

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

Year 2021

in million EUR	Syndicated loan	Other bank loans	State-guaranteed loans	ABS financing program	Lease liabilities	Loan 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**

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" also includes the negative fair values from derivative financial instruments, which were reclassified from other non-current liabilities to non-current financial liabilities in 2020.

Year 2020

in million EUR	Syndicated loan	Other bank loans	State-guaranteed loans	Bond	ABS financing program	Lease liabilities	Loan from shareholder	Other	Total
As of 1.1.	**221.6**	**10.9**	**0.0**	**352.5**	**184.8**	**65.9**	**0.0**	**17.0**	**852.7**
Increase in lease liabilities	0.0	0.0	0.0	0.0	0.0	6.6	0.0	0.0	6.6
Cash inflow from financial liabilities	94.3	0.0	95.1	0.0	0.0	0.0	94.5	0.0	283.9
Repayment of financial liabilities	0.0	−5.6	0.0	−350.0	−28.9	−10.6	0.0	−19.9	−415.0
Foreign currency effects	−5.3	0.0	−0.2	0.0	−1.5	−0.6	0.0	−0.1	−7.6
Other changes	2.6	0.0	−18.0	−2.5	0.3	−0.1	0.2	11.4	−6.0
As of 31.12.	**313.3**	**5.3**	**76.9**	**0.0**	**154.8**	**61.2**	**94.7**	**8.4**	**714.6**

29 Lease liabilities

The liabilities from leases recognized as of December 31, 2021 amounted to EUR 68.0 million (2020: EUR 61.2 million).

Details of the capitalized right-of-use assets are provided in note 18, and of the corresponding financial liabilities in note 28.

in million EUR	2021	2020
Additional disclosures for leases		
Interest expenses on lease liabilities	– 3.6	– 3.3
Cash outflow for leases (including repayment of lease liabilities and interest)	– 22.3	– 23.9
– of which expenses for short-term leases (<12 month)	– 8.6	– 9.2
– of which expenses for low-value asset leases	– 0.4	– 0.7
– 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	1.7	1.7
Future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities	2.7	3.0

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

30 Other liabilities

in million EUR	31.12.2021	31.12.2020
Other liabilities	11.6	16.2
Total non-current	**11.6**	**16.2**
Accrued unused vacation and overtime accounts	39.2	39.6
Liabilities for wages and salaries	38.7	25.1
Tax liabilities (excluding current income tax liabilities)	27.3	27.1
Deferred income	12.9	10.2
Social security obligations	20.3	16.3
Other liabilities	21.5	12.0
Total current	**159.9**	**130.3**

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 (EUR 1.8 million), accruals for consulting services (EUR 5.5 million), accruals for customs (EUR 2.4 million) or accrued government grants for the Ugi'ring investment project (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.

31 Financial instruments

31.1 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. Derivatives are valued as of the reporting date by external financial partners.

In the reporting period, there were 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	2021	2020
Financial assets measured at amortized cost (FAAC)	7.6	– 10.5
Financial assets/liabilities at fair value through profit or loss (FAFVPL/FLFVPL)	– 5.8	3.6
Financial liabilities measured at amortized cost (FLAC)	– 40.5	– 44.5

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 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
Loan 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

Year 2020

in million EUR	Category according to IFRS 9	Carrying amount at 31.12.2020	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	4.2	3.3			0.9
Trade accounts receivable	FAAC	347.1	347.1			
Cash and cash equivalents	FAAC	74.7	74.7			
Positive market values of derivative financial instruments						
Derivatives with hedging relationship (hedge accounting)	n/a	0.1		0.1		
Derivatives without hedging relationship (no hedge accounting)	FAFVPL	4.5			4.5	
Liabilities						
Syndicated loan	FLAC	313.3	313.3			
Other bank loans	FLAC	5.3	5.3			
State-guaranteed loans	FLAC	76.9	76.9			
ABS financing program	FLAC	154.8	154.8			
Lease liabilities	n/a	61.2				61.2
Loan from shareholder	FLAC	94.7	94.7			
Other financial liabilities	FLAC	7.5	7.5			
Trade accounts payable	FLAC	298.6	298.6			
Negative market values of derivative financial instruments						
Derivatives without hedging relationship (no hedge accounting)	FLFVPL	0.8			0.8	
Of which aggregated by measurement category in accordance with IFRS 9 in conjunction with IFRS 7						
Financial assets measured at amortized cost (FAAC)	FAAC	425.2	425.2			
Financial assets at fair value through profit or loss (FAFVPL)	FAFVPL	4.5			4.5	
Financial liabilities measured at amortized cost (FLAC)	FLAC	951.1	951.1			
Financial liabilities at fair value through profit or loss (FLFVPL)	FLFVPL	0.8			0.8	

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 the financial liabilities.

31.2 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:

	Fair value as of December 31	
in million EUR	**2021**	**2020**
Financial assets		
Positive market values of derivatives		
Derivatives with hedging relationship (hedge accounting)	0.8	0.1
Derivatives without hedging relationship (no hedge accounting)	0.3	4.5
Financial liabilities		
Negative market values of derivative financial instruments		
Derivatives without hedging relationship (no hedge accounting)	3.2	0.8

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.

31.3 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 by 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 and financial liabilities are denominated in foreign currencies, future revenue is planned in a foreign currency, or existing or planned fixed-price commodity supply contracts are in a foreign currency. Currency management is country-specific, whereby foreign currency amounts are translated 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, pound sterling and Canadian dollar relative to the euro as of the reporting date and throughout the reporting period.

The table below shows the EBITDA effects 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**	**2021**	**2020**
Currency USD			
	10 %	4.2	– 0.1
	– 10 %	– 5.1	0.1
Currency CHF			
	10 %	– 1.3	– 0.4
	– 10 %	1.6	0.5
Currency CAD			
	10 %	0.7	0.5
	– 10 %	– 0.9	– 0.6

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, or from premiums on the credit rating of the company as well as 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 affect profit or loss.

If euro and US dollar interest rates had been 100 basis points higher (lower) at the reporting date, net income/loss would have developed as follows:

	Change	Effect on the pre-tax result	
in million EUR	**Basis points**	**2021**	**2020**
EUR interest rates			
	+100	–4.8	–5.1
	–100	4.8	5.1
USD interest rates			
	+100	–1.4	–0.5
	–100	1.4	0.5

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 are covered by credit insurance.

Approximately 73 % (2020: 61 %) of trade accounts receivable were covered by credit insurance as of the reporting date. Credit risk is mitigated by existing collateral, especially by our global trade credit insurance programs. Credit limits are applied to all our customers. For material credit risks beyond credit insurance, local and central credit management teams analyze 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 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
Loan 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**

Year 2020

in million EUR	Carrying amount at 31.12.2020	Cash outflows 2021	Cash outflows 2022 to 2025	Cash outflows after 2025	Total cash outflows
Primary financial instruments					
Syndicated loan	313.3	0.0	322.2	0.0	322.2
Other bank loans	5.3	5.5	0.0	0.0	5.5
State-guaranteed loans	76.9	16.1	61.5	18.0	95.6
ABS financing program	154.8	154.8	0.0	0.0	154.8
Lease liabilities	61.2	11.1	25.5	144.2	180.8
Loan from shareholder	94.7	5.2	106.8	0.0	112.0
Other financial liabilities	7.5	4.1	2.0	1.4	7.5
Trade accounts payable	298.6	298.6	0.0	0.0	298.6
Total primary financial instruments	**1,012.3**	**495.4**	**518.0**	**163.6**	**1,177.0**
	Carrying amount at 31.12.2020	Cash outflows 2021	Cash outflows 2022 to 2025	Cash outflows after 2025	Total cash outflows
Derivative financial instruments					
Derivatives with hedging relationship (hedge accounting)	0.1	0.1	0.0	0.0	0.1
– of which outflows		– 0.1	0.0	0.0	– 0.1
– of which inflows		0.2	0.0	0.0	0.2
Derivatives without hedging relationship (no hedge accounting)	3.7	4.0	0.0	0.0	4.0
– of which outflows		– 10.0	0.0	0.0	– 10.0
– of which inflows		14.0	0.0	0.0	14.0
Total derivative financial instruments	**3.8**	**4.1**	**0.0**	**0.0**	**4.1**
Total 31.12.2020	**1,016.1**	**499.5**	**518.0**	**163.6**	**1,181.1**

The overview above includes all financial liabilities carried as of the reporting date. Amounts denominated in foreign currencies were converted into euro using the exchange rates as of the reporting date; floating-rate interest payments were 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 2026 include a hereditary lease of 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.

The equity ratio increased compared to the previous year due to the capital increase carried out in March 2021 and to the benefit generated in the current financial year. The equity ratio amounted to 20.2 % as of December 31, 2021 (2020: 9.7 %).

As of December 31, 2021, net debt, comprising current and non-current financial liabilities less cash and cash equivalents, increased to EUR 720.5 million (2020: EUR 639.9 million). The gearing, which expresses the ratio of net debt to shareholders' equity, dropped to 160.5 % (2020: 385.2 %).

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 as 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.

32 Contingent liabilities and other financial obligations

in million EUR	31.12.2021	31.12.2020
Pledges, guarantees	43.1	12.8
Purchase commitments		
for intangible assets	0.1	0.2
for property, plant and equipment	22.5	19.0
Total	**65.7**	**32.0**

The purchase commitments result from investment programs existing at individual Group companies and remained approximately constant to the prior year in line with the progress on investments. The major portion of the purchase commitments is attributable to the investments of Business Units DEW (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.

33 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 decision-makers of the Group (the Executive Board) monitor 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 up 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 (DEW), 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, i.e. Group companies are included in management reporting based on accounting in accordance with IFRS.

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 and eliminations (elimination of income and expenses and the 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

	2021		2020	
	in million EUR	in %	in million EUR	in %
Switzerland	48.7	1.5	36.5	1.6
Germany	1,120.2	35.1	829.0	36.2
France	332.6	10.4	248.0	10.8
Italy	455.2	14.3	280.7	12.3
Other Europe	651.2	20.4	434.0	19.0
USA	233.6	7.3	188.3	8.2
Canada	70.8	2.2	53.9	2.4
Other Americas	38.2	1.2	32.1	1.4
China	112.6	3.5	89.9	3.9
India	38.3	1.2	24.8	1.1
Asia Pacific/Africa	91.4	2.9	71.2	3.1
Total	**3,192.8**	**100.0**	**2,288.4**	**100.0**

The revenue information is based on the location of the customer. No single customer exceeds 10.0 % of the Group's revenue.

Non-current assets by region

	2021		2020	
	in million EUR	in %	in million EUR	in %
Switzerland	156.2	28.2	146.8	27.9
Germany	134.3	24.2	117.1	22.2
France	127.6	23.0	134.2	25.5
Italy	17.9	3.2	18.0	3.4
Other Europe	14.8	2.7	14.3	2.7
USA	58.5	10.6	54.8	10.4
Canada	25.6	4.6	24.0	4.6
Other Americas	2.9	0.5	2.2	0.4
China	13.5	2.4	13.0	2.5
India	2.0	0.4	1.9	0.3
Africa/Asia/Australia	0.7	0.2	0.8	0.1
Total	**554.0**	**100.0**	**527.1**	**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, 2021:

	Production		Sales & Services	
in million EUR	**2021**	**2020 [6]**	**2021**	**2020 [6]**
Third-party revenue	2,657.3	1,865.9	535.5	422.5
Internal revenue	291.6	231.7	40.4	28.9
Total revenue	**2,948.9**	**2,097.6**	**575.9**	**451.4**
Segment result (= adjusted EBITDA)	**159.3**	**–80.0**	**50.6**	**24.2**
Adjustments [1]	16.5	–21.5	0.0	–0.8
Operating profit before depreciation and amortization (EBITDA)	**175.8**	**–101.5**	**50.6**	**23.4**
Depreciation and amortization of intangible assets and property, plant and equipment	–60.4	–60.4	–8.6	–8.8
Impairment of intangible assets, property, plant and equipment, and right-of-use assets	–20.0	–101.2	0.0	0.0
Operating profit (EBIT)	**95.4**	**–263.1**	**42.0**	**14.6**
Financial income	2.8	11.9	4.1	4.0
Financial expenses	–50.7	–60.9	–9.9	–11.2
Earnings before taxes (EBT)	**47.5**	**–312.1**	**36.2**	**7.4**
Segment investments [2]	99.0	80.5	7.0	6.1
Segment operating free cash flow [3]	–247.8	–100.7	29.0	36.9
in million EUR	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Segment assets [4]	1,823.8	1,328.3	288.3	218.0
Segment liabilities [5]	463.5	305.0	134.6	79.8
Segment assets less segment liabilities (capital employed)	**1,360.3**	**1,023.3**	**153.7**	**138.2**
Employees as of closing date (full time equivalents)	8,437	8,498	1,346	1,351

[1] Adjustments: Performance improvement program, others (EUR –7.1 million); Reorganization and transformation processes (EUR 4.6 million); Restructuring and other personnel measures (EUR –5.9 million); M&A and integration (EUR 0.0 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)
[6] Restatement between Sales & Services and Production due to business model changes at Swiss Steel Deutschland GmbH

		Reconciliation					
Total operating segments		Corporate activities		Eliminations/adjustments		Total	
2021	2020	2021	2020	2021	2020	2021	2020
3,192.8	2,288.4	0.0	0.0	0.0	0.0	3,192.8	2,288.4
332.0	260.6	0.0	0.0	−332.0	−260.6	0.0	0.0
3,524.8	**2,549.0**	**0.0**	**0.0**	**−332.0**	**−260.6**	**3,192.8**	**2,288.4**
209.9	**−55.8**	**−13.1**	**−10.2**	**−5.2**	**−2.9**	**191.6**	**−68.9**
16.5	−22.3	−8.1	−7.8	0.0	0.0	8.4	−30.1
226.4	**−78.1**	**−21.2**	**−18.0**	**−5.2**	**−2.9**	**200.0**	**−99.0**
−69.0	−69.2	−3.3	−4.2	1.0	0.9	−71.3	−72.5
−20.0	−101.2	0.0	0.0	0.0	0.0	−20.0	−101.2
137.4	**−248.5**	**−24.5**	**−22.2**	**−4.2**	**−2.0**	**108.7**	**−272.7**
6.9	15.9	57.6	68.6	−63.3	−82.9	1.2	1.6
−60.6	−72.1	−44.6	−59.9	59.4	81.5	−45.8	−50.5
83.7	**−304.7**	**−11.5**	**−13.6**	**−8.1**	**−3.3**	**64.1**	**−321.6**
106.0	86.6	1.1	0.8	0.0	0.0	107.1	87.4
−218.8	−63.8	−37.5	−15.5	−1.8	−2.0	−258.1	−81.3
31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
2,112.1	1,546.3	90.0	66.1	25.3	103.3	2,227.4	1,715.7
598.1	384.8	8.3	5.3	1,172.1	1,159.4	1,778.5	1,549.5
1,514.0	**1,161.5**						
9,783	9,849	131	101	0	0	9,914	9,950

In 2021, there were adjustments in the business model between the two divisions. For the German market, sales are now consistently handled by the local Sales & Services division, which serves as an agent for the production companies and no longer acts on its own account. The German Sales & Services division is now compensated on the basis of a sales commission. This adjustment impacts the allocation of revenue and EBITDA between *Sales & Services* to *Production.* The 2020 figures were adjusted accordingly.

	Production			Sales & Services		
in million EUR	2020	Restatement	2020 Restated	2020	Restatement	2020 Restated
Third-party revenue	1,825.2	40.7	1,865.9	463.2	– 40.7	422.5
Internal revenue	237.1	– 5.4	231.7	23.5	5.4	28.9
Total revenue	**2,062.2**	**35.3**	**2,097.6**	**486.7**	**– 35.3**	**451.4**
Segment result (= adjusted EBITDA)	**– 79.2**	**– 0.8**	**– 80.0**	**23.4**	**0.8**	**24.2**
Operating profit before depreciation and amortization (EBITDA)	**– 100.7**	**– 0.8**	**– 101.5**	**22.6**	**0.8**	**23.4**
Operating profit (EBIT)	**– 262.3**	**– 0.8**	**– 263.1**	**13.8**	**0.8**	**14.6**
Earnings before taxes (EBT)	**– 311.3**	**– 0.8**	**– 312.1**	**6.6**	**0.8**	**7.4**
Segment operating free cash flow [3]	– 102.3	1.6	– 100.7	38.5	– 1.6	36.9
in million EUR	31.12.2020	Restatement	31.12.2020 Restated	31.12.2020	Restatement	31.12.2020 Restated
Segment assets [4]	1,328.7	– 0.4	1,328.3	217.6	0.4	218.0
Segment liabilities [5]	305.4	– 0.4	305.0	79.4	0.4	79.8
Employees as of closing date (full time equivalents)	8,533	– 35.0	8,498	1,316	35.0	1,351

34 Related party disclosures

Related parties include Liwet Holding AG/ AO Komplekssprom, which held 25.0 % (2020: 25.0 %) of the voting rights in Swiss Steel Group as of December 31, 2021 and BigPoint Holding AG, which held a share of 41.3 % (2020: 49.6 %) at year-end. BigPoint Holding AG is fully owned by Martin Haefner.

As Big Point Holding AG reduced its share from 49.6 % to 41.3 % during 2021, it is no longer qualified as controlling party, but instead as a party with significant influence on Swiss Steel Group. Companies controlled (or jointly controlled) by Big Point Holding AG remain related parties of Swiss Steel Group.

In March 2021, Liwet Holding AG and AO Komplekssprom entered into a shareholder agreement.

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 2021 and 2020 with the exception of the interest expenses and the structuring fee paid in 2020 as described below: The main shareholder of Swiss Steel Group, Big Point Holding AG, granted a loan of EUR 95.0 million at market conditions in 2020; these are the same as the ones for the syndicated loan. The interest expense on this was EUR 5.1 million in 2021 (2020: EUR 4.1 million)

In 2020, an additional shareholder loan of up to EUR 130.0 million from BigPoint Holding AG was concluded in September 2020 (backstop facility). Swiss Steel Group paid a structuring fee of

EUR 1.5 million to BigPoint Holding AG. This shareholder loan has never been drawn and was cancelled with the equity increase in March 2021.

As of December 31, 2021 and December 31, 2020, there were outstanding positions due from the following related parties:

	AMAG		Big Point Holding AG	
in million EUR	**2021**	**2020**	**2021**	**2020**
Financial liabilities to related parties	0.0	0.1	94.8	94.7

Since 2014 a share-based payment program has been in place to create a Long-Term Incentive Plan (LTIP) for the Group management. According to the LTIP 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, compensation is paid out in shares or in cash; the Board of Directors has sole discretion over how to settle the payments. A share-based payment plan also exists for the Board of Directors. Both programs essentially have a vesting period of one year. For the fiscal year ended December 31, 2021, the average fair value of equity instruments granted (grant-date fair value) was EUR 0.26 per share (2020: EUR 0.26); equity instruments totaling EUR 0.9 million (2020: EUR 3.1 million) were granted and recorded as an expense in the consolidated income statement of the corresponding year. In 2021, personnel expenses of EUR 1.5 million (2020: EUR 1.6 million) were recognized for share-based payments, and an amount of EUR 1.3 million (2020: EUR 1.4 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. When measuring the equity instruments, 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. In 2021, all outstanding LTIP's for the former management were cash-settled with an amount of EUR 2.2 million.

Compensation amounted to EUR 1.6 million in 2021 (2020: EUR 1.6 million) for the Board of Directors and EUR 7.6 million (2020: EUR 4.9 million) for the Executive Committee. Of that compensation, EUR 6.3 million (2020: EUR 4.4 million) relates to short-term benefits, EUR 0.9 million (2020: EUR 0.7 million) to post-employment benefits and EUR 2.1 million (2020: EUR 1.4 million) to share-based payments including withholding tax.

35 Subsequent events

On December 22, 2021, Swiss Steel Holding AG signed a revolving facility agreement with Big Point Holding AG, available from January 3, 2022 with a basic term of twelve months and a three month extension option. The lending amount is initially EUR 100 million with a reduction to EUR 80 million as of June 30, 2022, to EUR 60 million with effect from September 30, 2022 and to EUR 40 million effective December 31, 2022, if the extension option is exercised. The purpose of the shareholder loan is to fund the working capital needs of the operating activities.

For a yet unknown reason, a crane transporting a ladle furnace collapsed. The incident remains under investigation. The steel mill in Ugine is out of production; it is expected to ramp-up to around 60% of production capacity by June 2022 and to reach full capacity by the end of 2022. In the meantime, the rolling mill and further production activities of Ugitech are being supplied by the steel mill in Siegen and with third party semi-finished goods. The incident had no impact on the 2021 financial statements. However, Swiss Steel Group expects significant negative impacts for 2022 due to the cost of repairs and especially due to lost revenue resulting from restricted capacities at Ugitech throughout 2022.

In February 2022, the Russia/Ukraine conflict emerged. The situation is changing rapidly creating high volatility in the energy markets, especially in Europe. Swiss Steel Group is closely monitoring the market developments in this very volatile situation. Despite the current uncertainties, there is currently neither an indication of a significant disruption of Group's business nor signs of a material impact on its future operational performance.

36 List of shareholdings

Name	Registered office	Currency	Share capital 31.12.2021	Group ownership in % 31.12.2021
Production				
A. Finkl Steel ABS SPV, LLC	Chicago US	USD	1,000	100
Ascometal Custines - Le Marais S.A.S.	Custines FR	EUR	7,500,000	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 De Mexico S de R.L. de C.V.	Edo. De Mexico C.P. MX	MXN	290,649	100
Finkl Outdoor Services Inc.	Chicago US	USD	1,000	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.	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 A/S	Norresundby DK	DKK	10,000,000	100
Steeltec AG	Emmen CH	CHF	40,000,000	100
Steeltec Boxholm AB	Boxholm SE	SEK	7,000,000	100
Steeltec Celik A.S.	Gebze - Kocaeli TR	TRY	53,909,626	100
Steeltec GmbH	Düsseldorf DE	EUR	2,000,000	100
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	15,490,141	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 Acciai Speciali S.r.l.	Peschiera Borromeo IT	EUR	500,000	100
Swiss Steel Argentina SAU	Buenos Aires AR	ARS	60,430,000	100

Name	Registered office	Currency	Share capital 31.12.2021	Group ownership in % 31.12.2021
Swiss Steel Australia Pty. Ltd.	Victoria AU	AUD	900,000	100
Swiss Steel Baltic OÜ	Tallinn EE	EUR	4,470	100
Swiss Steel Baltic SIA	Riga LV	EUR	298,803	100
Swiss Steel Baltic UAB	Kaunas LT	EUR	785,308	100
Swiss Steel Canada Inc.	Mississauga CA	CAD	2,369,900	100
Swiss Steel Chile SpA	Santiago de Chile CL	CLP	875,205,000	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 International GmbH	Düsseldorf DE	EUR	2,000,000	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	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	98,218,664	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

Statutory auditor's report on the audit of the consolidated financial statements

To the General Meeting of Swiss Steel Holding AG, Lucerne

Zurich, 7 March 2022

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 2021 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in shareholders' 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 124 to 186) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and 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 (ISAs) and Swiss Auditing Standards. 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 and the requirements of the Swiss audit profession, as well as the International *Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (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. These credit facilities were concluded in 2020 and came into effect after the completion of the capital increase in March 2021 based on a restructuring opinion (IDW S6) issued by an external advisor in 2020. As described in note 3, 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 2022 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. Management also considered the risks of uncertainties, including those related to the development of the demand from end customer markets, the development of raw material and energy prices, disruptions in the supply chain or the timing of the restart of the production at the steel mill of one of the Group's subsidiaries. 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 future breach of the financial covenants we analyzed the latest liquidity forecast for 2022. We discussed with Management the underlying assumptions used, the basis for their evaluation and sensitivities with the support of our internal specialists. Further, we compared the actual cash flows for 2021 to the estimated cash flows in the restructuring opinion and discussed major deviations and additional liquidity measures with Management. We also read the relevant financing contracts and audited the disclosures in 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 increase in energy prices and the shortage in the supply chains in the automotive sector, Management tested property, plant and equipment for impairment as of 30 September 2021. As disclosed in note 19, impairment losses of EUR 19.9 million were recognized in 2021. Impairment testing is a complex process that includes several estimates and assumptions 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 such as available market data, a discussion with Management of the updated 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. We 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 15. Deferred tax assets are recognized for certain tax loss carry forwards as well as for temporary differences between carrying amounts and 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 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 specialists 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 in the annual report. The other information comprises all 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 in the annual report 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 in the annual report 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.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that 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, ISAs and Swiss Auditing Standards 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 at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of 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	2017	2018	2019	2020	2021
Key operational figures						
Production volume	kilotons	1,937	2,328	1,930	1,706	2,113
Sales volume	kilotons	1,797	2,093	1,830	1,535	1,863
Order backlog	kilotons	655	612	417	566	691
Income statement						
Revenue	million EUR	2,677.8	3,312.7	2,980.8	2,288.4	3,192.8
Average sales price	EUR/t	1,490	1,583	1,629	1,491	1,716
Gross profit	million EUR	1,053.0	1,203.4	952.2	767.3	1,113.1
Adjusted EBITDA	million EUR	222.7	236.7	51.2	–68.9	191.6
EBITDA	million EUR	214.9	251.4	–12.5	–99.0	200.0
EBIT	million EUR	88.0	34.7	–425.4	–272.7	108.7
Earnings before taxes	million EUR	42.4	–8.7	–482.9	–321.6	64.1
Group result	million EUR	45.7	–0.7	–521.0	–310.2	50.3
Cash flow/investments/depreciation/amortization						
Cash flow before changes in net working capital	million EUR	206.9	154.8	–42.6	–85.2	199.0
Cash flow from operating activities	million EUR	111.3	5.3	116.1	–21.9	–135.8
Cash flow from investing activities	million EUR	–95.0	–165.1	–123.9	–77.9	–87.9
Free cash flow	million EUR	16.3	–159.8	–7.8	–99.8	–223.7
Investments	million EUR	103.2	139.6	138.4	87.4	107.1
Depreciation, amortization and impairments	million EUR	126.9	216.7	412.8	173.7	91.3
Net assets and financial structure						
Non-current assets	million EUR	927.1	889.5	635.4	557.4	575.6
Current assets	million EUR	1,186.0	1,642.3	1,283.7	1,158.2	1,651.8
Net working capital	million EUR	684.8	931.7	773.1	698.1	1,040.6
Balance sheet total	million EUR	2,113.1	2,531.8	1,919.1	1,715.7	2,227.4
Shareholders’ equity	million EUR	717.5	707.7	183.8	166.1	448.9
Non-current liabilities	million EUR	645.6	808.2	644.5	882.2	894.8
Current liabilities	million EUR	750.0	1,015.9	1,090.8	667.3	883.7
Net debt	million EUR	442.0	657.6	798.7	639.9	720.5
Employees						
Employees as of closing date	Positions	8,939	10,486	10,318	9,950	9,914
Value management						
Capital employed	million EUR	1,535.1	1,739.5	1,384.1	1,218.0	1,588.6
Key figures on profit/net assets and financial structure						
Gross profit margin	%	39.3	36.3	31.9	33.5	34.9
Adjusted EBITDA margin	%	8.3	7.1	1.7	–3.0	6.0
EBITDA margin	%	8.0	7.6	–0.4	–4.3	6.3
Equity ratio	%	34.0	28.0	9.6	9.7	20.2
Gearing	%	61.6	92.9	434.5	385.2	160.5
Net debt/adj. EBITDA LTM (leverage)	x	2.0	2.8	15.6	n/a	3.8
Net working capital/revenue (L3M annualized)	%	26.0	29.3	31.2	28.9	31.1

	Unit	2017	2018	2019	2020	2021
Key share figures at reporting date						
Number of registered shares issued	Shares	945,000,000	945,000,000	945,000,000	2,028,333,333	3,058,857,471
Share capital	million EUR	378.6	378.6	378.6	221.7	361.4
Earnings per share	EUR/CHF	0.05/0.06	0.00/0.00	–0.55/-0.61	–0.15/-0.16	0.02/0.02
Shareholders’ equity per share	EUR/CHF	0.75/0.88	0.75/0.88	0.19/0.21	0.08/0.09	0.15/0.16
Share price high	CHF	0.960	0.886	0.617	0.340	0.478
Share price low	CHF	0.660	0.495	0.192	0.126	0.234
Closing share price	CHF	0.840	0.540	0.281	0.235	0.344

Five-quarter overview

	Unit	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Key operational figures						
Production volume	kilotons	501	614	606	439	454
Sales volume	kilotons	445	510	518	410	425
Order backlog	kilotons	566	684	650	716	691
Income statement						
Revenue	million EUR	604.5	751.6	839.1	765.0	837.1
Average sales price	EUR/t	1,358	1,476	1,621	1,868	1,972
Gross profit	million EUR	208.5	280.1	304.2	256.7	272.1
Adjusted EBITDA	million EUR	4.1	44.5	65.4	41.8	39.9
EBITDA	million EUR	– 8.9	41.9	63.5	41.5	53.1
EBIT	million EUR	– 28.8	20.3	42.5	18.0	27.9
Earnings before taxes	million EUR	– 43.0	9.6	31.7	6.6	16.2
Group result	million EUR	– 42.4	4.8	30.4	3.6	11.5
Cash flow/investments/depreciation/amortization						
Cash flow before changes in net working capital	million EUR	– 27.7	51.4	66.7	33.0	47.9
Cash flow from operating activities	million EUR	11.8	– 75.2	– 48.9	4.1	– 15.8
Cash flow from investing activities	million EUR	– 30.7	– 9.9	– 17.7	– 22.3	– 38.0
Free cash flow	million EUR	– 19.0	– 85.1	– 66.6	– 18.2	– 53.8
Investments	million EUR	33.6	13.9	20.8	28.5	43.9
Depreciation, amortization and impairments	million EUR	19.9	21.6	21.0	23.5	25.1
Net assets and financial structure						
Non-current assets	million EUR	557.4	559.2	574.3	585.5	575.6
Current assets	million EUR	1,158.2	1,488.3	1,529.6	1,601.4	1,651.8
Net working capital	million EUR	698.1	827.1	943.1	974.6	1,040.6
Balance sheet total	million EUR	1,715.7	2,047.5	2,103.9	2,186.9	2,227.4
Shareholders' equity	million EUR	166.1	417.9	460.4	470.0	448.9
Non-current liabilities	million EUR	882.2	809.5	780.5	839.4	894.8
Current liabilities	million EUR	667.3	820.1	863.0	877.5	883.7
Net debt	million EUR	639.9	522.5	605.4	644.9	720.5
Employees						
Employees as of closing date	Positions	9,950	9,929	9,847	9,864	9,914
Value management						
Capital employed	million EUR	1,218.0	1,339.6	1,456.2	1,496.5	1,588.6
Key figures on profit/net assets and financial structure						
Gross profit margin	%	34.5	37.3	36.3	33.6	32.5
Adjusted EBITDA margin	%	0.7	5.9	7.8	5.5	4.8
EBITDA margin	%	– 1.5	5.6	7.6	5.4	6.3
Equity ratio	%	9.7	20.4	21.9	21.5	20.2
Net debt/adj. EBITDA LTM (leverage)	x	n/a	n/a	6.5	4.1	3.8
Net working capital/revenue (L3M annualized)	%	28.9	27.5	28.1	31.8	31.1

Swiss Steel Holding AG individual financial statements

Income statement

million CHF	Note	2021	2020
Other income		19.2	24.8
Financial income		55.3	54.4
Total operating income		**74.6**	**79.3**
Personnel costs		– 20.1	– 16.6
Other expenses		– 26.5	– 27.0
Depreciation and amortization of non-current assets	3	– 0.8	– 437.3
Financial expense		– 38.4	– 48.9
Total operating expenses		**– 85.8**	**– 529.8**
Annual result		**– 11.2**	**– 450.5**

Balance sheet

million CHF	Note	31.12.2021	31.12.2020
Cash and cash equivalents		0.1	0.1
Other current receivables, Group		37.0	22.4
Other current receivables, third parties		0.1	1.3
Current receivables, Group		329.7	422.2
Accrued income and prepaid expenses, third parties		0.7	3.4
Total current assets		**367.6**	**449.4**
Investments	1	473.8	308.2
Property, plant and equipment		2.5	3.2
Total fixed assets		**476.3**	**311.4**
Total assets		**843.9**	**760.8**
Other current liabilities, Group		4.3	5.4
Other current liabilities, third parties		4.6	1.2
Current financing, Group		50.5	37.6
Current financing, third parties		0.5	2.9
Accrued liabilities and deferred income		11.4	10.1
Current provisions		1.1	0.0
Lease liabilities		0.7	0.6
Total current liabilities		**73.0**	**57.7**
Non-current interest-bearing liabilities		247.7	409.1
Provisions		0.1	0.1
Lease liabilities		1.4	1.9
Total long-term liabilities		**249.3**	**411.0**
Total liabilities		**322.3**	**468.8**
Share capital	2	458.8	304.3
Legal reserves from capital contributions	2	928.2	1,031.7
Legal reserves		0.0	6.9
Retained earnings available for appropriation	2	– 865.5	– 1,050.2
Own capital shares	9	0.0	– 0.6
Total equity		**521.6**	**292.0**
Total liabilities and equity		**843.9**	**760.8**

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 and for the Executive Board. 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
In 2021, Swiss Steel Group benefited from the strong post COVID-19 market recovery throughout main customer industries, leading to high margin realization and strong profitability. The market recovery in combination with the ongoing transformation efforts enabled Swiss Steel Group to show a positive group result after three years of losses.

However, supply chain issues, namely a semiconductor shortage affecting the automotive industry, resurged in the second half of 2021. Additionally, on top of already high and further increasing raw material prices, prices for electricity and natural gas multiplied and reached unprecedented high levels. While Swiss Steel Group managed to roll-over these cost increases to customers, it required a significantly higher of working capital, resulting in a significantly negative free cash flow in 2021.

Additionally, for reasons still under investigation, a crane transporting a ladle furnace collapsed at the production site in Ugine in early 2022, leading to a significant loss of production in the steel mill in the first half of 2022 (see note 35 for further details). The incident is expected to have a significant negative impact on the operational performance and the liquidity situation in 2022 due to the cost of repairs and especially due to lost revenue from the reduced production volumes of the Business Unit Ugitech.

Swiss Steel Group has responded to these developments with various measures:

- Production volumes were adapted together with strong cost control measures in order to mitigate the impact of high energy prices in the fourth quarter 2021 and first quarter of 2022. The Group also significantly increased base prices and, in many cases, established an energy cost surcharge to roll-over the cost increases to customers, similar to existing scrap and alloy surcharge mechanisms
- Following the incident in Ugine, the Group allocated production volumes for semi-finished goods from other sites and sourced additional third-party material to support Ugitech's downstream activities and customer shipments
- Further, the Group secured additional liquidity in order to finance the high working capital needs through a EUR 100 million revolving facility agreement with Big Point Holding AG, available from January 3, 2022 with a base term of twelve months and a three month extension option. The facility amount is initially EUR 100 million with a reduction to EUR 80 million as of June 30, 2022, to EUR 60 million with effect from September 30, 2022 and to EUR 40 million effective December 31, 2022, if the extension option is exercised. Additionally, on January 26, 2022, an increase of the state guaranteed loans in France by EUR 20 million was agreed.

In order to address the latest developments, the Group revised its budget 2022 and its liquidity planning. The ability to continue as a going concern is dependent on the availability of sufficient liquidity and compliance with the relevant financing conditions. There are uncertainties related to the development of the supplier and customer end markets, the development and impact of the raw material and energy prices, the supply chain issues, the further development of the COVID-19 pandemic and the restart of melt shop production in Ugine. Swiss Steel Group considers these uncertainties as not material since the updated planning demonstrated enough financial headroom and since the Group is in a position to reduce production volumes in favor of releasing liquidity by reducing net working capital. Material unfavorable deviations from the updated planning might negatively impact the valuation of the investments and intercompany receivables of Swiss Steel Holding AG.

The Board of Directors and the Executive Board continue to closely monitor developments in the relevant supplier and customer end markets, the available liquidity, the compliance with financial covenants and are repeatedly assessing the impact on Swiss Steel Group's and Swiss Steel Holding AG's ability to continue as a going concern.

When preparing the 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 various measures initiated (as listed above) are sufficient in order to cover the additional liquidity needs from the latest developments and to be compliant with the financing conditions so that the company can continue its business activities over the next twelve months. 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, 2021 and December 31, 2020:

	Domicile of investments	Currency	Share capital 31.12.2021	Share capital 31.12.2020	Voting rights and capital share 31.12.2021	Voting rights and capital share 31.12.2020
Swiss Steel AG[1)]	Emmen (CH)	CHF	0	40,000,000	100.00 %	100.00 %
Steeltec AG[1)]	Emmen (CH)	CHF	40,000,000	33,000,000	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[2)]	Düsseldorf (DE)	EUR	10,060,000	10,050,000	100.00 %	100.00 %
Swiss Steel Technology Holding GmbH	Düsseldorf (DE)	EUR	25,001	25,001	100.00 %	100.00 %
Ascometal France Holding S.A.S.	Hagondange (FR)	EUR	60,000,000	60,000,000	100.00 %	100.00 %

[1)] As of January 1, 2021, Swiss Steel AG acquired former Steeltec AG, which was absorbed through a merger and renamed Steeltec AG
[2)] Capital increase as of March 30, 2021

The information on the indirectly owned subsidiaries is included in note 36 of the consolidated financial statements of this Annual Report.

2. Capital reduction / capital increase

At the Extraordinary General Meeting on December 22, 2020, the Group resolved to conduct a capital increase for Swiss Steel Holding AG, which was executed on March 22, 2021.

As a result of the capital increase, the share capital in local currency of Swiss Steel Holding AG increased by CHF154.6 million from CHF 304.2 million to CHF 458.8 million, divided into 3,058,857,471 registered shares with a nominal value of CHF 0.15 each. As the capital increase was carried out at a subscription price of CHF 0.24 per newly issued registered share, an additional amount of CHF 92.7 million was transferred to the capital reserves. After deducting transaction costs of CHF 7.2 million, this resulted in an increase in capital reserves of CHF 85.5 million.

Furthermore, a transfer of EUR 189.0 million from capital reserves to retained earnings was made in 2021 following a resolution at the Annual General Meeting on April 27, 2021.

in CHF million	Share capital	Legal reserves from capital contributions	Legal reserves	Retained earnings available for appropriation	Own capital shares	Total equity
01.01.2021	**304.3**	**1,031.7**	**6.9**	**– 1,050.2**	**– 0.6**	**292.0**
Capital increase	154.6	92.7	0.0	0.0	0.0	247.3
Transaction costs	0.0	– 7.2	0.0	0.0	0.0	– 7.2
Allocation of shares to BoD	0.0	0.0	0.0	0.0	0.6	0.6
Reclassification	0.0	0.0	– 6.9	6.9	0.0	0.0
Offsetting of capital reserves against retained earnings	0.0	– 189.0	0.0	189.0	0.0	0.0
Annual result	0.0	0.0	0.0	– 11.2	0.0	– 11.2
31.12.2021	**458.8**	**928.2**	**0.0**	**– 865.5**	**0.0**	**521.6**

3. Depreciation and amortization of non-current assets

In the fiscal year 2021, no further impairment of non-current assets was recognized.

In the fiscal year 2020, an impairment totaling CHF 268.6 million was recognized on the investments as a consequence of the impairment of non-current assets in direct and indirect investments, as well as the impairment of loans of CHF 167.4 million. This impairment affected the Business Unit Deutsche Edelstahlwerke (DEW), which is held by Swiss Steel Edelstahl GmbH. In addition, the impairment on the investments of the Business Unit Ascometal led to an impairment of the corresponding direct investment.

4. Contingent liabilities and pledges

There are contingent liabilities in favor of:

million CHF	31.12.2021	31.12.2020
Group companies	471.7	204.6

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	31.12.2021	31.12.2020
Investments	255.8	90.3
Current receivables, Group	62.3	15.5
Total	**318.1**	**105.8**

5. Significant shareholders

The holding percentages shown below for shareholders with share capital and voting rights above the 3% threshold are based on the last disclosure of shareholding communicated by the shareholder to the company and the Disclosure Office of SIX Swiss Exchange (https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/) (the "Disclosure Office"). For the latest and most up to date information, please refer to the disclosures made to the Disclosure Office.

	31.12.2021		31.12.2020	
	Shares [1]	in percent	Shares	in percent
BigPoint Holding AG	1,264,284,739	41.33	1,005,727,413	49.58
Liwet Holding AG / AO Kompleksprom [2]	764,774,688	25.00	507,083,333 [3]	25.00
PCS Holding AG / Peter Spuhler	361,000,000	11.80	-	-

[1] Percentage of shares issued as reported at SIX Swiss Exchange
[2] Shareholder Agreement between Liwet Holding AG and AO Komplekspro
[3] Liwet Holding AG without AO Komplekspro

6. Shareholdings

6.1 Shares owned by members of the Board of Directors

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

		Number of shares		Number of restricted share units [2]
Board of Directors [1]		**31.12.2021**	**31.12.2020**	**31.12.2021**
Jens Alder (CH) [3]	Chairman	1,214,891	494,658	457,234
Dr. Svein Richard Brandtzæg (NO) [6]	Member	328,981	0	137,170
Heinrich Christen (CH) [4]	former Chairman	0	950,000	0
Ralf Göttel (DE) [5]	Member	0	n/a	47,927
David Metzger (CH/FR) [6]	Member	39,975	0	182,894
Mario Rossi (CH) [5]	Member	0	n/a	47,927
Dr. Michael Schwarzkopf (AT) [6]	Member	329,981	0	137,170
Karin Sonnenmoser (DE) [6]	Member	389,981	0	134,298
Jörg Walther (CH) [7]	former Member, former Chairman	0	0	77,124
Adrian Widmer (CH)	Member	738,324	197,864	182,894
Emese Weissenbacher (DE) [5]	Member	0	n/a	47,927
Total amount		**3,042,133**	**1,642,522**	**1,452,565**

[1] Including shares held by related parties of members of the Board of Directors (see note 34 of the consolidated financial statements as of December 31, 2021)
[2] 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, 2021. These restricted share units, including the remaining portion for the period from January 1, 2022 until the AGM 2022, will be converted into shares that will be transferred to the members of the Board of Directors after the AGM 2022
[3] Chairman since April 27, 2021
[4] Chairman until April 5, 2021
[5] Member of the Board of Directors since October 6, 2021
[6] Member of the Board of Directors since April 28, 2020
[7] Member of the Board of Directors until August 10, 2021

6.2 Shares owned by members of the Executive Committee

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

		Number of shares	
Executive Board[1]		**31.12.2021**	**31.12.2020**
Frank Koch (DE)	CEO	0	n/a
Clemens Iller (DE)	former CEO	0	1,251,336
Dr. Markus Böning (DE)	CFO	0	0
Josef Schultheis (DE)	former CRO	0	0
Total Executive Board		**0**	**1,251,336**

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

Frank Koch joined Swiss Steel Holding AG as CEO as of July 1, 2021. Josef Schultheis was appointed CRO on of August 12, 2020 and left on February 28, 2021. Dr. Markus Böning was appointed CFO on October 1, 2020. None of them have shares in Swiss Steel Holding AG as of December 31, 2021.

7. Treasury shares

	Date	Share price in CHF	Share
Treasury shares as of 31.12.2019			**2,615,520**
Allocation of shares to BoD	May 20	0.52	– 1,490,558
Treasury shares as of 31.12.2020			**1,124,962**
Purchase of treasury shares	May 21	0.32	2,548,829
Allocation of shares to BoD	May 21	0.39	– 3,673,791
Purchase of treasury shares	Jul 21	0.42	40
Treasury shares as of 31.12.2021			**40**

8. Share-based compensation

In 2021, 3,673,791 shares for a total cost value of CHF 1.42 million were allocated to the members of the Board of Directors and Executive Board (Board of Directors only). In 2020, a total of 1,490,558 shares for a total cost value of CHF 0.78 million were allocated to the members of the Board of Directors and Executive Board (Board of Directors only).

9. Other statutory disclosures

Full-time equivalents, yearly average	31.12.2021	31.12.2020
Up to ten full-time equivalents	-	-
> 10 to 50 full-time equivalents	X	-
> 50 to 250 full-time equivalents	-	X
> 250 full-time equivalents	-	-

10. Lease obligations

Payments under existing leases extend over the following maturity profile:

in CHF million	31.12.2021	31.12.2020
< 1 year	0.7	0.7
1 to 5 years	1.7	2.2
> 5 years	0.0	0.0
Total	**2.4**	**2.9**

Report of the statutory auditor on the financial statements

To the General Meeting of Swiss Steel Holding Ltd., Lucerne

Zürich, 7 March 2022

As statutory auditor, we have audited the financial statements of Swiss Steel Holding Ltd., which comprise the income statement, balance sheet and notes (pages 194 to 201), for the year ended 31 December 2021.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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 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 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. These credit facilities were concluded in 2020 and came into effect after the completion of the capital increase in March 2021 based on a restructuring opinion (IDW S6) issued by an external advisor in 2020. As described in note “Going concern”, 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 2022 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. Management also considered the risks of uncertainties, including those related to the development of the demand from end customer markets, the development of raw material and energy prices, disruptions in the supply chain or the timing of the restart of the production at the steel mill of one of the Group’s subsidiaries. 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 future breach of the financial covenants we analyzed the latest liquidity forecast for 2022. We discussed with Management the underlying assumptions used, the basis for their evaluation and sensitivities with the support of our internal specialists. Further, we compared the actual cash flows for 2021 to the estimated cash flows in the restructuring opinion and discussed major deviations and additional liquidity measures with Management. We also read the relevant financing contracts and audited the disclosures in 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 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 2021. An overview can be found in note 1 to the financial statements. Moreover, the Company has amounts due from subsidiaries totalling CHF 366.7 million as of 31 December 2021. 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 updated 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 net assets values 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 with available market data, a discussion with Management of the updated medium-term planning and initiated improvements, 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. We 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.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Furthermore, we draw attention to the fact that half of the share capital and legal reserves is no longer covered (article 725 paragraph 1 CO).

Ernst & Young Ltd

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

GRI content index

GRI standards	Information	Comment/reference
GRI 101: 2016	**Foundation**	
GRI 102: 2016	**General disclosures**	
	Organizational profile	
102-1	Name of the organization	Swiss Steel Holding AG
102-2	Activities, brands, products, and services	Corporate Presentation, p. 5 – 25 https://swisssteel-group.com/fileadmin/files/swiss-steel-group/Documents/CorporatePresentation/SSG_GROUP_Corporate_Presentation_PPT_EN_Mar21.pdf
102-3	Location of headquarters	Landenbergstrasse 11, CH-6005 Lucerne
102-4	Location of operations	p. 185 – 186
102-5	Ownership and legal form	p. 76 – 77
102-6	Markets served	p. 179
102-7	Scale of the organization	p. 185 – 186
102-8	Information on employees and other workers	p. 56
102-9	Supply chain	p. 6 – 11; 32 – 34
102-10	Significant changes to the organization and its supply chain	No significant changes
102-11	Precautionary principle or approach	p. 48
102-12	External initiatives	p. 57
102-13	Membership of associations	We are a member of, among others, World Steel Association (worldsteel), International Stainless Steel Forum (ISSF), Association of German Steel Manufacturers (VDEh), European Steel Association (EUROFER), Research Association for Steel Applications (FOSTA).
	Strategy	
102-14	Statement from senior decision-maker	p. 4, 24 – 25
	Ethics and integrity	
102-16	Values, principles, standards, and norms of behavior	p. 35 – 36
	Governance	
102-18	Governance structure	p. 79 – 91
	Stakeholder involvement	
102-40	List of stakeholder groups	p. 57 – 58
102-41	Collective bargaining agreements	p. 56
102-42	Identifying and selecting stakeholders	p. 57 – 58
102-43	Approach to stakeholder engagement	p. 57 – 58
102-44	Key topics and concerns raised	p. 57 – 58
	Reporting practice	
102-45	Entities included in the consolidated financial statements	p. 185 – 186
102-46	Defining report content and topic boundaries	p. 57 – 58
102-47	List of material topics	See Corporate Presentation, p. 46 https://swisssteel-group.com/fileadmin/files/swiss-steel-group/Documents/CorporatePresentation/SSG_GROUP_Corporate_Presentation_PPT_EN_Mar21.pdf

GRI standards	Information	Comment/reference
102-48	Restatements of information	No restatements
102-49	Changes in reporting	No changes
102-50	Reporting period	1.1 – 31.12.2021
102-51	Date of most recent report	8.3.2021, Annual Report 2021
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	Burkhard Wagner, Vice President Corporate Finance & Investor Relations, b.wagner@swisssteelgroup.com
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index	p. 206 – 208
102-56	External assurance	None
	Topic specific standards	
GRI 200	**Economic standards**	
GRI 201: 2016	**Economic performance**	
103: 2016 103-1 / 103-2 / 103-3	Management approach	p. 35 – 36; 64 – 70
201-1	Direct economic value generated and distributed	p. 39, 41
GRI 205: 2016	**Anti-corruption**	
103: 2016 103-1 / 103-2 / 103-3	Management approach	See Code of Conduct, p. 5 https://www.swisssteel-group.com/fileadmin/files/swiss-steel-group/Documents/CPM_1.2_Code_of_Conduct_ENG_Internet_Version_NEW_DESIGN.PDF
205-2	Communication and training about anti-corruption policies and procedures	In 2021, trainings were held in Anti-Bribery and Corruption, Anti-Money Laundering, Antitrust, Trade Compliance and Code of Conduct
205-3	Confirmed incidents of corruption and actions taken	No incidents observed
GRI 206: 2016	**Anti-competitive behavior**	
103: 2016 103-1 / 103-2 / 103-3	Management approach	See Code of Conduct, p. 5 https://www.swisssteel-group.com/fileadmin/files/swiss-steel-group/Documents/CPM_1.2_Code_of_Conduct_ENG_Internet_Version_NEW_DESIGN.PDF
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions observed
GRI 300	**Environmental standards**	
GRI 301: 2016	**Materials**	
103: 2016 103-1 / 103-2 / 103-3	Management approach	p. 48 – 49; 51
301-2	Recycled input materials used	p. 8 – 9
GRI 302: 2016	**Energy**	
103: 2016 103-1 / 103-2 / 103-3	Management approach	p. 48 – 49, 51 – 52
302-3	Energy intensity	p. 52
GRI 303: 2018	**Water and effluents**	
103: 2016 103-1 / 103-2 / 103-3	Management approach	p.48 – 49, 52
303-1	Interactions with water as a shared resource	p. 52
303-2	Management of water discharge-related impacts	p. 52
303-3	Water withdrawal	p. 52
GRI 305: 2016	**Emissions**	
103: 2016 103-1 / 103-2 / 103-3	Management approach	p. 48 – 51

GRI standards	Information	Comment/reference
305-1	Direct (Scope 1) GHG emissions	p. 49
305-2	Energy indirect (Scope 2) GHG emissions	p. 50
305-4	GHG emissions intensity	p. 49 – 50
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	p. 50
GRI 306: 2020	**Waste**	
103: 2016 103-1 / 103-2 / 103-3	Management approach	p. 48 – 49; 51
306-1	Waste generation and significant waste-related impacts	p. 51
306-2	Management of significant waste-related impacts	P. 51
306-3	Waste generated	p. 51
GRI 400	**Social standards**	
GRI 403: 2018	**Occupational health and safety**	
103: 2016 103-1 / 103-2 / 103-3	Management approach	p. 53 – 54
403-1	Occupational health and safety management system	p. 53
403-2	Hazard identification, risk assessment, and incident investigation	p. 54
403-3	Occupational health services	p. 53 – 54
403-4	Worker participation, consultation, and communication on occupational health and safety	p. 53 – 54
403-5	Worker training on occupational health and safety	p. 53 (Global Health & Safety Day 2021)
403-6	Promotion of worker health	p. 53 – 54
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 54
403-9	Work-related injuries	p. 54
GRI 404: 2016	**Training and education**	
103: 2016 103-1 / 103-2 / 103-3	Management approach	p. 54 – 55
404-2	Programs for upgrading employee skills and transition assistance programs	p. 54 – 55
GRI 414: 2016	**Supplier social assessment**	
103: 2016 103-1 / 103-2 / 103-3	Management approach	p. 34
414-1	New suppliers that were screened using social criteria	p. 34

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 |

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

ABS Asset backed securities

AE United Arab Emirates

AGM Annual General Meeting

AOA Auditor Oversight Act

AR Annual Report

AR (p. 195) Argentina

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)

BE Belgium

BoD Board of Directors

BR / BRL Brazil / Brazilian real

BU Business Unit

BVG Occupational pension (LPP)

CA / CAD Canada / Canadian Dollar

CC Compensation Committee

CEA Alternative Energies and Atomic Energy Commission

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 Swiss Code of Obligations

CO / COP (p.195) Colombia / Colombian Peso

CO_2 Carbon dioxide

COO Chief Operating Officer

COVID-19 Coronavirus

Cr Chromium

CRO Chief Restructuring Officer

CRU Ugitech's Research Center

CSO Chief Security Officer

CYP Cyprus

CZ / CZK Czech Republic / Czech koruna

D&O Directors' and officers' liability insurance

DE Germany

DEW Deutsche Edelstahlwerke

DK Denmark

Dr. Doctor

Dr. rer. Oec Doctor rerum oeconomicarum

e.g. Exempli gratia (for example)

EAF Electric arc furnace

EAP Employee Assistance Program

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

ERT European Roundtable of Industrialists

ES Spain

ESG Environmental, Social and Governance

EU / EUR European Union / euro

EUROFER European Steel Association

EWL Energie Wasser Luzern

FAAC Financial assets measured at amortized cost

FAFVPL Financial assets at fair value through profit or loss

FI Finland

FLAC Financial liabilities measured at amortized cost

FLFVPL Financial liabilities at fair value through profit or loss

FOSTA Research Association for Steel Applications

FR France

GB / GBP Great Britain / British pound sterling

GDP Gross domestic product

GHG emissions Greenhouse gas emissions

GHSD Global Health & Safety Day

GRI Global Reporting Initiative

GWH Gigawatt hour

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

ICDA International Chromium Development Association

IEA International Energy Agency

IESBA International Ethics Standards Board for Accountants

IFRS International Financial Reporting Standards

IMF International Monetary Fund

IN India

ISAs International Standards on Auditing

ISIN International Securities Identification Number

ISSF International Stainless Steel Forum

IT (p. 195) Italy

IT Information Technology

JP / JPY Japan / Japanese yen

Kg / kt Kilogram / kiloton

L3M / LTM Last three month / last twelve months

LT Lithuania

LTI Lost time injury

LTIFR Lost time injury frequency rate

LV Latvia

LTI Long-term incentive

m^2 / m^3 Square meter / cubic meter

M&A Mergers and acquisitions

MA Master of Arts

MBA Master of Business Administration

MIS Management information system

MSc Master of Science

MWh Megawatt hour

MX / MXN Mexico / Mexican peso

MY / MYR Malaysia / Malaysian ringgit

n/a Not applicable

NO Norway

NO_x Nitrogen oxides

NWC Net working capital

OaEC Ordinance against Excessive Compensation

OCI Other comprehensive income

OEP Operational excellence program

OFCF Operating free cash flow

P. / p. Page

p. a. Per annum (annually or each year)

PhD Doctor of Philosophy

PL / PLN Poland / Polish złoty

PMI Purchasing Managers Index

PSU Performance share units

PT Portugal

R&D Research and development

ROU Right-of-use

RO / RON Romania / Romanian leu

ROCE Return on capital employed

RU / RUB Russia / Russian ruble

SE Sweden

SG / SGD Singapore / Singapore dollar

SG&A Selling, general & administrative

SIX SIX Swiss Exchange

SK Slovakia

SMR Steel & Metals Market Research

SO_x Sulfur oxides

SPI Swiss Performance Index

SSG Swiss Steel Group

STI Short-term incentive

t Ton

TH Thailand

THE Trading Hub Europe

TK Turkey

TW / TWD Taiwan / New Taiwan dollar

UK United Kingdom

US / USA / USD United States / United States of America / US dollar

VAT Value-added tax

VDEh Association of German Steel Manufacturers

VDMA Verband Deutscher Maschinen- und Anlagenbau (German Engineering Federation)

VWAP Volume-weighted average price

worldsteel World Steel Association

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 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 uncertainty and may differ materially from the current facts, situation, impact or developments.

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