

2023

Interim Report

Half-year ended June 30, 2023

Swiss
Steel
Group

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

Together.
For a future that matters.

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Key figures

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

¹⁾ Earnings per share are based on the result of the Group after deducting the portions attributable to non-controlling interests

²⁾ As of June 30, 2023 and as of December 31, 2022

Five half-year overview

	Unit	H1 2021	H2 2021	H1 2022	H2 2022	H1 2023
Key operational figures						
Production volume	kilotons	1,220	893	1,052	746	925
Sales volume	kilotons	1,028	835	937	726	756
Order backlog	kilotons	650	691	590	454	386
Income statement						
Revenue	million EUR	1,590.7	1,602.1	2,144.6	1,906.8	1,857.3
Average sales price	EUR/t	1,549	1,921	2,290	2,629	2,460.0
Gross profit	million EUR	584.3	528.8	663.7	483.4	550.2
Adjusted EBITDA	million EUR	109.9	81.7	171.0	46.1	70.0
EBITDA	million EUR	105.4	94.6	157.1	31.7	58.5
EBIT	million EUR	62.8	45.9	113.2	-40.2	17.0
Earnings before taxes	million EUR	41.3	22.8	89.5	-68.2	-23.0
Group result	million EUR	35.2	15.1	74.0	-64.6	-30.0
Cash flow/investments/depreciation/amortization						
Cash flow before changes in net working capital	million EUR	118.1	80.9	111.6	38.4	22.1
Cash flow from operating activities	million EUR	-124.1	-11.7	-141.2	187.8	-22.7
Cash flow from investing activities	million EUR	-27.6	-60.3	-32.9	-67.4	-40.0
Free cash flow	million EUR	-151.7	-72.0	-174.1	120.4	-62.7
Investments	million EUR	34.7	72.4	42.3	72.8	44.9
Depreciation, amortization and impairments	million EUR	42.6	48.6	43.9	71.9	41.5
Net assets and financial structure						
Non-current assets	million EUR	574.3	575.6	561.7	568.5	556.6
Current assets	million EUR	1,529.6	1,651.8	2,196.9	1,817.5	1,861.4
Net working capital	million EUR	943.1	1,040.6	1,307.3	1,112.4	1,149.1
Balance sheet total	million EUR	2,103.9	2,227.4	2,758.6	2,386.0	2,418.0
Shareholders' equity	million EUR	460.4	448.9	594.7	530.9	498.7
Non-current liabilities	million EUR	780.5	894.8	1,006.0	736.8	807.4
Current liabilities	million EUR	863.0	883.7	1,157.9	1,118.3	1,111.9
Net debt	million EUR	605.4	720.5	936.3	848.2	942.0
Employees						
Employees as of closing date	Positions	9,847	9,914	9,904	9,857	9,639
Value management						
Capital employed	million EUR	1,456.2	1,588.6	1,845.0	1,646.8	1,675.0
Key figures on profit/net assets and financial structure						
Gross profit margin	%	36.7	33.0	30.9	25.4	29.6
Adjusted EBITDA margin	%	6.9	5.1	8.0	2.4	3.8
EBITDA margin	%	6.6	5.9	7.3	1.7	3.1
Equity ratio	%	21.9	20.2	21.6	22.2	20.6
Net debt/adj. EBITDA LTM (leverage)	x	6.5	3.8	3.7	3.9	8.1
Net working capital/revenue (L3M annualized)	%	28.1	31.1	29.3	29.0	32.2

Dear shareholders,

In the face of the current geopolitical and economical environments, it is more crucial than ever that we remain steadfast in our commitment to staying on our strategic path. The journey we embarked upon with the SSG 2025 strategy program was never meant to be without challenges. While we encounter headwinds and uncertainties, we are convinced that staying true to this path is what will ultimately lead us to success.

The critical assessment of the future viability and potential of each of our entities has become more decisive given the current market conditions. Following the communication earlier this year regarding the planned divestment of several entities in Eastern Europe that no longer reflect our core business, we are making significant progress in actively evaluating viable solutions for further entities in focus of SSG 2025.

Additionally, we have achieved an important milestone in the past few months, as we received all the necessary approvals to begin the restructuring program for our German entity, Deutsche Edelstahlwerke. This will allow us to reduce our workforce by at least 350 employees as a step towards a sustainably profitable setup, supported by additional significant savings. Further, the program includes splitting Deutsche Edelstahlwerke into two individually operating entities and significantly enhancing operational efficiency. The following months will now be dedicated to implementing the aligned measures, leading the entity back to a sustainable future viability. We are committed to working diligently on the implementation, recognizing the efforts and commitment of our colleagues.

The Group-wide reorganization into the new operating model is progressing well, with the Group Functions having taken up their operations in the beginning of the year. This has given us the opportunity to streamline and align our processes, and we are on track to complete this transition by the end of 2023. Additionally, the single-brand strategy has been almost entirely rolled out, contributing to a more cohesive and focused market approach as Swiss Steel Group.

We continue to advance our commitment to sustainability and green steel production, meeting the growing demand for sustainably produced steel. Initial customer successes on long-term Green Steel commitments show that sustainable steel is needed in Europe and beyond. As one of the first European steel producers, we are now working with CDP (Carbon Disclosure Project) to reliably disclose the upstream carbon footprint and provide our customers with transparent emission data. We have also maintained our efforts to ensure the availability of scrap for production, further develop our recycling concepts, and increase the share of green energy in our operations. Under current legal and industrial conditions, we have set ourselves the ambitious goal of net-zero CO₂ emissions by 2038.

Going forward, Swiss Steel Group will remain dedicated to implementing its new operating model, streamlining functions, and adapting Production Assets to meet market needs. Additionally, we are establishing shared services for dedicated Group Functions, aiming to capitalize on economies of scale and enhance cost efficiencies. Further, we intend to integrate along the value chain and execute our Green Steel strategy. Despite market challenges in the first half, we remain flexible to adapt to developments and secure the Group's liquidity through operational measures.

The persistently challenging market environment has heavily influenced our Group's financial performance. Following a decline in business activities towards the end of the previous year, demand from crucial end markets remained subdued amid the economic slowdown. Consequently, incoming orders and order backlog continued to decrease during the first half of 2023. As a result, sales volume experienced a notable decline compared to the first half-year 2022, leading to a significant drop-off in revenue. Our dedicated team has worked tirelessly to mitigate the market effects and has implemented several cost-cutting measures, which has paved the way for an adjusted EBITDA of EUR 70 million for the first six months of 2023.

While the ongoing market downturn may test our resolve, it also provides us with the opportunity to showcase our resilience and adaptability. We must embrace these challenges as steppingstones toward building a stronger and more agile Swiss Steel Group, taking the year of 2023 as our year of transition into the future of a sustainable special green steel producer with a strong commitment to its transformation path.

On behalf of the Board of Directors and the Executive Board, I would like to thank our team members, our customers, suppliers, and shareholders for their support of our future transformation.

Frank Koch
CEO

Management report

Business environment

In the first half-year 2023, Swiss Steel Group's business environment was shaped by numerous factors, including a slowdown of the global economy and rising interest rates as a countermeasure to inflation, offset by a certain easing in supply chain issues.

Economic situation

According to the World Bank (as of June 2023), global growth has slowed sharply. Although the World Bank has upgraded its forecast for global GDP growth in 2023, global GDP is forecast to grow at a lower rate of 2.1 % in 2023 compared to 3.1 % in 2022. Like the World Bank, the OECD also expects a slowdown in global GDP growth, projecting 2.7 % in 2023 versus 3.3 % in 2022.

Manufacturing purchasing managers' indices in the US and the Eurozone generally trended downward, signaling contraction. Inflation rates declined; however, consumer confidence indices for the Eurozone and the US continued to signal a pessimistic sentiment.

Consumer industries

In one of our largest customer industries, the automotive sector, shortages of semi-conductor chips continued to ease, though full normalization is still not in sight. According to estimates by LMC Automotive (as of June 2023), light vehicle production in Europe (17 European countries: Germany, France, Spain, the United Kingdom, Italy, Austria, Belgium, Finland, the Netherlands, Portugal, Sweden, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia) during the first half-year 2023 increased by 18 % compared to the first half of 2022, while remaining 17 % below the pre-pandemic level in the first half of 2019. In the first half-year of 2023, US passenger car production rose by 11 % compared to the same period in 2022, while remaining 30 % below the level in the first half-year of 2019. Chinese passenger car production grew by 8 % versus the first half of 2022 and by 13 % versus the first half of 2019.

According to the German Federal Statistics Office, production of the German mechanical and plant engineering sector declined in January 2023 compared to December 2022. Thereafter, production moved mostly sideways compared to the previous months. By contrast, order intake order intake trended generally downwards until April 2023 followed by increases in May and June 2023 compared to the previous months, while remaining below the levels in May and June 2022. According to the VDMA, order intake of the German mechanical and plant engineering sector was mainly impacted by weakening global economic development and softening investment demand, while also reporting a high order backlog in the industry sector. In the first half-year of 2023 overall, production of the German mechanical and plant engineering sector increased by 2 % compared to the same period in 2022, while remaining 8 % below the level seen in the first half-year in 2019. Order intake, by contrast, fell by 12 % compared to the first half-year in 2022 and by 1 % compared to the same period in 2019.

Commodity prices

Among the raw materials important to Swiss Steel Group, monthly average prices for German scrap type 2/8 trended upward until April 2023, influenced in February and March by strong demand from Turkey following the earthquakes in the region. Prices declined in May and June 2023 mainly due to lower demand, while supply remained tight. Overall, the average price for the first half of 2023 amounted to EUR 361, falling by 26 % compared to the prior-year level.

Prices for nickel at the London Metal Exchange (LME) generally trended downward, with some interruptions in January, throughout April and in early May. Factors impacting prices included, among others, macroeconomic influences such as interest rate hikes, effects on the USD exchange rate, and rising supply from Indonesia resulting in a widening surplus of the nickel market. Overall, the first half-year 2023 saw prices average USD 24,213 per ton, a 12 % decline year on year.

European prices for high carbon ferrochrome generally trended upward until mid-May, followed by a general downward trend. The average price for the first half-year 2023 amounted to USD 5,345 per ton chrome (Cr), down by 1 % compared to the average price in the first half of 2022.

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

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

In the first half-year 2023, European energy prices initially increased in January followed by a general downtrend and some upticks in June. During this period, while the downtrend in prices was supported by increased inventories of natural gas, energy prices remained subject to a degree of volatility, impacted in June in particular by concerns about lower supply of natural gas from Norway and warmer weather. At the same time, the European Commission decided not to prolong the emergency measures on the energy markets.

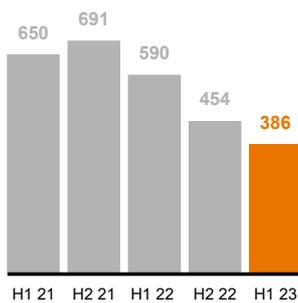
In the first half-year 2023 overall, average spot prices (wholesale prices) for electricity at the European Energy Exchange in Germany and France declined to EUR 104 per MWh and EUR 111 per MWh, respectively, compared to EUR 187 per MWh and EUR 230 per MWh in the first half-year of 2022. The average spot price for gas (Trading Hub Europe - THE) at the European Energy Exchange averaged EUR 45 per MWh, down from EUR 99 per MWh in the same period of 2022.

Business development of the Group

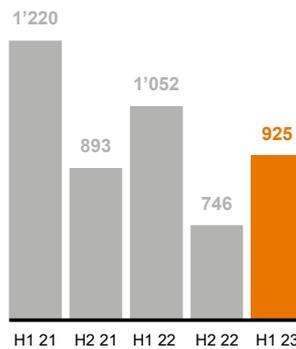
The ongoing challenging market environment had a significant impact on the results of Swiss Steel Group. After a decline in business activities toward the end of last year, demand from important end markets remained subdued in light of the economic slowdown. As a result, both incoming orders and order backlog continued to decline in the first half-year 2023. Sales volume decreased considerably, leading to lower revenue. Despite the introduction of cost cutting counter measures, adjusted EBITDA of EUR 70 million was considerably below the half-year result of the prior year.

Production, sales and order situation

Order backlog at half-year/year-end
in kilotons



Production volume in the half-year
in kilotons



The first half-year 2023 was characterized by subdued order intake across all divisions. Consequently, following a drop in the second half of 2022, order backlog declined further in the first half of 2023. This was due to lower market demand combined with destocking behavior on the part of our customers as well as the seasonally based hesitancy to place new orders before the summer break.

The order backlog at the end of the first half-year 2023 was 386 kilotons and thus considerably below the prior half-year (H1 2022: 590 kilotons). The backlog decreased across all divisions.

At 925 kilotons, less crude steel was produced than in the prior half-year (H1 2022: 1,052 kilotons) as production was aligned to lower market demand with additional shutdowns at our mills.

Sales volume by divisions in kilotons	H1 2023	H1 2022 ¹⁾	Δ in %
Engineering Steel	574	714	- 19.6
Stainless Steel	129	144	- 10.4
Tool Steel	51	75	- 32.0
Others	2	4	- 50.0
Total	756	937	- 19.3

¹⁾ Restatement due to organizational change from former divisions *Production* and *Sales & Services* (for financial reporting purposes until 2022) to divisions *Engineering Steel*, *Stainless Steel* and *Tool Steel* (as from 2023)

At 756 kilotons, 19.3% less steel was sold in the first half-year of 2023 than in the prior half-year (H1 2022: 937 kilotons). Sales volume decreased in all our divisions, with the strongest decline observable in the *Tool Steel* Division (-32.0%). The sales volume of the *Engineering Steel* Division was also considerably below the prior half-year (-19.6%) on the back of lower sales volume in the automotive industry.

Key figures on the income statement

in million EUR	H1 2023	H1 2022 ¹⁾	Δ in %
Revenue	1,857.3	2,144.6	- 13.4
Gross profit	550.2	663.7	- 17.1
Adjusted EBITDA	70.0	171.0	- 59.1
EBITDA	58.5	157.1	- 62.8
Adjusted EBITDA margin (%)	3.8	8.0	-
EBITDA margin (%)	3.1	7.3	-
EBIT	17.0	113.2	- 85.0
Earnings before taxes	-23.0	89.5	-
Group result	-30.0	74.0	-

Revenue by division in million EUR	H1 2023	H1 2022 ¹⁾	Δ in %
Engineering Steel	878.5	1,125.2	- 21.9
Stainless Steel	673.7	680.1	- 0.9
Tool Steel	287.9	331.3	- 13.1
Others	17.2	8.0	-
Total	1,857.3	2,144.6	- 13.4

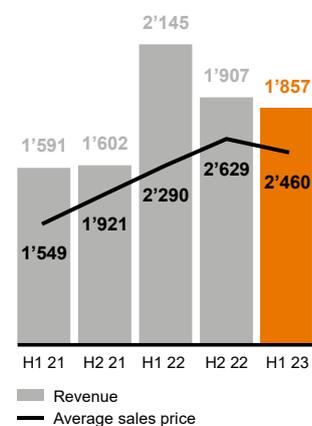
¹⁾ Restatement due to organizational change from former divisions *Production* and *Sales & Services* (for financial reporting purposes until 2022) to divisions *Engineering Steel*, *Stainless Steel* and *Tool Steel* (as from 2023)

Revenue by region in million EUR	H1 2023	H1 2022	Δ in %
Germany	625.8	736.3	-15.0
Italy	212.7	320.1	-33.6
France	206.3	226.3	-8.8
Switzerland	33.2	34.4	-3.5
Other Europe	420.3	457.7	-8.2
Europe	1,498.3	1,774.8	-15.6
USA	180.4	173.2	4.2
Canada	38.3	46.7	-18.0
Other Americas	35.8	25.8	38.8
America	254.5	245.7	3.6
China	41.5	55.3	-25.0
India	21.0	23.1	-9.1
Asia Pacific/Africa	42.0	45.7	-8.1
Africa/Asia	104.5	124.1	-15.8
Total	1,857.3	2,144.6	-13.4

Following several years of price increases, the average sales price per ton of steel decreased in the first half-year 2023. However at EUR 2,460.0 per ton, the average sales price still figures above the average price achieved in the same period of the previous year (H1 2022: EUR 2,290 per ton). This is mainly due to an improved product mix with a higher share of stainless steel in the product portfolio while scrap and energy surcharges decreased.

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

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



Expenses

in million EUR	H1 2023	H1 2022	Δ in %
Cost of materials (incl. change in semi-finished and finished goods)	1,307.1	1,480.9	- 11.7
Personnel expenses	345.5	352.6	- 2.0
Other operating expenses	188.2	187.6	0.3
Depreciation, amortization and impairments	41.5	43.9	- 5.5

Cost of materials and gross profit

Cost of materials – adjusted for the change in semi-finished and finished goods – decreased in the first half-year 2023 by 11.7% to EUR 1,307.1 million (H1 2022: EUR 1,480.9 million). This was mainly due to lower production volume but also lower energy prices.

Gross profit – revenue less cost of materials – was down by 17.1% in the first half of 2023 to EUR 550.2 million (H1 2022: EUR 663.7 million). The gross profit margin was lower at 29.6% (H1 2022: 30.9%).

Personnel expenses

Personnel expenses decreased by 2.0% in the first half-year 2023 to EUR 345.5 million (H1 2022: EUR 352.6 million). Swiss Steel Group received EUR 3.6 million in compensation for short-time work, which was offset against personnel expenses (H1 2022: EUR 3.1 million). With a headcount of 9,639, 218 fewer staff members were employed by Swiss Steel Group in first half of 2023 compared to the prior half-year.

Other operating income and expenses

At EUR 42.0 million, other operating income in the first half-year 2023 was above the first half of the previous year (H1 2022: EUR 33.6 million), mainly driven by income from the sale of unused emission rights, income from carbon compensation, repair and maintenance services, lease income and government grants.

Other operating expenses increased slightly by 0.3% to EUR 188.2 million in the first half of 2023 compared to the prior half-year (H1 2022: EUR 187.6 million). This included a loss from the deconsolidation of divested operations in Chile and China in the amount of EUR 2.5 million (see note 7 of financial reporting for further details). Saving measures in other operating expenses were initiated and are expected to materialize in the second half of 2023. As part of one-time effects, EUR 9.2 million (H1 2022: EUR 8.0 million) were adjusted in the other operating expenses.

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

At EUR 70.0 million in the first half of 2023, adjusted EBITDA was lower than in the prior half-year (H1 2022: EUR 171.0 million). One-time effects amounted to EUR 11.5 million and included, among others, costs for the reorganization program and losses from deconsolidation. Including these one-time effects, EBITDA amounted to EUR 58.5 million (H1 2022: EUR 157.1 million).

In the first half-year 2023, the adjusted EBITDA margin decreased to 3.8% (H1 2022: 8.0%), while the EBITDA margin decreased to 3.1% (H1 2022: 7.3%).

One-time effects

in million EUR	H1 2023	H1 2022	Δ in %
EBITDA (IFRS)	58.5	157.1	-62.8
Performance improvement program, others	2.4	7.5	-68.0
Reorganization and transformation processes	6.5	5.6	16.1
Restructuring and other personnel measures	2.6	0.8	-
Adjusted EBITDA	70.0	171.0	-59.1

Depreciation, amortization and impairments

Depreciation, amortization and impairments came to EUR 41.5 million in the first half of 2023, below the figure of the prior half-year (H1 2022: EUR 43.9 million). This includes impairment charges at the Production Asset Ascometal of EUR 7.0 million (H1 2022: EUR 6.0million). Moreover, a reversal of impairment related to assets held for sale in the amount of EUR 4.3 million was recognized in the first half-year of 2023 (see note 8 of financial reporting for further details).

Financial result

At EUR -40.0 million, the financial result in the first half-year 2023 was significantly lower than in the same period of the previous year (H1 2022: EUR -23.7 million). This was mainly driven by higher interest expenses due to rising interest rates for the syndicated loan and the asset backed securities (ABS) financing program.

Tax expense (income)

Earnings before taxes (EBT) for the first half of 2023 were EUR -23.0 million (H1 2022: EUR 89.5 million). The tax expense in the first half-year was EUR -7.0 million (H1 2022: EUR -15.5 million).

Group result

A negative Group result of EUR -30.0 million was recorded in the first half-year 2023 (H1 2022: EUR 74.0 million).

Key figures on the statement of financial position

	Unit	30.6.2023	31.12.2022	Δ in %
Shareholders' equity	million EUR	498.7	530.9	-6.1
Equity ratio	%	20.6	22.2	-
Net debt	million EUR	942.0	848.2	11.1
Gearing	%	188.9	159.8	-
Net working capital (NWC)	million EUR	1,149.1	1,112.4	3.3
Balance sheet total	million EUR	2,418.0	2,386.0	1.3

Non-current assets

Non-current assets decreased by EUR 11.9 million to EUR 556.6 million compared to December 31, 2022. The decrease is mainly attributable to the divestments of operations in Chile and China in the first half of 2023. The share of non-current assets in the balance sheet total decreased to 23.0% (31.12.2022: 23.8%).

Net working capital

Net working capital increased compared with December 31, 2022 from EUR 1,112.4 million to EUR 1,149.1 million, mainly due to a seasonality impact with very low inventory as at year-end 2022. Trade accounts receivable increased by EUR 47.0 million and inventories by EUR 30.8 million. These two effects outweighed the increase in trade accounts payable by EUR 41.1 million. Due to the increase in net working capital combined with decreasing revenues, the ratio of net working capital to revenue (L3M annualized) as of June 30, 2023 deteriorated compared with year-end 2022 to 32.2% (31.12.2022: 29.0%).

Shareholders' equity and equity ratio

At the end of June 2023, shareholders' equity had decreased by EUR 32.2 million compared to December 31, 2022. This is attributable to the negative Group result of EUR –30.0 million and to negative other comprehensive income of EUR –2.8 million in the first half-year 2023. The other comprehensive result was negatively impacted by actuarial losses from pensions and similar obligations in the amount of EUR –1.7 million (after related tax effects) as well as currency translation differences in the amount of EUR –0.9 million. The equity ratio of 20.6% was therefore lower than it was at the end of the year (31.12.2022: 22.2%).

Liabilities

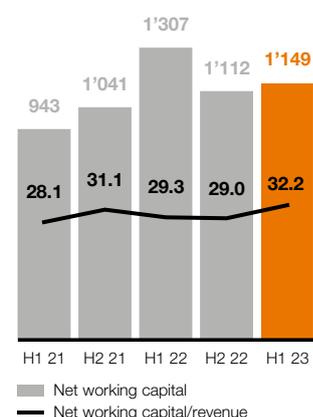
Non-current liabilities amounted to EUR 807.4 million as of the reporting date and were thus EUR 70.6 million higher than on December 31, 2022, primarily as a result of the EUR 82.8 million increase in non-current financial liabilities. This position rose due to the higher utilization of the syndicated loan. Pension liabilities, on the other hand, were reduced by EUR 5.7 million. The share of non-current liabilities in the balance sheet total increased from 30.9% to 33.4%.

Current liabilities were EUR 1,111.9 million, down by EUR –6.4 million compared with the end of 2022. This is primarily attributable to the repayment of the shareholder loan of EUR 20 million as well as the lower utilization of the ABS financing program, resulting in a decrease in current financial liabilities of EUR –28.7 million, as well as reduced provisions and other current liabilities. Trade accounts payable on the other hand increased by EUR 41.1 million. The share of current liabilities in the balance sheet total decreased to 46.0% (31.12.2022: 46.9%).

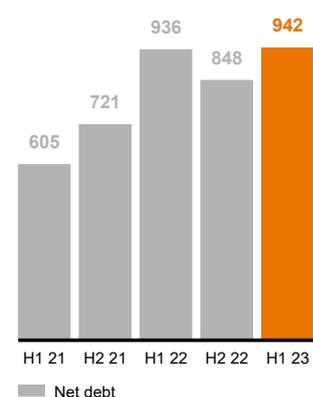
Net debt

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

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



Net debt in million EUR



Key figures on the statement of cash flow

in million EUR	H1 2023	H1 2022	Δ in %
Cash flow before changes in net working capital	22.1	111.6	-80.2
Cash flow from operating activities	-22.7	-141.2	83.9
Cash flow from investing activities	-40.0	-32.9	-21.6
Free cash flow	-62.7	-174.1	64.0
Cash flow from financing activities	24.3	192.4	-87.4

Cash flow from operating activities

At EUR 22.1 million, operating cash flow before changes in net working capital in the first half-year 2023 was down on the same half-year of the previous year (H1 2022: EUR 111.6 million) driven by the negative Group result. Cash flow from operating activities was negative at EUR -22.7 million, but less negative than in the previous half-year (H1 2022: EUR -141.2 million) as the increase in net working capital was less pronounced than in the prior-year period.

Cash flow from investing activities

At EUR -40.0 million, cash flow from investing activities in the first half-year 2023 was higher than in the same period of the previous year (H1 2022: EUR -32.9 million).

Free cash flow (cash flow from operating activities less cash flow from investing activities) in the first half-year 2023 was EUR -62.7 million, above the figure for the first half-year of the previous year (H1 2022: EUR -174.1 million).

Cash flow from financing activities

The inflow from financing activities in the first half-year 2023 was EUR 24.3 million (H1 2022: inflow of EUR 192.4 million). While the shareholder loan was partially repaid by EUR 20 million in the first half-year 2023, it included proceeds from the shareholder loan in the amount of EUR 100 million in the first half of 2022.

Change in cash and cash equivalents

The overall change in cash and cash equivalents in the first half of 2023 was therefore EUR -39.0 million (H1 2022: EUR 22.8 million).

Business development of the divisions

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

Key figures divisions in million EUR	H1 2023	H1 2022	Δ in %
Engineering Steel			
Sales volume (in kilotons)	574	714	-19.6
Revenue	878.5	1,125.2	-21.9
Adjusted EBITDA	12.7	95.0	-86.6
EBITDA	8.5	87.8	-90.3
Adjusted EBITDA margin (%)	1.4	8.4	-
EBITDA margin (%)	1.0	7.8	-
Net working capital as of closing date	429.7	433.1	-0.8

Key figures divisions in million EUR	H1 2023	H1 2022	Δ in %
Stainless Steel			
Sales volume (in kilotons)	129	144	-10.4
Revenue	673.7	680.1	-0.9
Adjusted EBITDA	44.2	34.0	30.0
EBITDA	39.0	29.9	30.4
Adjusted EBITDA margin (%)	6.6	5.0	-
EBITDA margin (%)	5.8	4.4	-
Net working capital as of closing date	443.3	403.4	9.9

Key figures divisions in million EUR	H1 2023	H1 2022	Δ in %
Tool Steel			
Sales volume (in kilotons)	51	75	-32.0
Revenue	287.9	331.3	-13.1
Adjusted EBITDA	10.1	39.1	-74.2
EBITDA	7.9	36.7	-78.5
Adjusted EBITDA margin (%)	3.5	11.8	-
EBITDA margin (%)	2.7	11.1	-
Net working capital as of closing date	275.3	271.6	1.4

Engineering Steel Division

The sales volume of the *Engineering Steel* Division decreased by 19.6% driven by lower demand from the automotive and mechanical and plant engineering sectors. In combination with reduced sales prices, revenue decreased by 21.9% versus the prior half-year. At EUR 12.7 million, adjusted EBITDA in the first half of 2023 was significantly below the prior half-year (H1 2022: EUR 95.0 million). This was driven not only by reduced sales volume but also by lower margins. Meanwhile, fixed costs were down on the prior half-year.

***Stainless Steel* Division**

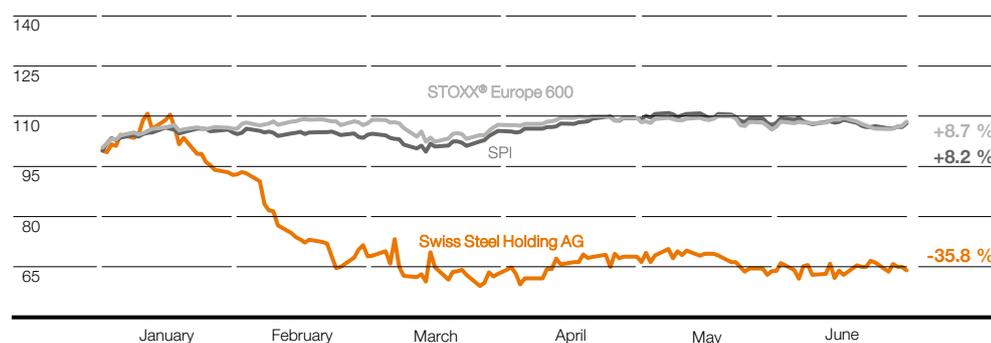
The sales volume of the *Stainless Steel* Division decreased by 10.4% and the reduction was therefore less pronounced than in the other two divisions. This was due to recovered volumes from the Production Asset Ugitech following the accident-related drop in the previous half-year. Driven by increased sales prices, revenue was only slightly below the prior half-year (-0.9%). At EUR 44.2 million, adjusted EBITDA in the first half of 2023 was above the same level of the previous half-year (H1 2022: EUR 34.0 million), driven by stronger performance by the Production Asset Ugitech.

***Tool Steel* Division**

The sales volume of the *Tool Steel* Division decreased by 32.0%. Supported by increased sales prices, the decline in revenue was less pronounced in proportional terms at -13.1%. At EUR 10.1 million, adjusted EBITDA in the first half-year 2023 was below the prior half-year (H1 2022: EUR 39.1 million), negatively impacted by lower volumes and margins, while fixed costs were reduced versus the prior half-year.

Capital market

Development share price since 01/01/2023 Indexed



Geopolitical tensions, a looming recession and depressed sentiment caused cyclical companies like Swiss Steel Group to underperform the market. The company experienced a 35.8 % decline in its share price to CHF 0.1328.

Over the same period, the Stoxx® Europe 600 Index rose by 8.7 %, while the Swiss Performance Index (SPI), which includes Swiss Steel Holding AG share, gained 8.2 %.

In the first half of 2023, the average daily trading volume of shares of Swiss Steel Holding AG on the Swiss stock market was 1.2 million, compared with 0.7 million in the first half of 2022.

Financing

Swiss Steel Group's financing structure consists of a syndicated loan of EUR 465.0 million and an ABS financing program to the value of EUR 298.5 million. State-guaranteed bank loans have been executed since 2020 amounting to EUR 111.0 million.

Unused financing lines and liquid funds came to EUR 195.0 million as of June 30, 2023, ensuring that sufficient financial resources are available.

in million EUR	Credit line	Status as of 30.6.2023	Unused lines and cash
Syndicated loan (excl. transaction costs)	465.0	396.0	69.0
ABS financing (excl. transaction costs)	298.5	249.3	49.2
Loans from shareholder (excl. transaction costs)	195.0	155.0	40.0
State-guaranteed loans (excl. transaction costs)	111.0	111.0	0.0
Cash and cash equivalents ¹⁾		36.8	36.8
Total			195.0

¹⁾ Thereof EUR 5.4 million recognized as assets held for sale in the consolidated statement of financial position

Outlook

In the second half of 2023, Swiss Steel Group will continue to roll out its new target operating model by streamlining functions, calibrating Production Assets and gearing the new divisional sales organization to evolving market needs. In this context, additional focus will be placed on implementing shared services for dedicated Group Functions, enabling the Group to benefit from economies of scale and reducing redundancies to foster further cost efficiencies and improvements across the entities. Strategically, the Group will emphasize its positioning by integrating, its activities both downstream and upstream along the value chain and by executing its Green Steel strategy. On the back of softening market demand in the first half of 2023, and compounded by geopolitical tensions, high inflation rates and volatile energy prices, Swiss Steel Group will continue to adapt flexibly to market developments and focus on further operational measures to secure the Group's liquidity.

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

Additional information

Please refer to the Annual Report 2022 for further information, particularly in relation to the topics below:

Strategy and corporate management (pages 10–33), **Business model** (pages 18–21), **Capital market** (pages 83–86), **Financing** (page 86), **Executive Board** (pages 114–115) and **Glossary** (page 242)

The definitions and reconciliation of the **alternative performance indicators** contained in the Management Report can be found in the following documents:

Glossary, Annual Report 2022 (page 242) (www.swisssteel-group.com/investor-relations): adjusted EBITDA margin, free cash flow, net working capital, net debt, capital employed, gross profit margin, EBITDA margin, equity ratio, gearing, net debt/adjusted EBITDA LTM (leverage), net working capital/revenue (L3M annualized), operating free cash flow, **earnings before interest, taxes, depreciation and amortization** (EBITDA), page 13 of this report: reconciliation from adjusted EBITDA to EBITDA, **segment reporting** (note 19) in financial reporting: investments

Composition of the Board of Directors

On April 20, 2023, the Annual General Meeting of the Company re-elected all members of the Board of Directors. It is composed as follows:

Swiss Steel Holding AG Board of Directors

Jens Alder (CH) Year of birth 1957 Chairman Compensation Committee (Member) Member since 2021 Elected until 2024	Svein Richard Brandtzæg (NO) Year of birth 1957 Compensation Committee (Chairman) Member since 2020 Elected until 2024	Barend Fruithof (CH) Year of birth 1967 Audit Committee (Member) Member since 2022 Elected until 2023
David Metzger (CH/FR) Year of birth 1969 Audit Committee (Member) Member since 2020 Elected until 2024	Mario Rossi (CH) Year of birth 1960 Audit Committee (Chairman) Member since 2021 Elected until 2024	Dr. Michael Schwarzkopf (AT) Year of birth 1961 Compensation Committee (Member) Member since 2020 Elected until 2024
Oliver Streuli (CH) Year of birth 1988 Compensation Committee (Member) Member since 2022 Elected until 2024	Emese Weissenbacher (DE) Year of birth 1964 Audit Committee (Member) Member since 2021 Elected until 2024	

Financial reporting

Consolidated income statement

in million EUR	Note	H1 2023	H1 2022
Revenue	9	1,857.3	2,144.6
Changes in inventories of semi-finished and finished goods		40.0	107.0
Cost of materials		-1,347.1	-1,587.9
Gross profit		550.2	663.7
Other operating income	10	42.0	33.6
Personnel expenses	11	-345.5	-352.6
Other operating expenses	10	-188.2	-187.6
Operating result before depreciation, amortization and impairments (EBITDA)		58.5	157.1
Depreciation, amortization and impairments	8/14	-41.5	-43.9
Operating profit (EBIT)		17.0	113.2
Financial income	12	1.2	0.4
Financial expenses	12	-41.2	-24.1
Financial result		-40.0	-23.7
Earnings before taxes (EBT)		-23.0	89.5
Income taxes	13	-7.0	-15.5
Group result		-30.0	74.0
of which attributable to			
- shareholders of Swiss Steel Holding AG		-31.6	73.2
- non-controlling interests		1.6	0.8
Earnings per share in EUR (basic)		-0.01	0.02
Earnings per share in EUR (diluted)		-0.01	0.02

Consolidated statement of comprehensive income

in million EUR	Note	H1 2023	H1 2022
Group result		-30.0	74.0
Exchange differences on translation of foreign operations		-0.9	12.9
Change in unrealized result from cash flow hedges		-0.3	-0.4
Tax effect on change in unrealized result from cash flow hedges		0.1	0.1
Items that may be reclassified subsequently to income statement		-1.1	12.6
Actuarial result from pensions and similar obligations	16	-2.1	63.4
Tax effect on actuarial result from pensions and similar obligations		0.4	-3.5
Items that will not be reclassified subsequently to income statement		-1.7	59.9
Other comprehensive result		-2.8	72.5
Total comprehensive result		-32.8	146.5
of which attributable to			
- shareholders of Swiss Steel Holding AG		-34.3	145.7
- non-controlling interests		1.5	0.8

Consolidated statement of financial position

	Note	30.6.2023		31.12.2022	
		in million EUR	% share	in million EUR	% share
Assets					
Intangible assets		20.6		18.1	
Property, plant and equipment	14	471.7		482.1	
Right-of-use assets		33.6		34.6	
Non-current income tax receivables		0.0		1.1	
Non-current financial assets		0.9		1.1	
Deferred tax assets	13	19.8		21.3	
Other non-current assets		10.0		10.2	
Total non-current assets		556.6	23.0	568.5	23.8
Inventories	15	1,086.8		1,056.0	
Trade accounts receivable		543.7		496.7	
Current financial assets		3.6		5.9	
Current income tax receivables		5.7		6.1	
Other current assets		103.3		98.7	
Cash and cash equivalents		31.4		71.1	
Assets held for sale	8	86.9		83.0	
Total current assets		1,861.4	77.0	1,817.5	76.2
Total assets		2,418.0	100.0	2,386.0	100.0
Equity and liabilities					
Share capital		361.4		361.4	
Capital reserves		1,024.5		1,024.5	
Accumulated losses		-947.6		-916.8	
Accumulated income and expenses recognized in other comprehensive income		53.9		54.9	
Treasury shares		-0.1		-0.1	
Equity attributable to shareholders of Swiss Steel Holding AG		492.1		523.9	
Non-controlling interests		6.6		7.0	
Total equity		498.7	20.6	530.9	22.2
Pension liabilities	16	187.5		193.2	
Non-current provisions		31.9		35.5	
Deferred tax liabilities	13	7.0		7.8	
Non-current financial liabilities	17	566.7		483.9	
Other non-current liabilities		14.3		16.4	
Total non-current liabilities		807.4	33.4	736.8	30.9
Current provisions		40.9		47.2	
Trade accounts payable		481.4		440.3	
Current financial liabilities	17	406.7		435.4	
Current income tax payables		13.0		13.4	
Other current liabilities		154.2		163.1	
Liabilities associated with assets classified as held for sale	8	15.7		18.9	
Total current liabilities		1,111.9	46.0	1,118.3	46.9
Total liabilities		1,919.3	79.4	1,855.1	77.8
Total equity and liabilities		2,418.0	100.0	2,386.0	100.0

Consolidated statement of cash flows

in million EUR	Calculation	H1 2023	H1 2022
Earnings before taxes		-23.0	89.5
Depreciation, amortization and impairments		41.5	43.9
Result from disposals of subsidiaries and other non-current assets		2.2	-0.3
Inflows/outflows of other assets and liabilities and other non-cash items		-33.3	-39.1
Financial income		-1.2	-0.4
Financial expenses		41.2	24.1
Cash-settled share-based payment		-0.1	-0.5
Interest received		0.3	0.3
Income taxes received/paid (net)		-5.5	-5.9
Cash flow before changes in net working capital		22.1	111.6
Change in inventories		-35.3	-207.6
Change in trade accounts receivable		-55.9	-207.7
Change in trade accounts payable		46.4	162.5
Cash flow from operating activities	A	-22.7	-141.2
Investments in property, plant and equipment		-35.3	-32.2
Proceeds from disposal of property, plant and equipment		0.4	0.4
Investments in intangible assets		-5.1	-1.1
Cash flow from investing activities	B	-40.0	-32.9
Inflows/outflows of other financial liabilities		79.6	109.4
Proceeds from loans from shareholder		0.0	100.0
Repayment of loans to shareholder		-20.0	0.0
Inflows/outflows of other bank loans		-0.1	-0.1
Inflows/outflows of state-guaranteed loans		0.9	9.6
Payment of principal portion of lease liabilities		-5.5	-5.4
Purchase of treasury shares		0.0	-0.7
Dividends to non-controlling interests		0.0	-0.1
Interest paid		-30.6	-20.3
Cash flow from financing activities	C	24.3	192.4
Net change in cash and cash equivalents	A+B+C	-38.4	18.3
Foreign currency effects on cash and cash equivalents		-0.6	4.5
Change in cash and cash equivalents		-39.0	22.8
Cash and cash equivalents at the beginning of the period		75.8	89.0
Cash and cash equivalents at the end of the period		36.8	111.8
Change in cash and cash equivalents		-39.0	22.8
Free cash flow	A+B	-62.7	-174.1

The amounts reported above include cash flows from assets held for sale. The aforementioned cash and cash equivalents of EUR 36.8 million as of June 30, 2023 (31.12.2022: EUR 75.8 million) reported in the consolidated statement of cash flows also contain cash and cash equivalents of EUR 5.4 million (31.12.2022: EUR 4.7 million) included in assets held for sale.

Consolidated statement of changes in shareholders' equity

in million EUR	Share capital	Capital reserves	Accumulated losses	Accumulated income and expenses recognized in other comprehensive result	Treasury shares	Equity attributable to shareholders of Swiss Steel Holding AG	Non-controlling interests	Total equity
As of 1.1.2022	361.4	1,024.5	-994.9	51.0	0.0	442.0	6.9	448.9
Purchase of treasury shares	0.0	0.0	0.0	0.0	-0.7	-0.7	0.0	-0.7
Expenses from share-based payments	0.0	0.0	0.7	0.0	0.0	0.7	0.0	0.7
Definitive allocation of share-based payments for the prior year	0.0	0.0	-1.1	0.0	0.6	-0.5	0.0	-0.5
Capital transactions with shareholders	0.0	0.0	-0.4	0.0	-0.1	-0.5	0.0	-0.5
Group result	0.0	0.0	73.2	0.0	0.0	73.2	0.8	74.0
Other comprehensive result	0.0	0.0	59.9	12.6	0.0	72.5	0.0	72.5
Total comprehensive result	0.0	0.0	133.1	12.6	0.0	145.7	0.8	146.5
As of 30.6.2022	361.4	1,024.5	-862.2	63.6	-0.1	587.2	7.7	594.9
As of 1.1.2023	361.4	1,024.5	-916.8	54.9	-0.1	523.9	7.0	530.9
Change in scope of consolidation	0.0	0.0	0.2	0.0	0.0	0.2	-1.8	-1.6
Expenses from share-based payments	0.0	0.0	1.1	0.0	0.0	1.1	0.0	1.1
Definitive allocation of share-based payments for the prior year	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0	-0.1
Hyperinflation adjustments	0.0	0.0	1.3	0.0	0.0	1.3	0.0	1.3
Capital transactions with shareholders	0.0	0.0	2.5	0.0	0.0	2.5	-1.8	0.7
Group result	0.0	0.0	-31.6	0.0	0.0	-31.6	1.6	-30.0
Other comprehensive result	0.0	0.0	-1.7	-1.0	0.0	-2.7	-0.1	-2.8
Total comprehensive result	0.0	0.0	-33.3	-1.0	0.0	-34.3	1.5	-32.8
As of 30.6.2023	361.4	1,024.5	-947.6	53.9	-0.1	492.1	6.6	498.7

Notes to the interim condensed 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 is a global steel company operating in the special long steel business. Its activities are divided into three divisions: *Engineering Steel*, *Stainless Steel* and *Tool Steel*.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 9, 2023.

1 Accounting policies

The Group prepared these interim condensed consolidated financial statements of Swiss Steel Group in accordance with IAS 34 Interim Financial Reporting. They contain all the information required of interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). More detailed disclosures on accounting policies can be found in the consolidated financial statements as of December 31, 2022. This interim report is 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 Standards and interpretations applied

The relevant accounting policies applied in these interim condensed consolidated financial statements are consistent with those used for the most recent consolidated financial statements prepared as of the end of the fiscal year 2022. The changes to IFRS standards, effective January 1, 2023, have not had any material impact on the interim condensed consolidated financial statements of Swiss Steel Group.

On May 23, 2023, the International Accounting Standards Board issued the amendments to IAS 12 in connection with the International Tax Reform related to the Pillar Two Model Rules, which the Group applies. The amendments introduce a temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the OECD Pillar Two Model Rules and apply for annual reporting periods beginning on or after January 1, 2023. As no disclosure is required in interim periods, the amendments had no effect on these interim condensed consolidated financial statements.

3 Significant estimation uncertainties and judgments

Estimates and assumptions

In preparing these interim condensed consolidated financial statements in accordance with IAS 34, assumptions and estimates were made which affect the carrying amounts and disclosure of the recognized assets and liabilities, income and expenses, and contingent liabilities. Actual amounts may differ from the estimates.

Detailed information about significant estimation uncertainties and judgments are presented in Note 2 in the consolidated financial statements as of December 31, 2022.

4 Going concern

In light of the overall economic slowdown the demand from our main end markets was subdued throughout the first six months of 2023, resulting in a low sales volume and a decreasing order backlog. The Group responded by adopting its production schedule to the lower demand. Further, the Group reinforced its cost and working capital reduction efforts which are expected to fully materialize only in the second half of 2023. Stabilizing energy markets with decreasing spot prices for electricity and gas were supportive in the first half-year 2023, after unprecedented price peaks and volatilities in 2022. Nonetheless, the lower profitability paired with the typical seasonal working capital increase in the first half of the year resulted in a significant negative free cash flow for the first half-year 2023.

The Group's ability to continue as a going concern is mainly dependent on the availability of sufficient liquidity, the adherence to the agreed financial covenants and the ability to repay short-term external financing. Faced with an uncertain market outlook, the Group will continue to adapt to market developments and has already increased its efforts to decrease operating cost and to reduce working capital to secure the Group's liquidity. Amongst others, the Group received all the necessary approvals to begin the restructuring program for its German Production Asset Deutsche Edelstahlwerke. In addition, proceeds from the sale of several distribution entities in Eastern Europe – a transaction subject to merger control – are expected in the second half-year 2023. However, the material uncertainties regarding the potential negative impact on the Group's future operating and financial performance resulting from future market developments may cast significant doubts upon the Group's ability to retain sufficient liquidity, meet the agreed financial covenants and continue as a going concern.

When preparing the interim condensed 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 assumed that the market environment will not deteriorate further and that the cost and working capital reduction measures that have been initiated in combination with the expected proceeds from divestments will enable Swiss Steel Group to cover its liquidity needs and remain compliant with the applicable financing covenants such that the Group can continue its business activities over the next twelve months. Furthermore, it is expected that sufficient mitigating factors are available to overcome the inherent and specific forecasting risks should they materialize during 2023 and in the first half of 2024. Therefore, these consolidated financial statements have been prepared on a going concern basis.

5 Seasonal effects

There are seasonal effects on sales and revenue in all three divisions of the Group. These effects are attributable to the number of working days in the second half of the year, which is lower due to vacation periods in July and August, as well as in the second half of December. These periods are associated with plant downtime in some cases. The effects are particularly pronounced in the third quarter, which is affected by the summer vacation period. However, fixed costs are distributed fairly equally over all four quarters. Furthermore, the majority of general overhaul work on production and processing plants is carried out over the summer during plant downtime. As a result, expenses for servicing and maintenance as well as capital expenditures are usually at their highest in the third quarter.

Inventories of semi-finished and finished goods are usually increased over the summer months. This safeguards our customers' supply after the end of the vacation period and has the effect that net working capital usually peaks around this time.

By contrast, trade accounts receivable and payable and also net working capital tend to reach their lowest level at year-end due to the reduction in inventories typically seen at the end of the year. Furthermore, the amount of net working capital is significantly affected by commodity prices. However, the cyclical nature of the industry has a much more pronounced impact than seasonal effects on the development of the Group's sales, revenue and results.

6 Consolidated Group and business combinations

In the first half-year 2023, Panlog AG was merged into Steeltec AG. As Swiss Steel Holding AG held 100% of the shares in Panlog AG, this merger had no effect on these interim condensed consolidated financial statements.

Swiss Steel Chile SpA and the 60% share held in Shanghai Xinzhen Precision Metalwork Co., Ltd. were sold in the first half of 2023. Both entities were deconsolidated upon completion of the divestments. For details, refer to note 7.

7 Disposal of subsidiaries

As outlined in note 8 in the consolidated financial statements as of December 31, 2022, Swiss Steel Group completed the divestment of its distribution entity in Chile in January 2023. The assets and liabilities of the entity were disclosed within assets held for sale and liabilities associated with assets classified as held for sale in the consolidated statement of financial position as of December 31, 2022. An impairment loss of EUR 0.4 million was recognized in the consolidated income statement for 2022 given that the carrying amount of the net assets exceeded their fair value less costs to sell.

In April 2023, Swiss Steel Hong Kong, a fully owned subsidiary of the Swiss Steel Group, signed a contract on the transfer of its 60% equity interest in Shanghai Xinzhen Precision Metalwork Co., Ltd. with the Shanghai Decent Investment (Group) Co., Ltd. that had already held a 40% equity interest in the company. The divestment was closed in May 2023.

The following total loss resulted from the deconsolidation of both entities in the first half-year 2023 and was recognized in the other operating expenses in the consolidated income statement:

in million EUR	H1 2023
Total consideration received	0.9
Net assets sold, net of non-controlling interests	-3.1
Loss on disposal (before reclassification of cumulative translation adjustments)	-2.2
Reclassification of cumulative translation adjustments	-0.3
Total loss on disposal	-2.5

The following assets and liabilities were sold:

in million EUR	H1 2023
Goodwill	0.3
Property, plant and equipment	7.8
Total non-current assets	8.1
Inventories	2.2
Trade accounts receivable	3.0
Other current assets	0.5
Cash and cash equivalents	0.9
Total current assets	6.6
Total assets	14.7
Non-current financial liabilities	8.3
Total non-current liabilities	8.3
Trade accounts payable	0.8
Other current liabilities	0.7
Total current liabilities	1.5
Total liabilities	9.8
Non-controlling interests	1.8
Net assets	3.1

The consideration of EUR 0.9 million was received in cash. Given that the cash disposed with the entities was also EUR 0.9 million, there was no cash impact arising from the disposals.

8 Disposal group held for sale

As of June 30, 2023, after the completed divestment of the distribution entity in Chile (refer to notes 6 and 7), eight distribution entities, predominantly belonging to the *Engineering Steel* Division, remain recognized as assets held for sale. As outlined in note 8 in the consolidated financial statements as of December 31, 2022, the Group signed an agreement for the sale of seven distribution entities in Eastern Europe to JACQUET METALS in February 2023. Completion of this transaction is subject to customary closing conditions, including approval by the relevant antitrust authorities, which is expected to be finalized in the second half of 2023. Additionally, land and buildings in the amount of EUR 32.7 million are classified as assets held for sale. It is highly probable that the sales will be completed by the end of 2023.

For the disposal group held for sale, cumulative income of EUR 3.6 million from currency translation is subject to reclassification to the income statement.

As of December 31, 2022, an impairment of EUR 16.5 million was recognized in the consolidated income statement given that the carrying amount of the disposal group exceeded its fair value less costs to sell. Due to an increase in fair value less costs to sell of the disposal group, an impairment reversal of EUR 4.3 million was recognized in the consolidated income statement against property, plant and equipment of the disposal group as of June 30, 2023.

The following assets and liabilities are classified as held for sale:

in million EUR	30.6.2023	31.12.2022
Property, plant and equipment	30.8	25.7
Right-of-use assets	0.0	0.6
Deferred tax assets	0.3	0.2
Total non-current assets	31.1	26.5
Inventories	29.7	33.1
Trade accounts receivable	20.0	18.3
Other current assets	0.7	0.4
Cash and cash equivalents	5.4	4.7
Total current assets	55.8	56.5
Total assets	86.9	83.0
Non-current provisions	0.1	0.0
Deferred tax liabilities	0.2	0.1
Non-current financial liabilities	0.3	0.3
Total non-current liabilities	0.6	0.4
Trade accounts payable	10.2	12.0
Current financial liabilities	0.4	0.4
Current income tax payables	0.0	0.9
Other current liabilities	4.5	5.2
Total current liabilities	15.1	18.5
Total liabilities	15.7	18.9

9 Revenue

Swiss Steel Group's revenue can be broken down by division and region as follows, whereby the revenue information is based on the location of the customer:

in million EUR	H1 2023	H1 2022 ¹⁾
Engineering Steel	878.5	1,125.2
Stainless Steel	673.7	680.1
Tool Steel	287.9	331.3
Others	17.2	8.0
Total	1,857.3	2,144.6

¹⁾ Restatement due to organizational change from former divisions *Production* and *Sales & Services* (for financial reporting purposes until 2022) to divisions *Engineering Steel*, *Stainless Steel* and *Tool Steel* (as from 2023).

in million EUR	H1 2023	H1 2022 ¹⁾
Germany	625.8	736.3
Italy	212.7	320.1
France	206.3	226.3
Switzerland	33.2	34.4
Other Europe	420.3	457.7
Europe	1,498.3	1,774.8
USA	180.4	173.2
Canada	38.3	46.7
Other Americas	35.8	25.8
America	254.5	245.7
China	41.5	55.3
India	21.0	23.1
Asia Pacific/Africa	42.0	45.7
Africa/Asia	104.5	124.1
Total	1,857.3	2,144.6

¹⁾ Due to organizational change from former divisions *Production* and *Sales & Services* (for financial reporting purposes until 2022) to divisions *Engineering Steel*, *Stainless Steel* and *Tool Steel* (as from 2023), amounts are shown as totals of all divisions.

10 Other operating income and expenses

Other operating income of EUR 42.0 million (H1 2022: EUR 33.6 million) includes various items such as income from the sale of unused emission rights, income from carbon compensation, repair and maintenance services, lease income and government grants.

Other operating expenses can be broken down as follows:

in million EUR	H1 2023	H1 2022
Freight, commission	55.4	57.3
Maintenance, repairs	48.4	48.3
Holding and administration expenses	20.3	18.9
IT expenses	16.2	16.1
Fees and charges	15.9	14.6
Consultancy and audit services	12.9	12.6
Non-income taxes	7.4	7.4
Expenses for leases (short-term, low value, variable leases)	4.5	4.2
Change in allowances on trade accounts receivable	-0.6	0.8
Losses on disposals of subsidiaries and other non-current assets	2.5	0.1
Miscellaneous expenses	5.3	7.3
Total	188.2	187.6

For details on the losses on disposals of subsidiaries, refer to note 7.

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.

11 Personnel expenses

in million EUR	H1 2023	H1 2022
Wages and salaries	280.4	283.1
Social security contributions	64.6	61.0
Other personnel costs	0.5	8.5
Total	345.5	352.6

In the first half of 2023, Swiss Steel Group received EUR 3.6 million in compensation for short-time work (H1 2022: EUR 3.1 million). This was offset against the expenses for wages and salaries.

12 Financial result

in million EUR	H1 2023	H1 2022
Interest income	1.2	0.4
Financial income	1.2	0.4
Interest expenses on financial liabilities	-31.2	-18.3
Interest expenses on lease liabilities	-2.0	-2.0
Net interest expense on pension provisions and plan assets	-3.4	-1.2
Capitalized borrowing costs	0.2	0.2
Hyperinflation adjustments	-2.0	0.0
Other financial expenses	-2.8	-2.8
Financial expenses	-41.2	-24.1
Financial result	-40.0	-23.7

13 Income taxes

in million EUR	H1 2023	H1 2022
Current taxes	5.9	14.5
Deferred taxes	1.1	1.0
Income tax effect (income (-) / expenses (+))	7.0	15.5

The local tax rates used to determine current and deferred taxes have not changed materially. The effective Group tax rate for the first half of 2023 was -30.4% (H1 2022: 17.3%). This rate is derived from the tax rates of the individual countries in which the Group operates, weighted for earnings before taxes.

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

in million EUR	H1 2023	2022	H1 2022
Opening balance at the beginning of the period	13.5	12.5	12.5
Changes recognized in profit and loss	-1.1	7.7	-1.0
Reclassification to assets held for sale	0.0	-0.1	0.0
Changes recognized in other comprehensive income	0.5	-5.3	-3.4
Hyperinflation adjustments	0.1	0.0	0.0
Foreign currency effects	-0.2	-1.3	-0.1
Closing balance at the end of the period	12.8	13.5	8.0
- of which deferred tax assets	19.8	21.3	16.0
- of which deferred tax liabilities	7.0	7.8	8.0

14 Property, plant and equipment

The breakdown of property, plant and equipment into their subcategories can be seen in the table below. Most of the additions are attributable to the production sites across all divisions.

in million EUR	Land and buildings	Plant and equipment	Prepayments for property and plants under construction	Total
Cost value as of 1.1.2023	722.4	2,807.5	58.9	3,588.8
Reclassification to assets held for sale	-0.3	-0.3	0.0	-0.6
Changes in the scope of consolidation	-4.0	-6.9	0.0	-10.9
Additions	0.1	9.5	25.9	35.5
Disposals	-0.3	-12.2	0.0	-12.5
Reclassifications	1.9	8.0	-9.8	0.0
Hyperinflation adjustments	0.4	2.2	-0.3	2.3
Foreign currency effects	0.8	1.2	-0.1	2.0
Cost value as of 30.6.2023	721.0	2,809.0	74.6	3,604.6
Accumulated depreciation and impairments as of 1.1.2023	-586.0	-2,507.9	-12.8	-3,106.7
Reclassification to assets held for sale	0.3	0.3	0.0	0.6
Changes in the scope of consolidation	0.6	2.5	0.0	3.1
Depreciation	-4.0	-27.6	0.0	-31.6
Impairment	0.0	0.0	-6.9	-6.9
Disposals	0.2	12.2	0.0	12.4
Reclassifications	-0.1	0.0	0.1	0.0
Hyperinflation adjustments	-0.5	-1.0	0.0	-1.5
Foreign currency effects	-0.9	-1.5	0.1	-2.4
Accumulated depreciation and impairments as of 30.6.2023	-590.4	-2,523.0	-19.5	-3,132.9
Net carrying amount as of 31.12.2022	136.4	299.6	46.1	482.1
Net carrying amount as of 30.6.2023	130.6	286.0	55.1	471.7

As in the prior year period and at year-end 2022, indications of impairment were identified in the first half of the year in the Production Asset Ascometal (cash-generating unit), predominantly belonging to the *Engineering Steel* Division. Consequently, impairment losses of EUR 7.0 million were recognized at the Production Asset Ascometal in the first half of 2023 (of which EUR 6.9 million on property, plant and equipment and EUR 0.1 million on capitalized right-of-use assets).

For details on assets classified as held for sale, refer to note 8.

15 Inventories

Inventories as of June 30, 2023 and as of December 31, 2022 break down as follows:

in million EUR	30.6.2023	31.12.2022
Raw materials, consumables and supplies	211.7	224.3
Semi-finished goods and work in progress	451.4	421.7
Finished products and merchandise	423.7	410.0
Total	1,086.8	1,056.0

16 Pensions

The Group has both defined benefit plans and defined contribution plans, where contractually defined amounts are transferred to an external pension institution. Most of the plans are defined benefit plans, in which the employer undertakes to deliver the agreed pension benefits to its employees.

Defined benefit obligations and plan assets

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

in million EUR	Defined benefit obligation		Fair value of plan assets		Effect of asset ceiling		Net liability	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Present value of defined benefit obligations/fair value of plan assets at the beginning of the period	475.9	614.6	344.3	395.3	60.9	45.3	192.5	264.6
Current service cost	3.6	9.6	0.0	0.0	0.0	0.0	3.6	9.6
Administration expenses	0.0	0.0	-0.2	-0.7	0.0	0.0	0.2	0.7
Interest expense/income	6.5	4.8	3.8	2.5	0.7	0.2	3.4	2.5
Past service costs	-6.9	0.0	0.0	0.0	0.0	0.0	-6.9	0.0
Settlement ¹⁾	0.0	-20.3	0.0	-20.3	0.0	0.0	0.0	0.0
Net pension result	3.2	-5.9	3.6	-18.5	0.7	0.2	0.3	12.8
Return on plan assets less interest income	0.0	0.0	10.9	-35.7	0.0	0.0	-10.9	35.7
Changes in unrecognized assets due to asset ceiling	0.0	0.0	0.0	0.0	3.7	13.3	3.7	13.3
Actuarial result from changes in demographic assumptions	-0.9	-1.3	0.0	0.0	0.0	0.0	-0.9	-1.3
Actuarial result from changes in financial assumptions	10.2	-117.7	0.0	0.0	0.0	0.0	10.2	-117.7
Actuarial result from experience assumptions	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.8
Remeasurement effects included in other comprehensive income	9.3	-118.2	10.9	-35.7	3.7	13.3	2.1	-69.2
Employer contributions	0.0	0.0	3.1	7.3	0.0	0.0	-3.1	-7.3
Employee contributions	2.6	5.0	2.6	5.0	0.0	0.0	0.0	0.0
Benefits paid	-14.9	-35.1	-10.0	-26.8	0.0	0.0	-4.9	-8.3
Foreign currency effects	4.9	15.5	6.0	17.7	1.1	2.1	0.0	-0.1
Present value of defined benefit obligations/fair value of plan assets at the end of the period	481.0	475.9	360.5	344.3	66.4	60.9	186.9	192.5
Provisions from obligations similar to pensions	0.6	0.7	0.0	0.0	0.0	0.0	0.6	0.7
Total provisions for pensions and obligations similar to pensions	481.6	476.6	360.5	344.3	66.4	60.9	187.5	193.2

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

The negative past service costs of EUR 6.9 resulted from positive effects of several plan amendments to the Group's pension plan in Germany. These include the suspension of the annual pension increase and the implementation of a lump-sum withdrawal option for employees, thereby reducing future payments and thus the present value of the defined benefit obligation.

Valuation assumptions for pensions

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

in %	Switzerland		Euro area		Canada	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Discount rate	1.8	2.1	3.6	3.7	4.9	5.0
Salary trend	1.5	1.5	0-3.2	2.2-3.3	3.0	3.0
Pension increase	0.0	0.0	1.0-2.2	1.0-2.2	0.0	0.0

17 Financial liabilities

As of June 30, 2023, financial liabilities were as follows:

in million EUR	30.6.2023	31.12.2022
Syndicated loan	362.3	266.0
State-guaranteed loans	49.8	58.4
Lease liabilities	59.6	61.0
Loans from shareholder	94.9	94.9
Other financial liabilities	0.1	3.6
Total non-current	566.7	483.9
Syndicated loan	30.0	30.0
Other bank loans	0.0	0.1
State-guaranteed loans	50.0	37.5
ABS financing program	249.3	272.3
Lease liabilities	9.9	9.7
Loans from shareholder	60.0	80.0
Negative market values of derivative financial instruments	1.3	0.7
Other financial liabilities	6.2	5.1
Total current	406.7	435.4

The EUR 100 million revolving facility agreement with the shareholder Big Point Holding AG has a final maturity on January 3, 2024, subject to certain conditions. Of the total amount, EUR 60 million had been drawn as of June 30, 2023, following a repayment of EUR 20 million in the first half-year 2023.

The syndicated loan drawing increased to EUR 392.3 million (31.12.2022: EUR 296.0 million). The ABS financing program was utilized to a lesser extent and decreased to EUR 249.3 million (31.12.2022: EUR 272.3 million) due to the generally lower business activity.

18 Fair value measurement considerations

As of the reporting date, currency derivatives with a positive market value of EUR 1.9 million (31.12.2022: EUR 4.2 million) and a negative market value of EUR 1.3 million (31.12.2022: EUR 0.7 million) were recognized in financial assets and financial liabilities, respectively, corresponding to level 2 of the fair value hierarchy. These currency derivatives are used exclusively for hedging purposes. Their valuation depends on the maturity, the change in the underlying exchange rate and the spread in the refinancing rate of the currencies involved.

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.

19 Segment reporting

In 2023, the Group adjusted its internal reporting and organizational structure, which up until 2022 comprised the two divisions *Production* and *Sales & Services*. As from 2023, the segment reporting follows the Group's new organizational structure, which distinguishes between the *Engineering Steel*, *Stainless Steel* and *Tool Steel* Divisions. The segment reporting for the first half-year 2022 has been restated accordingly.

The *Engineering Steel* Division satisfies the demand for special long steel wherever high mechanical loads are present and the reliable, long-term use of components must be guaranteed. The customers are mainly from the mobility, mechanical engineering and energy sectors.

The *Stainless Steel* Division offers materials for applications where high resistance to corrosion or acid and high thermal loads are required. The main customers operate in the aerospace, energy, medical, building and exploration sectors.

The *Tool Steel* Division provides solutions focused on economic machinability, high wear resistance and good thermal conductivity. The customers mainly belong to the mobility, packaging, optics, tools and molds sectors.

The table below shows the segment reporting as of June 30, 2023:

in million EUR	Engineering Steel		Stainless Steel		Tool Steel	
	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
Third-party revenue	878.5	1,125.2	673.7	680.1	287.9	331.3
Intersegment revenue	0.0	0.0	0.0	0.0	0.0	0.0
Total revenue	878.5	1,125.2	673.7	680.1	287.9	331.3
Gross profit	247.8	331.6	201.5	191.3	100.2	141.2
Personnel expenses	-164.3	-170.0	-116.9	-109.5	-61.2	-70.2
Net operating expenses	-75.0	-73.8	-45.6	-51.9	-31.1	-34.3
Operating profit before depreciation and amortization (EBITDA)	8.5	87.8	39.0	29.9	7.9	36.7
Adjustments ¹⁾	4.2	7.2	5.2	4.1	2.2	2.4
Segment result (= adjusted EBITDA)	12.7	95.0	44.2	34.0	10.1	39.1
Depreciation and amortization of intangible assets and property, plant and equipment						
Operating profit (EBIT)						
Financial income						
Financial expenses						
Earnings before taxes (EBT)						
in million EUR	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Net working capital	429.7	433.1	443.3	403.4	275.3	271.6

¹⁾ Adjustments: Performance improvement program, others (EUR 2.4 million); Reorganization and transformation processes (EUR 6.5 million); Restructuring and other personnel measures (EUR 2.6 million)

The revenue of EUR 17.2 million shown under other products and services relates to activities that are not allocated to any of the three divisions, such as toll manufacturing services provided by our production plants and rental income.

Total divisions		Other products and services / Reconciliation		Total	
H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
1,840.1	2,136.6	17.2	8.0	1,857.3	2,144.6
0.0	0.0	0.0	0.0	0.0	0.0
1,840.1	2,136.6	17.2	8.0	1,857.3	2,144.6
549.5	664.1	0.7	-0.4	550.2	663.7
-342.4	-349.7	-3.1	-2.9	-345.5	-352.6
-151.7	-160.0	5.4	6.0	-146.2	-154.0
55.4	154.4	3.0	2.7	58.5	157.1
11.6	13.7	0.0	0.2	11.5	13.9
67.0	168.1	3.0	2.9	70.0	171.0
				-41.5	-43.9
				17.0	113.2
				1.2	0.4
				-41.2	-24.1
				-23.0	89.5
30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
1,148.3	1,108.1	0.8	4.3	1,149.1	1,112.4

Legal notice

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The equal treatment of men and women is very important to Swiss Steel Group. Every care has been taken to ensure that we do not exclude either gender in the wording of this report.

This interim 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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