

2021

Interim report 1st quarter

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 expertise makes us an
experienced ally. In consulting,
development, production and services.

Together.
For a future that matters.

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Key figures

Swiss Steel Group	Unit	Q1 2021	Q1 2020	Δ in %
Sales volume	kilotons	510	457	11.6
Revenue	million EUR	751.6	704.5	6.7
Average sales price	EUR/t	1,475.8	1,541.6	-4.3
Adjusted EBITDA ¹⁾	million EUR	44.5	-6.1	-
EBITDA	million EUR	41.9	-7.6	-
Adjusted EBITDA margin	%	5.9	-0.9	-
EBITDA margin	%	5.6	-1.1	-
EBIT	million EUR	20.3	-31.7	-
Earnings before taxes	million EUR	9.6	-43.7	-
Group result	million EUR	4.8	-42.3	-
Investments	million EUR	13.9	14.6	-4.8
Free cash flow	million EUR	-86.3	-87.6	1.5
	Unit	31.3.2021	31.12.2020	Δ in %
Net debt	million EUR	522.5	639.9	-18.3
Shareholders' equity	million EUR	417.9	166.1	-
Gearing	%	125.0	385.2	-
Net debt/adj. EBITDA LTM (leverage)	x	n/a	n/a	-
Balance sheet total	million EUR	2,047.5	1,715.7	19.3
Equity ratio	%	20.4	9.7	-
Employees as of closing date	Positions	9,929	9,950	-0.2
Capital employed	million EUR	1,339.6	1,218.0	10.0
	Unit	Q1 2021	Q1 2020	Δ in %
Earnings/share ²⁾	EUR/CHF	0.00/0.00	-0.02/-0.02	-
Shareholders' equity/share ³⁾	EUR/CHF	0.14/0.15	0.08/0.09	-
Share price high/low	CHF	0.286/0.234	0.340/0.126	-

¹⁾ For the reconciliation from adjusted EBITDA to EBITDA, please refer to the Interim report 1st quarter 2021, page 14

²⁾ Earnings per share are based on the result of the Group after deduction of the portions attributable to non-controlling interests.

³⁾ As of March 31, 2021 and as of December 31, 2020

Five-quarter overview

	Unit	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Key operational figures						
Production volume	kilotons	525	332	348	501	614
Sales volume	kilotons	457	301	332	445	510
Order backlog	kilotons	431	304	359	566	684
Income statement						
Revenue	million EUR	704.5	469.9	509.4	604.5	751.6
Average sales price	EUR/t	1,541.6	1,561.1	1,534.3	1,358.4	1,475.8
Gross profit	million EUR	239.3	154.5	165.1	208.5	280.1
Adjusted EBITDA ¹⁾	million EUR	-6.1	-45.8	-21.1	4.1	44.5
EBITDA	million EUR	-7.6	-53.7	-28.8	-8.9	41.9
EBIT	million EUR	-31.7	-159.6	-52.6	-28.8	20.3
Earnings before taxes	million EUR	-43.7	-171.0	-64.0	-43.0	9.6
Group result	million EUR	-42.3	-159.1	-66.3	-42.4	4.8
Cash flow/investments/depreciation/amortization						
Cash flow before changes in net working capital	million EUR	18.3	-28.9	-47.9	-27.7	50.2
Cash flow from operating activities	million EUR	-74.1	12.5	26.9	11.8	-76.4
Cash flow from investing activities	million EUR	-13.5	-15.4	-18.3	-30.7	-9.9
Free cash flow	million EUR	-87.6	-2.9	8.6	-18.9	-86.3
Investments	million EUR	14.6	18.8	20.4	33.6	13.9
Depreciation, amortization and impairments	million EUR	24.1	105.9	23.7	19.9	21.6
Net assets and financial structure						
Non-current assets	million EUR	629.7	542.5	533.7	557.4	559.2
Current assets	million EUR	1,341.0	1,214.5	1,154.0	1,158.2	1,488.3
Net working capital	million EUR	862.3	820.0	739.2	698.1	827.1
Balance sheet total	million EUR	1,970.6	1,757.1	1,687.7	1,715.7	2,047.5
Shareholders' equity	million EUR	451.9	262.0	184.8	166.1	417.9
Non-current liabilities	million EUR	776.5	878.2	890.7	882.2	809.5
Current liabilities	million EUR	742.2	616.8	612.2	667.3	820.1
Net debt	million EUR	611.9	626.2	610.8	639.9	522.5
Employees						
Employees as of closing date	Positions	10,236	10,139	10,041	9,950	9,929
Value management						
Capital employed	million EUR	1,466.6	1,336.9	1,247.9	1,218.0	1,339.6
Key figures on profit/net assets and financial structure						
Gross profit margin	%	34.0	32.9	32.4	34.5	37.3
Adjusted EBITDA margin	%	-0.9	-9.7	-4.1	0.7	5.9
EBITDA margin	%	-1.1	-11.4	-5.7	-1.5	5.6
Equity ratio	%	22.9	14.9	10.9	9.7	20.4
Net debt/adj. EBITDA LTM (leverage)	x	211.0	n/a	n/a	n/a	n/a
Net working capital/revenue (L3M annualized)	%	30.6	43.6	36.3	28.9	27.5

¹⁾ For the reconciliation from adjusted EBITDA to EBITDA, please refer to the Interim report 1st quarter 2021, page 14

Dear shareholders,

Swiss Steel Group had a strong start into 2021. In the first quarter of 2021 we achieved a positive consolidated Group result for the first time since the first quarter of 2019. In addition to the improved economic environment, the cost-saving effects from our transformation program made a major contribution. We expect this positive trend to continue in the coming months. We also successfully completed our capital increase in March 2021 with gross proceeds of CHF 247 million. This has substantially improved our equity base as well as our liquidity headroom. Alongside the ramp-up of our production and sales activities in all Business Units, the execution of our transformation program remains a key area of focus. All Business Units continue to work on achieving additional cost savings. On the market side, we are witnessing an increasingly broader recovery which, as anticipated, has now substantiated from the automotive industry into mechanical and plant engineering. However, the recovery in demand is still subject to uncertainties due to the continuing effects of the COVID-19 pandemic.

The cautiously optimistic trend in the automotive industry over the course of the fourth quarter of 2020 continued in the first quarter of 2021. The lockdown measures imposed in some customer markets in response to COVID-19 had only a negligible impact on the market recovery. We are now also seeing the anticipated recovery in mechanical and plant engineering. This is leading to improved and more broadly based sales and order volumes in our two main customer segments. While demand in the energy sector, especially oil and gas, remains sluggish, positive signs are nevertheless emerging in this segment as well, accompanied by an uptick in inquiries. As a response to the increasing demand, we have further ramped up production. Pricing remains challenging, especially on the resource side. However, we have been able to negotiate customer price increases that will allow us to offset the rise in commodity prices.

Short-time work has been reduced in almost all production areas, and consequently we are making only sporadic use of this instrument for specific product categories and production areas. Labor productivity has been increased versus the previous year, as we were able to achieve significantly higher crude steel production than in the previous year with a lower headcount. With the ongoing implementation of the transformation program, we were also able to further improve our cost position. The merger of the Swiss Business Units is progressing according to schedule; the restructuring plan in France is being implemented with a focus on the defined targets; and last but not least we were able to make further progress with our cost saving program in Germany. As a result, we achieved a significantly improved result at the level of EBITDA.

With the final completion of the capital increase in March 2021, we were able to shore up the financial structure to a considerable degree. The significantly higher equity ratio and the greatly expanded liquidity headroom signal that we will continue to be a reliable and stable business partner and an attractive employer in the future.

The priority in the second quarter of 2021 will continue to be the improvement of our cost position and the optimization of our cash flow. At the same time we will take advantage of market opportunities as they arise and accompany them with the necessary personnel and financial resources. We will continue to ensure that our production and our cost structure are as flexible as possible.

Given an improved order situation in the first half of the year and continued stable business development in the second half, we expect to achieve an adjusted EBITDA of more than EUR 100 million. This is based on the assumption that there will be no unexpected negative impact of the COVID-19 pandemic on further business development this year.

Broader-based market recovery, strengthened financing structure

The order backlog recorded a further gain in the first quarter of 2021, coming in at 684 kilotons, up 58.7% on the prior-year level of 431 kilotons. At 510 kilotons, 11.6% more steel was sold in the first quarter of 2021 than in the same quarter in the previous year (Q1 2020: 457 kilotons). This uptick was mainly attributable to the 17.5% increase in sales volumes of quality and engineering steel. Given the lower average sales prices, revenue grew at a slower pace than sales in the first quarter compared with the same quarter in the previous year. Revenue of EUR 751.6 million was achieved in the first quarter of 2021, equating to a rise of 6.7%. Accompanied by ongoing measures to cut costs and enhance efficiency, adjusted EBITDA improved markedly versus the same quarter in the previous year to EUR 44.5 million. The completed capital increase also bolstered the Group's financing structure and reduced net debt by 18.3%.

Thanks to our shareholders, employees and customers

On behalf of the Board of Directors and Executive Board, I would like to thank our shareholders for the confidence they have shown in our Company and look forward to welcoming on board our new CEO, Frank Koch, on July 1, 2021. I would also like to thank our employees, who are working for the future success of our Group on a daily basis and under difficult conditions. And finally, allow me to thank our customers and business partners for our good and long-standing working relationship and the trust they have placed in us.



Dr. Markus Böning
CFO & CEO ad interim

Management report

Business environment

The first quarter of 2021 saw the continuation of the recovery from the economic consequences of the Covid-19 pandemic and the associated lockdown measures, albeit to varying degrees from one region and one industrial sector to the next.

After global gross domestic product (GDP) shrank by 3.3% in 2020, the most recent outlook published by the International Monetary Fund (IMF) as of April 2021 forecasts growth for 2021 of 6.0%. For the industrialized countries that represent the Swiss Steel Group's largest sales market, the expectation is now for GDP growth of 5.1%, following a decline of 4.7% in 2020. In the USA, the GDP growth forecast for this year is higher than the decline seen in 2020, while in the eurozone the GDP growth expected in 2021 is lower than the decline recorded in 2020. In China, GDP is anticipated to grow by 8.4%, compared with 2.3% in 2020. Furthermore, China already reported record GDP growth of 18.3% in the first quarter of 2021 compared with the first quarter of 2020, albeit against the backdrop of a low basis for comparison. Business climate indicators such as purchasing managers' indices for the manufacturing sector in the USA and the eurozone were firmly in growth territory at the end of the first quarter 2021. In China, the relevant purchasing managers' index continued to indicate relatively stable growth.

Alongside a third wave of infection and renewed measures to quell the pandemic, the recovery in the automotive industry was hampered in the first quarter by shortages in individual regions of important semiconductor products such as electronic chips and sensors. According to LMC Automotive's estimate from the end of March 2021, production of light vehicles in Europe (17 European countries: Germany, France, Spain, the UK, Italy, Austria, Belgium, Finland, the Netherlands, Portugal, Sweden, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia) in the first quarter of 2021 was down 1% year over year and as much as 20% lower than the level recorded in the first quarter of 2019. In the USA, passenger car production was 27% lower than the corresponding prior-year period and 34% below the level of the first quarter of 2019. In China, passenger car production in the first quarter of 2021 rose by 85% year over year, although this increase is amplified by the lower base for comparison due to COVID-19. Chinese production of passenger cars contracted by 5% versus the first quarter of 2019.

The German mechanical and plant engineering industry continued its recovery in January and February 2021. The year-over-year declines in monthly production once again became less pronounced versus the same months in 2020, while incoming orders, which in the fourth quarter of 2020 had already climbed higher than the prior-year figure, continued their growth path. According to Germany's Federal Statistical Office, production in the mechanical and plant engineering industry in the first three months of this year was down 3% on the previous year, while incoming orders rose 7% year on year during the same period.

In the global oil and gas industry, the crude oil price for West Texas Intermediate (WTI) continued its uptrend and at the beginning of March reached a price of USD 66 per barrel. It subsequently dipped to USD 59 per barrel by the end of March. The average crude oil price in the first quarter of 2021 was 26% above the prior-year level and 36% higher than the quarter before. In the North American oil and gas industry – an important sales market of Swiss Steel Group – the rotary rig count climbed to 573 by mid-February. It then fell to 498 at the end of March, driven by the declining rotary rig count in Canada, which was not offset by the continued rise in the USA. The average rotary rig count was 39% higher than the prior-quarter average, but 46% below the 2020 level.

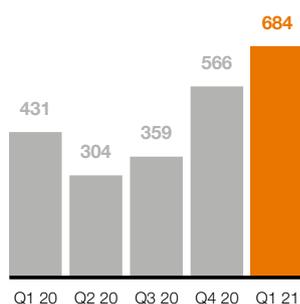
In the first quarter of 2021, it was a mixed picture in terms of the price levels of raw materials that are important for Swiss Steel Group. The marked uptrend in the average monthly prices for grade 2/8 German scrap that began at the end of 2020 continued in January, before reversing in February and then rebounding in March. The average scrap price in the first quarter of 2021 was 43% higher than the level recorded in the fourth quarter of 2020 (source: BDSV). The nickel price continued to climb, posting significant growth in February to peak at USD 19,689 per ton. The price then declined to USD 16,098 per ton at end-March. Overall, however, the nickel price in the first quarter was still 10% above the average price for the fourth quarter of 2020. The European price for high carbon ferrochrome continued to trend higher in the first quarter. The average price in the first quarter rose by 21% compared with the average price in the previous quarter. The higher prices were driven by strong demand, supply bottlenecks and a shortage of containers.

Business development of the Group

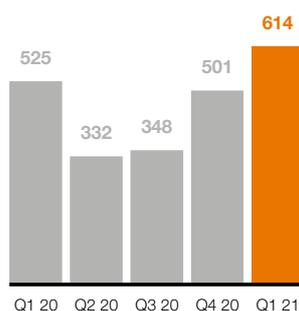
The economic recovery that had gotten underway at the end of the fiscal year 2020 continued in the first quarter of 2021. The increased demand is reflected in significantly better order and sales volumes. Accompanied by ongoing measures to cut costs and enhance efficiency, adjusted EBITDA improved markedly versus the same quarter in the previous year to EUR 44.5 million. The completed capital increase also bolstered the Group's financing structure and reduced net debt by 18.3%.

Production, sales and order situation

Order backlog at quarter
in kilotons



Production volume in the quarter
in kilotons



The order backlog recorded a further gain in the first quarter of 2021, coming in at 684 kilotons, up 58.7% on the prior-year level of 431 kilotons. Demand in the prior-year quarter was adversely impacted by increasing uncertainties surrounding the COVID-19 pandemic coupled with the complete shutdown of all business activities at major European automotive manufacturers. The recovery in the market environment that took hold toward the end of the fiscal year 2020, driven in particular by the automotive industry, continued in the first quarter of 2021, and was given an extra boost by normalizing demand in the mechanical and plant engineering industry as well as in our other sales markets.

In response to the market recovery, crude steel production was scaled up again in the first quarter of 2021 and short-time work in production areas was reduced further. At 614 kilotons, significantly more crude steel was produced than in the prior-year quarter (Q1 2020: 525 kilotons).

Sales volume by product group in kilotons

	Q1 2021	Q1 2020	Δ in %
Quality & engineering steel	390	332	17.5
Stainless steel	84	91	-7.7
Tool steel	35	33	6.1
Others	1	1	0.0
Total	510	457	11.6

At 510 kilotons, 11.6 % more steel was sold in the first quarter of 2021 than in the same quarter in the previous year (Q1 2020: 457 kilotons). This is mainly attributable to the 17.5 % increase in sales volumes of quality and engineering steel. Recovery in demand from the automotive industry is also reflected in this product group. Sales volumes for tool steel were also increased compared with the prior-year quarter. This uptrend was supported among other things by the growth in crude oil prices.

Even though demand in the stainless steel product group likewise picked up versus previous quarters, it still fell short of the sales volume achieved in the same quarter last year.

Key figures on the income statement

in million EUR	Q1 2021	Q1 2020	Δ in %
Revenue	751.6	704.5	6.7
Gross profit	280.1	239.3	17.0
Adjusted EBITDA ¹⁾	44.5	-6.1	-
EBITDA	41.9	-7.6	-
Adjusted EBITDA margin (%)	5.9	-0.9	-
EBITDA margin (%)	5.6	-1.1	-
EBIT	20.3	-31.7	-
Earnings before taxes	9.6	-43.7	-
Group result	4.8	-42.3	-

¹⁾ For the reconciliation from adjusted EBITDA to EBITDA, please refer to the Interim report 1st quarter 2021, page 14

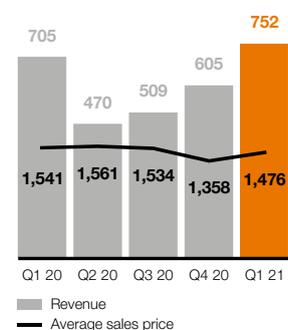
Revenue by product group in million EUR	Q1 2021	Q1 2020	Δ in %
Quality & engineering steel	371.7	305.8	21.6
Stainless steel	268.9	284.5	-5.5
Tool steel	92.6	96.2	-3.7
Others	18.4	18.0	2.2
Total	751.6	704.5	6.7

Revenue by region in million EUR	Q1 2021	Q1 2020	Δ in %
Germany	268.4	263.2	2.0
Italy	104.1	81.3	28.0
France	85.0	79.1	7.5
Switzerland	10.3	12.5	-17.6
Other Europe	149.1	134.4	10.9
Europe	616.9	570.5	8.1
USA	52.3	59.9	-12.7
Canada	17.4	18.1	-3.9
Other Americas	9.1	10.8	-15.7
America	78.8	88.8	-11.3
China	26.2	18.9	38.6
India	9.2	6.7	37.3
Asia Pacific/Africa	20.5	19.6	4.6
Africa/Asia/Australia	55.9	45.2	23.7
Total	751.6	704.5	6.7

The average sales price per ton of steel was EUR 1,475.8 in the first quarter of 2021 and therefore down on the average price achieved in the prior-year quarter (Q1 2020: EUR 1,541.6 per ton). The price drop is mainly due to the changed product mix, where quality and engineering steel now represents a larger share but has a lower average sales price. At the level of the product groups, the sales price of both quality and engineering steel as well as stainless steel and tool steel increased compared with the same quarter in the previous year. This is chiefly explained by the recovery in commodity prices, where the widespread use of surcharge mechanisms led to higher prices. In the tool steel product group, by contrast, prices decreased compared with the previous quarter, which is primarily attributable to the changed product mix within this product category.

Given the lower average sales prices overall, revenue grew at a weaker pace than sales in the first quarter compared with the same quarter in the previous year. Revenue of EUR 751.6 million was achieved in the first quarter of 2021, equating to a rise of 6.7%. Whereas revenue in the quality and engineering steel product group rose by 21.6%, revenue for stainless steel fell by 5.5% and that for tool steel by 3.7%, despite higher sales volumes. By region, revenue in Europe increased by 8.1% and in Asia-Pacific/Africa by 23.7% versus the same quarter in the previous year. In these regions, especially in Italy and China, measures to mitigate the COVID-19 pandemic were introduced in the prior-year quarter earlier than in other regions. This has an adverse effect on the revenue generated in the prior-year quarter. The higher revenues in the first quarter of 2021 are primarily a reflection of the recovery in demand from the automotive industry. The America region failed to match the revenue achieved in the corresponding quarter of 2020, in spite of the emerging pickup in demand from the oil and gas industry.

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



Expenses

in million EUR	Q1 2021	Q1 2020	Δ in %
Cost of materials (incl. change in semi-finished and finished goods)	471.5	465.2	1.4
Personnel expenses	172.5	176.3	-2.2
Other operating expenses	80.4	81.4	-1.2
Depreciation, amortization and impairments	21.6	24.1	-10.4

Cost of materials and gross profit

Cost of materials – including adjustments for the change in semi-finished and finished goods – increased in the first quarter by 1.4 % to EUR 471.5 million.

Gross profit – revenue less cost of materials – was up by 17.0 % in the fourth quarter to EUR 280.1 million (Q1 2020: EUR 239.3 million). Despite the ongoing high price pressure, the gross profit margin rose to 37.3 % (Q1 2020: 34.0 %).

Personnel expenses

Personnel expenses decreased by 2.2 % in the first quarter to EUR 172.5 million (Q1 2020: EUR 176.3 million). This is attributable to the lower headcount. With a headcount of 9,929, 307 less people were employed by Swiss Steel Group in the first quarter of 2021 compared with the prior-year quarter.

Overall, the Swiss Steel Group received EUR 1.8 million in compensation for short-time work, of which EUR 0.8 million was offset against personnel expenses (Q1 2020: EUR 1.8 million).

Other operating income and expenses

At EUR 14.7 million, other operating income in the first quarter was higher than in the same quarter in the previous year (Q1 2020: EUR 10.8 million).

The first quarter saw other operating expenses decrease slightly by 1.2 % over the same quarter in the previous year to EUR 80.4 million (Q1 2020: EUR 81.4 million). This drop was attributable to lower allowances on trade receivables and savings in administration. Costs for maintenance and repair as well as IT expenses inflated this figure, however.

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

Adjusted EBITDA totaled EUR 44.5 million in the first quarter of 2021, up significantly on the same quarter in the previous year (Q1 2020: EUR –6.1 million). One-time effects amounted to EUR 2.6 million, attributable – among other things – to restructuring and other personnel measures as well as to costs for the efficiency improvement program. Including these one-time effects, EBITDA amounted to EUR 41.9 million (Q1 2020: EUR –7.6 million).

In the first quarter, the adjusted EBITDA margin rose to 5.9 % (Q1 2020: –0.9 %), and the EBITDA margin to 5.6 % (Q1 2020: –1.1 %).

One-time effects

in million EUR	Q1 2021	Q1 2020	Δ in %
EBITDA (IFRS)	41.9	-7.6	-
Performance improvement program, others	1.3	1.5	-13.3
Reorganization and transformation processes	0.1	0.0	-
Restructuring and other personnel measures	1.2	0.0	-
Adjusted EBITDA	44.5	-6.1	-

Depreciation, amortization and impairments

Depreciation, amortization and impairments came to EUR 21.6 million in the first quarter, below the figure for the same quarter in the previous year (Q1 2020: EUR 24.1 million). This included impairments from the Ascometal Business Unit of EUR 3.9 million (Q1 2020: EUR 4.0 million).

Financial result

At EUR -10.7 million, the financial result in the first quarter was less negative than in the prior-year quarter (Q1 2020: EUR -12.0 million). Within the scope of the COVID-19 relief programs, in the fiscal year 2020 the Swiss Steel Group received state-guaranteed bank loans with an interest rate below the market rate, which led to lower borrowing costs in the first quarter of 2021. In addition, net debt was reduced on the back of the capital increase completed in the first quarter of 2021. Thanks to the optimization of the capital structure, Swiss Steel Group will be able to save substantial borrowing costs going forward.

Tax expense/(income)

Earnings before taxes (EBT) for the first quarter were EUR 9.6 million (Q1 2020: EUR -43.7 million). Tax expense in the first quarter was EUR -4.8 million (Q1 2020: EUR 1.4 million).

Group result

A positive Group result of EUR 4.8 million was recorded in the first quarter (Q1 2020: EUR -42.3 million).

Key figures on the balance sheet

	Unit	31.3.2021	31.12.2020	Δ in %
Shareholders' equity	million EUR	417.9	166.1	-
Equity ratio	%	20.4	9.7	-
Net debt	million EUR	522.5	639.9	-18.3
Gearing	%	125.0	385.2	-
Net working capital (NWC)	million EUR	827.1	698.1	18.5
Balance sheet total	million EUR	2,047.5	1,715.7	19.3

Non-current assets

Non-current assets increased compared with December 31, 2020, rising by EUR 1.8 million to EUR 559.2 million. The rise was mainly attributable to the item "Other non-current assets", which were affected in particular by higher retirement assets of the Swiss Steel AG pension fund. The share of "non-current assets" in the balance sheet total shrank to 27.3 % (31/12/2020: 32.5 %).

Net working capital

Net working capital increased compared with December 31, 2020 from EUR 698.1 million to EUR 827.1 million. This development is the result of increased market activities coupled with higher production volumes, additionally strengthened by higher raw materials prices. Trade accounts receivable rose by EUR 128.2 million and inventories by EUR 104.4 million. These two effects outweighed the reduction of EUR 103.6 million in trade accounts payable. Due to the growth in revenue, the ratio of net working capital to revenue (L3M annualized) effective March 31, 2021 was, however, reduced by 27.5 % versus year-end 2020 (31/12/2020: 28.9 %).

Shareholders' equity and equity ratio

At the end of March 2021 shareholders' equity had risen by EUR 251.8 million compared with 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, the Swiss Steel Group collected EUR 219.2 million. In addition, actuarial gains from pensions and similar obligations in the amount of EUR 31.2 million had a positive effect on shareholders' equity. The equity ratio of 20.4 % was therefore significantly higher than it was at the end of the year (31/12/2020: 9.7 %).

Liabilities

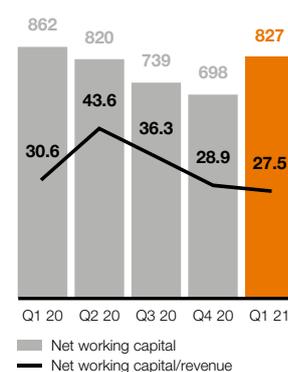
Non-current liabilities amounted to EUR 809.5 million as of the reporting date and were thus EUR 72.7 million lower than on December 31, 2020, primarily as a result of the EUR 50.8 million decrease in non-current financial liabilities. These were down due to the partial repayments of the syndicated loan, which was executed using proceeds from the capital increase. Pension liabilities were also reduced by EUR 21.5 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 39.5 %.

Current liabilities were EUR 152.8 million, up to EUR 820.1 million compared with the end of 2020. This was primarily attributable to the rise in trade accounts payable of EUR 103.6 million resulting from increased market activity and higher raw materials prices. The share of current liabilities in the balance sheet total rose to 40.1 % (31/12/2020: 38.9 %).

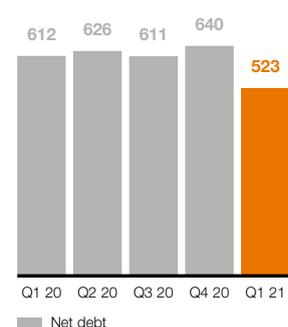
Net debt

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 522.5 million, a decrease on the figure as of December 31, 2020 (EUR 639.9 million). The executed capital increase resulted in a temporary increase in cash and cash equivalents as of the balance sheet and a general reduction in the syndicated loan.

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



Net debt
in EUR million



Key figures on the cash flow statement

in million EUR	Q1 2021	Q1 2020	Δ in %
Cash flow before changes in net working capital	50.2	18.3	–
Cash flow from operating activities	–76.4	–74.1	–3.1
Cash flow from investing activities	–9.9	–13.5	26.7
Free cash flow	–86.3	–87.6	1.5
Cash flow from financing activities	175.5	78.0	–

Cash flow from operating activities

At EUR 50.2 million, operating cash flow before changes in net working capital in the first quarter of 2021 was higher than the same quarter in the previous year (Q1 2020: EUR 18.3 million). In spite of the good operating result, the cash flow from operating activities was negative, coming in –76.4 million below the prior-year quarter (Q1 2020: EUR –74.1 million). This is attributable to the increase in net working capital and especially to the build-up of inventories, which conversely were reduced in the quarter before.

Cash flow from investing activities

Cash flow from investing activities in the first quarter of 2021 amounted to EUR –9.9 million; this was less negative than in the prior-year quarter at EUR –13.5 million. An ongoing key area of focus is to streamline capital expenditure.

Free cash flow (cash flow from operating activities less cash flow from investing activities) in the first quarter of 2021 was with EUR –86.3 million at a similar level to the same quarter in the previous year (Q1 2020: EUR –87.6 million).

Cash flow from financing activities

The inflow from financing activities in the first quarter of 2021 was EUR 175.5 million (Q1 2020: EUR 78.0 million). This included the net proceeds from the capital increase completed on March 22, 2021 in the amount of EUR 219.2 million. The prior-year quarter saw the repurchase of a large part of the corporate bond in the wake of the capital increase, which reduced the inflow from financing activities. Details on this are provided in note 16.

Change in cash and cash equivalents

The overall change in cash and cash equivalents in the first quarter of 2021 was therefore EUR 89.9 million (Q1 2020: EUR –10.5 million).

Business development of the divisions

Key figures divisions in million EUR	Q1 2021	Q1 2020	Δ in %
Production			
Revenue	690.8	640.4	7.9
Adjusted EBITDA ¹⁾	36.7	-7.6	-
EBITDA	36.1	-7.9	-
Adjusted EBITDA margin (%)	5.3	-1.2	-
EBITDA margin (%)	5.2	-1.2	-
Investments	11.9	13.6	-12.5
Operating free cash flow	-106.5	-119.6	11.0
Employees as of closing date	8,454	8,791	-3.8
Sales & Services			
Revenue	139.2	149.4	-6.8
Adjusted EBITDA ¹⁾	11.8	6.2	90.3
EBITDA	11.8	6.2	90.3
Adjusted EBITDA margin (%)	8.5	4.1	-
EBITDA margin (%)	8.5	4.1	-
Investments	1.9	1.0	90.0
Operating free cash flow	11.7	12.1	-3.3
Employees as of closing date	1,367	1,336	2.3

¹⁾ For the reconciliation from adjusted EBITDA to EBITDA, please refer to the Interim report 1st quarter 2021, page 14

Production

The *Production* division recorded growth in revenue of 7.9% in the first quarter, mainly due to higher sales volumes. Average sales prices, by contrast, were down on the prior-year quarter as a result of the higher percentage share of quality and engineering steel in the volume of steel sold. At EUR 36.7 million, adjusted EBITDA was markedly better than in the same quarter in the previous year (Q1 2020: EUR -7.6 million). This was attributable mainly to the increase in inventories in the first quarter of 2021, following a reduction in inventories in the same quarter the year before. Savings were also made in the area of fixed costs, for example personnel costs. One-time effects amounted to EUR 0.6 million and primarily comprised costs for programs to improve efficiency.

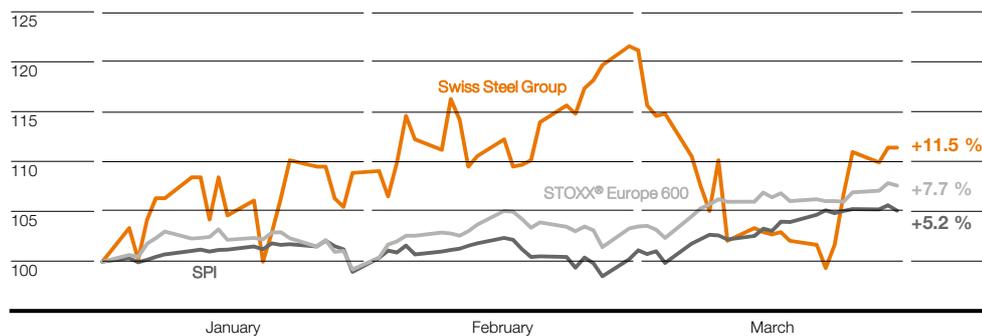
Sales & Services

Unlike the *Production* division, the *Sales & Services* division was not able to increase its sales volumes in the first quarter over those of the same quarter in the previous year. This caused revenue to fall by 6.8%. A significant reduction in variable costs, for merchandise in particular, and other savings in fixed costs meant that, at EUR 11.8 million, adjusted EBITDA nonetheless exceeded the figure for the same quarter in the previous year (Q1 2020: EUR 6.2 million). No one-time effects were recorded in the *Sales & Services* division.

Capital market

Share price performance since start of year

Indexed



On March 16, 2021, the Swiss Steel Group carried out a capital increase of CHF 247 million. This saw the share capital increased by CHF 154,578,620.70 from CHF 304,249,999.95 to CHF 458,828,620.65, divided into 3,058,857,471 registered shares with a nominal value of CHF 0.15 each.

Driven by the normalizing global economy and the recovery underway in the cyclical industries, the share price had climbed to a high of CHF 0.286 by the beginning of March. The price then sank to a low of CHF 0.234, tempered by moderate Q4 2020 results and persisting uncertainties coupled with varying capital market communications. The share subsequently recovered to a level of CHF 0.262.

On March 31, 2021, the share price stood at CHF 0.262, some 11.5% up on the price at year-end 2020. Over the same period, the Stoxx® Europe 600 Index put on 7.7% and the Swiss Performance Index (SPI), which includes the Swiss Steel Group share, rose by 5.2%.

In the first quarter of 2021, the average daily trading volume of shares of the Swiss Steel Group on the Swiss stock market was 1.3 million, compared with 1.1 million in the fourth quarter of 2020.

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 294.0 million and a shareholder loan of EUR 95.0 million. In addition, state-guaranteed bank loans amounting to EUR 98.1 million were available in 2020.

Unused financing lines and liquid funds came to around EUR 473.2 million as of March 31, 2021, ensuring the Company has sufficient financial resources.

in million EUR	Credit line	Status as of 31.3.2021	Total funds available
Syndicated loan (excl. transaction costs)	465.0	275.4	189.6
ABS financing (excl. transaction costs)	294.0	175.0	119.0
Loan from shareholder (excl. transaction costs)	95.0	95.0	0.0
State-guaranteed loans (excl. transaction costs)	98.1	98.1	0.0
Cash and cash equivalents		164.6	164.6
Financial leeway			473.2

Outlook

The priority in the second quarter of 2021 will be to continue to optimize liquidity by seizing market opportunities and freeing up the personnel and financial resources required for this purpose. We will continue to ensure that our production and, with this, our cost structure are as flexible as possible.

The focus will remain on implementing the transformation program. We are well on track and are also making steady progress in our structural projects. We must keep up the momentum.

Given the improved order situation in the first half of the year, and depending on how the COVID-19 pandemic unfolds, we expect to arrive at an adjusted EBITDA of more than EUR 100 million.

Additional information

Please refer to the Annual Report 2020 for further information, particularly in relation to the topics below:

Strategy and corporate management (pages 2–15), **Business model** (pages 8–15), **Capital market** (pages 50–53), **Financing** (page 53), **Executive Board** (pages 86–87), **Glossary** (page 209)

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

Glossary, Annual Report 2020 (page 209) (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 14 of this report: 1): Reconciliation from adjusted EBITDA to EBITDA, **segment reporting** (note 18) in financial reporting: investments

Composition of the Board of Directors

On April 27, 2021, the Annual General Meeting of the Company newly elected the Board of Directors. It is now 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 2022	Jörg Walther (CH) ¹⁾ Year of birth 1961 Vice Chairman Member since 2020 Elected until 2022	Svein Richard Brandtzaeg (NO) Year of birth 1957 Compensation Committee (Chairman) Member since 2020 Elected until 2022
David Metzger (CH/FR) ²⁾ Year of birth 1969 Audit Committee (Member) Member since 2020 Elected until 2022	Dr. Michael Schwarzkopf (AT) Year of birth 1961 Compensation Committee (Member) Member since 2020 Elected until 2022	Karin Sonnenmoser (DE) Year of birth 1969 Audit Committee (Member) Member since 2020 Elected until 2022
Adrian Widmer (CH) Year of birth 1968 Audit Committee (Chairman) Member since 2019 Elected until 2022		

¹⁾ Representative of BigPoint Holding AG

²⁾ Representative of Liwet Holding AG

Financial reporting

Consolidated income statement

in million EUR	Note	Q1 2021	Q1 2020
Revenue	7	751.6	704.5
Change in semi-finished and finished goods		80.6	-31.2
Cost of materials		-552.1	-434.0
Gross profit		280.1	239.3
Other operating income	8	14.7	10.8
Personnel expenses	9	-172.5	-176.3
Other operating expenses	8	-80.4	-81.4
Operating result before depreciation, amortization and impairment (EBITDA)		41.9	-7.6
Depreciation, amortization and impairments	12	-21.6	-24.1
Operating profit (EBIT)		20.3	-31.7
Financial income	10	0.2	0.3
Financial expenses	10	-10.9	-12.3
Financial result		-10.7	-12.0
Earnings before taxes (EBT)		9.6	-43.7
Income taxes	11	-4.8	1.4
Group result		4.8	-42.3
of which attributable to			
- shareholders of Swiss Steel Holding AG		4.5	-42.4
- non-controlling interests		0.3	0.1
Earnings per share in EUR (undiluted/diluted)		0.00	-0.02

Consolidated statement of comprehensive income

in million EUR	Note	Q1 2021	Q1 2020
Group result		4.8	-42.3
Result from currency translation		-3.5	-5.9
Change in unrealized result from cash flow hedges		-0.4	-0.7
Tax effect from cash flow hedges		0.1	0.2
Items that may be reclassified subsequently to income statement		-3.8	-6.4
Actuarial result from pensions and similar obligations	15	29.4	27.2
Tax effect from pensions and similar obligations		1.8	-1.7
Items that will not be reclassified subsequently to income statement		31.2	25.5
Other comprehensive result		27.4	19.0
Total comprehensive result		32.2	-23.3
of which attributable to			
- shareholders of Swiss Steel Holding AG		31.9	-23.4
- non-controlling interests		0.3	0.1

Consolidated statement of financial position

	Note	31.3.2021		31.12.2020	
		in million EUR	% share	in million EUR	% share
Assets					
Intangible assets		16.6		17.5	
Property, plant and equipment	12	471.2		478.3	
Right-of-use of leased assets		25.1		24.4	
Non-current income tax assets		3.4		3.6	
Non-current financial assets		1.3		1.3	
Deferred tax assets	11	18.5		18.0	
Other non-current assets		23.1		14.3	
Total non-current assets		559.2	27.3	557.4	32.5
Inventories	13	754.0		649.6	
Trade accounts receivable		475.3		347.1	
Current financial assets		4.4		7.5	
Current income tax assets		9.1		9.3	
Other current assets		80.9		70.0	
Cash and cash equivalents		164.6		74.7	
Total current assets		1,488.3	72.7	1,158.2	67.5
Total assets		2,047.5	100.0	1,715.7	100.0
Shareholders' equity and liabilities					
Share capital	14	361.4		221.7	
Capital reserves	14	1,197.7		1,118.2	
Retained earnings (accumulated losses)	14	-1,188.8		-1,224.7	
Accumulated income and expenses recognized in other comprehensive income (loss)		40.9		44.5	
Treasury shares		-0.5		-0.5	
Shareholders of Swiss Steel Holding AG		410.7		159.2	
Non-controlling interests		7.2		6.9	
Total equity		417.9	20.4	166.1	9.7
Pension liabilities	15	269.2		290.7	
Other non-current provisions		46.3		46.2	
Deferred tax liabilities	11	4.5		3.9	
Non-current financial liabilities	16	474.4		525.2	
Other non-current liabilities		15.1		16.2	
Total non-current liabilities		809.5	39.5	882.2	51.4
Other current provisions		34.5		39.2	
Trade accounts payable		402.2		298.6	
Current financial liabilities	16	212.7		189.4	
Current income tax liabilities		9.6		9.8	
Other current liabilities		161.1		130.3	
Total current liabilities		820.1	40.1	667.3	38.9
Total liabilities		1,629.6	79.6	1,549.5	90.3
Total equity and liabilities		2,047.5	100.0	1,715.7	100.0

Consolidated statement of cash flows

in million EUR	Calculation	Q1 2021	Q1 2020
Earnings before taxes		9.6	-43.7
Depreciation, amortization and impairments		21.6	24.1
Result from disposal of intangible assets, property, plant and equipment and financial assets		-0.2	-0.2
Increase/decrease in other assets and liabilities		11.1	27.9
Financial income		-0.2	-0.3
Financial expenses		10.9	12.3
Income taxes received/paid (net)		-2.6	-1.8
Cash flow before changes in net working capital		50.2	18.3
Change in inventories		-101.9	17.0
Change in trade accounts receivable		-127.7	-95.4
Change in trade accounts payable		103.0	-14.0
Cash flow from operating activities	A	-76.4	-74.1
Investments in property, plant and equipment		-10.6	-13.1
Proceeds from disposal of property, plant and equipment		0.8	0.2
Investments in intangible assets		-0.1	-0.6
Cash flow from investing activities	B	-9.9	-13.5
Increase/decrease of other financial liabilities		-28.4	53.6
Increase of loan from shareholder		0.0	95.0
Increase/decrease in other bank loans		-1.3	0.0
Increase state-guaranteed loans		3.2	0.0
Transaction costs refinancing		-3.6	-6.9
Repayment bond		0.0	-328.8
Proceeds from capital increase		223.5	300.5
Transaction costs from capital increase		-4.3	-9.5
Payment of lease liabilities		-2.6	-2.7
Interest received		0.2	0.3
Interest paid		-11.2	-23.5
Cash flow from financing activities	C	175.5	78.0
Net change in cash and cash equivalents	A+B+C	89.2	-9.6
Effect of foreign currency translation		0.7	-0.9
Change in cash and cash equivalents		89.9	-10.5
Cash and cash equivalents at the beginning of the period		74.7	54.0
Cash and cash equivalents at the end of the period		164.6	43.6
Change in cash and cash equivalents		89.9	-10.5
Free cash flow	A+B	-86.3	-87.6

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	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	300.5	-9.5	0.0	0.0	0.0	291.0	0.0	291.0
Capital decreases	-174.7	174.7	0.0	0.0	0.0	0.0	0.0	0.0
Expenses from share-based payments	0.0	0.0	0.4	0.0	0.0	0.4	0.0	0.4
Capital transactions with shareholders	125.8	165.2	0.4	0.0	0.0	291.4	0.0	291.4
Group result	0.0	0.0	-42.4	0.0	0.0	-42.4	0.1	-42.3
Other comprehensive result	0.0	0.0	25.5	-6.4	0.0	19.0	0.0	19.0
Total comprehensive result	0.0	0.0	- 16.9	- 6.4	0.0	- 23.4	0.1	- 23.3
As of 31.3.2020	504.4	1,118.1	- 1,219.4	42.9	- 1.2	444.8	7.2	451.9
As of 1.1.2021	221.7	1,118.2	- 1,225.0	44.7	- 0.5	159.1	6.9	166.1
Capital increase	139.7	79.5	0.0	0.0	0.0	219.2	0.0	219.2
Expenses from share-based payments	0.0	0.0	0.5	0.0	0.0	0.5	0.0	0.4
Capital transactions with shareholders	139.7	79.5	0.5	0.0	0.0	219.7	0.0	219.6
Group result	0.0	0.0	4.5	0.0	0.0	4.5	0.3	4.8
Other comprehensive result	0.0	0.0	31.2	-3.8	0.0	27.4	0.0	27.4
Total comprehensive result	0.0	0.0	35.7	- 3.8	0.0	31.9	0.3	32.2
As of 31.3.2021	361.4	1,197.7	- 1,188.8	40.9	- 0.5	410.7	7.2	417.9

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. The Swiss Steel Group 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 May 4, 2021.

1 Accounting policies

The Group prepared these quarterly condensed consolidated financial statements of the 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 International Financial Reporting Standards (IFRS). More detailed disclosures on accounting policies can be found in the consolidated financial statements as of December 31, 2020. This quarterly 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 Significant estimation uncertainties and discretionary decisions

In preparing these quarterly 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.

In the first three months of 2021, the Group evaluated in particular the impact of Covid-19 on its financial performance. The currently still unforeseeable global consequences of the pandemic are causing increased uncertainty regarding the 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 quarterly consolidated financial statements.

The Group believes that the negative effects of Covid-19 have been sufficiently factored into the current budget and 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.

The Swiss Steel Group responded to these indications of impairment within individual business units by conducting impairment tests on March 31, 2021. Indications of impairment in the first quarter were identified only in the Ascometal business unit. The ensuing impairment test resulted in a further impairment (note 12).

3 Going concern

The crisis in the steel industry that began in 2019, triggered by weakness in the key end markets of the automotive and mechanical engineering industries, was exacerbated in 2020 by the drastic, pandemic-related drop in demand, which had a strong negative impact on both volumes and prices.

Swiss Steel Group has already responded to this in 2020 with various equity and financing measures. As of March 22, 2021, the Group has also realized an increase in equity with a net inflow of EUR 219.2 million. As a result, Swiss Steel Group was able to renew the syndicated loan with the lending banks as well as the ABS financing program, which primarily included easing of the financing conditions (financial covenants).

The potential for restructuring was confirmed within the scope of an extended restructuring report as of October 5, 2020. This extended restructuring report provides for several supplementary financing elements within the context of the updated concept intended to close the additional financing gaps. These additional financing elements have been realized in the meantime.

In the third quarter of 2020 sales began to normalize, primarily in the automotive industry. This trend continued in Q1 2021 and stimulated the sales throughout the Group.

The implementation of the operational restructuring measures that were identified within the scope of the extended restructuring report is on track. This means that the Group remains on the planned path to restructuring.

A comparison of the planning from the extended restructuring report with the operating performance effectively achieved in Q1 2021 showed that the planning in the report was exceeded. Furthermore, the Group has projected the current market development and the further assumed effects of the Covid-19-crisis in its latest forecast until the end of 2021. In this regard, the Board of Directors assumes that the key operating figures from the extended restructuring report will be exceeded; additionally, no breach of the financing conditions is expected.

The Group's ability to continue as a going concern depends on the availability of sufficient liquidity and compliance with the relevant financing conditions. It furthermore depends on the relevant end markets developing as planned, on the successful implementation of the planned operational restructuring measures and on the fact that the effects of COVID-19 will not materially deviate to the downside from the effects elaborated in the planning.

The Board of Directors and Executive Committee continue to closely monitor developments in the relevant end markets and the implementation of the restructuring measures and assess the impact on the going concern of Swiss Steel Group on an ongoing basis.

When preparing the consolidated quarterly financial statements, the continuation of the Swiss Steel Group as a going concern was assessed as positive by the Board of Directors and Executive Board. It is expected that all conditions of the new financing will be met and that the planned operational improvements can be realized so that the Company is able to continue its business activities for the next twelve months. Therefore, these consolidated quarterly financial statements have been prepared on a going concern basis.

4 Standards and interpretations applied

The relevant accounting policies applied in the quarterly 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 2020. Changes in IFRS standards as of January 1, 2021 have no material impact on the consolidated quarterly financial statements of the Swiss Steel Group.

5 Seasonal effects

There are slight seasonal effects on sales and revenue in both segments 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. Fixed costs are distributed fairly equally over all four quarters, however. 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.

In contrast, trade accounts receivable and payable, and with them 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. The cyclical nature of the economy has a much more pronounced impact than seasonal effects on the development of the Group's sales, revenue and results, however.

6 Consolidated Group and business combinations

There was no significant change in the scope of consolidation in the first three months of 2021 and 2020.

7 Revenue

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

in million EUR	Production		Sales & Services	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Quality & engineering steel	340.5	261.7	31.2	44.0
Stainless steel	217.7	235.7	51.2	48.8
Tool steel	52.2	49.4	40.4	46.8
Others	15.0	14.3	3.4	3.7
Total	625.4	561.1	126.2	143.4

in million EUR	Production		Sales & Services	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Germany	267.8	241.4	0.6	21.7
Italy	95.4	73.9	8.7	7.4
France	74.4	70.0	10.6	9.2
Switzerland	10.3	12.5	0.0	0.0
Other Europe	105.4	91.8	43.7	42.6
Europe	553.3	489.6	63.6	80.9
USA	23.5	26.4	28.8	33.5
Canada	9.8	10.3	7.6	7.9
Other Americas	1.8	3.7	7.3	7.1
America	35.1	40.4	43.7	48.5
China	14.4	10.8	11.8	8.1
India	6.4	4.3	2.8	2.4
Asia Pacific/Africa	16.2	16.0	4.3	3.6
Africa/Asia/Australia	37.0	31.1	18.9	14.1
Total	625.4	561.1	126.2	143.4

8 Other operating income and expenses

Other operating income of EUR 14.7 million (Q1 2020: EUR 10.8 million) includes various items, such as rental income, income from maintenance and repair services, government grants, own work capitalized, etc.

Other operating expenses can be broken down as follows:

in million EUR	Q1 2021	Q1 2020
Freight, commission	21.7	21.5
Allowances on trade receivables	1.4	3.5
Maintenance, repairs	20.4	18.1
Holding and administration expenses	6.8	8.6
Fees and charges	6.9	6.1
Expenses for leases not capitalized	2.3	2.6
Consultancy and audit services	4.2	4.7
IT expenses	7.0	5.4
Losses on disposal of intangible assets, property, plant and equipment, and financial assets	0.5	0.0
Non-income taxes	4.2	6.0
Foreign exchange loss (net)	1.2	2.1
Miscellaneous expenses	3.8	2.9
Total	80.4	81.4

All exchange gains and losses on receivables and liabilities or derivative currency contracts concluded to hedge these are reported under Other operating expenses or income.

9 Personnel expenses

in million EUR	Q1 2021	Q1 2020
Wages and salaries	136.9	140.3
Social security contributions	31.5	30.5
Other personnel costs	4.1	5.5
Total	172.5	176.3

In the first quarter of 2021, the Swiss Steel Group received EUR 1.8 million in compensation for short-time work, which is mainly related to the Covid-19 crisis (Q1 2020: EUR 1.8 million). Of this amount, EUR 0.8 million was offset against expenses for wages and salaries, and the remaining amount was recognized in other operating income.

10 Financial result

in million EUR	Q1 2021	Q1 2020
Interest income	0.2	0.3
Financial income	0.2	0.3
Interest expenses on financial liabilities	-8.5	-10.6
Interest expenses on lease liabilities	-0.8	-0.8
Net interest expense on pension provisions and plan assets	-0.4	-0.7
Capitalized borrowing costs	0.3	0.9
Other financial expenses	-1.5	-1.1
Financial expenses	-10.9	-12.3
Financial result	-10.7	-12.0

11 Income taxes

in million EUR	Q1 2021	Q1 2020
Current taxes	2.9	2.3
Deferred taxes	1.9	-3.6
Income tax effect (income (-) / expenses (+))	4.8	-1.4

The local tax rates used to determine current and deferred taxes have not changed materially. The effective Group tax rate for the first quarter of 2021 was 50.0% (Q1 2020: 3.2%). This rate derives 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	Q1 2021	2020	Q1 2020
Opening balance at the beginning of the period	14.1	7.1	7.1
Changes recognized in profit and loss	-1.9	7.3	3.6
Changes recognized in other comprehensive income	1.9	-0.4	-1.5
Foreign currency effects	-0.1	0.1	0.1
Closing balance at the end of the period	14.0	14.1	9.2

Both the opening and closing balances are net assets. The closing balance of EUR 14 million comprises deferred tax assets of EUR 18.5 million less deferred tax liabilities of EUR 4.5 million.

12 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* division.

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	71.2	3,413.1
Additions	0.0	2.7	8.1	10.8
Disposals	0.0	-8.5	0.0	-8.5
Reclassifications	0.2	4.7	-4.9	0.0
Foreign currency effects	-0.7	2.4	0.6	2.3
Cost value as of 31.3.2021	734.5	2,608.2	75.0	3,417.7
Accumulated depreciation and impairments as of 1.1.2021	-558.6	-2,355.6	-20.6	-2,934.8
Scheduled depreciation and amortization	-2.2	-12.3	0.0	-14.5
Impairment	0.0	0.0	-3.1	-3.1
Disposals	0.0	7.9	0.0	7.9
Reclassifications	0.0	-0.6	0.6	0.0
Foreign currency effects	0.6	-2.5	-0.1	-2.0
Accumulated depreciation and impairments as of 31.3.2021	-560.2	-2,363.1	-23.2	-2,946.5
Net carrying amount as of 31.12.2020	176.4	251.3	50.6	478.3
Net carrying amount as of 31.3.2021	174.3	245.1	51.8	471.2

At the Ascometal business unit (Production segment), impairment losses of EUR 3.9 million were recognized in the first quarter of 2021 (of which EUR 3.1 million on property, plant and equipment and EUR 0.8 million on capitalized right-of-use assets).

13 Inventories

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

in million EUR	31.3.2021	31.12.2020
Raw materials, consumables and supplies	152.7	135.6
Semi-finished goods and work in progress	318.7	250.2
Finished products and merchandise	282.6	263.8
Total	754.0	649.6

14 Shareholders' equity

At the Extraordinary General Meeting on September 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 has increased by CHF 154.6 million from CHF 304.0 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 4.7 million, this resulted in an increase in capital reserves of CHF 88.0 million.

In EUR, 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 4.3 million, the Swiss Steel Group collected EUR 219.2 million for the capital reserves.

In the first quarter of 2020, Swiss Steel Group completed a capital reduction with a simultaneous capital increase with net proceeds of EUR 291.1 million.

15 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, however, 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		Net liability	
	31.3.2021	31.12.2020	31.3.2021	31.12.2020	31.3.2021	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	279.4	295.8
Current service cost	2.5	11.4	0.0	0.0	2.5	11.4
Administration expenses	0.0	0.0	-0.2	-0.7	0.2	0.7
Interest result	0.7	4.8	0.3	2.2	0.4	2.6
Past service costs	0.0	-6.4	0.0	0.0	0.0	-6.4
Net pension result	3.2	9.8	0.1	1.5	3.1	8.3
Return on plan assets less interest income	0.0	0.0	6.3	13.8	-6.3	-13.8
Actuarial result from changes in demographic assumptions	0.0	-0.7	0.0	0.0	0.0	-0.7
Actuarial result from changes in financial assumptions	-23.2	18.4	0.0	0.0	-23.2	18.4
Actuarial result from experience-based assumptions	0.0	-10.8	0.0	0.0	0.0	-10.8
Remeasurement effects included in other comprehensive income	-23.2	6.9	6.3	13.8	-29.5	-6.9
Employer contributions	0.0	0.0	2.0	10.2	-2.0	-10.2
Employee contributions	1.1	4.8	1.1	4.8	0.0	0.0
Benefits paid	-7.1	-30.4	-5.2	-22.8	-1.9	-7.6
Foreign currency effects	-5.3	-2.0	-5.6	-2.0	0.3	0.0
Present value of defined benefit obligations/fair value of plan assets at the end of the period	615.6	646.9	366.2	367.5	249.4	279.4
Provisions from obligations similar to pensions	0.7	0.9	0.0	0.0	0.7	0.9
Total provisions for pensions and obligations similar to pensions	616.3	647.8	366.2	367.5	250.1	280.3
- of which in pension liabilities					269.2	290.7
- of which in other non-current assets					19.1	10.4

Valuation assumptions for pensions

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

in %	Switzerland		Euro area		USA		Canada	
	31.3.2021	31.12.2020	31.3.2021	31.12.2020	31.3.2021	31.12.2020	31.3.2021	31.12.2020
Discount rate	0.2	0.1	1.0	0.6	2.8	2.2	3.0	2.7
Salary trend	1.3	1.3	2.5-3.0	2.5-3.0	nm	nm	3.0	3.0

16 Financial liabilities

As of March 31, 2021, financial liabilities were as follows:

in million EUR	31.3.2021	31.12.2020
Syndicated loan	261.6	313.3
State-guaranteed loans	61.5	61.0
Lease liabilities	53.1	52.9
Loan from shareholder	94.7	94.7
Other financial liabilities	3.5	3.3
Total non-current	474.4	525.2
Other bank loans	4.0	5.3
State-guaranteed loans	19.1	15.9
ABS financing program	175.0	154.8
Lease liabilities	8.9	8.3
Negative market values of derivative financial instruments	3.5	0.9
Other financial liabilities	2.2	4.2
Total current	212.7	189.4

In 2020, the Swiss Steel Group repurchased the bond with a nominal value of EUR 350 million in two tranches. Furthermore, the Group's existing debt financing was adjusted and extended in 2020. The amount of the syndicated loan is up to EUR 465 million. In addition, a shareholder loan of EUR 95 million from the largest shareholder of Swiss Steel Holding AG, BigPoint Holding AG, was raised.

17 Fair value measurement considerations

As of the reporting date, there were currency derivatives with a positive market value of EUR 0.5 million and a negative market value of EUR 3.5 million. These are recognized in financial assets and financial liabilities respectively and are allocated to Level 2 in the measurement of fair values. 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.

The 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.

18 Segment reporting

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

The table below shows the segment reporting as of March 31, 2021.

in million EUR	Production		Sales & Services	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Third-party revenue	625.4	561.1	126.2	143.4
Internal revenue	65.4	79.2	13.0	6.1
Total revenue	690.8	640.4	139.2	149.4
Segment result (= adjusted EBITDA)	36.7	-7.6	11.8	6.2
Adjustments ¹⁾	-0.6	-0.3	0.0	0.0
Operating profit before depreciation and amortization (EBITDA)	36.1	-7.9	11.8	6.2
Depreciation and amortization of intangible assets, property, plant and equipment	-15.0	-17.0	-2.1	-2.3
Impairment of intangible assets, property, plant and equipment and right-of-use assets	-3.9	-4.0	0.0	0.0
Operating profit (EBIT)	17.2	-28.9	9.7	3.9
Financial income	0.6	6.5	1.0	1.1
Financial expenses	-11.7	-16.4	-2.5	-2.6
Earnings before taxes (EBT)	6.1	-38.8	8.2	2.4
Segment investments ²⁾	11.9	13.6	1.9	1.0
Segment operating free cash flow ³⁾	-106.5	-119.6	11.7	12.1
in million EUR	31.3.2021	31.12.2020	31.3.2021	31.12.2020
Segment assets ⁴⁾	1,552.1	1,328.7	244.4	217.6
Segment liabilities ⁵⁾	405.0	305.4	107.1	79.4
Segment assets less segment liabilities (capital employed)	1,147.1	1,023.3	137.3	138.2
Employees as of closing date (positions)	8,454	8,533	1,367	1,316

¹⁾ Adjustments: Performance improvement program, others (EUR 1.3 million); Reorganization and transformation processes (EUR 0.1 million); Restructuring and other personnel measures (EUR 1.2 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), less segment investments less 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)

		Reconciliation							
Total operating segments		Corporate activities		Eliminations/adjustments		Total			
Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
751.6	704.5	0.0	0.0	0.0	0.0	751.6	704.5		
78.4	85.3	0.0	0.0	-78.4	-85.3	0.0	0.0		
830.0	789.8	0.0	0.0	-78.4	-85.3	751.6	704.5		
48.5	-1.4	-2.5	-4.2	-1.5	-0.5	44.5	-6.1		
-0.6	-0.3	-2.0	-1.2	0.0	0.0	-2.6	-1.5		
47.9	-1.7	-4.6	-5.3	-1.4	-0.6	41.9	-7.6		
-17.1	-19.3	-0.8	-1.1	0.2	0.3	-17.7	-20.1		
-3.9	-4.0	0.0	0.0	0.0	0.0	-3.9	-4.0		
26.9	-25.0	-5.4	-6.4	-1.2	-0.3	20.3	-31.7		
1.6	7.6	12.5	17.7	-13.9	-25.0	0.2	0.3		
-14.2	-19.0	-10.7	-18.3	14.0	25.0	-10.9	-12.3		
14.3	-36.4	-3.6	-7.0	-1.1	-0.3	9.6	-43.7		
13.8	14.6	0.1	0.0	0.0	0.0	13.9	14.6		
-94.8	-107.5	-3.1	-1.9	-0.5	-0.5	-98.4	-109.9		
31.3.2021	31.12.2020	31.3.2021	31.12.2020	31.3.2021	31.12.2020	31.3.2021	31.12.2020		
1,796.5	1,546.3	64.8	66.1	186.2	103.3	2,047.5	1,715.7		
512.1	384.8	4.4	5.3	1,113.1	1,159.4	1,629.6	1,549.5		
1,284.4	1,161.5								
9,821	9,849	108	101	0	0	9,929	9,950		

Legal notice

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The equal treatment of men and women is very important to the 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 outlook. 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.

This interim report is also available in German. The German version is binding.

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