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Media Release

Challenging 2020 market conditions have negatively impacted sales and profitability, with cautious signs of improvement during Q4 2020

- **Overall decline in sales volume in 2020 due to COVID-19 from 1,830 to 1,535 kilotons was mitigated in part by sales volume of 445 kilotons in Q4 2020 up by 14.7 % compared to Q4 2019**
- **Revenue for full-year 2020 fell by 23.2 % year on year to EUR 2,288.4 million; Q4 2020 with EUR 604.5 million was around 2.3% short Q4 2019**
- **Order backlog at the end of 2020 was up by 35.7 % to 566 kilotons year over year driven by slight recovery in the automotive sector during Q4 2020**
- **Average sales price per ton 2020 down by 8.5 % to EUR 1,491 from EUR 1,629 in 2019 due to product mix and ongoing price pressure**
- **Adjusted EBITDA in 2020 of EUR – 68.9 million versus EUR 51.2 million in 2019; with slight improvement in Q4 2020 at EUR 4.1 million compared with EUR 1.4 million in Q4 2019**
- **Free cash flow decreased from EUR – 7.8 million in 2019 to EUR – 100.8 million in 2020**
- **Net debt reduced year over year from EUR 798.7 million to EUR 639.9 million mainly due to the CHF 325 million capital increase in January 2020**
- **Additional state-guaranteed loan secured in France in the amount of EUR 20 million in Q4 2020**
- **Equity ratio of 9.7% in 2020 compared to 9.6% in prior year to be strengthened by capital increase of approximately EUR 200 million expected to be completed in Q1 2021 and leading to significantly improved financing conditions**
- **Outlook for fiscal year 2021: Swiss Steel Group anticipates continuing uncertainties due to COVID-19 in the first half of the year, but is cautiously optimistic of moderate normalizations across selected end-markets in the second half of 2021, depending on the further development of the COVID-19 crisis.**

CEO Clemens Iller: “After a very difficult year due to COVID-19, sales cautiously started to improve after the summer break. This trend continued in the fourth quarter, generating improved sales and order volumes driven primarily by the automotive industry, with a slight recovery in mechanical and plant engineering. However, demand in the energy segment, especially with oil and gas, remains sluggish. Against this background, production was appropriately scaled up. On the price side we still see challenges, specifically for quality and engineering steel.

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In parallel, we continued to work towards achieving the targets of the transformation program 2020. The conclusion of the collective restructuring tariff agreement in Germany was a major milestone. We also pushed ahead with our planned rightsizing and cost saving measures in France, specifically at Ascometal. Furthermore we did achieve the repositioning of our sales and service organization.

Our focus in 2021 continues to be on implementing the transformation program, improving profitability and liquidity. In this context the completion of the capital increase approved by shareholders in December 2020 and expected to be completed later this month will form an important milestone, allowing us to benefit from greater resilience and significantly improved financing conditions."

Financial key figures

Swiss Steel Group	Unit	2020	2019	Δ in %	Q4 2020	Q4 2019	Δ in %
Sales volume	kilotons	1,535	1,830	−16.1	445	388	14.7
Revenue	million EUR	2,288.4	2,980.8	−23.2	604.5	619.0	−2.3
Average sales price	EUR/t	1,490.8	1,628.9	−8.5	1,358.4	1,595.4	−14.9
Adjusted EBITDA [1]	million EUR	−68.9	51.2	–	4.1	1.4	–
EBITDA	million EUR	−99.0	−12.5	–	−8.9	−15.1	41.1
Adjusted EBITDA margin	%	−3.0	1.7	–	0.7	0.2	–
EBITDA margin	%	−4.3	−0.4	–	−1.5	−2.4	–
EBIT	million EUR	−272.7	−425.4	35.9	−28.8	−52.7	45.4
Earnings before taxes	million EUR	−321.6	−482.9	33.4	−43.0	−72.2	40.4
Group result	million EUR	−310.2	−521.0	40.5	−42.4	−75.9	44.1
Investments	million EUR	87.4	138.4	−36.8	33.6	56.0	−40.0
Free cash flow	million EUR	−100.8	−7.8	–	−18.9	−48.6	61.1
	Unit	31.12.2020	31.12.2019	Δ in %			
Net debt	million EUR	639.9	798.7	−19.9			
Shareholders' equity	million EUR	166.1	183.8	−9.6			
Gearing	%	385.2	434.5	–			
Net debt/adj. EBITDA LTM (leverage)	x	n/a	15.6	–			
Balance sheet total	million EUR	1,715.7	1,919.1	−10.6			
Equity ratio	%	9.7	9.6	–			
Employees as at closing date	Positions	9,950	10,318	−3.6			
Capital employed	million EUR	1,218.0	1,384.1	−12.0			
	Unit	2020	2019	Δ in %	Q4 2020	Q4 2019	Δ in %
Earnings/share [2]	EUR/CHF	−0.15/-0.16	−0.55/-0.61	–	−0.02/−0.02	−0.08/-0.09	–
Shareholders' equity/share [3]	EUR/CHF	0.08/0.09	0.19/0.21	–	0.08/0.09	0.19/0.21	–
Share price high/low	CHF	0.340/0.126	0.617/0.192	–	0.250/0.170	0.294/0.205	–

[1] For the bridge between adjusted EBITDA and EBITDA please refer to the Annual Report 2020 page 33
[2] Earnings per share are based on the result of the Group after deduction of the portions attributable to non-controlling interests.
[3] As at December 31, 2020 and as at December 31, 2019

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Lucerne, March 3, 2021 – Swiss Steel Group, a world leader in special long steel, today reported a 16.1 % decline in sales volumes for 2020 to 1,535 kilotons from 1,830 kilotons in 2019. The decline in revenue to EUR 2,288.4 million was higher in percentage terms, at 23.2 %. Adjusted EBITDA came to EUR – 68.9 million, versus EUR 51.2 in the previous year. Net debt amounted to EUR 639.9 million, significantly lower than EUR 798.7 million recorded at the end 2019. Although free cash flow was more negative than in 2019, at EUR – 100.8 million compared with EUR – 7.8 million the year before, it was possible to reduce net working capital by around EUR 75 million year over year to EUR 698.1 million, mainly as a result of destocking measures.

Business performance in full-year 2020

Following a challenging year 2019, the first signs of improvement in demand emerged at the start of 2020. This recovery was dramatically interrupted by the COVID-19 crisis. The lockdown measures introduced in various countries and regions led to a global recession. The massive drop in demand left its mark in terms of both volumes and prices. Demand was dramatically affected by the almost complete shutdown of nearly all business activities at major European automobile manufacturers as well as their suppliers. Curbing production, short-time work programs and increasing our cost variability could only partially offset the drop in sales. Even though demand has shown cautious signs of improvement towards the end of the year, Swiss Steel Group incurred significant losses with a negative net result in 2020.

Taking the entire of 2020 into account, the decline in demand caused by the pandemic could not be offset. At 1,535 kilotons, 16.1 % less steel was sold than in the previous year (2019: 1,830 kilotons). In full-year 2020, the average sales price per ton of EUR 1,490.8 was 8.5 % below that of the previous year (2019: EUR 1,628.9 per ton). At the start of the COVID-19 crisis, the prices of commodities which shape steel price trends fell sharply. While commodity prices continued to recover over the year, base prices for our steel products remained low due to high price pressure.

On the back of weak sales figures, revenue for full-year 2020 fell by 23.2 % year on year to EUR 2,288.4 million. The fall in revenue is evidenced in all product categories, though the decline for quality & engineering steel was the highest at 28.1 %. This product group was impacted particularly badly by the downturn in the automotive industry and the drop in demand from mechanical and plant engineering in the first and second quarter. Nearly all regions of the global market posted a decline in revenue.

For 2020 as a whole, adjusted EBITDA totaled at EUR – 68.9 million, a significant drop versus the previous year (2019: EUR 51.2 million). One-time effects amounted to EUR 30.1 million and among other things are attributable to consultancy services in connection with setting-up efficiency improvement programs, restructuring measures and COVID-19 protection measures. EBITDA came to EUR – 99.0 million and was therefore lower than the previous year (2019: EUR – 12.5 million). For the year as a whole, the adjusted EBITDA margin was – 3.0 % (2019: 1.7 %) while the EBITDA margin was – 4.3 % (2019: – 0.4 %).

In 2020, the financial result came in slightly improved at EUR – 48.9 million (2019: EUR – 57.5 million). Due to the capital increase in the first quarter of 2020 net debt was reduced, which in turn resulted in lower borrowing costs. State-guaranteed bank loans with an interest rate below the market rate also meant that some liabilities could be financed at more favorable conditions.

Current taxes include a positive one-time effect of EUR 13.1 million from offsetting losses in the current fiscal year against profits in previous years in the USA. This tax refund was granted as part of the local COVID-19 aid package. Deferred taxes on loss carry-forwards from the French tax group and Swiss Steel business unit, amounting to EUR 7.3 million, were also capitalized.

For 2020 as a whole, as a result of the poor operating results caused by COVID-19, the Swiss Steel Group posted a negative result of EUR – 310.2 million. However, this figure is up compared to the previous year (2019: EUR – 521.0 million), which can be attributed to the significantly higher impairments in the previous year.

Business performance in the fourth quarter of 2020

At 445 kilotons, 14.7 % more steel was sold in the fourth quarter of 2020 than in the same quarter of the previous year (Q4 2019: 388 kilotons). This was attributable to an increase of 20.8 % in sales volumes of quality & engineering steel in comparison to prior year quarter. In particular, the moderate recovery in demand from the automotive industry is reflected in this product group. The effect was stronger due to the automotive crisis experienced in the same quarter of the previous year, which had negatively impacted sales volumes due to amplified inventory reductions in the supply chain.

In contrast, sales volumes in the two product groups stainless steel and tool steel, decreased compared to the same quarter of the previous year. Despite the moderate signs of recovery in our most important segments in Q4 2020 and a stabilizing oil price that resulted in positive trends in rotary rig counts, overall demand in the fourth quarter in 2020 remained low.

The average sales price per ton of steel was EUR 1,358.4 in the fourth quarter of 2020 and therefore fell short of the average price achieved in the same quarter of the previous year (Q4 2019: EUR 1,595.4 per ton). Although commodity prices in the fourth quarter overall rose again, sales prices could not be raised. The price drop can be attributed firstly to ongoing high price pressure and secondly to the changed product mix, where quality & engineering steel now represents a larger share but has a lower average sales price.

Revenue in the fourth quarter fell by 2.3 % compared with the same quarter in the previous year to EUR 604.5 million as a result of lower prices. While revenue in the quality & engineering steel product group rose by 7.3 %, stainless steel revenue fell by 6.5 % and tool steel revenue by 18.9 %. By region, revenue in Europe increased by 1.3 % over the same quarter in the previous year, reflecting a slight recovery in the automotive industry. In North America, where we mainly serve customers in the oil and gas industry, further declines in revenue were posted.

Changes to the cost structure to accommodate the fall in demand and the further progress made in the transformation program resulted in an adjusted EBITDA in the fourth quarter of 2020 of EUR 4.1 million, which was higher than in the prior-year quarter (Q4 2019: EUR 1.4 million). One-time effects amounted to EUR 12.9 million and included restructuring expenses of EUR 7.9 million for the business unit Ascometal and the costs incurred by changing our name to Swiss Steel Group. Including these one-time effects, EBITDA arrived at EUR – 8.9 million (Q4 2019: EUR – 15.1 million). In the fourth quarter, the adjusted EBITDA margin rose to 0.7 % (Q4 2019: 0.2 %) and the EBITDA margin to – 1.5 % (Q4 2019: – 2.4 %).

Depreciation, amortization and impairments amounted to EUR 19.9 million in the fourth quarter, which is below the number for the same quarter in the previous year (Q4 2019: EUR 37.6 million). This includes impairments for the business unit Ascometal of EUR 3.0 million in the fourth quarter (Q4 2019: EUR 15.3 million).

At EUR – 14.2 million, the financial result in the fourth quarter slightly improved when compared to the same quarter in the previous year (Q4 2019: EUR – 19.4 million). Earnings before taxes (EBT) for the fourth quarter were EUR – 43.0 million (Q4 2019: EUR – 72.2 million). A negative group result of EUR – 42.4 million was ultimately recorded in the fourth quarter (Q4 2019: EUR – 75.9 million).

Free cash flow in the fourth quarter was negative, at EUR – 18.9 million (Q4 2019: EUR – 48.6 million).

At EUR 639.9 million, net debt as of December 31, 2020 was down to the end of the prior year (EUR 798.7 million). This was due in large part to the capital increase in the first quarter of 2020. Despite ongoing negative operating results, the rise in net debt was limited over the course of the year thanks to strict management of working capital.

Outlook for fiscal year 2021

For 2021, and subject to ongoing developments of the COVID-19 pandemic, market observers anticipate that the global economy and our end markets will show initial signs of recovery, but not return immediately to the levels attained before the pandemic. On the one hand, this moderately positive outlook for 2021 is based on the start of the COVID-19 vaccination program at the beginning of the year and prospects for returning to normality in the next few months. Yet on the other hand, the spread of mutations of the original virus and further strict lockdown measures are unsettling consumers and companies, creating a high level of uncertainty. We are therefore at the moment not able to fully gauge probability and economic consequences of a potential upcoming further wave of infections and still face great uncertainty.

We believe that the way in which the COVID-19 pandemic progresses and the success of the associated governmental support programs will dictate how markets actually perform. These factors can change drastically and at very short notice. Expectations are therefore highly uncertain.

With the further strengthening of the financing structure of the Swiss Steel Group by means of the planned capital increase approved by shareholders on December 22, 2020, we expect to achieve another important milestone. The entrepreneurial freedom and significantly improved equity ratio expected to result from the capital increase will allow us to drive forward the ongoing transformation with stronger resilience and confidence to implement our turnaround plan.

– END –

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About Swiss Steel Group

The Swiss Steel Group is currently one of the world's leading providers of customized solutions in the field of special long steel products. The Group is also one of the leading manufacturers in the global market for both tool steel and stainless long steel and is one of the two largest companies in Europe for alloyed and high-alloy engineering steel. With close to 10,000 employees at its own production and distribution companies in over 30 countries across five continents, the Company supports and supplies its customers around the globe and offers them a full worldwide portfolio from Production and Sales & Services. They benefit from the Company's technological expertise, consistently high product excellence across the globe, and in-depth knowledge of local markets.

Alternative Performance Measures

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

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