Media Release

Swiss Steel Group develops distinctly positive in the first quarter and is on track with its transformation

- **Sales volume in Q1 2021 of 510 kilotons up by 11.6 % compared with Q1 2020 457 kilotons, thanks to ongoing demand in the automotive industry**
- **Order backlog in Q1 2021 of 684 kilotons with 58.7 % significantly higher than in Q1 2020, rise of 20.8 % on Q4 2020 with clear signs of recovery in mechanical and plant engineering**
- **Average sales price per ton in Q1 2021 down to EUR 1,475.8 from EUR 1,541.6 in Q1 2020, which is significantly higher than in Q4 2020 at EUR 1,358.4**
- **Adjusted EBITDA in Q1 2021 raised significantly to EUR 44.5 million, compared with EUR –6.1 million in Q1 2020, driven by the recovery on the markets accompanied by measures to cut costs and enhance efficiency**
- **Free cash flow of EUR –86.3 million in Q1 2021, slightly below the prior-year level of EUR –87.6 million, due to an increase in commodity prices coupled with a demand-driven rise in production volumes**
- **Net debt in Q1 2020 cut from EUR 639.9 million to EUR 522.5 million due to the capital increase; equity ratio stabilized at 20.4 %**
- **Transformation program on schedule; integration of the Swiss Business Units progressing well**
- **The complaints and allegations of a former employee announced in the media release of March 8, 20201 proved to be unfounded after forensic investigations by a renowned external auditing firm**

Outlook for fiscal year 2021: Given the improved order situation in the first half of the year, and depending on the further course of the COVID-19 pandemic, Swiss Steel Group expects to arrive at an adjusted EBITDA of more than EUR 100 million.

CFO & interim CEO Dr. Markus Böning commented: “The cautiously optimistic trend in the automotive industry over the course of the fourth quarter of 2020 continued in the first quarter of 2021. In spite of foreseeable interruptions to production on the part of certain automotive manufacturers due to the shortage of semiconductors, demand remained positive. The lockdown measures imposed in some sales markets in response to COVID-19 also had only a negligible impact. We are now seeing the anticipated recovery in mechanical and plant engineering, which is leading to improved sales and order volumes overall in our two main customer segments. While demand in the energy sector, especially for oil and gas, remains sluggish, positive signs are nevertheless emerging in this segment, accompanied by an uptick in requests for proposals. To address the increasing demand, we have decided to ramp up production. Price levels remain challenging, especially on the resource side. However, we have been able to negotiate 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 we are making only sporadic use of this for specific product categories and production areas. Labor productivity rose year on year. With the ongoing implementation of our transformation program, we were also able to further improve our cost position, achieving significantly improved adjusted EBITDA as a result. With the completion of the capital increase in March 2021, we were able to significantly strengthen the capital structure and are now focusing on the execution of our transformation program, supported by a broader-based market recovery. The focus remains on liquidity and cost efficiency, but we will also support selective market opportunities with appropriate funding. For 2021, we expect to arrive at an adjusted EBITDA of more than EUR 100 million."

Key financial 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

Lucerne, May 5, 2021 – The economic recovery that began at the end of the fiscal year 2020 continued in the first quarter of 2021. The rise in demand is reflected in significantly improved order and sales volumes. Accompanied by ongoing measures to cut costs and enhance efficiency, adjusted EBITDA rose markedly on the same quarter of the previous year, at EUR 44.5 million. The capital increase also bolstered the Group's capital structure and reduced net debt by 18.3 %.

Business performance in the first quarter of 2021

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 was mainly attributable to the 17.5 % increase in sales volumes of quality & engineering steel. Recovery in demand from the automotive industry is reflected in this product group. Sales volumes for tool steel also rose compared with the same quarter in the previous year. This uptrend was supported among other things by the positive development of crude oil prices.

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

The average sales price per ton of steel was EUR 1,475.8 in the first quarter of 2021 and therefore fell short of the average price achieved in the same quarter in the previous year (Q1 2020: EUR 1,541.6 per ton). The price drop can be attributed primarily to the changed product mix, where quality & engineering steel now represents a higher share also but has a lower average sales price. At product group level, the sales prices of both quality & engineering steel and stainless steel were up compared with the same quarter in the previous year. This is caused by the rise in commodity prices, which led to higher prices due to the widespread use of surcharge mechanisms. In the tool steel product group, by contrast, prices fell 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 in the first quarter of 2021 represented a rise of 6.7 %. While revenue in the quality & engineering steel product group rose by 21.6 %, revenue for stainless steel fell by 5.5 % and revenue for tool steel by 3.7 %, despite higher sales volumes. By region, revenue in Europe increased by 8.1 % and revenue 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 same quarter of the previous year at an earlier stage than in other regions. This had an adverse effect on the revenue in the same quarter of the previous year. The higher revenues in the first quarter of 2021 are primarily a reflection of the recovery in demand in the automotive industry. The America region failed to match the revenue achieved in the same quarter of the previous year, in spite of the emerging pickup in demand from the oil and gas industry.

Adjusted EBITDA was up significantly compared with the prior-year quarter, at EUR 44.5 million for the first quarter of 2021 (Q1 2020: EUR –6.1 million). One-time effects amounted to EUR 2.6 million, attributable – among other things – to personnel-related one-time payments 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 %).

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 capital increase resulted in a temporary increase in cash and cash equivalents as of the reporting date and a general reduction in the syndicated loan.

Outlook for the fiscal year 2021

The priority in the second quarter of 2021 will be to continue to optimize liquidity by seizing market opportunities and providing support with human and financial resources as needed. We will continue to ensure that our production and our cost structure are as flexible as possible.

Implementation of the transformation program will remain a focus. We are well on track and are also steadily making progress in our structural projects. The priority now is to maintain this positive momentum.

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

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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 quality & 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 product 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.