

# 2020

Annual Report



Swiss  
Steel  
Group

# 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 <sup>1)</sup>	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 of 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 <sup>2)</sup>	EUR/CHF	-0.15/-0.16	-0.55/-0.61	-	-0.02/-0.02	-0.08/-0.09	-
Shareholders' equity/share <sup>3)</sup>	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	-

<sup>1)</sup> For the bridge between adjusted EBITDA and EBITDA please refer to the Annual Report 2020 page 33

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

<sup>3)</sup> As of December 31, 2020 and as of December 31, 2019

## Alternative Performance Measures

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

## Key figures 2020 (Change on 2019)

566 (+35.7%)

**Order backlog**  
in kt

1,535 (-16.1%)

**Sales volume**  
in kt

2,288.4 (-23.2%)

**Revenue**  
in million EUR

1,491 (-8.5%)

**Average sales price**  
in EUR/t

-68.9 (-)

**Adjusted EBITDA**  
in million EUR

639.9 (-19.9%)

**Net debt**  
in million EUR

Swiss Steel Group is one of the leading producers of premium special steel long products, with a global sales and service network.

We focus on meeting our customers' specific needs.

**Together. For a future that matters.**

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“Guided by new management, we will drive forward the transformation and embrace our fresh start in 2021”

**Mr. Alder, you've passed the baton to Mr. Christen. What do you think, in retrospect, were the most important stabilization measures in 2020?**

There were three areas, alongside the obvious name change to Swiss Steel Group, where we ramped up our focus last year. The first core element was the restructuring concept. This step consisted of a comprehensive analysis to determine whether the existing business model could be transformed to generate a profit and whether the end customer markets would recover in the near term. The result of this review was positive, as anticipated. And the transformation will now pave the way for the Company's success going forward. The second core element was the financing concept in the aim of restoring the balance sheet and solidifying the basis for the transformation. In deciding to strengthen our financing by means of the capital increase approved in December 2020 and now expected to be completed in March 2021, which will be accompanied by a significant easing of future credit conditions, we sent an important message to employees, customers and suppliers: Swiss Steel Group is a reliable partner in the long term. The third element is the reorganization of top management. Following stabilization and refinancing, the team consisting of Clemens Iller and

Matthias Wellhausen will make way for the new team with Mr. Frank Koch and Mr. Markus Böning. Last but not least, the Board of Directors unanimously voted to support the Company on its new course by taking a considerable cut in compensation.

**How do you think management performed in 2020?**

The team headed up by Clemens Iller did a very good job in the face of the extreme challenges faced in 2020. In addition to managing the operating business, together they successfully conducted two complex financing rounds under extreme pressure, set up a broad-based efficiency enhancement program – which so far is being implemented ahead of schedule – and, above all, demonstrated outstanding

loyalty to the Company and its shareholders throughout the crisis. Clemens Iller decided to make way for new managerial blood and step down from his position. We owe great thanks to him and his team.

**Is the new team the right one to set the Company on a successful course for the future?**

Frank Koch brings with him everything Swiss Steel Group needs in its CEO to lead the Company to success even in the ongoing extremely challenging environment. Backed by his impressive career extending from his basic training to his position as CEO of a complex industrial company, with stints at several leading steel companies, Frank Koch has outstanding strategic and operational expertise

“Swiss Steel Group has laid the foundation for success: strengthened financing, strong management team and sustainable production processes. With these elements, we believe that the Swiss Steel Group is well-positioned to satisfy international demand for solutions based on special long steel.”



**Current Chairman Heinrich Christen (left side) and former Chairman Jens Alder in conversation**

and experience. He has successfully implemented comprehensive turnaround and restructuring programs and made significant improvements to the operations and financial performance of the companies under his management. Markus Böning has already been on board since October 2020. He has more than 15 years' international experience as CFO in several industrial companies in the automotive supplier industry, the steel industry and the pharmaceutical industry.

**Finally, what is your take on the composition of the shareholder structure and the impact on the Board of Directors?**

In my opinion, given the very challenging situation we find ourselves in, a clear strategic focus and quick decision-making processes are crucial within the Board of Directors. With this in mind, when appointing its members, we made sure that the board is balanced in the interests of independence and endowed with the requisite expertise to reflect all issues when making decisions on the Company's direction. That aside, we are especially grateful to Big Point Holding AG for its support. It stood by our side as far back as the first

half of 2020, when things started to get tough, when it granted us a shareholder loan, and gave us considerable support during the first capital increase completed in January 2020 and the one expected for completion in March 2021. Last but not least, I want to take this opportunity to thank all shareholders – and especially the small shareholders – for their continued confidence in us.

**Now over to you, Mr. Christen. The change of name, the handover of the baton, the new top management: this clearly signifies a fresh start. How important is it to send out a signal like this, in your opinion?**

I'd like to start off by thanking Jens Alder, who led us with confidence and circumspection during this difficult period. It's also important for me to emphasize that, as a representative of Big Point Holding AG, as Mr. Alder touched upon, I will balance and safeguard all interests on the Board of Directors and also in my role as Chairman. Therefore, I was delighted to be elected by the Board of Directors unanimously and without reservations as the successor to Jens Alder. The Board of Directors as a whole has a clear vision of where it

wants to take our company in the years ahead. This is aligned with my and Mr. Haefner's vision, which makes it a pleasure to work on strategy in this committee. But we need time for this – we are just at the "end of the beginning", to quote Churchill.

To come back to your question: yes, we considered a fresh start to be very important. On the one hand, the name change was appropriate, indeed necessary, when we left the old owner family at the beginning of 2020. At the same time, however, we wanted to highlight the central role of Switzerland with a strong Swiss shareholder and also emphasize the quality and targeted customer focus that Swiss firms are known for worldwide. Accordingly, this Swissness was a key aspect we wanted to see anchored in the new name and in the logo. Another important factor to mention here is, of course, global orientation – also this typical Swissness! Given our central location in Europe, which neighbors our three major geographical markets in Germany, France and Italy, and underpinned by our strong foothold in North America and our global distribution network, we think we are in a good position to kick-start our business.



**A new name is no doubt a very good way of sending out this message. What is your perception of the business model as a whole?**

One of the core competencies that gives us particular confidence for the future is the in-depth knowledge embodied in our experts and engineers in the field of metallurgy and technology – something that is repeatedly confirmed by external observers and market participants. We are of the firm conviction that we manufacture excellent products and also believe in the long-term future of steel as a material. The sustainability of the business model is just as important. With that in mind, in our electric arc furnaces we melt exclusively scrap, refine alloy elements based on their area of application, and thus establish a perfect circular economy. Our electric arc furnaces mean that we have a fundamentally very CO<sub>2</sub>-efficient production process, and we can further enhance our sustainability depending on the energy source used. The goal in the coming year is to highlight this sustainability in a more targeted manner toward our customers and suppliers.

**Last question: How will the transition from Clemens Iller to Frank Koch be structured and when will the first announcements be made on the new strategic focus?**

The goal would be to have the change-over complete by January 1, 2022 at the latest. I would like to take this opportunity to express my sincere thanks to Clemens Iller for his loyalty, in spite of his advance knowledge of the envisioned handover, and for getting us into the excellent position we're in now. Regarding our course for the future, Mr. Koch will be given the necessary time to learn the lay of the land and then to develop the strategy in close collaboration with the Board of Directors and initiate any structural measures.

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**Frank Koch**

CEO

Frank Koch, MBA, has been appointed by the Board of Directors in December 2020 as future CEO of Swiss Steel Group and will take over at the latest as of January 1, 2022. He began his professional career in 1991 with training in industrial business management in the steel division of ThyssenKrupp. An internship in the ThyssenKrupp Group featuring various assignments abroad and general management training in St. Gallen were followed by management functions at the ThyssenKrupp Group, among others at Deutsche Edelstahlwerke, which today is part of Swiss Steel Group. From 2003 to 2005 he was responsible for strategy and sales at Acciaierie Bertoli Safau, which belongs to the Italian plant engineering company. He rejoined Deutsche Edelstahlwerke at the end of 2005, where he was responsible for the sales and strategy division until 2007. Beginning in 2008 he took on consecutive positions as CSO and in Logistics at steelworks Georgsmarienhütte GmbH. In 2015, he took on primary responsibility as COO of the GMH Group within the local holding organization. From January 1, 2017 to end-2020 he managed the GMH Group as CEO.



# Our material topics

Our commitment to the topic of sustainability is deeply rooted in our corporate philosophy. It is our mission to strike the right balance between financial success, protecting the environment and social responsibility. Through close dialog with our interest groups, we have identified twelve key topics that will be decisive for the Company's long-term success. These topics are the basis for our Corporate Social Responsibility Management.



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## Financial performance

Refer to page 27



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## Active engagement

Refer to page 48



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## Business conduct

Refer to page 25



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## Corporate citizenship

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## Customer centricity

Refer to page 23



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## Health and safety

Refer to page 43



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## Supply chain management

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## Personnel and talent management

Refer to page 45



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## Product excellence and innovation

Refer to page 22



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## Resource management

Refer to page 41



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## Governance

Refer to pages 24, 54, 70



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## Environmental protection

Refer to page 38

# Together. For a future that matters.

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

## **Active**

With passion, expertise and a pioneering spirit, we strive towards the optimum. We are passionate about progress. We are forward-looking, open and fair. We encourage and challenge, internally and externally. We are active, service- and solution-oriented specialists with innovative drive.

## **Experienced**

Thanks to our experience and our understanding of needs, we convince along the entire value chain. We reliably form optimal solutions in dialogue. That is our strength. Our knowledge and our precision are the foundation for efficient advancement.

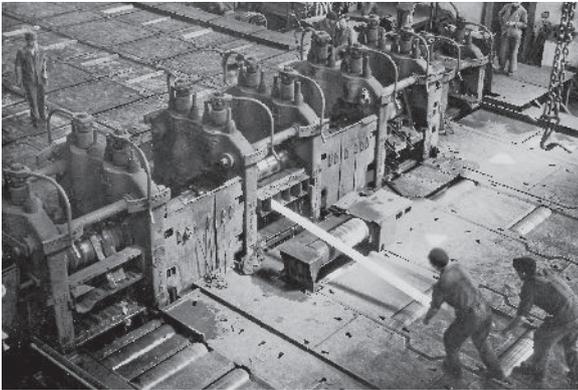
## **Sustainable**

People are at the heart of our actions. Mutual respect and open communication distinguish us as a strong partner. We anticipate the challenges of our customers. Together we create the economically and ecologically sustainable solutions of tomorrow.

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## International Swissness

Our new name and the logo embody our qualities as a company listed in Switzerland. The symbol not only incorporates the abbreviation for Swiss Steel, but also stands for our commitment to quality, strong customer centricity and international focus that characterize Swiss firms worldwide. Typical Swissness!




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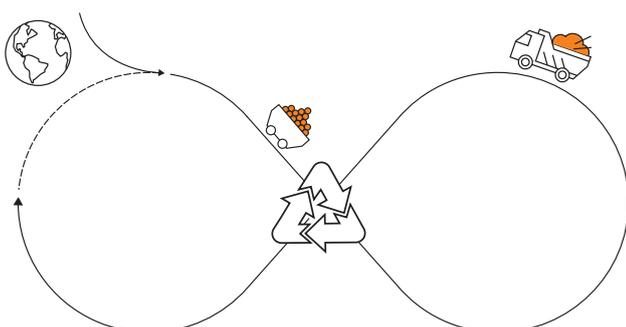
## Tradition in transformation

Nothing is as constant as change. The origins of today's Swiss Steel Group can be traced back to the foundation of all its Business Units. Together, following the merger of Swiss Steel and Steeltec in January 2021, the manufacturing units – still totaling five in number – and the global distribution network represent an experienced ally for our customers.

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## Production in specialized niches

Molten steel glows bright yellow-orange. The colors in our logo stand for our core competence: the in-depth knowledge embodied in our experts and engineers in the field of metallurgy and technology. Our focus is on special long steel in the form of bars and wire with specific material properties. Our clear niche focus sets us apart from the mass market.




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## Recycling in an eternal cycle

Our business model is based on sustainability. The 100% recyclability of steel and our production processes are testament to this: In our electric arc furnaces we melt exclusively scrap, refine alloy elements based on their area of application, and thus establish a perfect circular economy.

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## International Swissness

# Listed in Switzerland – active worldwide

**We are perfectly positioned for the future, bolstered by our central location in Europe neighboring our three major geographical markets and our global distribution network. We reinforce our market position by means of industrial integration and the optimal use of the available resources, which allows us to leverage synergies.**

## Our business strategy

### Leveraging synergies

In addition to continuously improving our operating performance in the Business Units, we aim to fully harness our strengths as an integrated Group. In recent years, we have driven forward industrial integration, established networks within the Group, and introduced extensive measures designed to exploit synergies, in particular in the areas of sales, research and development, support functions, procurement and logistics. This also enables us to optimize costs.

### Growing in attractive niche markets

We operate in niche markets in the steel industry where we see major growth potential and can complement and optimize our product portfolio and extend our sales activities.

### Strengthening customer relationships

We have long-standing and close relationships with our customers, which we aim to further build on and reinforce. We view ourselves as providers of solutions – not only products – and thus develop our innovative approaches to solving problems in partnership with our customers.

### Consolidating our technology leadership

As a unique provider with a comprehensive and technically highly sophisticated product portfolio, we anticipate that our steel products will be subject to constantly rising demands. For this reason, each year we invest substantial resources in research and development, in modernizing our machines and plants and in driving forward the Group's digital transformation so as to further consolidate our technology leadership in the special long steel segment.

# Value chain

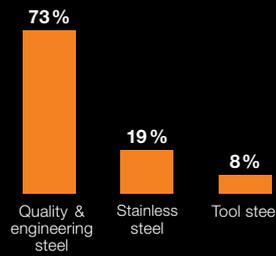
## Procurement

Use of scrap, nickel, ferro-chrome, molybdenum and other alloy elements

90%

of the raw materials used for our steel

## Breakdown of sales by special long steel product group

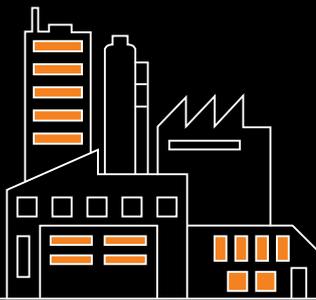


## Production

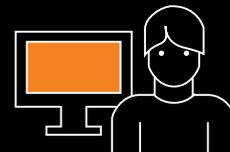
Complementary configuration of steelworks across the entire spectrum of special long steel

## Processing

Further processing generates high-grade long steel products that precisely match customers' requirements



Recycling



## Delivery

Punctual and defect-free deliveries thanks to our own logistics company and partnership with qualified, local sales companies

## Marketing and sales

This is rounded off by technical consulting and downstream processes

90%

Some 90% of our steel is produced from scrap

>70

Sales & Services branches in more than 30 countries

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## Tradition in transformation

# At the end of the beginning

**Together, the five manufacturing units and the global distribution network represent an experienced ally for our customers. The turnaround of Swiss Steel Group is based on three elements, the restructuring concept, the financing concept and the reorganisation of the management. The rebranding exemplifies the visual identity and the new values that symbolize our fresh start.**

## Our divisions

### Production

At Swiss Steel Group, the skills and knowledge of our manufacturing Business Units Ascometal, Deutsche Edelstahlwerke, Finkl Steel, Steeltec and Ugitech fuse to create a one-of-a-kind alloy.

### Sales & Services

Swiss Steel International is the direct contact for our customers at over 70 locations in around 30 countries, establishing a partnership that is not separated by distance.

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## Group structure / divisions

### Group



### Business Units

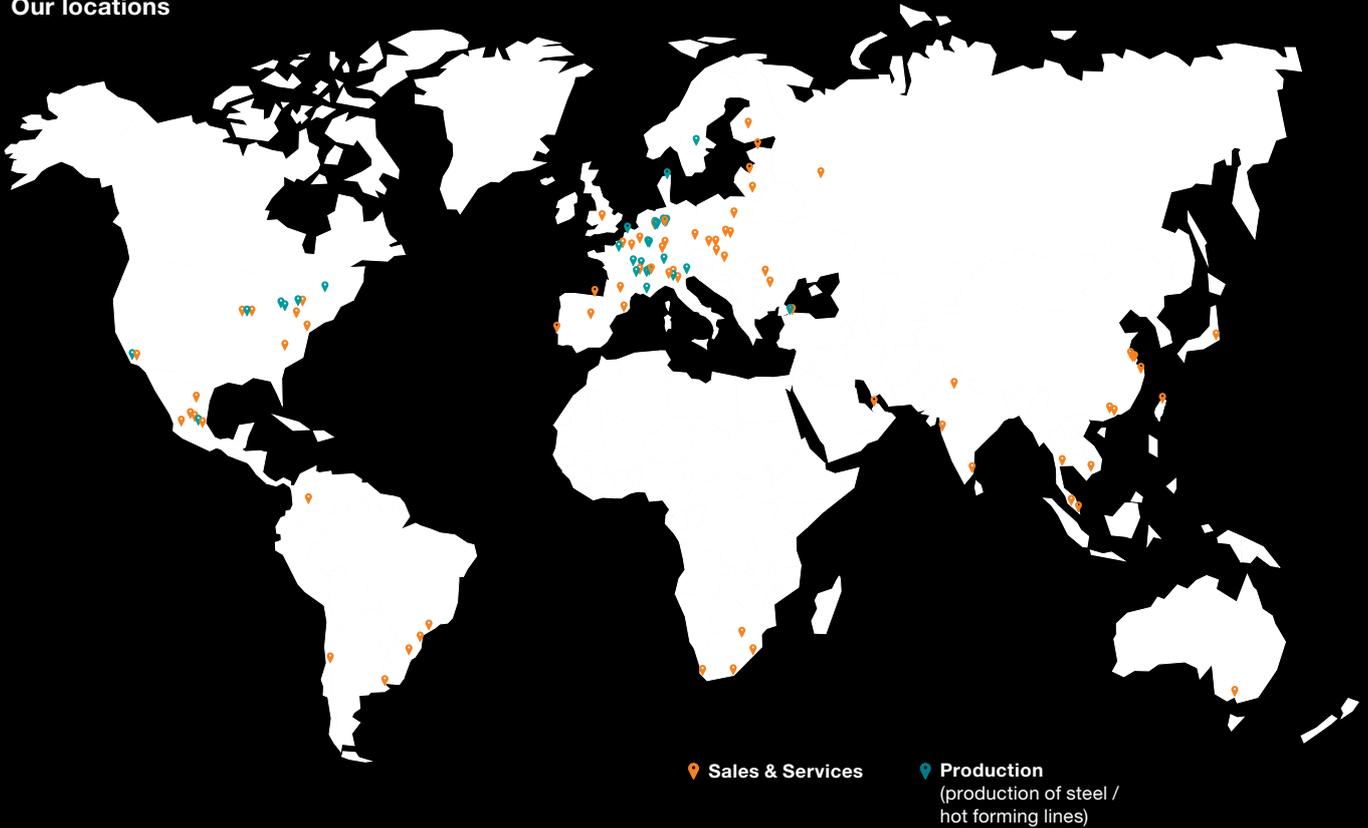


### International



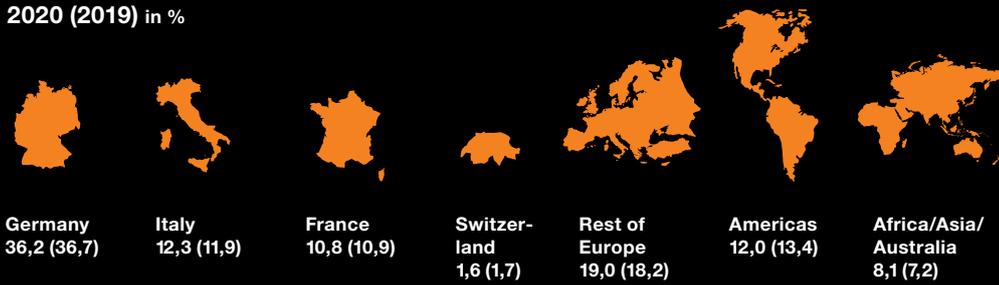
## Present worldwide

### Our locations



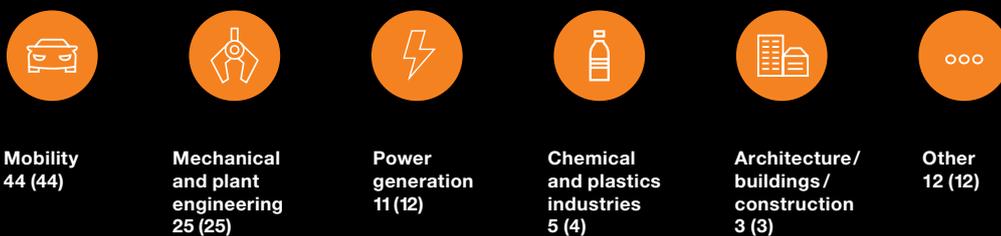
### Revenue by region

2020 (2019) in %



### Revenue by end customer industry

2020 (2019) in %



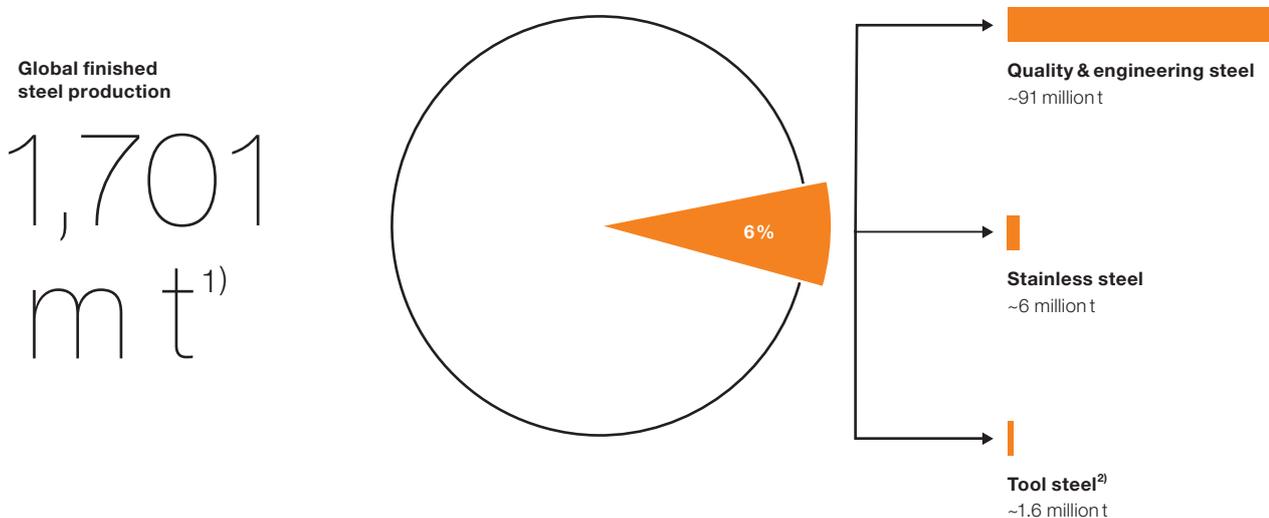
Production in specialized niches

# Flexible in production and broad in range

**Swiss Steel Group can manufacture a very large number of different types of steel in electric arc furnaces in accordance with customers' individual needs and using a multitude of formulas. The focus is on special long steel in the form of bars and wire with specific material properties. In this respect, the Group differs from the mass market.**

An electric arc furnace can be loaded relatively flexibly based on customer demand and order volumes. Swiss Steel Group stands out from most of the competition by virtue not only of its high production flexibility, but also its vast product range. Our ten steelworks in Germany, France, Canada, Switzerland and the USA are equipped with their own electric arc furnace, with each complementing the other in terms of formats and grades. The products can be delivered in accordance with customer requirements in the form of ingots (from ingot casting), blooms, billets, rods, wire rods, drawn wire or powder.

## Global special long steel production in 2019



<sup>1)</sup> SMR, rounded

<sup>2)</sup> incl. alloyed tool steel, high-speed steel



## Special long steel product groups

# 73%

### Quality & engineering steel

Quality & engineering steel enables permanent mechanical loads and reliable use of components. Engineering steel is used in the automotive industry, power generation facilities and wind turbines, for example.

# 19%

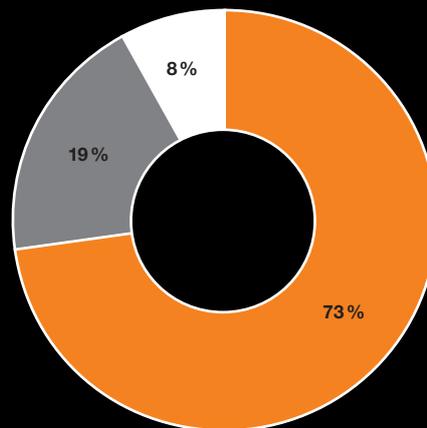
### Stainless steel

Resistant to corrosion, acids and heat, this steel is an attractive material for numerous applications, including in the automotive, machinery and plant manufacturing, food and chemicals, oil and gas, and aviation industries.

# 8%

### Tool steel

The product range spans cold-work steel, hot-work tool steel, high-speed steel and mold steel. Our tool steel is used, for example, in the automotive and food packaging industries.



Shares of sales by product group 2020

## Sales price

### Base price

This is negotiated with the customer and essentially depends on market supply and demand, technical expertise and the complexity of production, such as in the case of unmelted steels or thermal processes.

### Scrap surcharge

The scrap surcharge levied by the manufacturers on top of the sales price for steel is based on an index price system for scrap. Increases or decreases are passed on directly to the customer.

### Alloy surcharge

This surcharge is handled like the scrap surcharge and depends on the percentage of alloy metals – e.g. nickel, molybdenum, ferrochrome or other materials – contained in the end product.

## Recycling – an eternal cycle

# A major contribution to the circular economy

**Our business model is based on sustainability. In our electric arc furnaces we melt exclusively scrap, refine alloy elements based on their area of application, and thus establish a perfect circular economy. Our electric arc furnaces mean that we have a fundamentally very CO<sub>2</sub>-efficient production process.**

### Steel production in the electric arc furnace (EAF)

Steel production is dominated by two process routes: converting iron ore to steel and converting scrap to steel. Swiss Steel Group only uses the scrap-based route, in which special long steel is produced in an electric arc furnace by recycling scrap steel.

### Reduced CO<sub>2</sub> emissions

Compared to the blast-furnace route, production from steel scrap in an electric arc furnace is more flexible, specialized and environmentally friendly. The EAF route produces less than one quarter of the CO<sub>2</sub> emissions, at approximately 0.36 tons. The CO<sub>2</sub> emissions can be cut even further depending on the energy source used.

## Materials cycle



# 100% electric

Steel scrap is delivered by local suppliers. Alloys and consumables are procured globally. To melt the steel scrap, graphite electrodes conduct electric current through the furnace, generating an electric arc, with the high temperatures between 1,630 and 1,700 degrees Celsius giving rise to the smelting process. Oxygen or a mixture of combustible gases is blown into the furnace to accelerate smelting.

## EAF production

1

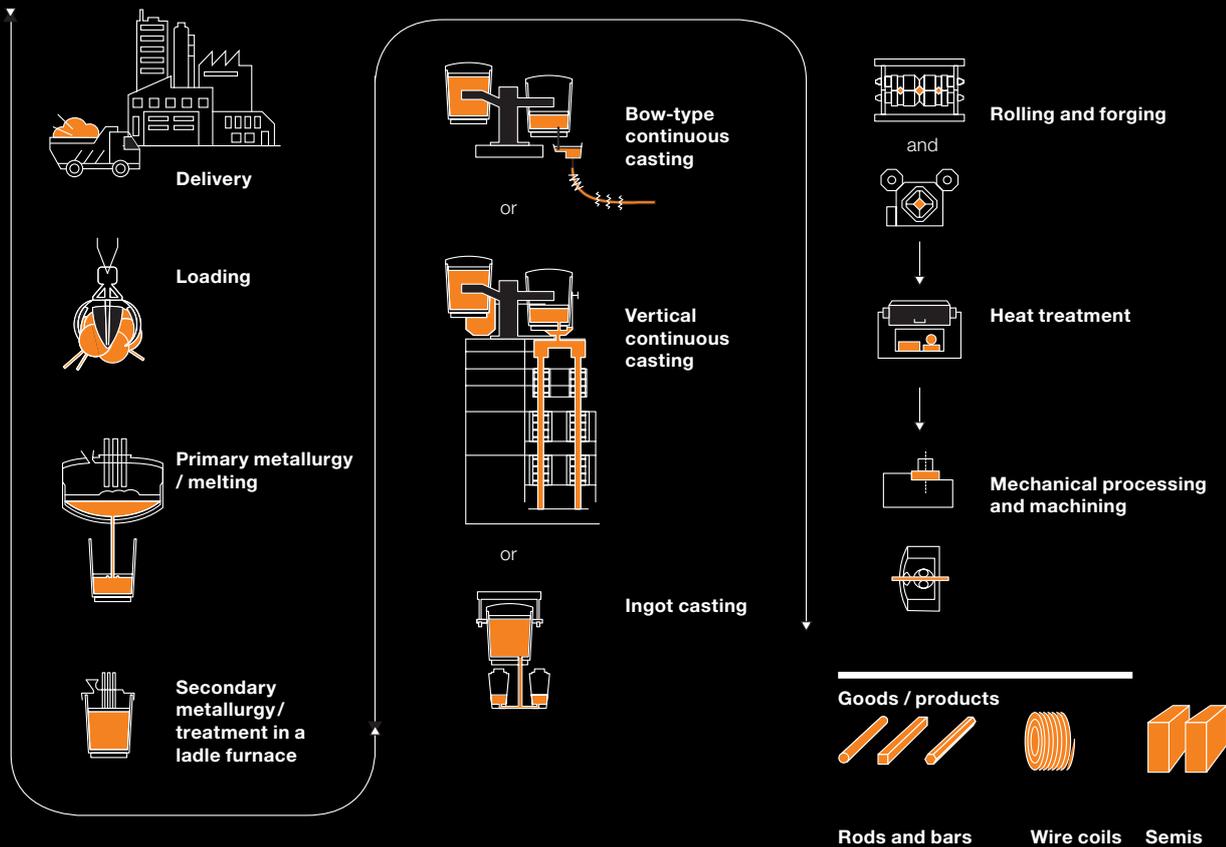
**Melting stage**

2

**Casting stage / forming**

3

**Processing / refining**





# Management report

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# Business environment

**Our financial performance is influenced by numerous external and internal factors, not least the impact of the global COVID-19 pandemic in 2020. The macroeconomic and industry-specific environment play a big role, as does the development of commodity prices. The following sections give an overview of the most important factors.**

## External factors

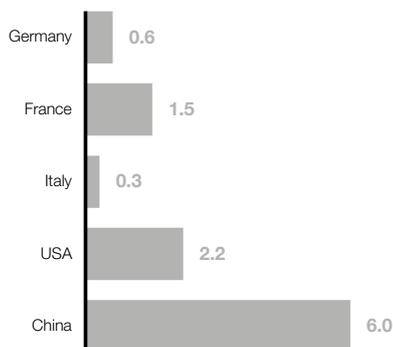
### Economic situation

The impact of the global COVID-19 pandemic and the lockdown measures introduced in various countries and regions have led to a global recession. The difficult economic situation is reflected not just in the fact that the gross domestic product of some countries has fallen drastically, but also in increasing government spending and debt for support packages to mitigate damage on local economic activity.

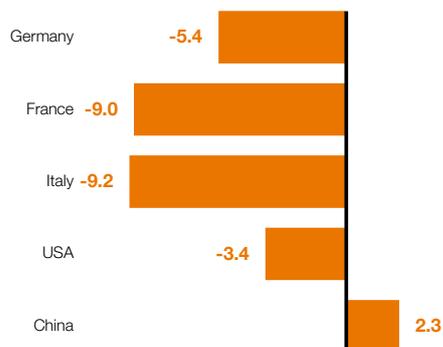
The International Monetary Fund (IMF) estimates (as of January 2021) that in 2020 global gross domestic product (GDP) fell to  $-3.5\%$ , having grown by  $2.8\%$  in 2019. The Advanced Economies, which make up our largest sales market, recorded a drop in GDP of  $-4.9\%$ , compared with growth of  $1.6\%$  in 2019. The Eurozone and the USA posted declines of  $-7.2\%$  and  $-3.4\%$  respectively, compared with positive growth of  $1.3\%$  and  $2.2\%$  respectively in 2019. The GDP in the Emerging Markets and Developing Economies also fell by  $-2.4\%$ , versus growth of  $3.6\%$  in 2019. Among our major sales markets, only China managed to record slight growth in GDP of  $2.3\%$  compared with previous years. In 2019, GDP had grown by  $6.0\%$ .

#### GDP growth in selected markets in %

2019



2020



## Customer industries

Our most important end market, the automotive industry, saw major declines in production as a result of the COVID-19 pandemic, the lockdown measures introduced in some countries and regions. The Chinese passenger car production was impacted from January 2020 with the biggest hit in February when passenger car production fell by 83 % year-on-year. In March, the pandemic then hit Europe and the USA. According to LMC Automotive, 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) fell in March by 42 % and in April by 95 % year on year. In March and April 2020, US passenger car production declined by 26 % and 99 % respectively compared to March and April 2019 and only recovered very slowly afterwards.

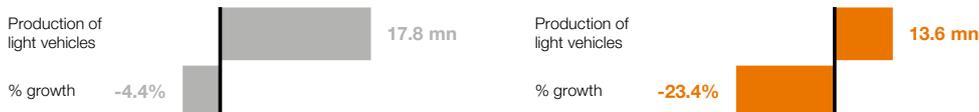
With the gradual restart of automotive production during the course of the late spring and early summer 2020, the losses in automotive production declined, but automotive production did not return to 2019 levels. In China and the USA, production of passenger cars in 2020 was 7 % and 23 % respectively below the 2019 level. In Europe, light vehicle production followed a similar trend, having declined by 23 % year-on-year.

### Automotive production in Europe

Number

2019

2020



Source: LMC Automotive

We started to see the impact of the COVID-19 pandemic in the German mechanical and plant engineering industry, another of our important end markets, from April 2020. According to the German Federal Statistic Office, in April production and order intake, which had already started to fall in 2019, were 27 % and 29 % respectively below their levels of April 2019.

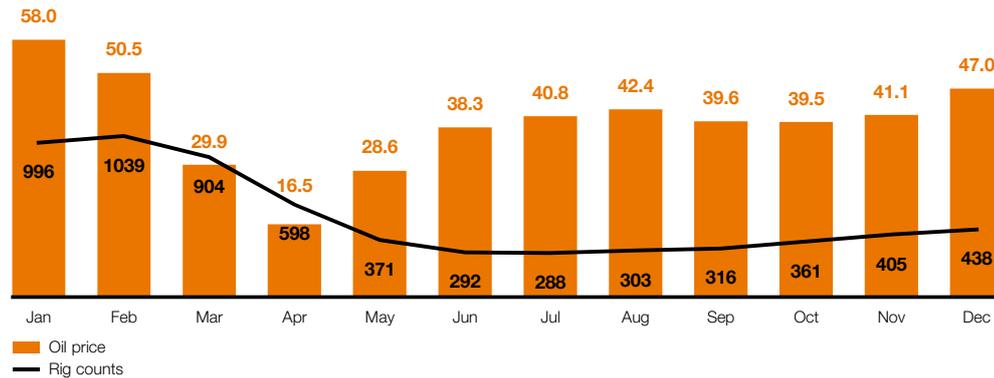
During the course of the remaining year, the German mechanical engineering situation moderately improved. In October the order intake exceeded the year-on-year level for the first time in two years. Taking the whole of 2020 into account, production and order intake were, however, still 13 % and 9 % respectively below the level of 2019.

In the first nine months of 2020 in particular, developments in the global oil and gas industry were shaped by low crude oil prices and a low rotary rig count. This was mainly as a result of falling global demand for oil and the failure of OPEC and Russia to reach an agreement on cutting production in the first quarter of 2020, which led to a price war. The crude oil price for West Texas Intermediate (WTI) fell until mid-April followed by some recovery by the end of June. It remained relatively stable during the third quarter. As demand for oil rose again, albeit still below the level of the previous year, the oil price increased during the fourth quarter and by the end of December was at around USD 49 a barrel. Taking the whole of 2020 into account, the crude oil price was, however, still 21 % below its price of around USD 61 at the start of the year. Having risen in February, the North American rotary rig count bottomed out at 278 in June.

The improvement in oil prices during the second half of 2020 saw a corresponding increase of the North American Rotary Rig Count to just 430 at the end of December 2020. However, it was still 51 % lower than at the beginning of the year (source: Baker Hughes, Bloomberg).

#### Change in the oil price (WTI) and rotary rig counts (North America)

Monthly average values in USD/barrel and quantity



Source: Bloomberg

## Commodity prices

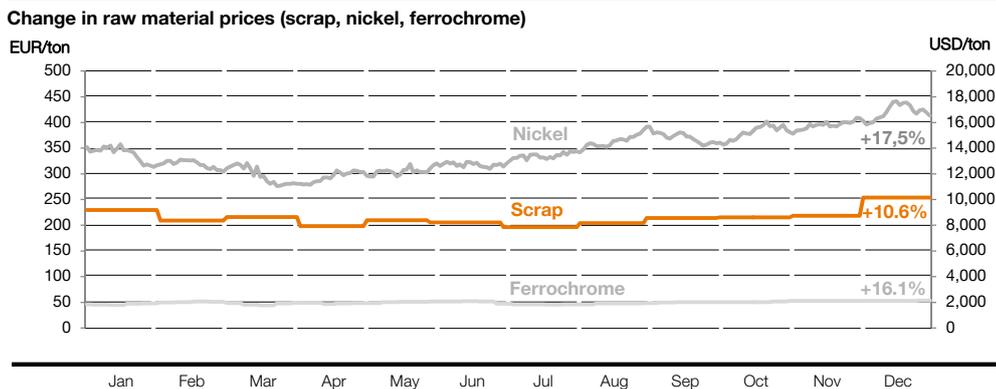
2020 saw varying trends in the prices of commodities of importance to Swiss Steel Group.

In the first seven months of the year, the monthly average price of German scrap type 2 showed a general downward trend decreasing by 15 % compared with January due to the decline in production of steel following the lockdown measures imposed due to the COVID-19 pandemic. As the demand for steel rose and steel production gradually started up again, the scrap prices trended upward again. By the end of the fourth quarter, this trend strengthened further due to growing demand on the one hand, and a shortage of supply on the other hand. At the end of the year, the monthly price for German scrap type 2 amounted to EUR 254 per ton, up 11 % on its price of EUR 230 in January 2020.

Having fallen by 20 % in the first quarter due to a COVID-19 related fall of stainless steel production initially in China, then in Europe, the price of nickel rose overall in the following quarters, mainly due to growing demand from China, increased demand for and production of electric vehicles, and government schemes and subsidies to stimulate economic growth. At the end of the year, the price of nickel was USD 16,540 a ton, 18 % above its price of USD 14,075 at the start of the year.



In 2020 we saw an overall upward trend in the European price for high carbon ferrochrome. All in all, the price rose by 16% from USD 1,852 per ton at the start of the year to USD 2,150 per ton by the end of the year. After the price has hit bottom a first time in March and a second time in July, it increased through the end of December 2020.



Sources: BDSV, London Metal Exchange, ICDA (International Chromium Development Association)

## Consumables

As a producer of special long steel in electric arc furnaces, Swiss Steel Group relies on a constant supply of energy, graphite electrodes, refractory materials and other consumables.

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

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

## Electricity

The average monthly spot prices for electricity on the European Energy Exchange rose during the course of 2020 and in December in Germany were 38% and in France 32% above the level at the start of the year.

## Internal factors

### Product excellence and innovations

Progress is the key to the future. For this reason, Swiss Steel Group strives to manufacture the best products and promotes new and promising ideas.

Research and development (R&D) is one of the key factors in the further development of the product range and manufacturing processes. R&D activities are coordinated at Group level. This work is currently carried out by a workforce of around 100 employees, who are involved in over 140 R&D projects.

Every Business Unit and production plant works closely with one or more customers, often simultaneously with specialized research institutes such as universities. Swiss Steel Group is active at all levels of the special long steel value chain, starting with material development, input and process elaboration, from melting & refining, continuously cast blooms, cast steel ingots, through rolled or forged bars, bright steel, drawn wire to complex parts such as hydraulic blocks, ready-to-install rolls or mandrel bars to application optimization, e.g. improving machinability, resistance to wear, dynamic loads, or corrosive environment.

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

All products are certified according to internationally recognized industry or customer standards. Swiss Steel Group is always working to achieve new certifications in order to be able to develop material for highly sensitive and challenging components, such as structural elements for airplanes, vehicle engines or machines. One such certification is the Nadcap accreditation required for aviation industry suppliers. We aim to achieve this certification for more sites and plants. Other large customers have established their own certifications that Swiss Steel Group has to comply with.

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

The research teams of the production units at Ascometal, Deutsche Edelstahlwerke, Finkl Steel, Steelttec, Swiss Steel and Ugitech meet four times a year to discuss universally leading-edge projects, to present new ideas and to drive forward working groups. Promising ideas go through a six-stage development process, leading to marketability.

The R&D areas are used to promote talent within the Group. The aim is to seek young talented individuals to take part in promising projects and offer them a career within Swiss Steel Group. Ongoing research and development projects present challenges, for example, in terms of “predictive quality” in quality systems, production and processing, use of new sensors and systems (Industry 4.0) as well as guaranteeing optimized consumption values for selected product fields as part of our sustainability initiatives.




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**Product excellence and innovation**

## Customer centricity

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




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### Customer centricity

This enables Swiss Steel Group to benefit from some 24,000 strong and long-standing customer relationships across the globe. Leveraging its position in the traditional core markets of Europe and North America, Swiss Steel Group now maintains a presence in all the key markets worldwide.

We have forged ahead with targeted expansion in growth markets, such as China, India and Latin America, by opening several distribution branches in these areas over the last few years.

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

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### Environmentally friendly manufactured steel for sustainable future technologies

#### “Sustainable concepts for a green approach to steel production”

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

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## Supply chain management

The security and sustainability of supply of commodities for production is a critical factor for the business. Responsibility for this is duly entrusted to the highest level of management, Corporate Purchasing. This unit formulates Swiss Steel Group’s purchasing strategy and policy in various areas, and launches, manages, coordinates and supports activities on procurement markets as well as the cooperation of the Business Units in purchasing. Its focus is on the optimized coverage of overlapping needs, e.g. through joint and bundled annual invitations to tender for national or international providers.




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### Supply chain management

Confirmation of compliance with recognized ethical standards is an essential contractual component for all of Swiss Steel Group’s suppliers with annual revenue of EUR 100,000 or more. This confirmation is always required in the case of products originating in the “Covered Countries” listed under Section 1502 of the US Dodd-Frank Act.

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

Swiss Steel Group is working to reduce its environmental footprint in the supply chain. By using various forms of steel scrap (rather than iron ore and coke) as the main component and the basis for the majority of domestic raw materials, we have been well positioned in this respect for a number of years. By collaborating more closely with suppliers, but also customers, we are continually working toward even greater progress through optimization in the use of alloy elements, energy and our treatment and use of residues.

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### Successful recycling of refractory materials

# 9,750

tons refractory materials  
made from recycle used

Deutsche Edelstahlwerke and Swiss Steel Emmenbrücke are increasingly using refractory materials and products, which contain large quantities of recycled magnesite rather than primary raw material, in their steelworks. We work with a specialist partner with years of experience to recover raw materials from our used refractory material and manufacture new products from this. We are conserving natural resources and helping to reduce our environmental footprint along the way.

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## Governance

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

One of the components necessary for achieving this strategic goal is the creation of a uniform Group-wide corporate identity and culture. The new name of Swiss Steel Group embodies the vision and values of the Group. We are currently in a phase of transformation and will find a new niche for our Group. Our new claim “Together. For a future that matters” summarizes how we strive toward joint success in the near and distant future. The creation of a shared identity is an important step for the future. It lays the foundation for the Business Units’ shared market presence and promotes the exploitation of synergies. Swiss Steel Group used 2020 to realign its corporate identity and culture and further embed this in the organization by means of communication measures, integration of employees at all levels and specific Group-wide projects.




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**Governance**  
Refer also to pages 54, 70

Consistent implementation of the change process will also play an important role in 2021 to be able to exploit potential synergies in the Group.

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**“Together. For a future that matters.”**

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

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Swiss Steel Group continues to view governance in accordance with uniform Group-wide key figures as a major success factor. In keeping with its sustainable strategic alignment, Swiss Steel Group's governance focuses on key figures that include:

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

## Business conduct

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

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

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

- Ecological performance
- Social performance
- Economic performance




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**Business conduct**

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

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#### **Steeltec Group wins an EcoVadis silver medal**

**“Together we produce the economically and ecologically sustainable solutions of tomorrow.”**

In 2020 Steeltec Group underwent EcoVadis certification for the first time. All production plants in Switzerland, Germany and Turkey were involved. This assessment is supported by a series of criteria used to evaluate the actions and guidelines of the Group with regard to the environment, working conditions, business practices and responsible purchasing.

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# Financial development

## Business development of the Group

Following a tough fiscal year in 2019, the first signs of an 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 both in terms of volumes and prices. Demand was dramatically affected by the complete shutdown of all business activities at major European automobile manufacturers as well as their suppliers. Curbs on production, short-time work programs and flexibilization of cost structures have only had limited success in counteracting the drop in sales. Even though demand had normalized toward the end of the second half of the year, losses had to be booked in 2020. In order to ensure the long-term financing of Swiss Steel Group, the financing concept was revamped and is on track to be completed with the expected capital increase planned for the end of March 2021.



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**Financial performance**

### Overview of fourth quarter and 2020

The market stabilized again in the fourth quarter of 2020. In particular, a recovery in the automotive sector had a positive impact on our sales volume and order books. Driven by the fact that supplier industries were replenishing their inventories, we managed to increase sales sharply over those of the same quarter in the previous year. After three disappointing quarters, a positive adjusted EBITDA was again achieved in the fourth quarter.

The key financial figures for 2020 were shaped by the effects of the COVID-19 crisis as well as depreciation of the DEW and Ascometal Business Units. The dramatic drop in demand in the first half of the year means that sales volumes and adjusted EBITDA were well below those of the previous year.

### Impairments

In 2020 the net assets of the DEW and Ascometal Business Units were written down by totally EUR 101.2 million. The impairment was booked under depreciation, amortization and impairments in the consolidated income statement. The impairments are disclosed in note 20.

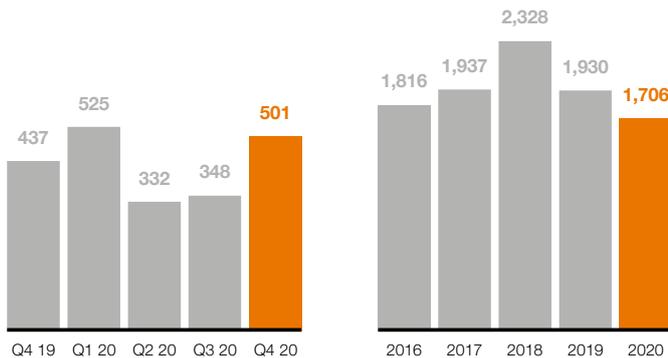
## Production, sales and order situation

**Order backlog at quarter/year-end**  
in kilotons



Although the order backlog fell sharply during the second and third quarters of 2020 due to very few new orders as a result of COVID-19, there were clear signs of recovery in the fourth quarter of 2020. The order backlog at the end of December of 566 kilotons was significantly higher than the figure for the two previous quarters and was even 35.7 % above the level of the previous year of 417 kilotons. This development mirrors the recovery in demand from the automotive sector and has also been strengthened by auto supplier industries replenishing their inventories. In mechanical and plant engineering too, initial improvements in demand could be seen toward the end of the year, while demand from the oil and gas industry remains very low.

**Production volume**  
in kilotons



In response to normalizing demand, crude steel production was scaled up again in the fourth quarter and short-time work in production areas was reduced. At 501 kilotons, significantly more crude steel was produced than in the two previous quarters and in the same quarter of the previous year (Q4 2019: 437 kilotons). At 1,706 kilotons, crude steel production in 2020 was below that of the previous year (2019: 1,930 kilotons). To mitigate the drop in orders resulting from Covid-19, production was significantly reduced over the course of several months by reducing the number of shifts worked, temporarily shutting down production and introducing short-time work programs.



Sales volume by product group in kilotons	2020	2019	Δ in %	Q4 2020	Q4 2019	Δ in %
Quality & engineering steel	1,115	1,352	-17.5	342	283	20.8
Stainless steel	295	337	-12.5	70	72	-2.8
Tool steel	120	137	-12.4	31	32	-3.1
Others	5	4	25.0	2	1	-
<b>Total</b>	<b>1,535</b>	<b>1,830</b>	<b>-16.1</b>	<b>445</b>	<b>388</b>	<b>14.7</b>

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 the increase of 20.8 % in sales volumes of quality & engineering steel. Recovery in demand from the automotive industry is also reflected in this product group.

In contrast, sales volumes in the two product groups of stainless steel and tool steel decreased compared with the same quarter of the previous year. Despite signs of recovery in the most important segments and the oil price, overall demand in the fourth quarter remained low.

Taking the whole 2020 into account, the declines 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).

## Key figures on the income statement

in million EUR	2020	2019	Δ in %	Q4 2020	Q4 2019	Δ in %
Revenue	2,288.4	2,980.8	-23.2	604.5	619.0	-2.3
Gross profit	767.3	952.2	-19.4	208.5	194.8	7.0
Adjusted EBITDA <sup>1)</sup>	-68.9	51.2	-	4.1	1.4	-
EBITDA	-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	-272.7	-425.4	35.9	-28.8	-52.7	45.4
Earnings before taxes	-321.6	-482.9	33.4	-43.0	-72.2	40.4
Group result	-310.2	-521.0	40.5	-42.4	-75.9	44.1

<sup>1)</sup> For the bridge between adjusted EBITDA and EBITDA please refer to the Annual Report 2020 page 33

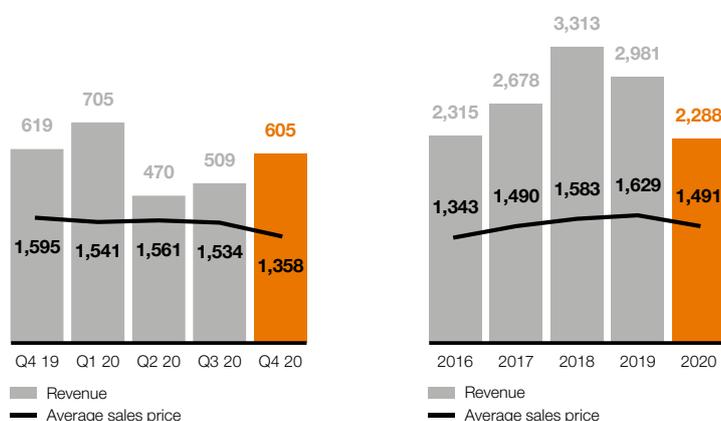
Revenue by product group in million EUR	2020	2019	Δ in %	Q4 2020	Q4 2019	Δ in %
Quality & engineering steel	1,010.7	1,404.8	-28.1	296.1	275.9	7.3
Stainless steel	890.4	1,066.7	-16.5	216.9	232.0	-6.5
Tool steel	327.8	422.5	-22.4	76.6	94.4	-18.9
Others	59.5	86.8	-31.5	14.9	16.7	-10.8
<b>Total</b>	<b>2,288.4</b>	<b>2,980.8</b>	<b>-23.2</b>	<b>604.5</b>	<b>619.0</b>	<b>-2.3</b>

Revenue by region in million EUR	2020	2019	Δ in %	Q4 2020	Q4 2019	Δ in %
Germany	829.0	1,096.0	-24.4	208.6	212.1	-1.7
Italy	280.7	354.3	-20.8	85.1	77.0	10.5
France	248.0	325.6	-23.8	69.4	70.0	-0.9
Switzerland	36.5	50.0	-27.0	8.3	9.1	-8.8
Other Europe	434.0	542.1	-19.9	117.6	114.5	2.7
<b>Europe</b>	<b>1,828.2</b>	<b>2,368.0</b>	<b>-22.8</b>	<b>489.0</b>	<b>482.7</b>	<b>1.3</b>
USA	188.3	267.7	-29.7	43.6	56.0	-22.1
Canada	54.0	85.2	-36.6	12.2	17.4	-29.9
Other Americas	32.1	44.7	-28.2	8.9	9.8	-9.2
<b>America</b>	<b>274.4</b>	<b>397.6</b>	<b>-31.0</b>	<b>64.7</b>	<b>83.2</b>	<b>-22.2</b>
China	89.9	92.1	-2.4	25.2	24.5	2.9
India	24.8	33.7	-26.4	7.8	7.9	-1.3
Asia Pacific/Africa	71.1	89.4	-20.5	17.8	20.8	-14.4
<b>Africa/Asia/Australia</b>	<b>185.8</b>	<b>215.2</b>	<b>-13.7</b>	<b>50.8</b>	<b>53.2</b>	<b>-4.5</b>
<b>Total</b>	<b>2,288.4</b>	<b>2,980.8</b>	<b>-23.2</b>	<b>604.5</b>	<b>619.0</b>	<b>-2.3</b>

The average sales price per ton of steel was EUR 1,358.4 in the fourth quarter of 2020 and therefore fell a long way 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 to an equivalent level immediately, despite the widespread use of surcharge mechanisms. The price drop can be attributed to ongoing high price pressure and to the changed product mix, where quality and engineering steel now represents a larger share but has a lower average sales price.

In full-year 2020, the average sales price 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 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.

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



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 low prices. Although revenue in the quality & engineering steel product group rose by 7.3 %, stainless steel revenue fell by 6.5 % and that for tool steel by 18.9 %. By region, revenue in Europe increased by 1.3 % over the same quarter in the previous year, reflecting a recovery in the automotive industry. This increase in revenue was driven primarily by higher sales volumes in Italy. In Americas, a region dependent on the oil and gas industry, further declines in revenue were posted.

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 greatest 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 quarters. Nearly all regions of the global market posted declines in revenue.

### Expenses

in million EUR	2020	2019	Δ in %	Q4 2020	Q4 2019	Δ in %
Cost of materials (incl. change in semi-finished and finished goods)	1,521.0	2,028.6	-25.0	396.0	424.2	-6.6
Personnel expenses	624.4	686.6	-9.1	154.7	153.6	0.7
Other operating expenses	292.8	335.6	-12.8	78.6	70.5	11.5
Depreciation, amortization and impairments	173.7	412.8	-57.9	19.9	37.6	-47.1

### Cost of materials and gross profit

Cost of materials – including adjustments for the change in semi-finished and finished goods – decreased in the fourth quarter by 6.6 % to EUR 396.0 million and in full-year 2020 by 25.0 % to EUR 1,521.0 million.

Gross profit – revenue less cost of materials – was up by 7.0 % in the fourth quarter to EUR 208.5 million (Q4 2019: EUR 194.8 million). Despite the ongoing high price pressure, the gross profit margin rose to 34.5 % (Q4 2019: 31.5 %).

In full-year 2020, gross profit fell by 19.4 % to EUR 767.3 million (2019: EUR 952.2 million). This was primarily attributable to the significant decline in sales volumes. Major adjustments to the cost structure meant that the gross profit margin rose to 33.5 % compared with the previous year (2019: 31.9 %).

**Personnel expenses**

Personnel expenses increased by 0.7 % in the fourth quarter to EUR 154.7 million (Q4 2019: EUR 153.6 million). The successful conclusion of the restructuring concept at the Ascometal Business Unit resulted in one-time expenses of EUR 7.9 million. In contrast, the collective restructuring agreement in the DEW Business Unit led to personnel savings of EUR 6.6 million.

In full-year 2020, personnel expenses fell by –9.1 % to EUR 624.4 million. Alongside staffing cut-backs, this was also due to changed shift models and short-time work programs in some countries. Overall, Swiss Steel Group received 23.2 million in compensation for short-time work, which was offset against personnel expenses. In 2020, the headcount fell by 368 employees year on year to 9,950.

**Other operating income and expenses**

At EUR 15.9 million, other operating income in the fourth quarter was higher than in the same quarter of the previous year (Q4 2019: EUR 14.1 million). Full-year 2020 saw other operating income fall to EUR 50.8 million (2019: EUR 57.4 million). One-time reimbursements associated with the acquisition of Ascometal had increased this figure in the previous year.

The fourth quarter saw other operating expenses increase by 11.5 % over the same quarter in the previous year to EUR 78.6 million (Q4 2019: EUR 70.5 million). This was impacted in particular by higher maintenance and repair costs. The full-year 2020 saw other operating income fall by 12.8 % to EUR 292.8 million (2019: EUR 335.6 million). This drop was caused by lower freight costs and savings in administration, such as travel costs. The valuation effect resulting from forward contracts on future nickel sales at EUR 7.5 million from the previous year and a fine from the Federal Cartel Office in Germany of EUR 12.3 million had also driven up operating expense in the previous year.

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

Adjusted EBITDA totaled EUR 4.1 million in the fourth quarter of 2020; an increase on the same quarter of the previous year (Q4 2019: EUR 1.4 million). The one-time effects ran to EUR 13.0 million and included restructuring expenses of EUR 7.9 million for the Ascometal Business Unit and the costs incurred by changing our name to Swiss Steel Group. Including these one-time effects, EBITDA fell to EUR –8.9 million (Q4 2019: EUR –15.1 million).

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

**One-time effects**

in million EUR	2020	2019	Δ in %	Q4 2020	Q4 2019	Δ in %
<b>EBITDA (IFRS)</b>	<b>-99.0</b>	<b>-12.5</b>	<b>-</b>	<b>-8.9</b>	<b>-15.1</b>	<b>41.1</b>
Performance improvement program, others	16.3	28.6	-43.0	3.3	12.6	-73.8
Reorganization and transformation processes	1.0	3.3	-69.7	0.5	0.2	-
Restructuring and other personnel measures	12.6	17.2	-26.7	9.2	1.2	-
M&A and integration	0.2	14.7	-98.6	0.0	2.5	-
<b>Adjusted EBITDA</b>	<b>-68.9</b>	<b>51.2</b>	<b>-</b>	<b>4.1</b>	<b>1.4</b>	<b>-</b>

**Depreciation, amortization and impairments**

Depreciation, amortization and impairments came to EUR 19.9 million in the fourth quarter, below the figure for the same quarter in the previous year (Q4 2019: EUR 37.6 million). This includes impairments from the Ascometal Business Unit of EUR 3.0 million in the fourth quarter (Q4 2019: EUR 15.3 million). For 2020 as a whole, at EUR 173.7 million, depreciation, amortization and impairments were significantly below the level of the previous year (2019: EUR 412.8 million). This was due to lower impairments year on year. In 2020, this included impairments of the Ascometal and DEW Business Units amounting to EUR 101.2 million. In the previous year, the item included impairments of the Ascometal, DEW, Finkl Steel and Steeltec Business Units amounting to EUR 312.7 million. As a consequence of the high impairment in the previous quarter, the carrying amounts relevant to depreciation and amortization were reduced, as a result of which depreciation and amortization in 2020, at EUR 72.5 million, were lower than in the previous year (2019: EUR 100.2 million).

**Financial result**

At EUR -14.2 million, the financial result in the fourth quarter was higher as in the same quarter in the previous year (Q4 2019: EUR -19.4 million). For 2020 as a whole, the financial result amounted to EUR -48.9 million which is above EUR -57.5 million in 2019. Due to the capital increase in the first quarter of 2020 with subsequent redemption of the corporate bond, 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.

**Tax expense/(income)**

The earnings before taxes (EBT) for the fourth quarter were EUR -43.0 million (Q4 2019: EUR -72.2 million) and for 2020 as a whole amounted to EUR -321.6 million. The tax income in the fourth quarter was EUR 0.6 million and for 2020 as a whole it was EUR 11.4 million.

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 COVID-19 aid package. Deferred taxes on loss carry-forwards from the France tax group and Swiss Steel Business Unit, amounting to EUR 7.3 million, were also capitalized.

**Group result**

A negative Group result of EUR -42.4 million was recorded in the fourth quarter (Q4 2019: EUR -75.9 million). For 2020 as a whole, as a result of the poor operating results caused by COVID-19, the Group posted a negative result of EUR -310.2 million. Despite this, the figure was up on the previous year (2019: EUR -521.0 million), which can be attributed to the significantly higher impairments in the previous year.

## Key figures on the balance sheet

	Unit	31.12.2020	31.12.2019	Δ in %
Shareholders' equity	million EUR	166.1	183.8	-9.6
Equity ratio	%	9.7	9.6	-
Net debt	million EUR	639.9	798.7	-19.9
Gearing	%	385.2	434.5	-
Net working capital (NWC)	million EUR	698.1	773.1	-9.7
Balance sheet total	million EUR	1,715.7	1,919.1	-10.6

### Non-current assets

Non-current assets decreased compared with December 31, 2019, falling by EUR 78.0 million to EUR 557.4 million. The fall was mainly the result of additions to property, plant and equipment, intangible assets and right-of-use assets. The share of non-current assets in the balance sheet total shrank to 32.5% (December 31, 2019: 33.1%).

### Net working capital

Compared with December 31, 2019, net working capital fell from EUR 773.1 million to EUR 698.1 million. This development resulted from a drop of EUR 24.1 million in trade accounts receivable and a reduction of EUR 116.7 million in inventories. The fourth quarter of 2020 was the eighth quarter in a row in which inventories could be reduced. Since the end of 2018, this represents a reduction of 36%. These two effects outweighed the reduction in trade accounts payable by EUR 65.7 million. The ratio of net working capital to revenue (L3M annualized) as of December 31, 2020 was 28.9% compared with 31.2% at the end of 2019.

### Shareholders' equity and equity ratio

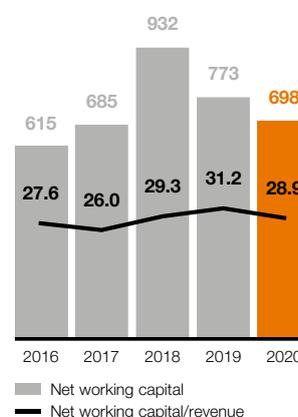
At the end of December 2020, shareholders' equity had fallen by EUR 17.7 million since December 31, 2019. The stabilization in the shareholders' equity base achieved at the start of 2020 by increasing capital by EUR 291.2 million was further reduced by the negative Group result of EUR -310.2 million. The equity ratio of 9.7% is therefore once again roughly on a par with the previous year (2019: 9.6%).

To increase shareholders' equity and improve financing and credit conditions, on December 22, 2020 the Company's shareholders resolved on an ordinary capital increase in order to raise targeted gross proceeds of EUR 200 million; the implementation of the capital increase was still outstanding when the financial statements were approved by the Board of Directors on March 1, 2021.

### Liabilities

Non-current liabilities amounted to EUR 882.2 million as of the reporting date and were thus EUR 237.7 million higher than on December 31, 2019, primarily as a result of the EUR 239.4 million increase in non-current financial liabilities. This increase was due in part to the top-up of the syndicated loan, but also to a shareholder loan and state guaranteed bank loans. The share of non-current liabilities in the balance sheet total increased from 33.6% to 51.4%.

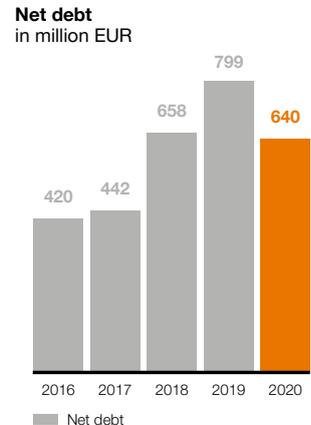
**Net working capital**  
in EUR million / in relation to  
revenue (L3M annualized) in %



Current liabilities were EUR 423.5 million, down by EUR 667.3 million compared with the end of 2019. One reason for this is the repayment of the validly tendered bond amounting to EUR 328.8 million, triggered by the change of control brought about by the capital increase that took place on January 8, 2020. In addition to this, in the fourth quarter of 2020, Swiss Steel Group exercised its repurchase right and bought back the outstanding EUR 21.2 million from the bond issue. On the other hand, trade accounts payable fell by EUR 65.7 million. The share of current liabilities in the balance sheet total fell to 38.9% (December 31, 2019: 56.8%).

### Net debt

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 639.9 million, a decrease on the figure as of December 31, 2019 (EUR 798.7 million). This was mainly due to the capital increase in the first quarter of 2020. Despite ongoing negative operating results, the rise in net debt was curbed during the year due to strict cost management of working capital.



## Key figures on the cash flow statement

in million EUR	2020	2019	Δ in %	Q4 2020	Q4 2019	Δ in %
Cash flow before changes in net working capital	-86.2	-42.6	-	-27.7	-88.0	68.5
Cash flow from operating activities	-22.9	116.1	-	11.8	2.2	-
Cash flow from investing activities	-77.9	-123.9	37.1	-30.7	-50.8	39.6
Free cash flow	-100.8	-7.8	-	-18.9	-48.6	61.1
Cash flow from financing activities	125.2	7.8	-	38.8	58.0	-33.1

### Cash flow from operating activities

At EUR -27.7 million, operating cash flow before changes in net working capital in the fourth quarter of 2020 was less negative than the same quarter of the previous year (Q4 2019: EUR -88.0 million). Despite the negative result, positive cash flow from operating activities of EUR 11.8 million was generated (Q4 2019: EUR 2.2 million). This is thanks to consistent management of net working capital, especially the reduction in inventories.

For 2020 as a whole, cash flow from operating activities was EUR -22.9 million, much lower than the previous year (2019: EUR 116.1 million). This is the consequence of the negative operating result and the fact that net working capital was reduced less than in the previous year.

### Cash flow from investing activities

Cash flow from investing activities in the fourth quarter amounted to EUR -30.7 million, which was more than the same quarter of the previous year of EUR -50.8 million. Cash flow from investing activities for 2020 as a whole was also much higher than that of the previous year at EUR -77.9 million (2019: EUR -123.9 million). This is due to reduced investment in property, plant and equipment as well as alignment of the maintenance investment with the lower production level.

Free cash flow (cash flow from operating activities less cash flow from investing activities) in the fourth quarter of 2020 was EUR -18.9 million (Q4 2019: EUR -48.6 million). For 2020 as a whole, free cash flow was EUR -100.8 million, which is much lower than the previous year (2019: EUR -7.8 million).

### Cash flow from financing activities

The inflow from financing activities in the fourth quarter of 2020 was EUR 38.8 million (Q4 2019: EUR 58.0 million). This includes the increase in the state-guaranteed bank loan for the Ascometal Business Unit amounting to EUR 20.0 million. Additional financing resulted from the syndicated loan as well as higher utilization of the ABS finance program. The inflow from financing activities for 2020 as a whole was EUR 125.2 million (2019: EUR 7.8 million). This included in part state-guaranteed bank loans amounting to EUR 95.1 million and the increase in a shareholder loan amounting to EUR 94.5 million. More details can be found in note 29.

### Change in cash and cash equivalents

The total change in cash and cash equivalents in 2020 thus came to EUR 20.7 million (2019: EUR 0.7 million). As of the end of December 2020, cash and cash equivalents therefore amounted to EUR 74.7 million, compared with EUR 54.0 million as of the end of December 2019.

## Business development of the divisions

Key figures divisions in million EUR	2020	2019	Δ in %	Q4 2020	Q4 2019	Δ in %
<b>Production</b>						
Revenue	2,062.2	2,691.8	-23.4	537.1	552.5	-2.8
Adjusted EBITDA <sup>1)</sup>	-79.2	19.8	-	-3.0	-6.5	53.8
EBITDA	-100.7	-28.1	-	-13.9	-22.1	37.1
Adjusted EBITDA margin (%)	-3.8	0.7	-	-0.6	-1.2	-
EBITDA margin (%)	-4.9	-1.0	-	-2.6	-4.0	-
Investments	80.5	129.3	-37.7	31.2	53.0	-41.1
Operating free cash flow	-102.3	44.3	-	1.2	13.5	-91.1
Employees as at closing date	8,533	8,853	-3.6	8,533	8,853	-3.6
<b>Sales &amp; Services</b>						
Revenue	486.7	658.7	-26.1	119.3	139.8	-14.7
Adjusted EBITDA <sup>1)</sup>	23.4	38.8	-39.7	11.0	8.1	35.8
EBITDA	22.6	38.5	-41.3	10.4	8.1	28.4
Adjusted EBITDA margin (%)	4.8	5.9	-	9.2	5.8	-
EBITDA margin (%)	4.6	5.8	-	8.7	5.8	-
Investments	6.1	7.8	-21.8	2.0	2.7	-25.9
Operating free cash flow	38.5	31.9	20.7	19.9	14.0	42.1
Employees as at closing date	1,316	1,353	-2.7	1,316	1,353	-2.7

<sup>1)</sup> For the bridge between adjusted EBITDA and EBITDA please refer to the Annual Report 2020 page 33



## Production

In the fourth quarter, the *Production* division recorded a drop in revenue of 2.8% despite increased sales. This was due to lower average sales prices than in the same quarter of the previous year resulting from sustained high price pressure and the higher percentage share of quality and engineering steel in the volume of steel sold. In contrast, at EUR –3.0 million, adjusted EBITDA was less negative than in the same quarter of the previous year (Q4 2019: EUR –6.5 million). This is attributable mainly to the increase in inventories in the fourth quarter of 2020 compared with the reduction in inventories in the same quarter of the previous year. The one-time effects ran to EUR 10.9 million and included restructuring expenses of EUR 7.9 million for the Ascometal Business Unit.

Revenue for 2020 as a whole fell by 23.4%, mainly due to the decline in sales volumes resulting from the drop in demand in the first half of the year associated with COVID-19. Adjusted EBITDA amounted to EUR –79.2 million, a significant drop on the previous year (2019: EUR 19.8 million). One-time effects amounted to EUR 21.5 million and are attributable, among other things, to consultancy services in connection with efficiency improvement programs, restructuring measures and costs for COVID-19 protective materials.

## Sales & Services

Unlike the *Production* division, the *Sales & Services* division was not able to increase its sales volumes in the fourth quarter over those of the same quarter in the previous year. This, combined with lower prices here too, resulted in revenue falling by 14.7%. A significant reduction in variable costs, for merchandise in particular, and other savings in fixed costs meant that at EUR 11.0 million, adjusted EBITDA nonetheless exceeded the figure for the same quarter of the previous year (Q4 2019: EUR 8.1 million). The *Sales & Services* division recorded one-time effects of EUR 0.6 million. These comprised mainly costs associated with restructuring measures.

For 2020 as a whole, a decrease in revenue of 26.1% was posted, while adjusted EBITDA was 39.7% down on the previous year, at EUR 23.4 million. EBITDA included one-time effects amounting to EUR 0.8 million.

# Non-financial development

**Together with financial value, the creation and maintenance of non-financial value is key to the existence and successful development of our organization. This primarily means being responsible in our dealings with people and nature, i.e. social issues and the environment and society in general. We consider striking and maintaining a balance between social, environmental and economic success factors as a central goal of a responsible organization.**

## Environment

Our approach toward the environment is based on a holistic concept. The environmental management system has the overriding objective of structuring the production processes sustainably in order to lower the amount of waste produced and to reduce, as far as technically possible, the emission of greenhouse gases, nitrogen oxides and dust. Furthermore, with the help of resource management, we optimize cost of materials, energy efficiency and water consumption.

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

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

### Environmental protection

Another major pillar of corporate social responsibility at Swiss Steel Group is the continuous and sustainable development of environmental and climate protection activities. Sustainable production and environmental protection are at the top of our list of priorities. This applies to our products as well as our production processes. All production processes comply with strict local environmental requirements at our locations in Germany, France, Canada, Switzerland and the USA.




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**Environmental protection**

**Environmental management system**

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

At the start of 2019, the environmental managers of the individual production plants came together to form a Group-wide team. This team is now working on joint Group-wide focal issues, key figures and targets for environmental and resource management themes. The first step was to define the following four key issues:

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

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

**Emissions into the air**

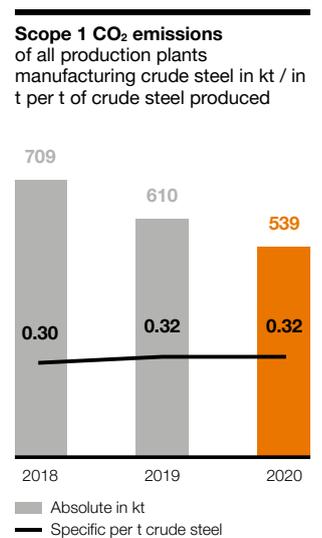
In addition to greenhouse gases – CO<sub>2</sub> in particular – the main air pollutants from Swiss Steel Group’s production processes are nitrogen oxides (NO<sub>x</sub>) and dust. Swiss Steel Group with its production plants remains within or even often comes in below all these emission limits which are mandated by law. Emission levels are measured through constant records as well as through regular evaluations.

**Scope 1 CO<sub>2</sub> emissions**

Production of crude steel in the production process using electric arc furnaces leads to process-related CO<sub>2</sub> emissions resulting from combustion of natural gas, melting of steel scrap, alloys and additives as well as burnup of graphite electrodes. Further CO<sub>2</sub> emissions arise from natural gas furnaces during reheating of steel for molding in the rolling plant or forging as well as during heat treatment of our steel products. Scope 1 are the direct CO<sub>2</sub> emissions which result from our production and processing operations.

In 2020, the total Scope 1 CO<sub>2</sub> emissions of the Ascometal, DEW, Finkl Steel, Swiss Steel and Ugitech sites fell to 539 kilotons from 610 kilotons in 2019. This was due to a drop in production quantities brought about by the economic circumstances. The emissions per ton of crude steel produced rose because more high-alloy steels were produced, which involve longer production processes.

Specific Scope 1 emissions can be reduced by making production processes in our works more efficient, for example. This is something that Swiss Steel Group is continually working toward.



### Scope 2 CO<sub>2</sub> emissions

The majority of CO<sub>2</sub> emissions from the production of electric steel falls under the indirect Scope 2 emissions. These are the emissions generated during the production of the energy we purchase, in other words mainly electricity, heat and steam. Depending on how electricity is generated in a country, for example whether it comes from renewable sources, nuclear power, coal or natural gas, the level of Scope 2 CO<sub>2</sub> emissions will vary. However, as climate change becomes more apparent, all countries are striving to reduce CO<sub>2</sub> emissions from electricity generation. For example, Germany has reduced its CO<sub>2</sub> emissions factor for electricity by around 20% over the last 10 years by expanding its renewable energy sector. Basically, the more environmentally friendly the form of electricity generation used in a country, the more environmentally friendly our steel is at production plants in that country. It must also be noted that our production plants in France, Canada and Switzerland have considerably lower Scope 2 emissions than those in Germany because of the electricity mix available locally. Most electricity in Germany is generated in coal-fired power stations, which produce very high CO<sub>2</sub> emissions.

In 2020, the total Scope 2 CO<sub>2</sub> emissions of the Ascometal, DEW, Finkl Steel, Swiss Steel and Ugitech sites fell to 360 kilotons from 482 kilotons in 2019. This was due to a drop in production quantities brought about by the economic circumstances and a greater proportion of zero-emissions electricity.

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

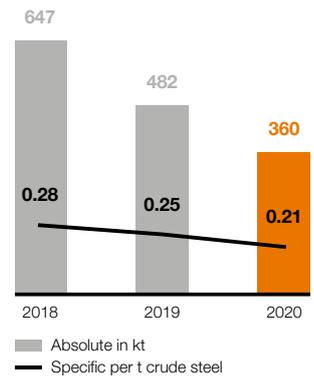
### NO<sub>x</sub> emissions

Nitrogen oxides (NO<sub>x</sub>) are gaseous nitrogen compounds released during combustion but also during the natural microbiological degradation process in the ground. During steel production and processing, nitrogen oxides mainly result from combustion of natural gas in furnaces of rolling plants and during heat treatment. These emissions have been reduced significantly in the past few years by using state-of-the-art furnace and burner technology.

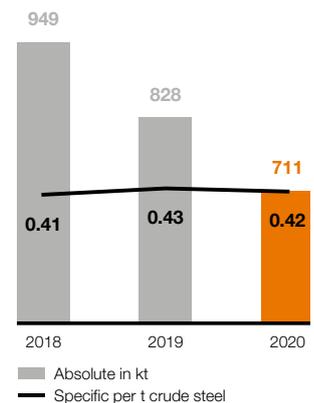
Swiss Steel Group is committed to the statutory rulings in place at each production plant, some of which are very strict. Whenever possible, Swiss Steel Group aims to achieve levels below the limit values.

Reducing specific NO<sub>x</sub> emissions goes hand-in-hand with more efficient production processes and the use of low-NO<sub>x</sub> burners.

**Scope 2 CO<sub>2</sub> emissions**  
of all production plants  
manufacturing crude steel  
in kt / in t per t of crude steel  
produced



**NO<sub>x</sub> emissions**  
of all production plants  
manufacturing crude steel  
in t / in kg per t of crude steel  
produced



**Dust emissions**

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

The specific dust emissions in 2020 were 0.08 kg per ton of crude steel and therefore up on the figure from the previous year due to longer throughput production processes.

**Residues and waste**

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

Waste quantity in t	2018	2019	2020
Recyclable waste	414,865	332,346	297,713
Non-recyclable waste	237,560	214,061	187,789
<b>Total waste quantity</b>	<b>652,425</b>	<b>546,407</b>	<b>485,502</b>
– of which hazardous waste	73,275	67,057	52,730
– of which non-hazardous waste	412,910	479,350	432,772
Waste quantity per ton of crude steel produces	0.28	0.28	0.28

From the total amount of waste generated in the crude steel production plants, around 63% is recyclable. In comparison with 2019, the amount of waste has been reduced by around 10%.

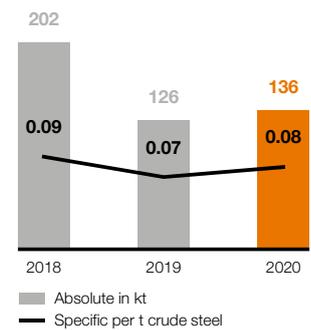
**Resource management**

A company like Swiss Steel Group, whose commodities are largely its own products in the form of steel scrap, and are 100% recyclable, is well equipped for the future when it comes to conserving resources. The careful and efficient use of resources saves not only money, but first and foremost reduces the impact on the environment. Through this and other Group-wide efficiency improvement programs, we foster the economical use of valuable resources.

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

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

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



**Resource management**

### Energy management

Energy efficiency is a constant challenge in the steel industry, if only because of the costs involved. Our priority is therefore to continually reduce the energy needed to produce our steel products. A key focus here is to raise awareness of the issue among employees and to encourage them to take an active role in our efforts. Only with the ideas and, in particular, with the involvement of employees will we be able to achieve a sustainable reduction in energy consumption. Using less energy conserves our planet’s resources, mitigates our impact on the environment and reduces costs – a three-fold benefit.

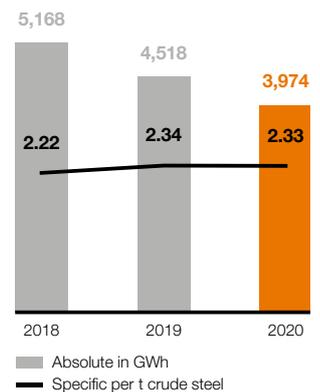
Increases in efficiency are achieved through, for example, energetic optimization of plants and processes as well as use of heating potential. Political decisions – keyword: energy transition – lend the topic another long-term significance. These days, an energy management system is an economic necessity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

In 2020, the specific energy consumption of the steelworks was 2.33 MWh per ton of crude steel. This figure was up on 2019 due to the higher proportion of high-alloy steels produced. About 40% of the energy used comes from electricity and about 60% from natural gas. The amount of energy consumed generally depends on the quality of the steel produced and the processing involved. The quality of the raw materials used also plays an important role. To put it simply: the higher the quality of steel produced and its depth of processing, the higher the specific energy consumption for manufacturing of products. Since the product portfolio of Swiss Steel Group is subject to volatility depending on the requirements on the steel market, the specific energy consumption for steel production and processing is also subject to fluctuation.

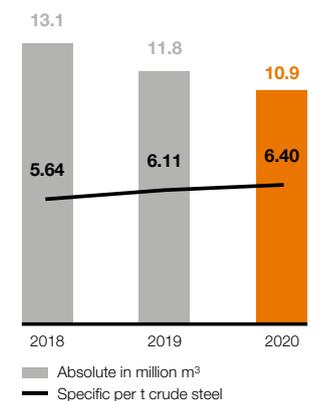
### Water management

In steel production, water is mainly used for cooling the plants and is, therefore, one of the most important operating resources. Careful use of water taking into consideration local circumstances is achieved through recycling systems and reuse of process water. All Swiss Steel Group production plants are located in regions where there is no immediate shortage of water. The decline in production volume resulted in a lower water supply year on year. It rose specifically due to the higher proportion of high-alloy steels produced.

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



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



# Social responsibility

It is people that make our company what it is. For that reason we strive to create an environment in which people feel welcome, are safe, are motivated to perform and are therefore happy being employees, neighbors, customers or suppliers. To create this environment, we focus on four key areas of social responsibility.

## Health and safety

We bear a great deal of responsibility for the health and safety of our employees and business partners. We therefore do all we can to prevent accidents and injuries of any kind. This is reflected in the importance we assign to health and safety in the Business Units and at Group level. The Group-wide health and safety management committee shares this view and drives forward the focus on and development of relevant issues, including at the most senior management level. This work focuses on further developing the culture of health and safety and systemic work on improving safety KPIs (e.g. reporting near-misses).

The specialist fields, occupational physicians, health managers, health and safety experts and HR managers collaborate very closely in their work to develop the strategy and implement the topics. We work together in a coordinated way with a view to achieving our challenging target of “zero accidents” on a lasting basis. This requires suitable rules, which everyone is aware of and can follow, as well as regular training at all levels and in all areas. It is important to us that we aim for the very highest standards. We consider an open and positive error management culture to be an important success factor.

## Health management

Healthy employees are one of our most important goals for remaining successful and competitive in the long term. We firmly believe that wellbeing and healthy employees are key to high performance levels and are essential for success, creativity and innovation. We aim to find an optimum that promotes factors to keep employees healthy and protect them from falling sick.

We want to recognize risks early on and avoid them by further developing preventive measures focusing on specific target groups. For example, we conduct risk assessments of psychological stresses to establish focal points and produce and implement targeted measures to eliminate them. We are also working on various health initiatives, including “healthy backs”, exercise, nutrition, addiction prevention and stress management.



**Health and safety**

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### Virtual webinars and podcasts on five selected topics

#### Virtual health days

Swiss Steel Group has adapted to the circumstances presented by the pandemic, produced digital offerings and made them available to its employees. Changing webinar topics included: social distancing, personal protective measures, positive thinking in the face of the COVID-19 crisis, eating and buying the right things, and keeping fit despite the coronavirus restrictions. An online session afterwards allowed the participants to discuss the issues raised even during times of social distancing.

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#### Measures introduced in response to the COVID-19 pandemic

In January 2020, crisis management to fight the coronavirus pandemic became the focal point of our activities. What had started in China became a huge challenge for Swiss Steel Group worldwide. A task force of health and safety experts was created and tasked with working closely with pandemic management staff in the Business Units, plants and management to coordinate the measures required to protect our employees from infection. The pandemic and business continuity plans of the individual sites were adapted to current circumstances and the guidelines for business travel adapted in light of official requirements. Procurement of personal protective equipment, e.g. full face masks, was coordinated to ensure availability and quality. Infection protection and hygiene concepts were also introduced, as were social distancing rules to protect our employees. Where possible, rules on working from home were implemented under consideration of local regulations. All pandemic measures also took into account the rules imposed by local authorities and recommendations of institutes, such as the WHO. New knowledge about how to restrict the pandemic and innovative concepts were trialed and introduced to suit the situation. This allowed employees to always work safely, offered them protection from infection and guaranteed production. A key aspect during the coronavirus pandemic has been keeping employees regularly informed. Online formats, such as the webinars for the virtual health days, were also used for this purpose.

#### Industrial safety

The focus of measures in this area is to run prevention programs, which are defined by the establishment and implementation of regular objectives, rules and recommendations as well as those specified by a Group strategy.

Rules are implemented and additional approaches to prevention are identified through what are known as cross-Business Unit audits and checks by safety officers. Taking account of the conditions created by the pandemic, in 2020 the audits were adapted to hygiene requirements and extended to include coronavirus protection.

Prevention work was also stepped up a gear through the inclusion of near-misses and the database for new findings expanded as a result. This database is used to detect potential causes of accidents and then introduce suitable measures to eliminate them.



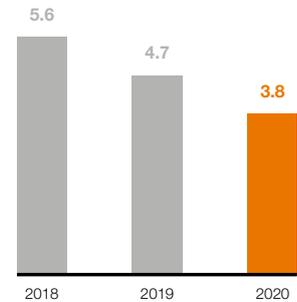
A large proportion of training to raise interest and awareness in risk assessments was carried out using digital media.

$$\text{LTIFR} = \frac{\text{Number of work-related accidents with absence from work}}{\text{hours worked}} \times 1,000,000$$

In industrial safety, the focus is on the LTI figure (lost time injury = frequency of accidents with absence from work). This covers all accidents that led to absence from work for more than one day. This number in relation to hours worked multiplied by one million work hours gives the LTIFR (lost time injury frequency rate). Swiss Steel Group, like other companies in our industry, considers this as a performance indicator. While the rate was still above 15.5 in 2015 and was 5.6 in 2018, with our continuous efforts in 2020 we managed to reduce it to 3.8.

We want to be among the best companies in this area and achieve our target of “zero accidents”.

**LTIFR**  
2018 not including Ascometal



### Personnel and talent management

The repercussions of COVID-19 have had a major impact on HR work too. Throughout the Group, for example, we have modified the form of work processes, working hours and the way in which we work together to take account of statutory requirements. Wherever possible, we have reduced risks for our employees. In this environment, even greater importance was assigned to transparent and more frequent communication from management and HR in order to keep up team spirit and manage collaboration effectively.



**Personnel and talent management**

At the same time, introducing short-time work presented us with particular challenges and placed major demands on all our employees, ranging from significant loss of income to fears of job security. We were united in our goal of retaining jobs through the pandemic, keeping very highly qualified specialists in the company and being best prepared for when demand returns. Even under these difficult conditions, our employees delivered outstanding work and commitment.

The promotion and further development of technical expertise and interdisciplinary skills, an indispensable part of HR work and management culture, also had to be put to one side during the pandemic. In-person training events were simply not possible to the extent planned and had to be prioritized. Despite this, we have managed to prepare our trainees well for their exams and future careers and also to develop internal talent specifically for new roles.

Our Group-wide HR IT systems and the processes based on them, which are supplemented by local solutions, are gaining in importance for HR work: recruitment, advanced training, qualification, coaching, e-learning, talent development, staff appraisals and succession planning as part of the human resources planning process. The annual performance management cycle is a particularly important element in cascading the company’s goals and coordinating individual objectives. It also supports needs-based employee development in the position currently held and/or to prepare for a new position.

Our global performance-based compensation system promotes the implementation of strategic priorities and our corporate values of innovation, partnership, expertise, customer focus and entrepreneurial spirit in the long term. Just as the system rewards employees well in very successful years, this share of compensation is reduced in years like this one.

Many creative initiatives and HR processes in the Business Units have continued to support employees in their daily work. For example, virtual health weeks have taken the place of physical health and safety days. This went down very well with our employees. Alongside regular vocational training, we again also offered training programs in line with the Skills Development Opportunities Act. The management development programs designed to improve the career opportunities of junior employees do not just improve management quality in the short term, but take interdisciplinary thinking and working to a new level in the medium term.

During the course of the year, we also granted our employees a much greater degree of flexibility in their working hours; the activities associated with this shaped HR work accordingly. To take account of the current situation facing the Company and align Swiss Steel Group to the challenges going forward, working in close collaboration with employee representatives, we are producing not just ad hoc measures but also long-term considerations on sustainable organization.

<b>Employees as at closing date</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>by region</b>			
Germany	4,518	4,445	4,336
France	2,917	2,943	2,819
Switzerland	797	781	755
Italy	230	221	215
Other Europe	473	463	451
USA	584	521	482
Canada	363	364	339
Other Americas	157	168	157
Africa/Asia/Australia	447	412	396
<b>by division</b>			
Production	8,977	8,853	8,533
Sales&Services	1,405	1,353	1,316
Corporate Center	104	112	101
<b>Total number of employees</b>	<b>10,486</b>	<b>10,318</b>	<b>9,950</b>

As of December 31, 2020, Swiss Steel Group employed 9,950 employees worldwide.

Swiss Steel Group has employees in around 90 Group companies or locations in more than 30 countries on all continents. More than 90% of employees work in locations outside Switzerland. The Swiss Group entity has 755 employees. Within the framework of respective statutory rulings, employees of Swiss Steel have the opportunity to organize themselves as part of a trade union and to elect employee representatives in the plants

### Corporate citizenship

The basis for our corporate citizenship is our desire to make the society in which we operate a better place. We support people and communities in the vicinity of our sites who are committed to the betterment of our society.

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

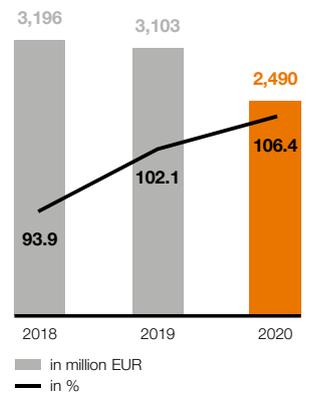
Economic value distributed (EVD) is the share of revenue and other operating income that Swiss Steel Group returns to society. This includes, for example, wages and salaries paid to employees, materials procurement from local and international providers, the awarding of consulting contracts, donations, or interest and tax costs.

At Swiss Steel Group, this share increased in 2020 to 106.4% compared with 102.1% in 2019.



#### Corporate citizenship

**Economic value distributed**  
in EUR million / in %



## Active engagement

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

We understand our interest groups to comprise all individuals, groups or organizations who have an interest in or request of Swiss Steel Group. Interest groups can influence the actions, objectives and policies of the Group or be affected by these.

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

The major interest groups are listed and defined below. The key criteria for involving individual interest groups are the applicable legal conditions, the frequency and focal points of cooperation, any existing business relationships and also the physical proximity to the sites.

### Customers

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

### Suppliers

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

### Companies in the steel industry

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

### Shareholders/investors/financial analysts

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

### Banks

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

### Employees

In addition to a central Group human resources department, dedicated human resources officers are stationed in all Business Units. They are responsible for all issues affecting employees and are always on hand to listen to their concerns.




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**Active engagement**

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**GRI standard  
Identifying and selecting  
stakeholders**

102-40

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**GRI standard  
List of stakeholder groups**

**Members of the Board of Directors, Executive Board and Executive Committees of the Business Units**

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

**Local communities/authorities/non-governmental organizations (NGOs)**

Representatives of the individual locations assume our local responsibility and fulfill the information requirement of the local communities, authorities and NGOs.

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

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

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

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**GRI standard  
Approach to stakeholder  
engagement**

# Capital market

**Our primary aim is to sustainably enhance the value of our company. Together with the creation of financial and non-financial value, this primarily requires the confidence of our investors in the business model and strategic objectives. That is why we are committed to open, constructive and long-term communication with the capital market.**

## Shares in Swiss Steel Group

**Share price development 2020**  
indexed



On January 8, 2020, Swiss Steel Group carried out a capital increase of CHF 325 million. The registered share capital was increased to 2,028,333,333 shares, with a nominal value of CHF 0.30 each. This caused the share price to rise sharply at the start of January, before a volatile downtrend ensued. The spread of the COVID-19 pandemic and its dramatic consequences around the world caused financial markets to plummet. By mid-April, the price losses recorded in March had been recouped, and values held steady until mid-July, albeit with a number of ups and downs. After that, further uncertainty sparked by a renewed rise in COVID-19 infections and economic developments, particularly in Europe, paired with uncertainty surrounding Brexit and the US elections, caused the price to fall. At the Extraordinary General Meeting on September 21, 2020, shareholders approved the reduction of the nominal value per share from CHF 0.30 to CHF 0.15 proposed by the Board of Directors. Furthermore, to increase shareholders' equity and improve financing and credit conditions, on December 22, 2020 the Company's shareholders resolved on an ordinary capital increase in order to raise targeted gross proceeds of EUR 200 million; the implementation of the capital increase was still outstanding when the financial statements were approved by the Board of Directors on March 1, 2021.

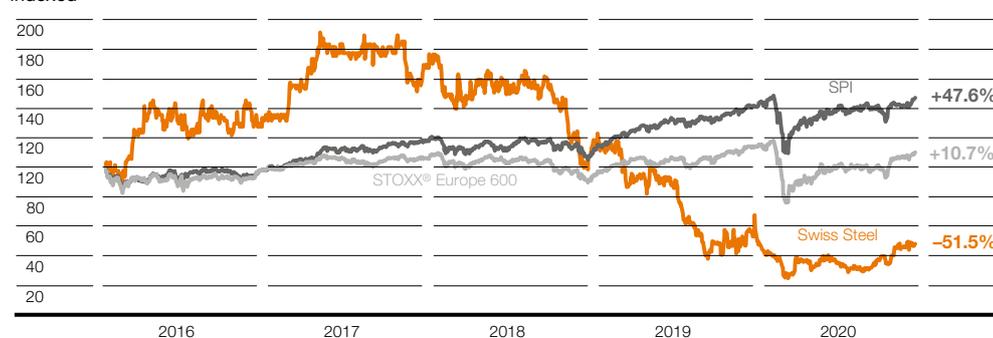
As previously reported on January 28, 2021, FINMA announced, among other things, its deferral to the Takeover Board for potential consideration the request made by Liwet Holding AG that BigPoint Holding AG should be ordered to submit a mandatory tender offer to the shareholders of the Company as a result of certain circumstances (which are described in more detail in various public releases). Since then, Liwet Holding AG, BigPoint Holding AG and the Company have made several

submissions with the Takeover Board. As of the date of this Annual Report, the matter remains under consideration by the Takeover Board.

Overall, the share price rose in the fourth quarter by 40.2% compared with the end of the third quarter. On December 31, 2020, however, the share price stood at CHF 0.235, some 16.4% below the price at year-end 2019. Over the same period, the Stoxx® Europe 600 Index fell by 4.1% and the Swiss Performance Index (SPI), which includes Swiss Steel Group share, rose by 3.8%.

In 2020, the average daily trading volume of shares of Swiss Steel Group on the Swiss stock market was around 1.6 million. This compares with around 1.7 million in 2019.

#### Five-year share price development indexed



#### Shares - facts and figures

ISIN	CH005795668
Securities number	579566
Ticker symbol	STLN
Bloomberg	STLN SE
Reuters	STLN.S
Type of security	Registered share
Trading currency	CHF
Listed on	SIX Swiss Exchange
Index membership	SPI, SPI Extra, SPI ex SLI, Swiss All Share Index
Number of registered shares	2'028'333'333 (December 31, 2019: 945'000'000)
Nominal value in CHF	0.15 (December 31, 2019: 0.50)

#### Dividend policy

Swiss Steel Group recorded a large loss in the 2020. The Board of Directors will therefore propose to the Annual General Meeting on April 27, 2021 not to make a dividend distribution in 2020. The dividend policy is subject to regular review by the Board of Directors and may change in the future. The Board of Directors believes that paying out a dividend is appropriate in the medium- to long-term as it allows shareholders to share in the Group's success. Generally, the Board of Directors makes an annual dividend proposal at the Annual General Meeting, taking into account the company's goals, its current financial position and results of operations, any covenants in the financing agreements and future market prospects.

## Analysts' estimates

Four financial analysts currently cover Swiss Steel Group share, thus ensuring its recognition on the capital market. As of December 31, 2020, the Company was being analyzed by the following banks:

Financial institution	Analyst
Commerzbank	Ingo-Martin Schachel
Kepler Cheuvreux	Rochus Brauneiser
UBS	Alessandro Taiana
Zürcher Kantonalbank	Dr. Philipp Gamper

## Investor Relations

Active and open communication with existing and potential investors and financial analysts was maintained by a series of investor conferences, road shows, conference calls and personal discussions. In 2020, the COVID-19 pandemic meant that the Executive Board and Investor Relations team only had a limited and virtual presence at roadshows and investor conferences at which investors from around the world were informed about Swiss Steel Group's key figures and the Company's operative and strategic development.

More information, including the Company's annual and interim reports, press releases, presentations and fact sheets with financial figures as well as documents related to the Annual General Meeting, is available at [www.swisssteelgroup.com/investor-relations](http://www.swisssteelgroup.com/investor-relations).

The key dates in the financial calendar are accompanied by presentations and conference calls, together with events for investors and financial analysts.

Financial calendar	
March 3, 2021	Annual Report 2020, Conference call for Media, Financial Analysts and Investors
April 27, 2021	Annual General Meeting 2021
May 5, 2021	Interim Report Q1 2021, Conference call for Media, Financial Analysts and Investors
August 11, 2021	Interim Report Q2 2021, Conference call for Media, Financial Analysts and Investors
November 10, 2021	Interim Report Q3 2021, Conference call for Media, Financial Analysts and Investors

## Investor Relations

### Daniel Geiger

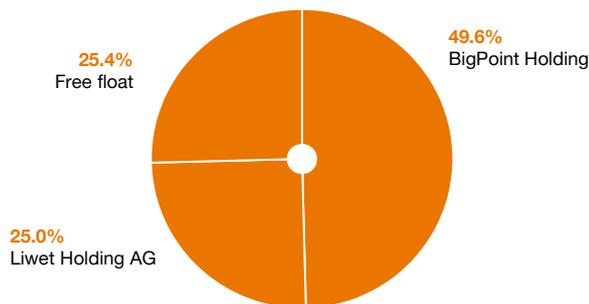
Vice President  
Corporate Accounting & Investors Relations  
Phone: +41 41 581 4160  
[d.geiger@swisssteelgroup.com](mailto:d.geiger@swisssteelgroup.com)



## Shareholder structure

Share capital as of December 31, 2020 comprised 2,028,333,333 fully paid-up registered shares with a nominal value of CHF 0.15 each. At 49.6%, BigPoint Holding and Martin Haefner has been the Company's largest shareholder since January 8, 2020. Liwet Holding AG has a 25.0% stake in Swiss Steel Group. The remaining 25.4% of the shares are in free float.

### Shareholder structure



## Financing

Swiss Steel Group's financing structure consists materially of a EUR 435.0 million revolving credit facility advanced by a syndicate of banks, an ABS financing program of EUR 291.4 million and a shareholder loan of EUR 95.0 million. All loans have a maturity of five years until 2025. Furthermore, additional shareholder loan (backstop) up to a current maximum amount of EUR 94.9 million to finance growth and for liquidity peaks has been provided. This shareholder loan will fall away, if the capital increase of approximately EUR 200 million is executed. State-guaranteed bank loans amounting to EUR 98.5 million were also available in 2020.

Unused financing lines and liquid funds came to around EUR 327.5 million as of December 31, 2020, ensuring the Company has sufficient financial resources.

in million EUR	Credit line	Status as at 31.12.2020	Total funds available
Syndicated loan (excl. transaction costs) <sup>1)</sup>	435.0	322.2	112.8
ABS financing (excl. transaction costs)	291.4	154.8	136.6
Loan from shareholder (excl. transaction costs)	95.0	95.0	0.0
State-guaranteed loans (excl. transaction costs)	98.5	95.1	3.4
Cash and cash equivalents		74.7	74.7
<b>Financial leeway</b>			<b>327.5</b>

<sup>1)</sup> The credit line of the syndicated loan has been reduced in December 2020 by EUR 30.0 Mio. and will be increased back to EUR 465.0 Mio. in January 2021

## Corporate bond

Swiss Steel Group issued a corporate bond on April 24, 2017 for EUR 200 million, which was increased by EUR 150 million on June 25, 2018. The bond has been fully redeemed in two tranches of EUR 328.8 million on March 31, 2020 and EUR 21.2 million on November 23, 2020.

# Opportunities and risks

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



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**Governance**

Refer also to pages 24, 70

The already weak automotive market in 2019 was at the brink of recovery in early 2020 when the COVID-19 crisis started to tighten its grip toward the end of the first quarter. This crisis led to an extraordinary strong reduction in steel demand as businesses across the value chain reacted to substantially lower market demand and in addition further reduced their inventories to adjust. The sharp decrease in the automotive segment was accompanied by a substantially weakening mechanical engineering market and a very low oil and gas market due to depressed demand and limited investments. Unfortunately, these core end markets of Swiss Steel Group are only gradually recovering from those lows and market experts do not expect them to return to pre-crisis levels for several years.

Swiss Steel Group reacted to those market distortions with a further tightened restructuring program aiming at reducing costs and securing additional operating liquidity. In addition, public funding via the COVID-19 stimulus programs in various regions and further funding from our shareholders was secured. This allowed the group to mitigate the impact from the COVID-19 crisis and has put it in a good position to profit from the expected recovery of end markets.

Aside from this, the crisis in the steel industry harbors not only risks, but also good opportunities.

Swiss Steel Group's opportunity management and main risks are described below. Further information on opportunity management can be found in the "Outlook" section of the annual report. The "Corporate Governance" section also includes details on how risk management is incorporated into the Group's strategic planning and day-to-day decision-making.

## Opportunity management

From its starting point as a collection of complementary companies, the Group has become increasingly cohesive in recent years. One of the keys to future market success is shaping current trends such as electro mobility, 3D printing/powder metallurgy and Industry 4.0 with innovations. This process is managed and supported by the Board of Directors, the Executive Board and Corporate Business Development. We collect and analyze information about the market, production, and research and development (R&D), both at Business Unit level and centrally from a Corporate Center perspective. This is based on the close, centrally managed cooperation of all R&D departments in Group projects, development cooperation with customers and external research institutes.

This allows well-informed strategic decisions to be made at Group level and then implemented in cooperation with the Business Unit Heads. Our approach allows us to derive opportunities for our Company from the risks inherent in all business activities.

### **Value enhancement potential**

The current COVID-19 crisis is substantially impacting short- to medium-term demand. Nevertheless, long-term (and subject to COVID-19 developments) we expect global strategic growth driven by factors such as scarce resources, growing industrialization in developing countries, increasing urbanization and electro mobility. Swiss Steel Group anticipates numerous strategic and operational opportunities for these fields, for which we already offer appropriate products. The efficient use of resources and lightweight construction will also move up on corporate agendas, as well as the optimization of value chains, for which increasingly sophisticated materials will be required. The process of adapting and optimizing our product characteristics is an ongoing one as customers demand lighter and more stress-resilient products.

Over the last few years, Swiss Steel Group has evolved from a medium-sized company into an international leader in the special long steel segment. The Group's future economic success is founded on its ability to identify opportunities in market and technological trends and develop operational strategies based on these. This involves three strategic moves:

- Long-term systematic market observation and analysis,
- Consistent application-based alignment of our product development activities,
- Refinement of the industrial production basis and employee development.

As a unique, full-range supplier with a broad portfolio of high-value products, we consider ourselves well positioned to serve technically demanding segments in growth markets. Our business model is aligned to the constantly evolving demands of steel products and preparing for future performance levels through investments. With such an application-driven strategy, we detect trends, developments and innovations as they emerge, offering customized solutions in response. We track these through long-term, systematic analysis of developments in our customer industries. Working in close collaboration with technical areas – ranging from technical customer service advisory through to R&D, quality management, production, maintenance and IT – we constantly optimize production processes and the product portfolio, and adapt them to future challenges.

Swiss Steel Group has installed a series of industry-leading system applications based on big data and is preparing for their multiplication at additional locations. These systems range from deployment optimization through to materials tracking, mobile systems, training support and product characteristic forecasts. One example of this type of application is the PQA (product quality analysis) quality decision-making system. Swiss Steel AG is one of the first long steel manufacturers in the world to use predictive quality in all areas at the Emmenbrücke production plant. It is now possible to not only make quality decisions at level of single value-adding step but also across all processes. This is a clear step toward total transparency throughout the production process.

We regularly review our interfaces and make targeted investments to realize know-how-based performance and cost advantages aimed at optimizing value chains together with our customers and suppliers.

### **Product excellence and innovation organization**

The core competence of our ambitious technical development organization lies in the three critical areas of “product innovation”, “process innovation”, and “technical services”. Research and Development (R&D) operations in general and intense cross-border collaboration among technical staff are the cornerstones of our diverse product range offerings, our product quality leadership and our close customer partnerships.

Several R&D centers and innovation teams across Swiss Steel Group in Europe and North America are actively engaged with development projects on the best innovative ideas for new products and processes to serve the most complex needs of our highly demanding end-use markets across the world. The ever-increasing and continuously evolving efforts to maintain product excellence and to surpass market expectations have resulted in new products delivered consistently making up one quarter of our Company’s total shipped tons since 2019.

Behind Swiss Steel Group’s strong brands are the technicians, engineers and scientists who bring to bear their deep understanding of the trends, needs, and challenges in the long special steel segment, and make the new products and processes a reality thanks to their close contacts with our international customers. Innovation in our Group happens at all levels of the special long steel value chain, starting with material development, input and process elaboration, from melting & refining, continuous cast blooms, cast steel ingots, through rolled or forged bars, bright steel and drawn wire to complex parts such as hydraulic blocks, ready-to-install rolls or mandrel bars.

While the R&D activities in our various geographical locations bring about a high level of flexibility and relevance to the needs of the surrounding markets, Corporate Technical Development leads a highly effective centralized innovation coordination system for the entire Group. Given the many similarities that exist among the production processes of our Business Units, despite their diverse product portfolio, such coordination ensures efficient know-how transfer and technological collaboration among our innovation teams worldwide. Corporate Technical Development is also the guardian of our Intellectual Property by setting the guidelines to assess, gain and maintain the required protection of our technological breakthroughs and solutions.

The recently launched “innovation landscape” of Swiss Steel Group sets the vision for the future of our R&D activities, and defines the necessary roadmap to innovate together with our customers, addressing their needs for increased sophistication and narrowly defined precision levels. About half of our R&D workforce are also active in cross-country working groups in nine major development fields to contribute to the Group’s successful growth initiatives. We hold several multi-day workshops during the year where we discuss and examine challenges, experiences and know-how in the strategic research projects, and come up with solutions through technical discussion among the experts within the working group.

Our production plants also ensure compliance with the latest standards such as the ISO 9001 quality standard for all production plants worldwide, ISO 14001 for environmental management systems as well as ISO 50001 for energy management systems for production plants in Germany, France and Switzerland.

Finally, Swiss Steel Group’s technical development organization is the engine of recruitment, development and transfer of our technical staff by inspiring new talents to tackle promising projects and to build their career in the fascinating field of the special steel business. Some of the challenges in the near future include the use of artificial intelligence in product and process design as well as predictive tools in quality assurance, steel production and processing.

## **IT and digital innovation**

Rapidly advancing digitalization is playing a major role in enhancing the efficiency and quality of processes. Swiss Steel Group exploits opportunities to enhance efficiency by means of IT and digital transformation. IT and digital innovation can make a decisive contribution to sustainable improvement, particularly in the context of restructuring, and will be of particular importance in the next few years.

To exploit further opportunities, we are investing in the ONE GROUP DIGITAL projects, by means of which we aim to extend successful pilot projects across the entire Group, while standardizing the speed and main focuses of digital transformation, for example digital customer experience (DXP).

Future digitalization projects, an IT landscape upgrade and harmonization of the system landscape, which are aimed at increasing efficiency and lowering costs as a basis for Industry 4.0, are under way in all Business Units and in the Corporate Center. The same applies to our strategic focus to implement SAP S/4HANA as the next generation business suite for the digital age in the coming years.

Focusing on our customers and on the services we deliver is our key success factor in the special long steel business. Therefore, creating added value for our customers is at the center of everything we do. The international rollout of the new cloud-based CRM system was continued in 2020. This system opens up new ways of engaging in dialog and collaborating with our customers. We also drove forward the use of business intelligence applications to analyze data from a large number of upstream systems and extract information of Group-wide relevance and importance in decision-making.

Some of our Business Units have continued to launch forward-looking digital projects. For example, an in-depth analysis of quality and process data was carried out to reduce quality costs with the help of big data analyses and using the latest statistical algorithms. To increase efficiency when carrying out maintenance work, newly developed apps were used on mobile devices that in turn communicate with the base systems. GPS location trackers were introduced in the logistics area for selected semi-finished products. This allows automated location information to be used for loading and unloading goods and reduces administrative costs.

## Risk situation and key risk factors

The aim of our risk management is to identify risks at an early stage and take appropriate measures. The key areas of risk with a significant impact on our business and our financial position and results of operations from a current perspective include the international political and regulatory environment, the COVID-19 crisis, the economic conditions prevailing in the steel industry and the post COVID-19 development of the world economy. Risks to global economic growth from escalating international trade conflicts and policy interventions have increased.

A comprehensive description of financial risks can be found in notes 16 (Income taxes), 20 (Impairment test), 26 (Pensions), 28 (Provisions for restructuring), and 32 (Financial instruments) of the consolidated financial statements.

Additional material risk areas from our point of view are described below:

### **Risks relating to overall economic development**

Business activities of Swiss Steel Group are strongly influenced by macroeconomic developments. Overall global economic performance and, in particular, deviations in expected developments can thus either have a negative or positive impact on the net assets, financial position and results of operations of the Group. Macroeconomic risks are generally beyond our control despite all risk control measures.

### **Risks in sales markets**

Being at the beginning of the value chain, we are heavily dependent on demand in our customers' end markets. This applies especially in the following industries: automotive, mechanical and plant engineering, energy, construction, plastics, foods and beverages, mining, chemicals and aviation.

These industries are largely cyclical and the slump of the global economy since the COVID-19 outbreak in early 2020 is adversely affecting most of them, especially our main end-use segments. The automotive industry was among the strongest hit by the COVID-19 outbreak in 2020 and only a partial recovery is expected in 2021. Mechanical engineering also reported a sharp fall in order intake in 2020. Recovery is expected to be somewhat lagged behind other areas of manufacturing as it will take a while before customers raise operating rates and require additional machinery.

With Germany being our first regional sales market, we are exposed to the economic situation of the country. The pandemic slashed Germany's GDP and industrial production severely in 2020. Recovery to 2019 levels is not expected in the very short term.

In addition, we are not only dependent on our customers' production quantities, but also on changes in product characteristics and the development of new products, such as new car models in the automotive industry, which require the development and manufacture of new tools. Also, inventory effects are especially pronounced among long steel producers. As seen in 2020, extensive inventory reduction during periods of economic weakness reduces demand for our products yet further, which can have a significant impact on business performance, financial position and results of operations.

The COVID-19 outbreak across the globe caused an enormous fall in demand in a number of sales markets and had a negative impact on our operating and financial results. A series of measures, such as the temporary closure of our facilities and the implementation of short-time working schedules, were used by Swiss Steel Group to mitigate, to the extent possible, the highly negative impact of market risks. Despite the highly negative market impact in 2020, we are continuing to pursue the goal of a flexible organization and a more diversified customer base to better respond to short- and long-term changes in demand. These efforts include focusing on niche products and supply chain optimization.

### **Compliance risks**

Non-compliance in the form of breaches of antitrust, anti-corruption, data protection and foreign trade laws may have negative implications – incurring both financial and reputational damage. We counter these risks using our Compliance Management System, described in the “Business conduct” section. Isolated breaches cannot be fully ruled out. While Swiss Steel Group reached a settlement in 2019 in the anti-trust proceedings with the Federal Cartel Office pertaining to this office's allegations of anti-trust activities (for the period prior to 2015), customers may still file claims for damages after the settlement. Following the settlement decision, we agreed with several customers on a waiver of the statute of limitation for potential claims. However, to the best of our knowledge, no such matters have been filed so far.

Details can be found in note 10 (Other operating income and expenses) to the consolidated financial statements. Nevertheless, customers may still file claims for damages after the settlement.

### **Legal and regulatory risks**

The Group's business activities depend strongly on the legal and regulatory environment, both nationally and internationally. Changes in submarkets may therefore be associated with risks, leading to higher costs or other disadvantages. We monitor international, national and European legislative processes through industrial associations and use consultation procedures to draw attention to potential competitive imbalances.

The fourth EU emissions trading period (2021–2030) is expected to result in substantial costs for electricity and gas suppliers, which will be reflected in price increases for consumers. As an energy-intensive industrial and trading group, Swiss Steels Group's results of operations may be at risk if these costs cannot be completely passed on to customers. Swiss Steel Group actively follows the ongoing debate about emissions trading through industry associations such as the International Stainless Steel Forum (ISSF) and World Steel Association (WSA).



Production at all our locations is subject to a broad range of laws and regulations with regard to emissions, waste water treatment and discharge, use and handling of hazardous and toxic materials, waste disposal processes, removal of environmental pollution and other aspects of environmental protection. Companies that breach these regulations must expect substantial fines, penalties or restrictions in their business activities.

### **Risk of falling short of internal performance improvement targets**

Swiss Steel Group has launched a comprehensive 5-year transformation program designed to improve our operating results. The program incorporates all our integration and restructuring efforts launched in 2020 and previously as well as our operational excellence program (OEP). The program was extended in the course of the first half of 2020 by measures designed to counter the COVID-19 shortfall. If the measures are not implemented to the extent planned, or if the effectiveness of the measures is below target (due, among other things, to lower production volumes), there is a risk that it will not be possible to achieve the planned results.

We counter this risk through an integrated team of specialists from Corporate Center and the Business Units. Their tasks have top priority and are closely monitored by the Executive Board and Business Unit Management. The tasks require close dialog with all operations and functions to draft, validate and implement approaches for improvement.

### **Risks arising from the competitive environment**

Swiss Steel Group operates in an environment of ever-increasing competition, e.g. from Eastern Europe, India and China. The competition is based on various factors, including service, know-how, availability, price, performance and quality of products. There is a risk that our competitors, most of whom are firmly established in the market and have significantly greater financial resources than we do, may be able to invest in production technologies and develop products that are less expensive and in higher demand than our technologies and products. Some competitors are also increasing their inventories in order to offer shorter lead times to customers' demand. This could have a fundamental negative impact on our ability to maintain or improve our market share while maintaining our profitability. The combination of this intense competition with excessive production capacities for some steel products at times exerted downward pressure on prices for our products. These risks adversely affected our business in 2020, as lower demand from our end customers after the first COVID-19 lockdown resulted in intense pricing competition between producers to secure production volumes.

But despite the challenging competitive situation in 2020, Swiss Steel Group is a leading producer in the special long steel market. According to the latest available SMR data, in 2019 we were the world's third-largest producer of tool steel, the world's fourth-largest producer of stainless long steel and Europe's second-largest producer of quality & engineering steel long products, as measured by volume in each case. This positioning is one of the success factors of our competitiveness in the market.

Swiss Steel Group is active throughout the entire special long steel value chain, from production and processing to distribution and trade. The vertically integrated business model together with a global presence permits the generation of synergies and achievement of significant economies of scale. We benefit from our global sales network with more than 70 sales locations in over 30 countries. All these factors support our strong market position and enable us to harness long-term growth opportunities.

### **Risk arising from information technology**

Information technology is gaining more and more importance across all areas of business in ensuring the professional operation of business processes within the Group and with customers, suppliers and business partners. Risks in this respect relate to IT security, such as unauthorized access to sensitive electronic corporate data, and to operational risks, such as availability, organization, performance and software licenses. We counter risks by performing regular reviews and making adjustments in the information technologies we use. In doing so, we continuously develop and expand our existing IT applications and IT infrastructure with the aim of minimizing the risks identified at an economically viable cost.

### **Risks in procurement markets**

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

For securing the supply of commodities and energy in the required quantity and quality, we have for a number of years pursued a diversified procurement strategy designed to counter the risks of the recent past (e.g. closure of mines, capacity adjustments, uncertainties related to “energy transition”). Long-term supplier relationships and expansion of the supplier portfolio are the core elements we use to counter the continued volatility on the commodity and energy markets. Price fluctuations in commodities are offset by a surcharge system for scrap and alloy metals via which we can directly charge most of this volatility to our customers. Due to the outbreak of COVID-19 steel production was comparatively low in 2020, and potential bottlenecks on the commodities markets or logistics chains resulting from the pandemic situation did not affect our operations negatively. Rather, it was possible to manage the adjustment in stocks and delivery quantities. Given the strained economic situation of the steel industry in general and Swiss Steel Group in particular since 2019, there were further reductions in commercial credit lines and it was not possible to maintain normal payment conditions with a considerable number of key suppliers. Corresponding cash requirements were limited to some extent by reduced demand volumes and there was no shortfall of any relevant supply. This problem is expected to decrease step by step over the course of 2021 following the successful strengthening of the equity base.

### **Failure risks of production plants**

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

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

### **Environmental risks**

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

### **Personnel risks**

Swiss Steel Group's success hinges on the expertise and commitment of its employees. One major challenge is therefore to recruit and retain executive management and other key personnel. Our senior management team has extensive experience within the steel industry. We may not be able to retain the members of the current management team and other key employees or to attract qualified and experienced personnel to fill vacant positions within a short period of time. Our business and future development depends on our ability to retain individual persons in key positions, particularly at the level of the Executive Committee. Failure to do this could have a major adverse impact on our business, financial condition and results.

Swiss Steel Group relies, among other things, on internal training and further education and increasingly on the internal succession planning process, which is supported by management development. Modern working conditions and a positive corporate culture are other key points in this respect. Demographic developments and the later statutory retirement age in many countries are other considerable challenges: both result in the growing importance of having a personnel policy that is aligned to these trends. Besides the analysis of age structures, workplace conditions are an example of another area that needs to be examined.

This process examines individual stressors in the workplace so that measures can be determined to create ergonomically compliant workplaces, for example, or to ensure and increase employee motivation. At the same time, systematic transfer of know-how from “old” to “young” is essential.

All this must be based on a strong foundation of industrial safety and health protection that, for the time being, puts a strong emphasis on preventive measures to confine the COVID-19 pandemic in order to ensure business continuity as much as possible.

# Outlook

**Besides the macroeconomic environment, the outlook for our business will be particularly influenced by developments in the relevant market segments for special long steel and in our key end user markets. External factors and internal measures designed to optimize the Group's performance will define our outlook. Importantly, the way in which the COVID-19 pandemic progresses and the state development programs associated with, this will dictate how markets actually perform. These factors can change drastically and at very short notice. Expectations are therefore highly uncertain.**

## Macro outlook

The global economy and many of our most important end markets were severely impacted in 2020 by the financial consequences of the COVID-19 pandemic and the measures taken in numerous countries to limit its spread. For 2021, it is currently anticipated that the global economy and our end markets will recover to some degree but not return immediately to the levels attained before the pandemic. On the one hand, this more positive outlook for 2021 is based on the start of the COVID-19 vaccination programs at the beginning of the year and prospects for returning to normalcy in the next few months. Yet on the other hand, the spread of mutations of the original virus and further and in some cases strict lockdown measures are still unsettling consumers and companies. We are therefore not able to fully gauge the economic consequences of the current wave of infection at the moment and still face great uncertainty.

The International Monetary Fund (IMF) estimates in its outlook (as of January 2021) that following a drop of 3.5% in 2020, global gross domestic product will grow by 5.5%. After a 4.9% decline in 2020, growth of 4.3% is expected in 2021 in the Advanced Economies, while after a decline of 2.4%, in the Emerging Markets and Developing Economies are expected to grow by 6.3% over the same period.

## Industry outlook

Based on market data from Steel & Metals Market Research (SMR), following the drop in demand in all special long steel segments, we are anticipating a partial recovery in 2021. Overall the trend toward more sophisticated production and steel applications will continue unabated, which for the industry is commensurate with long-term structural growth. However, the actual situation depends greatly on how the economy performs as a whole, which is almost impossible to predict right now.

## Outlook for end user markets

For our most important end market, the automotive industry, LMC Automotive (as of January 2021) predicts that the 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) will grow again in 2021 by 21 %. In 2020, production was 23 % below the level of the previous year due to the COVID-19 pandemic. The forecast by LMC Automotive takes into account the possible repercussions of the current bottlenecks for important semiconductor products such as electronic chips and sensors, which could lead to production cutbacks in the first half of 2021. The full extent of the repercussions due to these bottlenecks and the pickup in production of light vehicles in 2021 are, however, difficult to predict at the present time.

German mechanical and plant engineering is not anticipated to return to its level from before the COVID-19 pandemic in 2021. Even though incoming orders exceeded the level of the previous year in October 2020 for the first time in two years, the German Engineering Federation believes that production will grow by just 4 % in 2021 following a drop of 13 %.

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

## Outlook for 2021 for Swiss Steel Group

The expected strengthening of the financing structure of the Swiss Steel Group by means of the planned capital increase approved by shareholders on December 22, 2020 and the optimizations on the capital side, accompanied by a significant easing of credit conditions, will be an important milestone in getting Swiss Steel Group back on a secure footing. The Swiss Steel Group will also be able to save substantial interest costs by means of the additional equity and reduce significant third-party costs through the discontinuation of various contractual credit obligations. However, the implementation of the capital increase was still outstanding when the financial statements were approved by the Board of Directors on March 1, 2021. The entrepreneurial freedom this will bring us will allow us to drive forward ongoing transformation with even more dedication to implement the turnaround plan. We do this with the goal of taking the Group into long-term profitability and thereby creating company value.

As we merge the two operational Swiss business units, in the first and second quarters of 2021, we will make progress in the steps required. This will strengthen our position on the market and the Emmenbrücke site and will also combine our expertise in steel production with that of downstream bright steel production all under one roof. As a result, we will be able to achieve efficient product improvements and process innovations along the entire value chain.

In Germany, having agreed on the basic points in November 2020, in the first quarter of 2021, Management of Deutsche Edelstahlwerke managed to reach consensus on a collective restructuring agreement with the IG Metall union. This will save Swiss Steel Group a total of EUR 39 million in personnel costs in Germany in the period 2020-2022. In the long term, personnel costs are to be reduced by cutting approximately 400 jobs compared to 2019.

Alongside these structural measures, which also include reducing the workforce at Ascometal and realigning Finkl Steel's market focus, we will be introducing operational improvement measures and strategic investment projects. In this context, mention should also be made of investments in additional furnace capacities for the electro-slag remelting process, a metallurgical method of manufacturing steels with a high degree of purity and microstructures or special alloys solidified straight and therefore free of defects. Finally, we will also be investing in information technology to drive forward digitalization and also in further synergy projects within management and administration.

In the medium term, we aim to develop Swiss Steel Group into an innovative, sustainably profitable company with a high share of special long steel products which is widely diversified across all relevant regions and end markets and offers its customers high-quality standard products as well as made-to-measure solutions. In this way, we aim to create value for our stakeholder groups.





# Corporate Governance

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# Corporate Governance

**The Group attaches great importance to corporate governance. The Board of Directors constantly evaluates established corporate governance principles and practices with the aim of strengthening these further wherever possible.**

## 1 Group structure and shareholders



### Governance

Refer also to pages 24, 54

### 1.1 Group structure

Swiss Steel Holding AG is a company organized under Swiss law. Headquartered in Lucerne, the Company was first entered in the commercial register of the canton of Lucerne on September 20, 1887 under the name “Aktiengesellschaft der Von Moos'schen Eisenwerke”. The registry code is CHE – 101.417.171.

#### 1.1.1 Group operating structure

For information on the operating organization, please refer to note 34, Segment reporting of the consolidated financial statements of this Annual Report. Management and supervision of the Swiss Steel Group are based on the Company's Articles of Incorporation, organizational regulations including chart of authority, committee regulations as well as mission statement and other documents that set out the corporate policy and business principles. The Articles of Incorporation and the Organizational Regulations can be found on the website of the Swiss Steel Group at: <https://www.swisssteel-group.com/en/group/corporate-governance>.

The management structure is aligned to the Group's business strategy. As a global leader in special long steel, the Group's organization reflects the supply chain with two divisions: Production and Sales & Services. This structure leverages global synergies, enabling the Group to secure a stable business basis even in a difficult market environment. In doing so, Swiss Steel is pursuing its goal of defending and expanding its position in the global market. Please refer to note 37, List of shareholdings in this Annual Report.

#### 1.1.2 Listed company

Name	Swiss Steel Holding AG
Registered office	Landenbergstrasse 11, 6005 Lucerne
Listed on	SIX Swiss Exchange, International Reporting Standard
Market capitalization	CHF 476.7 million (closing price on 31.12.2020: CHF 0.235)
Symbol	STLN
Securities number	579 566
ISIN	CH000 579 566 8

### 1.1.3 Non-listed companies

All Group companies are unlisted companies. The list of shareholdings in note 37 of this Annual Report gives details of these along with information about the registered office, share capital and interest held.

## 1.2 Significant shareholders

As of December 31, 2020, the Company was aware of the following shareholders with share capital and voting rights above the 3% threshold:

	31.12.2020	
	Number of registered shares <sup>1)</sup>	in percent
BigPoint Holding AG	1,005,727,413	49.58
Liwet Holding AG	507,083,333	25.00

<sup>1)</sup> The figures may differ from the number of shares actually held as of December 31, 2020.

<sup>2)</sup> For details of the acquisition rights, see the announcement under: <https://www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html#/shareholder-details/TAKC400082>.

The remaining 25.42% of the shares were in free float.

Notifiable changes in significant shareholders since the balance sheet date are published by the Company on the electronic publication platform of the SIX Swiss Exchange at [www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html). The notifications published during the 2020 financial year can also be found there.

## 1.3 Cross-shareholdings

The Company has no cross-shareholdings with significant shareholders or other related parties.

## 2 Capital structure

### 2.1 Ordinary Capital

As of December 31, 2020, the ordinary share capital consisted of 2,028,333,333 registered shares with a par value of CHF 0.15 each and amounted to a total of CHF 304,249,999.95.

### 2.2 Authorized and conditional capital in particular

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

### 2.3 Changes in capital

A Company's Extraordinary General Meeting decided on December 2, 2019 to execute a capital reduction and simultaneous ordinary capital increase, which was implemented by the Board of Directors in its resolution dated January 8, 2020 and was subsequently entered in the commercial register. Pursuant to these resolutions, the share capital entered in the commercial register on January 8, 2020 was initially decreased by CHF 189,000,000 from CHF 472,500,000 to CHF 283,500,000 by reducing the nominal value of each registered share from CHF 0.50 to CHF 0.30 and simultaneously increased by CHF 324,999,999.90 by issuing 1,083,333,333 new registered shares with a nominal value of CHF 0.30 each. The Company's share capital entered in the commercial register has been CHF 608,499,999.90 since January 8, 2020 and is divided into 2,028,333,333 registered shares with a nominal value of CHF 0.30 each. The new registered shares were listed and first traded on the SIX Swiss Exchange on January 9, 2020.

A Company's Extraordinary General Meeting decided on September 21, 2020 to reduce the share capital amounting to a nominal value of CHF 608,499,999.90 by CHF 304,249,999.95 to CHF 304,249,999.95. The capital reduction was performed by reducing the nominal value of all 2,028,333,333 outstanding registered shares from their previous level of CHF 0.30 to CHF 0.15. The total capital volume was used to pay down a shortfall balance resulting from losses amounting to CHF 308,235,954.09 (as of July 31, 2020).

A Company's Extraordinary General Meeting decided on December 22, 2020 to execute an ordinary capital increase. Pursuant to these resolutions, the share capital will be increased by CHF 154,578,620.70 through the issue of 1,030,524,138 fully paid-up registered shares with a nominal value of CHF 0.15 each at an issue price of CHF 0.15 each. On December 22, 2020, Liwet Holding AG obtained a block against the registration of the ordinary capital increase at the Commercial Register of the Canton of Lucerne, which has been lifted in the meantime. The Board of Directors currently plans to implement the ordinary capital increase in March 2021.

Overview of capital changes in the last three reporting years:

Ordinary Capital			Authorized Capital	Conditional Capital	
Year	Share Capital in CHF	Shares	Par Value in CHF	Maximum in CHF	Maximum in CHF
2018	472,500,000.00	945,000,000	0.50	236,250,000	110,000,000
2019	472,500,000.00	945,000,000	0.50	236,250,000	110,000,000
2020	304,249,999.95	2,028,333,333	0.15	-	-

## 2.4 Shares and participation certificates

As of December 31, 2020, the share capital consisted of 2,028,333,333 registered shares with a par value of CHF 0.15 each. At the end of the year, the Company held 1,124,962 treasury shares for which voting rights are suspended in accordance with art. 659a of the Swiss Code of Obligations. Each share entitles the holder to one vote. Voting rights may only be exercised if the shareholder has been registered in the Company's share register as a shareholder with voting rights in time for a given vote. Each share is entitled to dividends. Certificates are not issued for registered shares; rather, they are recorded by book entry in the central depository system of areg.ch ag. Shareholders are not entitled to request a printed copy or delivery of share certificates. All shareholders can, however, request from the Company at any time a document confirming the shares in their ownership.

Swiss Steel Holding AG has not issued any participation certificates.

## 2.5 Dividend-right certificates

Swiss Steel Holding AG has not issued any dividend-right certificates.

## 2.6 Limitations on transferability and nominee registrations

Certificated shares can be physically deposited with a depository; paperless shares can be entered in the principal register of a depository and credited to a securities account (creation of intermediated securities). Intermediated securities can only be disposed of, or pledged as collateral, in accordance with the provisions of the Swiss Federal Act on Intermediated Securities. Paperless securities that do not qualify as intermediated securities can only be transferred by assignment. The Company must be notified of such assignment for it to be valid. In accordance with the Articles of Incorporation, nominees of registered shares may upon request be entered without restriction in the share register as a shareholder with voting rights if they expressly declare that they acquired the registered shares in their own name and for their own account. If no such declaration is made, nominees are registered with voting rights up to a maximum of 2% of the share capital.

Pursuant to art. 4 para. 3 of the Articles of Association ( see under: <https://www.swisssteel-group.com/en/group/corporate-governance>), nominees with registered shares are registered with voting rights only if they provide a written declaration that they are prepared to disclose the addresses and shareholdings of persons for whose account they hold 0.5% or more of the outstanding share capital.

Except for the nominee clause there are no restrictions on transferability, nor are any privileges granted under the Articles of Incorporation; accordingly, no exemptions were to be granted in 2020. Revocation or amendment of these stipulations requires the agreement of at least two-thirds of the represented votes and the absolute majority of the represented nominal share values.

## 2.7 Convertible bonds and options

The Company had no convertible bonds or options outstanding as of December 31, 2020.

# 3 Board of Directors

## 3.1 Members of the Board of Directors

The following overview provides details of the composition of the Board of Directors as of December 31, 2020.

<b>Heinrich Christen<sup>1)</sup> (CH)</b> Year of birth 1965 Chairman since 23.12.2020, previously Vice Chairman Compensation Committee (Chairman) Member since 2020 Elected until 2021	<b>Svein Richard Brandtzæg (NO)</b> Year of birth 1957 Compensation Committee (Member) Member since 2020 Elected until 2021	<b>David Metzger<sup>2)</sup> (CH/FR)</b> Year of birth 1969 Audit Committee (Member) Member since 2020 Elected until 2021
<b>Michael Schwarzkopf (AT)</b> Year of birth 1961 Member since 2020 Elected until 2021	<b>Karin Sonnenmoser (DE)</b> Year of birth 1969 Audit Committee (Member) Member since 2020 Elected until 2021	<b>Jörg Walther<sup>1)</sup> (CH)</b> Year of birth 1961 Member since 2020 Elected until 2021
<b>Adrian Widmer (CH)</b> Year of birth 1968 Audit Committee (Chairman) Member since 2019 Elected until 2021		

<sup>1)</sup> Representative of BigPoint Holding AG

<sup>2)</sup> Representative of Liwet Holding AG

At the Annual General Meeting on April 28, 2020, Jens Alder and Adrian Widmer, who stood for re-election, were confirmed in office. Jens Alder was reappointed Chairman of the Board of Directors, Svein Richard Brandtzæg, Heinrich Christen, David Metzger, Michael Schwarzkopf, Karin Sonnenmoser and Jörg Walther were newly elected to the Board.

Jens Alder resigned from his position as a member of the Board of Directors and thus also as Chairman of the Board of Directors and the Compensation Committee as of December 22, 2020. The details of Jens Alder can be found at <https://swisssteel-group.com/en/group/board-of-directors>. The Board of Directors elected Heinrich Christen as the new Chairman of the Board of Directors for the remaining term of office in accordance with the provisions of the Company's Articles of Incorporation.

According to the Articles of Incorporation, shareholders who alone or in concert hold 17.5% or more of the share capital and voting rights of the Company are entitled to nominate a person for election as a member of the Board of Directors. Shareholders who alone or in concert hold 35% or more of the share capital and voting rights of the Company are entitled to nominate two persons for election as members of the Board of Directors.

The right to nominate a person for election as a member of the Board of Directors or to vote out of office a person nominated and elected as a member of the Board of Directors on the basis of such a provision must be requested in writing no later than 45 days before the General Meeting. The Board of Directors may grant exceptions to this deadline. The majority of the Board of Directors shall consist of members who are independent of all shareholders.

Unless otherwise stated, the members of the Board have no significant business relationships with Group companies. For details of business relationships with certain companies represented by members of the Board of Directors, including, but not limited to, BigPoint Holding Ltd and Liwet Holding AG, see the Notes to the consolidated financial statements, note 36, Related party disclosures.



**Heinrich Christen (CH)**  
**Chairman (since 23.12.2020, previously Vice Chairman) |**  
**non-executive member**

Heinrich Christen is a Partner at BLR & Partners Ltd. in Zurich (CH). Before he joined BLR & Partners in 2019 he held various positions at Ernst & Young (CH). These included Managing Partner Family Business Switzerland and Liechtenstein and Industry Leader Medical Devices Industry EMEA. From 1993 to 1997 he was Head of Public Affairs + PR and a member of the executive committees of the two Swiss associations ASM/VSM (today Swissmem). Heinrich Christen is currently a member of the Board of Directors of the Swiss companies AMAG Group AG, KIBAG Gruppe and B. Curti Holding, and Chairman of the Board of Directors of CP Pumpen AG. He serves on the Board of the Swiss Institute of International Studies (SIAF) and the Swiss Association of Privately Held Companies (VPAG), is a member of the Foundation Board of the Textile Museum St. Gallen and the Curti-Stiftung, and a member of European Trilateral Commission and the foundation "Freiheit.Unternehmertum.Politik". Heinrich Christen holds a lic. phil. I in Philosophy, International Law, European Law and Modern History from the University of Zurich (CH). He also completed studies in Konstanz (DE) and Stanford (USA), and has an Executive MBA from the University of St. Gallen (HSG).



**Dr. Svein Richard Brandtzæg (NO)**  
**non-executive member**

Dr. Svein Richard Brandtzæg is currently Chairman of the Board of Directors of Veidekke ASA (NO). From 2009 to 2019 he was President & CEO of Norsk Hydro ASA (NO). Before his role as President & CEO of Norsk Hydro, he held various positions at the company between 1985 and 2009, including management positions such as President of Hydro Magnesium, President of Metal Products, President of Rolled Products and Executive Vice President of Aluminium Products. From 2014 to 2020 Brandtzæg was Chairman of the Board of Directors of the Norwegian University of Science and Technology and from 2009 to 2019 he was a member of the European Roundtable of Industrialists (ERT). Besides his current role as Chairman of the Board at Veidekke ASA, he has also been a member of the Board of Directors of Eramet (NO) and Sibelco (BE) since 2019. Svein Richard Brandtzæg holds a Master of Science from the Norwegian University of Science and Technology/NTNU in Trondheim (NO), where he also obtained his PhD degree at the Institute of Inorganic Chemistry. Between 1998 and 2006 he attended several executive education programs at IMD, Harvard Business School and the Wharton and International Forum. Since 2020 Svein Richard Brandtzæg is the Vice Chair of Den Norske Bank ASA.





**David Metzger (CH/FR)**  
**non-executive member**

David Metzger currently serves as Managing Director Investments of Liwet Holding AG, where he provides consulting services to a range of international companies in the area of investments and portfolios. From 2011 until 2018, David Metzger worked for the Renova Group, first as CFO of Venetos Management AG, subsequently as Deputy Managing Director Mergers & Acquisitions and Strategic Development of Renova Management AG, and ultimately as Managing Director Investments. Prior to this, David Metzger worked as Investment Executive at Good Energies AG (part of COFRA Holding, CH), a highly renowned renewable energy fund. During this time he additionally served as CFO and Board member of several portfolio companies. Before Good Energies, David Metzger was a Senior Manager at Bain & Company, focusing on strategy and private equity. Besides his executive positions, he has at present one other non-executive appointment as a member of the Board of Directors of Italy-based company Octo Telematics. David Metzger holds a Master's degree in Business Economics (lic. oec.) from the University of Zurich (CH) and a Master of Business Administration from INSEAD (Fontainebleau, FR).



**Dr. Michael Schwarzkopf (AT)**  
**non-executive member**

Dr. Michael Schwarzkopf has been Chairman of the Supervisory Board of the Plansee Group, Reutte (A), since 2017. At Plansee, he was a member of the Executive Board from 1993 to 2017, serving as its Chairman from 1996 to 2017. Before joining the Plansee Group, he was Managing Director of Sintermex S.A. de C.V. in Quéreatro (MX) from 1991 to 1993. After completing a trainee program at Thyssen AG in Düsseldorf (DE) in 1989, he moved to Sinterstahl GmbH in Füssen (DE), where he worked as Manager Corporate Development from 1989 to 1991. His Board of Directors mandates included those at voestalpine AG, Linz (A) from 2004 to 2018, Molibdenos y Metales S.A. from 2011 to 2018, Molyporc Inc. from 2013 to 2019 and at Mayr-Melnhof Karton AG in Vienna (A) from 2009 to 2019. Dr. Michael Schwarzkopf holds a degree in mechanical engineering from the Swiss Federal Institute of Technology Zurich (ETHZ) as well as a PhD in materials sciences from the University of Leoben.



**Karin Sonnenmoser (DE)**  
**non-executive member**

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



**Jörg Walther (CH)**  
**non-executive member**

Jörg Walther has been a Partner at Schärer Attorneys at Law in Aarau (CH) since 2010. From 2010 to 2012 he also was Head Corporate Services and a member of the Executive Committee at Resun AG, Aarau. Jörg Walther worked as Senior Legal Counsel M&A and Antitrust for Novartis in Basel/Switzerland from 2001 to 2009, and from 2006 held the position of Global Head Legal M&A and Antitrust and served as member of the Group Legal Executive Committee. Before this, between 1995 and 2001, he worked at ABB Asea Brown Boveri in Zurich and Baden (CH), including as Group Vice President M&A, Head of Communications and Special Projects for the Building Technology division and Senior Legal Counsel for ABB Switzerland. From 1991 to 1995 he served as Legal Counsel and Group General Counsel a.i. for the corporate law department of Danzas AG, Basel (CH). He is admitted to the bar in Switzerland and holds a law degree from the University of Zurich, a post-graduate degree in European economic law from the University of St. Gallen and a Master of Business Administration (MBA) from the University of Chicago (Illinois). In addition, he completed the Advanced Management Program at the University of Oxford (UK) as well as executive trainings in business strategy and finance at the Harvard Business School in Boston (USA). Jörg Walther is a member of faculty at the University of Zurich for the postgraduate LL.M. and CAS Mergers & Acquisitions program. He is a member of the Board of Directors of SFS Group AG, Huber+Suhner AG, Zehnder Group AG (Vice-Chairman), Proderma AG (Chairman), AEW Energie AG, Kraftwerk Augst AG and Immobilien AEW AG and chaired the Special Expert Committee of Sika AG.

**Adrian Widmer (CH)****non-executive member**

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

### 3.2 Other activities and vested interests

The above profiles of the members of the Board of Directors provide information on their activities and commitments in addition to their functions at Swiss Steel Holding AG.

Pursuant to the Company's Articles of Incorporation (art. 16d), the members of the Board of Directors and Executive Board may not hold or exercise more than ten mandates, thereof a maximum of five at companies listed on the stock exchange, and ten non-executive mandates at non-profit legal entities or non-compensation mandates, whereby out-of-pocket expenses are not considered as compensation.

A mandate refers to the activity in the highest management or administrative organ of other legal entities which are required to be entered in the commercial register or a similar foreign register, and which are not controlled by the Company or do not control the Company. Mandates at various companies belonging to the same group of companies are considered as one mandate. Mandates assumed by a member of the Board of Directors or Executive Board by order of the Group company are exempt from the restriction on additional mandates in accordance with the Articles of Incorporation.

Exercising such additional activities may not restrict the member concerned in assuming their duties for the Company or other companies of the Group.

### 3.3 Elections and term of office

The Board of Directors consists of between five and nine members according to art. 11 of the Articles of Incorporation. The members of the Board of Directors are elected individually. The Chairman of the Board of Directors is elected by the Annual General Meeting.

In accordance with the Articles of Incorporation and organizational regulations, the Board of Directors appoints from among its members a Vice Chairman for each term of office, and designates a Secretary, who need not be a member of the Board. At the latest, the terms of office of each member and the Chairman of the Board of Directors expire at the end of the Annual General Meeting following their election. Reelection is possible.

### 3.4 Internal organizational structure

The organizational regulations provide that the Board of Directors meets as often as business requires, usually once per quarter. The Board of Directors convened on 17 occasions in the fiscal year 2020 to discuss current business. These meetings lasted between one and eight hours. All members of the Executive Board usually participate in these meetings. In the reporting period, external consultants were called upon for assistance with various legal and financial issues. In addition to all relevant aspects of business activities, the Board of Directors requests regular reports about the Compliance organization and current compliance issues by the Head of Corporate Legal and Compliance within the Swiss Steel Group. The Board of Directors is quorate when at least half of its members are present in compliance with the company's Articles of Incorporation (see under: <https://www.swisssteel-group.com/en/group/corporate-governance>). For the notarization of resolutions related to capital increases, only one member needs to be present (art. 651a, 652g, 653g Swiss Code of Obligations). Resolutions and elections require a simple majority of the votes cast. Abstentions do not count as votes cast.

In the event of a tie, the Chairman has the casting vote. In urgent cases, the Board of Directors can also pass resolutions by correspondence for inclusion in the minutes of the next meeting, provided that no member requests their verbal discussion.

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

### **Audit Committee**

The members of this committee are Adrian Widmer (Chairman; since the 2019 Annual General Meeting), David Metzger (Member; since the 2020 Annual General Meeting) and Karin Sonnenmoser (Member; since the 2020 Annual General Meeting).

The Audit Committee regulations provide that the Audit Committee meet as often as business requires, usually at least twice per fiscal year. In the fiscal year 2020, the Audit Committee met seven times. Among others, the external auditor, the Head of Corporate Accounting and Controlling, the Head of Corporate Legal and Compliance and the Head of Internal Audit attended the relevant meetings as required. The members of the Executive Board also participated. Generally, such meetings lasted between one and three hours.

There are separate regulations governing the tasks and responsibilities of the Audit Committee in greater detail. These stipulate that the Audit Committee should consist of at least three members of the Board of Directors who are not actively involved in the Company's business activities. The main tasks of the Audit Committee are as follows:

#### **Financial reporting**

- Assessing and monitoring the efficiency of the financial reporting system of the Group (IFRS), the efficiency of the financial information and the necessary internal control instruments
- Ensuring compliance with the Group accounting policies and assessing the effects of departures from these

#### **External auditor**

- Assisting the Board of Directors with the selection and appointment of the external auditor
- Reviewing and approving the audit plan
- Evaluating the performance, fees and independence of the external auditor
- Evaluating cooperation with Internal Audit

#### **Internal Audit**

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

#### **Other duties**

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

The Audit Committee is also responsible for submitting regular verbal and written reports to the full Board of Directors.

### **Compensation Committee**

The members of this Committee are elected individually once a year by the Annual General Meeting in accordance with the law and the Articles of Incorporation. At the latest, the term of office of each member of the Compensation Committee expires at the end of the Annual General Meeting following their election. Reelection is possible.

The members of this committee up to December 22, 2020 were Jens Alder (Chairman; since the 2019 Annual General Meeting), Svein Richard Brandtzæg (Member; since the 2020 Annual General Meeting) and Heinrich Christen (Member; since the 2020 Annual General Meeting). After Jens Alder stepped down effective December 22, 2020, the Board of Directors decided within its competence that until the next Annual General Meeting the Compensation Committee should consist of the two remaining members, Heinrich Christen and Svein Richard Brandtzæg, and Heinrich Christen would be elected Chairman of the Compensation Committee. The regulations provide that the Compensation Committee meet as often as business requires, usually at least once per fiscal year.

The Compensation Committee met twice in the fiscal year 2020. The meetings lasted around one hour. There are separate regulations governing the tasks and responsibilities of the Compensation Committee. The committee is tasked with preparing the resolution of the Board of Directors on the Board of Directors' and Executive Board's compensation, and issuing a proposal to this effect to the Board of Directors. Its duties include, but are not limited to, the following:

- Preparing proposals for defining the general personnel policy
- Determining the principles for selecting candidates for election or reelection to the Board of Directors
- Determining the principles for selecting members of the Executive Board
- Preparing proposals for the Board of Directors of the Company regarding the appointment of members of the Executive Board
- Preparing proposals for the Board of Directors of the Company regarding personnel development and succession planning for the Executive Board
- Preparing principles regarding compensation of the members of the Board of Directors, the committees as well as the Executive Board and drafting a proposal for the resolution on such compensation for the Board of Directors. The Annual General Meeting votes on whether to approve the resolution of the Board of Directors
- Preparing proposals regarding compensation of the members of the Board of Directors, including its committees and the Executive Board by the Annual General Meeting in accordance with art. 16e of the Company's Articles of Incorporation
- Preparing proposals of the Board of Directors for the specific compensation of the members of the Board of Directors of the Company, the committees and the Executive Board in accordance with the principles approved by the Board of Directors
- Preparing the compensation report
- Approving any additional mandates of the members of the Executive Board outside the Swiss Steel Group

The Compensation Committee reports to the full Board of Directors on the content and scope of decisions made.

**Ad Hoc Committee**

The Board of Directors convened a committee consisting of Jens Alder (Chairman), Heinrich Christen, Jörg Walther and Adrian Widmer in August 2020 to assess and review recapitalization measures. The committee met five times. The meetings lasted between one and two hours.

At the end of December, the Board of Directors convened another committee consisting of Jörg Walther (Chairman), Heinrich Christen, Karin Sonnenmoser and Adrian Widmer. This committee commenced its activities in January 2021 and deliberated on the block obtained by Liwet Holding AG from the Commercial Register Office of the Canton of Lucerne for the registration of the capital increase resolved by the General Meeting on December 22, 2020. In this context, the Board of Directors also convened a committee consisting of the four independent members of the Board of Directors in February 2021 to deal with questions regarding Liwet Holding AG's application to the Swiss Takeover Board.

**3.5 Definition of areas of responsibility**

The Board of Directors is the most senior executive body in the Group's management structure and rules on all matters that are not expressly entrusted to another governing body in accordance with the law, the Company's Articles of Incorporation or the organizational regulations.

The Board of Directors has delegated all duties except for those that are non-transferable and inalienable in accordance with the law. The non-transferable and inalienable duties of the Board of Directors include, but are not limited to:

- Managing the Company as the supreme governing body and issuing all necessary directives
- Defining the Company's organization
- Designing the accounting, financial control and financial planning systems as required for the management of the Company
- Appointing and dismissing persons entrusted with managing and representing the Company
- Assuming overall supervision of the persons entrusted with managing the Company, in particular with regard to compliance with the law, Articles of Incorporation, regulations and directives
- Compiling the Annual report and the remuneration report, preparing and leading the Annual General Meeting, and implementing its resolutions
- Notifying the court in the event of overindebtedness
- Preparing resolutions on the payment of subsequent contributions to shares that are not fully paid up
- Preparing resolutions on capital increases and the associated amendments to the Articles of Incorporation
- Other non-transferable and inalienable duties, in relation to the Swiss Merger Act, for example

The Board of Directors is the supreme governing body of the Company, responsible for supervising and monitoring the Executive Board, and issuing corporate policies. It also defines the strategic objectives and allocates general resources required to achieve them. With the exception of duties reserved for the Board of Directors or its committees, all executive management tasks within the Company and Group are delegated to the Executive Board. In accordance with the Organizational Regulations (<https://www.swisssteel-group.com/en/group/corporate-governance>). The CEO chairs the Executive Board, which consists of the CEO, the CFO and the CRO. The CEO issues supplementary guidelines governing the duties and authority of members of the Executive Board and Business Unit Management. The Board of Directors receives notification of these responsibilities and any subsequent changes at the next meeting of the Board of Directors at the latest. The members of the Executive Board are appointed by the Board of Directors based on the recommendation of the Compensation Committee, while other members of the Executive Committee are appointed by the Executive Board. The Chairman of the Board of Directors monitors the implementation of measures approved by resolution of the Board of Directors, supervises the CEO and his activities, and evaluates performance with him yearly.

### **3.6 Instruments for reporting and control: Executive Board**

A transparent management information system (MIS), among other things on the basis of monthly reports, quarterly financial statements as well as annual financial statements, is used to support the Board of Directors' reporting and control activities relating to the Executive Board and Business Unit Management. Every member of the Board of Directors may request information from the Executive Board about any Company matter, provided the Chairman is informed of the request. The Executive Board updates the Board of Directors at every meeting on current business developments and significant business transactions. Between meetings, all members of the Board of Directors may request information from the Executive Board about the progress of business and, with the authorization of the Chairman, about specific business transactions.

#### **Enterprise risk management (ERM)**

Risk management supports the Group with strategic planning and day-to-day decision-making. The remaining units, the Business Units and the Corporate Center are involved in identifying and measuring risk and defining measures to minimize risk. Dialog about risks and measures promotes shared risk awareness and transparency. This enables the Group to pursue and manage its objectives within the set appetite for risk, to scrutinize the budgets of the Business Units and to make decisions on investment applications. The risk management objectives are to detect threats and opportunities at an early stage and thus to respond in a way that is conducive to achieving strategic goals and continuously increasing the value of the Company.

A standardized enterprise risk management (ERM) system has been implemented across the Group to ensure systematic and efficient risk management by means of consistent guidelines. The ERM is an integral component of the annual strategy process and of the Group's culture, enabling risk identification, a comprehensive risk analysis and assessment including probability of occurrence, impact measurement, and definition of corresponding mitigating actions. The risk management responsibilities are defined and explained in the Corporate Policy Manual. As part of the assessment process, the Group deliberately takes appropriate, transparent and manageable risks and does not permit speculation or other high-risk transactions.



Operational management of the Business Units and Corporate Departments is directly responsible for the early identification, evaluation, treatment, monitoring, review (including the appropriate allocation of risks, measures, priorities, etc.) and communication of risks, while the responsibility for control lies with the Executive Board and ultimately with the Board of Directors. Every six months, the Business Units and Corporate Departments establish and report their risk assessments to risk management. This information is then consolidated and aggregated with detailed risk descriptions and made available to the Executive Board and the Board of Directors, to enable them to make informed decisions. In urgent cases, the Chairman of the Audit Committee is informed immediately of significant new risks.

Insurance has been taken out for most insurable risks to the extent that this makes economic sense. Where necessary, measures have been taken by the operations units to prevent and avoid losses.

#### **Internal Audit**

Internal Audit is an independent auditing and advisory body. An audit plan is prepared on the basis of a formal risk assessment that takes into account previous audit results, the significance of business processes, organizational changes and risk assessments. After consultation with the Executive Board, this plan is submitted to the Audit Committee for validation. Internal Audit provides a sound and independent assessment of the effectiveness and efficiency of the internal control systems and regularly informs the Executive Board and the Audit Committee of its observations and the implementation of the audit recommendations. In accordance with the audit plan approved by the Executive Board and the Audit Committee, Internal Audit conducted several audits during the reporting period, which were supplemented by ad hoc audits on request. In 2020, Internal Audit reported to the Audit Committee in five meetings.

## 4 Executive Board

### 4.1 Members of the Executive Board

In accordance with the organizational regulations applicable as of the reporting date, the Executive Board consists of the Chief Executive Officer (CEO, Chairman), the Chief Financial Officer (CFO) and the Chief Restructuring Officer (CRO).

Name	Function	Period
Clemens Iller	CEO	Since Apr. 4, 2014
Dr. Markus Böning	CFO	Since Oct. 1, 2020
Josef Schultheis	CRO	Since Aug. 12, 2020



#### **Clemens Iller, CEO (DE)**

Clemens Iller, a business graduate of the University of Tübingen, has been CEO at Swiss Steel Holding AG since April 1, 2014. From March 1, 2015 to March 31, 2015 he also assumed the role of CFO ad interim. He launched his career at Amphenol-Tuchel-Electronics in 1989, moving into the steel industry initially as General Manager Export Sales at Rasselstein Hoesch GmbH in 1995. From 1999 onward, he assumed various positions of responsibility at ThyssenKrupp Stahl AG. From 2009 to the end of 2012 he headed up the Business Area Stainless Global/Inoxum of the listed German entity ThyssenKrupp AG and served as Chairman of the Management Board of ThyssenKrupp Nirosta GmbH. As Hold Separate Manager, he was responsible for compliance with EU requirements in the Inoxum/Outokumpu merger in 2013. Between 2009 and 2017, Mr. Iller was chairman of the supervisory board of AST. Until mid-2017 Clemens Iller was a member of the Advisory Board of Imperial Logistics International B. V. & Co. KG and until mid-2018 he was on the Shareholders' Committee of UnionStahl Holding GmbH.



#### **Dr. Markus Böning, CFO (DE)**

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

**Josef Schultheis, CRO (DE)**

The restructuring expert Josef Schultheis has been CRO of Swiss Steel Holding AG since August 12, 2020. Mr. Schultheis has more than 30 years of management and consulting experience in operational restructuring, liquidity management and financing negotiations. As a full member of the Group Executive Board, in his role as CRO Josef Schultheis will use his experience to drive and accelerate the transformation process. In this way, the Swiss Steel Group will be able to counteract the far-reaching impact of the COVID-19 crisis more effectively.

Josef Schultheis left the Company as planned on February 28, 2021, after achieving the company's targets.

**4.2 Other activities and vested interests**

The above profiles of the members of the Executive Board provide information on their activities and commitments in addition to their functions at the Swiss Steel Group. For statutory regulations related to the number of additional activities, see section 3.2.

**4.3 Management contracts**

There are no management contracts between the Company and persons outside the Group.

## 5 Compensation, participation and loans

Information on this part of the report can generally be found in the compensation report.

Regarding the statutory regulations governing compensation, the following additional information must be provided: according to art. 16b of the Company's Articles of Incorporation, the Company can pay performance-related compensation to the members of the Board of Directors and Executive Committee, the amount of which is based on the qualitative and quantitative targets and parameters set by the Board of Directors. Performance-related compensation can be paid in cash or by allocation of participation share certificates, convertible rights or options, or other participation rights. Upon allocation of participation share certificates, convertible rights or options or other participation rights, the amount of compensation corresponds to the value of the certificates or rights at the time of allocation according to generally accepted measurement methods. art. 16b of the Articles of Incorporation provides that the amount of performance-related compensation of a member of the Board of Directors or Executive Committee does not exceed 300% of fixed compensation. The Board of Directors is responsible for specifying the details related to performance-related compensation. The Board of Directors can also determine a lock-up period for holding certificates or rights and define the time and scope for acquiring legal entitlement for the persons concerned and the conditions of any lapses of lock-up periods when the beneficiaries acquire legal entitlement immediately.

Art. 16c (2) of the Company's Articles of Incorporation provides that loans or credits of up to CHF 1,000,000 may be granted to members of the Board of Directors or Executive Committee, notably in the form of advances to cover the costs of civil, penal or administrative proceedings relating to activities carried out by the person in question on behalf of the Company (in particular court and lawyers' fees).

Pursuant to art. 16c (3) of the Company's Articles of Incorporation, members of the Board of Directors and Executive Committee may receive occupational pension benefits in accordance with the applicable Swiss or foreign legal and regulatory provisions. Providing such benefits does not represent any compensation subject to approval.

Pension benefits separate from the occupational pension to a member of the Board of Directors or Executive Committee by the Company, a portfolio company or a third party is permissible to a maximum of 25% of the annual compensation of the person concerned per year.

Art. 16e of the Company's Articles of Incorporation includes the statutory regulations governing the approval of compensation by the Annual General Meeting. According to art. 16e of the Company's Articles of Incorporation, the Annual General Meeting approves annually, separately and in a binding manner the total amounts of compensation of the Board of Directors for the period until the following Annual General Meeting, and of the Executive Committee for the fiscal year following the Annual General Meeting. Additionally, the Board of Directors may submit the prior-year compensation report to the General Meeting for a consultative vote. If the Annual General Meeting refuses to approve an aggregate amount for the members of the Board of Directors or Executive Committee, the Board of Directors may submit new proposals in the same Annual General Meeting. If new proposals are not submitted or they are also rejected, the Board of Directors, in compliance with laws and Articles of Incorporation, may convene a new General Meeting.

## 6 Shareholders' rights of participation

### 6.1 Restriction and representation of voting rights

With the exception of the 2 % clause for nominees, there are no restrictions on voting rights.

According to art. 6 (2) of the Company's Articles of Incorporation, any shareholder may be represented by an independent proxy or by any other person, who need not be a shareholder, provided that person has written power of attorney. The independent proxy is obliged to exercise the voting rights assigned to him by the shareholders in accordance with the instructions. If he has not received any instructions, he shall abstain from voting. Further provisions on the election, term of office and issuance of instructions to the independent proxy can be found in art. 6a of the Articles of Association (<https://www.swisssteel-group.com/en/group/corporate-governance>).

### 6.2 Statutory quorum

The Articles of Incorporation do not contain any special provisions governing quorums beyond the provisions of company law.

### 6.3 Convening the Annual General Meeting

The Annual General Meeting is convened by the Board of Directors or the external auditor, indicating the agenda as well as proposals of the Board of Directors and any motions put forward by shareholders who have requested the General Meeting or requested the inclusion of items on the agenda. The meeting is held at the registered office of the Company or at a different location determined by the Board of Directors.

A written invitation is sent at least 20 days before the date of the Annual General Meeting, which must take place within six months of the end of the fiscal year, or the Extraordinary General Meeting. Meetings are convened either by a resolution of the Annual General Meeting or of the Board of Directors, at the request of the external auditor, or if requested by one or more shareholders who together represent at least one tenth of the share capital (see art. 5 of the Articles of Incorporation). If the meeting is convened by shareholders or the external auditor, the Board of Directors must, if expressly requested, hold the meeting within 60 days.

### 6.4 Inclusion of items on the agenda

Shareholders who represent shares with a par value of CHF 1 million may submit a written request, no later than 45 days before the Annual General Meeting, requesting inclusion of items on the agenda.

### 6.5 Entry in the share register

The cut-off date for entering holders of registered shares in the share register is indicated in the invitation to the Annual General Meeting. It is normally around ten calendar days before the date of the Annual General Meeting.

## 7 Changes of control and defense measures

### **7.1 Duty to make a public offer**

The Articles of Incorporation do not contain any provisions on opting out or opting up.

### **7.2 Change-of-control clauses**

The Executive Board members' employment contracts do not contain any change-of-control clauses.

## 8 Statutory auditors

### **8.1 Duration of engagement and term of office of the auditor in charge**

The auditors are elected by the Annual General Meeting for a period of one year. Ernst & Young AG has exercised this function since the fiscal year 2005 and was re-elected for the fiscal year 2020. Christian Schibler has been the auditor in charge and signatory of the auditor's report since the fiscal year 2019. The rotation cycle of the lead auditor is generally seven years.

### **8.2 Audit fees**

The auditor in charge is generally replaced every seven years. In 2020, EUR 2.4 million (2019: EUR 2.8 million) was paid for financial statement audits and EUR 0.2 million (2019: EUR 0.1 million) for other assurance services.

### **8.3 Additional fees**

In addition, EUR 0.27 million (2019: EUR 0.4 million) was paid for tax advisory services in the reporting period and EUR 0.05 million (2019: EUR 0.1 million) for other services.

### **8.4 Instruments for supervision and control: external auditor**

The Audit Committee annually reviews the performance, fees and independence of the auditors and makes a proposal to the Board of Directors, and then the Annual General Meeting, concerning the appointment of the statutory auditor. The Audit Committee decides annually on the scope of the internal audit and coordinates this with the external auditor's audit plans. The Audit Committee agrees the audit scope and plan with the external auditor and discusses the audit findings with the external auditors, who usually attend two meetings per year (see also the detailed description of the duties and authority of the Audit Committee, section 3.4). In the reporting period, the Audit Committee held a total of two meetings with the external auditors.

There is no definitive rule governing the engagement of providers for non-audit services. Such engagements are usually awarded by the Executive Board in consultation with the Chairman of the Audit Committee, and are evaluated annually as part of the process to assess the independence of the external auditor.



## 9 Information policy

The Company publishes an Annual Report. In addition, a half-year report is released in August and interim reports in May and November. All of the reports are available in both German and English. The German version of any given publication is binding. Shareholders, investors and other stakeholders can join the distribution list for media communication via the Swiss Steel Group website:

<https://www.swisssteel-group.com/pressemedien/kontakt-und-anmeldung-mailing-liste>

The regulations of the SIX Swiss Exchange also apply.

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### Financial calendar

March 3, 2021	Annual Report 2020, Conference call for Media, Financial Analysts and Investors
April 27, 2021	Annual General Meeting 2021
May 5, 2021	Interim Report Q1 2021, Conference call for Media, Financial Analysts and Investors
August 11, 2021	Interim Report Q2 2021, Conference call for Media, Financial Analysts and Investors
November 10, 2021	Interim Report Q3 2021, Conference call for Media, Financial Analysts and Investors

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### Investor Relations

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Press releases and other information are publicly available on our website:  
[www.swisssteel-group.com](http://www.swisssteel-group.com).



# Compensation report

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# Compensation report

**Swiss Steel Holding AG reports separately on the compensation of the Board of Directors and Executive Board (Executive Committee within the meaning of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies). The intention of the compensation report is to disclose the relevant explanations in a transparent and comprehensible manner.**

## 1 Introduction

### 1.1 Foreword

Dear shareholders,

This compensation report sets out the principles governing compensation of the Board of Directors and Executive Board. In addition, it describes the duties of the Compensation Committee, the process of defining compensation as well as details of compensation paid to the Board of Directors and the Executive Board in the fiscal year 2020. The report will be presented to the 2021 Annual General Meeting for consultative vote. It is based on the principles laid down in the Swiss Code of Obligations, the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations, the SIX Swiss Exchange's Corporate Governance Guidelines and economiesuisse's Swiss Code of Best Practice.

The Swiss Steel Group's compensation policy is an integral component of its personnel strategy. On the one hand, compensation must be competitive and attractive in order to attract the best specialists and leaders, reward their performance and the corporate success resulting from this, and retain these talents within the Company. And on the other, if results fall short of the targets set or are negative, compensation must be reduced accordingly and be used to offset costs. These objectives are reflected in the variable components of compensation, which thus also take into account the interests of the equity owners.

2019 had already proven to be a year full of challenges. Demand for special steel – especially from the automotive industry – has been in constant decline. After successful refinancing and successful raising of equity through a capital increase in January 2020, at the beginning of the year the course was set for recovery. Unfortunately, however, the outlook for the broader global economy darkened considerably as the coronavirus began to spread around the world. The crisis hit us particularly hard. Even after stepping up our operational measures to optimize costs and maintain liquidity, we were only able to partly offset the revenue lost due to the drop-off in orders. Since this meant we fell short of our corporate objectives, the bonus component related to this was likewise forfeited in full.

The Board of Directors also took the difficult economic situation facing the Company as an opportunity to reduce the compensation of each member of the Board of Directors as well as to adjust the parameters governing compensation for new Executive Board members in an initial review.

Yours,



Heinrich Christen | Chairman of the Compensation Committee

## 1.2 Statutory principles governing voting on compensation

The Company's "Articles of incorporation" govern performance-related compensation of the Board of Directors, the Executive Board and any advisory boards (art. 16b (2)), allocation of shares, conversion rights and options (art. 16b (2)–(4)), credits, loans and pension payments (art. 16c), arrangements for the Annual General Meeting's vote on compensation, and the additional amount for the Executive Board's compensation, should an approved total amount not be sufficient (art. 16e).

The regulations are provided in full on our website in the section "Investor Relations/Corporate Governance": <https://www.swisssteel-group.com/en/group/corporate-governance>

According to the Company's "Articles of incorporation", the Annual General Meeting approves annually, separately and in a binding manner the total maximum amounts proposed by the Board of Directors for: (i) the compensation of the Board of Directors and any advisory board for the period until the following Annual General Meeting, and (ii) the compensation of the Executive Board for the fiscal year following the Annual General Meeting.

If the total maximum amount approved for the compensation of the Executive Board is insufficient to compensate members of the Executive Board appointed after the resolution of the General Meeting until the beginning of the following approval period, the Company may use per person an additional amount of not more than 40% of the previously approved total maximum compensation of the Executive Board for the respective approval period. The Annual General Meeting does not vote on the additional amount used.

Besides the above approval, at the request of the Board of Directors the Annual General Meeting may annually pass a separate and binding resolution to increase the approved compensation amounts for the Board of Directors, the Executive Board and any advisory boards for the current approval period or the previous approval period. The Board of Directors is entitled to pay all kinds of compensation out of the total approved and additional amounts.

The Board of Directors may submit the prior-year compensation report to the Annual General Meeting for a consultative vote.

## 2 Governance and processes for compensation

### 2.1 Organization and tasks of the Compensation Committee

The Compensation Committee is the first authority in preparing the information needed for a proposal on the compensation of the Board of Directors and Executive Board for submission to the entire Board of Directors. The Compensation Committee's primary duty is to monitor the organization, qualifications, performance and compensation of the Executive Board and the Board of Directors in order to ensure fair, adequate and competitive compensation that is consistent with the strategic goals of the Swiss Steel Group. The Compensation Committee consisted of three members of the Board of Directors until Jens Alder stepped down effective December 22, 2020. Jens Alder had been the Chairman of the Compensation Committee during the reporting period until this date. Heinrich Christen assumed the position of Chairman of the Compensation Committee from December 23, 2020 (since the 2020 Annual General Meeting). Dr. Svein Richard Brandtzæg remained a regular member of the Compensation Committee during the reporting period (since the 2020 Annual General Meeting).

All members of the Compensation Committee have the requisite experience, are familiar with compensation practices and understand market developments.

The Compensation Committee met twice in the fiscal year 2020. Compensation-relevant topics were presented without delay to the Board of Directors for a decision.

Principles are laid down in the Company's "Articles of incorporation" to govern the organization and assumption of tasks of the Compensation Committee. In addition, the Board of Directors has adopted regulations describing the constitution and duties of the Compensation Committee in detail.

The main duties of the Compensation Committee are:

- Preparing proposals for defining the general personnel policy
- Determining the principles for selecting candidates for election or reelection to the Board of Directors
- Determining the principles for selecting members of the Executive Board
- Preparing proposals for the Board of Directors of the Company regarding the appointment of members of the Executive Board
- Preparing proposals for the Board of Directors of the Company regarding personnel development and succession planning for the Executive Board
- Preparing principles regarding compensation of the members of the Board of Directors of the Company, the committees as well as the Executive Board, and drafting a proposal for the resolution on such compensation for the Board of Directors of the Company. The Annual General Meeting votes on whether to approve the resolution of the Board of Directors
- Preparing proposals regarding compensation of the members of the Board of Directors, including its committees and the Executive Board by the Annual General Meeting in accordance with art. 16e of the Company's "Articles of incorporation"
- Preparing proposals of the Board of Directors for the specific compensation of the members of the Board of Directors of the Company, the committees and the Executive Board in accordance with the principles approved by the Board of Directors
- Preparing the compensation report
- Approving any additional mandates of the Executive Board outside the Swiss Steel Group

## 2.2 Decision-making process for determining compensation

The Compensation Committee regularly examines the structure and amount of compensation paid to members of the Board of Directors and the Executive Board. It then proposes any changes for approval by the entire Board of Directors. This process includes, but is not limited to, examining the base salary and fringe benefits as well as performance-related short-term and long-term compensation for the Executive Board. Furthermore, the Compensation Committee is responsible for managing the performance review process of individual members of the Executive Board, preparing succession planning, and submitting recruitment proposals.

The members of the Executive Board are not involved in determining their own compensation. However, the Chief Executive Officer (CEO) is consulted on the compensation proposed for other members of the Executive Board.

Recommendations relating to the compensation of the Board of Directors must be in line with internal guidelines and are subject to the approval of the Board of Directors.

The Compensation Committee consults external advisors where necessary.

The table below summarizes the roles of the Compensation Committee (CC), the Board of Directors (BoD) and certain members of the Executive Board (CEO) in recommending and approving compensation of the Executive Board and Board of Directors:

<b>Decisions on components of compensation</b>	<b>Suggestion</b>	<b>Consultation</b>	<b>Approval<sup>1)</sup></b>
Base salary for the Executive Board	CC	CEO <sup>2)</sup>	BoD
Target compensation for short-term incentive for the Executive Board	CC	CEO <sup>2)</sup>	BoD
Target compensation for long-term incentive for the Executive Board	CC	CEO <sup>2)</sup>	BoD
Compensation of the Board of Directors	CC	–	BoD <sup>2)</sup>
<b>Decisions on performance targets and achievement of goals</b>	<b>Suggestion</b>	<b>Consultation</b>	<b>Approval<sup>1)</sup></b>
Short-term incentives of the CEO	Chairman of the BoD	–	BoD
Short-term incentives of the Executive Board (excl. CEO)	Chairman of the BoD	CEO	BoD
Long-term incentives of the Executive Board (incl. CEO)	CC	CEO <sup>2)</sup>	BoD

<sup>1)</sup> Within the aggregate amount of compensation approved by the Annual General Meeting.

<sup>2)</sup> In accordance with the general provisions on absence/abstention.

## 3 Compensation principles

### 3.1 Compensation guidelines

Compensation of members of the Board of Directors and Executive Board is set so that it is appropriate, competitive, and performance-based and it is aligned to the strategic goals and success of the Group.

### 3.2 Compensation components

The Company's "Articles of incorporation" provide that the Company can also award a performance-related component to the members of the Board of Directors and the Executive Board besides the fixed compensation. The amount of this additional component depends on qualitative and quantitative targets and parameters set by the Board of Directors. Performance-related compensation can be paid in cash or by allocation of participation share certificates, convertible rights or options, or other participation rights.

As explained in detail below, the members of the Executive Board receive a performance-based component, part of which can be settled in shares, in addition to the fixed component.

The members of the Board of Directors receive fixed fees which are payable partly in cash and partly in shares.



## 4 Compensation of the Executive Board

### 4.1 Determining compensation

The policy of the Swiss Steel Group is to position the Executive Board's compensation so that it reflects the median of peer companies in the Swiss Market Index (SMIM non-FS), such as Sulzer, OC Oerlikon, etc. The short-term and long-term incentive plans stipulate that the members of the Executive Board receive correspondingly higher compensation if they outperform their targets and correspondingly lower compensation if they fall short of their targets.

### 4.2 Individual components of compensation

The rewards package for the Executive Board consists of fixed and performance-based components as well as social security contributions. The fixed component is a base salary, while the performance-based component consists of a short-term incentive (STI) and a long-term incentive (LTI).

The diagram shows the general composition of compensation for the Executive Board effective December 31, 2020:

	Short-term incentive			Long-term incentive		
	CEO	CFO <sup>1)</sup>	CRO	CEO	CFO <sup>1)</sup>	CRO <sup>2)</sup>
Purpose	Recognizes short-term financial performance			Recognizes sustainable growth in the Company's value		
Allocated	Annually			Annually		
Exercised	Annually			After three years		
Measured by	Adjusted EBITDA, operating free cash flow, personal goals			Return on capital employed, absolute shareholder return		
Minimum <sup>3)</sup> as a percentage of base salary	37.5 %	0 % <sup>4)</sup>	0 %	37.5 %	0 % <sup>5)</sup>	0 %
Percentage of base salary if targets are reached	75 %	50 %	100 %	75 %	50 %	0 %
Maximum as a percentage of base salary if targets are exceeded	150 %	75 %	100 %	150 %	75 %	0 %
Compensation	Cash	Cash	Cash	Shares and/or cash	Shares and/or cash	

<sup>1)</sup> Market adjustment (in the case of the departed CFO, the target for STI and LTI was 60 %; the maximum as a percentage of base salary on outperforming the targets was 120 %.

<sup>2)</sup> The function of the CRO is temporary in nature. The appointed CRO is employed under a consultancy agreement and works for the Group.

<sup>3)</sup> New contracts do not guarantee a minimum payment.

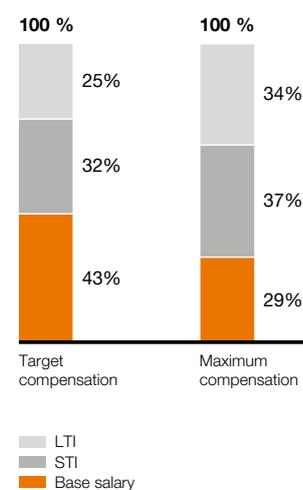
<sup>4)</sup> In the year joined, the pro-rata STI is provided on the basis of the target bonus.

<sup>5)</sup> In the year joined, the pro-rata LTI is guaranteed on the basis of the target bonus.

#### 4.2.1 Base salary

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

General composition of compensation for the Executive Board in 2020 <sup>1)</sup>



<sup>1)</sup> Excluding non-cash benefits and pension fund expenses

#### 4.2.2 Short-term incentive (STI)

Compensation for short-term financial performance

The plan for recognizing short-term success is designed to reward the Executive Board of the Swiss Steel Group for achieving annual performance targets that are specific, quantifiable and challenging. The performance targets of Executive Board members consist of financial targets for the Group (adjusted EBITDA and operating free cash flow (OFCF)) as well as personal targets.

Targets are compiled in line with Swiss Steel Holding AG's business model and corporate strategy. All performance targets were defined in advance.

The performance indicators and respective weightings for 2020 are as follows:

Performance indicator	Weighting
Adjusted EBITDA	33.3 %
Operating free cash flow	33.3 %
Personal targets	33.3 %

The Executive Board members' personal targets related to matters including the restructuring and strategic further development of the Group as well as the improvement of the financial and cost situation, including a capital increase within the scope of the financing concept.

The mechanisms of action of the short-term incentive plan (STI) are outlined in the diagram.

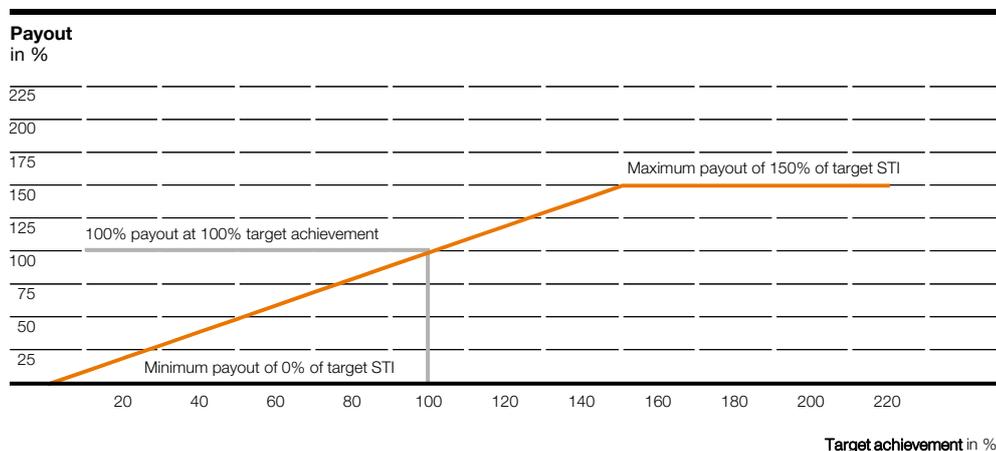
The amounts of the STI if the targets are achieved in full in relation to the base salary are as follows:

- CEO 75 %
- CFO 50 %<sup>1)</sup>
- CRO 100 %

Outperforming the STI targets can lead to a higher payment, whereby a maximum degree of target achievement of 200 % has been defined for the CEO and 150 % for the CFO<sup>1)</sup> (corresponds to 150 % of base salary for the CEO and 75 % for the CFO). For the CRO, the target of 100 % is likewise the maximum amount paid out for the STI. Failure to meet the targets either in part or in full means that the payment will be reduced or forfeited entirely, although a minimum payout of 50 % is guaranteed for the CEO<sup>2)</sup> (corresponding to 37.5 % of base salary for the CEO).

The Board of Directors has adjusted the parameters governing the STI and has already implemented these for new contracts in 2020.

## Future parameters governing compensation



<sup>1)</sup> Market adjustment (In the case of the departed CFO, the target for the STI was 60 %; the maximum as a percentage of base salary on outperforming the targets was 120 %.

<sup>2)</sup> New contracts do not guarantee a minimum payment.

### 4.2.3 Long-term incentive (LTI)

Compensation for sustainable growth in the Company's value

The mechanisms of action of the long-term incentive plan (LTI) are outlined in the diagram on the following page. The amounts of the LTI if the targets are achieved in full by the individual members of the Executive Board in relation to the base salary are as follows:

- CEO 75 %
- CFO 50 %<sup>1)</sup>

Outperforming the LTI targets can lead to a higher payment, whereby a maximum degree of target achievement of 200 % has been defined for the CEO and 150 % for the CFO<sup>1)</sup> (corresponds to 150 % of base salary for the CEO and 75 % for the CFO). The CRO<sup>2)</sup> does not receive any LTI compensation.

Failure to meet the targets either in part or in full means that the payment will be reduced or forfeited entirely, although a minimum payout of 50 % is guaranteed for the CEO<sup>3)</sup> (corresponding to 37.5 % of base salary for the CEO).

<sup>1)</sup> Market adjustment (In the case of the departed CFO, the target for LTI was 60 %; the maximum as a percentage of base salary on outperforming the targets was 120 %.

<sup>2)</sup> The function of the CRO is temporary in nature. The CRO who has been appointed also works for the Group as a consultant.

<sup>3)</sup> New contracts do not guarantee a minimum payment.

The LTI is based on two different performance indicators: return on capital employed (ROCE) and absolute shareholder return (ASR). The Company uses these indicators to create long-term incentives for LTI program participants, which serve to align the Swiss Steel Group's corporate strategy with the interests of the equity owners.

Each performance indicator has a threshold as well as a target and maximum value defined by the Board of Directors. All values are defined and have the aim of rewarding outstanding performance.

The plan differentiates between the one-year compensation period and the three-year performance period in which to achieve the performance targets for the indicators described (ROCE, ASR). The current compensation period is the fiscal year 2019, while the corresponding performance period covers the fiscal years 2019 – 2021.

The percentage target achievement comprises the percentage achievement of the two components ROCE growth and absolute share performance, each multiplied by a factor of 0.5.

As a formula, the calculation is as follows:

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

and

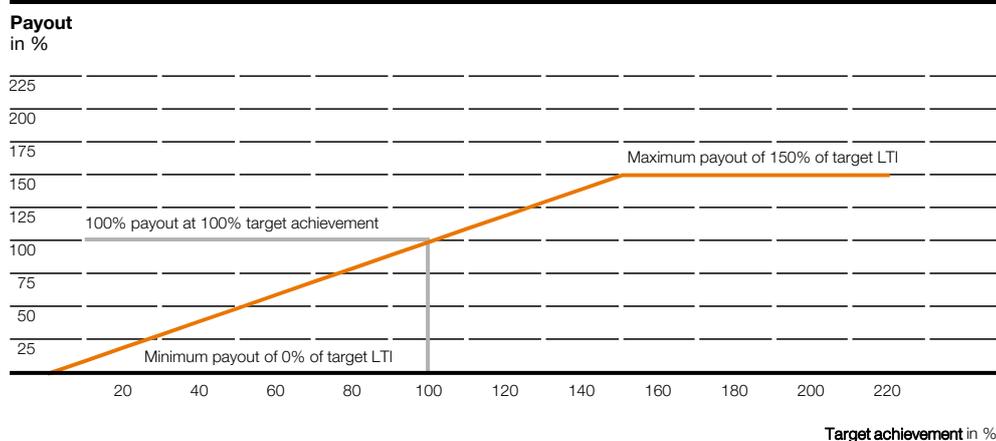
$$\text{Absolute shareholder return (ASR)} = \frac{\text{closing price year 3} - \text{opening price year 1}}{\text{Opening price year 1}} \times 100$$

During the three-year performance period, the compensation payable under the scope of LTI is a vesting entitlement which is not calculated until the end of the performance period. At the discretion of the Board of Directors, the compensation payable under the LTI program can be paid in Swiss Steel Holding AG shares, in cash or a mixture of the two. This decision has to be made by the allocation date.

The individuals do not have voting rights or rights to dividends from potentially receivable shares during the three-year performance period. As soon as shares have been finally allocated and transferred, the owners have full rights relating to them, excepting any internal trading restriction periods.

The Board of Directors has adjusted the parameters governing the LTI and has already implemented these for new contracts in 2020.

Future parameters governing compensation



If the employment contract of a member of the Executive Board is terminated before the end of the compensation period, that member is entitled to a pro rata allocation of the compensation due under the LTI. This pro rata allocation is calculated based on the number of days from the beginning of the compensation period up to and including the day on which employment ends,

divided by the total number of days in the compensation period. Claims for the remainder of the compensation period after employment ends are explicitly excluded. Achievement of target ROCE and ASR is not assessed until the end of the performance period, including in the case of pro rata allocation.

#### 4.2.4 Pension benefits

The members of the Executive Board are covered by an accident insurance policy for the duration of their time in office. The policy provides for benefits in the event of invalidity and death, as well as insurance within the occupational welfare fund (pension fund) of Swiss Steel Holding AG. In cases of temporary illness, an accident or other absence from work through no fault of the individual concerned, the members of the Executive Board receive their base salary for a maximum period of twelve months, but not beyond the termination date of their agreement. Executive Board members are also covered by other Group insurances (including D&O, corporate legal protection insurance and travel insurance).

#### 4.2.5 Non-cash benefits

The Company provides the members of the Executive Board with a company car that can be used for business and privately for the duration of their contracts. The costs to acquire, operate, maintain and service the company car are covered by the Company. Any taxes and social security contributions (employee's portion) resulting from private use have to be paid by the Executive Board member. In addition, the Company covers the costs for any health check-up. The non-cash benefits are included in the compensation tables.

### 4.3 Members of the Executive Board

In accordance with the organizational regulations applicable as at the reporting date, the Executive Board consists of the Chief Executive Officer (CEO, Chairman), the Chief Financial Officer (CFO) and the Chief Restructuring Officer (CRO, as of 12.08.2020).

The Executive Board consisted of the following members over the course of the fiscal year:

<b>Name</b>	<b>Function</b>	<b>Period</b>
Clemens Iller	CEO	01.01.2020 – 31.12.2020
Markus Böning	CFO	01.10.2020 – 31.12.2020
Matthias Wellhausen	CFO	01.01.2020 – 30.09.2020
Josef Schultheis <sup>1)</sup>	CRO	12.08.2020 – 31.12.2020

<sup>1)</sup> Mr. Schultheis was appointed as a temporary consultant, among other things to support our Group as CRO and member of the Executive Board within the scope of the restructuring.

## 4.4 Compensation tables

The Annual General Meeting approved a total amount of CHF 7,500,000 for the members of the Executive Board for the fiscal year 2020. The Executive Board's rewards package came to CHF 5,283,204 in total in 2020 (2019: CHF 3,828,519) and is, therefore, below the maximum amount approved. Clemens Iller, CEO, was the highest-earning member of the Executive Board in both 2020 and 2019.

in CHF (gross)		Cash/deposits			Pension fund expenses			Total
		Fixed remuneration	STI (variable)	LTI (variable) <sup>1)</sup>	Non-cash benefits <sup>2)</sup>	Postemployment benefit contributions <sup>3)</sup>	Health, accident and other insurance contributions	
<b>2020</b>								
Highest-paid person: Clemens Iller (DE)	CEO	1,200,000	600,000	575,824	13,891	336,942	45,904	2,772,561
<b>Total Executive Committee</b>		<b>2,448,275</b>	<b>1,334,772</b>	<b>850,140</b>	<b>42,986</b>	<b>613,187</b>	<b>55,105</b>	<b>5,344,466</b>
<b>2019</b>								
Highest-paid person: Clemens Iller (DE)	CEO	1,200,000	450,000	605,075	11,717	290,515	11,009	2,568,316
<b>Total Executive Committee</b>		<b>1,800,000</b>	<b>630,000</b>	<b>847,105</b>	<b>19,397</b>	<b>515,343</b>	<b>16,674</b>	<b>3,828,519</b>

<sup>1)</sup> Provisionally, based on Black-Scholes model calculation. After a three-year performance period (see point 4.2.3), the LTI 2017 was paid out in 2020 in the amount of CHF 1,036,536 for the Executive Board (of which CHF 751,113 for the CEO) in shares. In the Compensation Report 2017, an LTI of CHF 1,229,580 was reported for the Executive Board based on the Black-Scholes method.

<sup>2)</sup> Private contribution for car and other non-cash benefits.

<sup>3)</sup> Employer contributions to the pension fund and other post-employment benefit plans.

In the reporting year, no additional amounts pursuant to the Company's "Articles of incorporation" were used. No increase in the maximum compensation was applied for the current and the previous approval period.

The performance indicators under the STI were not changed in 2020. The Group fell well short of its financial targets in 2020. The resulting STI for the fiscal year 2020 will be paid out in cash to all members of the Executive Board in 2021.

## 4.5 Additional compensation

The Executive Board did not receive any compensation beyond the components already described.

No compensation was paid in 2020 to former members of the Executive Board who left the Company in the reporting period or earlier.

## 4.6 Contractual components and termination payments

### 4.6.1 Termination clause

According to the Company's "Articles of incorporation", contracts can be concluded with members of the Executive Committee for a fixed term of up to one year or for an indefinite period subject to a maximum of 12 months' notice.

The employment contracts do not contain any clauses related to change of control or termination indemnities.

**4.6.2 Non-compete clause**

The members of the Executive Board are prohibited from performing activities for another company and/or person that is a competitor of the Company or one of its affiliates throughout the term of office and for a period of twelve months after stepping down. During the period covered by the post-contractual non-compete clause, the employer pays compensation of 50% of the Executive Board member's most recent base salary.

**4.7 Liabilities from previous reporting periods**

There are no current liabilities from reporting periods prior to the fiscal year 2020 that were incurred in connection with compensation for Executive Board members, with the exception of the LTI program for the two preceding years, as their three-year performance period has not ended yet.

## 5 Compensation of the Board of Directors

### 5.1 Determining compensation

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

### 5.2 Individual components of compensation

The members of the Board of Directors receive compensation for the performance period from the date of the Annual General Meeting until the following Annual General Meeting. This compensation is partly settled in cash and partly in Swiss Steel Holding AG shares. The Chairman receives higher compensation than the other members, corresponding to his office and responsibilities.

Members receive additional compensation in cash for their involvement on committees appointed by the Board of Directors. The Chairman of each committee receives higher compensation than the other members. The Chairman of the Board of Directors does not receive additional compensation for his work on committees in general (and for being the Chairman of the Compensation Committee in the reporting period in particular).

Any social security contributions (old age, survivors', disability and unemployment insurance, fund for loss of earned income, employer and employee contributions) are paid by the Company. Members of the Board of Directors do not receive any pension benefits beyond those provided for by the law and are not subject to the pension fund. If members leave the Company before the end of their term in office, cash and share-based compensation is payable on a pro rata basis.

Given the difficult economic situation facing the Company, the Board of Directors has significantly reduced its own compensation and has also remained subject to the total costs governing the previous term of office, even though the Board of Directors was comprised of one additional person during the current term of office

Compensation for the two terms of office:

Function	New compensation structure <sup>1)</sup>		Previous compensation structure <sup>2)</sup>	
	Cash in CHF	Shares in CHF	Cash in CHF	Shares in CHF
Chairman	225,000	175,000	250,000	250,000
Member	80,000	70,000	80,000	100,000
Audit Committee Chairman	40,000	–	50,000	–
Audit Committee member	25,000	–	30,000	–
Compensation Committee Chairman	35,000	–	40,000	–
Compensation Committee member	25,000	–	25,000	–

<sup>1)</sup> Compensation for the period of office from AGM 2020 (April 28, 2020) until AGM 2021 (April 27, 2021):

<sup>2)</sup> Compensation for the period of office from AGM 2019 (April 30, 2019) until AGM 2020 (April 28, 2020):

Cash compensation is paid at the end of the quarter in each case. The Company makes the social security contributions associated with compensation based on the information available



and provides confirmation statements to the members. Otherwise, the members are each responsible for proper taxation.

The members receive reimbursement of any actual out-of-pocket expenses upon production of receipts (to the extent permitted by tax provisions). There is no lump-sum reimbursement of expenses.

For the share-based portion of compensation approved by the Annual General Meeting, the number of shares at the beginning of the term in office is calculated based on market data (volume-weighted average price (VWAP)) from the tenth trading day before until the tenth trading day after publication of the financial statements. Shares are transferred at the end of each term in office. If a member joins the Board of Directors during the year of office or leaves prematurely, the allocation will be pro rata for the duration of membership of the Board of Directors.

Members of the Board of Directors do not have any voting rights or rights of ownership to these shares before transfer.

### **5.3 Compensation tables**

The Annual General Meeting approved a maximum amount of CHF 2,300,000 for the members of the Board of Directors for the compensation period from the 2020 Annual General Meeting until the 2021 Annual General Meeting. This compensation should be issued in the form of Company shares up to an amount of CHF 950,000 (plus mandatory social security contributions: in particular, old age, survivors', disability and unemployment insurance, fund for loss of earned income). The decision corresponds to the decision of the 2019 Annual General Meeting.

CHF 877,047 of the 2020 compensation was paid in cash and CHF 697,099 in Company shares (plus mandatory social security contributions, in particular: old age, survivors', disability and unemployment insurance, fund for loss of earned income). The rewards package during the period of office was therewith below the approved maximum amount.

in CHF		Fixed remuneration	Fixed remuneration in shares <sup>1)</sup>	Contribution to mandatory social security systems <sup>2)</sup>	Total
<b>2020</b>					
Dr. Svein Richard Brandtzæg (NO) <sup>3)</sup>	Member	78,750	47,562	0	126,312
Heinrich Christen (CH) <sup>3)</sup>	Chairman	74,301	50,151	18,252	142,704
David Metzger (CH/FR) <sup>3)</sup>	Member	78,750	47,562	18,568	144,880
Dr. Michael Schwarzkopf (AT) <sup>3)</sup>	Member	60,000	47,562	0	107,562
Karin Sonnenmoser (DE) <sup>3)</sup>	Member	78,750	47,562	0	126,312
Jörg Walther (CH) <sup>3)</sup>	Member	60,000	47,562	15,739	123,301
Adrian Widmer (CH) <sup>6)</sup>	Member	122,500	79,617	29,602	231,719
Dr. Oliver Thum (DE) <sup>4)</sup>	Member	6,667	6,575	0	13,242
Michael Büchter (DE) <sup>5)</sup>	Member	27,500	32,055	6,814	66,369
Martin Haefner (CH) <sup>5)</sup>	Vice-Chairman	27,500	32,055	6,814	66,369
Isabel Corinna Knauf (DE) <sup>5)</sup>	Member	26,250	32,055	8,519	66,824
Alexey Moskov (CYP) <sup>5)</sup>	Member	26,250	32,055	8,519	66,824
Jens Alder (CH) <sup>6)</sup>	Chairman	209,829	194,726	57,409	461,964
<b>Total amount</b>		<b>877,047</b>	<b>697,099</b>	<b>170,233</b>	<b>1,744,379</b>
<b>2019</b>					
Jens Alder (CH) <sup>6)</sup>	Chairman	187,500	187,500	51,611	426,611
Edwin Eichler (DE) <sup>7)</sup>	Chairman	62,500	62,500	17,362	142,362
Martin Haefner (CH) <sup>5)</sup>	Vice-Chairman	110,000	100,000	24,623	234,623
Michael Büchter (DE) <sup>5)</sup>	Member	115,000	100,000	24,145	239,145
Isabel Corinna Knauf (DE) <sup>5)</sup>	Member	105,000	100,000	29,333	234,333
Marco Musetti (CH) <sup>7)</sup>	Member	26,250	25,000	7,375	58,625
Adrian Widmer (CH) <sup>8)</sup>	Member	97,500	75,000	24,509	197,009
Alexey Moskov (CYP) <sup>5)</sup>	Member	78,750	75,000	21,810	175,560
Dr. Oliver Thum (DE) <sup>4)</sup>	Member	87,500	100,000	0	187,500
<b>Total amount</b>		<b>870,000</b>	<b>825,000</b>	<b>200,769</b>	<b>1,895,769</b>

<sup>1)</sup> The reporting system for share-based compensation was adapted to generally accepted practice, which requires reporting at the time of allocation.

<sup>2)</sup> All contributions of employer and employee to social security are paid by the company.

<sup>3)</sup> Member of the Board of Directors since April 28, 2020; Chairman since December 23, 2020.

<sup>4)</sup> Member of the Board of Directors until January 24, 2020.

<sup>5)</sup> Member of the Board of Directors until April 28, 2020.

<sup>6)</sup> Member of the Board of Directors until December 22, 2020.

<sup>7)</sup> Member of the Board of Directors until April 30, 2019.

<sup>8)</sup> Member of the Board of Directors since April 30, 2019.

## 5.4 Additional compensation

No compensation was paid in the fiscal year 2020 to members of the Board of Directors that left the Company in the prior period or earlier.

No options were allocated in the reporting period. Where members of the Board of Directors were involved in related party transactions, this is indicated in note 36 of the consolidated financial statements.

## 6 Loans and credits

The articles of incorporation provide that loans or credits of up to CHF 1 million may be granted to members of the Board of Directors or Executive Board, including, but not limited to, advances for the costs of civil, penal or administrative proceedings relating to the activities of the respective person as a member of the Board of Directors or the Executive Board of the Company (in particular court and lawyers' fees).

As at December 31, 2020, the Swiss Steel Group had not granted any collateral, loans, advances or credits to member, or related parties of members of the Board of Directors or Executive Board.

## 7 Shareholdings

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

Board of Directors <sup>1)</sup>		Number of shares		Number of entitlements <sup>2)</sup>
		31.12.2020	31.12.2019	31.12.2020
Heinrich Christen (CH) <sup>3)</sup>	Chairman <sup>9)</sup>	950,000	-	317,023
Jens Alder (CH) <sup>6)</sup>	former Chairman	494,658	-	717,220
Martin Haefner (CH) <sup>5) 10)</sup>	former Vice-Chairman	1,005,727,413	165,375,000	-
Dr. Svein Richard Brandtzæg (NO) <sup>3)</sup>	Member	-	-	224,206
David Metzger (CH/FR) <sup>3)</sup>	Member	-	-	298,942
Dr. Michael Schwarzkopf (AT) <sup>3)</sup>	Member	-	-	224,206
Karin Sonnenmoser (DE) <sup>3)</sup>	Member	-	-	224,206
Jörg Walther (CH) <sup>3)</sup>	Member	-	-	298,942
Michael Büchter (DE) <sup>5)</sup>	Member	606,631	460,890	-
Isabel Corinna Knauf (DE) <sup>5)</sup>	Member	241,658	96,390	-
Adrian Widmer (CH) <sup>8)</sup>	Member	197,864	-	298,942
Alexey Moskov (CYP) <sup>5)</sup>	Member	197,864	-	-
Dr. Oliver Thum (DE) <sup>4)</sup>	Member	580,527	469,228	-
<b>Total amount</b>		<b>1,008,996,615</b>	<b>166,401,508</b>	<b>2,603,687</b>

<sup>1)</sup> Including shares held by "related parties" of members of the Board of Directors (see note 35 to the consolidated financial statements as of 31.12.2019).

<sup>2)</sup> This item shows the respective number of shares of the Company that were earned pro rata temporis during the current term of office by the members of the Board of Directors as of December 31, 2020. These shares, including the remaining portion of shares for the period from January 1, 2021 to the ordinary AGM 2021, will be transferred to the members of the Board of Directors after the ordinary AGM 2021. No options will be allocated.

<sup>3)</sup> Member of the Board of Directors since April 28, 2020.

<sup>4)</sup> Member of the Board of Directors until January 24, 2020.

<sup>5)</sup> Member of the Board of Directors until April 28, 2020.

<sup>6)</sup> Member of the Board of Directors until December 22, 2020.

<sup>7)</sup> Member of the Board of Directors until April 30, 2019.

<sup>8)</sup> Member of the Board of Directors since April 30, 2019.

<sup>9)</sup> Chairman since December 23, 2020. Vice-Chairmen until December 22, 2020.

<sup>10)</sup> The shares are held by BigPoint Holding AG.

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

Executive Board <sup>1)</sup>		Number of shares	
		31.12.2020	31.12.2019
Clemens Iller (DE)	CEO	1,251,336	1,251,336
Markus Böning (DE)	CFO	0	0
Matthias Wellhausen (DE)	CFO	450,356	450,356
Josef Schultheis (DE)	CRO	0	0
<b>Total Executive Board</b>		<b>1,701,692</b>	<b>1,701,692</b>

<sup>1)</sup> Including shares held by "related parties" of members of the Executive Committee.

# Report of the statutory auditor on the compensation report

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

Zurich, March 1 2021

We have audited the compensation report of Swiss Steel Holding Ltd. for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 4.4 to 4.5 and 5.3 to 7 on pages 106 to 112 of the compensation report.

## **Board of Directors' responsibilities**

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

## **Auditor's responsibility**

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

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

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

## **Opinion**

In our opinion, the compensation report for the year ended 31 December 2020 of Swiss Steel Holding Ltd., complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Christian Schibler

Licensed audit expert  
(Auditor in charge)

Max Lienhard

Licensed audit expert



# Financial reporting

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# Swiss Steel Group

## Consolidated financial statements

### Consolidated income statement

in million EUR	Note	2020	2019
Revenue	8	2,288.4	2,980.8
Change in semi-finished and finished goods		-60.3	-164.2
Cost of materials	9	-1,460.7	-1,864.4
<b>Gross profit</b>		<b>767.3</b>	<b>952.2</b>
Other operating income	10	50.8	57.4
Personnel expenses	11	-624.4	-686.6
Other operating expenses	10	-292.8	-335.6
<b>Operating result before depreciation, amortization and impairment (EBITDA)</b>		<b>-99.0</b>	<b>-12.5</b>
Depreciation, amortization and impairments	14	-173.7	-412.8
<b>Operating profit (EBIT)</b>		<b>-272.7</b>	<b>-425.4</b>
Financial income	15	1.6	4.8
Financial expenses	15	-50.5	-62.4
<b>Financial result</b>		<b>-48.9</b>	<b>-57.5</b>
<b>Earnings before taxes (EBT)</b>		<b>-321.6</b>	<b>-482.9</b>
Income taxes	16	11.4	-38.1
<b>Group result</b>		<b>-310.2</b>	<b>-521.0</b>
of which attributable to			
- shareholders of Swiss Steel Holding AG		-310.0	-520.8
- non-controlling interests		-0.2	-0.2
<b>Earnings per share in EUR (undiluted/diluted)</b>	<b>17</b>	<b>-0.15</b>	<b>-0.55</b>



# Consolidated statement of comprehensive income

in million EUR	Note	2020	2019
<b>Group result</b>		<b>-310.2</b>	<b>-521.0</b>
Result from currency translation	25	-4.7	8.7
Change in unrealized result from cash flow hedges		0.2	0.3
Tax effect from cash flow hedges		-0.1	-0.1
<b>Items that may be reclassified subsequently to income statement</b>		<b>-4.6</b>	<b>8.9</b>
Actuarial result from pensions and similar obligations	26	6.6	-5.9
Tax effect from pensions and similar obligations		-0.4	-4.3
<b>Items that will not be reclassified subsequently to income statement</b>		<b>6.2</b>	<b>-10.2</b>
<b>Other comprehensive result</b>		<b>1.6</b>	<b>-1.3</b>
<b>Total comprehensive result</b>		<b>-308.6</b>	<b>-522.3</b>
of which attributable to			
- shareholders of Swiss Steel Holding AG		-308.4	-522.1
- non-controlling interests		-0.2	-0.2

## Consolidated statement of financial position

	Note	31.12.2020		31.12.2019	
		in million EUR	% share	in million EUR	% share
<b>Assets</b>					
Intangible assets	18	17.5		19.2	
Property, plant and equipment	18	478.3		555.2	
Right-of-use of leased assets	19	24.4		37.0	
Non-current income tax assets		3.6		4.4	
Non-current financial assets	21	1.3		1.4	
Deferred tax assets	16	18.0		14.4	
Other non-current assets	22	14.3		3.9	
<b>Total non-current assets</b>		<b>557.4</b>	<b>32.5</b>	<b>635.4</b>	<b>33.1</b>
Inventories	23	649.6		766.3	
Trade accounts receivable	24	347.1		371.2	
Current financial assets	21	7.5		7.5	
Current income tax assets		9.3		10.2	
Other current assets	22	70.0		74.5	
Cash and cash equivalents		74.7		54.0	
<b>Total current assets</b>		<b>1,158.2</b>	<b>67.5</b>	<b>1,283.7</b>	<b>66.9</b>
<b>Total assets</b>		<b>1,715.7</b>	<b>100.0</b>	<b>1,919.1</b>	<b>100.0</b>
<b>Shareholders' equity and liabilities</b>					
Share capital	25	221.7		378.6	
Capital reserves	25	1,118.2		952.8	
Retained earnings (accumulated losses)	25	-1,224.7		-1,202.7	
Accumulated income and expenses recognized in other comprehensive income (loss)		44.5		49.1	
Treasury shares		-0.5		-1.2	
<b>Shareholders of Swiss Steel Holding AG</b>		<b>159.2</b>		<b>176.6</b>	
Non-controlling interests		6.9		7.1	
<b>Total equity</b>		<b>166.1</b>	<b>9.7</b>	<b>183.8</b>	<b>9.6</b>
Pension liabilities	26	290.7		297.8	
Other non-current provisions	27	46.2		52.9	
Deferred tax liabilities	16	3.9		7.3	
Non-current financial liabilities	29	525.2		285.8	
Other non-current liabilities	31	16.2		0.6	
<b>Total non-current liabilities</b>		<b>882.2</b>	<b>51.4</b>	<b>644.5</b>	<b>33.6</b>
Other current provisions	27	39.2		28.3	
Trade accounts payable		298.6		364.3	
Current financial liabilities	29	189.4		566.9	
Current income tax liabilities		9.8		12.7	
Other current liabilities	31	130.3		118.7	
<b>Total current liabilities</b>		<b>667.3</b>	<b>38.9</b>	<b>1,090.8</b>	<b>56.8</b>
<b>Total liabilities</b>		<b>1,549.5</b>	<b>90.3</b>	<b>1,735.3</b>	<b>90.4</b>
<b>Total equity and liabilities</b>		<b>1,715.7</b>	<b>100.0</b>	<b>1,919.1</b>	<b>100.0</b>

# Consolidated statement of cash flows

in million EUR	Calculation	2020	2019
Earnings before taxes		-321.6	-482.9
Depreciation, amortization and impairments		173.7	412.8
Result from disposal of intangible assets, property, plant and equipment and financial assets		-2.0	-0.7
Increase/decrease in other assets and liabilities		12.7	-21.3
Financial income		-1.6	-4.8
Financial expenses		50.5	62.4
Cash settled share base payment		-0.9	0.0
Income taxes received/paid (net)		3.0	-8.1
<b>Cash flow before changes in net working capital</b>		<b>-86.2</b>	<b>-42.6</b>
Change in inventories		104.4	246.2
Change in trade accounts receivable		15.6	112.2
Change in trade accounts payable		-56.6	-199.7
<b>Cash flow from operating activities</b>	<b>A</b>	<b>-22.9</b>	<b>116.1</b>
Investments in property, plant and equipment		-76.1	-120.4
Proceeds from disposal of property, plant and equipment		2.9	1.4
Investments in intangible assets		-4.7	-4.8
<b>Cash flow from investing activities</b>	<b>B</b>	<b>-77.9</b>	<b>-123.9</b>
Increase/decrease of other financial liabilities		73.4	72.4
Increase of loan from shareholder		94.5	0.0
Increase/decrease in other bank loans		-5.6	-6.5
Increase state-guaranteed loans		95.1	0.0
Transaction costs refinancing		-9.0	0.0
Repayment bond		-350.0	0.0
Proceeds from capital increase		300.4	0.0
Transaction costs from capital increase		-9.3	0.0
Payment of lease liabilities		-10.6	-9.9
Investment in treasury shares		0.0	-1.9
Proceeds from sale of treasury shares		0.0	0.9
Investments in shares in previously consolidated companies		0.0	-1.5
Dividends to non-controlling interests		0.0	-2.0
Interest received		1.0	0.6
Interest paid		-54.6	-44.4
<b>Cash flow from financing activities</b>	<b>C</b>	<b>125.2</b>	<b>7.8</b>
<b>Net change in cash and cash equivalents</b>	<b>A+B+C</b>	<b>24.5</b>	<b>0.0</b>
Effect of foreign currency translation		-3.8	0.7
<b>Change in cash and cash equivalents</b>		<b>20.7</b>	<b>0.7</b>
Cash and cash equivalents at the beginning of the period		54.0	53.3
Cash and cash equivalents at the end of the period		74.7	54.0
<b>Change in cash and cash equivalents</b>		<b>20.7</b>	<b>0.7</b>
<b>Free cash flow</b>	<b>A+B</b>	<b>-100.8</b>	<b>-7.8</b>

## 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
<b>As at 1.1.2019</b>	<b>378.6</b>	<b>952.8</b>	<b>-672.0</b>	<b>40.2</b>	<b>-1.3</b>	<b>698.4</b>	<b>9.4</b>	<b>707.8</b>
Purchase of treasury shares	0.0	0.0	0.0	0.0	-1.9	-1.9	0.0	-1.9
Sale of treasury shares	0.0	0.0	-0.2	0.0	0.9	0.7	0.0	0.7
Expenses from share-based payments	0.0	0.0	1.6	0.0	0.0	1.6	0.0	1.6
Definitive allocation of share-based payments for the prior year	0.0	0.0	-1.2	0.0	1.2	0.0	0.0	0.0
Dividend payment	0.0	0.0	0.0	0.0	0.0	0.0	-2.0	-2.0
<b>Capital transactions with shareholders</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>	<b>0.4</b>	<b>-2.0</b>	<b>-1.6</b>
Group result	0.0	0.0	-520.8	0.0	0.0	-520.8	-0.2	-521.0
Other comprehensive result	0.0	0.0	-10.2	8.9	0.0	-1.3	0.0	-1.3
<b>Total comprehensive result</b>	<b>0.0</b>	<b>0.0</b>	<b>-531.0</b>	<b>8.9</b>	<b>0.0</b>	<b>-522.1</b>	<b>-0.2</b>	<b>-522.3</b>
<b>As at 31.12.2019</b>	<b>378.6</b>	<b>952.8</b>	<b>-1,202.7</b>	<b>49.1</b>	<b>-1.2</b>	<b>176.6</b>	<b>7.1</b>	<b>183.8</b>
<b>As at 1.1.2020</b>	<b>378.6</b>	<b>952.8</b>	<b>-1,202.7</b>	<b>49.1</b>	<b>-1.2</b>	<b>176.6</b>	<b>7.1</b>	<b>183.8</b>
Capital increase	300.4	-9.3	0.0	0.0	0.0	291.1	0.0	291.1
Capital decreases	-457.3	174.7	282.6	0.0	0.0	0.0	0.0	0.0
Expenses from share-based payments	0.0	0.0	0.8	0.0	0.0	0.8	0.0	0.8
Definitive allocation of share-based payments for the prior year	0.0	0.0	-1.6	0.0	0.7	-0.9	0.0	-0.9
<b>Capital transactions with shareholders</b>	<b>-156.9</b>	<b>165.4</b>	<b>281.8</b>	<b>0.0</b>	<b>0.7</b>	<b>291.0</b>	<b>0.0</b>	<b>291.0</b>
Group result	0.0	0.0	-310.0	0.0	0.0	-310.0	-0.2	-310.2
Other comprehensive result	0.0	0.0	6.2	-4.6	0.0	1.6	0.0	1.6
<b>Total comprehensive result</b>	<b>0.0</b>	<b>0.0</b>	<b>-303.8</b>	<b>-4.6</b>	<b>0.0</b>	<b>-308.4</b>	<b>-0.2</b>	<b>-308.6</b>
<b>As at 31.12.2020</b>	<b>221.7</b>	<b>1,118.2</b>	<b>-1,224.7</b>	<b>44.5</b>	<b>-0.5</b>	<b>159.2</b>	<b>6.9</b>	<b>166.1</b>

# 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*.

At the Extraordinary General Meeting on September 21, 2020, shareholders approved the change of name from SCHMOLZ + BICKENBACH AG to Swiss Steel Holding AG. Most units with SCHMOLZ + BICKENBACH in their name were also renamed.

These consolidated financial statements were authorized for issue by the Board of Directors on March 1, 2021, subject to the approval of the Annual General Meeting on April 27, 2021.

## 1 Accounting policies

The consolidated financial statements of the Swiss Steel Group for the fiscal year 2020 were prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Standard Board (IASB). They are based on the standards and interpretations that were mandatory as of December 31, 2020. Note 4 and 5 present information about the standards and interpretations that became mandatory during the fiscal year 2020, the standards and interpretations that have already been published but are not yet mandatory, and the decisions of the Swiss Steel Group regarding their early adoption.

The consolidated financial statements are presented in Euro. Unless otherwise stated, monetary amounts are denominated in millions of Euro.

Due to rounding differences, some figures may not exactly match the total, and the percentage figures may not reflect the underlying absolute figures.

The financial reporting period is the calendar year. The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, and consolidated statement of changes in shareholders' equity all contain comparative figures from the prior year.

## 2 Significant estimation uncertainties and discretionary decisions

### Estimates and assumptions

In preparing these consolidated financial statements, assumptions and estimates have been made which affect the carrying amounts and disclosure of the recognized assets and liabilities, income and expenses, and contingent liabilities.

All assumptions and estimates are made according to the best of management's knowledge and belief in order to present a true and fair view of the net assets, financial position, and results of operations of the Group. Since the actual values may, in some cases, differ from the assumptions and estimates that were made, these are continuously reviewed. Adjustments to estimates that are relevant for financial reporting are considered in the period in which the change occurs, provided that the change relates only to this period. If the change relates not only to the reporting period but also to subsequent periods, the change is taken into account both in the period of the change and in all subsequent periods affected.

### Recoverability of deferred tax assets (note 16)

Future tax relief in the form of deferred tax assets should only be recognized to the extent that it is considered probable that these will be realized on the basis of future taxable income. At the end of each reporting period, deferred tax assets are assessed for recoverability according to multi-year tax plans based on the Group companies' medium-term planning, which is approved by the Board of Directors. The recoverability of future taxable income hinges primarily on the sales volumes and sales prices that can be achieved in the end user markets relevant for the locations Germany, France and the USA. The estimate of future taxable income is also affected by the Company's strategic tax planning.

### Depreciation and amortization of non-current assets with finite useful lives (notes 14, 18 and 19)

Assets with finite useful lives are subject to depreciation and amortization. For this purpose, the useful life of each asset is estimated upon initial recognition, reviewed at each reporting date, and adjusted when necessary.

### Impairment testing of non-current, non-financial assets (note 20)

Goodwill and other intangible assets with indefinite useful lives are subject to an impairment test at least once a year. In addition, all assets are tested for indications of possible impairment at each reporting date.

Impairment testing uses the discounted cash flow method to determine the recoverable amount of a cash-generating unit. This is then compared with the carrying amount of the net assets. Cash flows are measured based on the Group companies' medium-term plans, which are prepared for a five-year detailed planning period and have been approved by the Board of Directors. The measurement of the recoverable amount is mainly influenced by assumptions regarding the changes in sales volumes and sales prices in the respective end user markets as well as the tax rates in the relevant production countries. The growth rate for cash flows beyond the detailed planning period and the discount rate applied are also factored into the calculation.

Based on the current assessment of the impact of COVID-19, the Group believes that the most important core markets will take longer to recover than had been anticipated at the start of the crisis, and that the key macroeconomic factors, such as cost of capital and average growth, will be affected in the short to medium term.

The Swiss Steel Group responded to these indications of impairment by conducting impairment tests on June 30, 2020 (note 20). Indications of impairment were identified only in the Ascometal Business Unit in the second half of 2020. The ensuing impairment test resulted in a further impairment (note 20).

The situation is being continuously monitored and the values of non-current assets remeasured on each reporting date. If the situation continues to deteriorate, it will result in additional impairments of current and non-current assets such as receivables, inventories, or property, plant and equipment.

#### **Recognition and measurement of provisions (notes 27, 33)**

Provisions are generally recognized and measured on the basis of the best estimate of the expenditure required to settle the present obligation upon recognition, taking into account all risks and uncertainties affecting the estimate. If the amount of the provision cannot be reliably estimated, a contingent liability is disclosed.

#### **Recognition and measurement of provisions for defined benefit obligations (note 26)**

Provisions for pensions and similar obligations are based on estimates and assumptions with respect to the discount rate, expected salary and pension increases, and mortality rates. The corresponding sensitivity analyses are based on realistically possible changes as of December 31, 2020. Any change in significant actuarial assumptions was analyzed separately. Interactions were not taken into account.

#### **Effects of COVID-19 crisis**

In 2020, the impact of the Covid-19 pandemic on the Group's financial performance was evaluated. The currently unforeseeable global consequences of the pandemic are leading to increased uncertainty regarding the development of sales volumes, revenues and cash flows as well as the valuation of current and non-current assets. Assumptions and estimates may differ from actual values and may have a material impact on the consolidated financial statements.

The effects of the pandemic assessed include, but are not limited to, the allowance for doubtful trade receivables, the carrying amount of property, plant and equipment and intangible assets, the recognition of deferred tax assets and the going concern assumption in its entirety.

Impairment losses on property, plant and equipment and intangible assets amounted to EUR 101.1 million (note 20). These can be partly linked to the Covid-19 crisis.

In 2020, there was no significant increase in actual defaults on trade receivables due to the Covid-19 crisis. The potentially higher future defaults were appropriately taken into account in the forward-looking component of the general allowance.

Due to the drastic decline in demand in the wake of the Covid-19 crisis, significantly impacting both volumes and prices, the financial planning underlying the March 2020 adjusted financing concept had to be revalidated and expanded. The extended financing concept, which included additional financing elements such as state-guaranteed loans and a further shareholder loan, was confirmed by the positive restructuring opinion of October 5, 2020 and had been substantially implemented before the end of the year.

As an alternative to the shareholder loan, the Group is planning an equity increase, which was approved at the Extraordinary General Meeting on December 22, 2020 and is intended to be realized on March 22, 2021 at the latest. Gross proceeds of EUR 200 million are envisaged, which have been guaranteed by BigPoint Holding AG.

The continuation of the Swiss Steel Group as a going concern was assessed as positive by the Board of Directors and Executive Board (note 3).

In addition, the Swiss Steel Group has benefited from various government support programs and measures in connection with the pandemic. These include in particular short-time working compensation in various countries (note 11), tax relief in the USA (note 16) and state-guaranteed loans in France and Switzerland (note 29).

The Swiss Steel Group will continue to monitor the areas of significant judgment and increased risk for material changes.

### 3 Going concern

The weakness in key end markets created a crisis in the steel industry in 2019, one which the Swiss Steel Group was unable to avoid due to its close ties to the automotive and mechanical engineering industries. As a result, it became necessary to take measures to strengthen liquidity and capital. The start of the fiscal year 2020 was marked by a cautious, very limited recovery, with the period to mid-March 2020 seeing a moderate uptick in orders received. In the automotive industry, this was followed at the end of the first quarter and especially in the second quarter of 2020 by a drastic decline in demand in the wake of the COVID-19 crisis, significantly impacting both volumes and prices. While the fall in the oil price had already had an adverse impact on the oil and gas industry in the first quarter, in the second quarter the crisis expanded to the engineering and tool manufacturing industry. Sales in the automotive industry started to normalize in the second half year, while the recovery in mechanical and plant engineering as well as in the energy segment, especially with oil and gas, was visible but still remained sluggish.

Within the scope of a comprehensive restructuring report and the financing concept derived from this, the capital increase that was agreed in December 2019 was legally implemented on January 8, 2020, creating a net cash inflow of EUR 291.1 million. In addition, the Group's existing debt financing was restructured and extended in March 2020. As part of this, the syndicated loan was increased by EUR 90 million and now amounts to up to EUR 465 million. Also, a EUR 95 million loan was raised from BigPoint Holding AG, the largest shareholder of Swiss Steel Holding AG with a 49.6% stake. As a result of the change of control (when a share exceeds 33.3 %), EUR 328.8 million of the former nominal value of the EUR 350 million bond was tendered in a public buyback offer and repaid; the remaining tranche of EUR 21.2 million was redeemed in November 2020. The syndicated loan, shareholder loan and ABS financing program (note 29) each have a term of five years, ending in March 2025. The restructuring of debt financing in March 2020 was linked to certain financial covenants requiring operating performance and liquidity to be improved, which were fleshed out in a restructuring report. This ensured permanent financing of the Group effective the end of the first quarter of 2020 until end of 2024.



Over the course of the second quarter of 2020, the financial planning on which the restructuring report was based had to be revalidated and consequently expanded in depth and breadth due to and the intensified negative effects of Covid-19. This resulted in an additional funding gap compared with the original financing concept as of the end of the first quarter of 2020. The existing financing conditions were suspended accordingly and expanded with undertakings.

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. In addition, the state guaranteed loans applied for in France and Switzerland were signed and drawn in the second half of 2020 with a credit line of EUR 98.5 million.

On the other hand, a shareholder loan of BigPoint Holding AG in the amount of EUR 130 million is available, which can currently be drawn up to a limit of EUR 94.9 million. In the event of a drawdown of this shareholder loan, the financing conditions would have to be renegotiated.

As an alternative to the shareholder loan of EUR 130 million, the Group is planning an equity increase, which was approved at the Extraordinary General Meeting on December 22, 2020. Gross proceeds of EUR 200 million are envisaged, which has been guaranteed by BigPoint Holding AG.

Following the Extraordinary General Meeting, the second-largest shareholder, Liwet Holding AG (Liwet), obtained a block on the registration of the capital increase from the Commercial Register Office of the Canton of Lucerne. In its decision of January 29, 2021, the District Court of Lucerne rejected Liwet's request in its entirety and found that Liwet had not substantiated any grounds for contestability of the resolved capital increase. After the expiry of the appeal period on February 9, 2021, the Group intends to realize the capital increase by March 22, 2021 at the latest. Furthermore, the lending banks have approved the new financing agreement in connection with the capital increase in substance. Compared to the shareholder loan, the equity increase provides additional liquidity, improved equity structure and reduced finance and consulting costs. The Board of Directors therefore believes that this will ensure higher resilience of the Swiss Steel Group with regard to future business uncertainties.

The successfully implemented capital increase will replace the shareholder loan with the credit line of EUR 130.

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.

The debt financing is tied to specific conditions; if these are not met, the financial liabilities will have to be repaid in part or in full. The estimates regarding the negative effects of the Covid-19 crisis in terms of extent and duration and thus their influence on compliance with the financial covenants remain subject to material uncertainty that may cast significant doubts upon the Company's ability to continue as a going concern. The availability of sufficient liquidity, compliance with the obligations entered into within the specified deadline and future operating performance will be of critical importance if the Company is to continue to operate and grow in the future.

When preparing the consolidated annual 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. The assumption is that it will be possible to comply with all new financing conditions and implement the envisioned operational improvements.

In summary, it is considered realistic to expect that the Company will be able to continue its business activities over the next twelve months, as a result of which these consolidated annual financial statements have been prepared on a going concern basis.

#### **4 Standards and interpretations applied**

The accounting policies applied in the consolidated financial statements are consistent with those used at the end of the fiscal year 2019, with the exception of the amendments to the IFRS standards that were applied for the first time with effect from January 1, 2020. These did not have a significant influence on the financial statements of the Swiss Steel Group.

#### **5 Standards, interpretations and amendments published but not yet applied**

The IASB has published new and amended standards but their application was not mandatory yet. None of these changes had or are expected to have a significant influence on the consolidated financial statements. The Swiss Steel Group intends to apply these new and amended standards and interpretations from their effective date.

#### **6 Significant accounting policies and measurement principles**

With the exception of certain financial instruments that are measured at fair value, these consolidated financial statements were prepared on a historical cost basis.

##### **Consolidation principles**

The consolidated financial statements include Swiss Steel Holding AG and all entities over which Swiss Steel Holding AG exercises direct or indirect control. Swiss Steel Holding AG controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

These companies are included in the consolidated financial statements from the date on which Swiss Steel Holding AG obtains the possibility of direct or indirect control. They are deconsolidated when control is lost.

**Subsidiaries**

The net income or loss of subsidiaries that are acquired or disposed of during the year is included in the consolidated financial statements from the date on which control begins, or until the date on which it ends, respectively.

The financial statements of the subsidiaries are prepared using uniform accounting policies and have the same reporting date as Swiss Steel Holding AG. Non-controlling interests represent the portion of equity not directly or indirectly attributable to the shareholders of Swiss Steel Holding AG.

All intercompany receivables, liabilities, income, expenses, profits and losses, are eliminated in the consolidated financial statements.

**Business combinations**

Business combinations are recognized using the acquisition method, according to which the consideration transferred for the business combination is offset against the Group's interest in the fair values of the identifiable assets, liabilities, and contingent liabilities as of the date on which it obtains control. Any resulting positive difference (goodwill) is capitalized, whereas any negative difference (badwill) is reassessed and then immediately recorded through profit or loss. Upon subsequent disposal of a subsidiary, the allocable portion of the goodwill is included in the calculation of the gain or loss on disposal.

**Currency translation**

The consolidated financial statements are prepared in the reporting currency, euro, which is also the functional currency of Swiss Steel Holding AG.

The annual financial statements of subsidiaries that are included in the consolidated financial statements and whose functional currency is not euro are translated from their functional currency – usually the local currency – into the Group's presentation currency (euro). Items are translated using the closing-rate method, according to which the statements of financial position are translated from the functional currency into the presentation currency at the average spot rate on the reporting date, while items of the income statement and the statement of comprehensive income are translated at the average rates over the reporting period. Gains and losses arising from currency translation are aggregated and initially included in other comprehensive income. Upon sale or loss of control over the respective company, the accumulated exchange differences are recycled to profit or loss.

In the consolidated statement of cash flows, amounts are generally translated at the average exchange rates over the period or at the historical rates prevailing on the date of the cash flows. For companies whose functional currency is not the reporting currency, transactions in a foreign currency are normally initially measured at the exchange rate prevailing on the date of initial recognition. Exchange gains and losses resulting from the subsequent measurement of foreign currency receivables and liabilities at the spot rate on the reporting date are recognized in profit or loss.

The following exchange rates were used for foreign currency translation:

	Average rates		Year-end rates	
	2020	2019	2020	2019
EUR/BRL	5.89	4.42	6.33	4.51
EUR/CAD	1.53	1.49	1.55	1.46
EUR/CHF	1.07	1.11	1.08	1.09
EUR/GBP	0.89	0.88	0.89	0.85
EUR/USD	1.14	1.12	1.22	1.12

### Intangible assets (excluding goodwill)

Intangible assets acquired for a consideration are recognized at cost and, if they have a finite useful life, are amortized on a straight-line basis over their expected economic useful life. If the contractual useful life is less than the economic useful life, the asset is amortized on a straight-line basis over the contractual useful life.

Intangible assets with an indefinite useful life are tested for impairment at least annually, or whenever there are indications of impairment. Any impairment is immediately recognized through profit or loss. Reversals of impairment are also recognized through profit or loss and are limited to the amortized cost of the asset.

The useful lives and depreciation methods are reviewed annually.

Internally generated intangible assets are capitalized if it is probable – based on a reliable estimate – that a future economic benefit will flow to the entity from the use of the asset and the cost of the asset can be determined reliably.

The useful lives of intangible assets are as follows:

in years	2020	2019
Concessions, licences, similar rights and miscellaneous	4 to 5	4 to 5
Customer lists	10 to 15	10 to 15
Acquired trademarks	indefinite	indefinite

### Right-of-use assets

The right-of-use assets are initially recognized at the present value of the associated lease liability. Subsequently, the right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life and are adjusted to reflect any revaluation of the related lease liability. An impairment test is carried out if there are indications of impairment.

Capitalized right-of-use assets are primarily rented buildings/property as well as machines, facilities, vehicles and IT hardware.

### Property, plant, and equipment

Property, plant and equipment is measured at cost, including any decommissioning costs and borrowing costs that must be capitalized, less accumulated depreciation and impairments. The assets are depreciated on a straight-line basis.

The useful lives and depreciation methods are reviewed annually.

Routine maintenance and repair costs are expensed as incurred. Costs for the replacement of components or for general overhauls of property, plant and equipment are recognized as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the costs can be reliably determined. If property, plant and equipment subject to wear and tear comprises significant identifiable components with different useful lives, these components are treated as separate units for accounting purposes and depreciated over their respective useful lives.

Upon sale or decommissioning of an item of property, plant and equipment, the cost and accumulated depreciation of the respective items are derecognized from the statement of financial position. Any resulting gains or losses are recognized in profit or loss.

The useful lives of property, plant and equipment are as follows:

in years	2020	2019
<b>Real estate</b>		
Solid buildings	30 to 40	30 to 40
Lightweight and heavily used solid buildings (e.g. steelworks)	15 to 40	15 to 40
<b>Plant and equipment</b>		
Operating plant and equipment	5 to 40	5 to 40
Machines	10 to 20	10 to 20
Road vehicles and railway waggons	5 to 30	5 to 30
Office equipment	10	10
IT hardware	4	4

### Impairment of non-current, non-financial assets

Non-current, non-financial assets are assessed for indications of possible impairment as of each reporting date. If there are any indications of impairment, the residual carrying amount of the intangible assets, property, plant and equipment, and right-of-use assets are subjected to an impairment test. This involves comparing the carrying amount of the asset with its recoverable amount.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the residual carrying amount exceeds the recoverable amount, the carrying amount of the asset is reduced to the recoverable amount.

If the reason for an earlier impairment loss no longer applies, the impairment loss – with the exception of goodwill – is reversed. Impairments cannot be reversed beyond the acquisition value net of amortization and depreciation that would have resulted without the past impairment.

**Leasing**

The Group acts as both lessee and lessor.

**Lessee**

Where the Group acts as lessee, in most cases a right-of-use (ROU) asset is recognized and a lease liability is recorded in the same amount. The lease liability is measured from the present value of future payments for the right-of-use asset up to the end of the contractual period. The corresponding payment obligations from future lease installments are recognized as financial liabilities (leasing debt) and released over subsequent periods using the effective interest method. To calculate the present value of the leasing debt, the future payments are discounted either (if available) at the contractually defined interest rate or at the average rate applied for borrowing.

The recognition and subsequent measurement of ROU assets are described in the section on Right-of-use- assets.

That portion of the leasing debt that is paid off in the next twelve months is reported as current. The future lease payments comprise fixed payments, variable lease payments that depend on an index known at the beginning of the lease, and prolongation options that the Swiss Steel Group will exercise with reasonable assurance.

The future lease payments consist, on the one hand, of interest expenses that is reported in the consolidated statement of cash flows as part of the interest paid, and on the other, of repayments of the leasing debt, which are presented in the consolidated statement of cash flows likewise as cash flow from financing activities.

An exception are right-of-use assets from leases for assets whose acquisition value on initial recognition does not exceed a defined lower limit (low-value asset leases) or whose term is shorter than one year (short-term leases). The expense for such leases is recorded in full in other operating expenses. This expense item additionally includes variable leasing payments that were not included in the first-time measurement of right-of-use assets.

Whether an arrangement is, or contains, a lease depends on the economic substance of the arrangement and requires a decision to be made on whether fulfillment of the agreement depends on the use of a particular asset or assets and whether the arrangement conveys the right to use these assets to the Swiss Steel Group.

**Lessor**

Leases where the Group as lessor transfers all of the significant risks and rewards incidental to ownership of a leased asset are recognized as finance leases at the lessor. A receivable is recognized at the amount of the net investment in the lease, with interest income recorded in profit or loss. All other leases in which the Group acts as a lessor are treated as operating leases. Assets leased under operating leases remain in the consolidated statement of financial position and are depreciated. The lease payments are recognized as income on a straight-line basis over the term of the lease.

**Financial assets**

Financial assets include, but are not limited to, cash and cash equivalents, trade accounts receivable, current and non-current financial assets, as well as non-derivative and derivative financial instruments held for trading.

With the exception of trade accounts receivable, financial assets are measured at fair value when initially recognized. In the case of other financial investments classified as measured at fair value through profit or loss, transaction costs are also taken into account that are directly attributable to the purchase of the asset.

Financial assets are designated to the respective categories upon initial recognition. They are reclassified where necessary and permissible.

For regular purchases or sales, the trade date is the relevant date, both for initial recognition in the statement of financial position as well as for derecognition from the statement of financial position. Financial assets and financial liabilities are generally reported gross; they are netted only if the Group currently has a right to offset amounts and intends to settle the amounts on a net basis.

**Trade accounts receivable and other current receivables**

Trade accounts receivable and other current receivables are recognized at the transaction price in accordance with IFRS 15. Subsequent measurement is at amortized cost less any impairment.

The Group sells selected trade accounts receivable on a revolving basis through an international Asset Backed Securities (ABS) program. Since the significant risks and rewards remain with the Group, the trade accounts receivable are still reported in the statement of financial position as collateral for a financial liability at amortized cost.

In addition, there are factoring agreements in place with third parties to sell trade accounts receivable. The trade receivables sold as of the reporting date, which are now recorded as receivables from the factoring company, are measured at fair value through profit or loss.

Such agreements constitute non-recourse factoring where the credit risk is fully transferred to the contracting party (the "factor"). Factoring serves to shorten the terms of trade accounts receivable and is a component of the Swiss Steel Group's liquidity management. Under non-recourse factoring, the receivables sold are derecognized in their entirety in the statement of financial position and a corresponding item due from the factor is recognized in the statement of financial position.

**Financial assets at fair value through profit or loss**

This category mainly comprises derivatives, including separately recognized embedded derivatives, except such derivatives that are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognized in the consolidated income statement.

**Impairment of financial assets**

As of each reporting date, impairment losses are recognized on the basis of expected losses for the carrying amounts of financial assets not measured at fair value through profit or loss.

Expected credit losses are calculated based on the entire lifetime of the trade accounts receivable, taking into account an increase in credit risk. Significant financial difficulties faced by a customer, such as likely bankruptcy, financial reorganization, payment default, or late payment, are all considered to be indicators of an increase in credit risk. The loss allowance for receivables with an increased probability of default corresponds to the exposure at default, the probability of default, and the loss given default.

For trade accounts receivable and lease receivables, impairment is taken into account on an item-by-item basis using allowance accounts, with specific defaults leading to derecognition of the receivables in question.

Receivables with a similar risk of default are grouped and examined for impairment collectively on the basis of past experience and forward-looking macroeconomic factors (long-term allowance for doubtful accounts). Any impairment is recorded in profit or loss.

**Inventories**

Inventories are measured at the lower of cost or net realizable value. They are measured using the weighted average cost method. Cost includes direct material and labor costs as well as material and production overheads allocated proportionally on the assumption of normal utilization of production capacity.

Value adjustments are made in an amount sufficient to take account of all identifiable storage and quantity risks affecting the expected net realizable value.

**Taxes****Current taxes**

Current income tax receivables and liabilities for the current and earlier reporting periods are measured at the expected amount of reimbursement from, or payment to, the tax authorities. This amount is calculated applying the tax rates and tax laws that are enacted or substantively enacted at the reporting date.



### Deferred taxes

Deferred taxes are recognized using the liability method on temporary differences between carrying amounts in the consolidated financial statements and the tax accounts, as well as on tax-loss and interest carry-forwards and tax credits. Any differences that become apparent are always recognized if they lead to deferred tax liabilities. An exception is made for the first-time recognition of goodwill for which no deferred taxes are recognized. Deferred tax assets, on the other hand, are only recognized if it is probable that the associated tax benefits will be realized. Deferred taxes are calculated using the tax rates that are expected to apply at the date on which the temporary differences are expected to reverse. Future tax rates may be used on condition that they are already enacted or substantively enacted.

Changes in the deferred taxes in the statement of financial position result in deferred tax expense or income. If transactions that result in changes in deferred taxes are recognized directly in equity or in other comprehensive income, the change in deferred taxes is recognized within the same item.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

### Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are measured using the projected unit credit method. Pension provisions are all forms of termination benefits after the employee leaves the Company's employment where the Company has undertaken to provide benefits. Similar obligations comprise obligations from other collective bargaining and individual agreements that are accrued not only as a result of leaving the Company's employment.

Actuarial gains and losses are recognized directly in other comprehensive income in the period in which they occur. When there is a surplus in a defined benefit plan over the amount recognized, the surplus amount recognized is limited to the asset ceiling (present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Service costs for pensions and similar obligations are reported as personnel costs within operating profit. The net interest on the net defined benefit liability (asset) is included in the financial result in the consolidated income statement.

The total past service cost resulting from plan amendments is recognized in profit or loss as soon as the improvements are announced.

Payments by the Group for defined contribution plans are recognized in personnel costs.

**Other provisions**

Provisions are recognized if the Group has a current obligation from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Provisions are measured at the amount that reflects the best estimate of the expenditure required to settle the present obligation as of the reporting date, with expected reimbursements from third parties not netted but instead recognized as a separate asset if it is virtually certain that they will be realized. Material non-current provisions are discounted at a market rate of interest adequate for the risk.

Warranty provisions are created when the respective products are sold or the respective services rendered. The amount of the provision is based on the historical development of warranties as well as consideration of all future possible warranty cases weighted by their probabilities of occurrence.

Provisions for restructuring measures are recognized if there is a detailed formal restructuring plan in place about which the Group has informed those affected or has already initiated its implementation.

Provisions for potential losses from onerous contracts are recognized if the expected economic benefit resulting from the contract is less than the unavoidable costs of fulfilling the contract.

**Financial liabilities**

Financial liabilities are measured at fair value upon initial application. Transaction costs directly attributable to the transaction are also included in the measurement of all financial liabilities that are not subsequently measured at fair value through profit or loss.

**Financial liabilities at fair value through profit or loss**

This category mainly comprises derivatives, including separately recognized embedded derivatives, except those that are designated as effective hedging instruments. Gains and losses from financial liabilities held for trading are recorded in profit or loss.

**Other financial liabilities**

Trade accounts payable and other primary financial instruments are measured at amortized cost using the effective interest method.

**Derivatives**

The Group uses derivative financial instruments to hedge price, interest, and currency risks that result from operating activities, financial transactions, and investments. Derivative financial instruments are neither held nor issued for speculative purposes.

Derivative financial instruments are initially recognized at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. If no market values are available, the fair values are calculated using recognized valuation models.

Changes in the fair value of derivative financial instruments are immediately recognized in profit or loss unless the special criteria of IFRS 9 for hedge accounting are satisfied. With one insignificant exception, the Swiss Steel Group does not apply hedge accounting.

### **Revenue**

The Group generates most of its revenue from the production and sale of special long steel for various customer industries and end markets, such as mechanical and plant engineering and the automotive industry. Revenue of the Swiss Steel Group from the sale of products is recognized in the income statement as soon as a contractual performance obligation has been satisfied, i.e. control of the goods has passed to the customer.

The passing of control takes place upon delivery and for the Swiss Steel Group is essentially governed by the international commercial terms (Incoterms) defined in the contract with the customer. Delivered goods or services are billed at the point in time at which control is passed to the customer and recognized in the statement of financial position only as trade accounts receivable.

The amount of revenue realized is based on the contractually agreed transaction price for the delivery. The contracts concluded between the Swiss Steel Group and its customers for the most part contain a single performance obligation, to which 100% of the relevant consideration is allocated.

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

Revenue is reported net of VAT, returns, discounts, and price reductions. Discounts granted to customers are recognized as revenue reductions at the time of fulfillment of the underlying contract. Revenue reductions of this kind are estimated on the basis of contractual arrangements and historical data.

Payment arrangements with customers are also governed by contracts, are based on normal commercial terms and are exclusively shorter than twelve months after delivery. The Swiss Steel Group recognizes revenue only at the time of delivery and not over time.

The Swiss Steel Group applies the exemption of IFRS 15 and thus waives the disclosure of the remaining performance obligation as of the reporting date, since the underlying contract period is less than twelve months.

Detailed information on revenue recognition is disclosed in note 8 to the consolidated financial statements.

### **Government grants**

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Government investment grants are reported as a reduction of the cost of the asset concerned, with a corresponding reduction of depreciation and amortization in subsequent periods. Grants not related to investments are deducted from the expenses to be compensated by the grants in the period in which the expenses are incurred.

Government support in the context of the COVID-19 crisis affected personnel expenses (note 11), income taxes (note 16) and financial liabilities (note 29).

**Research and development**

Research expenses are recorded immediately through profit or loss. Development expenses are capitalized if a newly developed product or method can, among other things, be unequivocally identified, if the product or process is technically and economically feasible, the development is marketable, the expenses can be reliably measured, and the Group has adequate resources to complete the development project. All other development expenses are recorded immediately in profit or loss. Capitalized development expenses of completed projects are reported at cost less any accumulated depreciation. Cost includes all costs directly allocable to development as well as a portion of directly attributable development overheads.

**Borrowing costs**

Borrowing costs which can be attributed to the acquisition, construction, or production of a qualifying asset are capitalized and depreciated over the economic useful life of the qualifying asset.

**7 Consolidated Group and business combinations**

There was no significant change in the scope of consolidation in 2020. Detailed information can be found in the list of shareholdings in note 37.

In 2019, the final installment of EUR 1.5 million was paid for the acquisition of the non-controlling interests in Swiss Steel s.r.o. (CZ), which has been fully consolidated since December 2016. The total purchase price amounted to EUR 6.1 million.

## 8 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	
	2020	2019	2020	2019
Quality & engineering steel	890.9	1,193.1	119.8	211.7
Stainless steel	722.6	864.5	167.8	202.2
Tool steel	164.7	218.0	163.1	204.5
Others	46.9	71.0	12.6	15.8
<b>Total</b>	<b>1,825.2</b>	<b>2,346.6</b>	<b>463.2</b>	<b>634.2</b>

in million EUR	Production		Sales & Services	
	2020	2019	2020	2019
Germany	784.9	1,004.2	44.1	91.8
Italy	255.7	320.9	25.0	33.4
France	218.7	286.8	29.3	38.8
Switzerland	36.5	50.0	0.0	0.0
Other Europe	292.2	366.1	141.8	176.0
<b>Europe</b>	<b>1,588.0</b>	<b>2,028.0</b>	<b>240.2</b>	<b>340.0</b>
USA	82.1	117.6	106.2	150.1
Canada	26.7	46.0	27.3	39.2
Other Americas	8.9	14.5	23.2	30.2
<b>America</b>	<b>117.7</b>	<b>178.1</b>	<b>156.7</b>	<b>219.5</b>
China	46.4	47.6	43.5	44.6
India	15.0	19.8	9.8	13.9
Asia Pacific/Africa	58.1	73.1	13.0	16.2
<b>Africa/Asia/Australia</b>	<b>119.5</b>	<b>140.5</b>	<b>66.3</b>	<b>74.7</b>
<b>Total</b>	<b>1,825.2</b>	<b>2,346.6</b>	<b>463.2</b>	<b>634.2</b>

## 9 Cost of materials

in million EUR	2020	2019
Cost of raw materials, consumables, supplies and merchandise	1,179.9	1,492.5
Other purchased services	280.8	371.9
<b>Total</b>	<b>1,460.7</b>	<b>1,864.4</b>

## 10 Other operating income and expenses

Other operating income can be broken down as follows:

in million EUR	2020	2019
Rent and lease income	6.7	6.7
Grants and allowances	7.9	3.1
Insurance reimbursement	0.2	1.1
Gains from disposal of intangible assets, property, plant and equipment, and financial assets	2.1	1.0
Own work capitalized	7.2	8.7
Income for energy recharges	2.1	2.9
Income for services	8.5	8.5
Income for training	2.6	2.9
Miscellaneous income	13.5	22.5
<b>Total</b>	<b>50.8</b>	<b>57.4</b>

Other operating income of EUR 13.5 million (2019: EUR 22.5 million) comprises a number of individually immaterial items which cannot be allocated to another category.

Other operating expenses can be broken down as follows:

in million EUR	2020	2019
Freight, commission	70.9	86.4
Allowances on trade receivables	5.5	1.3
Maintenance, repairs	79.7	80.5
Holding and administration expenses	26.9	36.0
Fees and charges	24.2	25.3
Expenses for leases not capitalized	10.0	11.4
Consultancy and audit services	20.6	19.3
IT expenses	21.8	22.4
Losses on disposal of intangible assets, property, plant and equipment, and financial assets	0.1	0.3
Non-income taxes	12.5	7.1
Foreign exchange loss (net)	3.6	4.9
Restructuring expenses	0.1	1.1
Miscellaneous expenses	16.8	39.5
<b>Total</b>	<b>292.8</b>	<b>335.6</b>

Miscellaneous expense of EUR 16.8 million (2019: EUR 39.5 million) comprises a number of individually immaterial items which cannot be allocated to another category.

In 2019, the item "Miscellaneous expenses" contained valuation effects of EUR 7.5 million resulting from forward contracts on future nickel sales and a fine from the Federal Cartel Office of EUR 12.3 million. The fine related to information available to the Federal Cartel Office concerning agreements on prices and price components and price restrictions, and concerning the exchange of sensitive competition-relevant information between people in authority at several companies in the steel industry. This also affected individual companies of the Swiss Steel Group.

The item "Consultancy and audit services" includes the total fees billed by the auditor Ernst & Young. In 2020, EUR 2.4 million (2019: EUR 2.8 million) was paid for financial statement audits and EUR 0.2 million (2019: EUR 0.2 million) for other assurance services. In addition, EUR 0.1 million (2019: EUR 0.1 million) was paid for tax advisory services in the reporting period and EUR 0.2 million (2019: EUR 0.4 million) for other services.

All exchange gains and losses on receivables and liabilities or derivative currency contracts concluded to hedge currency exposure are stated net and presented as other operating expenses or income, depending on whether the net figure is negative or positive.

The net figures can be broken down as follows:

in million EUR	2020	2019
Exchange gains	96.1	73.7
Exchange losses	-99.7	-78.6
<b>Net currency effect</b>	<b>-3.6</b>	<b>-4.9</b>

## 11 Personnel expenses

in million EUR	2020	2019
Wages and salaries	498.5	547.7
Social security contributions	113.6	119.4
Other personnel costs	12.3	19.5
<b>Total</b>	<b>624.4</b>	<b>686.6</b>

In 2020, the Swiss Steel Group received EUR 23.2 million in compensation for short-time work, which is mainly related to the COVID-19 crisis. This was offset against the expenses for wages and salaries.

## 12 Research and development expenses

Research and development expenses of EUR 10.4 million were incurred in 2020 (2019: EUR 14.9 million). They relate to third-party expenses for new product applications and process improvements. Development costs of EUR 2.0 million were capitalized in the reporting period (2019: EUR 2.7 million); this amount is capitalized under intangible assets in the "Concessions, licenses and similar rights" subcategory (note 18).

### 13 Government grants

No government investment grants (2019: EUR 0.1 million) were recognized in the fiscal year that led to a reduction in the cost of the corresponding assets. These grants are linked to certain conditions which are currently met. In addition, government grants of EUR 18.1 million (2019: EUR 12.7 million) were recognized in the fiscal year which were used to reimburse the Group for its expenses. These are primarily related to reimbursements of other operating expenses (energy costs). The refunds were recognized as deductions from the respective expense items in the income statement.

Government support in the context of the COVID 19- crisis affected personnel expenses (Note 11), income taxes (Note 16) and financial liabilities (Note 29).

### 14 Depreciation, amortization, and impairments

in million EUR	2020	2019
Impairment of goodwill	0.0	2.6
Amortization of intangible assets (excluding goodwill)	4.9	4.8
Depreciation of property, plant and equipment	59.1	85.7
Depreciation of right-of-use assets	8.5	9.7
Impairment of intangible assets (without goodwill), property, plant and equipment and right-of-use assets	101.2	310.1
<b>Total</b>	<b>173.7</b>	<b>412.8</b>

Detailed information on impairments is disclosed in note 20 to the consolidated financial statements.

### 15 Financial result

in million EUR	2020	2019
Interest income	1.4	4.7
Other financial income	0.2	0.1
<b>Financial income</b>	<b>1.6</b>	<b>4.8</b>
Interest expenses on financial liabilities	-41.1	-45.4
Interest expenses on lease liabilities	-3.3	-3.4
Net interest expense on pension provisions and plan assets	-2.6	-4.9
Capitalized borrowing costs	3.4	2.6
Other financial expenses	-6.9	-11.3
<b>Financial expenses</b>	<b>-50.5</b>	<b>-62.4</b>
<b>Financial result</b>	<b>-48.9</b>	<b>-57.5</b>

Interest income of EUR 4.7 million in 2019 primarily comprised financial income on outstanding tax redemptions in Brazil and Germany.

The item "interest expenses" includes, among other things, the interest expense for the state-guaranteed loans at the market interest rate. The interest expenses are offset against the reversal of the liability of the deferred government support in the same amount (see note 29). In 2020, the Swiss Steel Group reversed EUR 1.5 million of this liability and credited it to interest expenses.



In 2020, other financial expenses mainly includes the amortization of transaction costs from debt financing, which is recognized over its expected term.

The early redemption of the bond had a total effect of EUR 6.2 million on the financial result in 2019, of which EUR 2.5 million was recognized in interest expenses on financial liabilities and EUR 3.7 million in other financial expenses.

## 16 Income taxes

The main components of income tax in the fiscal years 2020 and 2019 are as follows:

in million EUR	2020	2019
Current taxes	-4.1	-3.6
– of which: tax expense/(income) from previous period	8.8	-3.1
– of which: tax expense/(income) in the reporting period	-12.9	-0.5
Deferred taxes	-7.3	41.7
– of which: deferred tax effect from the origination and reversal of temporary differences	0.9	5.8
– of which: deferred tax effect from tax-loss carry-forwards, interest carry-forwards and tax credits	-8.2	35.9
<b>Income tax effect (income (-) / expenses (+))</b>	<b>-11.4</b>	<b>38.1</b>

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 COVID-19 aid package.

The expected income tax expense/income is calculated using the domestic income tax rate of the operating companies domiciled in Lucerne, Switzerland and then carried over to the Group result before taxes:

in million EUR	2020	2019
Earnings before taxes	-321.6	-482.9
Domestic income tax rate	12.57%	12.57%
<b>Expected income tax expense/(income)</b>	<b>-40.4</b>	<b>-60.7</b>
Effects of different income tax rates	-57.9	-77.5
Non-deductible expense/tax-free income	6.3	3.9
Tax effects from prior years	-12.9	-0.5
Tax effects due to changes in tax rates or changes in tax laws	0.2	-1.7
Deferred tax assets not recognised on temporary differences, tax credits, tax-loss and interest carry-forwards of the current year	95.3	128.4
Valuation adjustments on deferred tax assets on temporary differences, tax credits, tax-loss and interest carry-forwards capitalised in prior years	-2.0	46.2
<b>Effective income tax expense/(income)</b>	<b>-11.4</b>	<b>38.1</b>
Effective tax rate	3.5%	-7.9%

The local tax rates used to determine current and deferred taxes have not changed materially. The effective Group tax rate for 2020 was 3.5% (2019: –7.9%). This rate derives from the tax rates of the individual countries in which the Group operates, weighted for earnings before taxes.

Total unrecognized deferred tax assets for temporary differences, tax-loss carry-forwards and interest carry-forwards as well as tax credits increased compared with the prior year to EUR 2,217.0 million (2019: EUR 1,760.4 million). This increase stems mainly from the write-down in the value of investments at the level of Swiss Steel Holding AG and Swiss Steel Edelstahl GmbH and from the current losses incurred in the fiscal year 2020.

in million EUR	31.12.2020	31.12.2019
<b>Expiry within</b>		
– 1 year	1.4	0.9
– 2 to 5 years	3.9	3.2
– more than 5 years	2,211.7	1,756.4
<b>Total</b>	<b>2,217.0</b>	<b>1,760.4</b>

In addition, the Company has not recognized tax credits in the amount of EUR 3.6 million (2019: EUR 5.5 million) as the Company does not expect to be able to offset them against corresponding tax expenses.

The table below shows the amount of temporary differences, tax-loss and interest carry-forwards, and tax credits broken down by tax rate of the companies to which they pertain:

in million EUR	31.12.2020	31.12.2019
<b>Tax rate</b>		
– less than 20%	1,415.4	992.5
– 20% to 30%	44.5	92.8
– more than 30%	757.1	675.1
<b>Total</b>	<b>2,217.0</b>	<b>1,760.4</b>

The table below shows a breakdown of the deferred taxes recorded on material items of the statement of financial position as well as tax-loss and interest carry-forwards and tax credits:

in million EUR	Deferred tax assets		Deferred tax liabilities	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Intangible assets	0.1	0.6	0.6	0.6
Property, plant and equipment	19.0	20.7	12.1	12.9
Financial assets	0.0	0.2	2.2	4.5
Other assets	0.6	0.2	1.3	0.1
<b>Non-current assets</b>	<b>19.7</b>	<b>21.7</b>	<b>16.2</b>	<b>18.1</b>
Inventories	2.2	1.9	3.0	6.4
Other assets	0.5	0.4	2.5	2.3
<b>Current assets</b>	<b>2.7</b>	<b>2.2</b>	<b>5.5</b>	<b>8.7</b>
Provisions	16.7	20.1	24.2	25.4
Other liabilities	3.4	5.8	0.0	0.0
<b>Non-current liabilities</b>	<b>20.1</b>	<b>25.9</b>	<b>24.2</b>	<b>25.4</b>
Provisions	0.6	0.9	1.0	1.3
Other liabilities	4.4	4.3	1.9	1.6
<b>Current liabilities</b>	<b>5.0</b>	<b>5.3</b>	<b>2.9</b>	<b>2.9</b>
Tax-loss and interest carry-forwards	15.4	7.3	0.0	0.0
<b>Total</b>	<b>62.9</b>	<b>62.4</b>	<b>48.8</b>	<b>55.1</b>
Netting	-44.9	-47.8	-44.9	-47.8
<b>Amount recognized</b>	<b>18.0</b>	<b>14.4</b>	<b>3.9</b>	<b>7.3</b>

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

in million EUR	2020	2019
Opening balance at the beginning of the period	7.1	53.1
Changes recognized in profit and loss	7.3	-41.7
Changes recognized in other comprehensive income	-0.4	-4.4
Foreign currency effects	0.1	0.0
<b>Closing balance at the end of the period</b>	<b>14.1</b>	<b>7.1</b>

The taxes recognized in shareholders' equity (accumulated other comprehensive income and retained earnings) amounted to EUR 30.7 million for the fiscal year (2019: EUR 31.1 million).

Deferred tax liabilities are recognized on temporary differences related to investments in subsidiaries. These temporary differences, known as outside basis differences, arise when the net assets of the subsidiaries and associates differ from the tax bases of the entity concerned.

No deferred tax liabilities were recognized for outside basis differences of around EUR 110.9 million, of which EUR 17.5 million was taxable (2019: EUR 131.9 million, of which EUR 18.5 million was taxable), because the reversal of temporary differences is not controlled by the Swiss Steel Group and is not expected for the foreseeable future.

Deferred tax assets resulting from the impairment of various Business Units were largely not recognized in 2020 and 2019. Further information can be found in note 20 to the consolidated financial statements.

## 17 Earnings per share

	2020	2019
Group result attributable to registered shareholders of Swiss Steel Holding AG in EUR million	-310.0	-520.8
Average number of shares	2,002,962,384	942,539,572
<b>Earnings per share in EUR (basic/diluted)</b>	<b>-0.15</b>	<b>-0.55</b>

Basic earnings per share is calculated by dividing the net income/loss attributable to the holders of registered shares of Swiss Steel Holding AG by the weighted average number of shares outstanding during the fiscal year.

Diluted earnings per share is the same as basic earnings per share.

## 18 Intangible assets and property, plant and equipment

Changes in intangible assets are presented below:

### Fiscal year 2020

in million EUR	Concessions, licences and similar rights	Acquired trademarks and customer bases	Prepayments for intangible assets	Goodwill	Total
<b>Cost value as at 1.1.2020</b>	<b>89.8</b>	<b>23.9</b>	<b>4.0</b>	<b>5.8</b>	<b>123.4</b>
Additions	2.8	0.0	1.9	0.0	4.7
Disposals	-3.6	0.0	0.0	0.0	-3.6
Reclassifications	2.7	0.0	-2.7	0.0	0.0
Foreign currency effects	-0.9	-1.2	0.0	0.1	-1.9
<b>Cost value as at 31.12.2020</b>	<b>90.8</b>	<b>22.7</b>	<b>3.2</b>	<b>5.9</b>	<b>122.6</b>
<b>Accumulated amortization and impairments as at 1.1.2020</b>	<b>-76.6</b>	<b>-20.3</b>	<b>-2.0</b>	<b>-5.4</b>	<b>-104.3</b>
Scheduled depreciation and amortization	-4.9	-0.1	0.0	0.0	-4.9
Impairment	-0.4	0.0	-0.7	0.0	-1.1
Disposals	3.6	0.0	0.0	0.0	3.6
Reclassifications	-1.8	0.0	1.8	0.0	0.0
Foreign currency effects	0.8	1.0	0.0	-0.1	1.6
<b>Accumulated amortization and impairments as at 31.12.2020</b>	<b>-79.3</b>	<b>-19.4</b>	<b>-0.9</b>	<b>-5.5</b>	<b>-105.1</b>
<b>Net carrying amount as at 31.12.2020</b>	<b>11.5</b>	<b>3.3</b>	<b>2.3</b>	<b>0.4</b>	<b>17.5</b>

### Fiscal year 2019

in million EUR	Concessions, licences and similar rights	Acquired trademarks and customer bases	Prepayments for intangible assets	Goodwill	Total
<b>Cost value as at 1.1.2019</b>	<b>93.9</b>	<b>23.5</b>	<b>3.1</b>	<b>5.8</b>	<b>126.3</b>
Additions	3.7	0.0	3.8	0.0	7.5
Disposals	-11.5	0.0	0.0	0.0	-11.5
Reclassifications	2.9	0.0	-2.9	0.0	0.0
Foreign currency effects	0.7	0.4	0.0	0.0	1.0
<b>Cost value as at 31.12.2019</b>	<b>89.8</b>	<b>23.9</b>	<b>4.0</b>	<b>5.8</b>	<b>123.4</b>
<b>Accumulated amortization and impairments as at 1.1.2019</b>	<b>-81.2</b>	<b>-17.4</b>	<b>0.0</b>	<b>-2.7</b>	<b>-101.2</b>
Scheduled depreciation and amortization	-4.6	-0.1	0.0	0.0	-4.8
Impairment	-1.5	-2.6	-2.0	-2.6	-8.7
Disposals	11.4	0.0	0.0	0.0	11.4
Foreign currency effects	-0.7	-0.1	0.0	-0.1	-0.9
<b>Accumulated amortization and impairments as at 31.12.2019</b>	<b>-76.6</b>	<b>-20.3</b>	<b>-2.0</b>	<b>-5.4</b>	<b>-104.3</b>
<b>Net carrying amount as at 31.12.2019</b>	<b>13.2</b>	<b>3.6</b>	<b>2.0</b>	<b>0.4</b>	<b>19.2</b>

There were no restrictions on ownership or disposal as of each reporting date. The development costs of EUR 2.0 million capitalized in 2020 (note 12) are included in the additions in the "Concessions, licenses and similar rights" subcategory.

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.

## Fiscal year 2020

in million EUR	Land and buildings	Plant and equipment	Prepayments for property and plants under construction	Total
<b>Cost value as at 1.1.2020</b>	<b>728.3</b>	<b>2,552.0</b>	<b>118.5</b>	<b>3,398.8</b>
Additions	2.3	26.5	50.6	79.5
Disposals	-2.6	-24.5	-0.7	-27.9
Reclassifications	16.2	80.2	-96.4	0.0
Foreign currency effects	-9.2	-27.3	-0.8	-37.3
<b>Cost value as at 31.12.2020</b>	<b>735.0</b>	<b>2,606.9</b>	<b>71.2</b>	<b>3,413.1</b>
<b>Accumulated depreciation and impairments as at 1.1.2020</b>	<b>-538.6</b>	<b>-2,275.2</b>	<b>-29.8</b>	<b>-2,843.6</b>
Scheduled depreciation and amortization	-10.0	-49.1	0.0	-59.1
Impairment	-18.2	-46.2	-25.6	-90.0
Disposals	2.1	24.2	0.7	27.0
Reclassifications	-0.5	-33.3	33.8	0.0
Foreign currency effects	6.6	24.0	0.3	31.0
<b>Accumulated depreciation and impairments as at 31.12.2020</b>	<b>-558.6</b>	<b>-2,355.6</b>	<b>-20.6</b>	<b>-2,934.8</b>
<b>Net carrying amount as at 31.12.2020</b>	<b>176.4</b>	<b>251.3</b>	<b>50.6</b>	<b>478.3</b>

The restrictions on ownership and disposal increased to EUR 139.8 million as of the reporting date on the back of the collateral granted within the scope of the 2020 refinancing (2019: EUR 8.0 million). Borrowing costs capitalized during the fiscal year 2020 are included in additions and came to EUR 3.4 million (2019: EUR 2.6 million). In 2020, the average rate applied for borrowing costs was 7.46 % (2019: 7.03 %).

## Fiscal year 2019

in million EUR	Land and buildings	Plant and equipment	Prepayments for property and plants under construction	Total
<b>Cost value as at 1.1.2019</b>	<b>702.2</b>	<b>2,453.4</b>	<b>115.7</b>	<b>3,271.4</b>
Additions	2.3	38.4	82.3	123.0
Disposals	-0.4	-46.4	-0.1	-46.8
Reclassifications	12.6	75.5	-81.5	6.6
Foreign currency effects	11.5	31.0	2.1	44.6
<b>Cost value as at 31.12.2019</b>	<b>728.3</b>	<b>2,552.0</b>	<b>118.5</b>	<b>3,398.8</b>
<b>Accumulated depreciation and impairments as at 1.1.2019</b>	<b>-450.7</b>	<b>-2,039.0</b>	<b>0.0</b>	<b>-2,489.8</b>
Scheduled depreciation and amortization	-12.4	-73.2	0.0	-85.7
Impairment	-67.1	-182.3	-29.8	-279.2
Disposals	0.4	45.7	0.0	46.1
Foreign currency effects	-8.7	-26.4	0.0	-35.0
<b>Accumulated depreciation and impairments as at 31.12.2019</b>	<b>-538.6</b>	<b>-2,275.2</b>	<b>-29.8</b>	<b>-2,843.6</b>
<b>Net carrying amount as at 31.12.2019</b>	<b>189.7</b>	<b>276.8</b>	<b>88.7</b>	<b>555.2</b>

In 2019, as a result of a revaluation, spare parts worth EUR 6.6 million were transferred from inventories to plant and equipment.

## 19 Right-of-use assets

### Fiscal year 2020

in million EUR	Land and buildings	Plant and equipment	Total
<b>Net carrying amount as at 1.1.2020</b>	<b>27.1</b>	<b>9.8</b>	<b>37.0</b>
Additions	3.5	3.1	6.6
Foreign currency effects	-0.5	-0.1	-0.6
Scheduled depreciation and amortization	-4.2	-4.2	-8.5
Impairment	-9.0	-1.1	-10.1
<b>Net carrying amount as at 31.12.2020</b>	<b>16.9</b>	<b>7.5</b>	<b>24.4</b>

### Fiscal year 2019

in million EUR	Land and buildings	Plant and equipment	Total
<b>Net carrying amount as at 1.1.2019</b>	<b>50.9</b>	<b>10.7</b>	<b>61.6</b>
Additions	3.2	7.2	10.4
Disposals	-0.6	-0.1	-0.7
Foreign currency effects	0.2	0.1	0.3
Scheduled depreciation and amortization	-4.6	-5.1	-9.7
Impairment	-21.9	-2.9	-24.8
<b>Net carrying amount as at 31.12.2019</b>	<b>27.1</b>	<b>9.8</b>	<b>37.0</b>

Further information on leases is disclosed in note 30 to the consolidated financial statements.

## 20 Impairment test

### Impairment testing of intangible assets with finite useful lives, right-of-use assets, and property, plant and equipment

The following overview summarizes the key figures per Business Unit:

in million EUR	Recoverable amount 2020 (value in use)	Recoverable amount 2019 (value in use)	Discount rate 2020 before taxes	Discount rate 2020 after taxes	Discount rate 2019 before taxes	Discount rate 2019 after taxes	Impairment 2020	Impairment 2019
DEW	298.2	377.7	11.22%	7.92%	12.36%	8.26%	82.3	168.6
Ascometal	38.7	7.4	9.60%	7.58%	11.64%	8.61%	18.9	68.9
Finkl Steel		130.7			11.41%	8.33%	0.0	50.5
Steeltec		75.7			9.72%	8.49%	0.0	24.7

### Fiscal year 2020

The Swiss Steel Group evaluates at each reporting date whether there are any internal or external indications that an asset could be impaired. Due to the outbreak of the COVID-19 crisis in spring 2020 and its increasingly pronounced impact on sales volumes in the main end markets, an impairment test was conducted on intangible assets, property, plant, and equipment, and right-of-use assets on June 30, 2020. The evaluation included individual assets as well as assets that are aggregated in a CGU. For those assets that are aggregated in a CGU, the Business Unit level was defined as the smallest identifiable group of assets.

The asset or group of assets is examined to determine whether its recoverable amount exceeds its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An asset's value in use is determined using discounted cash flow methods. The value in use relevant for the Swiss Steel Group is measured on the basis of medium-term plans, which are prepared for a five-year detailed planning period. Key assumptions in determining value in use are defined centrally at Group level and applied consistently. Value in use is calculated using the present value of future cash flows which are expected to be allocable to an asset or a CGU based on the medium-term plans.

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

The description of the individual Business Units, all of which are part of the *Production* segment, and the reasons for impairment are shown in the following tables:

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



The total impairment at Group level amounted to EUR 101.2 million in 2020 (2019: EUR 312.7 million). This was booked under Depreciation, amortization and impairments in the consolidated income statement. The allocation of impairment losses to asset categories is as follows: EUR 90.0 million (2019: EUR 279.2 million) to property, plant and equipment (note 18), EUR 10.1 million (2019: EUR 24.8 million) to right-of-use assets (note 19) and EUR 1.1 million (2019: EUR 8.7 million) to intangible assets (note 18).

### Fiscal year 2019

The impairment test performed in the previous year showed that the recoverable amount of the DEW, Ascometal, Finkl and Steeltec Business Units was lower than the carrying amount. The impairments were attributable to the following reasons:

Business Unit	Description	Reason for impairment
<b>DEW</b>	See above	The reasons for the impairment were the medium-term delay in demand and a generally weak market environment. While the anticipation in the first six months was that the downturn would be just temporary in nature, in the second half of the year it became clear that the economic correction would be more sustained and extend over the medium term, something that was confirmed by in-depth analyses of the end-customer market. The dependency on the automotive industry and on mechanical and plant engineering coupled with the delayed recovery of these sectors, which is not expected until the medium term, compounded the situation. The ensuing dip in demand and profitability in the production route for engineering steel could therefore no longer be compensated by stainless steel and tool steel. Inadequate contribution margins from the Ascometal acquisition coupled with only partially initiated personnel restructuring measures at the official level were additional factors that hampered recoverability of the carrying amounts.
<b>Ascometal</b>	See above	The impairment was due to the pronounced weakness of the automotive market, which triggered a sharp decline in sales volumes and had a commensurate negative impact on profitability. Low volumes caused delays in realizing the planned synergy effects beyond the usual valuation horizon. Finally, the higher cost of capital compared to the determination of fair values as of the 2018 acquisition date had a negative impact on recoverability.
<b>Finkl Steel</b>	Finkl Steel is a Business Unit consisting of several subsidiaries with production sites in the USA and Canada. Finkl Steel's products and services include forged and machined tool and engineering steel for various industries such as oil, gas and automotive.	The continued impairment was attributable to the persistently weak markets, which in turn have caused a further delay to the forecast uptick in the turnaround plan. Even though one of the turnaround strategies, specifically the development of the business segment for customized forged products, was progressing according to plan, demand from the oil and gas industry remains subdued. Finally, the higher cost of capital compared with the 2018 measurement continued to adversely affect recoverability.
<b>Steeltec</b>	Steeltec is a Business Unit with production plants mainly in Switzerland, Germany and Turkey. Steeltec's products and services include high-strength and machining steel predominantly for automotive applications.	The impairment was triggered by the weak automotive market with lower long-term demand for steel grades used in diesel engines, for example. Finally, the higher cost of capital compared with the 2018 measurement continued to adversely affect recoverability.

### Goodwill impairment test

As of December 31, 2020, goodwill from business combinations amounted to EUR 0.4 million (2019: EUR 0.4 million). This relates to the *Sales & Services* Business Unit. In 2019 an impairment of EUR 2.6 million was recognized on the goodwill of the *Steeltec* Business Unit.

**Other intangible assets with indefinite useful lives**

With a carrying amount of EUR 3.2 million (2019: EUR 3.6 million), the brands are allocated in full to the *Production* segment. Within the *Production* segment, brands with a carrying amount of EUR 1.9 million (2019: EUR 2.0 million) are allocated to Finkl Steel – Chicago (US), and of EUR 1.4 million (2019: EUR 1.4 million) to Finkl Steel – Sorel (CA). In 2019, an impairment of EUR 2.6 million was recognized on brands. The other changes year on year in 2020 were due to currency effects.

**21 Financial assets**

in million EUR	31.12.2020	31.12.2019
Receivables from finance leases	0.8	0.8
Other financial receivables	0.5	0.5
<b>Total non-current</b>	<b>1.3</b>	<b>1.4</b>
Receivables from finance leases	0.1	0.1
Positive market values of derivative financial instruments	4.6	0.2
Other financial receivables	2.8	7.2
<b>Total current</b>	<b>7.5</b>	<b>7.5</b>

**22 Other assets**

in million EUR	31.12.2020	31.12.2019
Other receivables	14.3	3.9
<b>Total non-current</b>	<b>14.3</b>	<b>3.9</b>
Tax receivables (excluding current income tax receivables)	41.2	43.0
Prepaid expenses	6.6	10.7
Prepayments for inventories/maintenance	0.6	5.0
Other receivables	21.6	15.8
<b>Total current</b>	<b>70.0</b>	<b>74.5</b>

Other non-current receivables include EUR 10.4 million of plan assets from pensions for those plans where the plan assets exceed the defined benefit obligation. The corresponding pension liabilities are recognized in note 26.

**23 Inventories**

Inventories as of December 31, 2020 and as of December 31, 2019 break down as follows:

in million EUR	31.12.2020	31.12.2019
Raw materials, consumables and supplies	135.6	159.4
Semi-finished goods and work in progress	250.2	279.3
Finished products and merchandise	263.8	327.5
<b>Total</b>	<b>649.6</b>	<b>766.3</b>

There were restrictions on ownership and disposal of EUR 224.4 million as of the reporting date (2019: EUR 287.1 million).

As a result of the change in materials used, especially in the DEW Business Unit, the allocation of costs was adjusted from cost units to standard costs during 2019. This led to a capitalization of costs in inventories in the prior year as well as to a corresponding reduction in the cost of materials of EUR 2.6 million.

Inventory allowances changed as follows in the fiscal year:

in million EUR	2020	2019
<b>As at 1.1.</b>	<b>26.5</b>	<b>31.8</b>
Additions	15.3	20.2
Disposals	-11.5	-21.2
Consumption	-2.1	-4.7
Foreign currency effects	-0.6	0.4
<b>As at 31.12.</b>	<b>27.6</b>	<b>26.5</b>

A refined estimate of the impairment of spare parts inventories led to a markup in the value of the inventory in 2019, thereby reducing the cost of materials by EUR 3.2 million.

## 24 Trade accounts receivable

in million EUR	31.12.2020	31.12.2019
Gross accounts receivable	363.5	384.8
Allowances on trade receivables	-16.4	-13.6
<b>Net accounts receivable</b>	<b>347.1</b>	<b>371.2</b>

All trade accounts receivable originate from contracts with customers in accordance with IFRS 15. Under an ABS financing program, the Swiss Steel Group regularly sells credit-insured trade accounts receivable. Trade accounts receivable of EUR 156.0 million and USD 22.3 million (2019: EUR 184.9 million and USD 25.4 million) had been sold as of the reporting date. As the majority of risks and rewards remain with the Swiss Steel Group, these accounts receivable continue to be recorded in the balance sheet. These are offset by financial liabilities of EUR 154.8 million (2019: EUR 184.8 million).

There were restrictions on ownership and disposal of EUR 79.8 million (2019: EUR 68.3 million) beyond the scope of the receivables sold under the ABS financing program as of the reporting date.

Factoring agreements are additionally in place between Group entities and factoring companies ("factor") to sell trade accounts receivable. Such agreements constitute non-recourse factorings where the default risk of the counterparty is fully transferred to the factor. Trade accounts receivable of EUR 8.9 million (2019: EUR 5.1 million) had been sold as of the reporting date. These receivables were derecognized from the statement of financial position as all risks and rewards have been transferred. A receivable was recorded from the factoring company accordingly.

The allowance accounts developed as follows:

in million EUR	2020	2019
<b>As at 1.1.</b>	<b>13.6</b>	<b>15.2</b>
Additions	6.1	3.3
Disposals	-1.1	-2.1
Consumption	-1.8	-2.9
Foreign currency effects	-0.4	0.1
<b>As at 31.12.</b>	<b>16.4</b>	<b>13.6</b>

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

in million EUR	2020			2019		
	Expected credit loss rate	Trade receivables	Impairment allowance	Expected credit loss rate	Trade receivables	Impairment allowance
Current	1.17%	316.7	-3.7	0.71%	309.0	-2.2
≤ 30 days	0.00%	24.9	0.0	0.00%	48.3	0.0
31 to 60 days	3.39%	5.9	-0.2	6.33%	7.9	-0.5
61 to 90 days	20.00%	2.0	-0.4	4.08%	4.9	-0.2
91 to 120 days	21.05%	1.9	-0.4	4.76%	2.1	-0.1
> 120 days	96.69%	12.1	-11.7	84.13%	12.6	-10.6
Total	4.51%	363.5	-16.4	3.53%	384.8	-13.6

The expected default rate includes impairment losses based on both actual and expected defaults on receivables. Accounts receivable past due by more than 90 days but not impaired are mostly covered by credit insurance or had been settled by the time the consolidated financial statements were prepared.

## 25 Shareholders' equity

### Share capital

At the Extraordinary General Meeting on December 2, 2019, shareholders approved the capital reduction and simultaneous capital increase of CHF 325 million proposed by the Board of Directors. The capital increase was legally completed on January 8, 2020.

The capital increase was executed by issuing 1,083,333,333 new registered shares with a nominal value of CHF 0.30 each. Immediately prior to this, the nominal value of all existing registered shares was reduced to CHF 0.30. The total amount of the capital reduction, at EUR 174.7 million, was allocated to the capital reserve. The new registered shares were listed and first traded on the Swiss Exchange on January 9, 2020. The issue of the 1,083,333,333 new registered shares generated net proceeds of about EUR 291.1 million for the Swiss Steel Group.

At the Extraordinary General Meeting on September 21, 2020, the shareholders of Swiss Steel Holding AG approved the reduction of the nominal value per share from CHF 0.30 to CHF 0.15. The total amount of the nominal value reduction, at EUR 282.6 million, was allocated to the retained earnings available for appropriation.

The new share capital of Swiss Steel Holding AG (formerly SCHMOLZ + BICKENBACH AG) entered in the commercial register is CHF 304,249,999.95 and is divided into 2,028,333,333 registered shares (2019: 945,000,000) with a nominal value of CHF 0.15 each.

### Capital reserves

The capital reserves contain premiums generated upon issue of shares in the course of capital increases, plus the capital released through the capital reduction on January 9, 2020, less directly allocable transaction costs of the capital increases. The transaction costs for the capital increase in 2020 amounted to EUR 9.3 million.

### Retained earnings (accumulated losses)

Retained earnings (accumulated losses) comprise the net income/loss accumulated in the past, plus the capital released through the capital reduction on September 21, 2020, less dividend payments to the shareholders, and the actuarial gains/losses from the calculation of the pension obligation after taxes.

In accordance with the provisions of the new syndicated loan agreement, dividend payments are linked to the attainment of certain key figures relating to the ratio of net debt to EBITDA. No dividends were distributed for the fiscal year 2019. The Board of Directors will propose to the Annual General Meeting not to make a dividend distribution in 2020 either.

### Accumulated income and expense recognized directly in other comprehensive income of the shareholders of Swiss Steel Holding AG

Gains and losses resulting from translation into the reporting currency of the financial statements of subsidiaries whose financial statements are not already prepared in the functional currency euro.

in million EUR	2020	2019
<b>As at 1.1.</b>	<b>49.1</b>	<b>40.4</b>
Change in unrealized gains/losses from currency translation	-4.7	8.7
<b>As at 31.12.</b>	<b>44.4</b>	<b>49.1</b>

See the table in note 32 for details of the realization of gains and losses from cash flow hedges.

## 26 Pensions

The Group has both defined benefit plans and defined contribution plans, where contractually defined amounts are transferred to an external pension institution.

### Defined contribution plans

Some of the post-employment benefit plans in the Group are simple defined contribution plans, according to which the company has an obligation to transfer a contractually defined amount to an external pension institution. Beyond the payment of these contributions, the company does not enter into any obligations in relation to post-employment benefits. The contributions paid for private and statutory pension plans are recognized in personnel costs in the current year. In 2020, they amounted to EUR 38.4 million (2019: EUR 42.4 million).

**Defined benefit plans**

Most of the Group's occupational pension schemes are defined benefit plans, according to which the employer undertakes to provide the agreed pension benefits.

Employees of the Swiss Group companies are members of the pension fund of Swiss Steel AG, an independent pension institution. The employees of Swiss Steel Holding AG are covered by an external collective foundation. This direct defined benefit obligation is financed by contributions to the fund from the respective companies. The contributions are based on a certain percentage of the insured salary as defined in the plan regulations. If a deficit emerges, various measures can be taken (increase contributions, adjust benefits). The deduction and investment of contributions are audited regularly by independent auditors.

For some schemes, mainly those operated in Germany, the agreed pension benefits are financed by the companies themselves through pension provisions. Benefits are paid on the basis of voluntary commitments, but are subject to Germany's Occupational Pensions Act (Betriebsrentengesetz).

There are also direct benefit obligations to employees, primarily in the USA, in Canada, and in France, which are funded to varying degrees. Pension provisions have been recognized in the statement of financial position for obligations that exceed the plan assets.

The defined benefit plans in the USA are subject to US rules regarding closure of coverage gaps, which have to be closed within seven years. In some European countries there are also limited obligations to make one-off payments to employees upon termination of employment. The amount due is linked to the employee's length of service. These benefits are recognized in the balance sheet as provisions for pensions and similar obligations.

Through the defined benefit plans, the Swiss Steel Group is exposed to various risks, only some of which are company or commitment-specific. This means that the defined benefit obligation depends on factors including average life expectancy of the beneficiaries, length of service, and interest rates. For the German plans, pension benefit payments also have to be adjusted regularly to reflect the development of consumer prices and net salaries in accordance with legal provisions and trade association requirements.

Based on the legal provisions and court rulings in Germany, there is a fundamental risk that voluntary commitments could be made binding for the company in individual cases. This would make it difficult to terminate or reduce the commitments. The pension schemes in the USA are subject to the same risks as the other plans.

### 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
<b>Present value of defined benefit obligations/fair value of plan assets at the beginning of the period</b>	<b>657.8</b>	<b>591.2</b>	<b>362.0</b>	<b>300.5</b>	<b>295.8</b>	<b>290.7</b>
Current service cost	11.4	10.3	0.0	0.0	11.4	10.3
Administration expenses	0.0	0.0	-0.7	-0.7	0.7	0.7
Interest result	4.8	8.4	2.2	3.5	2.6	4.9
Past service costs	-6.4	-0.6	0.0	0.0	-6.4	-0.6
Settlement gain	0.0	-0.6	0.0	-0.4	0.0	-0.2
<b>Net pension result</b>	<b>9.8</b>	<b>17.5</b>	<b>1.5</b>	<b>2.4</b>	<b>8.3</b>	<b>15.1</b>
Return on plan assets less interest income	0.0	0.0	13.8	54.4	-13.8	-54.4
Actuarial result from changes in demographic assumptions	-0.7	4.6	0.0	0.0	-0.7	4.6
Actuarial result from changes in financial assumptions	18.4	60.2	0.0	0.0	18.4	60.2
Actuarial result from experience-based assumptions	-10.8	-4.8	0.0	0.0	-10.8	-4.8
<b>Remeasurement effects included in other comprehensive income</b>	<b>6.9</b>	<b>60.0</b>	<b>13.8</b>	<b>54.4</b>	<b>-6.9</b>	<b>5.6</b>
Employer contributions	0.0	0.0	10.2	8.7	-10.2	-8.7
Employee contributions	4.8	5.2	4.8	5.2	0.0	0.0
Benefits paid	-30.4	-29.7	-22.8	-21.9	-7.6	-7.8
Foreign currency effects	-2.0	13.6	-2.0	12.7	0.0	0.9
<b>Present value of defined benefit obligations/fair value of plan assets at the end of the period</b>	<b>646.9</b>	<b>657.8</b>	<b>367.5</b>	<b>362.0</b>	<b>279.4</b>	<b>295.8</b>
Provisions from obligations similar to pensions	0.9	0.8	0.0	0.0	0.9	0.8
<b>Total provisions for pensions and obligations similar to pensions</b>	<b>647.8</b>	<b>658.6</b>	<b>367.5</b>	<b>362.0</b>	<b>280.3</b>	<b>296.6</b>
- of which in pension liabilities					290.7	297.8
- of which in other non-current assets					10.4	1.2

The difference between the plan assets and defined benefit obligation of partially or fully funded pension plans represents the funded status, which can be reconciled with the recognized amount as follows:

in million EUR	31.12.2020	31.12.2019
Fair value of plan assets	367.5	362.0
Present value of funded defined benefit obligations	-403.1	-410.8
<b>Funding status</b>	<b>-35.6</b>	<b>-48.8</b>
<b>Present value of unfunded defined benefit obligations</b>	<b>-244.5</b>	<b>-247.8</b>
- of which from pension plans	-243.7	-247.0
- of which from similar liabilities	-0.8	-0.8
<b>Recognized amount</b>	<b>-280.3</b>	<b>-296.6</b>
- of which from pension plans	-279.4	-295.8
- of which from similar liabilities	-0.9	-0.8

### Past service costs (income) and compensation payment

2020 produced past service income of EUR 6.4 million, of which EUR 4.5 million is attributable to the reduction of the pension conversion rates in Switzerland. An additional effect of EUR 1.3 million resulted from the partial transfer of some Swiss managers to a defined contribution plan. Added to this, the decision to reduce the headcount in Les Dunes had a positive effect of EUR 0.6 million.

An improvement in earnings of EUR 0.6 million was recognized in the income statement in France in 2019 as a result of the closure of the rolling mill in Les Dunes. A compensation payment of net EUR 0.2 million was also realized in 2019 in the wake of redimensioning following the resulting personnel departures in Switzerland.

### Net pension costs

The net interest on the net defined benefit obligation is included within financial expenses in the consolidated income statement.

The actuarial gains on defined benefit obligations result from changes in estimates of the mortality rate as well as from many other actuarial parameters.

### Actuarial gains and losses

Actuarial gains and losses are recognized directly in other comprehensive income in the period in which they occur.

in million EUR	2020	2019
Actuarial gains/(losses)		
on pension obligations	-6.9	-60.3
on plan assets	13.8	54.4

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

### Valuation assumptions for pensions

As of the reporting date, the main driver of the 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Discount rate	0.1	0.3	0.6	0.9	2.2	3.0	2.7	3.0
Salary trend	1.3	1.3	2.5-3.0	2.5-3.0	nm	nm	3.0	3.0



### Valuation assumptions for defined benefit obligations

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

With a fair value of EUR 301.0 million (2019: EUR 297.5 million), the majority of the plan assets relate to the pension fund of Swiss Steel AG. The pension fund has an Investment Committee responsible for developing a target portfolio structure based on asset-liability studies. This is subsequently approved by the Board of Trustees, which is made up of an equal number of employer and employee representatives. The target portfolio structure takes into account the capital market environment as well as the structure of the obligations and sets ranges and upper limits for the individual investment classes. The management of the pension fund is responsible for implementing the target portfolio structure and reports regularly on the transactions made. The target portfolio structure is monitored continuously and adjusted to market conditions as necessary.

The table below shows a breakdown by percentage of fair values of plan assets in the various countries:

in %	Switzerland		Euro area		USA		Canada	
	2020	2019	2020	2019	2020	2019	2020	2019
Shares	15.6	13.6	0.0	0.0	35.8	34.4	0.0	19.4
Fixed-interest securities	14.6	15.7	0.0	0.0	60.6	61.8	100.0	70.3
Real estate	51.9	53.0	0.0	0.0	2.5	3.0	0.0	0.0
Insurance contracts	1.0	0.9	100.0	100.0	0.0	0.0	0.0	0.0
Others	16.9	16.8	0.0	0.0	1.1	0.9	0.0	10.3

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

The rate used to discount defined benefit obligations is used to determine interest income on plan assets. The interest expense from discounting the defined benefit obligations is recorded together with interest income from plan assets as net interest in the consolidated income statement.

### Sensitivity analysis

As of December 31, 2020, there are defined benefit obligations of EUR 646.9 million (2019: EUR 657.8 million). The expected service cost for 2021 is EUR 10.2 million based on current interest rates. If the significant actuarial assumptions for the material plans listed in the table below had increased or decreased by 0.5% as of December 31, 2020 (December 31, 2019), pension provisions and service cost would have been adjusted as follows for the subsequent fiscal year:

Actuarial assumptions in EUR million	Discount rate		Salary		Pension increase	
	0.5%	-0.5%	0.5%	-0.5%	0.5%	-0.5%
Effect on pension obligation as of 31.12.2020	-42.1	47.6	3.5	-3.4	31.2	-13.4
Effect on service costs 2020	-1.1	1.1	0.3	-0.4	0.5	-0.2
Effect on pension obligation as of 31.12.2019	-42.1	50.1	5.0	-4.4	30.7	-13.9
Effect on service costs 2019	-0.9	1.6	0.6	0.0	0.8	0.1

### Contribution and benefit payments

In principle, the Group contributes to the plans based on the legal and/or minimum funding requirements stipulated by collective agreement in the respective country of each fund. In 2020, for financing the existing defined benefit plans, overall employer's contributions of EUR 10.2 million (2019: EUR 8.7 million) were made to the plan assets. The pension payments for unfunded plans amounted to EUR 7.6 million (2019: EUR 7.8 million).

For 2021, contribution payments are expected to total EUR 16.5 million. Of this amount, EUR 6.7 million are employer contributions for financing existing plans and EUR 9.8 million are pension payments for plans not financed by a fund.

The table below shows the cash outflow expected by the Swiss Steel Group and the pension funds over the coming years:

in million EUR	Expected cash outflow	
	As at 31.12.2020	As at 31.12.2019
Year 1	29.0	28.1
Year 2	29.3	29.7
Year 3	29.9	30.8
Year 4	30.1	31.9
Year 5	31.1	31.0
Years 6-10	152.4	158.7
<b>Total</b>	<b>301.8</b>	<b>310.2</b>

The weighted average term of the defined benefit obligation was 15 years as of December 31, 2020 (2019: 15 years).

## 27 Other provisions

Other provisions developed as follows in the fiscal year:

in million EUR	Warranties	Phased retirement	Jubilee	Personnel	Restructuring expenses	Other	Total
As at 1.1.2019	7.9	6.0	18.4	13.4	3.7	19.8	69.2
Additions	3.9	4.9	4.2	4.8	15.4	7.3	40.5
Utilizations	-4.9	-2.8	-1.7	-3.3	-1.4	-9.0	-23.1
Reversal	-1.1	0.0	-0.1	-1.1	-2.0	-1.5	-5.8
Compounding	0.0	0.0	0.3	0.0	0.0	0.0	0.3
Foreign currency effects	0.0	0.0	0.1	0.0	0.1	0.0	0.2
<b>As at 31.12.2019</b>	<b>5.8</b>	<b>8.1</b>	<b>21.2</b>	<b>13.8</b>	<b>15.8</b>	<b>16.6</b>	<b>81.2</b>
- of which: non-current	0.0	5.0	20.2	10.9	7.9	8.9	52.9
- of which: current	5.8	3.1	1.0	2.9	7.9	7.6	28.3
As at 1.1.2020	5.8	8.1	21.2	13.8	15.8	16.6	81.2
Additions	4.6	3.9	0.6	3.0	10.1	12.5	34.8
Utilizations	-3.8	-3.6	-2.1	-4.2	-5.5	-6.3	-25.6
Reversal	-0.8	0.0	-3.1	-0.4	-0.1	-0.4	-4.8
Compounding	0.0	0.0	0.2	0.0	0.0	0.0	0.2
Foreign currency effects	0.0	0.0	0.0	-0.2	0.0	-0.1	-0.4
<b>As at 31.12.2020</b>	<b>5.8</b>	<b>8.4</b>	<b>16.8</b>	<b>12.0</b>	<b>20.3</b>	<b>22.2</b>	<b>85.4</b>
- of which: non-current	0.0	5.3	15.4	8.9	4.5	12.2	46.2
- of which: current	5.8	3.1	1.4	3.1	15.7	10.0	39.2

The warranty provisions of EUR 5.8 million (2019: EUR 5.8 million) comprise accrued amounts for legally required warranty obligations as well as amounts for warranties provided over and above the legal liability.

The provisions for phased retirement ("Altersteilzeit") agreements of EUR 8.4 million (2019: EUR 8.1 million) are accumulated on a pro-rata basis during the employment phase of the employee to enable continued payment to the employee in the release phase. The corresponding cash outflows are expected over the next five years.

The provisions for jubilee awards of EUR 16.8 million (2019: EUR 21.2 million) are recorded in line with the amounts of monetary or non-monetary benefits provided for in some company agreements for employees that attain a certain length of service. A utilization of EUR 10.8 million is expected in connection with such payments over the next five years (2019: EUR 10.1 million). For the years thereafter, a utilization of EUR 6.0 million is expected (2019: EUR 11.1 million).

Other personnel-related provisions amounted to EUR 12.0 million as of December 31, 2020 (2019: EUR 13.8 million). The corresponding cash outflows are expected over the next five years.

Provisions for restructuring measures are recognized if the criteria of IAS 37 are met cumulatively. Further information can be found in note 28 to the consolidated financial statements.

Other provisions of EUR 22.2 million (2019: EUR 16.6 million) comprise environment, litigation and employee protection as well as various relatively small amounts that are not reported separately for reasons of materiality.

## 28 Provisions for restructuring

In the fiscal year 2020, restructuring programs were agreed for the Ascometal and Steeltec Business Units, and corresponding measures were initiated; in 2019 this was the case for the DEW and also the Ascometal Business Units. Through this package of measures, these companies adjust their structure and business model to the market situation and simultaneously reduce their cost base.

To cushion the impact of the COVID-19 crisis, the management of Ascometal has entered into negotiations with the employee representatives of the subsidiary Ascometal Les Dunes S.A.S. on possible restructuring measures. The planned restructuring measures included a reduction in the number of employees. Effective October 2020 the management of Ascometal reached an agreement with the employee representatives on the manner of the negotiations, on the plan for implementation of the measures, and on the types of jobs affected. For that reason, a restructuring provision was made in the annual consolidated financial statements amounting to EUR 7.9 million, which was recorded in personnel expenses. The associated outflows are expected to materialize in 2021.

A provision for restructuring totaling EUR 6.3 million had already been created in 2019 for the closure of the Ascometal rolling mill in Les Dunes. Of this amount, EUR 5.3 million was recognized in personnel expenses and EUR 1.0 million in other operating expenses. EUR 3.1 million was used for this in 2020. The remaining EUR 3.2 million is scheduled to be paid out in 2021.

In addition, a provision of EUR 2.1 million was established for the Steeltec Business Unit in 2020 for individual severance payments owing to the reduction in the employee base (reconciliation of interests). Of this amount, EUR 2.0 million was recognized in personnel expenses and EUR 0.1 million in other operating expenses. EUR 0.6 million was already used for this purpose in 2020, with the remaining EUR 1.5 million due to be paid out in 2021.

Provisions amounting to EUR 10.0 million were likewise established in the DEW Business Unit in 2019 to cover severance payments to employees who will be taking early retirement in the next few years. The group of potentially affected employees was expanded in 2020, resulting in the need for personnel measures such as termination or rescission agreements. The full amount of EUR 10.0 million was recognized in personnel expenses in 2019. DEW used EUR 1.8 million for this in 2020. It is expected that the other corresponding payments from the provision will be made in 2021 in the amount of EUR 3.6 million, and the remainder of EUR 4.6 million between 2022 and 2025.

## 29 Financial liabilities

Financial liabilities as of December 31, 2020 can be broken down as follows:

in million EUR	31.12.2020	31.12.2019
Syndicated loan	313.3	221.6
Other bank loans	0.0	5.3
State-guaranteed loans	61.0	0.0
Lease liabilities	52.9	56.0
Loan from shareholder	94.7	0.0
Other financial liabilities	3.3	2.9
<b>Total non-current</b>	<b>525.2</b>	<b>285.8</b>
Other bank loans	5.3	5.6
State-guaranteed loans	15.9	0.0
Bond	0.0	352.5
ABS financing program	154.8	184.8
Lease liabilities	8.3	9.9
Negative market values of derivative financial instruments	0.9	1.0
Other financial liabilities	4.2	13.1
<b>Total current</b>	<b>189.4</b>	<b>566.9</b>

Other current financial liabilities included accrued interest as of December 31, 2019 of EUR 9.0 million for the bond. This accrual ceased to apply in the fiscal year 2020 due to repayment of the bond in November 2020.

The material change in the shareholder structure in January 2020 triggered the change-of-control clause in the covenants of the bond that was issued in April 2017 and increased in 2018. This gave bondholders the option to redeem the bond ahead of schedule for a price of 101 %. Under the published result of the buyback offer made on March 16, 2020, EUR 328.8 million was tendered and repaid accordingly. The remaining outstanding bond amount consequently amounted to EUR 21.2 million. In November 2020, the Swiss Steel Group exercised its repurchase right and bought back this outstanding amount at a price of 101.4% incl. accrued interest.

In March 2020, the Group's existing debt financing was additionally restructured and extended. The syndicated loan was increased to up to EUR 465 million. A EUR 95 million shareholder loan was also raised from BigPoint Holding AG, the largest shareholder of Swiss Steel Holding AG with a 49.6% stake. A further shareholder loan of up to EUR 130 million by BigPoint Holding AG was concluded in September 2020 (backstop facility). EUR 100 million are thereof currently available, however, if drawn, a redemption obligation of EUR 5.1 million of the state-guaranteed loans would arise in such case. Hence, an additional net amount of EUR 94.9 million EUR is currently available.

The syndicated loan, the shareholder loans and ABS financing program each have a term of five years, ending in March 2025.

Other bank loans in 2020 also included loans of EUR 76.9 million, mostly guaranteed by the respective state. These are composed as follows:

Country	Carrying amount in million	Loan cover ratio by government	Granting date	Term in years
	31.12.2020	31.12.2020	31.12.2020	31.12.2020
Switzerland	15.2	85%	Sep 2020	0-5
France	61.7	80%-100%	May/Sep 2020	1-6
– of which: non-current	61.0			
– of which: current	15.9			

The interest rate on the loans is below market rate. The EUR 95.1 million received in total is disclosed in the cash flow statement under the item "Increase in state-guaranteed loans". The difference between the received amount and the carrying amount of the financial liabilities of EUR 18.0 million was initially recognized as a (non-current) deferred government support in connection with the COVID-19 crisis; it is included in the statement of financial position under the item "Other non-current liabilities". The interest expenses of the loans are charged to financial expenses at the market interest rate; the deferred support in the same amount is released over the expected term and credited to financial expenses. In 2020, the Swiss Steel Group released EUR 1.5 million of this liability in favor of interest expenses. These state-guaranteed loans are subject to certain conditions. For example, the borrowing company may not pay dividends to the parent company while it has drawn all or part of the loan.

The loan in Switzerland is reported as current because both borrower and lender have a right to terminate at short notice. This is revolving up to a maximum amount of EUR 18.5 million. The loans in France have a term of between one and six years, though the Swiss Steel Group has an annual extension option here after the first year.

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

### Fiscal year 2020

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

The line item "Other changes" contains the amortization of transaction costs for borrowing, interest expenses and deferred government grants. The line item "Foreign currency effects" contains exchange rate effects with and without effect on income.

The column "Other" also includes the negative fair values from derivative financial instruments, which were reclassified from other non-current liabilities to non-current financial liabilities in 2020 (with adjustment of the previous year).

### Fiscal year 2019

in million EUR	Syndicated loan	Other bank loans	Bond	ABS financing program	Lease liabilities	Other	Total
<b>As at 1.1.</b>	<b>94.9</b>	<b>17.5</b>	<b>343.9</b>	<b>232.8</b>	<b>66.0</b>	<b>14.6</b>	<b>769.8</b>
Increase in lease liabilities	0.0	0.0	0.0	0.0	10.4	0.0	10.4
Cash inflow in financial liabilities	120.9	0.0	0.0	0.0	0.0	0.4	121.3
Repayment of financial liabilities	0.0	-6.5	0.0	-48.9	-9.9	0.0	-65.3
Foreign currency effects	2.2	-0.1	0.0	0.5	0.2	0.0	2.9
Other changes	3.6	0.0	8.6	0.4	-0.8	2.0	13.8
<b>As at 31.12.</b>	<b>221.6</b>	<b>10.9</b>	<b>352.5</b>	<b>184.8</b>	<b>65.9</b>	<b>17.0</b>	<b>852.7</b>

### 30 Lease liabilities

The liabilities from leases recognized as of December 31, 2020 amounted to EUR 61.2 million (2019: EUR 65.9 million).

Details of the capitalized right-of-use assets are provided in note 19, and of the corresponding financial liabilities in note 29.

in million EUR	2020	2019
<b>Additional Disclosures for Leases</b>		
Interest expenses on lease liabilities	-3.3	-3.4
Cash outflow for leases	-23.9	-24.6
- of which: expenses for short-term leases (<12 month)	-9.2	-10.0
- of which: Expenses for low-value asset leases	-0.7	-1.2
- of which: expenses related to variable lease payments not included in the measurement of lease liabilities	-0.1	-0.1
Income from subleasing right of use assets	1.7	1.0
Future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities	3.0	3.2

The future potential cash outflows are primarily extension options, the exercise of which was not considered to be sufficiently certain and which therefore did not extend the term of the leases.

### 31 Other liabilities

in million EUR	31.12.2020	31.12.2019
Other liabilities	16.2	0.6
<b>Total non-current</b>	<b>16.2</b>	<b>0.6</b>
Accrued unused vacation, overtime and flexitime accounts	39.6	36.4
Liabilities for wages and salaries	25.1	23.0
Tax liabilities (excluding current income tax liabilities)	27.1	25.7
Deferred income	10.2	8.5
Social security obligations	16.3	12.5
Other liabilities	12.0	12.6
<b>Total current</b>	<b>130.3</b>	<b>118.7</b>

Other non-current liabilities mainly include the term-related deferred government support in connection with the COVID-19 crisis. Current liabilities comprise a number of individually immaterial items which cannot be allocated to another line item.

### 32 Financial instruments

#### 32.1 Financial instruments according to measurement category and class

Financial assets and liabilities are presented below according to measurement category and class. The table also shows finance lease receivables and liabilities as well as derivatives which constitute a hedging relationship even though these are not measurement categories pursuant to IFRS 9.

The carrying amount of trade accounts receivable, other current receivables, and cash and cash equivalents is the fair value.

The fair value of forward exchange contracts is calculated on the basis of the average exchange rate on the reporting date, taking into account the forward premiums and discounts for the remaining term of the contract relative to the contractually agreed forward exchange rate. For currency options, recognized models are used for calculating the option price. Besides the remaining term, the fair value of an option is also affected by other factors, including the current level and volatility of the respective underlying exchange rate or underlying base interest rate.

The fair value of commodities futures is based on official exchange listings. Derivatives are valued as of the reporting date by external financial partners.

In the reporting period, there were cash flow hedges only to the extent of the commodity price risk resulting from commodity supply contracts at fixed prices.



The net gain/loss from financial instruments can be broken down as follows:

in million EUR	2020	2019
Financial assets measured at amortized cost (FAAC)	- 10.5	0.1
Financial assets/liabilities at fair value through profit or loss (FAFVPL/FLFVPL)	3.6	- 10.6
Financial liabilities measured at amortized cost (FLAC)	- 44.5	- 53.2

The net gain/loss from the category "Financial assets at amortized cost" primarily results from interest income from financial receivables, allowances on trade accounts receivable, and exchange rate gains and losses from receivables denominated in foreign currency.

Gains and losses from changes in the fair value of currency, interest and commodity derivatives that do not fulfill the requirements of IFRS 9 for hedge accounting are included in the category "Financial assets/liabilities at fair value through profit or loss (FAFVPL/FLFVPL)".

The category "Financial liabilities measured at amortized cost (FLAC)" comprises the interest expenses on financial liabilities, amortized transaction costs from the financial liabilities issued, and losses on foreign currency liabilities.

## Fiscal year 2020

in million EUR	Category according to IFRS 9	Carrying amount at 31.12.2020	Measurement according to IFRS 9			Measurement according to IFRS 16
			At amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	
<b>Assets</b>						
Other financial assets	FAAC/nm	4.2	3.3			0.9
Trade accounts receivable	FAAC	347.1	347.1			
Cash and cash equivalents	FAAC	74.7	74.7			
<b>Positive market values of derivative financial instruments</b>						
Derivatives with hedging relationship (hedge accounting)	nm	0.1		0.1		
Derivatives without hedging relationship (no hedge accounting)	FAFVPL	4.5			4.5	
<b>Liabilities</b>						
Syndicated loan	FLAC	313.3	313.3			
Other bank loans	FLAC	5.3	5.3			
State-guaranteed loans	FLAC	76.9	76.9			
Lease liabilities	nm	61.2				61.2
Loan from shareholder	FLAC	94.7	94.7			
Other financial liabilities	FLAC	162.3	162.3			
Trade accounts payable	FLAC	298.6	298.6			
<b>Negative market values of derivative financial instruments</b>						
Derivatives without hedging relationship (no hedge accounting)	FLFVPL	0.8			0.8	
<b>Of which aggregated by measurement category in accordance with IFRS 9 in conjunction with IFRS 7</b>						
Financial assets measured at amortized cost (FAAC)	FAAC	425.2	425.2			
Financial assets at fair value through profit or loss (FAFVPL)	FAFVPL	4.5			4.5	
Financial liabilities measured at amortized cost (FLAC)	FLAC	951.1	951.1			
Financial liabilities at fair value through profit or loss (FLFVPL)	FLFVPL	0.8			0.8	

(n m = not meaningful since measurements according to IFRS 16 cannot be allocated to any of the categories of financial instruments)

## Fiscal year 2019

in million EUR	Category according to IFRS 9	Carrying amount at 31.12.2019	Measurement according to IFRS 9			Measurement according to IFRS 16
			At amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	
<b>Assets</b>						
Other financial assets	FAAC/nm	8.7	7.8			0.9
Trade accounts receivable	FAAC	371.2	371.2		0.0	
Cash and cash equivalents	FAAC	54.0	54.0			
<b>Positive market values of derivative financial instruments</b>						
Derivatives without hedging relationship (no hedge accounting)	FAFVPL	0.2			0.2	
<b>Liabilities</b>						
Syndicated loan	FLAC	221.6	221.6			
Other bank loans	FLAC	10.9	10.9			
Bond	FLAC	352.5	352.5			
Lease liabilities	nm	65.9				65.9
Other financial liabilities	FLAC	200.7	200.7			
Trade accounts payable	FLAC	364.3	364.3			
<b>Negative market values of derivative financial instruments</b>						
Derivatives without hedging relationship (no hedge accounting)	FLFVPL	1.0			1.0	
<b>Of which aggregated by measurement category in accordance with IFRS 9 in conjunction with IFRS 7</b>						
Financial assets measured at amortized cost (FAAC)	FAAC	432.9	432.9	0.0	0.0	
Financial assets at fair value through profit or loss (FAFVPL)	FAFVPL	0.2	0.0	0.0	0.2	
Financial liabilities measured at amortized cost (FLAC)	FLAC	1,150.0	1,150.0	0.0	0.0	
Financial liabilities at fair value through profit or loss (FLFVPL)	FLFVPL	1.0	0.0	0.0	1.0	

The fair value of financial liabilities measured at amortized cost materially matched their carrying amount as of the reporting dates.

The fair value of financial liabilities measured at amortized cost – with the exception of the bond – likewise materially matched their carrying amount at the reporting dates. The fair value of financial liabilities measured at amortized cost (excluding the bond) came to EUR 960.8 million (2019: EUR 800.0 million).

As of December 31, 2019, the bond had a fair value of EUR 346.5 million. The bond was repaid in 2020 (note 29).

The method used to determine fair value corresponded to level 1 of the fair value hierarchy for the bond and to level 2 for the other financial instruments.

### 32.2 Financial assets at fair value through profit or loss

In accordance with the requirements of IFRS 13, items which are recognized at fair value in the statement of financial position, or whose fair value is disclosed in the notes, are allocated to one of the following three levels of the fair value hierarchy. The table below only presents the financial instruments of relevance to the Swiss Steel Group.

The fair value hierarchy distinguishes between the following levels:

#### Level 1:

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

#### Level 2:

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

#### Level 3:

Unobservable inputs for the asset or liability that materially affect the fair value.

As of the respective reporting dates, financial instruments measured at fair value were allocated exclusively to level 2:

in million EUR	Fair value as at December 31	
	2020	2019
<b>Financial assets</b>		
<b>Positive market values of derivatives</b>		
Derivatives with hedging relationship (hedge accounting)	0.1	0.0
Derivatives without hedging relationship (no hedge accounting)	4.5	0.2
<b>Financial liabilities</b>		
<b>Negative market values of derivative financial instruments</b>		
Derivatives without hedging relationship (no hedge accounting)	0.8	1.0

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. There were no transfers between the individual levels during the reporting period.

### 32.3 Financial risk management objectives and policies

#### Principles

With regard to its assets, liabilities, pending transactions, and planned transactions, the Swiss Steel Group is exposed to risks, including exchange rate fluctuations, interest rates and commodity prices, as well as credit risks, i.e. the risk of default by counterparties. Solvency must also be assured at all times (liquidity risk).

The risk management objective is to control these risks where they affect the cash flows of the Group, using appropriate measures.

Derivative financial instruments are used only for hedging purposes. They are not used for trading or speculative purposes. The Group does not hedge exchange effects from translating financial statements denominated in foreign currencies into the reporting currency of the Group. The Executive Board defines and continuously monitors the hedging policy and implementation thereof.

The sensitivity analyses relate exclusively to hypothetical changes in market prices and interest rates for primary and derivative financial instruments. The sensitivity analyses do not consider all effects from opposite movements of a non-financial underlying even though these could substantially reduce the effects that are presented.

#### Currency risk

Foreign currency risks arise mainly when trade accounts receivable and payable and from financing liabilities are settled in foreign currencies, future revenue is planned in a foreign currency, or existing or planned fixed-price commodity supply contracts are in a foreign currency. Currency management is country-specific, with foreign currency amounts being translated regularly into the respective functional currency, mainly by means of spot or forward exchange contracts.

Currency risks as defined by IFRS 7 arise from financial instruments that are denominated in a currency other than the functional currency. Fluctuations in the value of non-monetary financial instruments and the effects of translating financial statements denominated in foreign currencies into the Group's reporting currency (euro) do not represent an exchange risk as defined by IFRS 7.

Currency risks mainly related to the US dollar, Swiss franc, pound sterling, and Canadian dollar relative to the euro as of the reporting date and throughout the reporting period.

The table below shows the EBITDA effects if the euro were to appreciate or depreciate by 10% in relation to selected currencies.

in million EUR	Change	Effect on the pre-tax result	
	EUR	2020	2019
<b>Currency USD</b>			
	10%	-0.1	-1.1
	-10%	0.1	1.3
<b>Currency CHF</b>			
	10%	-0.4	-1.5
	-10%	0.5	1.8
<b>Currency CAD</b>			
	10%	0.5	-5.2
	-10%	-0.6	6.3

The sensitivities were calculated based on the values that would have resulted if the closing exchange rate of the euro against the other currencies had been 10% higher or lower on the reporting date.

### Interest rate risk

Interest rate risks for liabilities mainly arise from changing interest components like the reference interest rates (Euribor, Libor) in their respective currencies, or from premiums on the credit rating of the Company as well as substitution risk of fixed-interest financial instruments. The Executive Board stipulates an appropriate target ratio of fixed and floating-rate liabilities and monitors compliance with the target on an ongoing basis. Interest effects are primarily managed through the composition of financial instruments. If required, additional interest rate derivatives can be used.

The following assumptions are applied in calculating the interest sensitivities:

1. Interest rate risks of non-derivative floating-rate financial instruments normally only affect profit or loss.
- 2.a) Interest rate risks of derivative financial instruments which are part of a hedging relationship in a cash flow hedge pursuant to IFRS 9 have an effect on equity. As of both reporting dates, there were no interest rate derivatives designated to hedging relationships.
- 2.b) Interest rate risks of derivative financial instruments which are not part of a hedging relationship in a cash flow hedge pursuant to IFRS 9 affect profit or loss.

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

in million EUR	Change	Effect on the pre-tax result	
	Basis points	2020	2019
<b>EUR interest rates</b>			
	+100	-5.1	-2.2
	-100	5.1	2.2
<b>USD interest rates</b>			
	+100	-0.5	-1.7
	-100	0.5	1.7

### Commodity price risk

The commodity price risks result from fluctuations in the prices of raw materials required for steel production. Fluctuations in commodity prices can usually be passed on to customers in the form of scrap and alloy surcharges. If this is not possible, hedging is undertaken with marketable instruments in some cases. Currently, these mainly comprise forward exchange contracts for nickel. The Swiss Steel Group receives payments depending on the development of the nickel price, and is therefore protected against price hikes.

### Credit risk

Credit risks are mainly linked to trade accounts receivable, bank balances, guarantees, and derivative financial instruments. In view of the broadly diversified customer base, which spans a variety of regions and industries, the credit risk on trade accounts receivable is well diversified.

Moreover, some of the trade accounts receivable are covered by credit insurance with varying deductibles. Approximately 61% (2019: 63%) of the trade accounts receivable were covered by credit insurance as of the reporting date.

To mitigate credit risks from operating activities, transactions with external business partners are safeguarded either by trade credit insurance or by conducting internal credit checks and a credit approval process. A credit risk limit is set for each contractual partner based on the internal credit check. Each subsidiary is essentially responsible for setting and monitoring their own limits under observation of the various approval processes that apply depending on the credit limit. In addition, the credit and collection policies of the local entities are captured by the internal control system.

Where appropriate, and particularly in the case of new business relationships, external business partners are required to provide collateral to minimize the credit risk. Bank guarantees, assignment of receivables, assignment of collateral, and personal guarantees are all acceptable forms of security. Default risks are monitored continuously by the individual Group companies and are taken into account through allowance accounts if necessary. Impairments of trade accounts receivable are recognized in part on special allowance accounts. However, if the probability of default is assessed to be very high, the respective accounts receivable are immediately derecognized.

For all categories of capitalized financial assets, the carrying amount represents the maximum credit risk.

As of each reporting date, the financial assets that are not measured at fair value through profit or loss are assessed for any objective evidence of impairment. Objective evidence includes significant financial difficulty of the debtor, actual breach of contract by the debtor, the disappearance of an active market for the financial asset, a significant change in the technological, economic, legal or market environment in which the debtor operates, or a prolonged decline in the fair value of the financial asset below the carrying amount. Country-specific expected credit default risks are additionally included in the impairment.

If impairment has occurred, the difference between the carrying amount and the expected future cash flows discounted at the original effective interest rate is recognized in profit or loss, while changes in value that were recognized in other comprehensive income are released through profit or loss. If the fair value of financial assets objectively increases over time, a reversal of the impairment is recognized through profit or loss provided that the original amortized costs are not exceeded.

#### **Liquidity risk**

The Group ensures solvency at all times through a largely centralized cash management system. This particularly involves preparing liquidity plans comparing all the anticipated cash receipts and cash outflows for a specified time period. In addition, balances and credit facilities are held with banks as liquidity reserves.

The tables below present the contractually agreed undiscounted cash outflows from non-derivative financial liabilities and cash flows from derivative financial instruments:



in million EUR	Carrying amount at 31.12.2020	Disbursements 2021	Disbursements 2022 to 2025	Disbursements after 2025	Total disbursements
<b>Primary financial instruments</b>					
Syndicated loan	313.3	0.0	322.2	0.0	322.2
Other bank loans	5.3	5.5	0.0	0.0	5.5
State-guaranteed loans	76.9	16.1	61.5	18.0	95.6
Lease liabilities	61.2	11.1	25.5	144.2	180.8
Loan from shareholder	94.7	5.2	106.8	0.0	112.0
Other financial liabilities	162.3	158.9	2.0	1.4	162.3
Trade accounts payable	298.6	298.6	0.0	0.0	298.6
<b>Total primary financial instruments</b>	<b>1,012.3</b>	<b>495.4</b>	<b>518.0</b>	<b>163.6</b>	<b>1,177.0</b>
	Carrying amount at 31.12.2020	< 1 year	1 to 5 years	> 5 years	Total
<b>Derivative financial instruments</b>					
Derivatives with hedging relationship (hedge accounting)	0.1	0.1	0.0	0.0	0.1
– of which outflow		–0.1	0.0	0.0	–0.1
– of which inflow		0.2	0.0	0.0	0.2
Derivatives without hedging relationship (no hedge accounting)	3.7	4.0	0.0	0.0	4.0
– of which outflow		–10.0	0.0	0.0	–10.0
– of which inflow		14.0	0.0	0.0	14.0
<b>Total derivative financial instruments</b>	<b>3.8</b>	<b>4.1</b>	<b>0.0</b>	<b>0.0</b>	<b>4.1</b>
<b>Total 31.12.2020</b>	<b>1,016.1</b>	<b>499.5</b>	<b>518.0</b>	<b>163.6</b>	<b>1,181.1</b>

in million EUR	Carrying amount at 31.12.2019	Disbursements 2020	Disbursements 2021 to 2024	Disbursements after 2024	Total disbursements
<b>Primary financial instruments</b>					
Syndicated loan	221.6	0.0	224.2	0.0	224.2
Other bank loans	10.9	6.1	5.5	0.0	11.6
Bond	352.5	358.4	0.0	0.0	358.4
Lease liabilities	65.9	12.9	29.7	143.9	186.5
Other financial liabilities	200.7	198.8	1.5	1.4	201.7
Trade accounts payable	364.3	366.2	0.0	0.0	366.2
<b>Total primary financial instruments</b>	<b>1,215.9</b>	<b>942.4</b>	<b>260.9</b>	<b>145.3</b>	<b>1,348.6</b>
	Carrying amount at 31.12.2019	< 1 year	1 to 5 years	> 5 years	Total
<b>Derivative financial instruments</b>					
– of which outflow		–0.1	0.0	0.0	–0.1
– of which inflow		0.1	0.0	0.0	0.1
Derivatives without hedging relationship (no hedge accounting)	–0.8	–1.0	0.0	0.0	–1.0
– of which outflow		–135.2	–0.2	0.0	–135.4
– of which inflow		134.2	0.2	0.0	134.4
<b>Total derivative financial instruments</b>	<b>–0.8</b>	<b>–1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>–1.0</b>
<b>Total 31.12.2019</b>	<b>1,215.1</b>	<b>941.4</b>	<b>260.9</b>	<b>145.3</b>	<b>1,347.6</b>

The overview above includes all financial liabilities carried as of the reporting date. Amounts denominated in foreign currencies were converted into euro using the exchange rates as of the reporting date; floating-rate interest payments were determined on the basis of the current rate. Payments are shown in the periods in which payment can first be demanded according to the contractual arrangements. The amounts of derivative financial instruments shown above represent the net balance of undiscounted payments and receipts.

### Capital management

The overriding capital management objective is to maintain an adequate capital basis for the long-term growth of the Group in order to create added value for the shareholders and safeguard the solvency of the Group at all times. Fulfillment of this objective is measured against an appropriate ratio of shareholders' equity to total assets (equity ratio) and an appropriate level of net debt.

The equity ratio remained constant compared to the previous year. The current loss was compensated by the capital increase carried out in January 2020. The equity ratio amounted to 9.7 % as of December 31, 2020 (2019: 9.6 %).

As of December 31, 2020, net debt, comprising current and non-current financial liabilities less cash and cash equivalents, decreased to EUR 639.9 million (2019: EUR 798.7 million). The gearing, which expresses the ratio of net debt to shareholders' equity, dropped to 385.2 % (2019: 434.5 %).

Since the amount of the borrowing costs for the syndicated loan is linked to the ratio of net debt to EBITDA, this financial ratio, besides the other financial covenants, is monitored on an ongoing basis within the capital management framework so as to secure the most favorable conditions possible for the Group's financing. Some of financial covenants were temporarily suspended from June 30 to December 31, 2020.

A further capital management objective is to ensure an appropriate distribution of net income for shareholders. The ratio of net debt to EBITDA is also monitored because the syndicated loan agreement contains provisions governing dividend distributions depending on this indicator.

## 33 Contingent liabilities and other financial obligations

in million EUR	31.12.2020	31.12.2019
Pledges, guarantees	12.8	12.1
<b>Purchase commitments</b>		
for intangible assets	0.2	0.2
for property, plant and equipment	19.0	25.9
<b>Total</b>	<b>32.0</b>	<b>38.2</b>

The purchase commitments result from investment programs existing at individual Group companies and have fallen year on year in line with investments that were closed in 2020. The major portion of the purchase commitments is attributable to investments of DEW (DE) and Swiss Steel (CH) Business Unit, which are distributed over many years.

The Swiss Steel Group operates on an international scale. In each of the countries in which the Swiss Steel Group operates, the local tax authorities examine the transfer prices for goods and services exchanged between the individual Group companies as well as management fees within the Group.

The interpretation of tax laws on intercompany financing agreements and currency translation differences can also affect the tax position.

The Swiss Steel Group regularly assesses the tax expense that will be payable following tax field audits and provides for them by estimating the results of tax field audits for all open years. The actual outcome of the tax field audits can differ significantly from the estimates considered in these consolidated financial statements and may impact the tax expense/income in subsequent periods.

Six former employees of Asco Industries S.A.S have asserted claims for pension payments against Ascometal France Holding S.A.S and Swiss Steel Holding AG. The claims asserted may amount to a total of approximately EUR 3 million. The Swiss Steel Group is of the opinion that an analysis of the contract stipulating the conditions governing the acquisition of the sites and plants of Asco Industries S.A.S. does not confirm the legal opinion of the claimants. Nevertheless, the possibility cannot be excluded that the claimants will prevail, even if this is not considered likely at the present time. To date, the announced statement of claim has not yet been served by the claimant to the responsible court.

### **34 Segment reporting**

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

In addition, shared services and processes are reported as holding activities. This segment combines the activities at Group headquarters and other financing activities of the Group.

The chief decision-makers of the Group monitor the operating results of each operating segment individually in order to assess their performance and decide on the allocation of resources. Earnings before interest, tax, depreciation, and amortization (EBITDA) is the key indicator used to assess the segment performance of the individual operating segments in accordance with IFRS and is measured after eliminating extraordinary items. Adjusted EBITDA is therefore segment profit/loss as defined by IFRS 8. Independently thereof, the Executive Board also receives regular reports at the level of the operating segments on further key performance indicators up to earnings before taxes (EBT), based on IFRS accounting. These additional indicators are also disclosed in the segment reporting.

The Group's operating segments are summarized below:

### **Production**

The Production segment encompasses the Deutsche Edelstahlwerke (DEW), Finkl Steel, Steeltec, Swiss Steel, Ugitech and Ascometal Business Units. These companies produce engineering steel, stainless steel, tool steel and other specialty products for sale to third parties directly or to the Sales & Services organization of the Swiss Steel Group.

### **Sales & Services**

The Sales & Services segment comprises the global distribution and service activities of the Swiss Steel Group. The product mix mainly includes articles manufactured by the production companies of the Swiss Steel Group, and to a smaller extent, articles sourced from third parties.

Transactions between the individual segments have been eliminated for segment reporting purposes. The exchange of goods and services between the operating segments takes place at transfer prices in accordance with the arm's length principle and international transfer pricing regulations. The segments' measures of profit or loss are determined using the same accounting policies as those used for Group accounting, i.e. Group companies are included in management reporting based on accounting in accordance with IFRS.

The reconciliation of the segment figures to the Group figures is thus limited to management holding and financing activities which are not allocated to the operating segments and eliminations (elimination of income and expenses and the elimination of intersegment profits and losses).

The reconciliation of segment assets and segment liabilities also considers adjustments to reflect the fact that not all assets and liabilities are allocated to the operating segments for management purposes.

### **Revenue by region**

	2020		2019	
	in million EUR	in %	in million EUR	in %
Switzerland	36.5	1.6	50.0	1.7
Germany	829.0	36.2	1,096.0	36.7
France	248.0	10.8	325.6	10.9
Italy	280.7	12.3	354.3	11.9
Other Europe	434.0	19.0	542.1	18.2
USA	188.3	8.2	267.7	9.0
Canada	53.9	2.4	85.2	2.9
Other Americas	32.1	1.4	44.7	1.5
China	89.9	3.9	92.1	3.1
India	24.8	1.1	33.7	1.1
Asia Pacific/Africa	71.2	3.1	89.4	3.0
<b>Total</b>	<b>2,288.4</b>	<b>100.0</b>	<b>2,980.8</b>	<b>100.0</b>

The revenue information is based on the location of the customer. No single customer exceeds the threshold defined by IFRS 8.34 of 10.0% of the Group's revenue.

## Non-current assets by region

	2020		2019	
	in million EUR	in %	in million EUR	in %
Switzerland	146.8	27.9	145.7	23.6
Germany	117.1	22.2	193.4	31.3
France	134.2	25.5	139.1	22.5
Italy	18.0	3.4	19.9	3.2
Other Europe	14.3	2.7	16.3	2.6
USA	54.8	10.4	61.4	9.9
Canada	24.0	4.6	22.7	3.7
Other Americas	2.2	0.4	2.2	0.4
China	13.0	2.5	14.0	2.3
India	1.9	0.4	2.2	0.4
Africa/Asia/Australia	0.8	0.2	0.8	0.1
<b>Total</b>	<b>527.1</b>	<b>100.0</b>	<b>617.7</b>	<b>100.0</b>

In accordance with IFRS 8.33(b), this presentation comprises non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts.

The table below shows the segment reporting as of December 31, 2020.

in million EUR	Production		Sales & Services	
	2020	2019	2020	2019
Third-party revenue	1,825.2	2,346.6	463.2	634.2
Internal revenue	237.1	345.2	23.5	24.5
<b>Total revenue</b>	<b>2,062.2</b>	<b>2,691.8</b>	<b>486.7</b>	<b>658.7</b>
<b>Segment result (= adjusted EBITDA)</b>	<b>-79.2</b>	<b>19.8</b>	<b>23.4</b>	<b>38.8</b>
<b>Adjustments <sup>1)</sup></b>	<b>-21.5</b>	<b>-47.9</b>	<b>-0.8</b>	<b>-0.3</b>
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>-100.7</b>	<b>-28.1</b>	<b>22.6</b>	<b>38.5</b>
Depreciation and amortization of intangible assets, property, plant and equipment	-60.4	-88.6	-8.8	-8.8
Impairment of intangible assets, property, plant and equipment and right-of-use assets	-101.2	-315.8	0.0	0.0
<b>Operating profit (EBIT)</b>	<b>-262.3</b>	<b>-432.4</b>	<b>13.8</b>	<b>29.7</b>
Financial income	11.9	4.4	4.0	7.0
Financial expenses	-60.9	-53.4	-11.2	-9.9
<b>Earnings before taxes (EBT)</b>	<b>-311.3</b>	<b>-481.5</b>	<b>6.6</b>	<b>26.8</b>
Segment investments <sup>2)</sup>	80.5	129.3	6.1	7.8
Segment operating free cash flow <sup>3)</sup>	-102.3	44.3	38.5	31.9
<b>in million EUR</b>	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Segment assets <sup>4)</sup>	1,328.7	1,522.0	217.6	269.2
Segment liabilities <sup>5)</sup>	305.4	358.6	79.4	103.9
<b>Segment assets less segment liabilities (capital employed)</b>	<b>1,023.3</b>	<b>1,163.4</b>	<b>138.2</b>	<b>165.3</b>
Employees as at closing date (positions)	8,533	8,853	1,316	1,353

<sup>1)</sup> Adjustments: Performance improvement program, others (EUR 16.3 million); Reorganization and transformation processes (EUR 1.0 million); Restructuring and other personnel measures (EUR 12.6 million); M&A and integration (EUR 0.2 million)

<sup>2)</sup> Segment investments: Additions to intangible assets (excluding goodwill) + additions to property, plant and equipment without acquisitions + additions to right-of-use assets

<sup>3)</sup> 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

<sup>4)</sup> 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)

<sup>5)</sup> Segment liabilities: Trade accounts payable (total matches total liabilities in the statement of financial position)

		Reconciliation							
Total operating segments		Corporate activities		Eliminations/adjustments		Total			
2020	2019	2020	2019	2020	2019	2020	2019		
2,288.4	2,980.8	0.0	0.0	0.0	0.0	2,288.4	2,980.8		
260.6	369.7	0.0	0.0	-260.6	-369.7	0.0	0.0		
<b>2,549.0</b>	<b>3,350.5</b>	<b>0.0</b>	<b>0.0</b>	<b>-260.6</b>	<b>-369.7</b>	<b>2,288.4</b>	<b>2,980.8</b>		
-55.8	58.6	-10.2	-10.3	-2.9	2.9	-68.9	51.2		
-22.3	-48.2	-7.8	-15.6	0.0	0.0	-30.1	-63.8		
-78.1	10.4	-18.0	-25.8	-2.9	2.9	-99.0	-12.5		
-69.2	-97.4	-4.2	-4.2	0.9	1.5	-72.5	-100.1		
-101.2	-315.8	0.0	0.0	0.0	3.1	-101.2	-312.7		
<b>-248.5</b>	<b>-402.8</b>	<b>-22.2</b>	<b>-30.0</b>	<b>-2.0</b>	<b>7.4</b>	<b>-272.7</b>	<b>-425.4</b>		
15.9	11.4	68.6	66.5	-82.9	-73.1	1.6	4.8		
-72.1	-63.3	-59.9	-60.9	81.5	61.8	-50.5	-62.4		
<b>-304.7</b>	<b>-454.7</b>	<b>-13.6</b>	<b>-24.4</b>	<b>-3.3</b>	<b>-3.8</b>	<b>-321.6</b>	<b>-482.9</b>		
86.6	137.1	0.8	1.3	0.0	0.0	87.4	138.4		
-63.8	76.2	-15.5	-3.0	-2.0	-1.7	-81.3	71.5		
<b>31.12.2020</b>	<b>31.12.2019</b>	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>31.12.2020</b>	<b>31.12.2019</b>		
1,546.3	1,791.2	66.1	77.7	103.3	50.2	1,715.7	1,919.1		
384.8	462.5	5.3	17.9	1,159.4	1,254.9	1,549.5	1,735.3		
<b>1,161.5</b>	<b>1,328.7</b>								
9,849	10,206	101	112	0	0	9,950	10,318		

### 35 Related party disclosures

The Swiss Steel Group entered into transactions with related parties during the reporting periods.

Related parties included Liwet Holding AG, which held 25.0 % (2019: 29.67 %) of the voting rights in the Swiss Steel Group as of December 31, 2020 and BigPoint Holding AG, which holds a share of 49.6 % (2019:17.5 %). BigPoint Holding AG is fully owned by Martin Haefner.

On January 6, 2020, BigPoint Holding AG took over all of the shares in the Company of SCHMOLZ + BICKENBACH Beteiligungs GmbH. SCHMOLZ + BICKENBACH Beteiligungs GmbH held a 10.09 % stake (before capital increase; 4.7 % after capital increase) in Swiss Steel Holding AG.

Following the capital increase on January 8, 2020, Martin Haefner and Big Point Holding AG are to be qualified as controlling and the companies of the AMAG Group controlled by him (Martin Haefner) as related parties.

The related parties encompass, in particular, management in key positions. For the Swiss Steel Group, these are the members of the Board of Directors and of the Executive Board.

The exchange of goods and services between Group companies and related parties takes place at transfer prices in accordance with the arm's length principle and international transfer pricing regulations.

The transactions arise from customary trade in goods and services between the companies as well as other services (such as management services and rental agreements).

There were no significant transactions with the various companies of the AMAG Group in 2019 and 2020. Transactions with Big Point Holding AG and other related parties are shown in the following table:

in million EUR	Other related parties		Big Point Holding AG	
	2020	2019	2020	2019
Sales to related parties	0.0	0.0	0.1	0.0
Other services charged from related parties	0.2	0.2	4.1	0.0

As of December 31, 2020 and December 31, 2019, there were outstanding positions due from the following related parties:

in million EUR	AMAG		Big Point Holding AG	
	2020	2019	2020	2019
Financial liabilities to related parties	0.1	0.2	94.7	0.0



At end-March 2020, the main shareholder of the Swiss Steel Group, Big Point Holding AG, granted a loan of EUR 95 million at market conditions; these are the same as the ones for the syndicated loan. The interest expense on this was EUR 4.0 million in 2020.

A further shareholder loan of up to EUR 130 million by BigPoint Holding AG was concluded in September 2020 (backstop facility). In addition, Swiss Steel Group paid a structuring fee of EUR 1.5 million to BigPoint Holding AG in 2020.

Since 2014 a share-based payment program has been in place to create a Long-Term Incentive Plan (LTIP) for the group management according to which the amount of remuneration depends on the development of the performance indicators return on capital employed (ROCE) and absolute shareholder return (ASR) within a three-year performance period. At the end of the three-year performance period, compensation is paid out in shares or in cash; the Board of Directors is solely entitled to choose how to settle the payments. Furthermore, there is a share-based payment plan for the Board of Directors. Both programs essentially have a vesting period of one year. For the fiscal year ended December 31, 2020, the average fair value of equity instruments granted (grant-date fair value) was EUR 0.26 per share (2019: EUR 0.69); equity instruments totaling EUR 3.1 million (2019: EUR 3.6 million) were granted and recorded as an expense in the consolidated income statement. In the fiscal year 2020, personnel expenses of EUR 1.6 million (2019: EUR 1.5 million) were recognized for share-based payments and an amount of EUR 1.4 million (2019: EUR 1.3 million) was credited in retained earnings. The difference compared to the total amount of equity instruments granted relates to withholding tax and social security contributions. When measuring the equity instruments, the main factors taken into account were the past share price and the expected development of ROCE and ASR, which were projected using Monte Carlo simulation based on assumptions such as risk-free interest rates and historical and expected volatility.

Compensation came to EUR 1.6 million in 2020 (2019: EUR 1.7 million) for the Board of Directors and EUR 4.9 million (2019: EUR 3.4 million) for the Executive Committee. Of that compensation, EUR 4.4 million (2019: EUR 3.0 million) relates to short-term benefits, EUR 0.7 million (2019: EUR 0.6 million) to post-employment benefits and EUR 1.4 million (2019: EUR 1.5 million) to share-based payments including withholding tax.

### 36 Subsequent events

At the Extraordinary General Meeting from December 22, 2020, the Group resolved to increase the equity of Swiss Steel Holding AG. It is planned to issue 1,030,524,138 new registered shares with a nominal value of CHF 0.15 each, which will increase the share capital from currently CHF 304.2 million by CHF 154.6 million to CHF 458.8 million. In order to ensure the targeted gross proceeds of EUR 200 million, BigPoint Holding AG has committed to exercise all of its subscription rights in the capital increase. In addition, BigPoint Holding AG has undertaken, if and to the extent that further shares offered in the capital increase are not subscribed by other shareholders or investors at a price of at least CHF 0.21, to also subscribe for these shares at the aforementioned minimum price.

The shareholders of Swiss Steel Holding AG approved the capital increase with 66.85 % of the votes represented.

Following the Extraordinary General Meeting, the second-largest shareholder, Liwet Holding AG, obtained a block on the registration of the capital increase from the Commercial Register Office of the Canton of Lucerne.

In its decision of January 29, 2021, the District Court of Lucerne rejected Liwet's request in its entirety and found that Liwet had not substantiated any grounds for contestability of the resolved capital increase.

After the expiry of the appeal period on February 9, 2021, the Group intends to realize the capital increase resolved by the Extraordinary General Meeting on December 22, 2020 by March 22, 2021 at the latest.

### 37 List of shareholdings

Name	Registered office	Currency	Share capital 31.12.2020	Group ownership in %31.12.2020
<b>Production</b>				
A. Finkl Steel ABS SPV, LLC	Chicago US	USD	1,000	100
Ascometal Custines - Le Marais S.A.S.	Custines FR	EUR	7,500,000	100
Ascometal Fos-sur-Mer S.A.S.	Fos-sur-Mer FR	EUR	21,000,000	100
Ascometal France Holding S.A.S.	Hagondange FR	EUR	60,000,000	100
Ascometal Hagondange S.A.S.	Hagondange FR	EUR	43,000,000	100
Ascometal Les Dunes S.A.S.	Leffrinckoucke FR	EUR	10,000,000	100
Composite Forgings LLC	Detroit US	USD	1,236,363	100
Deutsche Edelstahlwerke Härtereitechnik GmbH	Lüdenscheid DE	EUR	1,100,000	100
Deutsche Edelstahlwerke Karrierewerkstatt GmbH	Witten DE	EUR	100,000	100
Deutsche Edelstahlwerke Sales Beteiligungs GmbH	Witten DE	EUR	25,000	100
Deutsche Edelstahlwerke Sales GmbH & Co. KG	Witten DE	EUR	50,000	100
Deutsche Edelstahlwerke Services GmbH	Witten DE	EUR	10,050,000	100
Deutsche Edelstahlwerke Speciality Steel Beteiligungs GmbH	Witten DE	EUR	25,000	100
Deutsche Edelstahlwerke Speciality Steel GmbH & Co. KG	Witten DE	EUR	50,000,000	100
dhi Rohstoffmanagement GmbH	Siegen DE	EUR	4,000,000	51
Edelstahlwerke Witten-Krefeld Vermögensverwaltungsgesellschaft mbH	Krefeld DE	EUR	511,350	100
Finkl De Mexico S de R.L. de C.V.	Edo. De Mexico C.P. MX	MXN	290,649	100
Finkl Outdoor Services Inc.	Chicago US	USD	1,000	100
Finkl Steel - Chicago (registered: A. Finkl & Sons Co)	Chicago US	USD	10	100
Finkl Steel - Houston, LLC	Dallas US	USD	1,000	100
Finkl Steel - Sorel (registered: Sorel Forge Co)	St. Joseph-de-Sorel CA	CAD	252,129	100
Finkl Thai Co. Ltd.	Samutprakarn TH	THB	6,500,000	49
Panlog AG	Emmen CH	CHF	1,500,000	100
Sprint Metal Edelstahlziehereien GmbH	Hemer DE	EUR	6,500,000	100
Steeltec A/S	Norresundby DK	DKK	50,000,000	100
Steeltec AG	Lucerne CH	CHF	33,000,000	100
Steeltec Boxholm AB	Boxholm SE	SEK	7,000,000	100
Steeltec Celik A.S.	Gebze - Kocaeli TR	TRY	53,909,626	100
Steeltec GmbH	Düsseldorf DE	EUR	2,000,000	100
Swiss Steel AG	Emmen CH	CHF	40,000,000	100
Ugitech Italia S.r.l.	Peschiera Borromeo IT	EUR	3,000,000	100
Ugitech S.A.	Ugine Cedex FR	EUR	80,297,296	100
Ugitech Suisse S.A.	Valbirse CH	CHF	1,350,000	100
Ugitech TFA S.r.l.	Peschiera Borromeo IT	EUR	100,000	100
<b>Sales &amp; Services</b>				
Alta Tecnologia en Tratamientos Termicos S.A. de C.V.	Queretaro MX	MXN	15,490,141	100
Ascometal North America Inc.	Wilmington, Delaware US	USD	2,000,000	100
Dongguan German-Steels Products Co. Ltd.	Dongguan CN	HKD	83,025,000	100
SCHMOLZ + BICKENBACH India Pvt. Ltd.	Thane (West) IN	INR	119,155,500	100
SCHMOLZ + BICKENBACH Middle East FZCO	Dubai AE	AED	6,449,050	100
SCHMOLZ-BICKENBACH (Thailand) Ltd.	Bangkok TH	THB	3,000,000	100
Shanghai Xinzhen Precision Metalwork Co., Ltd.	Shanghai CN	CNY	50,150,000	60

Name	Registered office	Currency	Share capital 31.12.2020	Group ownership in %31.12.2020
Swiss Steel ABS SPV, LLC	Wilmington, Delaware US	USD	1,000	100
Swiss Steel Acciai Speciali S.r.l.	Peschiera Borromeo IT	EUR	500,000	100
Swiss Steel Argentina SAU	Buenos Aires AR	ARS	60,430,000	100
Swiss Steel Australia Pty. Ltd.	Victoria AU	AUD	900,000	100
Swiss Steel Baltic OÜ	Tallinn EE	EUR	4,470	100
Swiss Steel Baltic SIA	Riga LV	EUR	298,803	100
Swiss Steel Baltic UAB	Kaunas LT	EUR	785,308	100
Swiss Steel Canada Inc.	Mississauga CA	CAD	2,369,900	100
Swiss Steel Chile SpA	Santiago de Chile CL	CLP	875,205,000	100
Swiss Steel Colombia SAS	Bogota CO	COP	782,625,000	100
Swiss Steel Deutschland GmbH	Düsseldorf DE	EUR	100,000	100
Swiss Steel do Brasil Indústria e Comércio de Aços Ltda	São Paulo BR	BRL	79,565,338	100
Swiss Steel France S.A.S.	Cluses FR	EUR	262,885	100
Swiss Steel Guangdong Co. Ltd.	Dongguan CN	HKD	60,000,000	100
Swiss Steel (Hong Kong) Trading Ltd.	Fo Tan Shatin HK	HKD	5,900,000	100
Swiss Steel Hong Kong Co. Ltd.	Fo Tan Shatin HK	HKD	98,140,676	100
Swiss Steel Iberica S.A.	Madrid ES	EUR	2,500,000	100
Swiss Steel International GmbH	Düsseldorf DE	EUR	2,000,000	100
Swiss Steel Italia S.r.l.	Peschiera Borromeo IT	EUR	90,000	100
Swiss Steel JAPAN Co. Ltd.	Tokyo JP	JPY	30,000,000	100
Swiss Steel Jiangsu Co. Ltd.	Jiangsu CN	USD	6,384,960	100
Swiss Steel LS Products GmbH	Düsseldorf DE	EUR	25,000	100
Swiss Steel Magyarország Kft.	Budapest HU	HUF	3,000,000	100
Swiss Steel Malaysia Sdn. Bhd.	Port Klang MY	MYR	2,500,000	100
Swiss Steel Mexico S.A. de C.V.	Tlalnepantla MX	MXN	98,218,664	100
Swiss Steel Oy	Espoo FI	EUR	500,000	60
Swiss Steel Polska Sp.z o.o.	Mysłowice PL	PLN	7,000,000	100
Swiss Steel Portugal S.A.	Rio de Mouro PT	EUR	200,500	100
Swiss Steel Romania SRL	Bucharest RO	RON	3,363,932	100
Swiss Steel Russia OOO	Moscow RU	RUB	9,000,000	100
Swiss Steel s.r.o.	Kladno CZ	CZK	7,510,000	100
Swiss Steel Singapore Pte. Ltd.	Singapore SG	SGD	5,405,500	100
Swiss Steel Slovakia s.r.o.	Trencianske Stankovce SK	EUR	99,584	100
Swiss Steel Taiwan Ltd.	Taipei TW	TWD	7,600,000	100
Swiss Steel Technology Holding GmbH	Düsseldorf DE	EUR	25,001	100
Swiss Steel UK Ltd.	Oldbury GB	GBP	500,000	100
Swiss Steel USA Inc.	Carol Stream, Illinois US	USD	1,935,000	100
Swiss Steel South Africa (Pty.) Ltd.	Johannesburg ZA	ZAR	2,155,003	100
Swiss Steel Zhejiang Co. Ltd.	Zhejiang CN	USD	5,086,000	100
<b>Holdings / Others</b>				
SCHMOLZ + BICKENBACH Luxembourg Finance S.A.	Luxembourg LU	EUR	30,000	100
Swiss Steel Edelstahl GmbH	Düsseldorf DE	EUR	10,050,000	100
Swiss Steel USA Holdings Inc.	Wilmington, Delaware US	USD	80,000,000	100

# Statutory auditor's report with consolidated financial statements

To the Annual General Meeting of Swiss Steel Holding AG, Lucerne

Zurich, March 1 2021

## Opinion

We have audited the consolidated financial statements of Swiss Steel Holding AG. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 116 to 184) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

## Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## Material uncertainty related to going concern

We draw attention to note 3 of the consolidated financial statements, which indicates that the capital increase resolved at the general meeting on 22 December 2020 is expected to be completed by 22 March 2021. If the capital increase does not take place, the financial covenants of the existing loans, aside from the shareholder loan, are still to be negotiated with the banks. The future ability to meet its financial obligations is dependent on the compliance with financial covenants that may still have to be negotiated. The compliance with them also depends on the implementation of operational restructuring measures and the future development in the relevant end customer markets of Swiss Steel Holding Ltd. These facts indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our audit opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

## Impairment of property, plant and equipment

### Risk

In the context of preparing its financial statements, the Group assesses property, plant and equipment whenever there is any indication of impairment. Due to the outbreak of the COVID-19 pandemic and the associated effects on the Group's key end markets during the fiscal year, Management tested property, plant and equipment for impairment over the course of the year. As disclosed in note 20, impairment losses in the total amount of EUR 101.2 million were recognized in 2020. Impairment testing is a complex process that includes several estimates and assumptions by Management. For instance, the estimates and assumptions are based on updated medium-term plans, the expected volatility in quantity and in steel prices, as well as the discount rate used. Moreover, internal operational changes and ongoing improvements initiated by Management have an influence on budgeted numbers. The medium-term plans were updated by Management over the course of the year as new information became available, and validated by an external expert. Due to the significance of property, plant and equipment and the uncertainties relating to significant estimates and assumptions, impairment of property, plant and equipment is a key matter in our audit.

### Our audit response

The audit of the impairment testing of property, plant and equipment comprised a comparison of Management's estimates such as available market data, a discussion with Management of the updated medium-term plans and initiated improvements, and the assessment of the significant estimates made by Management by means of sensitivity analyses on the basis of various scenarios and assessment of these for consistency. We involved internal valuation specialists in the assessment of the appropriateness and the clerical accuracy of the models used in the impairment tests and the discount rates. We also reviewed the report of the updated medium-term plans prepared by an external expert and held discussions with Management on the results of the impairment assessments. Our audit procedures did not lead to any reservations regarding the impairment of property, plant and equipment

## **Recoverability of deferred tax assets**

### **Risk**

The Group has recognized deferred tax assets in various companies. Income taxes are disclosed in note 16. Deferred tax assets are recognized for certain tax loss carry forwards as well as for temporary differences between carrying amounts and taxable values of different balance sheet items in relevant subsidiaries. The assessment of the recoverability of deferred tax asset balances is important to our audit since the recognition is based on the estimation of the future taxable income which requires a significant level of judgment by Management with regard to timing and amount of offsetting with future taxable profits as well as tax loss carry forwards expiration limits.

### **Our audit response**

In the course of our audit work, we compared book values to tax values and assessed the net deferred tax asset. We assessed recoverability of recognized deferred tax assets based on the planning of taxable earnings and discussions with Management. In various countries, we were supported by our internal tax specialists in assessing the deferred tax position. Our audit procedures did not lead to any reservations regarding the recoverability of deferred tax assets.

## **Other information in the annual report**

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibility of the Board of Directors for the consolidated financial statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements**

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

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

Ernst & Young Ltd

Christian Schibler

Licensed audit expert  
(Auditor in charge)

Max Lienhard

Licensed audit expert



# Five-year overview

	Unit	2016	2017	2018.1)	2019	2020
<b>Key operational figures</b>						
Production volume	kilotons	1,816	1,937	2,328	1,930	1,706
Sales volume	kilotons	1,724	1,797	2,093	1,830	1,535
Order backlog	kilotons	462	655	612	417	566
<b>Income statement</b>						
Revenue	million EUR	2,314.7	2,677.8	3,312.7	2,980.8	2,288.4
Average sales price	EUR/t	1,342.6	1,490.2	1,582.8	1,628.9	1,490.8
Gross profit	million EUR	913.0	1,053.0	1,203.4	952.2	767.3
Adjusted EBITDA <sup>1)</sup>	million EUR	153.2	222.7	236.7	51.2	-68.9
EBITDA	million EUR	108.0	214.9	251.4	-12.5	-99.0
EBIT	million EUR	-18.5	88.0	34.7	-425.4	-272.7
Earnings before taxes	million EUR	-59.6	42.4	-8.7	-482.9	-321.6
Group result	million EUR	-80.0	45.7	-0.7	-521.0	-310.2
<b>Cash flow/investments/depreciation/amortization</b>						
Cash flow before changes in net working capital	million EUR	104.8	206.9	154.8	-42.6	-86.2
Cash flow from operating activities	million EUR	184.3	111.3	5.3	116.1	-22.9
Cash flow from investing activities	million EUR	-92.3	-95.0	-165.1	-123.9	-77.9
Free cash flow	million EUR	92.0	16.3	-159.8	-7.8	-100.8
Investments	million EUR	100.8	103.2	139.6	138.4	87.4
Depreciation, amortization and impairments	million EUR	124.7	126.9	216.7	412.8	173.7
<b>Net assets and financial structure</b>						
Non-current assets	million EUR	994.7	927.1	889.5	635.4	557.4
Current assets	million EUR	1,052.3	1,186.0	1,642.3	1,283.7	1,158.2
Net working capital	million EUR	615.4	684.8	931.7	773.1	698.1
Balance sheet total	million EUR	2,047.0	2,113.1	2,531.8	1,919.1	1,715.7
Shareholders' equity	million EUR	667.5	717.5	707.7	183.8	166.1
Non-current liabilities	million EUR	696.9	645.6	808.2	644.5	882.2
Current liabilities	million EUR	682.6	750.0	1,015.9	1,090.8	667.3
Net debt	million EUR	420.0	442.0	657.6	798.7	639.9
<b>Employees</b>						
Employees as at closing date	Positions	8,877	8,939	10,486	10,318	9,950
<b>Value management</b>						
Capital employed	million EUR	1,529.7	1,535.1	1,739.5	1,384.1	1,218.0
<b>Key figures on profit/net assets and financial structure</b>						
Gross profit margin	%	39.4	39.3	36.3	31.9	33.5
Adjusted EBITDA margin	%	6.6	8.3	7.1	1.7	-3.0
EBITDA margin	%	4.7	8.0	7.6	-0.4	-4.3
Equity ratio	%	32.6	34.0	28.0	9.6	9.7
Gearing	%	62.9	61.6	92.9	434.5	385.2
Net debt/adj. EBITDA LTM (leverage)	x	2.7	2.0	2.8	15.6	n/a
Net working capital/revenue (L3M annualized)	%	27.6	26.0	29.3	31.2	28.9

	Unit	2016	2017	2018.1)	2019	2020
<b>Key share figures at reporting date</b>						
Number of registered shares issued	Shares	945,000,000	945,000,000	945,000,000	945,000,000	2,028,333,333
Share capital	million EUR	378.6	378.6	378.6	378.6	221.7
Earnings per share	EUR/CHF	-0.08/-0.09	0.05/0.06	0.00/0.00	-0.55/-0.61	-0.15/-0.16
Shareholders' equity per share	EUR/CHF	0.70/0.75	0.75/0.88	0.75/0.88	0.19/0.21	0.08/0.09
Share price high	CHF	0.730	0.960	0.886	0.617	0.340
Share price low	CHF	0.450	0.660	0.495	0.192	0.126
Closing share price	CHF	0.680	0.840	0.540	0.281	0.235

<sup>1)</sup> For the bridge between adjusted EBITDA and EBITDA please refer to the Annual Report 2020 page 33

## Five-quarter overview

	Unit	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
<b>Key operational figures</b>						
Production volume	kilotons	437	525	332	348	501
Sales volume	kilotons	388	457	301	332	445
Order backlog	kilotons	417	431	304	359	566
<b>Income statement</b>						
Revenue	million EUR	619.0	704.5	469.9	509.4	604.5
Average sales price	EUR/t	1,595.4	1,541.6	1,561.1	1,534.3	1,358.4
Gross profit	million EUR	194.8	239.3	154.5	165.1	208.5
Adjusted EBITDA <sup>1)</sup>	million EUR	1.4	-6.1	-45.8	-21.1	4.1
EBITDA	million EUR	-15.1	-7.6	-53.7	-28.8	-8.9
EBIT	million EUR	-52.7	-31.7	-159.6	-52.6	-28.8
Earnings before taxes	million EUR	-72.2	-43.7	-171.0	-64.0	-43.0
Group result	million EUR	-75.9	-42.3	-159.1	-66.3	-42.4
<b>Cash flow/investments/depreciation/amortization</b>						
Cash flow before changes in net working capital	million EUR	-88.0	18.3	-28.9	-47.9	-27.7
Cash flow from operating activities	million EUR	2.2	-74.1	12.5	26.9	11.8
Cash flow from investing activities	million EUR	-50.8	-13.5	-15.4	-18.3	-30.7
Free cash flow	million EUR	-48.6	-87.6	-2.9	8.6	-18.9
Investments	million EUR	56.0	14.6	18.8	20.4	33.6
Depreciation, amortization and impairments	million EUR	37.6	24.1	105.9	23.7	19.9
<b>Net assets and financial structure</b>						
Non-current assets	million EUR	635.4	629.7	542.5	533.7	557.4
Current assets	million EUR	1,283.7	1,341.0	1,214.5	1,154.0	1,158.2
Net working capital	million EUR	773.1	862.3	820.0	739.2	698.1
Balance sheet total	million EUR	1,919.1	1,970.6	1,757.1	1,687.7	1,715.7
Shareholders' equity	million EUR	183.8	451.9	262.0	184.8	166.1
Non-current liabilities	million EUR	644.5	776.5	878.2	890.7	882.2
Current liabilities	million EUR	1,090.8	742.2	616.8	612.2	667.3
Net debt	million EUR	798.7	611.9	626.2	610.8	639.9
<b>Employees</b>						
Employees as at closing date	Positions	10,318	10,236	10,139	10,041	9,950
<b>Value management</b>						
Capital employed	million EUR	1,384.1	1,466.6	1,336.9	1,247.9	1,218.0
<b>Key figures on profit/net assets and financial structure</b>						
Gross profit margin	%	31.5	34.0	32.9	32.4	34.5
Adjusted EBITDA margin	%	0.2	-0.9	-9.7	-4.1	0.7
EBITDA margin	%	-2.4	-1.1	-11.4	-5.7	-1.5
Equity ratio	%	9.6	22.9	14.9	10.9	9.7
Net debt/adj. EBITDA LTM (leverage)	x	15.6	211.0	n/a	n/a	n/a
Net working capital/revenue (L3M annualized)	%	31.2	30.6	43.6	36.3	28.9

<sup>1)</sup> For the bridge between adjusted EBITDA and EBITDA please refer to the Annual Report 2020 page 33

# Swiss Steel Holding AG

## Individual financial statements

### Income statement

million CHF	Note	2020	2019
Income from investments		0.0	8.0
Other income		24.8	26.9
Financial income		54.4	37.7
<b>Total operating income</b>		<b>79.3</b>	<b>72.6</b>
Personnel costs		-16.6	-20.3
Other expense		-27.0	-34.9
Depreciation and amortization of non-current assets	3	-437.3	-680.4
Financial expense		-48.9	-41.1
<b>Total operating expenses</b>		<b>-529.8</b>	<b>-776.7</b>
<b>Annual result</b>		<b>-450.5</b>	<b>-704.1</b>

## Balance sheet

million CHF	Note	31.12.2020	31.12.2019
Cash and cash equivalents		0.1	0.5
Other current receivables, Group		22.4	25.5
Other current receivables, third parties		1.3	0.6
Current receivables, Group		422.2	211.8
Accrued income and prepaid expenses, third parties		3.4	6.5
<b>Total current assets</b>		<b>449.4</b>	<b>244.9</b>
Investments	1	308.2	308.3
Property, plant and equipment		3.2	4.3
<b>Total fixed assets</b>		<b>311.4</b>	<b>312.6</b>
<b>Total assets</b>		<b>760.8</b>	<b>557.5</b>
Other current liabilities, Group		5.4	4.7
Other current liabilities, third parties		1.2	14.6
Current financing, Group		37.6	30.9
Current financing, third parties		2.9	1.3
Accrued liabilities and deferred income		10.1	9.2
Lease liabilities		0.6	0.6
<b>Total current liabilities</b>		<b>57.7</b>	<b>61.4</b>
Non-current interest-bearing liabilities		409.1	66.8
Provisions		0.1	0.1
Lease liabilities		1.9	2.4
<b>Total long-term liabilities</b>		<b>411.0</b>	<b>69.3</b>
<b>Total liabilities</b>		<b>468.8</b>	<b>130.7</b>
Share capital	2	304.3	472.5
Legal reserves from capital contributions	2	1,031.7	852.8
Legal reserves		6.9	6.9
Retained earnings available for appropriation	2	-1,050.2	-903.9
Own capital shares	9	-0.6	-1.4
<b>Total equity</b>		<b>292.0</b>	<b>426.8</b>
<b>Total liabilities and equity</b>		<b>760.8</b>	<b>557.5</b>

# Notes to the financial statements

## **Basis of preparation**

The financial statements of Swiss Steel Holding AG were prepared in accordance with the principles set out in the Swiss Code of Obligations. The main accounting policies applied are described below.

## **Investments**

Investments are recognized at cost less appropriate valuation allowances.

## **Positions with valuation at market prices**

Assets and liabilities with observable market prices are valued at the respective rate on the balance sheet date. These are currency derivatives with positive or negative market values. These are included in the item other current receivables from third parties.

## **Treasury shares**

Treasury shares are recognized at cost at the acquisition date and deducted from equity without any subsequent remeasurement. Any gain or loss arising from the subsequent sale of treasury shares is posted to the retained earnings.

## **Share-based compensation**

Swiss Steel Holding AG has share-based payment plans in place for members of the Board of Directors and for the Executive Board. Expenses for these share-based payment plans are recognized in the income statement in the period in which the claim originates. The gain or loss results from the difference between the acquisition value of the treasury shares and their fair value as of the grant date.

## **Going concern**

The weakness in key end markets created a crisis in the steel industry in 2019, one which the Swiss Steel Group was unable to avoid due to its close ties to the automotive and mechanical engineering industries. As a result, it became necessary to take measures to strengthen liquidity and capital. The start of the 2020 fiscal year was marked by a cautious, very limited recovery, with the period to mid-March 2020 seeing a moderate uptick in orders received. In the automotive industry, this was followed at the end of the first quarter and especially in the second quarter of 2020 by a drastic decline in demand in the wake of the Covid-19 crisis, significantly impacting both volumes and prices. While the fall in the oil price had already had an adverse impact on the oil and gas industry in the first quarter, in the second quarter the crisis expanded to the engineering and tool manufacturing industry. Sales in the automotive industry started to normalize in the second half year, while the recovery in mechanical and plant engineering as well as in the energy segment, especially with oil and gas, was visible but still remained sluggish.

Within the scope of a comprehensive restructuring report and the financing concept derived from this, the capital increase that was agreed in December 2019 was legally implemented on January 8, 2020, creating a net cash inflow of EUR 291.1 million. In addition, the Group's existing debt financing was restructured and extended in March 2020. As part of this, the syndicated loan was increased by EUR 90 million and now amounts to up to EUR 465 million. A EUR 95 million loan

was also raised from BigPoint Holding AG, the largest shareholder of Swiss Steel Holding AG with a 49.6% stake. As a result of the change of control (when a holding goes above 33.3%), EUR 328.8 million of the former nominal value of the EUR 350 million bond was tendered in a public buyback offer and repaid, the remaining tranche of EUR 21.2 million was redeemed in November 2020. The syndicated loan, shareholder loan and ABS financing program each have a term of five years, ending in March 2025. The restructuring of debt financing in March 2020 was linked to certain financial covenants requiring operating performance and liquidity to be improved, which were fleshed out in a restructuring report. This ensured permanent financing of the Group effective the end of the first quarter of 2020 until end of 2024.

Over the course of the second quarter of 2020, the financial planning on which the restructuring report was based had to be revalidated and consequently expanded in depth and breadth due to and the intensified negative effects of Covid-19. This resulted in an additional funding gap compared with the original financing concept as of the end of the first quarter of 2020. The existing financing conditions were suspended accordingly and expanded with undertakings.

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. In addition, the state guaranteed loans applied for in France and Switzerland were signed and drawn in the second half of 2020 with a credit line of EUR 98.5 million.

On the other hand, a shareholder loan of BigPoint Holding AG in the amount of EUR 130 million is available, which can currently be drawn up to a limit of EUR 94.9 million. In the event of a drawdown of this shareholder loan, the financing conditions would have to be renegotiated.

As an alternative to the shareholder loan of EUR 130 million, the Group is planning an equity increase, which was approved at the Extraordinary General Meeting on December 22 2020. A minimum gross proceeds of EUR 200 million is envisaged, which has been guaranteed by BigPoint Holding AG.

Following the Extraordinary General Meeting, the second largest shareholder, Liwet Holding AG (Liwet), obtained a block on the registration of the capital increase from the Commercial Register Office of the Canton of Lucerne. In its decision of January 29, 2021, the District Court of Lucerne rejected Liwet's request in its entirety and found that Liwet had not substantiated any grounds for contestability of the resolved capital increase. After the expiry of the appeal period on February 9, 2021, the Group intends to realize the capital increase by March 22, 2021 at the latest.

Furthermore, the lending banks have approved the new financing agreement in connection with the capital increase in substance. Compared to the shareholder loan, the equity increase provides additional liquidity, improved equity structure and reduced finance and consulting costs. The Board of Directors therefore believes that this will ensure higher resilience of the Swiss Steel Group with regard to future business uncertainties.

The successfully implemented capital increase will replace the shareholder loan with the credit line of EUR 130.

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.

The debt financing is tied to specific conditions; if these are not met, the financial liabilities will have to be repaid in part or in full. The estimates regarding the negative effects of the Covid-19 crisis in terms of extent and duration and thus their influence on compliance with the financial covenants remain subject to material uncertainty that may cast significant doubts upon the Company's ability to continue as a going concern. The availability of sufficient liquidity, compliance with the obligations entered into within the specified deadline and future operating performance will be of critical importance if the Company is to continue to operate and grow in the future.

When preparing the annual financial statements, the continuation of the Swiss Steel Holding AG as a going concern was assessed as positive by the Board of Directors and Executive Board. The assumption is that it will be possible to comply with all new financing conditions and implement the envisioned operational improvements.

In summary, it is considered realistic to expect that the Company will be able to continue its business activities over the next twelve months, as a result of which these annual financial statements have been prepared on a going concern basis.

## 1. Investments

The table shows the investments of Swiss Steel Holding AG<sup>2)</sup> with its registered office in Lucerne as of December 31, 2020 and December 31, 2019:

	Domicile of investments	Currency	Share capital 31.12.2020	Share capital 31.12.2019	Voting rights and capital share 31.12.2020	Voting rights and capital share 31.12.2019
Swiss Steel AG	Emmen (CH)	CHF	40,000,000	40,000,000	100.00%	100.00%
Steeltec AG	Lucerne (CH)	CHF	33,000,000	33,000,000	100.00%	100.00%
Panlog AG	Emmen (CH)	CHF	1,500,000	1,500,000	100.00%	100.00%
Swiss Steel France S.A.S. <sup>2)</sup>	Cluses (FR)	EUR	262,885	262,885	100.00%	100.00%
Swiss Steel Edelstahl GmbH <sup>3)</sup>	Düsseldorf (DE)	EUR	10,050,000	10,000,000	100.00%	100.00%
von Moos Stahl AG <sup>1)</sup>	Emmen (CH)	CHF	0	100,000	0.00%	100.00%
Swiss Steel Technology Holding GmbH <sup>2)</sup>	Düsseldorf (DE)	EUR	25,001	25,001	100.00%	100.00%
Ascometal France Holding S.A.S. <sup>4)</sup>	Hagondange (FR)	EUR	60,000,000	10,000,000	100.00%	100.00%

<sup>1)</sup> von Moos Stahl AG was liquidated on January 21, 2020.

<sup>2)</sup> Renamed until rebranding.

<sup>3)</sup> Capital increase as of January 14, 2020. Renamed until rebranding.

<sup>4)</sup> Capital increase as of June 18, 2020.

The information on the indirectly owned subsidiaries is included in note 37 of the consolidated financial statements of this Annual Report.



## 2. Capital reduction / capital increase

At the Extraordinary General Meeting on December 2, 2019, shareholders approved the capital reduction and simultaneous capital increase of CHF 325.0 million proposed by the Board of Directors. The capital increase was legally completed on January 8, 2020.

The capital increase was executed by issuing 1,083,333,333 new registered shares with a nominal value of CHF 0.30 each. Immediately prior to this, the nominal value of all existing registered shares was reduced to CHF 0.30. The total amount of the capital reduction, at CHF 189.0 million, less costs of the capital increase of CHF 10.1 Mio., was allocated to the capital reserve. The new registered shares were listed and first traded on the Swiss Exchange on January 9, 2020.

At the Extraordinary General Meeting on September 21, 2020, the shareholders of Swiss Steel Holding AG approved the reduction of the nominal value per share from CHF 0.30 to CHF 0.15. The total amount of the nominal value reduction, at CHF 304.2 million, was allocated to the retained earnings available for appropriation. The new share capital of Swiss Steel Holding AG (formerly SCHMOLZ + BICKENBACH AG) entered in the commercial register is CHF 304,249,999.95 and is divided into 2,028,333,333 registered shares with a nominal value of CHF 0.15 each. Of the existing legal reserves from capital contributions of CHF 1,031.7 million, CHF 842.7 million are distributed on a tax-free basis.

in CHF million	Share capital	Legal reserves from capital contributions	Legal reserves	Retained earnings available for appropriation	Own capital shares	Total equity
<b>1.1.2020</b>	<b>472.5</b>	<b>852.8</b>	<b>6.9</b>	<b>-903.9</b>	<b>-1.4</b>	<b>426.8</b>
Capital increase	325.0	0.0	0.0	0.0	0.0	325.0
Capital decrease January 2020	-189.0	189.0	0.0	0.0	0.0	0.0
Transaction costs	0.0	-10.1	0.0	0.0	0.0	-10.1
Capital decrease September 2020	-304.2	0.0	0.0	304.2	0.0	0.0
Sale of employee shares BoD	0.0	0.0	0.0	0.0	0.8	0.8
Annual result	0.0	0.0	0.0	-450.5	0.0	-450.5
<b>31.12.2020</b>	<b>304.3</b>	<b>1,031.7</b>	<b>6.9</b>	<b>-1,050.2</b>	<b>-0.6</b>	<b>292.0</b>

## 3. Depreciation and amortization of non-current assets

In the fiscal year 2020, an impairment totaling CHF 268.6 million (2019: CHF 484.3 million) was recognized on the investments as a consequence of the impairment of non-current assets in the direct and indirect investments, as well as the impairment of loans of CHF 167.4 million (2019: CHF 194.8 million). This impairment affects the Deutsche Edelstahlwerke (DEW) business unit, which is held by Swiss Steel Edelstahl GmbH. In addition, the impairment on the investments of the Ascometal business unit led to an impairment of the corresponding direct investment.

#### 4. Contingent liabilities and pledges

There are contingent liabilities in favor of:

million CHF	31.12.2020	31.12.2019
Group companies	204.6	485.1

The following collateral was pledged to lending banks and bond creditors in the form of pledges of company shares and assignment of receivables:

million CHF	31.12.2020	31.12.2019
Investments	90.3	90.3
Current receivables, Group	15.5	18.3
<b>Total</b>	<b>105.8</b>	<b>108.5</b>

#### 5. Significant shareholders

As of December 31, 2020, the Company was aware of the following shareholders with share capital and voting rights above the 3 % threshold:

	31.12.2020		31.12.2019	
	Shares <sup>1)</sup>	in percent	Shares	in percent
Liwet Holding AG	507,083,333	25.00	280,387,296	29.67
SCHMOLZ + BICKENBACH Beteiligungs GmbH <sup>2)</sup>	-	-	95,384,272	10.09
BigPoint Holding AG/Martin Haefner <sup>3)</sup>	1,005,727,413	49.58	163,375,000	17.50

<sup>1)</sup> Percentage of shares issued as reported by the shareholder / as per the share register of Swiss Steel Holding AG.

<sup>2)</sup> On 7.1.2020, BigPoint Holding AG fully acquired the 10.09% stake held by SCHMOLZ + BICKENBACH Beteiligungs GmbH in Swiss Steel Holding AG (then SCHMOLZ + BICKENBACH AG).

<sup>3)</sup> As per 31.12.2020, the participation is held exclusively by BigPoint Holding AG.

At 49.58 %, BigPoint Holding AG is the Company's largest shareholder. Liwet Holding AG holds 25.00 %, of which 11.11 % are attributable to Viktor Vekselberg. The remaining 25.42 % of the shares are in free float. Otherwise there were no changes in the significant shareholders during the fiscal year 2020 which were reported to the Company and the Disclosure Office of SIX Swiss Exchange AG. Any changes subject to the notification requirements are published on the Internet ([www.six-exchange-regulation.com](http://www.six-exchange-regulation.com)).

#### 6. Authorized capital

As of December 31, 2020, there was no longer any authorized capital due to an amendment of the articles of incorporation on September 21, 2020 (December 31, 2019: authorized capital of CHF 236,250,000).

#### 7. Conditional capital

As of December 31, 2020, there was no longer any authorized capital due to an amendment of the articles of incorporation on September 21, 2020 (December 31, 2019: authorized capital of CHF 110,000,000).

## 8. Shareholdings

### 8.1 Shares owned by members of the Board of Directors

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

Board of Directors <sup>1)</sup>		Number of shares		Number of entitlements <sup>2)</sup>
		31.12.2020	31.12.2019	31.12.2020
Heinrich Christen (CH) <sup>3)</sup>	Chairman <sup>9)</sup>	950,000	-	317,023
Jens Alder (CH) <sup>6)</sup>	former Chairman	494,658	-	717,220
Martin Haefner (CH) <sup>5) 10)</sup>	former Vice-Chairman	1,005,727,413	165,375,000	-
Dr. Svein Richard Brandtzæg (NO) <sup>3)</sup>	Member	-	-	224,206
David Metzger (CH/FR) <sup>3)</sup>	Member	-	-	298,942
Dr. Michael Schwarzkopf (AT) <sup>3)</sup>	Member	-	-	224,206
Karin Sonnenmoser (DE) <sup>3)</sup>	Member	-	-	224,206
Jörg Walther (CH) <sup>3)</sup>	Member	-	-	298,942
Michael Büchter (DE) <sup>5)</sup>	Member	606,631	460,890	-
Isabel Corinna Knauf (DE) <sup>5)</sup>	Member	241,658	96,390	-
Adrian Widmer (CH) <sup>8)</sup>	Member	197,864	-	298,942
Alexey Moskov (CYP) <sup>5)</sup>	Member	197,864	-	-
Dr. Oliver Thum (DE) <sup>4)</sup>	Member	580,527	469,228	-
<b>Total amount</b>		<b>1,008,996,615</b>	<b>166,401,508</b>	<b>2,603,687</b>

<sup>1)</sup> Including shares held by «related parties» of members of the Board of Directors (see note 35 to the consolidated financial statements as of 31.12.2020).

<sup>2)</sup> This item shows the respective number of shares of the Company that were earned pro rata temporis during the current term of office by the members of the Board of Directors as of December 31, 2020. These shares, including the remaining portion of shares for the period from January 1, 2021 to the AGM 2021, will be transferred to the members of the Board of Directors after the AGM 2021. No options will be allocated.

<sup>3)</sup> Member of the Board of Directors since April 28, 2020; Chairman since December 23, 2020.

<sup>4)</sup> Member of the Board of Directors until January 24, 2020.

<sup>5)</sup> Member of the Board of Directors until April 28, 2020.

<sup>6)</sup> Member of the Board of Directors until December 22, 2020.

<sup>7)</sup> Member of the Board of Directors until April 30, 2019.

<sup>8)</sup> Member of the Board of Directors since April 30, 2019.

<sup>9)</sup> Chairman since December 23, 2020. Vice-Chairmen until December 22, 2020.

<sup>10)</sup> The shares are held by BigPoint Holding AG.

### 8.2 Shares owned by members of the Executive Committee

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

Executive Board <sup>1)</sup>		Number of shares	
		31.12.2020	31.12.2019
Clemens Iller (DE)	CEO	1,251,336	1,251,336
Matthias Wellhausen (DE)	CFO	450,356	450,356
<b>Total Executive Board</b>		<b>1,701,692</b>	<b>1,701,692</b>

<sup>1)</sup> Including shares held by «related parties» of members of the Executive Committee.

As of August 12, 2020 Mr. Josef Schultheis joined as CRO, as of October 01, 2020 Mr. Markus Boening is the new CFO of Swiss Steel Holding AG, both have no shares in Swiss Steel Holding AG as of December 31, 2020.

## 9. Treasury shares

	Date	Share price in CHF	Share
<b>Treasury stock as at 31.12.2018</b>			<b>1,991,548</b>
Purchase of treasury shares	Jan 19	0.55-0.61	244,006
Disposals of own shares	Jan 19	0.55-0.61	-265,006
Purchase of treasury shares	Feb 19	0.55-0.58	305,006
Disposals of own shares	Feb 19	0.55-0.58	-335,006
Purchase of treasury shares	Mar 19	0.44-0.59	541,285
Disposals of own shares	Mar 19	0.44-0.59	-262,152
Purchase of treasury shares	Apr 19	0.43-0.49	84,929
Disposals of own shares	Apr 19	0.43-0.49	-120,003
Purchase of treasury shares	May 19	0.46-0.52	1,555,830
Sale of employee shares BoD	May 19	0.78	-881,711
Purchase of treasury shares	May 19	0.42-0.52	233,069
Disposals of own shares	May 19	0.42-0.52	-146,735
Sale of employee shares EB	Jun 19	0.48	-1,296,456
Purchase of treasury shares	Jun 19	0.46-0.47	1,210,525
Purchase of treasury shares	Jun 19	0.46-0.47	112,741
Disposals of own shares	Jun 19	0.46-0.47	-55,007
Purchase of treasury shares	Jul 19	0.34-0.47	65,270
Disposals of own shares	Jul 19	0.34-0.47	-22,004
Purchase of treasury shares	Aug 19	0.30-0.33	80,007
Disposals of own shares	Aug 19	0.30-0.33	-424,626
Purchase of treasury shares	Dec 19	0.52	10
<b>Treasury shares as of 31.12.2019</b>			<b>2,615,520</b>
Sale of employee shares BoD	May 20	0.52	-1,490,558
<b>Treasury shares as of 31.12.2020</b>			<b>1,124,962</b>

## 10. Share-based compensation

During the reporting period, 1,490,558 shares for a total cost value of CHF 0.78 million were allocated to the members of the Board of Directors and Executive Board (Board of Directors only). In 2019, a total of 2,178,167 shares for a total cost value of CHF 1.31 million were allocated to the members of the Board of Directors and Executive Board (Board of Directors 881,711; Executive Board 1,296,456).

## 11. Other statutory disclosures

Fulltime equivalents in yearly average	31.12.2020	31.12.2019
Up to ten full-time equivalents	-	-
> 10 to 50 full-time equivalents	-	-
> 50 to 250 full-time equivalents	X	X
> 250 full-time equivalents	-	-

## 12. Lease obligations

Payments under existing leases extend over the following maturity profile:

in CHF million	31.12.2020	31.12.2019
< 1 year	0.7	0.7
1 to 5 years	2.2	2.4
> 5 years	0.0	0.6
<b>Total</b>	<b>2.9</b>	<b>3.6</b>

## 13. Subsequent events

At the Extraordinary General Meeting, the Group resolved to increase the equity of Swiss Steel Holding AG. It is planned to issue 1,030,524,138 new registered shares with a nominal value of CHF 0.15 each, which will increase the share capital from currently CHF 304.2 million by CHF 154.6 million to CHF 458.8 million. In order to ensure the targeted minimum gross proceeds of EUR 200 million, BigPoint Holding AG has committed to exercise all of its subscription rights in the capital increase. In addition, BigPoint Holding AG has undertaken, if and to the extent that further shares offered in the capital increase are not subscribed by other shareholders or investors at a price of at least CHF 0.21, to also subscribe for these shares at the aforementioned minimum price.

The shareholders of Swiss Steel Holding AG approved the capital increase with 66.85 % of the votes represented.

Following the Extraordinary General Meeting, the second largest shareholder, Liwet Holding AG, obtained a block on the registration of the capital increase from the Commercial Register Office of the Canton of Lucerne.

In its decision of January 29, 2021, the District Court of Lucerne rejected Liwet's request in its entirety and found that Liwet had not substantiated any grounds for contestability of the resolved capital increase.

After the expiry of the appeal period on February 9, 2021, the Group intends to realize the capital increase resolved by the Extraordinary General Meeting on December 22, 2020 by March 22, 2021 at the latest.

# Report of the statutory auditor on the financial statements

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

Zürich, 1 March 2021

As statutory auditor, we have audited the financial statements of Swiss Steel Holding Ltd., which comprise the income statement, balance sheet and notes (pages 192 to 201), for the year ended 31 December 2020.

## **Board of Directors' responsibility**

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

## **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

### **Emphasis of matter**

We draw attention to the section Going Concern in the notes to the financial statements, which indicates that the capital increase resolved at the general meeting on 22 December 2020 is expected to be completed by 22 March 2021. If the capital increase does not take place, the financial covenants of the existing loans, aside from the shareholder loan are still to be negotiated with the banks. The future ability to meet its financial obligations is dependent on the compliance with financial covenants that may still have to be negotiated. The compliance with them also depends on the implementation of operational restructuring measures and the future development in the relevant end customer markets of Swiss Steel Holding Ltd. These facts indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. Our audit opinion is not modified in respect of this matter.

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

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. In addition to the matter described in the *Emphasis of matter* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

## **Impairments of investments and receivables from subsidiaries**

### **Risk**

The Company holds direct and indirect investments in various subsidiaries with a carrying amount of CHF 308.2 million as of 31 December 2020. An overview can be found in note 1 to the financial statements. Moreover, the Company has amounts due from subsidiaries totalling CHF 444.6 million as of 31 December 2020. The Company calculates the recoverable amount of its investments based on net asset values or estimated values in use. Management uses a variety of valuation methods and makes assumptions and estimates that require the use of judgement. For instance, the estimates and assumptions are based on updated medium-term plans, the expected volatility in quantity and in steel prices, as well as the discount rate used. Moreover, internal operational changes and ongoing improvements initiated by Management have an influence on budgeted numbers. The medium-term plans were updated by Management over the course of the year as new information became available, and validated by an external expert. As disclosed in note 3 to the financial statements, impairments in the amount of CHF 268.8 million were recognized on investments and CHF 167.4 million on amounts due from subsidiaries. Due to the significance of investments and receivables from subsidiaries and the uncertainties relating to significant estimates and assumptions, impairment of investments and receivables from subsidiaries is a key matter in our audit.

### **Our audit response**

We tested the analyses prepared by Management, which in some cases consisted of comparing the net assets values with the subsidiary's equity. If the assessment of the recoverability of investments and receivables from subsidiaries was done using estimated values in use, our audit comprised a comparison of Management's estimates such as available market data, a discussion with Management of the updated medium-term planning and initiated improvements, and the assessment of the significant estimates made by Management by means of sensitivity analyses on the basis of various scenarios and assessment of these for consistency. We involved internal valuation specialists in the assessment of the appropriateness and the clerical accuracy of the models used in the impairment tests and the discount rates. We also reviewed the report of the updated medium-term plans prepared by an external expert and held discussions with Management on the results of the impairment assessments. Our audit procedures did not lead to any reservations regarding the impairment of investments and receivables from subsidiaries.



**Report on other legal requirements**

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

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

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

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

Ernst & Young Ltd

Christian Schibler

Licensed audit expert  
(Auditor in charge)

Max Lienhard

Licensed audit expert

# GRI content index

GRI standards	Information	Comment/reference
<b>GRI 101: 2016</b>	<b>Foundation</b>	
<b>GRI 102: 2016</b>	<b>General disclosures</b>	
	<b>Organizational profile</b>	
102-1	Name of the organization	Swiss Steel Holding AG
102-2	Activities, brands, products, and services	P. 6 – 15
102-3	Location of headquarters	Landenbergstrasse 11, CH-6005 Lucerne
102-4	Location of operations	P. 11
102-5	Ownership and legal form	P. 70 – 71
102-6	Markets served	P. 11
102-7	Scale of the organization	P. 183 – 184
102-8	Information on employees and other workers	P. 45 – 46
102-9	Supply chain	P. 9, p. 14 and p. 23 – 24
102-10	Significant changes to the organization and its supply chain	No significant changes
102-11	Precautionary principle or approach	P. 24 – 26 and p. 54 – 64
102-12	External initiatives	Supporter of the Carbon Disclosure Project (CDP)
102-13	Membership of associations	A member of, among others, World Steel Association (worldsteel), International Stainless Steel Forum (ISSF), Association of German Steel Manufacturers (VDEh), European Steel Association (EUROFER), Research Association for Steel Applications (FOSTA)
	<b>Strategy</b>	
102-14	Statement from senior decision-maker	P. 2 – 5 and p. 47 – 49
	<b>Ethics and integrity</b>	
102-16	Values, principles, standards, and norms of behavior	P. 24 – 26 and p. 54 – 64
	<b>Governance</b>	
102-18	Governance structure	P. 70 – 93
	<b>Stakeholder involvement</b>	
102-40	List of stakeholder groups	P. 48 – 49
102-41	Collective bargaining agreements	P. 46
102-42	Identifying and selecting stakeholders	P. 48 – 49
102-43	Approach to stakeholder engagement	P. 5, p. 23, p. 48 – 49 and p. 51 – 52
102-44	Key topics and concerns raised	P. 48 – 49
	<b>Reporting practice</b>	
102-45	Entities included in the consolidated financial statements	P. 136, p. 183 – 184
102-46	Defining report content and topic boundaries	P. 5, p. 48 – 49
102-47	List of material topics	P. 5
102-48	Restatements of information	Scope 2 emissions are now shown absolute and specific.
102-49	Changes in reporting	No
102-50	Reporting period	1.1 – 31.12.2020
102-51	Date of most recent report	11.3.2020, Annual Report 2019

<b>GRI standards</b>	<b>Information</b>	<b>Comment/reference</b>
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	Daniel Geiger, Vice President Corporate Accounting & Investor Relations, d.geiger@swisssteelgroup.com
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index	P. 206 – 208
102-56	External assurance	None
<b>Topic specific standards</b>		
<b>GRI 200</b>	<b>Economic standards</b>	
<b>GRI 201: 2016</b>	<b>Economic performance</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 24 – 26
201-1	Direct economic value generated and distributed	P. 27 – 37, p. 47
201-3	Defined benefit plan obligations and other retirement plans	Note 26 “Pensions”
201-4	Financial support from the government	Note 13 “Government grants”
<b>GRI 205: 2016</b>	<b>Anti-corruption</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 24 – 26
205-2	Communication and training about anti-corruption policies and procedures	All employees and management bodies are informed about the Anti-Corruption Guidelines.
205-3	Confirmed incidents of corruption and actions taken	No incidents observed
<b>GRI 206: 2016</b>	<b>Anti-competitive behavior</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 59 – 60
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	P. 174 – 175
<b>GRI 300</b>	<b>Environmental standards</b>	
<b>GRI 301: 2016</b>	<b>Materials</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 41 – 42
301-2	Recycled input materials used	P. 14, p. 24
<b>GRI 302: 2016</b>	<b>Energy</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 41 – 42
302-3	Energy intensity	P. 42
<b>GRI 303: 2016</b>	<b>Water and effluents</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 41 – 42
303-1	Water withdrawal	P. 42
<b>GRI 305: 2016</b>	<b>Emissions</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 39 – 41
305-1	Direct (Scope 1) GHG emissions	P. 39
305-2	Energy indirect (Scope 2) GHG emissions	P. 40
305-4	GHG emissions intensity	P. 39
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	P. 40 – 41
<b>GRI 306: 2016</b>	<b>Effluents and waste</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 41
306-2	Waste by type and disposal method	P. 41

<b>GRI standards</b>	<b>Information</b>	<b>Comment/reference</b>
<b>GRI 307: 2016</b>	<b>Environmental compliance</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 38 – 42
307-1	Non-compliance with environmental legislation and regulations	P. 63; no fines/sanctions observed
<b>GRI 400</b>	<b>Social standards</b>	
<b>GRI 401: 2016</b>	<b>Employment</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 45 – 46
401-1	New employee hires and employee turnover	P. 32, p. 46
<b>GRI 403: 2016</b>	<b>Occupational health and safety</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 43 – 45
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	P. 44 – 45
<b>GRI 404: 2016</b>	<b>Training and education</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 45 – 46
404-2	Programs for upgrading employee skills and transition assistance programs	P. 45 – 46
<b>GRI 407: 2016</b>	<b>Freedom of association and collective bargaining</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 46
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	P. 46; no operations observed
<b>GRI 413: 2016</b>	<b>Local communities</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 47 – 49
413-1	Operations with local community engagement, impact assessments, and development programs	P. 47; all production sites are taking steps to engage local communities
<b>GRI 414: 2016</b>	<b>Supplier social assessment</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 23 – 24
414-1	New suppliers that were screened using social criteria	P. 23 – 24
<b>GRI 417: 2016</b>	<b>Marketing and labeling</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 23 – 26
417-1	Products and services information and labeling requirements	P. 23 – 26
417-2	Breaches in connection with products and services and information and labeling	No breaches observed
417-3	Breaches in connection with marketing and communications	No breaches observed
<b>GRI 419: 2016</b>	<b>Socio-economic compliance</b>	
103: 2016 103-1 / 103-2 / 103-3	Management approach	P. 24 – 26
419-1	Non-compliance with socio-economic legislation and regulations	No breaches observed

# Glossary

## A |

**Adjusted EBITDA margin (%)** Ratio of adjusted EBITDA to revenue

**Adjusted EBITDA** Operating profit before depreciation, amortization and non-recurring effects

## C |

**Capital employed** Net working capital plus intangible assets (excl. goodwill) plus property, plant and equipment

**Cash flow before changes in net working capital** Cash flow from operating activities excluding changes in net working capital

## E |

**EAT** Group result, earnings after taxes

**EBIT** Earnings before interest and taxes

**EBITDA** Earnings before interest, taxes, depreciation and amortization

**EBITDA leverage** Ratio of net debt to adjusted EBITDA

**EBITDA margin (%)** Ratio of EBITDA to revenue

**EBT** Earnings before taxes

**Equity ratio** Ratio of shareholders' equity to total assets

## F |

**Free cash flow** Cash flow from operating activities plus cash flow from investing activities

## G |

**Gearing** Ratio of net debt to shareholders' equity

**Gross margin** Revenue plus change in semi-finished and finished goods less cost of materials

**Gross margin (%)** Ratio of gross margin to revenue

## I |

**Investment ratio** Ratio of investments to depreciation/amortization

## N |

**Net financial expense** Financial expense less financial income

**Net debt** Non-current financial liabilities plus current financial liabilities less cash and cash equivalents

**Net working capital/revenue** Ratio of net working capital as of reporting date to annualized quarterly revenue

**Net working capital** Inventories plus trade accounts receivable less trade accounts payable

## O |

**Operating Free Cash Flow** Adjusted EBITDA +/- change in inventories, trade accounts receivable and payable less segment investments less capitalized borrowing costs

## R |

**ROCE** Return on capital employed

# Abbreviations

**ABS** asset backed securities

**a.i.** ad interim

**BetrAVG** German Company Pensions Act

**approx.** approximately

**CEO** Chief Executive Officer

**CFO** Chief Financial Officer

**CGU** cash-generating unit

**CHF** Swiss franc

**DEW** Deutsche Edelstahlwerke

**i.e.** id est (that is)

**EAF** Electric Arc Furnace

**ERM** enterprise risk management

**EUR** euro

**R&D** research and development

**IAS** International Accounting Standards

**IASB** International Accounting Standards Board

**IFRIC** International Financial Reporting Interpretations Committee

**IFRS** International Financial Reporting Standards

**n/a** not applicable

**kg** kilogram

**kt** kiloton

**m<sup>3</sup>** cubic meter

**mg** milligram

**m** million

**nm** not meaningful

**CO** Swiss Code of Obligations

**p.a.** per annum

**RSH steel** stainless steel resistant to rust, acid and heat

**SPI** Swiss Performance Index

**t** ton

**USD** US dollar

**VegüV** Swiss Ordinance against Excessive Compensation in Listed Stock Corporations

**e.g.** for example

# Legal notice

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This annual report contains forward-looking statements, including presentations of developments, plans, intentions, assumptions, expectations, beliefs and potential impacts as well as descriptions of future events, income, results, situations or outlooks. These are based on the Company's current expectations, beliefs and assumptions, which are subject to uncertainty and may differ materially from the current facts, situation, impact or developments.

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

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