2020

Interim report 3rd quarter

Swiss Steel Group

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

Together.
For a future that matters.

Contents

Key figures

Swiss Steel Group	Unit	9M 2020	9M 2019	Δ in %	Q3 2020	Q3 2019	Δ in %
Sales volume	kilotons	1,090	1,442	−24.4	332	405	−18.0
Revenue	million EUR	1,683.9	2,361.8	−28.7	509.4	670.1	−24.0
Average sales price	EUR/t	1,544.9	1,637.9	−5.7	1,534.3	1,654.6	−7.3
Adjusted EBITDA	million EUR	−73.0	49.9	–	−21.1	−32.9	35.9
EBITDA	million EUR	−90.1	2.6	–	−28.8	−64.2	55.1
Adjusted EBITDA margin	%	−4.3	2.1	–	−4.1	−4.9	–
EBITDA margin	%	−5.4	0.1	–	−5.7	−9.6	–
EBIT	million EUR	−243.9	−372.7	34.6	−52.6	−388.3	86.5
Earnings before taxes	million EUR	−278.7	−410.8	32.2	−64.0	−402.6	84.1
Group result	million EUR	−267.8	−445.1	39.8	−66.3	−432.2	84.7
Investments	million EUR	53.8	82.3	−34.6	20.4	34.6	−41.0
Free cash flow	million EUR	−79.9	41.5	–	9.3	6.0	55.0
	Unit	30.9.2020	31.12.2019	Δ in %			
Net debt	million EUR	610.4	797.6	−23.5			
Shareholders' equity	million EUR	184.8	183.8	0.5			
Gearing	%	330.3	433.9	–			
Net debt/adj. EBITDA LTM (leverage)	x	n/a	15.6	–			
Balance sheet total	million EUR	1,687.7	1,919.1	−12.1			
Equity ratio	%	10.9	9.6	–			
Employees as at closing date	Positions	10,041	10,318	−2.7			
Capital employed	million EUR	1,247.9	1,384.1	−9.8			
	Unit	9M 2020	9M 2019	Δ in %	Q3 2020	Q3 2019	Δ in %
Earnings/share [1)]	EUR/CHF	−0.13/-0.14	−0.47/-0.53	–	−0.03/−0.03	−0.46/-0.51	–
Shareholders' equity/share [2)]	EUR/CHF	0.09/0.1	0.19/0.21	–	0.09/0.1	0.19/0.21	–
Share price high/low	CHF	0.340/0.126	0.617/0.192	–	0.190/0.146	0,830/0.733	–

1) Earnings per share are based on the result of the Group after deduction of the portions attributable to non-controlling interests.
2) As at September 30, 2020 and as at December 31, 2019

Five-quarter overview

	Unit	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Key operational figures						
Production volume	kilotons	395	437	525	332	348
Sales volume	kilotons	405	388	457	301	332
Order backlog	kilotons	392	417	431	304	359
Income statement						
Revenue	million EUR	670.1	619.0	704.5	469.9	509.4
Average sales price	EUR/t	1,654.6	1,595.4	1,541.6	1,561.1	1,534.3
Gross profit	million EUR	197.1	194.8	239.3	154.5	165.1
Adjusted EBITDA	million EUR	–32.9	1.4	–6.1	–45.8	–21.1
EBITDA	million EUR	–64.2	–15.1	–7.6	–53.7	–28.8
EBIT	million EUR	–388.3	–52.7	–31.7	–159.6	–52.6
Earnings before taxes	million EUR	–402.6	–72.2	–43.7	–171.0	–64.0
Group result	million EUR	–432.2	–75.9	–42.3	–159.1	–66.3
Cash flow/investments/depreciation/amortization						
Cash flow before changes in net working capital	million EUR	–33.9	–88.0	18.3	–28.0	–47.8
Cash flow from operating activities	million EUR	37.3	2.2	–74.1	13.4	27.0
Cash flow from investing activities	million EUR	–31.3	–50.8	–13.2	–15.3	–17.7
Free cash flow	million EUR	6.0	–48.6	–87.3	–1.9	9.3
Investments	million EUR	34.6	56.0	14.6	18.8	20.4
Depreciation, amortization and impairments	million EUR	324.1	37.6	24.1	105.9	23.7
Net assets and financial structure						
Non-current assets	million EUR	623.1	635.4	629.7	542.5	533.7
Current assets	million EUR	1,390.5	1,283.7	1,341.0	1,214.5	1,154.0
Net working capital	million EUR	872.1	773.1	862.3	820.0	739.2
Balance sheet total	million EUR	2,013.6	1,919.1	1,970.6	1,757.1	1,687.7
Shareholders' equity	million EUR	211.5	183.8	451.9	262.0	184.8
Non-current liabilities	million EUR	994.8	644.5	776.5	878.2	890.7
Current liabilities	million EUR	795.0	1,090.8	742.2	616.8	612.2
Net debt	million EUR	723.5	797.6	608.6	624.9	610.4
Employees						
Employees as at closing date	Positions	10,451	10,318	10,236	10,139	10,041
Value management						
Capital employed	million EUR	1,460.8	1,384.1	1,466.6	1,336.9	1,247.9
Key figures on profit/net assets and financial structure						
Gross profit margin	%	29.4	31.5	34.0	32.9	32.4
Adjusted EBITDA margin	%	–4.9	0.2	–0.9	–9.7	–4.1
EBITDA margin	%	–9.6	–2.4	–1.1	–11.4	–5.7
Equity ratio	%	10.5	9.6	22.9	14.9	10.9
Net debt/adj. EBITDA LTM (leverage)	x	8.2	15.6	209.9	n/a	n/a
Net working capital/revenue (L3M annualized)	%	32.5	31.2	30.6	43.6	36.3

Dear shareholders,

With the change of name to Swiss Steel Group, the broadening and deepening of the scope of the transformation program, and the completion of the financing concept, the Group has reached three major milestones on the road to achieving the turnaround. What is more, the required COVID-19 safeguards and concepts have also been expanded, enabling us and our treasured employees to cope well to this point with this ongoing very difficult situation. Although the volume in the third quarter was not at the same level as last year, for seasonal reasons and due to the current crisis, we are seeing signs that the situation is normalizing.

After two disappointing quarters due to COVID-19, the third quarter of 2020 got off to a cautiously positive start, and sales normalized in the second half of August after production capacities were ramped up smoothly following the summer break. The first signs of improvement have come from the automotive industry, while the recovery in mechanical and plant engineering as well as in the energy segment, especially with oil and gas, remains sluggish. As a consequence, production for the automotive industry was scaled up again and short-time work was reduced in the respective production areas. The upswing-driven sales improvement is also reflected in the order books, though we are still noticing very short-term ordering patterns among our customers. This makes it difficult to assess how sustainable this recovery is.

With a focus on adapting our business model and optimizing our cost structure, we have further extended our transformation program. For the purpose of improving our market presence and customer service, the two Swiss operating business units are being merged to create one new strong Swiss production center under joint management. To secure the short-term cost savings made from the application of short-time work for the long term as well, we have pressed ahead with changes to our workforce through socially responsible measures, especially in Germany. The cost synergies that will be achieved will be hedged through the conclusion of a collective restructuring agreement. With the gradual implementation of our transformation program we have already improved our cost position significantly. Despite the decline in sales volumes and an unsatisfactory revenue situation compared with the same quarter last year, this has enabled us to achieve a better EBITDA result.

Thanks to consistent liquidity management with a focus on working capital and investments, we have kept net debt at a stable level. With the aid of government-backed loans in Switzerland and France, as well as support from our principal shareholders, we have finalized our long-term financing concept. So, we are in good financial shape to deal with future challenges.

Looking ahead to the fourth quarter of 2020, we are expecting to see further recovery, at least for the automotive industry, with sales volumes potentially increasingly matching the level of the same quarter last year. This recovery has been driven more and more by supplier industries replenishing their inventories and by positive signals from the automotive sales market. In mechanical and plant engineering, it will probably take some time for the shoots of recovery to appear, so we are not expecting any upswing before the first quarter of 2021. In the oil and gas industry, we are still not anticipating an immediate uptick in demand despite a stabilization of the oil price and positive trend in rotary rig counts.

However, all these developments are also heavily dependent on how the ongoing and again intensifying COVID-19 crisis will affect demand patterns.

Signs of a cautious recovery, albeit very limited for seasonal and crisis-related reasons

The result in the seasonally weak third quarter of 2020 was still impacted by the effects of the COVID-19 crisis. Even though the demand situation had recovered somewhat by the end of the quarter, the sales volume was down to 332 kilotons from 405 kilotons in the same quarter of last year. Revenue decreased by 24.0 % to EUR 509.4 million. Changes to the cost structure meant that adjusted EBITDA, at EUR –21.1 million, was less negative year on year, improving from EUR –32.9 million. Net debt, compared with year-end 2019, fell by 23.5 % to EUR 610.4 million due to the successfully executed capital increase on January 8, 2020. Strict liquidity management enabled us to keep net debt stable despite the ongoing negative operating results.

Thanks to our shareholders, employees, and customers

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

Clemens Iller, CEO

Management report

Business environment

In the third quarter of 2020, our end markets and the raw material markets affected showed signs that the dramatic decline in production as a consequence of the measures taken to contain the global COVID-19 pandemic was starting to flatten.

The forecast of the International Monetary Fund (IMF) for global gross domestic product (GDP) growth in 2020 has improved slightly. In its recently published projection (from October 2020), the IMF anticipates that global GDP will contract by 4 %. In the industrialized countries, which represent the Swiss Steel Group's largest sales market, a 6 % decline in GDP compared with 2019 is now forecast. GDP in China is predicted to continue to grow, but only by 2 %, compared with 6 % in 2019. Business climate indicators, such as Purchasing Managers' Indices for the manufacturing sector in the USA, the eurozone, and China, returned to growth in the third quarter. The German Ifo Business Climate index also continued its recovery in the third quarter.

In the automotive industry, the recovery in Chinese production and the flattening of the decline in production in Europe and the USA also continued over the course of the third quarter. In China, passenger car production in the third quarter of 2020 recorded a rise of 8 % compared with the third quarter of 2019. According to LMC Automotive's projection from the end of October2020, 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) returned to growth year on year in September for the first time since the start of the year. However, production of light vehicles on the whole was still 9 % below the prior-year level in the third quarter of 2020. It was a similar picture for production of passenger cars in the USA, which, after reaching the prior-year level in certain months, was still down 3 % for the third quarter of 2020 overall.

In the German mechanical and plant engineering industry, the decline in production and incoming orders also tapered off. However, according to Germany's Federal Statistical Office, in the third quarter of 2020 these were still down year on year by 15 % and 11 % respectively.

In the third quarter of 2020, the developments in the global oil and gas industry compared with the previous quarter were marked by a rise in demand with an ongoing slight fall in production. However, year-on-year demand was down 8% and production 9% (source: US Energy Information Administration (EIA) status: October 2020). The crude oil price for West Texas Intermediate (WTI) was relatively stable in the third quarter, fluctuating between USD 36 and USD 44 per barrel. The start of the third quarter also saw signs of a recovery in the rotary rig count in the North American oil and gas industry after this had bottomed out at 278 at the end of June. At the close of the quarter, the rotary rig count was 332, up 19% over the course of the quarter, but more than 60% below the level of the start of the year (source: Baker Hughes).

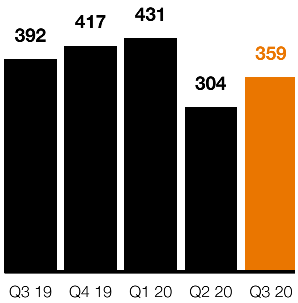
The prices of raw materials that are important for the Swiss Steel Group tended to rise further in the third quarter. Over the quarter, the price of nickel rose by 15%, while the European price of high carbon ferrochrome went up by 6%. The monthly average price for grade 2/8 German scrap declined in July, before rising in August and September. Overall, the prices for grade 2/8 German scrap rose by 9% over the quarter (source: BDSV). The price increases particularly in the second half of the quarter were mainly driven by greater demand and, in the case of nickel, by delivery bottlenecks and speculation relating to future demand from electro mobility.

Business development of the Group

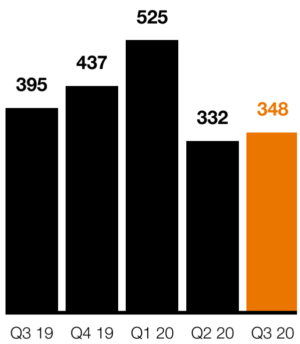
The financial figures in the third quarter of 2020 were affected by seasonally lower demand in the summer months and the impact of the COVID-19 crisis. Even though the demand situation had recovered somewhat by the end of the third quarter, sales volumes, revenue, and adjusted EBITDA remain low. Changes to the cost structure meant that adjusted EBITDA, at EUR −21.1 million, was less negative year on year despite the decrease in revenue. By managing our net working capital consistently and curbing investment, we were also able to achieve positive free cash flow of EUR 9.3 million.

Production, sales, and order situation

Order backlog at quarter-end
in kilotons



Production volume in the quarter
in kilotons



The order backlog at the end of September was 359 kilotons, 8.4 % below the prior-year level of 392 kilotons. This is attributable to overall weaker demand as a consequence of the COVID-19 crisis. While the order situation recovered somewhat in the automotive industry by the end of the third quarter, demand from the mechanical and plant engineering sector and the oil and gas industry remains very limited. After orders were lost due to COVID-19 in the second quarter of 2020, an improvement in the overall order situation was posted in the third quarter of 2020. With demand still weak, production was curbed in the third quarter of 2020 too and, at 348 kilotons, less crude steel was produced than in the prior-year quarter (Q3 2019: 395 kilotons).

Sales volume by product group in kilotons	9M 2020	9M 2019	Δ in %	Q3 2020	Q3 2019	Δ in %
Quality & engineering steel	773	1,069	−27.7	235	293	−19.8
Stainless steel	225	264	−14.8	68	79	−13.9
Tool steel	90	105	−14.3	28	32	−12.5
Others	2	4	−50.0	1	1	0.0
Total	**1,090**	**1,442**	**−24.4**	**332**	**405**	**−18.0**

At 332 kilotons, 18.0 % less steel was sold in the third quarter of 2020 than in the prior-year quarter (Q3 2019: 405 kilotons). This fall is evidenced in all product categories, though the decline in sales volume for quality & engineering steel was greatest at 19.8 %. As the recovery in demand from the automotive industry is taking a while to impact the sales volume, less quality & engineering steel was sold at the start of the third quarter of 2020 in particular than in the same quarter of last year. In addition, the fall in demand in mechanical and plant engineering, which is another key end customer market for quality & engineering steel, continued in the third quarter of 2020.

Sales volumes also decreased compared with the prior-year quarter in the two product groups of stainless steel and tool steel, but with less severe declines of 13.9 % and 12.5 % respectively. The oil price shock in the second quarter of 2020 led to a global downturn in the oil and gas industry. These impacts could still clearly be felt in the third quarter of 2020 too and were reflected particularly in a reduced sales volume for the tool steel product group.

Key figures on the income statement

in million EUR	9M 2020	9M 2019	Δ in %	Q3 2020	Q3 2019	Δ in %
Revenue	1,683.9	2,361.8	−28.7	509.4	670.1	−24.0
Gross profit	558.8	757.4	−26.2	165.1	197.1	−16.2
Adjusted EBITDA	−73.0	49.9	–	−21.1	−32.9	35.9
EBITDA	−90.1	2.6	–	−28.8	−64.2	55.1
Adjusted EBITDA margin (%)	−4.3	2.1	–	−4.1	−4.9	–
EBITDA margin (%)	−5.4	0.1	–	−5.7	−9.6	–
EBIT	−243.9	−372.7	34.6	−52.6	−388.3	86.5
Earnings before taxes	−278.7	−410.8	32.2	−64.0	−402.6	84.1
Group result	−267.8	−445.1	39.8	−66.3	−432.2	84.7

Revenue by product group in million EUR	9M 2020	9M 2019	Δ in %	Q3 2020	Q3 2019	Δ in %
Quality & engineering steel	714.6	1,128.9	−36.7	219.1	302.0	−27.5
Stainless steel	673.5	834.7	−19.3	197.1	250.6	−21.3
Tool steel	251.2	328.1	−23.4	79.1	98.7	−19.9
Others	44.6	70.1	−36.4	14.1	18.8	−25.0
Total	**1,683.9**	**2,361.8**	**−28.7**	**509.4**	**670.1**	**−24.0**

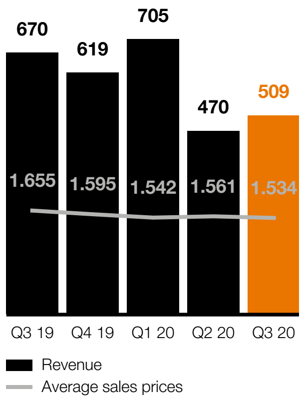
Revenue by region in million EUR	9M 2020	9M 2019	Δ in %	Q3 2020	Q3 2019	Δ in %
Germany	620.4	883.9	–29.8	186.3	248.8	–25.1
Italy	195.6	277.3	–29.5	53.3	75.7	–29.6
France	178.6	255.5	–30.1	54.9	69.9	–21.5
Switzerland	28.1	40.9	–31.3	7.2	12.1	–40.5
Other Europe	316.5	427.6	–26.0	96.9	120.5	–19.6
Europe	**1,339.2**	**1,885.2**	**–29.0**	**398.6**	**527.0**	**–24.4**
USA	144.8	211.7	–31.6	43.4	65.2	–33.4
Canada	41.7	67.8	–38.5	11.7	18.6	–37.1
Other Americas	23.2	34.9	–33.5	8.3	10.6	–21.7
America	**209.7**	**314.4**	**–33.3**	**63.4**	**94.4**	**–32.8**
China	64.7	67.7	–4.4	24.0	21.7	10.6
India	17.0	25.8	–34.1	5.6	7.2	–22.2
Asia Pacific/Africa	53.3	68.6	–22.3	17.8	19.7	–9.6
Africa/Asia/Australia	**135.0**	**162.1**	**–16.7**	**47.4**	**48.6**	**–2.5**
Total	**1,683.9**	**2,361.8**	**–28.7**	**509.4**	**670.1**	**–24.0**

The average sales price per ton of steel was EUR 1,534.3 in the third quarter of 2020, 7.3 % lower than in the prior-year quarter (Q3 2019: EUR 1,654.6 per ton). This was despite the slightly positive movement in prices for scrap and alloy surcharges following the COVID-19-related slump. The decline is due to the ongoing high price pressure, which has particularly affected the stainless steel product group.

The negative development in prices and the contraction in sales volume led to revenue of EUR 509.4 million, down 24.0 % on the prior-year quarter. This decline was at its most pronounced in the quality & engineering steel product group, which posted a fall of 27.5 %. Revenue from stainless steel was down by 21.3 %, and from tool steel by 19.9 %.

Nearly all regions of the world posted a double-digit decline in revenue compared with the prior-year quarter. Only in China was positive growth recorded of 10.6 % compared with the prior-year quarter. The recovery of the Chinese automotive industry enabled the realization of higher revenues in the third quarter of 2020.

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



Expenses

in million EUR	9M 2020	9M 2019	Δ in %	Q3 2020	Q3 2019	Δ in %
Cost of materials (incl. change in semi-finished and finished goods)	1,125.1	1,604.4	–29.9	344.4	472.9	–27.2
Personnel expenses	469.6	533.0	–11.9	139.8	173.5	–19.4
Other operating expenses	214.2	265.0	–19.2	66.8	97.5	–31.5
Depreciation, amortization and impairments	153.8	375.3	–59.0	23.7	324.1	–92.7

Cost of materials and gross profit

Cost of materials – adjusted for the change in semi-finished and finished goods – fell, in comparison with the decline in revenue of 24.0%, by 27.2% to EUR 344.4 million. In addition to strict cost management and improved productivity, a less pronounced reduction in inventories compared with the prior-year quarter was a contributing factor.

Gross profit – revenue less cost of materials – declined by 16.2% to EUR 165.1 million (Q3 2019: EUR 197.1 million). The gross profit margin, meanwhile, rose to 32.4% (Q3 2019: 29.4%).

Personnel expenses

Personnel expenses decreased by 19.4% to EUR 139.8 million (Q3 2019: EUR 173.5 million). This was partly due to adapted shift models and short-time work programs in various countries. On the whole, in the third quarter of 2020, the Swiss Steel Group received EUR 8.5 million in compensation for short-time work, which was offset against personnel expenses. In addition, the provision created in the prior-year quarter for planned restructuring measures within the DEW Business Unit at EUR 10.0 million impacted negatively on personnel expenses in the same period of last year. The Group now has 410 fewer employees than it had at the end of the third quarter of 2019, with a current headcount of 10,041.

Other operating income and expenses

At EUR 12.8 million, other operating income was higher than in the prior-year quarter (Q3 2019: EUR 9.7 million). This was boosted in particular by income from own work capitalized. Other operating expenses fell by 31.5% to EUR 66.8 million (Q3 2019: EUR 97.5 million). The main drivers for the reduction in expenses were lower transport costs in the third quarter of 2020 and the valuation effect from forward contracts on nickel sales at EUR 8.4 million, which was included in the prior-year quarter.

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

Changes to the cost structure to accommodate the fall in demand and further progress in the transformation program meant that EBITDA adjusted for one-time effects, at EUR –21.1 million, improved versus the prior-year quarter despite the decline in revenue (Q3 2019: EUR –32.9 million). One-time effects amounted to EUR 7.7 million and are attributable to consultancy services in connection with efficiency improvement programs, restructuring measures, and the procurement of COVID-19 protective materials. Including these one-time effects, EBITDA rose to EUR –28.8 million (Q3 2019: EUR –64.2 million).

in million EUR	9M 2020	9M 2019	Δ in %	Q3 2020	Q3 2019	Δ in %
EBITDA (IFRS)	**–90.1**	**2.6**	**–**	**–28.8**	**–64.2**	**55.1**
Performance improvement program, others	13.0	16.0	–18.8	7.1	15.4	–53.9
Reorganization and transformation processes	0.5	3.1	–83.9	0.0	0.7	–
Restructuring and other personnel measures	3.4	16.0	–78.8	0.6	10.3	–94.2
M&A and integration	0.2	12.2	–98.4	0.0	5.0	–
Adjusted EBITDA	**–73.0**	**49.9**	**–**	**–21.1**	**–32.9**	**35.9**

As a result, the adjusted EBITDA margin rose to –4.1 % (Q3 2019: –4.9 %), and the EBITDA margin to –5.7 % (Q3 2019: –9.6 %).

Depreciation, amortization, and impairments

Depreciation, amortization, and impairments were EUR 23.7 million (Q3 2019: EUR 324.1 million), considerably below the prior-year level. In the third quarter of 2020, this included impairments of the Ascometal Business Unit amounting to EUR 8.2 million. In the same quarter of the prior year, the item included impairments of the Ascometal, DEW, Finkl Steel, and Steeltec Business Units amounting to EUR 297.4 million. As a consequence of the high impairment in the prior-year quarter, the carrying amounts relevant to depreciation and amortization were reduced, as a result of which depreciation and amortization in the third quarter of 2020, at EUR 15.5 million, were lower than in the same quarter of last year (Q3 2019: EUR 26.7 million).

Financial result

At EUR –11.4 million (Q3 2019: EUR –14.3 million), the financial result was lower than in the prior-year quarter. 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.

Tax expense

Due to the developments mentioned earlier, earnings before taxes (EBT) came to EUR –64.0 million (Q3 2019: EUR –402.6 million). Despite the negative earnings before taxes (EBT), there was a tax expense of EUR –2.4 million (Q3 2019: EUR –29.6 million). This is attributable to a change in composition of the profits and losses of the individual countries as well as non-capitalized deferred tax assets on temporary differences.

Group result

In the seasonally weak third quarter of 2020, which was also impacted by the consequences of the COVID-19 crisis, the Group posted a negative result of EUR –66.3 million. In the third quarter of 2019 this was significantly higher at EUR –432.2 million.

Key figures on the balance sheet

	Unit	30.9.2020	31.12.2019	Δ in %
Shareholders' equity	million EUR	184.8	183.8	0.5
Equity ratio	%	10.9	9.6	–
Net debt	million EUR	610.4	797.6	–23.5
Gearing	%	330.3	433.9	–
Net working capital (NWC)	million EUR	739.2	773.1	–4.4
Balance sheet total	million EUR	1,687.7	1,919.1	–12.1

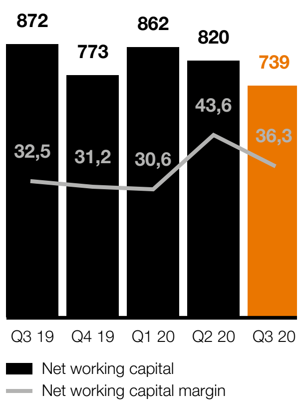
Non-current assets

Non-currents assets decreased by EUR 101.7 million compared with December 31, 2019 to EUR 533.7 million. This is mainly attributable to the impairments in the DEW and Ascometal business units of EUR 98.2 million. As a result, non-current assets shrank to 31.6 % of the balance sheet total (December 31, 2019: 33.1 %).

Net working capital

Compared with December 31, 2019, net working capital fell from EUR 773.1 million to EUR 739.2 million. This development resulted from a reduction of EUR 93.6 million in inventories and a drop of EUR 39.8 million in trade accounts receivable. These two effects outweighed the reduction of EUR 99.4 million in trade accounts payable. This drop in trade accounts payable was caused by generally shorter payment terms on the part of suppliers. Due to the fall in revenue, the ratio of net working capital to revenue on September 30, 2020, at 36.3 %, was higher than that on December 31, 2019, at 31.2 %.

Net working capital/revenue
in EUR million / in %



Shareholders' equity and equity ratio

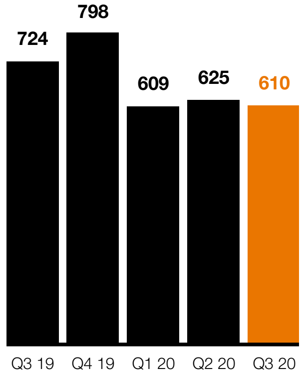
As at the end of September 2020, an increase of EUR 1.0 million in shareholders' equity was recorded compared with December 31, 2019. The negative Group result of EUR –267.8 million, the actuarial losses from pension liabilities of EUR 15,0 million after taxes, and the exchange losses of EUR 8.0 million in 2020 were more than offset by the capital increase of EUR 291.2 million. The reduction in the equity ratio since the start of 2020 however continued, such that it now stands at 10.9 %, still slightly above the figure for December 31, 2019 of 9.6 %.

Liabilities

Non-current liabilities amounted to EUR 890.7 million as at the reporting date and were thus EUR 246.2 million higher than on December 31, 2019, primarily as a result of the EUR 230.0 million increase in non-current financial liabilities. This increase was due in part to the topping-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 52.8 %.

Current liabilities decreased by EUR 478.6 million compared with the end of 2019. One reason for this is the repayment of the validly tendered bonds in the amount of EUR 328.8 million, triggered by the change of control brought about by the capital increase that took place on January 8, 2020. On the other hand, trade accounts payable fell significantly. The share of current liabilities in the balance sheet total fell to 36.3 % (December 31, 2019: 56.8 %).

Net debt
in EUR million / in relation to adj. EBITDA (last 12 months)



Net debt

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 610.4 million, a decrease on the figure as at December 31, 2019 (EUR 797.6 million). This was due to the capital increase in the first quarter of 2020 with subsequent redemption of the corporate bond. Despite ongoing negative operating results, the increase of net debt has been limited since early 2020.

Key figures on the cash flow statement

in million EUR	9M 2020	9M 2019	Δ in %	Q3 2020	Q3 2019	Δ in %
Cash flow before changes in net working capital	–57.5	45.4	–	–47.8	–33.9	–41.0
Cash flow from operating activities	–33.7	113.9	–	27.0	37.3	–27.6
Cash flow from investing activities	–46.2	–72.4	36.2	–17.7	–31.3	43.5
Free cash flow	–79.9	41.5	–	9.3	6.0	55.0
Cash flow from financing activities	84.5	–50.9	–	0.4	–22.2	–

Cash flow from operating activities

Cash flow from operating activities prior to changes in net working capital fell year on year in the third quarter of 2020 to EUR –47.8 million (Q3 2019: EUR –33.9 million). Despite negative earnings before taxes, positive cash flow from operating activities of EUR 27.0 million was generated (Q3 2019: EUR 37.3 million). This is thanks to consistent management of the net working capital, especially in relation to inventories.

Cash flow from investing activities

Cash flow from investing activities amounted to EUR –17.7 million, falling short of the EUR –31.3 million posted in the prior-year quarter. This is due to reduced investment in property, plant, and equipment as well as alignment of the maintenance investment with the lower production level. Optimization of the net working capital as well as the curbing of investment resulted in a positive free cash flow of EUR 9.3 million, which is above the figure for the prior-year quarter of EUR 6.0 million.

Cash flow from financing activities

The total inflow from financing activities in the third quarter of 2020 was EUR 0.4 million (Q3 2019: EUR –22.2 million). This was higher than in the same quarter last year. This is due to the government-backed bank loans guaranteed in the third quarter of 2020. More details can be found in the "Financing" section of this report.

Change in cash and cash equivalents

The overall change in cash and cash equivalents in the third quarter of 2020 was EUR 8.2 million (Q3 2019: EUR –15.5 million).

Business development of the divisions

Key figures divisions in million EUR	9M 2020	9M 2019	Δ in %	Q3 2020	Q3 2019	Δ in %
Production						
Revenue	1,525.0	2,139.4	−28.7	453.1	598.9	−24.3
Adjusted EBITDA	−76.2	26.3	–	−25.4	−37.6	32.4
EBITDA	−86.8	−6.0	–	−32.0	−57.1	44.0
Adjusted EBITDA margin (%)	−5.0	1.2	–	−5.6	−6.3	–
EBITDA margin (%)	−5.7	−0.3	–	−7.1	−9.5	–
Investments	49.3	76.3	−35.4	19.1	32.6	−41.4
Operating free cash flow	−103.4	30.8	–	33.5	−0.1	–
Employees as at closing date	8,627	8,962	−3.7	8,627	8,962	−3.7
Sales & Services						
Revenue	367.3	519.0	−29.2	110.8	154.2	−28.1
Adjusted EBITDA	12.4	30.7	−59.6	4.6	6.6	−30.3
EBITDA	12.2	30.4	−59.9	4.6	6.4	−28.1
Adjusted EBITDA margin (%)	3.4	5.9	–	4.2	4.3	–
EBITDA margin (%)	3.3	5.9	–	4.2	4.2	–
Investments	4.1	5.1	−19.6	1.1	1.7	−35.3
Operating free cash flow	18.7	17.9	4.5	1.5	12.3	−87.8
Employees as at closing date	1,309	1,375	−4.8	1,309	1,375	−4.8

Production

The *Production* division recorded a decrease in revenue of 24.3 % compared with the prior-year period. This was primarily due to two factors: ongoing reduced demand from the end markets due to the COVID-19 crisis; and lower sales prices.

Cost variabilization and progress in the transformation program meant that adjusted EBITDA, at EUR −25.4 million, was less negative than in the prior year (Q3 2019: EUR −37.6 million). EBITDA stood at EUR −32.0 million. One-time effects amounted to EUR 6.6 million and principally included consultancy services in connection with efficiency improvement programs, restructuring measures, and the procurement of COVID-19 protective materials.

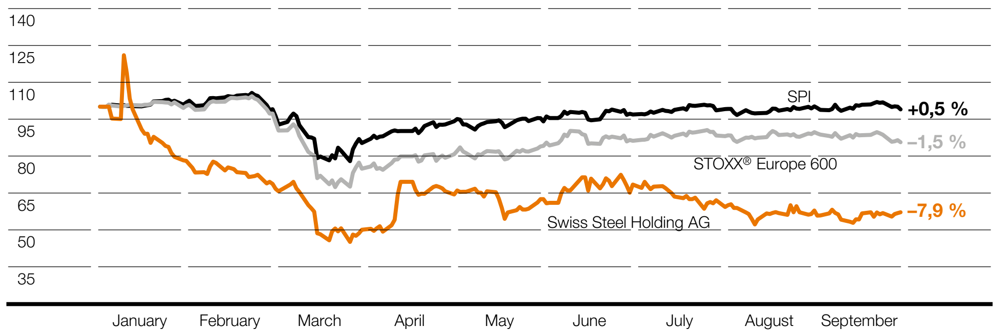
Sales & Services

In the *Sales & Services* division, revenue decreased by 28.1 %, compared with the prior-year quarter, to EUR 110.8 million.

Adjusted EBITDA fell to EUR 4.6 million (Q3 2019: EUR 6.6 million). Alignment of the cost structure with the lower sales volumes resulted in an adjusted EBITDA margin of 4.2 %, which is within range of the prior-year quarter (Q3 2019: 4.3 %). Only minimal one-time effects were recorded in the Sales & Services division.

Capital market

Share price development year to date
indexed



On January 8, 2020, the 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 downward movement 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 rising COVID-19 infections once again 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. On September 30, 2020, the share price stood at CHF 0.168, some 40.2 % below the price at year-end 2019. Over the same period, the Stoxx® Europe 600 Index fell by 13.2 % and the Swiss Performance Index (SPI), which includes the Swiss Steel Group share, by 0.9 %.

In the third quarter of 2020, the average daily trading volume of shares of the Swiss Steel Group on the Swiss stock market was 0.6 million, compared with 1.4 million in the third quarter of 2019.

Financing

After the capital increase of CHF 325 million in January 2020, the Swiss Steel Group signed new financing agreements with its banks and major shareholder BigPoint Holding AG in March 2020. In addition, this enabled state-guaranteed loans totaling EUR 78.5 million to be secured in both France and Switzerland.

Alongside these secured government loans, the Swiss Steel Group's financing structure is built on three pillars: syndicated loan, ABS program, and shareholder loan. The existing syndicated loan was increased by EUR 90 million from EUR 375 million to EUR 465 million. BigPoint Holding AG granted a shareholder loan of EUR 95 million. The existing ABS program of EUR 230 million plus USD 75 million has not been changed. All financing components were concluded or have been extended until March 2025.

As part of the refinancing deal, on March 31, 2020 the Company also repaid the validly tendered bonds maturing in 2022. The repayment was triggered by the change of control brought about by the capital increase on January 8, 2020. The nominal value of the repaid bonds was EUR 328.8 million, leaving EUR 21.2 million outstanding.

Thanks to unused financing lines and freely disposable funds of around EUR 393 million as at September 30, 2020, the Company has sufficient financial resources.

in million EUR	Credit line	Status as at 30.9.2020	Total funds available
Syndicated loan (excl. transaction costs)	465.0	305.5	159.5
ABS financing (excl. transaction costs)	293.9	124.3	169.6
State-guaranteed loans (excl. transaction costs)	78.5	70.8	7.7
Cash and cash equivalents		56.2	56.2
Financial leeway			**393.0**

In addition, the Company concluded a further shareholder loan of up to EUR 130 million with Big-Point Holding AG in September 2020, in order to finance in particular growth and the corresponding ramp-up of working capital. The term runs until March 2025.

Outlook

The focus for the fourth quarter of 2020 as well will continue to be on optimizing liquidity and implementing the transformation program. We will support demand normalization with human and financial resources as needed. We will continue to ensure that our production and, with this, our cost structure are as flexible as possible.

We expect that automotive will continue to recover in the fourth quarter of 2020, narrowing the gap to the prior-year level, while recovery will be sluggish in the mechanical and plant engineering as well as energy sectors.

Additional information

Please refer to the Annual Report 2019 for further information, particularly in relation to the topics below:
Strategy and corporate management (pages 2–13), Business model (pages 5–9), Capital market (pages 49–52), Financing (page 53), Executive Board (page 81), Glossary (page 196)

The definitions and reconciliation of the alternative performance indicators contained in the Management Report can be found in the following documents:
Glossary, Annual Report 2019 (page 196) (www.swisssteel-group.com/investor-relations): adjusted EBITDA margin, free cash flow, net working capital, net debt, capital employed, gross profit margin, EBITDA margin, equity ratio, gearing, net debt/adjusted EBITDA LTM (leverage), net working capital/revenue (L3M annualized), operating free cash flow, earnings before interest, taxes, depreciation, and amortization (EBITDA), page 13 of this report: adjusted EBITDA, segment reporting (note 19) in financial reporting: investments

Composition of the Board of Directors

On April 28, 2020, the Annual General Meeting of the Company newly elected the Board of Directors. It is now composed as follows:

Swiss Steel Holding AG Board of Directors

Jens Alder (CH)	**Heinrich Christen (CH)** [1]	**Svein Richard Brandtzaeg (NO)**
Year of birth 1957	Year of birth 1965	Year of birth 1957
Chairman	Vice Chairman	
Compensation Committee (Chairman)	Compensation Committee (Member)	Compensation Committee (Member)
Member since 2019	Member since 2020	Member since 2020
Elected until 2021	Elected until 2021	Elected until 2021
David Metzger (CH/FR) [2]	**Dr. Michael Schwarzkopf (AT)**	**Karin Sonnenmoser (DE)**
Year of birth 1969	Year of birth 1961	Year of birth 1969
Audit Committee (Member)		Audit Committee (Member)
Member since 2020	Member since 2020	Member since 2020
Elected until 2021	Elected until 2021	Elected until 2021
Jörg Walther (CH) [1]	**Adrian Widmer (CH)**	
Year of birth 1961	Year of birth 1968	
	Audit Committee (Chairman)	
Member since 2020	Member since 2019	
Elected until 2021	Elected until 2021	

[1] Representative of BigPoint Holding AG;
[2] Representative of Liwet Holding AG

Financial reporting

Consolidated income statement

in million EUR	Note	9M 2020	9M 2019	Q3 2020	Q3 2019
Revenue	7	1,683.9	2,361.8	509.4	670.1
Change in semi-finished and finished goods		−79.0	−135.9	−37.6	−78.3
Cost of materials		−1,046.1	−1,468.5	−306.8	−394.6
Gross profit		**558.8**	**757.4**	**165.1**	**197.1**
Other operating income	8	34.9	43.3	12.8	9.7
Personnel expenses	9	−469.6	−533.0	−139.8	−173.5
Other operating expenses	8	−214.2	−265.0	−66.8	−97.5
Operating result before depreciation, amortization and impairment (EBITDA)		**−90.1**	**2.6**	**−28.8**	**−64.2**
Depreciation, amortization and impairments	12, 13	−153.8	−375.3	−23.7	−324.1
Operating profit (EBIT)		**−243.9**	**−372.7**	**−52.6**	**−388.3**
Financial income	10	1.1	3.5	0.6	0.0
Financial expenses	10	−35.9	−41.5	−12.0	−14.3
Financial result		**−34.8**	**−38.1**	**−11.4**	**−14.3**
Earnings before taxes (EBT)		**−278.7**	**−410.8**	**−64.0**	**−402.6**
Income taxes	11	10.9	−34.4	−2.4	−29.6
Group result		**−267.8**	**−445.1**	**−66.3**	**−432.2**
of which attributable to					
– shareholders of Swiss Steel Holding AG		−267.6	−445.2	−66.2	−432.1
– non-controlling interests		−0.2	0.1	−0.1	−0.1
Earnings per share in EUR (undiluted/diluted)		**−0.13**	**−0.47**	**−0.03**	**−0.46**

Consolidated statement of comprehensive income

in million EUR	Note	9M 2020	9M 2019	Q3 2020	Q3 2019
Group result		**–267.8**	**–445.1**	**–66.3**	**–432.2**
Result from currency translation		–8.0	8.4	–2.5	3.9
Change in unrealized result from cash flow hedges		0.1	1.0	0.2	0.6
Tax effect from cash flow hedges		0.0	–0.3	0.0	–0.2
Items that may be reclassified subsequently to income statement		**–7.9**	**9.1**	**–2.3**	**4.3**
Actuarial result from pensions and similar obligations	16	–16.3	–66.5	–10.5	–24.6
Tax effect from pensions and similar obligations		1.3	6.4	0.9	–6.1
Items that will not be reclassified subsequently to income statement		**–15.0**	**–60.1**	**–9.6**	**–30.7**
Other comprehensive result		**–22.9**	**–51.0**	**–12.0**	**–26.4**
Total comprehensive result		**–290.7**	**–496.1**	**–78.3**	**–458.6**
of which attributable to					
– shareholders of Swiss Steel Holding AG		–290.5	–496.2	–78.2	–458.5
– non-controlling interests		–0.2	0.1	–0.1	–0.1

Consolidated statement of financial position

		30.9.2020		31.12.2019	
	Note	in million EUR	% share	in million EUR	% share
Assets					
Intangible assets		17.5		19.2	
Property, plant and equipment	12	466.8		555.2	
Right-of-use of leased assets		24.7		37.0	
Non-current income tax assets		3.5		4.4	
Non-current financial assets		1.3		1.4	
Deferred tax assets	11	15.8		14.4	
Other non-current assets		4.1		3.9	
Total non-current assets		**533.7**	**31.6**	**635.4**	**33.1**
Inventories	14	672.7		766.3	
Trade accounts receivable		331.4		371.2	
Current financial assets		3.9		7.3	
Current income tax assets		20.1		10.2	
Other current assets		69.7		74.7	
Cash and cash equivalents		56.2		54.0	
Total current assets		**1,154.0**	**68.4**	**1,283.7**	**66.9**
Total assets		**1,687.7**	**100.0**	**1,919.1**	**100.0**
Shareholders' equity and liabilities					
Share capital	15	221.7		378.6	
Capital reserves	15	1,118.2		952.8	
Retained earnings (accumulated losses)	15	-1,202.8		– 1,202.7	
Accumulated income and expenses recognized in other comprehensive income (loss)		41.2		49.1	
Treasury shares		– 0.5		– 1.2	
Shareholders of Swiss Steel Holding AG		**177.8**		**176.6**	
Non-controlling interests		6.9		7.1	
Total equity		**184.8**	**10.9**	**183.8**	**9.6**
Pension liabilities	16	305.8		297.8	
Other non-current provisions		50.0		52.9	
Deferred tax liabilities	11	3.4		7.3	
Non-current financial liabilities	17	515.8		285.8	
Other non-current liabilities		15.7		0.6	
Total non-current liabilities		**890.7**	**52.8**	**644.5**	**33.6**
Other current provisions		29.7		28.3	
Trade accounts payable		264.9		364.3	
Current financial liabilities	17	150.8		565.8	
Current income tax liabilities		18.1		12.7	
Other current liabilities		148.7		119.7	
Total current liabilities		**612.2**	**36.3**	**1,090.8**	**56.8**
Total liabilities		**1,502.9**	**89.1**	**1,735.3**	**90.4**
Total equity and liabilities		**1,687.7**	**100.0**	**1,919.1**	**100.0**

Consolidated statement of cash flows

in million EUR	Calculation	9M 2020	9M 2019
Earnings before taxes		−278.7	−410.8
Depreciation, amortization and impairments		153.8	375.3
Result from disposal of intangible assets, property, plant and equipment and financial assets		−0.6	−0.4
Increase/decrease in other assets and liabilities		30.2	49.1
Financial income		−1.1	−3.5
Financial expenses		35.9	41.5
Income taxes received/paid (net)		2.9	−5.9
Cash flow before changes in net working capital		**−57.5**	**45.4**
Change in inventories		82.5	196.4
Change in trade accounts receivable		33.1	52.0
Change in trade accounts payable		−91.8	−179.8
Cash flow from operating activities	**A**	**−33.7**	**113.9**
Investments in property, plant and equipment		−46.4	−71.5
Proceeds from disposal of property, plant and equipment		0.8	0.9
Investments in intangible assets		−1.6	−2.6
Interest received		1.0	0.8
Cash flow from investing activities	**B**	**−46.2**	**−72.4**
Increase/decrease of other financial liabilities		22.5	0.0
Increase of loan from shareholder		94.7	0.0
Increase/decrease in other bank loans		66.7	−4.1
Transaction costs refinancing		−8.3	0.0
Repayment bond		−328.8	0.0
Proceeds from capital increase		300.4	0.0
Transaction costs from capital increase		−9.3	0.0
Payment of lease liabilities		−7.8	−6.8
Investment in treasury shares		0.0	−1.9
Proceeds from sale of treasury shares		0.0	0.9
Cash settled share base payment		−0.9	0.0
Investments in shares in previously consolidated companies		0.0	−1.5
Dividends to non-controlling interests		0.0	−0.4
Interest paid		−44.7	−37.0
Cash flow from financing activities	**C**	**84.5**	**−50.9**
Net change in cash and cash equivalents	**A+B+C**	**4.6**	**−9.4**
Effect of foreign currency translation		−2.5	1.2
Change in cash and cash equivalents		**2.1**	**−8.2**
Cash and cash equivalents at the beginning of the period		54.0	53.3
Cash and cash equivalents at the end of the period		56.2	45.1
Change in cash and cash equivalents		**2.1**	**−8.2**
Free cash flow	**A+B**	**−79.9**	**41.5**

Consolidated statement of changes in shareholders' equity

in million EUR	Share capital	Capital reserves	Retained earnings	Accumulated income and expenses recognized in other comprehensive result	Treasury shares	Shareholders of Swiss Steel Holding AG	Non-controlling interests	Total equity
As at 1.1.2019	**378.6**	**952.8**	**–672.0**	**40.2**	**–1.3**	**698.4**	**9.4**	**707.8**
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	1.5	0.0	0.0	1.5	0.0	1.5
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	–0.4	–0.4
Capital transactions with shareholders	**0.0**	**0.0**	**0.1**	**0.0**	**0.2**	**0.3**	**–0.4**	**–0.1**
Group result	0.0	0.0	–445.2	0.0	0.0	–445.2	0.1	–445.1
Other comprehensive result	0.0	0.0	–60.1	9.1	0.0	–51.0	0.0	–51.0
Total comprehensive result	**0.0**	**0.0**	**–505.3**	**9.1**	**0.0**	**–496.2**	**0.1**	**–496.1**
As at 30.9.2019	**378.6**	**952.8**	**–1,177.2**	**49.3**	**–1.2**	**202.4**	**9.1**	**211.5**
As at 1.1.2020	**378.6**	**952.8**	**–1,202.7**	**49.1**	**–1.2**	**176.6**	**7.1**	**183.8**
Capital increase	300.5	–9.3	0.0	0.0	0.0	291.2	0.0	291.2
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	1.5	0.0	0.0	1.5	0.0	1.5
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
Capital transactions with shareholders	**–156.8**	**165.4**	**282.5**	**0.0**	**0.7**	**291.8**	**0.0**	**291.8**
Group result	0.0	0.0	–267.6	0.0	0.0	–267.6	–0.2	–267.8
Other comprehensive result	0.0	0.0	–15.0	–7.9	0.0	–22.9	0.0	–22.9
Total comprehensive result	**0.0**	**0.0**	**–282.6**	**–7.9**	**0.0**	**–290.5**	**–0.2**	**–290.7**
As at 30.9.2020	**221.7**	**1,118.2**	**–1,202.8**	**41.2**	**–0.5**	**177.8**	**6.9**	**184.8**

Notes to the quarterly condensed consolidated financial statements

About the company

Swiss Steel Holding AG (Swiss Steel Group) 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. Those units with SCHMOLZ + BICKENBACH in their name were also renamed.

These quarterly condensed consolidated financial statements were authorized for issue by the Board of Directors on November 10, 2020.

1 Accounting policies

The Group prepared these quarterly condensed consolidated financial statements of the Swiss Steel Group in accordance with IAS 34 “Interim Financial Reporting”. They contain all the information required of interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs). More detailed disclosures on accounting policies can be found in the consolidated financial statements as at December 31, 2019. This quarterly report is presented in euro. Unless otherwise stated, monetary amounts are denominated in millions of euro.

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

2 Significant accounting judgments, estimates, and assumptions

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

In the first nine months of 2020, the Group evaluated in particular the impact of COVID-19 on its financial performance. The currently unforeseeable global consequences of the pandemic are causing increased uncertainty regarding the trends in sales volumes, revenues, and cash flows as well as the value of current and non-current assets. Assumptions and estimates may differ from the actual values and have a significant impact on the quarterly consolidated financial statements.

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 13). In the third quarter, signs of impairment were only identified in the Ascometal business unit. The corresponding impairment test resulted in a further impairment. (note 13).

The situation is being continuously monitored and the values of non-current assets re-measured 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.

3 Going concern

The weakness in important end markets led to a crisis in the steel industry in 2019, which Swiss Steel Group was unable to evade due to its close ties to the automotive and mechanical engineering industries. As a result, it had 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, the end of the first quarter and in particular the second quarter of 2020 was marked by a drastic decline in demand in the wake of the COVID-19 crisis, which had a significant impact on both volumes and prices. While the drop in oil prices already had a negative impact on demand from the oil and gas industry in the first quarter, the crisis spread to the machinery and tool industry in the second quarter. The third quarter saw a normalization of sales in the automotive industry, while the recovery in the machinery and plant-engineering sector and in the energy market segment - especially oil and gas - remains sluggish.

As part of a comprehensive restructuring report and the financing concept derived from it, the capital increase resolved in December 2019 was legally executed on January 8, 2020 and generated a net inflow of funds of EUR 291.1 million. Furthermore, the Group's existing debt financing was adjusted and extended in March 2020. The amount of the syndicated loan was increased by EUR 90 million and amounts to up to EUR 465 million. In addition, the Company arranged a new loan of EUR 95 million from BigPoint Holding AG, which is the largest shareholder of Swiss Steel Holding AG, holding a stake of 49.6 %. As a result of the change of control (exceeding a share of 33.3 %), EUR 328.8 million of the previous nominal value of EUR 350 million was tendered in a public bond redemption offer and repaid. The syndicated loan, shareholder loan and ABS financing program have a term of five years ending in March 2025. The remaining corporate bond of EUR 21.2 million has a term until July 2022. If the bond is still outstanding in May 2022, the term of the syndicated loan and the ABS financing program will also end in July 2022. The adjustment of the debt financing in March 2020 is linked to certain financial covenants regarding the improvement of the operating performance and liquidity, which were developed in the restructuring report. Accordingly, the Group was fully financed at the end of the first quarter of 2020.

In the course of the second quarter of 2020, the financial planning on which the restructuring report was based had to be revalidated and expanded due to the increased negative effects of COVID-19. This resulted in an additional financing gap to the original financing concept at the end of the first quarter of 2020. Accordingly, the existing financing conditions were suspended and extended with undertakings. At the end of the second quarter of 2020, the updated financing concept had progressed to such an extent that management was able to confirm that the company's going concern status was realistic.

The restructuring capability was confirmed in an extended restructuring expert opinion on October 5, 2020. This extended restructuring report provides several supplementary financing elements within the framework of the updated financing concept that close the additional financing gap. On the one hand, the state guaranteed loans applied for in France and Switzerland were signed and drawn in the third quarter of 2020 with a credit line of EUR 78.5 million.

On the other hand, there is a finally negotiated and legally binding (formulated in a credit documentation) shareholder loan of BigPoint Holding AG in the amount of EUR 130 million.

The implementation of the operational restructuring measures identified in the extended restructuring report is on track. Thus, the Group continues to be on the restructuring path as planned. The lending banks have also approved the new loan agreement in all material points. Accordingly, the agreement has been concluded in substance, while individual loan terms are still being finalized.

The increased debt financing is subject to certain conditions. Failing to meet them may lead to partial or full repayment of the financial liabilities concerned. In addition, estimating the negative impact of the COVID-19 crisis is fraught with a high level of uncertainty, both in terms of scale and duration, which currently gives rise to significant doubts as to whether the Company can continue as a going concern. The availability of sufficient liquidity, the fulfillment of the undertakings committed within the specified period and the continued operating performance are of critical importance if the Company is to continue to operate and grow in the future.

During the preparation of the quarterly financial statements, the ability to continue as a going concern of Swiss Steel Group was positively assessed by the Board of Directors and the Executive Board. It is expected that all financing conditions will be met and that the planned operational improvements can be realized.

In summary, it is considered realistic to expect that the Company will be able to continue its business activities for the next twelve months, and consequently these consolidated quarterly financial statements have been prepared on a going concern basis.

4 Standards and interpretations applied

The relevant accounting policies applied in the quarterly condensed consolidated financial statements are consistent with those used for the most recent consolidated financial statements prepared as at the end of the fiscal year 2019. Changes in IFRS standards as at January 1, 2020 have no material impact on the quarterly consolidated financial statements of Swiss Steel Group.

5 Seasonal effects

There are slight seasonal effects on sales and revenue in both segments of the Group. These effects are attributable to the number of working days in the second half of the year, which is lower due to vacation periods in July and August, as well as in the second half of December. These periods are associated with plant downtime in some cases. The effects are particularly pronounced in the third quarter, which is affected by the summer vacation period. Fixed costs are distributed fairly equally over all four quarters, however. Furthermore, the majority of general overhaul work on production and processing plants is carried out over the summer during plant downtime. As a result, expenses for servicing and maintenance as well as capital expenditures are usually at their highest in the third quarter. Inventories of semi-finished and finished goods are usually increased over the summer months. This safeguards our customers' supply after the end of the vacation period and has the effect that net working capital usually peaks around this time. In contrast to the usual seasonal pattern, in the first nine months of 2020 stocks of semi-finished and finished products were adjusted to the reduced demand caused by the COVID-19 crisis.

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

6 Consolidated Group and business combinations

There was no significant change in the scope of consolidation in 2020.

In the first nine months of 2019, the last installment of the purchase price of EUR 1.5 million was paid for the squeeze-out of the non-controlling interests in Swiss Steel s.r.o. (CZ), which was fully consolidated in December 2016. The total purchase price amounted to EUR 6.1 million.

7 Revenue

The Swiss Steel Group's revenue can be broken down by product group and region as follows:

	Production		Sales & Services	
in million EUR	**9M 2020**	**9M 2019**	**9M 2020**	**9M 2019**
Quality & engineering steel	619.1	956.6	95.5	172.3
Stainless steel	550.4	679.1	123.1	155.6
Tool steel	129.0	169.3	122.2	158.8
Others	35.6	57.5	9.0	12.6
Total	**1,334.1**	**1,862.6**	**349.8**	**499.2**

	Production		Sales & Services	
in million EUR	**9M 2020**	**9M 2019**	**9M 2020**	**9M 2019**
Germany	580.6	809.7	39.8	74.2
Italy	177.7	250.6	17.9	26.7
France	157.4	224.8	21.2	30.7
Switzerland	28.1	40.9	0.0	0.0
Other Europe	211.6	290.2	104.9	137.4
Europe	**1,155.4**	**1,616.2**	**183.8**	**269.0**
USA	62.5	93.4	82.3	118.4
Canada	21.7	35.5	20.0	32.3
Other Americas	6.8	11.4	16.4	23.4
America	**91.0**	**140.3**	**118.7**	**174.1**
China	33.4	34.6	31.3	33.1
India	10.8	15.3	6.2	10.5
Asia Pacific/Africa	43.5	56.1	9.8	12.4
Africa/Asia/Australia	**87.7**	**106.0**	**47.3**	**56.0**
Total	**1,334.1**	**1,862.6**	**349.8**	**499.2**

8 Other operating income and expenses

Other operating income of EUR 34.9 million (2019: EUR 43.3 million) includes various items, such as rental income, income from maintenance and repair services, government grants, and own work capitalized.

Other operating expenses can be broken down as follows:

in million EUR	9M 2020	9M 2019
Freight, commission	53.2	67.9
Allowances on trade receivables	4.8	1.5
Maintenance, repairs	53.7	62.8
Holding and administration expenses	19.7	27.5
Fees and charges	18.5	20.3
Expenses for leases not capitalized	7.7	9.1
Consultancy and audit services	14.3	14.5
IT expenses	15.5	17.1
Losses on disposal of intangible assets, property, plant and equipment, and financial assets	0.1	0.2
Non-income taxes	10.4	4.3
Foreign exchange loss (net)	3.9	4.0
Miscellaneous expenses	12.4	35.8
Total	**214.2**	**265.0**

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

The miscellaneous expense in 2019 of EUR 35,8 million contains valuation effects resulting from forward contracts on future nickel sales at EUR 8.4 million and a fine from the Federal Cartel Office of EUR 12.3 million.

9 Personnel expenses

Personnel expenses in the first nine months of 2020 came to EUR 469.6 million (2019: EUR 533.0 million). In the first nine months of 2020, the Swiss Steel Group received EUR 19.6 million in compensation for short-time work, which is mainly related to the COVID-19 crisis. This was offset against personnel expenses.

10 Financial result

in million EUR	9M 2020	9M 2019
Interest income	1.0	3.4
Other financial income	0.1	0.1
Financial income	**1.1**	**3.5**
Interest expenses on financial liabilities	–30.4	–31.3
Interest expenses on lease liabilities	–2.4	–2.5
Net interest expense on pension provisions and plan assets	–1.9	–3.6
Capitalized borrowing costs	2.8	1.7
Other financial expenses	–3.9	–5.8
Financial expenses	**–35.9**	**–41.5**
Financial result	**–34.8**	**–38.1**

11 Income taxes

in million EUR	9M 2020	9M 2019
Current taxes	–6.9	–3.9
Deferred taxes	–4.0	38.2
Income tax effect (income (–) / expenses (+))	**–10.9**	**34.4**

The local tax rates used to determine current and deferred taxes have not changed materially. Current taxes include a positive one-time effect of EUR 13.3 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 effective Group tax rate for the first nine months of 2020 was 3.9% (Q3 2019: –8.4%). This rate derives from the tax rates of the individual countries in which the Group operates, weighted for earnings before taxes. The following table presents the net change in deferred tax assets and liabilities.

in million EUR	9M 2020	2019	9M 2019
Opening balance at the beginning of the period	7.1	53.1	53.1
Changes recognized in profit and loss	4.0	–41.7	–38.2
Changes recognized in other comprehensive income	1.3	–4.4	6.1
Foreign currency effects	0.1	0.0	0.4
Closing balance at the end of the period	**12.4**	**7.1**	**21.3**

12 Property, plant, and equipment

The breakdown of property, plant, and equipment into their subcategories can be seen in the tables below. Most of the additions are attributable to the *Production* division.

in million EUR	Land and buildings	Plant and equipment	Prepayments for property and plants under construction	Total
Cost value as at 1.1.2020	**728.3**	**2,551.9**	**118.5**	**3,398.7**
Additions	0.2	12.4	36.7	49.3
Disposals	–0.1	–17.0	0.0	–17.1
Reclassifications	3.5	26.1	–29.6	0.0
Foreign currency effects	–5.6	–17.0	–0.7	–23.3
Cost value as at 30.9.2020	**726.3**	**2,556.3**	**124.9**	**3,407.5**
Accumulated depreciation and impairments as at 1.1.2020	**–538.6**	**–2,275.1**	**–29.8**	**–2,843.5**
Scheduled depreciation and amortization	–7.3	–38.4	0.0	–45.6
Impairment	–18.2	–47.1	–22.2	–87.5
Disposals	0.1	16.8	0.0	16.9
Reclassifications	–0.1	–5.0	5.1	0.0
Foreign currency effects	3.8	14.9	0.4	19.0
Accumulated depreciation and impairments as at 30.9.2020	**–560.3**	**–2,333.9**	**–46.5**	**–2,940.7**
Net carrying amount as at 31.12.2019	**189.7**	**276.8**	**88.7**	**555.2**
Net carrying amount as at 30.9.2020	**166.0**	**222.4**	**78.4**	**466.8**

13 Impairment test

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 and on property, plant, and equipment on June 30, 2020. The evaluation includes 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 at June 30, 2020 was lower than the carrying amount. As at September 30, 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 Business Unit and the reasons for impairment are shown in the following tables:

Business Unit	Description	Reason for impairment
DEW	Deutsche Edelstahlwerke (DEW) is the largest business unit in the Production 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.	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 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. 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.

The reasons for the impairment in the Ascometal Business Unit are shown in the Annual Report 2019 (note 21). These also led to an impairment in the first nine months.

The following overview summarizes the key figures per value impairment item:

in million EUR	Recoverable amount 2020 (value in use) as of 30.6.2020	Discount rate 2020 before taxes	Discount rate 2019 before taxes	Impairment 2020
DEW	298.2	8.18%	12.36%	82.3
Ascometal	9.8	10.45%	11.64%	15.9

The total impairment at Group level amounted to EUR 98.2 million, which is recorded in the consolidated income statement under the item Depreciation, amortization, and impairments. The allocation of impairment losses to asset categories is as follows: EUR 87.5 million for property, plant, and equipment (note 12), EUR 9.7 million for right-of-use assets, and EUR 1.0 million for intangible assets.

14 Inventories

Inventories as of September 30, 2020 and as of December 31, 2019 break down as follows:

in million EUR	30.9.2020	31.12.2019
Raw materials, consumables and supplies	143.9	159.4
Semi-finished goods and work in progress	245.5	279.3
Finished products and merchandise	283.4	327.5
Total	**672.7**	**766.3**

15 Shareholders' equity

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 302,249,999.95 and is divided into 2,028,333,333 registered shares with a nominal value of CHF 0.15 each.

16 Pensions

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

Since the beginning of the year, the following significant changes have occurred:

Pension liabilities, plan assets, and funded status

	Defined benefit obligation		Fair value of plan assets		Net liability	
in million EUR	30.9.2020	31.12.2019	30.9.2020	31.12.2019	30.9.2020	31.12.2019
Present value of defined benefit obligations/fair value of plan assets at the beginning of the period	**657.8**	**591.2**	**362.0**	**300.5**	**295.8**	**290.7**
Current service cost	8.6	10.3	0.0	0.0	8.6	10.3
Administration expenses	0.0	0.0	−0.5	−0.7	0.5	0.7
Interest result	3.6	8.4	1.7	3.5	1.9	4.9
Past service costs	−5.8	−0.6	0.0	0.0	−5.8	−0.6
Settlement gain	0.0	−0.6	0.0	−0.4	0.0	−0.2
Net pension result	**6.4**	**17.5**	**1.2**	**2.4**	**5.2**	**15.1**
Return on plan assets less interest income	0.0	0.0	1.4	54.4	−1.4	−54.4
Actuarial result from changes in demographic assumptions	0.0	4.6	0.0	0.0	0.0	4.6
Actuarial result from changes in financial assumptions	17.4	60.2	0.0	0.0	17.4	60.2
Actuarial result from experience-based assumptions	0.0	−4.8	0.0	0.0	0.0	−4.8
Remeasurement effects included in other comprehensive income	**17.4**	**60.0**	**1.4**	**54.4**	**16.0**	**5.6**
Employer contributions	0.0	0.0	5.9	8.7	−5.9	−8.7
Employee contributions	3.8	5.2	3.8	5.2	0.0	0.0
Benefits paid	−21.7	−29.7	−15.8	−21.9	−5.9	−7.8
Foreign currency effects	−0.3	13.6	−0.1	12.7	−0.2	0.9
Present value of defined benefit obligations/fair value of plan assets at the end of the period	**663.4**	**657.8**	**358.4**	**362.0**	**305.0**	**295.8**
Provisions from obligations similar to pensions	0.8	0.8	0.0	0.0	0.8	0.8
Total provisions for pensions and obligations similar to pensions	**664.2**	**658.6**	**358.4**	**362.0**	**305.8**	**296.6**
thereof in pension liabilities					305.8	297.8
thereof in other non-current assets					0.0	1.2

The first nine months of 2020 produced past service income of EUR 5.8 million, of which EUR 4.5 million is attributable to the reduction of the pension conversion rates in Switzerland. A further effect of EUR 1.3 million resulted from the partial transfer of some Swiss management employees to a defined contribution plan.

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:

Valuation assumptions for pensions

	Switzerland		Euro area		USA		Canada	
in %	30.9.2020	31.12.2019	30.9.2020	31.12.2019	30.9.2020	31.12.2019	30.9.2020	31.12.2019
Discount rate	0.3	0.3	0.8	0.9	2.2	3.0	2.6	3.0
Salary trend	1.3	1.3	2,5–3,0	2,5–3,0	nm	nm	3.0	3.0

17 Financial liabilities

As of September 30, 2020, financial liabilities were as follows:

in million EUR	30.9.2020	31.12.2019
Syndicated loan	295.8	221.6
Other bank loans	47.4	5.3
Bond	21.2	0.0
Lease liabilities	53.4	56.0
Loan from shareholder	94.8	0.0
Other financial liabilities	3.2	2.8
Total non-current	**515.8**	**285.8**
Other bank loans	16.6	5.6
Bond	0.0	352.5
ABS financing program	124.2	184.8
Lease liabilities	8.4	9.9
Other financial liabilities	1.6	13.0
Total current	**150.8**	**565.8**

Other current financial liabilities include accrued interest of EUR 0.2 million for the bond (December 31, 2019: EUR 9.0 million).

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 %. EUR 328.8 million were tendered as part of the result of the buyback offer published on 16 March 2020 and repaid accordingly. The outstanding amount under the bond issue is now EUR 21.2 million. This amount is reported on a long-term basis, as bondholders cannot redeem the bond until the end of its term in 2022. Besides being repaid the nominal value of EUR 328.8 million, the bond creditors were paid the redemption premium of EUR 3.3 million and accrued interest of EUR 3.9 million.

In March 2020, in addition to the changes to the bond, the Group's existing debt financing was 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.

The syndicated loan, shareholder loan, and ABS financing program each have a term of five years, ending in March 2025. The corporate bond matures in July 2022. If the bond is still outstanding in May 2022, the terms of the syndicated loan and the ABS financing program will also end in July 2022.

Other bank loans in the first nine months of 2020 also included loans of EUR 57.1 million, mostly guaranteed by the respective state. These are composed as follows:

	Carrying amount in EUR Million	Loan cover ratio by government	Granting date	Term in years	Disclosure
Country	30.9.2020	30.9.2020	30.9.2020	30.9.2020	30.9.2020
Switzerland	10.6	85%	Jan 00	0-5	current
France	46.5	80%-100%	May/Sep 2020	1-6	non-current

The interest rate on the loans is below market rate. The EUR 70.6 million received in total is disclosed in the cash flow statement under the item Increase/decrease in other bank loans. The difference between the received amount and the carrying amount of the financial liabilities of EUR 13.5 million was recognized as a (non-current) deferred government grant and is included in the other non-current liabilities item in the statement of financial position. The interest expense on the loans is charged to financial expenses at the market interest rate, the deferred grant in the same amount is released over the expected term and credited to financial expenses.

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.

18 Fair value measurement considerations

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. As at September 30, 2020, the bond had a fair value (Level 1) of EUR 17.4 million (December 31, 2019: EUR 346.5 million). The carrying amount of the bonds as of September 30, 2020 was EUR 21.2 million (December 31, 2019: EUR 352.5 million).

19 Segment reporting

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

The table below shows the segment reporting as of September 30, 2020.

	Production		Sales & Services	
in million EUR	9M 2020	9M 2019	9M 2020	9M 2019
Third-party revenue	1,334.1	1,862.6	349.8	499.2
Internal revenue	190.9	276.8	17.6	19.8
Total revenue	**1,525.0**	**2,139.4**	**367.3**	**519.0**
Segment result (= adjusted EBITDA)	**−76.2**	**26.3**	**12.4**	**30.7**
Adjustments [1]	**−10.6**	**−32.3**	**−0.2**	**−0.3**
Operating profit before depreciation and amortization (EBITDA)	**−86.8**	**−6.0**	**12.2**	**30.4**
Depreciation and amortization of intangible assets, property, plant and equipment	−46.4	−69.5	−6.6	−6.5
Impairment of intangible assets, property, plant and equipment and right-of-use assets	−98.2	−300.5	0.0	0.0
Operating profit (EBIT)	**−231.4**	**−376.1**	**5.6**	**23.9**
Financial income	11.0	2.5	3.1	5.3
Financial expenses	−48.3	−38.6	−8.5	−7.1
Earnings before taxes (EBT)	**−268.7**	**−412.2**	**0.2**	**22.1**
Segment investments [2]	49.3	76.3	4.1	5.1
Segment operating free cash flow [3]	−103.4	30.8	18.7	17.9
in million EUR	30.9.2020	31.12.2019	30.9.2020	31.12.2019
Segment assets [4]	1,311.6	1,522.0	234.2	269.2
Segment liabilities [5]	265.4	358.6	84.0	103.9
Segment assets less segment liabilities (capital employed)	**1,046.2**	**1,163.4**	**150.2**	**165.3**
Employees as at closing date (positions)	8,627	8,853	1,309	1,353

1) Adjustments: Performance improvement program, others (EUR 13 million); Reorganization and transformation processes (EUR 0.5 million); Restructuring and other personnel measures (EUR 3.4 million); M&A and integration (EUR 0.2 million)
2) Segment investments: Additions to intangible assets (excluding goodwill) + additions to property, plant and equipment without acquisitions + additions to right-of-use assets
3) Segment operating free cash flow: Adjusted EBITDA +/– change in net working capital (inventories, trade accounts receivable and payable valued at spot rate), less segment investments less capitalized borrowing costs
4) Segment assets: Intangible assets (excluding goodwill) + property, plant and equipment + right-of-use of leased assets + inventories + trade accounts receivable (total matches total assets in the statement of financial position)

Total operating segments		Reconciliation: Corporate activities		Reconciliation: Eliminations/adjustments		Total	
9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019
1,683.9	2,361.8	0.0	0.0	0.0	0.0	1,683.9	2,361.8
208.5	296.6	0.0	0.0	−208.5	−296.6	0.0	0.0
1,892.4	**2,658.4**	**0.0**	**0.0**	**−208.5**	**−296.6**	**1,683.9**	**2,361.8**
−63.8	**57.0**	**−6.3**	**−9.9**	**−2.9**	**2.8**	**−73.0**	**49.9**
−10.8	**−32.6**	**−6.3**	**−14.6**	**0.0**	**0.0**	**−17.1**	**−47.3**
−74.6	**24.4**	**−12.6**	**−24.5**	**−2.9**	**2.8**	**−90.1**	**2.6**
−53.0	−76.0	−3.2	−3.1	0.6	1.3	−55.6	−77.8
−98.2	−300.5	0.0	0.0	0.0	3.1	−98.2	−297.4
−225.8	**−352.1**	**−15.8**	**−27.7**	**−2.3**	**7.1**	**−243.9**	**−372.7**
14.1	7.8	53.3	46.4	−66.3	−50.7	1.1	3.5
−56.8	−45.7	−45.7	−39.6	66.6	43.8	−35.9	−41.5
−268.5	**−390.0**	**−8.1**	**−20.9**	**−2.1**	**0.1**	**−278.7**	**−410.8**
53.4	81.4	0.4	0.9	0.0	0.0	53.8	82.3
−84.7	48.7	−6.6	−20.2	−1.7	−1.3	−93.0	27.2
30.9.2020	31.12.2019	30.9.2020	31.12.2019	30.9.2020	31.12.2019	30.9.2020	31.12.2019
1,545.8	1,791.2	74.5	77.7	67.4	50.2	1,687.7	1,919.1
349.4	462.5	17.7	17.9	1,135.8	1,254.9	1,502.9	1,735.3
1,196.4	**1,328.7**						
9,936	10,206	105	112	0	0	10,041	10,318

20 Subsequent events

The management of the Ascometal Business Unit is currently negotiating with the employee representatives of the subsidiary Ascometal Les Dunes S.A.S. with regard to possible restructuring measures to mitigate the impact of the COVID-19 crisis. The restructuring measures include a potential reduction in the number of employees. On October 6, 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; the entire program is expected to be approximately EUR 7.9 million. At the time of approval of these quarterly financial statements the negotiations had not yet produced any detailed results, so the restructuring remains a contingency for now and is not reflected in the statement of financial position.

Legal notice

Swiss Steel Holding AG
Landenbergstrasse 11
CH-6005 Lucerne
Phone +41 (0) 41 581 4000
Fax +41 (0) 41 581 4280

ir@swisssteelgroup.com
www.swisssteel-group.com

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

This interim report contains forward-looking statements, including presentations of developments, plans, intentions, assumptions, expectations, beliefs, and potential impacts as well as descriptions of future events, income, results, situations, or outlook. These are based on the Company's current expectations, beliefs, and assumptions, which are subject to uncertainty and may differ materially from the current facts, situation, impact, or developments.

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

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Swiss Steel Holding AG
ir@swisssteelgroup.com
www.swisssteel-group.com