

Swiss Steel Group

Investor Presentation
March 2021



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Today's presenters



Clemens Iller – CEO



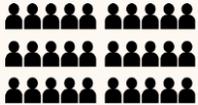
Dr. Markus Böning – CFO

01

Company overview and investment highlights

Swiss Steel Group at a glance

2020



24,000 customers



8 electric arc
furnaces in 5
countries

Continuous investment
in production facilities



> 70 locations



> 30 countries

Sales & Service Network Worldwide



Listed on SIX
Swiss Exchange

2,288

Revenue
in million EUR

1,535

Sales volume
in kt



> 9,900
employees



Corporate Center
in Lucerne, CH

Present in more than 30 countries with over 70 locations

- Consistent and reliable delivery of special steel
- Qualified consulting and end-to-end customer solutions
- Downstream processing such as sawing, milling, hardening and supply chain management



> 30 countries

>70

Locations

Broad product offering of special long steel...

Product offering

Swiss Steel covers a broad range of **special long steel** products such as ingots, blooms, billets, bars, forgings, bright bars, drawn wire and powder, as well as downstream production (e.g. machined products, cut to length products, etc.)

Stainless steel



Attractive material for a wide range of applications

- Resistant to corrosion, acid and heat
- Application examples: automotive, food and chemical industry

No. 4 worldwide; 38.9% share of 2020 revenue

Quality & engineering steel



Enables permanent mechanical loads and reliable use of the components

- Examples for applications: automotive industry, mechanical engineering

No. 2 in Europe; 44.2% share of 2020 revenue

Tool steel



The product range includes cold work steel, hot work steel, high speed steel and plastic mold steel

- Unique hardness, abrasion-resistant and dimensionally stable
- Application examples: automotive industry, food packaging industry

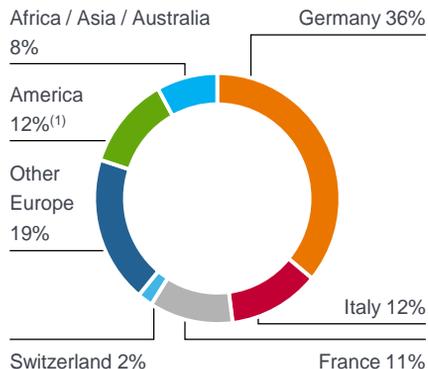
No. 3 worldwide; 14.3% share of 2020 revenue

...which serves a strong and diverse customer base...

Swiss Steel serves nearly 24,000 customers...

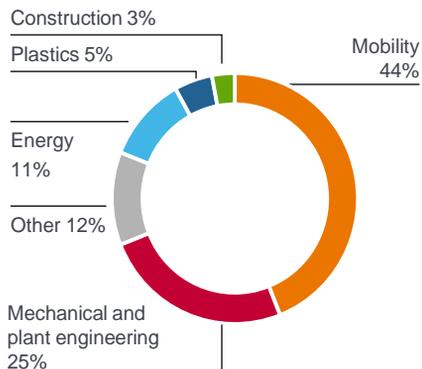
...across the globe...

2020 revenue by geography



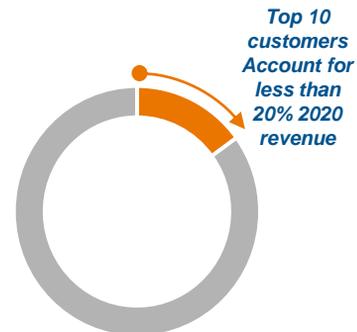
...and a wide range of applications...

2020 revenue by end-market



...with no concentration...

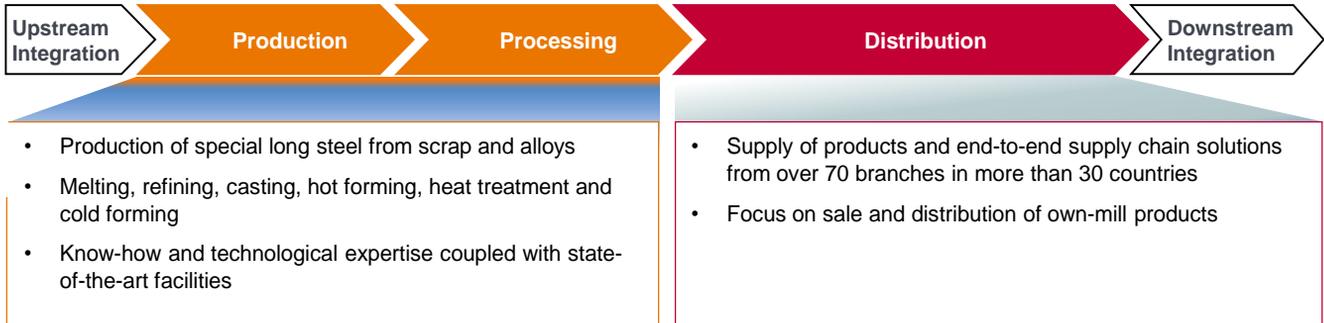
2020 revenue by customer



...from operations in over 30 countries

...and operates with a fully integrated business model

Vertical integration through the value chain...



...and global presence enable significant economies of scale and attractive synergies



Synergies captured by optimizing capacity, purchasing and sharing services



R&D and product innovation leveraged throughout the group



Leverage of full application range across the entire value chain

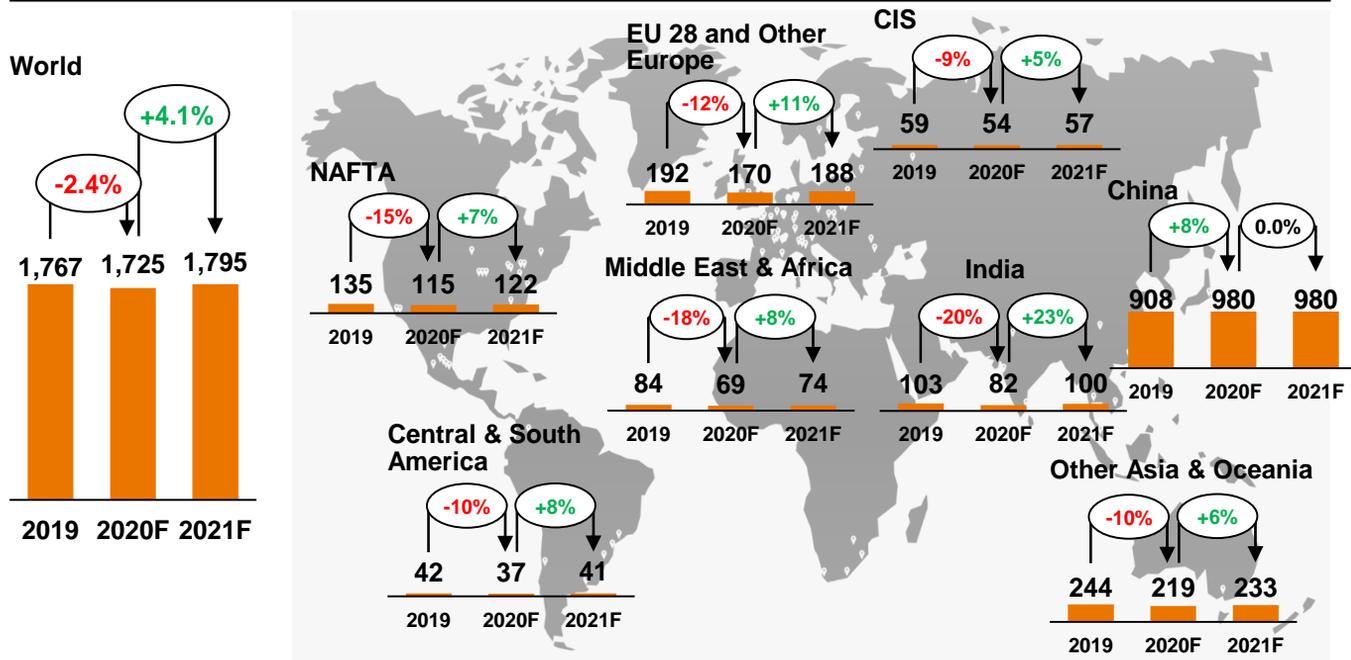


Technological leadership and customer proximity enable unique tailor made solutions

Global finished steel demand growth expected to contract by 2.4% y-o-y in 2020, and to increase by 4.1% y-o-y in 2021

Global finished steel demand

and by region (in mt)



Summary of the key investment highlights



**Swiss
Steel**
Group

1

A leading global special long steel player with a fully integrated business model

2

Operating in attractive niche market segments

3

Strong and diverse customer base with close relationships

4

Continuous investment in facilities and equipment with increased focus on sustainability

5

Group wide R&D capabilities aimed at sustaining a leading technology and innovation position

6

Continued focus on transformation progress to regain profitability and financial stability

02

Performance update and transformation

FY 2020 financials heavily impacted by COVID-19...

Sales Volume	1,535 kilotons	-16.1% (1,830 kilotons) vs FY 2019
Average Sales Price (ASP)	EUR/t 1'491	-8,5 % (EUR/t 1'629) vs FY 2019
Revenue	EUR 2.288 billion	-23.2% (EUR 2.981 billion) vs FY 2019
Adj. EBITDA	EUR -68.9 million	EUR 51.2 million FY 2019
Group Result (EAT)	EUR -310.2 million	EUR -521.0 million FY 2019
Free Cash Flow	EUR -100.8 million	EUR -7.8 million FY 2019

...with recovery in order book at the end of FY2020

Order Backlog	566 kilotons	+35.7%	vs. end Q4/19 (417 kilotons)
Crude Steel Production	501 kilotons	+14.6%	vs. Q4/19 (437 kilotons)
Sales Volume	445 kilotons	+14.7%	vs. Q4/19 (388 kilotons)

- Improvement in order book in Q4 2020 after historical lows in previous quarters
- Demand driven by recovery in automotive industry, but also mechanical engineering is catching up
- Crude steel production adopted to increased demand while still achieving a further decrease in inventories
- Sales volume up by 14.7% driven by Quality & Engineering steel

Market recovery and cost saving measures led to positive adjusted EBITDA in Q4 2020

Adjusted EBITDA	EUR 4.1 million	EUR 1.4 million	in Q4/19
– EUR/t	EUR 9/t	EUR 4/t	in Q4/19
– margin	0.7%	0.2%	in Q4/19
EBIT	EUR –28.8 million	EUR –52.7 million	in Q4/19
Group Result	EUR –42.4 million	EUR –75.9 million	in Q4/19

- Recovery in sales volume combined with ongoing cost saving measures led to positive adjusted EBITDA
- Gross profit margin improved by 3%-points to 34.5% compared to previous year
- Restructuring tariff agreement at DEW successfully concluded
- One-time effects of EUR 13.0 million predominantly relating to restructuring measures at Ascometal

Liquidity management on track

Net Working Capital (NWC)	EUR 698 million	EUR 773 million	YE/19
Free Cash Flow (Q4 2020)	EUR –18.9 million	EUR –48.6 million	in Q4/19
Net Debt	EUR 640 million	EUR 798 million	YE/19
Equity Ratio	9.7%	9.6%	YE/19

- Further reduced NWC despite recovering market environment – mainly achieved by strict inventory management
- NWC management and less capital expenditures able to limit negative impact on Free Cash Flow
- State guaranteed loans in France and Switzerland in the amount of EUR 98.5 million whereof EUR 95.2 million utilized as of 31.12.2020
- Senior Notes early redemption completed
- Equity ratio back at prior year level – stabilization of equity expected to be reached by capital increase end of March 2021

Transformation program expected to yield positive EBITDA impact by FY 2025 along 4 pillars...

	Structural measures	Operational excellence measures	Strategic investment projects	Additional measures
Elements	<ul style="list-style-type: none"> Lowering cost base, de-risk business through restructurings Short-term labour & cost avoidance measures Rightsizing Business Units 	<ul style="list-style-type: none"> Tackle yearly cost inflation by sustainable improvement measures Reinforced transformation organization 	<ul style="list-style-type: none"> Finalize large-scale capex programs and tap improvement potential Secure additional revenue and cost savings through quality and efficiency improvements 	<ul style="list-style-type: none"> Increase profitability & reduce dependency of market recovery Tackle group-wide synergies in G&A and Operations Reduce overcapacities at Ascometal and DEW
Projects	<ul style="list-style-type: none"> Ascometal - Closure of Les Dunes rolling mill DEW 2020+ headcount Turnaround Finkl Steel 	<ul style="list-style-type: none"> Quality/yield improvement Material basket optimization Productivity increase 	<ul style="list-style-type: none"> Walking beam furnace, Garrett coilers Swiss Steel Nadcap, electro-slag remelting Ugitech EAF Ascometal Hearth furnace DEW 	<ul style="list-style-type: none"> Shared Service Center Lean management BU-specific measures at Ascometal and DEW
Status	<ul style="list-style-type: none"> Repositioning of S&S Rolling mill closed, RTV completed Reduction of ca. 250 FTE 	<ul style="list-style-type: none"> Optimization achieved in the purchase of energy and chrome 	<ul style="list-style-type: none"> Continuous 	<ul style="list-style-type: none"> SSC concepts in progress 20% FTE reduced at corporate headquarters

EUR 110 million achieved in 2020, partly tactical and non-recurring⁽¹⁾

...further supported by strengthening of the capital base by the contemplated equity increase

General

- Improved strategic flexibility enables a new focus on the transformation and growth of the company
- Positive effects due to higher equity cushion with customers, suppliers, employees and other stakeholders

Balance sheet

- **Substantially more resilient financing structure:**
 - Significantly reduced net debt (adjusted for the transaction⁽¹⁾ of EUR440m as per YE/20)
 - Improved equity ratio (adjusted for the transaction⁽¹⁾ of approx. 19.1% as per YE/20 vs. 9.7% actual YE/20)
 - Significantly increases covenant headroom and thereby reduces risk for new waiver negotiations and related costs

Income statement

- **Significant expected cost savings:**
 - Annual reduction of interest expense
 - Reduced advisory fees as a result of covenant relief
 - Total savings in the low- to mid-teens expected (EURm)

03

Outlook

Cautiously positive market development combined with countermeasures and transformation plan

End markets with cautious recovery

Latest increase of Purchasing Manager's Index indicated an upswing in manufacturing with visible correlation in our order books

Capital structure/ Liquidity

Resilience increase

- Planned increase in equity will lead to lower debt levels and better financing terms
- Further optimization of net working capital specifically inventories, stabilization of payment terms with suppliers

Transformation plan

Consistent implementation of transformation program

- Merger of Swiss businesses to improve market presence and customer service
- Consistent adjustment of workforce in Germany following conclusion of restructuring collective agreement, Rightsizing Ascometal
- Continuation of the transformation path

Continued uncertainty due to COVID-19 in first half-year, with normalization expected in the second half of the year

Appendix

Swiss Steel Group at a glance – Key financial parameters

€M or specified	2016	2017	2018	2019	2020
Sales volume (kt)	1,724	1,797	2,093	1,830	1,535
Revenue	2,315	2,677	3,313	2,981	2,288
Adj. EBITDA	153	223	237	51	-69
FCF	92	16	-160	-7	-101
Investments	101	103	140	138	87
Capital Employed	1,530	1,535	1,740	1,384	1,218
t/o Fixed Assets	889	825	785	592	503
t/o Inventories	630	698	1,012	766	650
Net Debt (IFRS)	420	442	655	798	640
Net Working Capital	615	685	932	773	698
Equity	668	718	708	184	166
Adj. EBITDA (%)	6.6%	8.3%	7.1%	1.7%	-3.0%
Leverage	2.7	2.0	2.8	15.6	n/a

Q&A

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