

Swiss Steel Group

Full-year / Q4 2020
Results – Investors' & Analysts' Conference

Lucerne, March 3, 2021



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01

Business Review /
Financial Performance FY 2020

Transformation on track affected by COVID-19

- COVID-19 related economic downturn with cautious signs of recovery
- Order volume uptick in automotive and moderate plus in machinery and plant engineering
- Volumes, sales and adjusted EBITDA significantly lower year-on-year
- Net debt significantly lower due to equity increase in Jan 2020 compared to prior year end
- Renaming of the Group to Swiss Steel Group
- Transformation in 2020 with achievement of the following milestones:
 - Repositioning of our sales and service organization
 - Conclusion of a collective restructuring tariff agreement at DEW
 - Cost savings and headcount reductions through further restructurings
 - Total savings of EUR 110 million according to our internal accounts
- Optimization of financing structure and conditions:
 - State-guaranteed loans at below market interest rates of EUR 98.5 million
 - Improved covenants triggering a reduction of third party costs on the basis of an expected equity increase of approx. EUR 200 million along with interest savings
- Appointment of new management team
- Outlook: COVID-19 continued uncertainties expected in the first half along with a cautious optimism for a moderate normalization in the second half of 2021

2020 saw varying trends in the prices of commodities

Commodity prices (FY2020 development in local currency)	Nickel +18% Scrap (FOB Rotterdam) +11% Ferrochrome +16%
Order entry of German mechanical / engineering sector	-9% 2020 vs. 2019
Production in the Automotive industry: Europe * USA ** China	2020 vs. 2019: -23% -23% -7%

Sources: LME, BDSV, ICDA (International Chromium Development Association), Bloomberg, German Technical Statistics Office, LMC Automotive, China Association of Automobile Manufacturers (CAAM) and U.S. Bureau of Economic Analysis

* Light vehicles (passenger cars + light trucks), includes 17 European countries: Germany, France, Spain, Great Britain, Italy, Austria, Belgium, Finland, Netherlands, Portugal, Sweden, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia

** passenger cars

Financials heavily impacted by COVID-19

Sales Volume	1,535 kilotons	–16.1% (1,830 kilotons)
Average Sales Price (ASP)	EUR/t 1'491	–8,5 % (EUR/t 1'629)
Revenue	EUR 2.288 billion	–23.2% (EUR 2.981 billion)
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



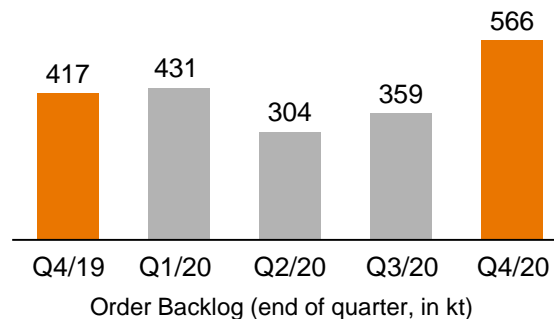
02

Financial Performance Q4 2020

Visible recovery in order book

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 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

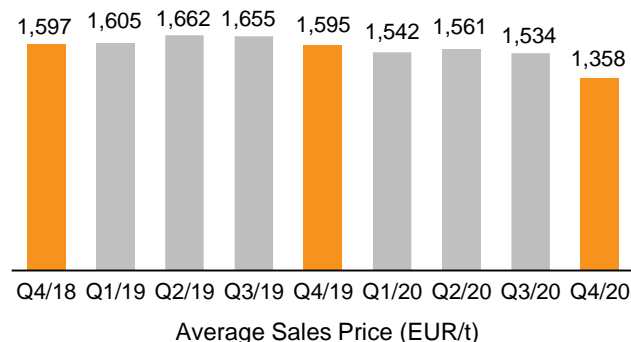


Average sales price remains under strong pressure

in EUR/t	Q4/20	Δ in % vs Q4/19
Average Sales Price (ASP)	1,358	-14.9
Quality & Engineering	857	-11.5
Stainless	3,054	-3.9
Tool	2,492	-16.4

in EUR million	Q4/20	Δ in % vs Q4/19
Revenue	605	-2.3
Quality & Engineering	296	7.3
Stainless	217	-6.5
Tool	77	-18.9

- Prices remain under strong market pressure despite recovery of alloy and scrap surcharges
- Change in product mix with higher share of Quality & Engineering steel further hit average sales price



Market recovery and cost saving measures led to positive adjusted EBITDA

Adjusted EBITDA – EUR/t – margin	EUR 4.1 million	EUR 1.4 million	in Q4/19
	EUR 9/t	EUR 4/t	in Q4/19
	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	EUR –18.9 million	EUR –48.6 million	in Q4/20
Net Debt	EUR 640 million	EUR 799 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 lower capital expenditures enable to limit negative impact on Free Cash Flow
- Additional state guaranteed loans in France in the amount of EUR 20 million received
- 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



03

Update on Financing & Restructuring

Strengthening of capital base through planned 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

- Significantly reduced net debt
- Improved pro forma equity ratio of approx. 19.1% as of Q4 2020 vs. 9.7% currently

Income statement

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

Transformation program on track

	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
EBITDA Impact FY2020 (M€)	EUR 110 million achieved in 2020, partly tactical and non-recurring			



04

Outlook 2021

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

COVID-19 causes uncertain first half-year coupled with normalization in the second half of the year



Q&A

Financial calendar and contact

Date	Event
April 27, 2021	Annual General Meeting 2021, virtual
May 5, 2021	Interim Report Q1 2021, Media and Investor Conference Call
August 11, 2021	Interim Report Q2 2021, Media and Investor Conference Call
November 10. 2021	Interim Report Q3 2021, Media and Investor Conference Call

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