



SCHMOLZ + BICKENBACH

Q1 2020 Results – Investors' & Analysts' Conference Call

Lucerne, May 6, 2020



SCHMOLZ + BICKENBACH
Group



Disclaimer

Forward-looking statements

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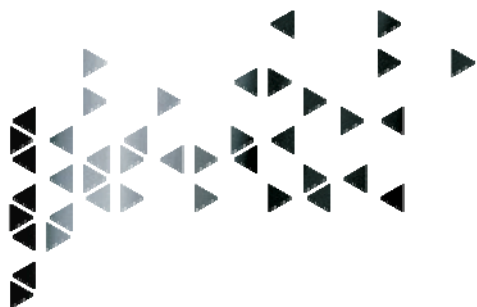
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01 Business Review Q1/20



Business Environment heavily clouded by COVID-19

- ▶ Financial restructuring through capital increase and refinancing improved financial solidity
- ▶ Take-off 2020 characterized by an improving order book and a subdued positive sales growth
- ▶ COVID-19 market deterioration led to a significant demand drop and price erosion towards quarter-end
- ▶ All key end user markets affected by automotive industry shutdown
- ▶ Production cuts and short time work ring fenced a further drop in profitability and liquidity
- ▶ COVID-19 governmental aid instruments considered to the extent possible
- ▶ Transformation and restructuring measure milestones on track to achieve potential
- ▶ Outlook 2020: Due to COVID-19 no reliable estimate for adjusted EBITDA possible

Weak Market Conditions leave their Marks on KPI's

| | | |
|--------------------|-------------------|----------------------------|
| Sales volume | 457 kilotons | –17.1% (551 kilotons) |
| Revenue | EUR 705 million | –20.3% (EUR 884 million) |
| Adj. EBITDA | EUR –6.1 million | EUR 42.2 million in Q1/19 |
| Group result (EAT) | EUR –42.3 million | EUR 0.7 million in Q1/19 |
| Free cash flow | EUR –87.3 million | EUR –23.7 million in Q1/19 |



Price Environment overall downward along with Activity

| | | |
|---|-----------------|---------------------------|
| Commodity prices (Ytd development in local currency) | Nickel | -20% |
| | Scrap (Germany) | -6% |
| | Ferrochrome | +4% |
| | Oil | -67% |
| VDMA order entry | -3% | Jan-Feb 20 vs. Jan-Feb 19 |
| Light vehicle production: | | |
| EU | -21% | Q1 20 vs. Q1 19 |
| USA | -3% | Jan-Feb 20 vs. Jan-Feb 19 |
| China | -49% | Q1 20 vs. Q1 19 |

- Activity significantly down by auto shut down from Asia to Europe coupled with a massive oil price shock

Sources: LME, BDSV, ICDA (International Chromium Development Association), WTI, VDMA, LMC Automotive, China Association of Automobile Manufacturers (CAAM) and U.S. Bureau of Economic Analysis

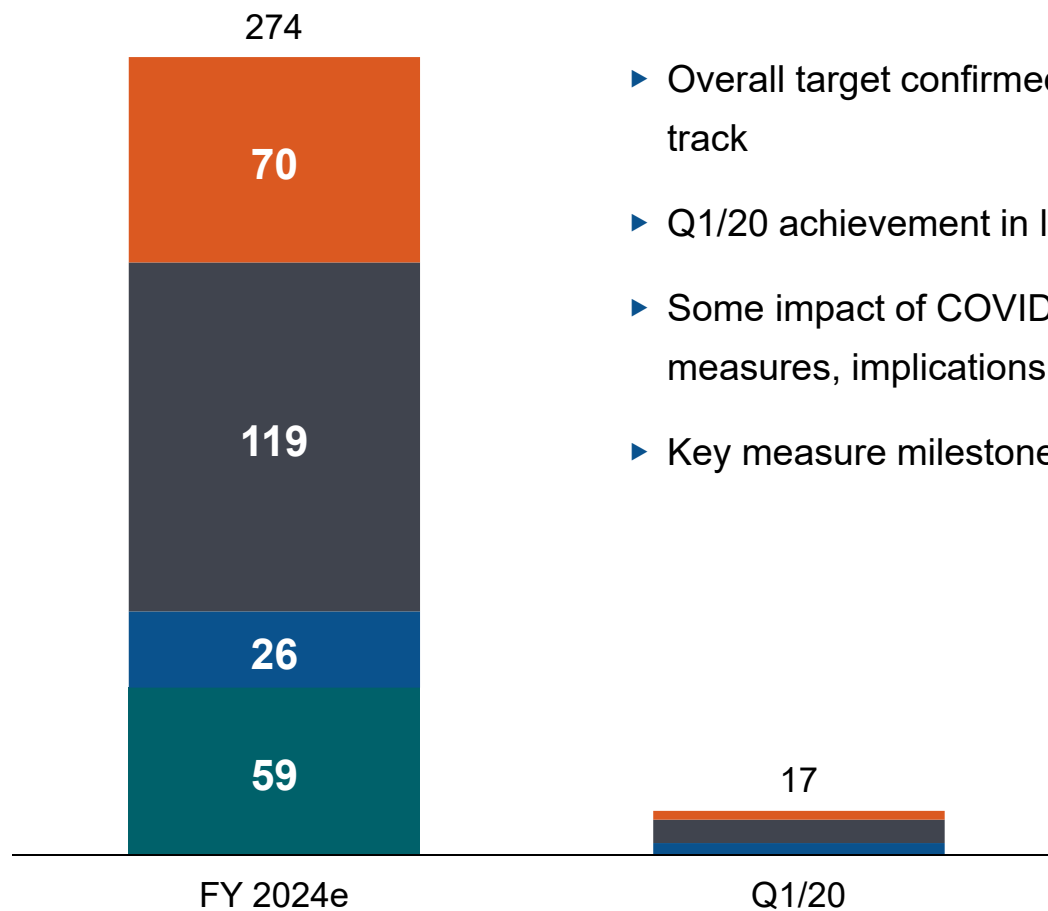
Progress and Status of Restructuring Measures

| Structural measures | Operational Excellence measures | Strategic Capex projects | Additional measures |
|--|---|---|---|
| <ul style="list-style-type: none">• Reduction of DEW central functions• Strategic sales-up program at Finkl in progress• Closure of rolling mill of Ascometal in Dunkirk | <ul style="list-style-type: none">• Ramp-up of measures along plan• Continuous improvement programs in all operating areas | <ul style="list-style-type: none">• Commissioning of Swiss Steel walking beam furnace• Installation of Nadcap-certified heat treatment at Ugitech on track | <ul style="list-style-type: none">• Overarching workstreams established• Functional and turnaround expert teams progressing on detailing and validating project potentials |

- ▶ Transformation office established
- ▶ Project management tool implemented tracking more than 250 measures
- ▶ Close monitoring of progress on a bi-weekly basis per Business Unit



Restructuring Measures Tracking



- ▶ Overall target confirmed – measures almost on track
- ▶ Q1/20 achievement in line with plan
- ▶ Some impact of COVID-19 on Q1 volume based measures, implications more critical in Q2
- ▶ Key measure milestone achievement as planned



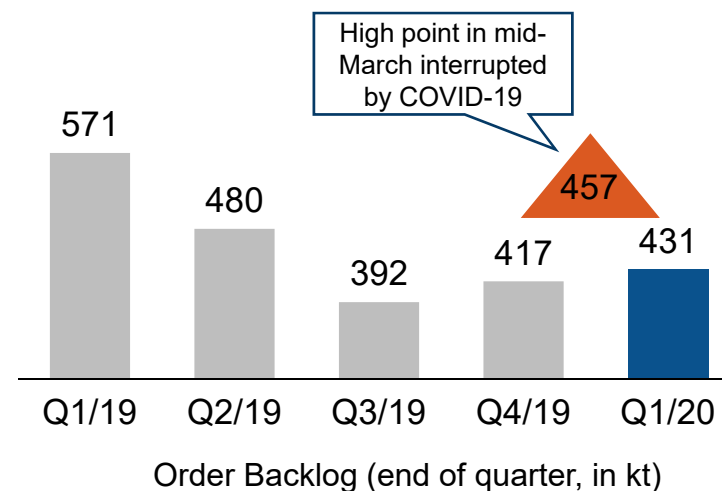
02 Financial Performance Q1/20



COVID-19 drastically interrupted Cautious Recovery

| | | |
|-------------------------------|---------------------|--|
| Order Backlog | 431 kilotons | -24.5% vs. end Q1/19 (571 kilotons) |
| Crude Steel Production | 525 kilotons | -11.3% vs. Q1/19 (592 kilotons) |
| Sales Volume | 457 kilotons | -17.1% vs. Q1/19 (551 kilotons) |

- ▶ Order book improved compared to Q4/19 but increasing rescheduling in the second half of March
- ▶ Reduced crude steel production adjusted to lower demand through short work and other measures
- ▶ Sales volume down by 17.1% predominantly driven by automotive industry shut down coupled with oil price shock

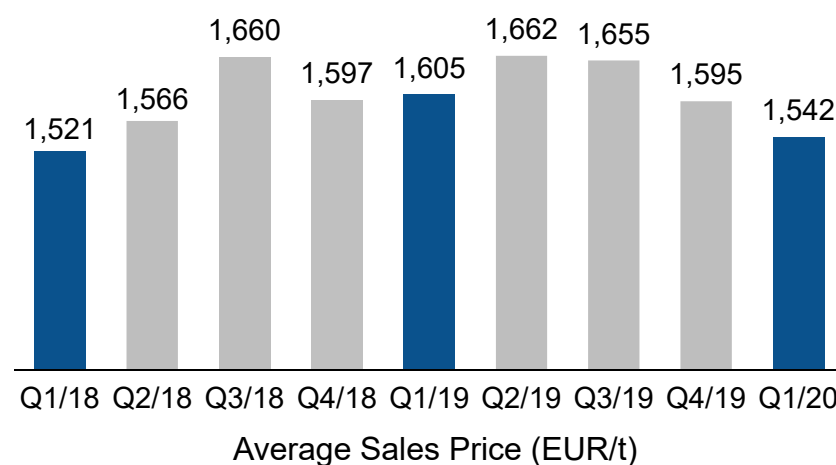


Average Sales Price Impacted by Product Mix

| in EUR/t | Q1/20 | Δ in % vs Q1/19 |
|----------------------------------|--------------|-----------------|
| Average Sales Price (ASP) | 1,542 | -3.9 |
| Quality & Engineering | 915 | -13.5 |
| Stainless | 3,101 | -0.3 |
| Tool | 2,867 | -7.1 |

| in EUR million | Q1/20 | Δ in % vs Q1/19 |
|----------------------------------|------------|-----------------|
| Revenue | 705 | -20.3 |
| Quality & Engineering | 306 | -31.5 |
| Stainless | 285 | -3.6 |
| Tool | 96 | -15.7 |

- ▶ Base prices under pressure – soft demand and increasing competition in Quality & Engineering Steel
- ▶ Weakening price trend also due to lower alloy surcharges
- ▶ Average sales price supported by higher share of Stainless steel



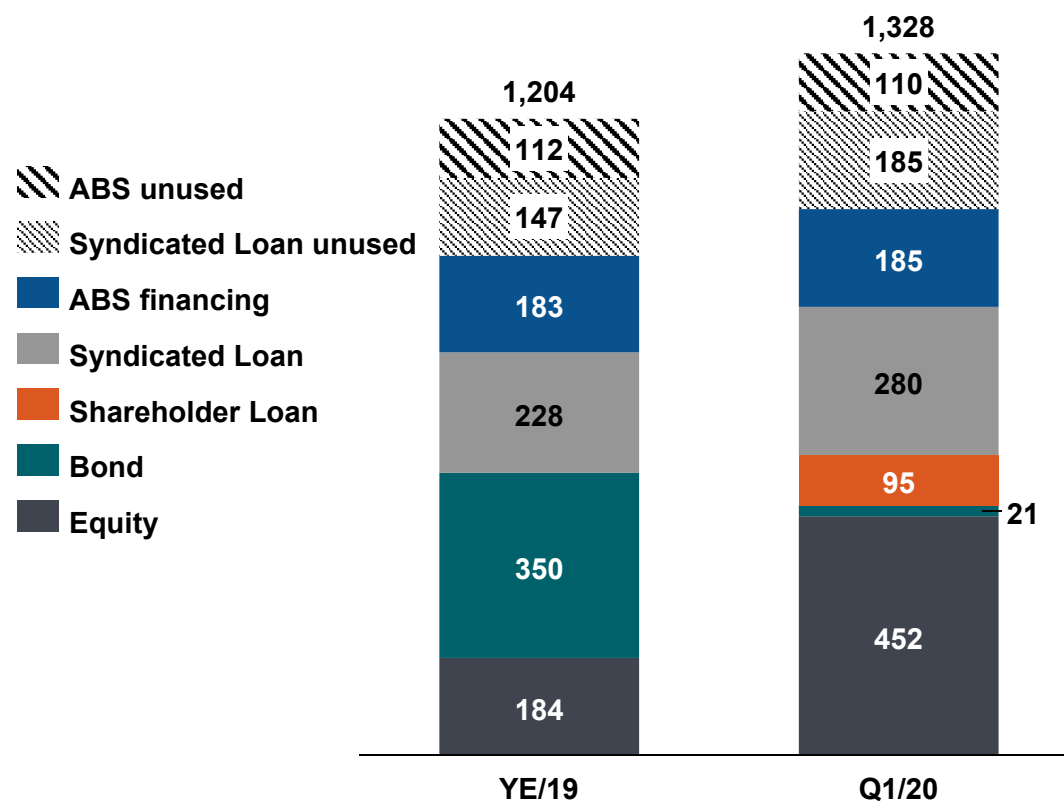
Profitability significantly impacted

| | | |
|------------------------|--------------------------|----------------------------------|
| Adjusted EBITDA | EUR –6.1 million | EUR 42.2 million in Q1/19 |
| – EUR/t | EUR –13.3/t | EUR 76.6/t in Q1/19 |
| – margin | –0.9% | 4.8% in Q1/19 |
| EBIT | EUR –31.7 million | EUR 13.3 million in Q1/19 |
| Group Result | EUR –42.3 million | EUR 0.7 million in Q1/19 |

- ▶ Several counter measures started including
 - short term work
 - reduction of discretionary spend
- ▶ Cost relief achieved from energy and electrodes
- ▶ One-time effects of EUR 1.5 million for turnaround consulting
- ▶ D&A additionally includes an impairment of EUR 4.0 million for Ascometal

Financial Restructuring improved Solidity

Financing Structure (EUR million)



- ▶ Additional credit lines of EUR 185 mn (shareholder and syndicated loan)
- ▶ Maturity extension achieved from 2022 to 2025
- ▶ Net Debt reduced from EUR 798 mn to EUR 609 mn
- ▶ Equity ratio improved from 9.6% to 22.9%



Liquidity Management on Track

| | | | |
|----------------------------------|--------------------------|--------------------------|-----------------|
| Net Working Capital (NWC) | EUR 862 million | EUR 989 million | in Q1/19 |
| Free Cash Flow | EUR –87.3 million | EUR –23.7 million | in Q1/19 |
| Net Debt | EUR 609 million | EUR 798 million | YE/19 |
| Equity Ratio | 22.9% | 9.6% | YE/19 |

- ▶ Significantly reduced NWC with ongoing initiatives, mainly through inventory reduction
- ▶ CAPEX for FY will be substantially below prior years with a further focus on potential reductions
- ▶ Additional cash measures initiated to safeguard
- ▶ Governmental aid instruments considered to the extent possible



03 Outlook



Signs of Market Recovery at the Beginning of 2020 – Visibility deteriorated in Recent Weeks

View on macroeconomic developments and steel industry

- ▶ Extremely low visibility with regards to global GDP growth in the year 2020 after the recent outbreak of COVID-19 and the negative impact on market sentiment
- ▶ Stabilization of the market environment at the beginning of the year, but recovery protracted
- ▶ Normalization of customer inventories reflected in a slight improvement in order intake and order backlog in January and February
- ▶ Uncertainty in our end markets remains high
- ▶ (Long) Steel industry remains under intense pressure in a more severe and longer-than-usual cyclical downturn

Outlook and Priorities For 2020

Priorities for the Group

- ▶ Short-term liquidity protection measures in order to safely overcome the COVID-19 crisis
- ▶ Consistent implementation of the turnaround plan
- ▶ Main measures: transformation and restructuring of Ascometal, turnaround of Finkl Steel, restructuring of Steeltec as well as personnel measures and operational improvements at DEW

Guidance for full-year 2020

Due to COVID-19 no reliable estimate for adjusted EBITDA possible



Q & A



Financial Calendar and Contact

| Date | Event |
|-------------------|--|
| May 6, 2020 | Interim Report Q1 2020, Media and Investor Conference Call |
| August 12, 2020 | Interim Report Q2 2020, Media and Investor Conference Call |
| November 11, 2020 | Interim Report Q3 2020, Media and Investor Conference Call |

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