BRITISH STEEL

British Steel

Re-born and Transformed

January 2019

BUILDING STRONGER FUTURES

Agenda

British Steel Introduction

Coming Together

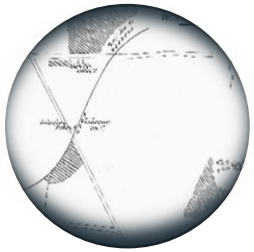
The Turnaround- Strategic Framework 2025

Facing Future Challenges

Building Business Sustainability

Introduction

British Steel - History



1864

Establishment of the original works in the site

1950

Industry Nationalisation

1988

Industry Privatisation British Steel was born

1999

Corus was born from the merger of Dutch Hoogovens

2007

Tata Steel Bought Corus

2016

Greybull Capital bought Long Products business. British Steel was reborn.

2017

Acquisition of FN Steel

Introduction
British Steel to date

- 5,000 British Steel employees - 4,200 in the UK, 800 in France & The Netherlands
- 3,200 employees at our main Scunthorpe site
- 500 contractors in Scunthorpe
- Tata Long Products reduced 1200 people before the sale. Since the 1st June 2016 900 new colleagues have joined British Steel. In December 2018 we announced 400 people reduction for streamlining.
- Since launch our new people have included 70 apprentices, 43 graduates and 72 trainees
- Around 20,000 people are employed in the UK supply chain – 4 people for every one British Steel employee

BRITISH STEEL

Coming Together

a Tata Long Products Europe

- **2015** -Tata Steel make the decision to separate the Long Products division.
- Long Products Europe have predicted negative results and underperformed vs pears for the last seven years.
- Transformation Programme was developed with expert support (McKinsey) creating an opportunity valued in circa £200M to be archived within three years.
- High corporate burden cost of Tata ownership with value £17M
- Stakeholder engagement and readiness to mobilising company turnaround.

b Greybull Capital

- Supports companies facing opportunities or challenges which require a step change in their available capital, expertise, personnel and ideas
- "By collaborating with Management teams and employees and by investing our capital, time and expertise, we aim to add substantial value to companies that need to undergo change" - GB

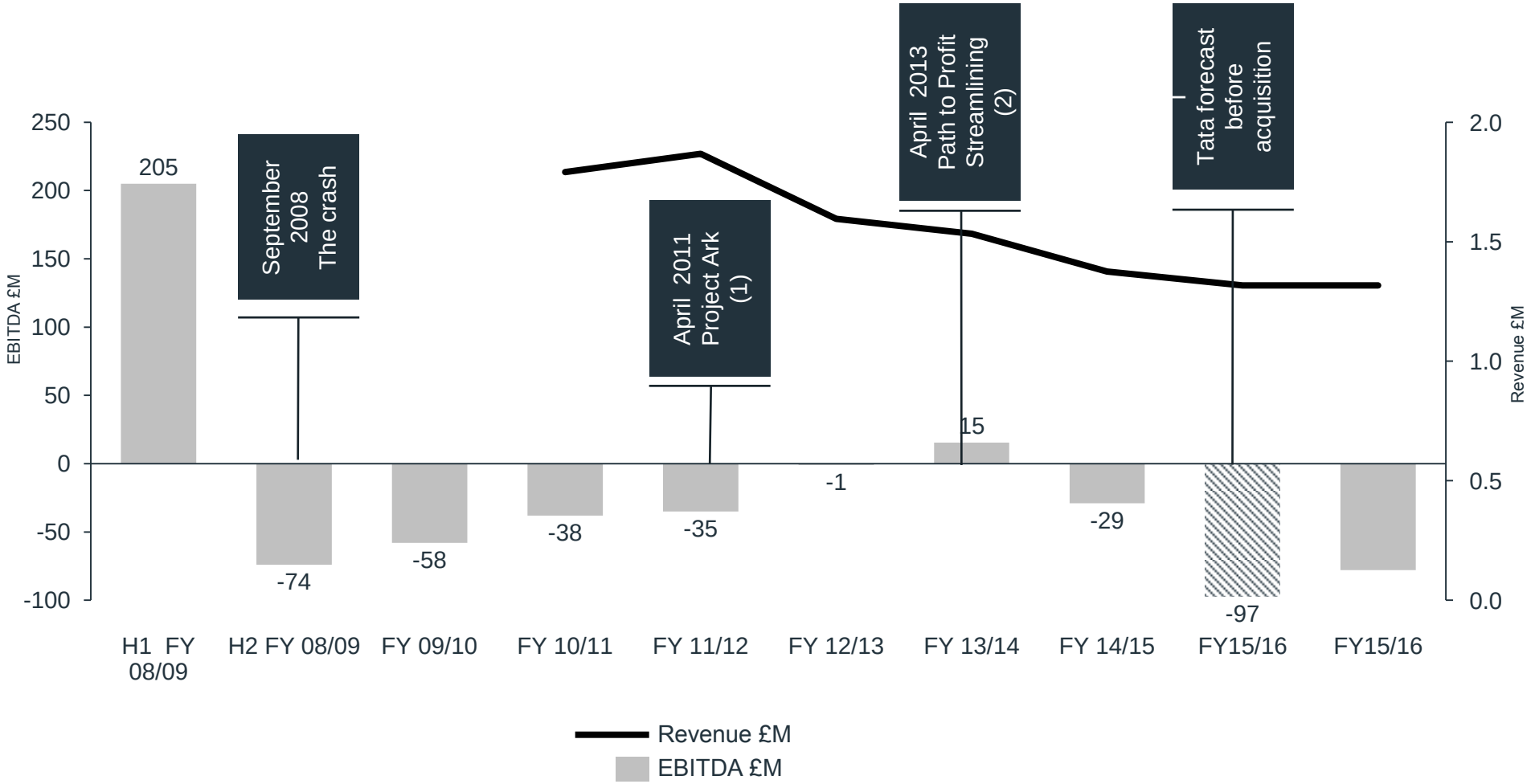
c British Steel Management

- Greybull acquired the long products division of Tata Steel in **2016,** renaming it British Steel
- Launched on 1 June 2016, British Steel is a leading steel producer in Europe, producing c. 2.8 mt of liquid steel per annum
- After acquisition new ownership supported a new agile business model driving the implementation of changes aligned to the opportunities initially identified, converting inside looking division into an outside looking profitable business.

Coming Together

a

Tata Long Products Europe performance suffered due to continued market challenges and industrial and managerial underperformance



(1) In light of weak market conditions, the decision to move from 3 BF to 2 BFs was taken in order to eliminate the tail of lower margin products.

(2) To address the fixed cost reduction a headcount reduction of 500 FTE was set.

Coming Together
British Steel Management

Roland Junck
Executive Chairman

Roland has spent his whole career, over 40 years, in the steel and metals industry working in many large international and small local steel companies. He was the first CEO of **Arcelor Mittal** when they merged in 2006 and before joining British Steel was CEO of world leader zinc producer Nyrstar

Christian Hackl
COO

Christian has more than 17 years' experience in the steel business. He was responsible for energy, logistic, restructuring and operation in the division of long pro-ducts of the **voestalpine** group. The last 4 years he was COO of **voest-alpine Stahl** Donawitz. Christian joined British Steel in January 2019.

Gerald Reichmann
CFO &
Deputy CEO

Gerald has over 16 years experience in the steel industry. Having previously worked in FD and CFO positions for **voestalpine** companies in the UK, Germany and Austria. During the last 5 years he was CFO of the Wire Division of **voestalpine**. Gerald joined British Steel in November 2017

Ugur Yilmaz
(COO)

Ugur has more than 35 years' experience in integrated steeplants in both iron and steelmaking roles. He has worked for a number of high-profile steel manufactures such as **Erdemir, Isdemir** and **Kardemir,** where he held roles including Chief Operating Officer, Chief Technology Officer and General Manager.

Ron Deelen
CMO

Ron has worked for more than 30 years in the steel, metal and automotive industry. He worked several years for **Saarstahl** and the cold heading industry in Europe. In his last positions he was President of EMEA of the Norma Group and CEO of FNsteel. Ron joined British Steel after the take-over of FNsteel BV

b

Coming Together

Greybull Capital - Past and current investments

The list below shows a sub set of the different companies that we are or have been involved with:

Name	Date	Industry	Strategic Aim	Results
Cross Pharma / Meda	1997	Imports of pharmaceuticals in Sweden	Growth	Grew the business significantly from a market cap of €8m to over €2.5 billion by our exit in 2007
Novocure	2003	Ground breaking cancer treatment	Growth IPO	Capital Invested $300 million. Novocure's IPO in 2015 valued it in excess of $2 billion
Volati	2003	Family own Business With 40 operating companies	Growth IPO	Volati's IPO was in 2016 on Nasdaq Stockholm
Plessey Semiconductors	2011	Semiconductors	Growth	Capital Invested of $65 million in the business during our ownership.
ARC Specialist Engineering	2013	Manufacturing conglomerate	Growth	After 4 successful years under our ownership we sold the business in 2017
Monarch Group	2014	UK Travel Group	Support Operation	Profit improvements of £100m during the 1st year of our ownership enabling the Group to continue to operate for over 3 years.
TSP Projects	2016	Engineering	Support Operation	We are currently supporting the Company with its growth in both the UK and overseas
British Steel	2016	Steel	Growth & Development	The Company delivered a £120m of profit improvements in in the 1st year under our ownership. We have since acquired FN Steel
Redeem	2018	Recycling and trade-in programmes for mobile devices	Growth & Development	The Company is a key partner of companies such as O2, Vodafone and 3.

BRITISH STEEL

First 100 Days

Business Infrastructure

- ✓ Organise the segregation of key functions from Tata to British Steel

Strategic Diagnosis

- ✓ Understanding the competitive position including cost, market and products. Identify market opportunities and profitability potential. Create workstreams for each BU.

Leadership

- ✓ Appoint Executive Chairman and leadership team.
- ✓ Appoint Business Units MD's- workstreams leaders for each product line identified.

Turnaround

- ✓ Support Implementation of Transformation Programme
- ✓ Owners (Shareholders) engagement on Transformation

Stakeholders

- ✓ Re-connecting with relevant stakeholders like Customer & Suppliers at regional, national and international level.

Branding

- ✓ Redesign and improve the British Steel brand.

The Turnaround
Strategic Framework 2025

Actions

The Turnaround- Achievements

1 Transformation Programme

- ✓ Deliver circa £250m on transformation benefits on the last three years vs. baseline of expected (£97M)
- ✓ Agile and responsive organisation with solid process to generate waves of ideas and successful implementation to deliver results
- ✓ Performance driven focus on delivering results to customers by BU

2 Investments & Financing

- ✓ Investments of circa £150m over the last three years
- ✓ Financial support and risk management credit lines

3 Executive team

- ✓ Roland Junck, our Executive Chairman, was previously CEO at Arcelor Mittal
- ✓ We have put in place a strong Management team with highly experienced industry professionals(CCO,CFO,CMO) from as Erdemir, voestalpine, Arcelor Mittal, & Saarstahl

4 Stakeholder Management

National: Ongoing dialogue with UK Government in terms of industrial strategy in the UK and the contribution to the Steel Industry in this framework
Regional: Interact with local business community and Educational Institutions to enhance the prosperity in the community
Employees: Maintain employment of 20,000 people in Lincolnshire and Yorkshire as well around all our other sites

1

The Turnaround
Transformation 1. 0

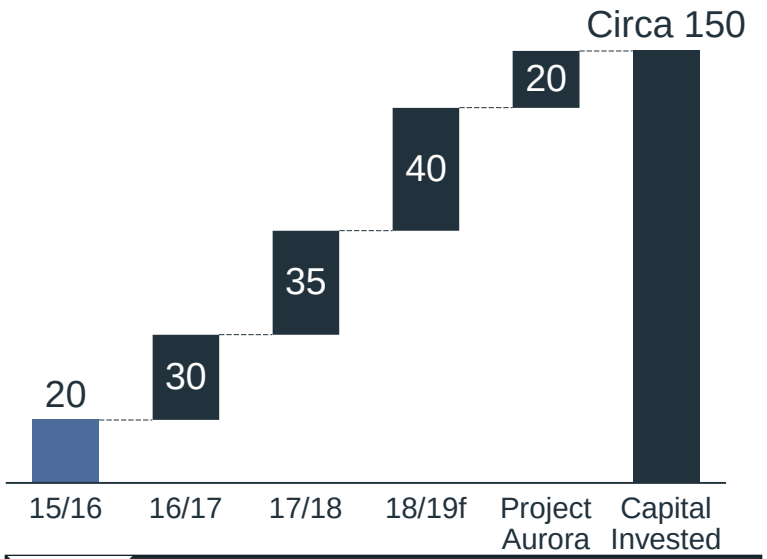
Transformation EBITDA Benefits from two financial years (16/17-17/18)

Workstream	Description	Impact £M
Functional and employment	▪ Savings in employment cost through improved productivity and manning rationalisation.	33
Asset and Demand Efficiency	▪ Cost of liquid steel programme – initial review supported by McKinsey – Reducing Primary Products cost base through process and productivity improvements.	35
External spend	▪ Reduction in spend with all external suppliers through a mix of demand, specification and commercial levers.	50
Commercial	▪ Revenue improvement across product lines through a volume, mix and price improvement and cost reduction in mills.	26
Stakeholder support	▪ Support from government and other key stakeholders, such as employee salary sacrifice in year 1.	31
Structural Changes	▪ Closure of the Plates business and the one of the coke ovens installations.	46

Total: £ 221M

2

The Turnaround
Investment & Financing



Year	Scheme
16/17	BOS- Vessel 1
16/17	Profiles- Hot Descaling
16/17	Iron- Coke Oven Battery
17/18	Energy- CPS Roof
17/18	Iron- Coke Oven Recovery
17/18	Rail- Zinoco Facility
18/19	Iron- By Products Recovery
18/19	Iron-Coke over Improvement
18/19	Rail- Stamper

Hayange factoring top customers/Intercompany loan

- Implemented December 2017.
- Improvement to UK headroom of £25m, expected to be £35m at the peak.

Bekaert supply chain financing

- Implemented December 2017.
- Improvement to UK headroom of £2m to date, expected to be £10m at the peak.

Supplier- Primemetals

- Implemented November 2018.
- Financing for the value of £18M.

Refinancing FNsteel

- Implemented Q2 2018.
- Improvement to headroom of approximately £7 million.

Raw material financing

- Citi-
- PNC-
- ING-
- White Oak-

3 The Turnaround

Executive Team

From

1. Tata Corporate centralised decision making
2. Organised based on function and geography
3. In-looking internal grow in the company 20 years plus

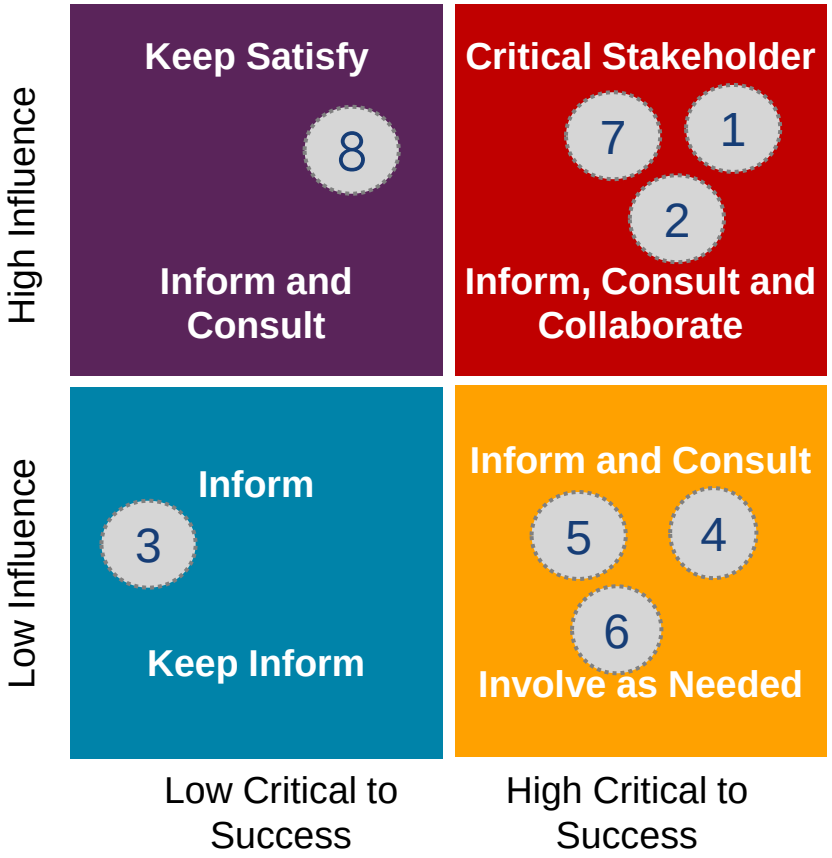
British Steel Management

- Flexible focus in turnaround
- Customer focus Business Unit organisation
- Outlooking with wider experience the industry.

4

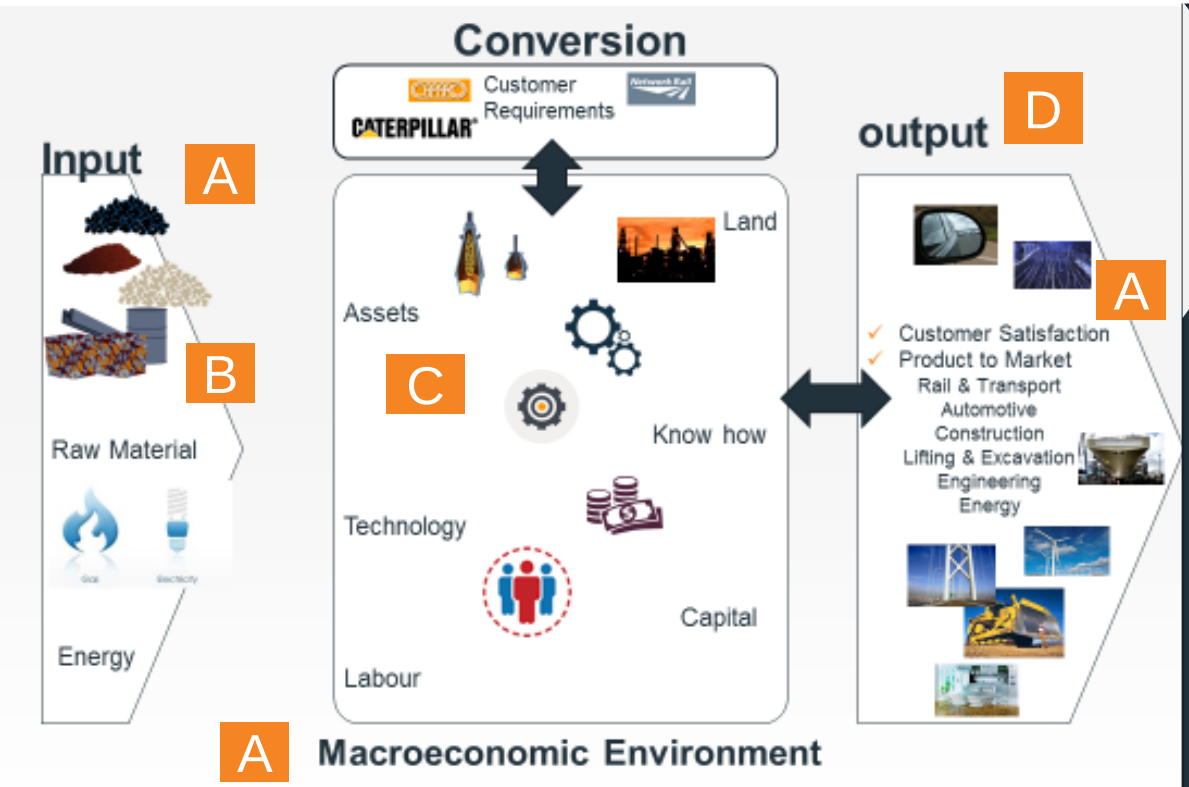
The Turnaround

Stakeholder management



We define a detail plan of engagement on each one of the stakeholders according their needs and priorities

Facing Future Challenges



Risks

- **A** Macroeconomic performance World Europe UK- Brexit
- **B** Risk Management of raw material spread
- **C** Transformation 2.0 to improve productivity
- **D** Improve Margin Management- create more value in our supply chains

C Facing Future Challenges
Transformation 2.0

Transformation EBITDA expected benefits from 18/19 onwards

Workstream	Description	Impact £M	Expected EBITDA Benefit
Functional and employment	▪ Further review of central costs/management structures and rationalisation of corporate activities. ▪ New workstream on Fix Cost reduction.	25	18
Asset and Demand Efficiency	▪ Ongoing cost of liquid steel programme targeting improvements in the performance of sinter, coke, through yield. Reducing raw materials cost, higher efficiencies and improved energy performance.	20	14
External spend	▪ Further reduction in spend with all external suppliers through focus on operational productivity and better contractual conditions.	20	14
Commercial	▪ Gross margin improvement across business units through a price and mix improvement supported ▪ Spread management project ▪ Risk Management project	25	18
Stakeholder support	▪ Opportunity for government support on innovation and tax credits.	15	15
Business Units	▪ Operational improvement on yield, performance and productivity ▪ Commercial performance on mix, volume and price.	20	15

Initiatives value

Total: £ 125 M

Building Business Sustainability

British Steel – Vision

To be the highly profitable, customer focussed, UK based integrated longs steel manufacturer with international downstream activities

Integrated steel production

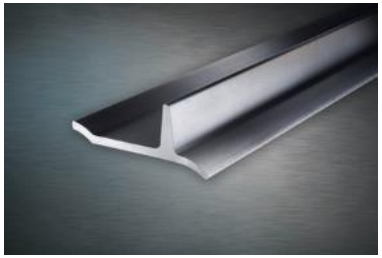
Highly cost competitive operation-best in class processes
energy efficient, environmentally conscious

Rail

- Number one supplier in Europe
- Innovative product solutions
- Extensive service offering

Construction

- UK leadership
- End-User service focus
- Reshaping distribution landscape in the UK



Special Profiles

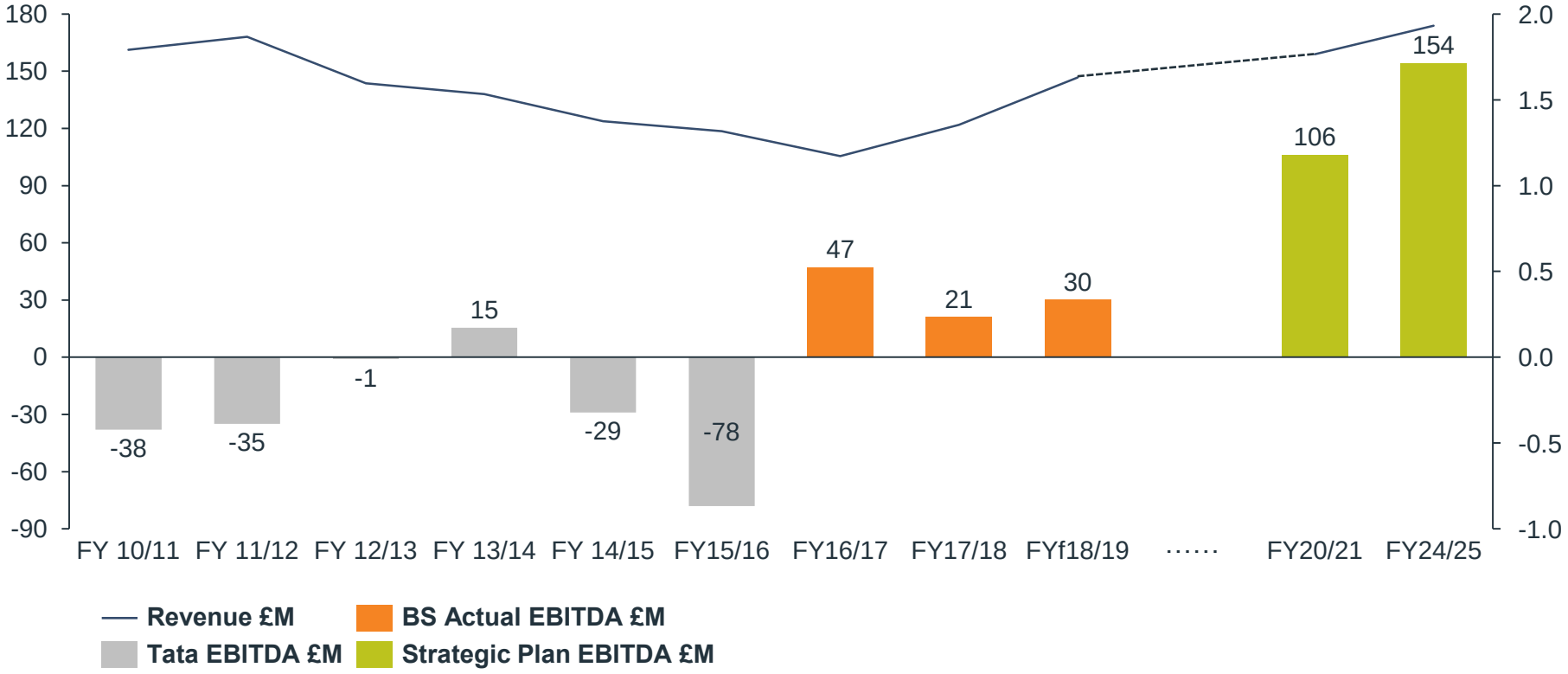
- Enhanced customer footprint
- Innovative solutions
- Boutique products

Wire Rod

- Growth in high value added products
- International presence
- World class assets

BRITISH STEEL

Building Business Sustainability
British Steel Results



Building Business Sustainability

Critical Success Factors- Future

1. Embrace Digital Transformation and Industry 4 Technology
2. Develop New Value Prepositions in Cooperation with our Customer
3. Identify Synergies and Future Partnerships

Q&A

BRITISH STEEL

BUILDING STRONGER FUTURES