# Analyst/Investor Presentation
# Q3 2013 Results
20 November 2013

# 1

## BUSINESS REVIEW Q3 2013

# Operational Overview Q3 2013 and the first nine months of 2013

» Sales volume increased by 6.6% to 500 kt in Q3 2013 (Q3 2012: 469 kt), year-to-date sales volume decreased by 2.5% to 1 563 kt (1.1.–30.9.2012: 1 603 kt)

» Decreasing raw material prices and price pressure with regard to the base price

» Revenues in Q3 2013 decreased by 5.7% to EUR 784.2 million (Q3 2012: EUR 832.0 million); year-to-date revenues decreased by 10.1% to EUR 2 524.7 million (1.1.–30.9.2012: EUR 2 806.9 million)

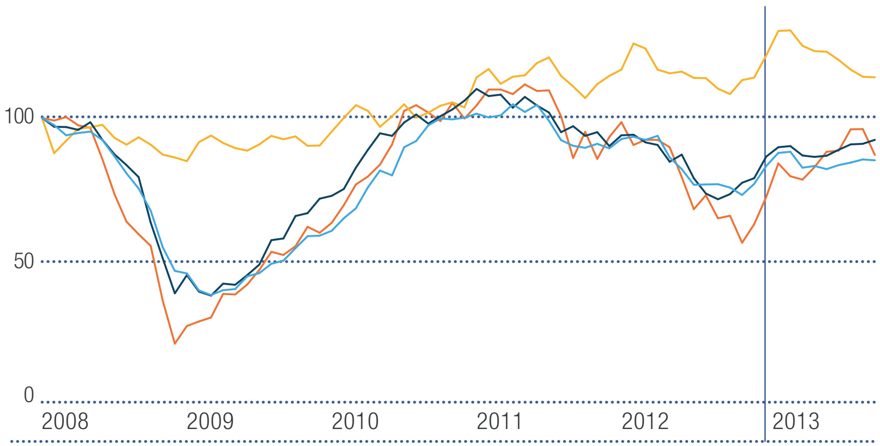
» Margins remain stable: gross margin in Q3 2013 at 32.1% (Q3 2012: 29.8%), in the first nine months of 2013 at 31.9% (1.1.–30.9.2012: 31.1%)

» Adjusted EBITDA in Q3 2013 was at EUR 39.8 million (Q3 2012: EUR 20.5 million), below Q1 and Q2 2013 due to seasonal effects; adjusted EBITDA for the first nine months of 2013 was at EUR 135.8 million (1.1.–30.9.2012: EUR 152.4 million)

» Earnings after taxes were burdened by higher financial expenses and one-off effects in connection with the restructuring

# Volatile market environment

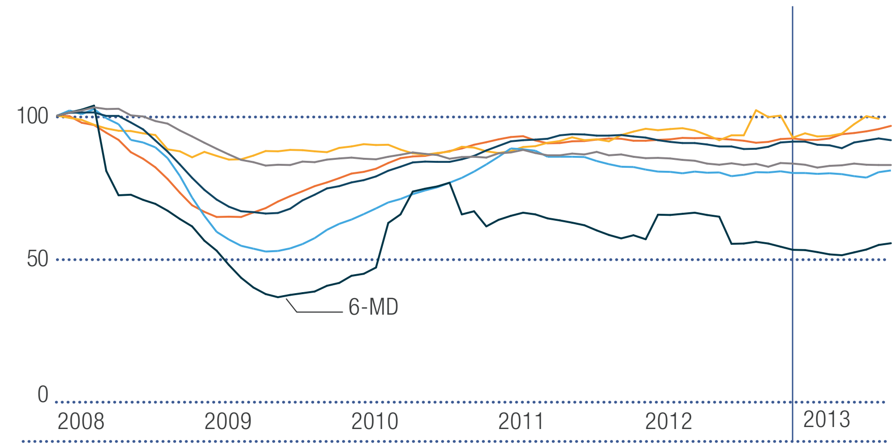
**Ifo business climate of selected steel processing industries** | 2008=100




■ Mechanical engineering ■ Metalware
■ Main construction trade ■ Automotive

Source: ifo Institute, Federal Statistical Office

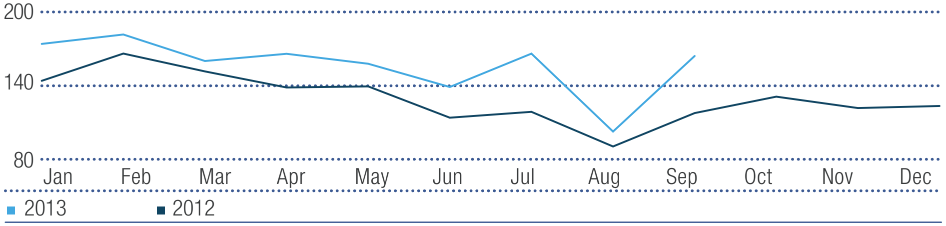
**Incoming orders of selected industries (Germany)** | 2008=100, seasonally adjusted, 3-MD




■ Household goods ■ Metalware ■ Steel pipes
■ Mechanical engineering ■ Main construction trade ■ Automotive

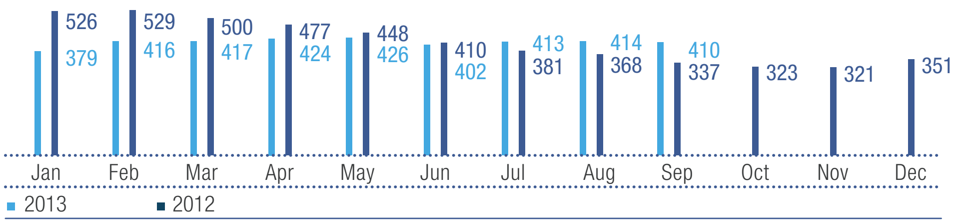
# Overall improvement in order intake, order backlog and sales volume in the first nine months of 2013

**Incoming orders 2012–Q3 2013** I in kt



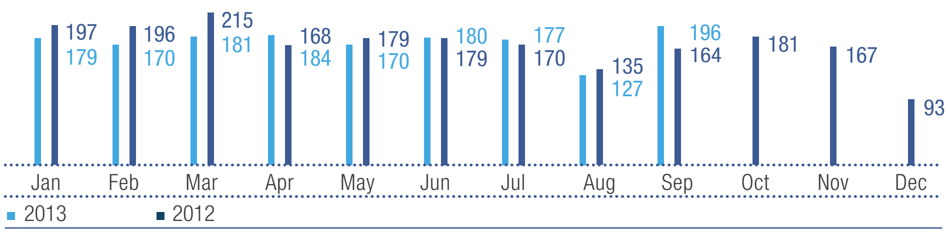

» Incoming orders above prior year in every month of the first nine months of 2013

**Order backlog 2012–Q3 2013** I in kt




» Order backlog continued to stabilise at a significantly higher level than in Q3 2012, but until June below level of 2012

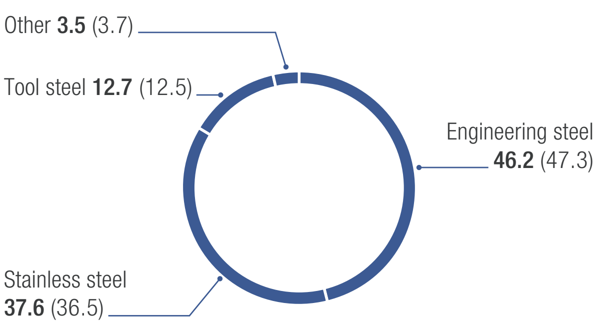
**Sales volume 2012–Q3 2013** I in kt




» Sales volume up compared to Q3 2012 (6.6%), but still below level of the first nine months of 2012 (-2.5%)

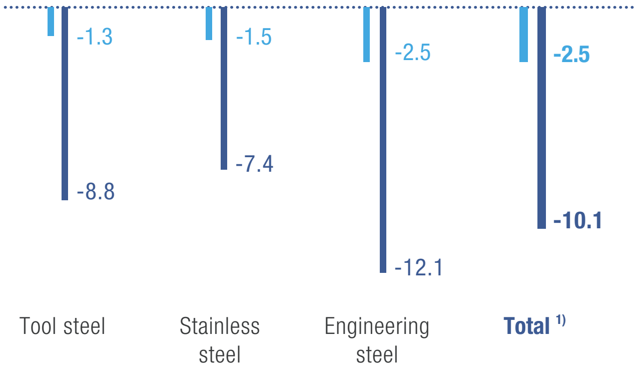
# Variable revenue decline in individual product groups

**Revenue by product groups 1.1.–30.9.2013** I in %




Revenue I Compared to 1.1.–30.9.2012 (in brackets)

**Change in revenue and sales volume by product groups 1.1.–30.9.2013 from prior year** I in %



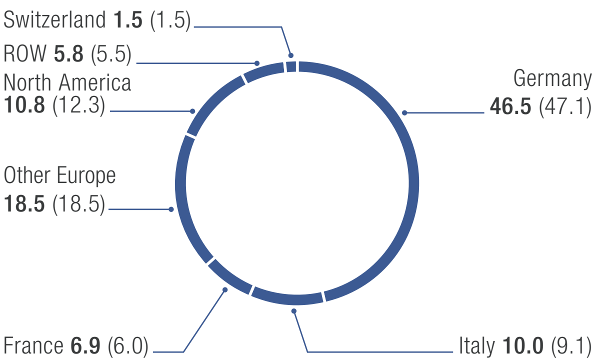

Change in sales volume ■ Change in revenue

1) Including consolidation.

- » Sales volumes in stainless (-1.5%) and tool (-1.3%) steel decreased moderately
- » Engineering steel showed the greatest decline in sales volume (-2.5%), nevertheless the recovery in Q3 2013 was the most pronounced
- » Sharper decline in revenue mainly attributable to lower scrap and alloy prices as well as continued price pressure, especially for engineering steel

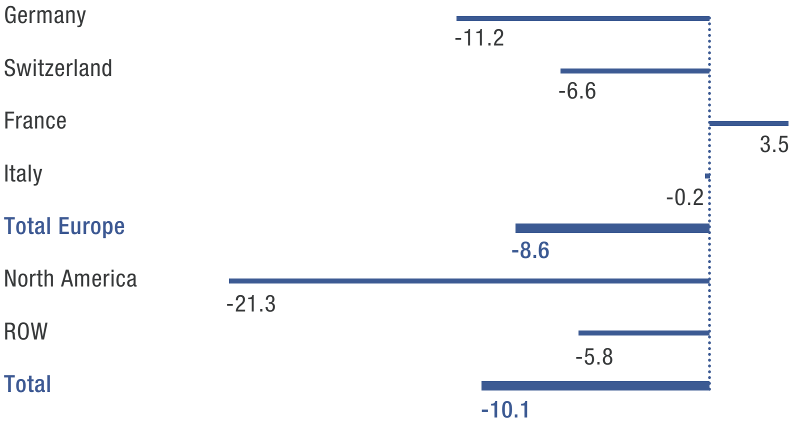
# Falling demand in the North American oil and gas industry

**Revenue by regions 1.1.–30.9.2013 | in %**




■ Revenue | Compared to 1.1.–30.9.2012 (in brackets)

**Change in revenue by regions 1.1.–30.9.2013 from prior year | in %**




- » Revenue in North America, which depends to a larger extent on the energy sector, fell by 21.3%, primarily as a result of lower volumes
- » Lower decrease in revenue in Europe (-8.6%) and in the rest of the world (-5.8%). Revenue in France improved compared to a weak prior year situation
- » German market conditions still challenging due to increasing competition

# 2 RESULTS OF STRATEGIC REVIEW

# The strategic review is completed, implementation of key strategic initiatives already under way

## Phase I
REVIEW AND CONCEPT ✓

**Strategic review**
- Exist. strategy reviewed and need for change identified; new strategic concept and business model elaborated

**Strategic options**
- Strategic options identified and detailed
- Financial and strategic assessment conducted

**Organisation**
- Changes in organisational structure defined; Central functions/task descriptions specified

**Targeting and measures**
- Targets for business units derived and communicated
- Operational improvement levers identified; quantification and timeline of financial effects

**Business planning review**
- Financial business model for 2013–2016 validated

10 weeks — 31 May 2013

## Phase II
DETAIL AND IMPLEMENT CONCEPT ✓

**Implementation of organisational change**
- Strengthen transparency and control on group level
- Define organisation and business model Blankstahl/Steeltec

**Alignment of group-wide sales concept**
- Align sales concept between production BUs and Sales & Services
- Foster interaction and collaboration between business units; definition of standardised sales processes and enhancement of sales coordination

**Measure detailing and implementation control**
- Further detail and define improvement levers
- Define additional on-top potential
- Implement group wide measure implementation project controlling tool

**Strategic options Distribution Germany**
- Detail strategic options
- Develop additional restructuring concept

30 September 2013

## Implementation/ key strategic initiatives

New bright bar group

Pilot Italy

Performance improvement measures of > EUR 230 million

Second wave of restruc-turing initiated. In parallel: evaluate strategic options

ongoing

# A detailed performance improvement programme with an EBITDA improvement volume of EUR 230 million until 2016 is in implementation

## Key facts on performance improvement programme

- EBITDA improvement volume of EUR 230 million by 2016 based on > 600 individual performance improvement measures
- Cost saving measures contribute > EUR 100 million to the total EBITDA improvement volume: Focus on personnel cost, efficiency improvements and purchasing measures
- Top-line measures include volume and price effects, including an optimised product mix
- Total FTE reduction (including contract labor) of ~700 FTE; partly already implemented
- Total restructuring cost of EUR 19.1 million recorded for 2013 (of which EUR 0.7 million recorded in 1.1.–30. 9.2013) total restructuring in 2012 of EUR 29.3 million

## Systematic tracking of implementation

- **Professional Management:** Group-wide programme management office (PMO) installed, directly reporting to CEO/CFO
- **Full transparency:** Timely response to deviation from targets enabled by having full transparency on single step level via a group-wide project management tool
- **Accountability:** Bimonthly reviews with business unit management and Group management

# Distribution Germany: Second wave of restructuring and evaluation of strategic options in parallel

## Status regarding Distribution Germany

_ Start of second wave of restructuring based on detailed concept developed and validated by RBSC

**Details of restructuring concept**

**Cost reduction**

_ Headcount reduction
_ Closure of warehouses
_ Achieve cost savings in logistics and other operating expenses
_ Improve global sourcing

**Top-line measures**

_ Introduction of new pricing methodology
_ Install systematic approach to customer development

Estimated earnings improvement potential of EUR 20 million on EBITDA level until 2016 and restructuring costs of about EUR 16.5 million

_ In parallel, evaluation of strategic options for Distribution Germany and some other wholesale activities [1)] in Europe

Final decision on divestment in H1 2014

1) Entities with low strategic fit and low share of own mill products (< 30%).

# 3 CAPITAL INCREASE AND BOD'S COMPOSITION

# Capital increase in detail

| | |
|---|---|
| Offering type | _ Fully underwritten discounted rights issue of new registered shares with subscription rights to existing shareholders<br>_ Shares sourced from ordinary capital |
| Issuer | _ SCHMOLZ + BICKENBACH AG |
| Offering size | _ Offering of 826.875 million shares<br>_ Offer price CHF 0.53 per offered share |
| Proceeds and costs | _ Gross proceeds CHF 439 million (EUR 357 million)<br>_ Offering related expenses EUR 26 million |
| Use of proceeds | _ Reduction of debt and strengthening of balance sheet<br>_ General corporate purposes |
| Offer structure | _ Public offering in Switzerland<br>_ Reg S offering to institutional investors outside US |
| Lock-up | _ Company: 180 days<br>_ Principal shareholders (Venetos Holding AG and SCHMOLZ + BICKENBACH GmbH & Co. KG): 180 days<br>_ Newly elected BoD and management: 90 days |

# Bond 2012–2019: Repurchase offer settled and redemption offer launched

## 1_Change of Control Offer

» Mandatory repurchase offer to the bond holders upon the change of control

» EUR 1 million have been tendered for a repurchase price of 101% plus accrued interest

» Settlement and payment on 15 November 2013

## 2_Equity clawback

» Optional redemption offer for up to 35% of the original nominal value of the notes less nominal value tendered in the Change of Control Offer

» Nominal value of EUR 89.3 million will be redeemed at a price of 109.875% (plus accrued interests)

» Funding through proceeds from the capital increase

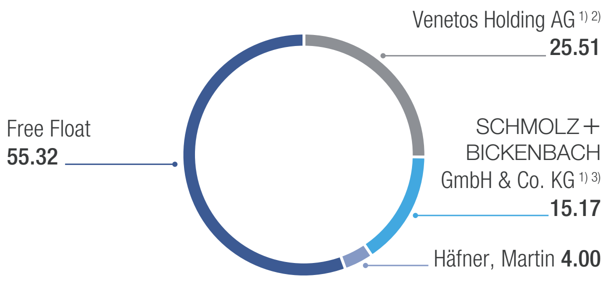
» Notice to bondholders on 12 November 2013, settlement of redemption on 19 December 2013

» Significant reduction of highest interest-bearing debt

» Considerable reduction of interest expense from 2014 onwards

# New shareholder structure

**Shareholder structure as at 31.10.2013** | in %




1) Form a group according to stock exchange act.
2) Member of the Renova Group.
3) Directly through the subsidiaries SCHMOLZ+BICKENBACH Beteiligungs GmbH, SCHMOLZ+BICKENBACH Holding AG and SCHMOLZ+BICKENBACH Finanz AG.

- Anchor shareholder Venetos Holding AG, a member of the Renova Group, and SCHMOLZ + BICKENBACH Holding AG participated in full in the capital increase
- Martin Haefner invested during the capital increase
- Shareholder Gebuka AG fell below the notification threshold

# Composition of the Board of Directors

- Edwin Eichler [1], Chairman
- Dr Vladimir V. Kuznetsov [2], Vice Chairman, Chairman of the Nomination and Compensation Committee
- Michael Büchter [1]
- Marco Musetti [2], Chairman of the Strategy Committee
- Dr Heinz Schumacher [1]
- Dr Oliver Thum [3]
- Hans Ziegler [1], Chairman of the Audit committee

1) Independent member.
2) Representative of Renova.
3) Representative of SCHMOLZ + BICKENBACH GmbH & Co. KG.

# 4 FINANCIAL OVERVIEW Q3 2013

# Results of operations: key figures

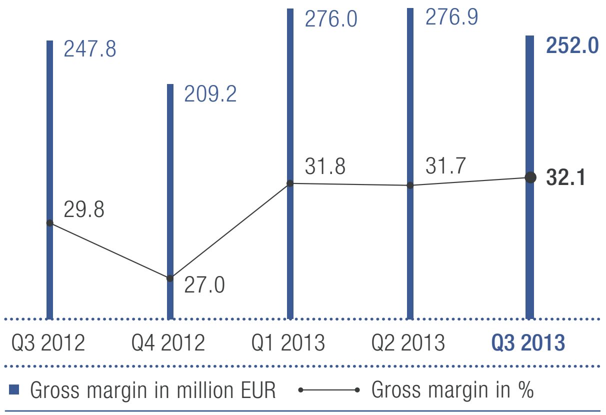
| million EUR | 1.1.–30.9.2013 | 1.1.–30.9.2012 [1)] | Change from prior year % | Q3 2013 | Q3 2012 [1)] | Change from prior year % |
|---|---|---|---|---|---|---|
| Sales volume (kt) | 1 563 | 1 603 | -2.5 | 500 | 469 | 6.6 |
| Revenue | 2 524.7 | 2 806.9 | -10.1 | 784.2 | 832.0 | -5.7 |
| Adjusted EBITDA | 135.8 | 152.4 | -10.9 | 39.8 | 20.6 | 93.2 |
| Adjusted EBITDA margin (%) | 5.4 | 5.4 | 0.0 | 5.1 | 2.5 | 104.0 |
| Operating profit before depreciation and amortisation (EBITDA) | 126.6 | 137.3 | -7.8 | 36.2 | 11.0 | 229.1 |
| Operating profit (EBIT) | 33.9 | 47.2 | -28.2 | 3.5 | -18.9 | -118.5 |
| Earnings before taxes (EBT) | -39.1 | -6.2 | 530.6 | -24.5 | -39.0 | -37.2 |
| Net income (loss) (EAT) | -44.5 | -27.2 | 63.6 | -25.6 | -43.0 | -40.5 |

1) Adjusted to IAS 19R.

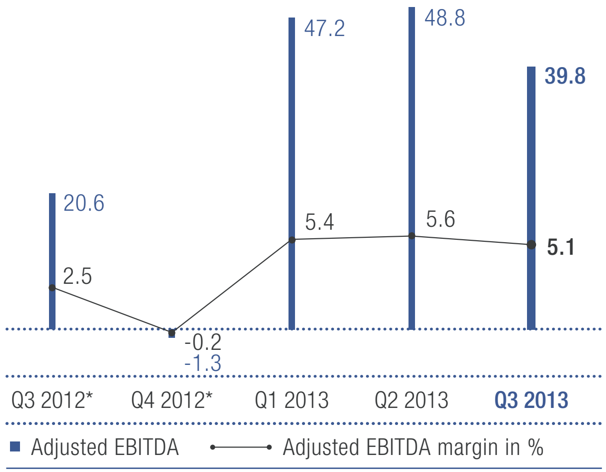
- » Sales volume and revenue fell by 2.5% and 10.1%, respectively, compared to the first nine months of 2012. Quarter-on-quarter sales volume increased by 6.6%, but revenue fell by 5.7%
- » Adjusted EBITDA decreased by 10.9% to EUR 135.8 million (1.1.–30.9.2012: EUR 152.4 million) compared to the first nine months of 2012, but significantly improved on a quarterly basis (Q3 2013 EUR 39.8 million, Q3 2012 EUR 20.6 million)
- » Net loss of EUR 44.5 million (1.1.–30.9.2012: net loss of EUR 27.2 million) was impacted by higher interest costs including non-recurring expenses and one-off costs in connection with the restructuring

# Gross margin and EBITDA margin development

**Gross margin Q3 2012–Q3 2013** I in million EUR and in %




**EBITDA and EBITDA margin Q3 2012–Q3 2013 (both adjusted)** I in million EUR and in %




* Adjusted to IAS 19R.

» Stable margin levels in Q3 2013, Q2 2013 and Q1 2013
» Gross margin in the first nine months of 2013 at 31.9%, above the first nine months of 2012 (31.1%)
» Quarter-on-quarter gross margin in Q3 2013 with 32.1% significantly above Q3 2012 (29.8%), adjusted EBITDA margin with 5.1% significantly above previous year
» Margins in the first nine months of 2013 negatively impacted by declining scrap and nickel prices

# Revenue by Division

| Revenue | 1.1.–30.9.2013 | 1.1.–30.9.2012 [1] | Change from prior year % | Q3 2013 | Q3 2012 [1] | Change from prior year % |
|---|---|---|---|---|---|---|
| million EUR | | | | | | |
| Production | 1 970.3 | 2 156.8 | -8.6 | 617.4 | 629.6 | -1.9 |
| Sales & Services | 892 | 1 010.5 | -11.7 | 279 | 311 | -10.3 |
| Other/Consolidation | -337.6 | -360.4 | -6.3 | -112.2 | -108.6 | 3.3 |
| SCHMOLZ + BICKENBACH Group | 2 524.7 | 2 806.9 | -10.1 | 784.2 | 832.0 | -5.7 |

1) Adjusted to IAS 19R.

- » In accordance with the adjusted strategy the segment reporting has been adopted to the new structure consisting of “Production” and “Sales & Services” as Divisions
- » Compared to the first nine months of 2012, revenue fell in both Divisions, whereas Production performed significantly better than Sales & Services in Q3 2013
- » Revenues heavily impacted by low raw material prices and continued price pressure with regard to the base price

# Adjusted EBITDA and EBITDA margin by division

| million EUR | 1.1.– 30.9.2013 | 1.1.– 30.9.2012 [1] | Change from prior year % | Q3 2013 | Q3 2012 [1] | Change from prior year % |
|---|---|---|---|---|---|---|
| | Adjusted EBITDA | | | | | |
| Production | 128.6 | 147.3 | -12.7 | 34.1 | 22.5 | 51.6 |
| Sales & Services | 14.4 | 17.1 | -15.8 | 6.1 | 0.6 | 916.7 |
| Other/Consolidation | -7.2 | -12.0 | -40.0 | -0.4 | -2.5 | -84.0 |
| **SCHMOLZ + BICKENBACH Group** | **135.8** | **152.4** | **-10.9** | **39.8** | **20.6** | **93.2** |

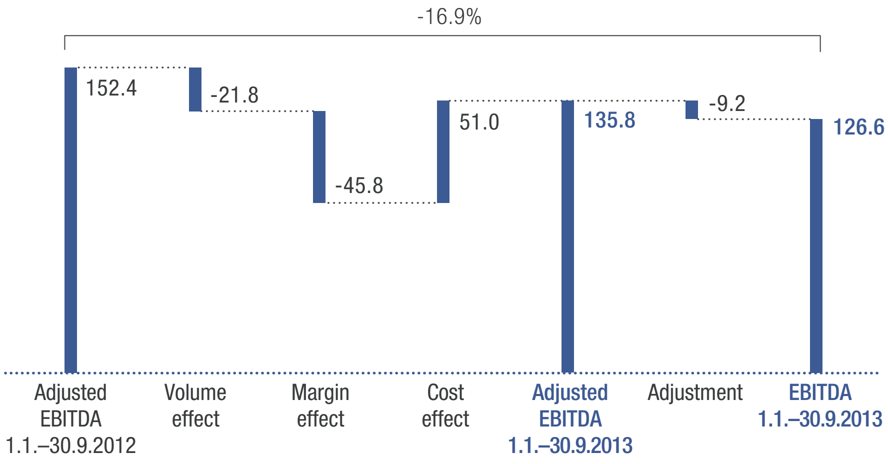
| million EUR | 1.1.– 30.9.2013 | 1.1.– 30.9.2012 [1] | Change from prior year % | Q3 2013 | Q3 2012 [1] | Change from prior year % |
|---|---|---|---|---|---|---|
| | Adjusted EBITDA margin | | | | | |
| Production | 6.5 | 6.8 | -4.4 | 5.5 | 3.6 | 52.8 |
| Sales & Services | 1.6 | 1.7 | -5.9 | 2.2 | 0.2 | 1 000.0 |
| Other/Consolidation | - | - | - | - | - | - |
| **SCHMOLZ + BICKENBACH Group** | **5.4** | **5.4** | **0.0** | **5.1** | **2.5** | **104.0** |

[1] Adjusted to IAS 19R.

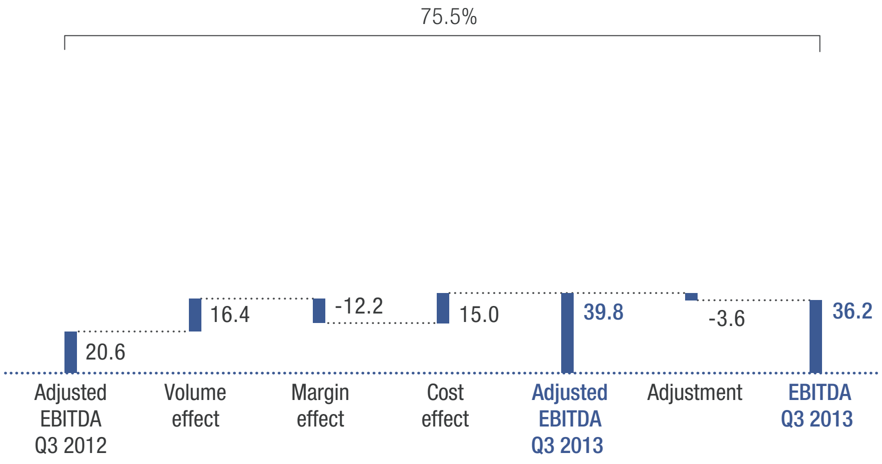
» New Production Division remains main contributor to adjusted EBITDA

# Positive volume and cost effects in Q3 2013, price pressure remains

**Adjusted EBITDA reconciliation 1.1.–30.9.2013 I** in million EUR



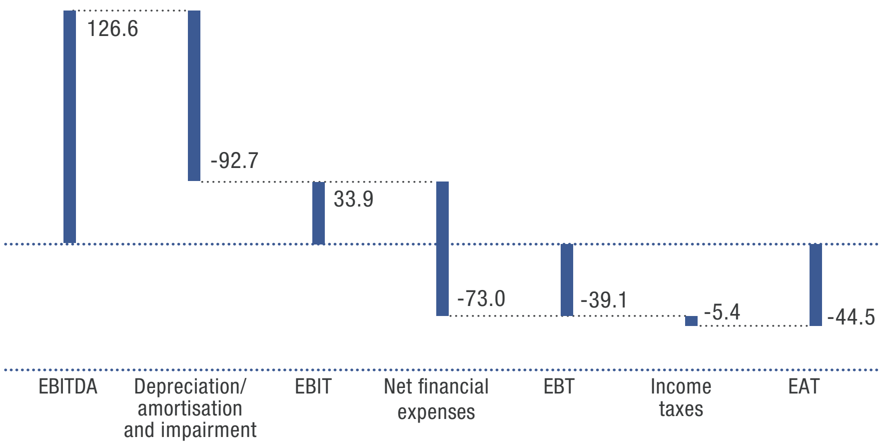

**Adjusted EBITDA reconciliation Q3 2013 I** in million EUR



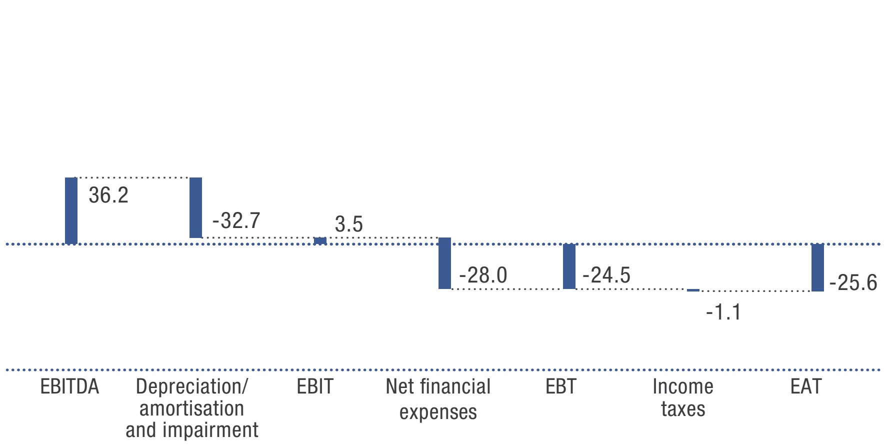

- » Lower demand triggered negative volume effects in the first nine months of 2013, but volume effect in Q3 2013 positive
- » Negative margin effect as a result of more competitive market environment still on-going
- » Margin also negatively affected by declining scrap and nickel prices
- » Cost savings realised through restructuring measures initiated in 2012 are on track and contributed to positive cost effect

# Operating results eaten up by financing costs

**Breakdown of results 1.1.–30.9.2013** I in million EUR




**Breakdown of results Q3 2013** I in million EUR




» Significant increase of 36.7% in net financial expenses, from EUR 53.4 million in the first nine months of 2012 to EUR 73.0 million in the first nine months of 2013 which mainly results from
  _ financing costs related to the bond issued in May 2012 (considered for 9 months instead of 4.5 months)
  _ higher margins on bank interest costs since end of 2012
  _ amortisation of accrued one-off fees for amending bank agreement in March 2013
  _ higher net financial expenses considered for pensions due to revised IAS 19

» Tax rate of -13.8% in the first nine months 2013 due to non-recognition of deferred tax assets on current unused tax losses in Germany

# Financial position: key figures

| | | 30.9.2013 | 31.12.2012 [1] | Change from 31.12.2012 % |
|---|---|---|---|---|
| Shareholders' equity | million EUR | 596.3 | 633.0 | -5.8 |
| Equity ratio | % | 24.5 | 26.2 | -6.5 |
| Net debt | million EUR | 971.5 | 902.8 | 7.6 |
| Net debt/Adjusted EBITDA (LTM) | factor | 7.2 | 5.9 | 22.0 |
| Net working capital (NWC) | million EUR | 1 051.0 | 1 006.0 | 4.5 |
| NWC/Revenue | % | 31.9 | 28.1 | 13.6 |

| | | 1.1.– 30.9.2013 | 1.1.– 30.9.2012 [1] | Change from prior year % |
|---|---|---|---|---|
| Investments | million EUR | 61.7 | 85.4 | -27.8 |
| Free cash flow | million EUR | 17.5 | 101.8 | -82.8 |

[1] Adjusted to IAS 19R.

» Decrease in equity and equity ratio as a result of net losses occurred and a slightly higher level of total assets
» Increase in NWC due to seasonal effects and higher level of trade accounts receivables
» Investments significantly below the first nine months of 2012

# Financial position: pro forma figures after capital increase and use of proceeds

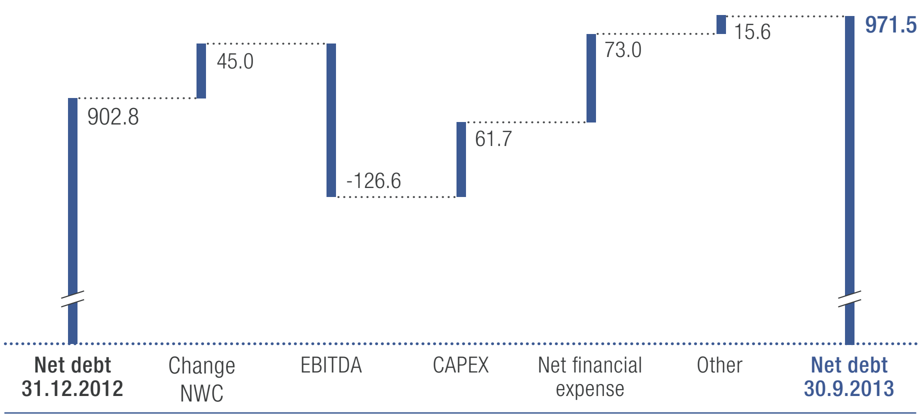
| | | 30.09.2013 | Pro forma after capital increase [1] | Change % |
|---|---|---|---|---|
| Equity | million EUR | 596.3 | 911.2 | 52.8 |
| Equity ratio | % | 24.5 | 37.5 | 53.1 |
| Net debt | million EUR | 971.5 | 647.6 | -33.3 |
| Gearing | % | 162.9 | 71.1 | -56.4 |
| Net debt/Adjusted EBITDA LTM | factor | 7.2 | 4.8 | -33.3 |

1) Considering as-if-adjustments as presented in the offering memorandum on page 45.

- Significantly improved financial ratios on a pro forma basis
- Capital increase was an important step to improve the financial stability
- Debt reduction causes one-off financial expenses of about EUR 14.0 million in Q4 2013
- Considerable reduction of interest expense from 2014 onwards

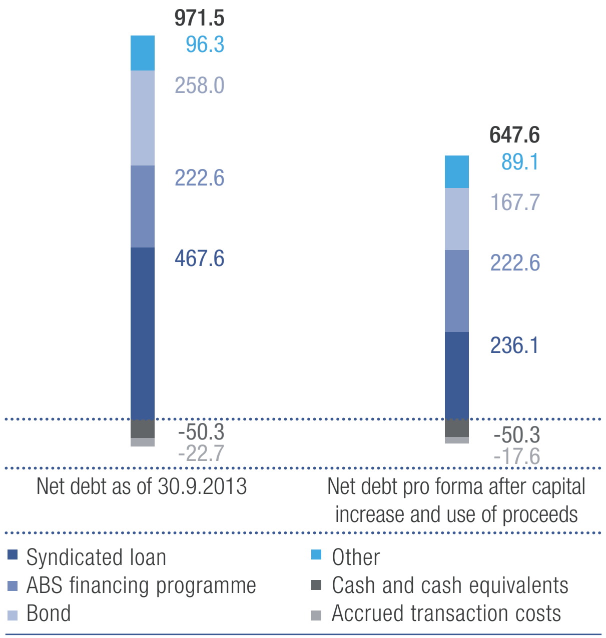
# Net debt increase in line with change of NWC and higher net financial expenses

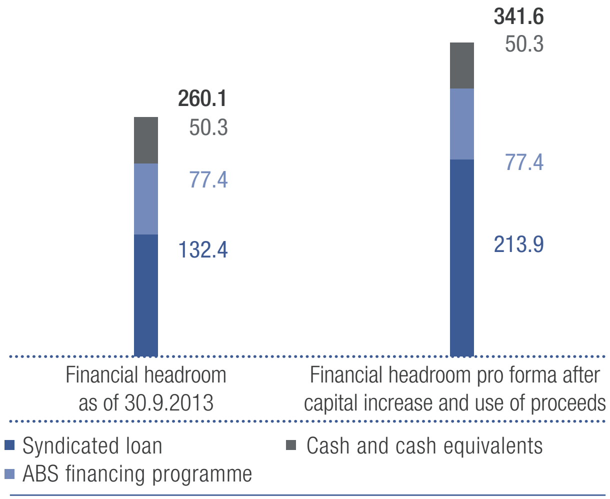
**Change in net debt 31.12.2012–30.9.2013** I in million EUR




- » Net debt increased in the first nine months of 2013 by EUR 68.7 million to EUR 971.5 million compared to year-end 2012 (EUR 902.8 million)
- » The increased net debt is a result of NWC increase and higher net financial expenses (including one-off payments)

# Net debt as of 30.9.2013 before capital increase and equity clawback and pro forma after use of proceeds




» Net debt decreases significantly, while financial headroom increases

# 5 GUIDANCE FY 2013

# Outlook 2013

- Market environment remains challenging
- Order backlog assumed to stay stable in the rest of 2013
- Continued uncertainty with regard to further development of raw material prices
- Sales volumes are expected to be on previous years' level or slightly above, whereas based on the currently existing low raw material price level and pressure on base price, we expect revenue to be 6–8% below prior-year-level
- Successful capital increase will decrease financial expenses from 2014 onwards, Q4 2013 will be burdened by one-time costs for partly repayment of bond and additional restructuring
- Cost savings from existing and newly implemented restructuring programmes will support to improve operating results
- Overall, adjusted EBITDA is expected to be in the range of EUR 155–175 million

# Guidance 2013

| | 2012 | 2013 (as at 14 March) | 2013 Update (as at 22 May) | 2013 Update (as at 13 August) | **2013 Update (as at 20 November)** |
|---|---|---|---|---|---|
| **Revenue** | EUR 3.6 billion | At prior-year level | At prior-year level | Slightly lower level compared to prior year [1)] | 6–8% below prior year |
| **Adjusted EBITDA** | EUR 151.8 million | At least at prior-year level | EUR 150–200 million | EUR 150–200 million | EUR 155–175 million |
| **CAPEX** | EUR 141.0 million | EUR 100 million (net of asset-related governmental grants) | EUR 100 million (net of asset-related governmental grants) | EUR 100 million (net of asset-related governmental grants) | Slightly below EUR 100 million (net of asset-related governmental grants) |

1) Based on the currently existing low raw material price level.

# 6 QUESTIONS AND ANSWERS

# Financial calendar and contact details Investor Relations

- » 13 March 2014 Annual Report 2013, Media and Analyst Conference
- » 17 April 2014 Annual General Meeting
- » 22 May 2014 Q1 Report 2014, Media Call, Investor Call
- » 21 August 2014 Q2 Report 2014, Media and Analyst Conference
- » 20 November 2014 Q3 Report 2014, Media Call, Investor Call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