

SCHMOLZ + BICKENBACH  
Investor Presentation  
Q2 2014 Results  
Zurich, 21 August 2014



## Disclaimer

This publication constitutes neither a prospectus within the meaning of article 652a and/or 1156 of the Swiss Code of Obligations nor a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange. This publication constitutes neither an offer to sell nor a solicitation to buy securities of SCHMOLZ + BICKENBACH. The securities have already been sold.

This document shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities referred to herein in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States or to U.S. persons (as such term is defined in Regulation S under the Securities Act) absent registration or an exemption from registration under the Securities Act. The issuer of the securities has not registered, and does not intend to register, any portion of the offering in the United States, and does not intend to conduct a public offering of securities in the United States.



- 1** BUSINESS OVERVIEW Q2/H1 2014
- 2** FINANCIAL PERFORMANCE Q2/H1 2014
- 3** OUTLOOK AND GUIDANCE 2014
- 4** APPENDIX



# 1

## BUSINESS OVERVIEW Q2/H1 2014



## Short- and mid-term strategy

- » The approved strategy will ensure SCHMOLZ + BICKENBACH's future:
  - » SCHMOLZ + BICKENBACH is a leading producer of special steel long products with a dedicated global Sales & Services network focusing on own mill products
  - » The Group is focussing on its core competencies: stainless long steel, engineering steel and tool steel
  - » The Company will be managed as an integrated group, what helps to identify and utilise synergies
  - » Business units develop and sell high-quality products tailor-made for >30 000 customers
- » Major projects were initiated to support the new strategy:
  - » New corporate functions (such as central purchasing, technical think-tank, sales coordination) will be established; existing structures and processes will be optimised
  - » Know-how transfer and internal collaboration will be strengthened, securing SCHMOLZ + BICKENBACH's technology leadership and realising synergies
  - » The *Sales & Services* division is being reorganised
  - » The implemented efficiency improvement programme will be pursued and transferred into a continuous improvement process
  - » A special focus will be on safety issues



# Highlights Q2 2014

## Markets and prices

- » Order intake on the level of previous year, after exceptionally strong Q1
- » Customer industries: automotive and oil & gas with strong demand, engineering with production decrease of around 3% in Germany<sup>1)</sup>
- » Pressure on base prices continued
- » Nickel price on average in Q2 2014 23% above previous year level, started to rally in April 2014

## Operational development

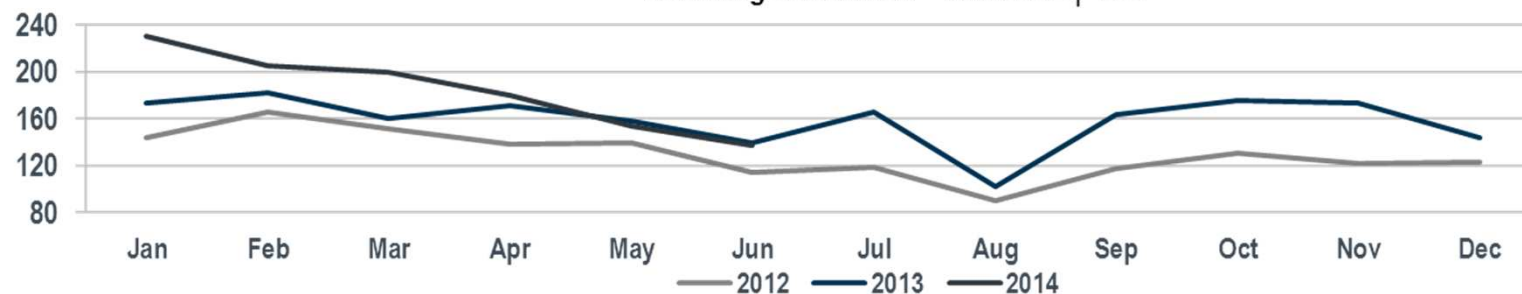
- » Sales volume increased by 4.5% (24 kt) to 557 kilotonnes
- » Revenue decreased by 1.7% (EUR 15.1 m) to EUR 858.0 m; continued to be influenced by low price levels for both base prices and scrap prices. Impact from higher nickel price should become visible in the next months
- » Gross margin improved to 35.8% (Q2 2013: 31.7%)
- » Adjusted EBITDA amounted to EUR 73.8 m in Q2 2014, an increase of 51.2%; adjusted EBITDA margin improved to 8.6%

1) VDMA July 2014

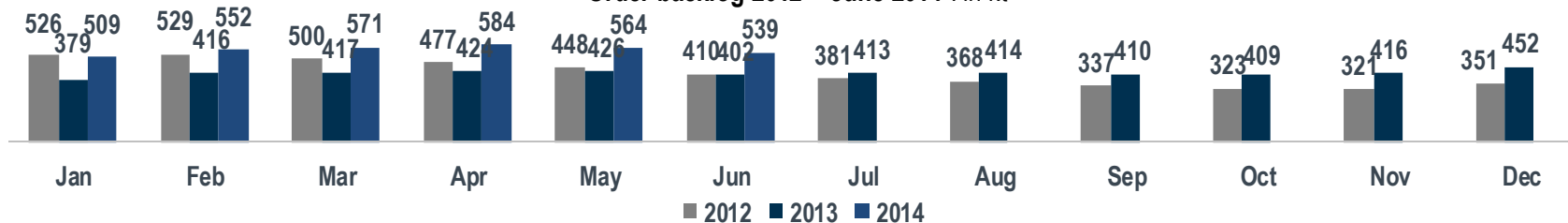


## Improvement in order intake, order backlog and sales volume

Incoming orders 2012 – June 2014 | in kt



Order backlog 2012 – June 2014 | in kt

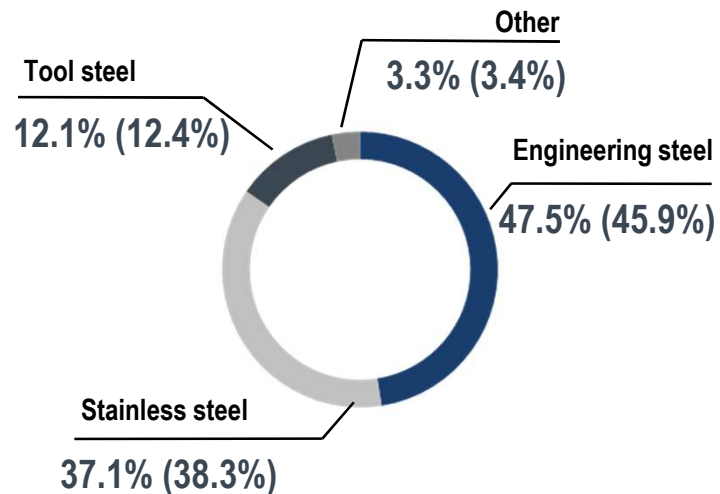


Sales volume 2012 – June 2014 | in kt



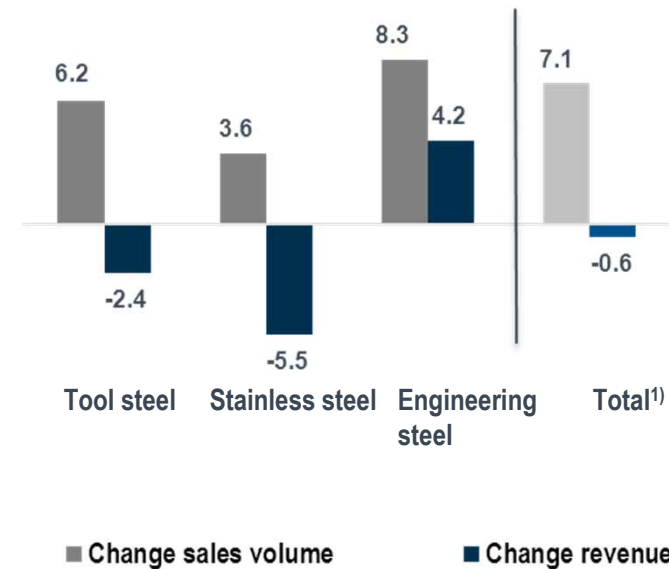
## Sales volume and revenue by product groups

Revenue split by product groups



Q2 2014 (Q2 2013 in brackets)

Change in revenue and sales volume (1.1.-30.6.2014) | in %

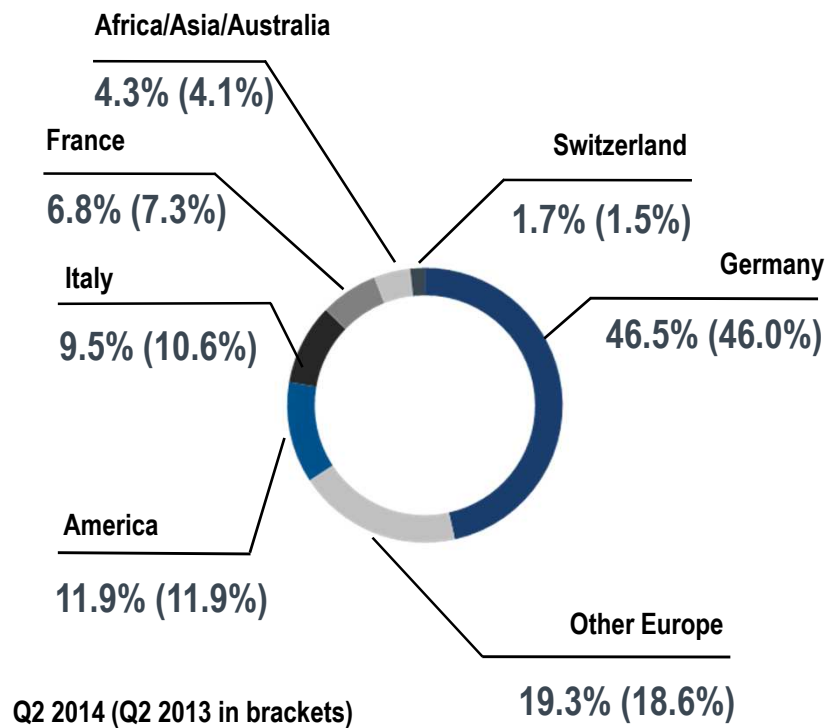


- » All product groups showed significant increase in sales volume
- » Revenue affected by low base prices and further reduced scrap surcharges

1) Total includes Other/Consolidation



## Revenue by regions



- » Germany and Central European countries remain the most important regions
- » Stronger development in Germany compared to other European countries increased share in SCHMOLZ + BICKENBACH's revenue





# 2

## FINANCIAL PERFORMANCE Q2/H1 2014



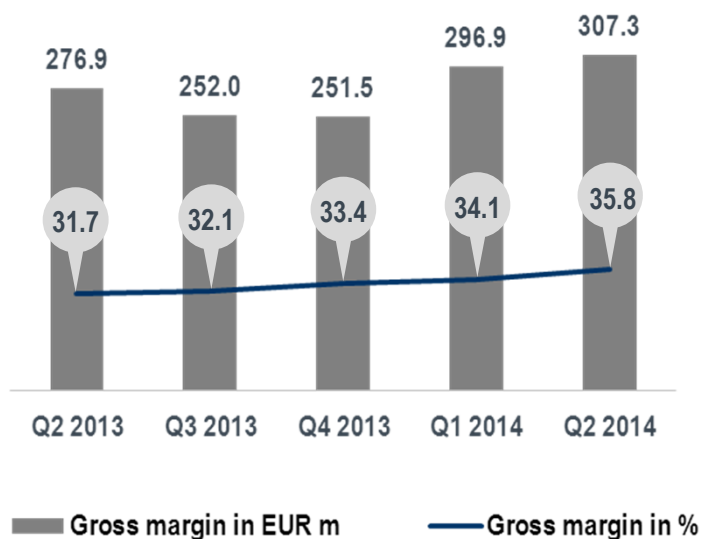
## Results of operations – key figures

in EUR m	H1 2014	H1 2013	Change on prior year (%)	Q2 2014	Q2 2013	Change on prior year (%)
Sales volume (kt)	1 138	1 063	7.1	557	533	4.5
Revenue	1 729.6	1 740.5	-0.6	858.0	873.1	-1.7
Adjusted EBITDA	139.4	96.0	45.2	73.8	48.8	51.2
Adjusted EBITDA margin (%)	8.1	5.5	260 bp	8.6	5.6	300 bp
Operating profit before depreciation and amortisation (EBITDA)	136.3	90.4	50.8	72.5	43.8	65.5
Operating profit (loss) (EBIT)	76.5	30.4	>100	42.5	13.1	>100
Earnings before taxes (EBT)	52.2	-14.6	>100	33.2	-10.1	>100
Net income (loss) (EAT)	35.2	-18.9	>100	22.8	-11.2	>100

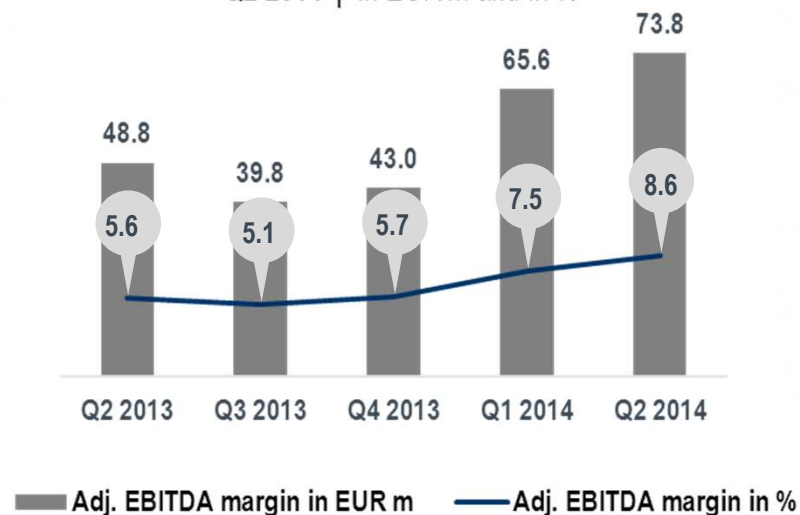


## Margin development

Gross margin Q2 2013 – Q2 2014 | in EUR m and in %



Adjusted EBITDA and adjusted EBITDA margin Q2 2013 – Q2 2014 | in EUR m and in %



- » Absolute gross margin in H1 2014 increased by EUR 51.3 m or 9.3% to EUR 604.2 m (H1 2013: EUR 552.9 m), in percentage terms, gross margin increased from 31.8% in H1 2013 to 34.9% in H2 2014
- » In H1 2014 adjusted EBITDA rose by EUR 43.4 m to EUR 139.4 m (H1 2013: EUR 96.0 m), adjusted EBITDA margin of 8.1% (H1 2013: 5.5%)



## Revenue by division

	H1 2014	H1 2013	Change on prior year (%)	Q2 2014	Q2 2013	Change on prior year (%)
Production	1 388.7	1 353.0	2.6	690.3	683.7	1.0
Sales & Services	551.2	613.0	-10.1	270.9	302.1	-10.3
SCHMOLZ + BICKENBACH Group*	1 729.6	1 740.5	-0.6	858.0	873.1	-1.7

- » *Production* Division saw sales volume increase by 10.1% compared to H1 2013. However, lower scrap and alloy surcharges, coupled with continuing pressure on base prices, meant that revenue only managed an increase of 2.6%.
- » *Sales & Services* Division suffered a fall in sales volume of 5.3%. Main reason for the decrease in sales and revenue was the fact that the bright steel business was carved out from Distribution Germany to the *Production* Division. Without this reclassification, revenue would have only fallen by 6.5% and sales volume would have increased by 0.7%.

\* Group figures include Other and consolidation/eliminations



## Adjusted EBITDA and adjusted EBITDA margin by division

Adjusted EBITDA	H1 2014	H1 2013	Change on prior year (%)	Q2 2014	Q2 2013	Change on prior year (%)
Production	125.8	94.5	33.1	66.6	52.9	25.9
Sales & Services	19.2	8.3	>100	9.5	1.5	>100
SCHMOLZ + BICKENBACH Group*	139.4	96.0	45.2	73.8	48.8	51.2

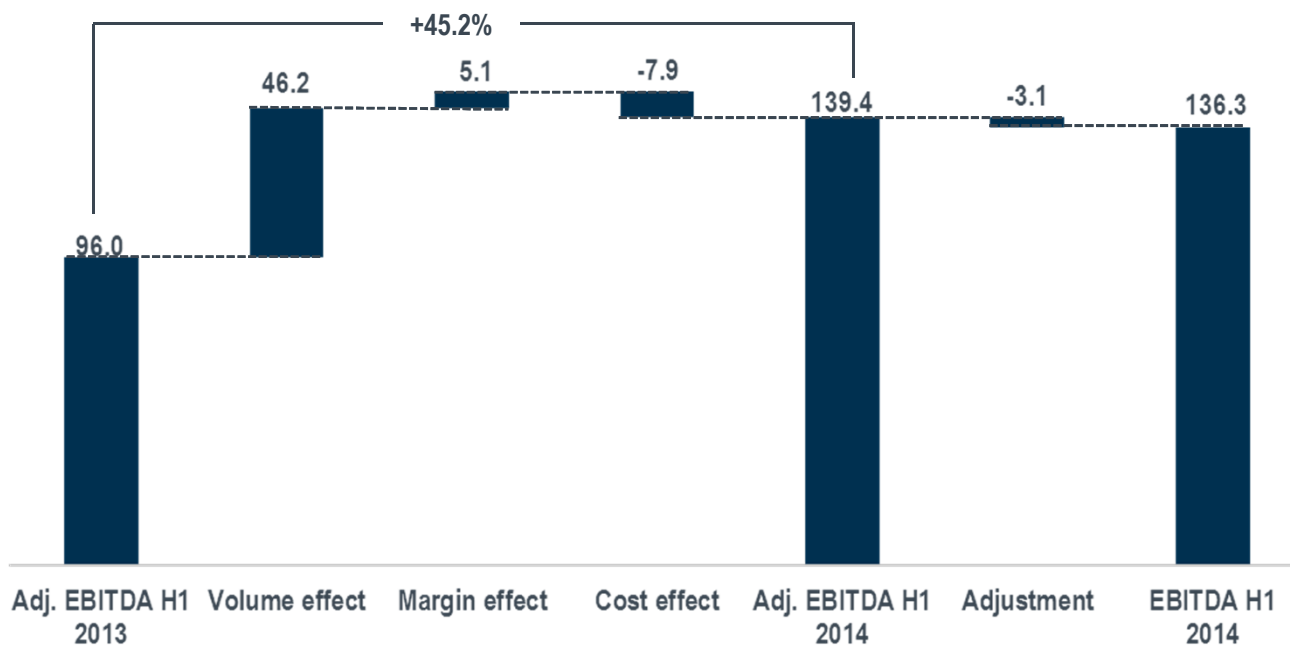
Adjusted EBITDA margin	H1 2014	H1 2013	Change on prior year	Q2 2014	Q2 2013	Change on prior year
Production	9.1	7.0	210 bp	9.6	7.7	190 bp
Sales & Services	3.5	1.4	210 bp	3.5	0.5	300 bp
SCHMOLZ + BICKENBACH Group*	8.1	5.5	260 bp	8.6	5.6	300 bp

\* Group figures include Other and consolidation/eliminations



## Positive volume und margin effect

Adjusted EBITDA reconciliation 1.1.-30.6.2014 | in EUR m

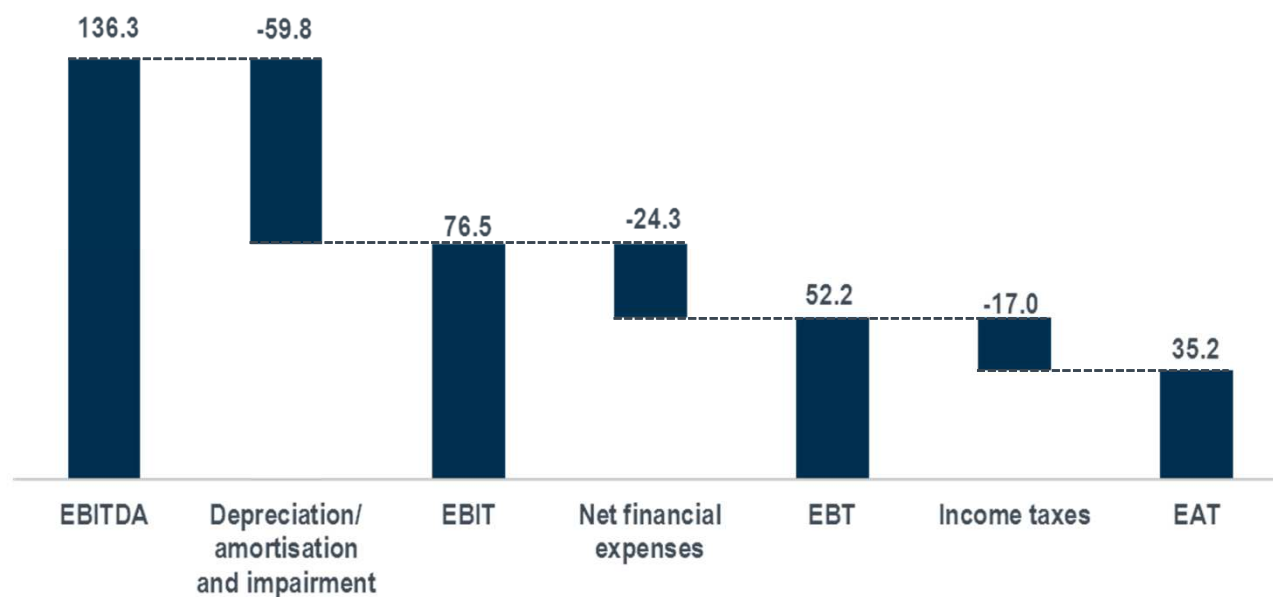


» H1 2013 experienced an inventory write-down of EUR 12.8 m which did not reoccur in H1 2014



## Higher operating results and lower financing costs again result in positive earnings after taxes

Breakdown of results 1.1.-30.6.2014 | in EUR m



» Depreciation and amortisation on prior year level

» Net financial expenses decreased significantly by EUR 20.7 m or 46% to EUR 24.3 m (H1 2013: EUR 45.0 m)



## Financial position: key figures

		30.6.2014	31.12.2013	Change on 31.12.2013 in %	30.6.2013
Shareholders' equity	EUR m	900.7	889.9	1.2	625.7
Equity ratio	%	35.7	37.4	-170 bp	24.5
Net debt	EUR m	633.7	610.1	3.9	952.7
Net debt/Adjusted EBITDA <sup>1)</sup>	factor	2.9	3.4	-	8.5
Net working capital (NWC)	EUR m	1 068.8	949.5	12.6	1 057.8
NWC/Revenue <sup>2)</sup>	%	30.9	29.0	190 bp	30.4

		1.1.-30.6.2014	1.1.-30.6.2013	Change on prior year in %
Investments	EUR m	31.6	32.3	-2.2
Free cash flow	EUR m	6.4	-2.7	>100

1) LTM

2) Annualised



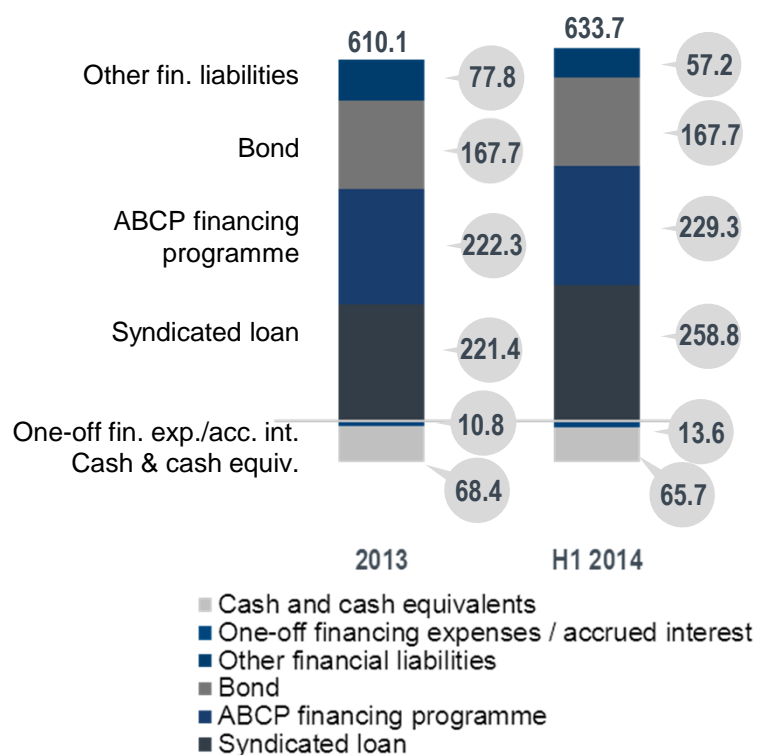
## Successful refinancing of syndicated loan and ABCP financing programme

- » Attractive long-term financing supports SCHMOLZ + BICKENBACH's strategy
- » Structurally better terms for both instruments
- » New EUR 450 m revolving credit facility with maturity in April 2019
- » Credit facility comprises a margin grid that rewards the planned further deleveraging
- » Syndicated loan was substantially oversubscribed
- » Prolongation of EUR 300 m asset-backed securities financing programme (ABCP) until April 2019
- » Financing structure now based on three stable pillars, allowing the group to focus on its strategic and operative goals

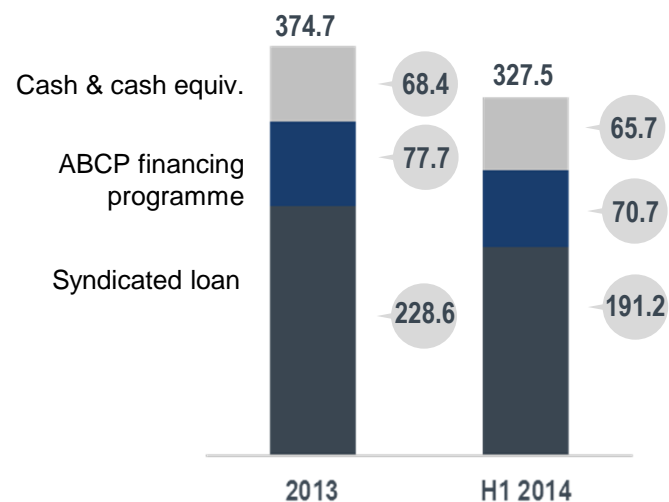


## Net debt and financial headroom

Net debt | in EUR m



Financial headroom | in EUR m





# 3

## OUTLOOK AND GUIDANCE 2014



## Outlook 2014

- » Recovery of global economy should continue but at a slower pace, expected global GDP growth of 2.5% to 3.6% in 2014<sup>1)</sup>
- » Eurozone and USA are expected to grow by around 1% and 2% respectively<sup>1)</sup>,
- » Worldwide steel consumption is expected to increase by 3.1%<sup>2)</sup>
- » Economic uncertainties and ongoing difficult geopolitical developments could dampen economic mood – including steel demand – over the coming months
- » Stable currency exchange rates for the relevant currency relations CHF/EUR and USD/EUR assumed
- » Steel prices seem to have bottomed out. However, base prices remain very low and do not reach the level of the prior year, yet. We do not anticipate a recovery in base prices across the board.
- » Scrap prices expected to stay on low level, nickel price increase should support alloy surcharges and thereby revenues in the months to come.
- » Earnings improvement programme and reduction of indebtedness will support earnings in 2014

1) Source: World Bank, "Global Economic Prospects, June 2014", Economist Intelligence Unit, OECD, IWF

2) Source: World Steel Association, April 2014



## Guidance 2014 – adjusted

	2013 reported	Initial guidance 2014 (as at 13 March 2014)	Actual guidance 2014 (as at 21 August 2014)
Sales volume	2 054 kilotonnes	Increase of 2% – 5%	Increase of 2% – 5%
Revenue <sup>1)</sup>	EUR 3 276.7 m	Increase of 2% – 5%	Increase of 2% – 5%
Adjusted EBITDA	EUR 178.8 m	EUR 190 m – EUR 230 m	EUR 210 m – EUR 230 m
CAPEX	EUR 105.7 m	At prior year level, significantly below depreciation/amortisation	At prior year level, significantly below depreciation/amortisation

1) Predictability of surcharges for scrap and alloying elements and exchange rates is very limited



# Q&A

THANK YOU FOR YOUR  
ATTENTION!

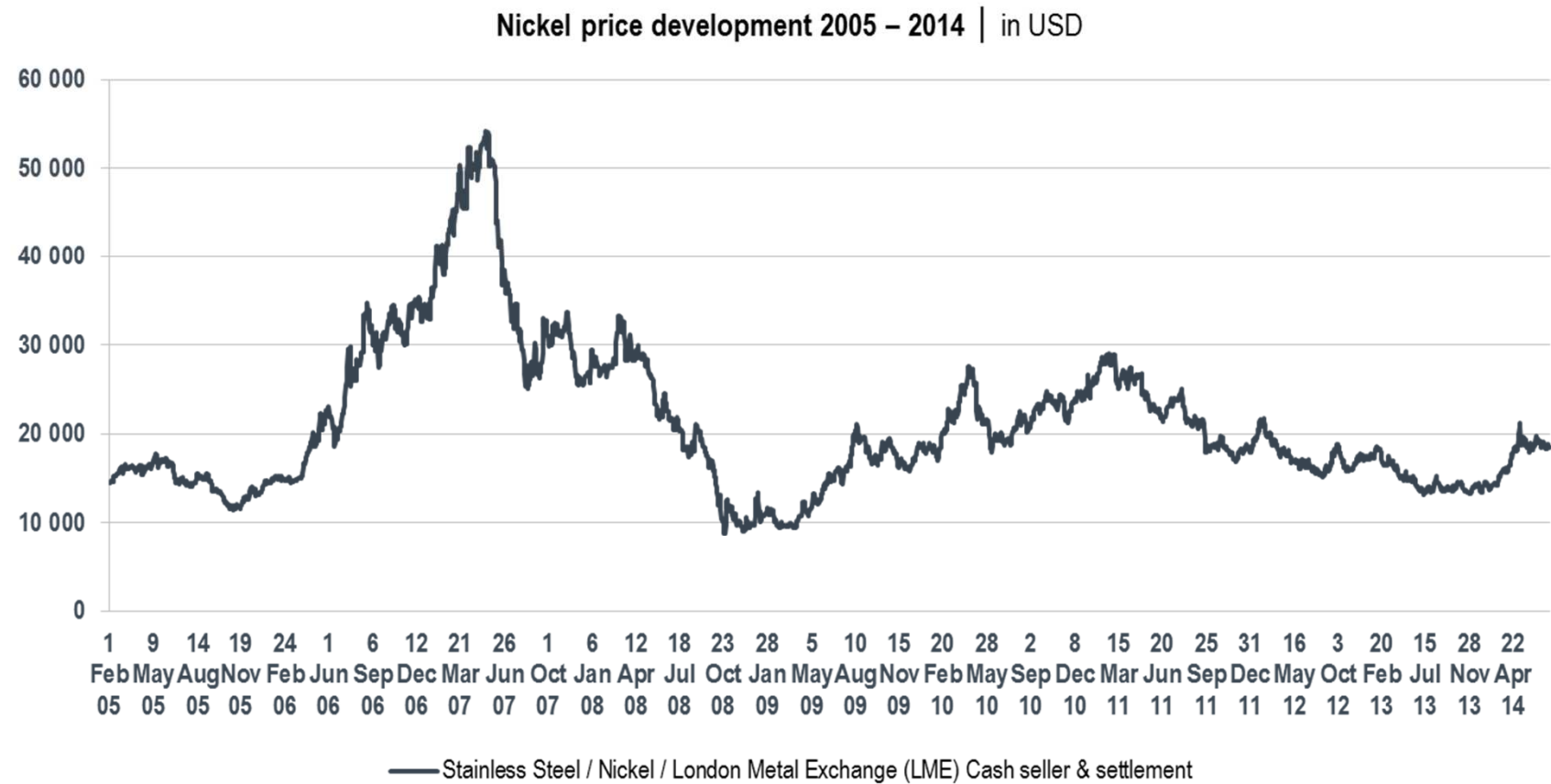


# 4

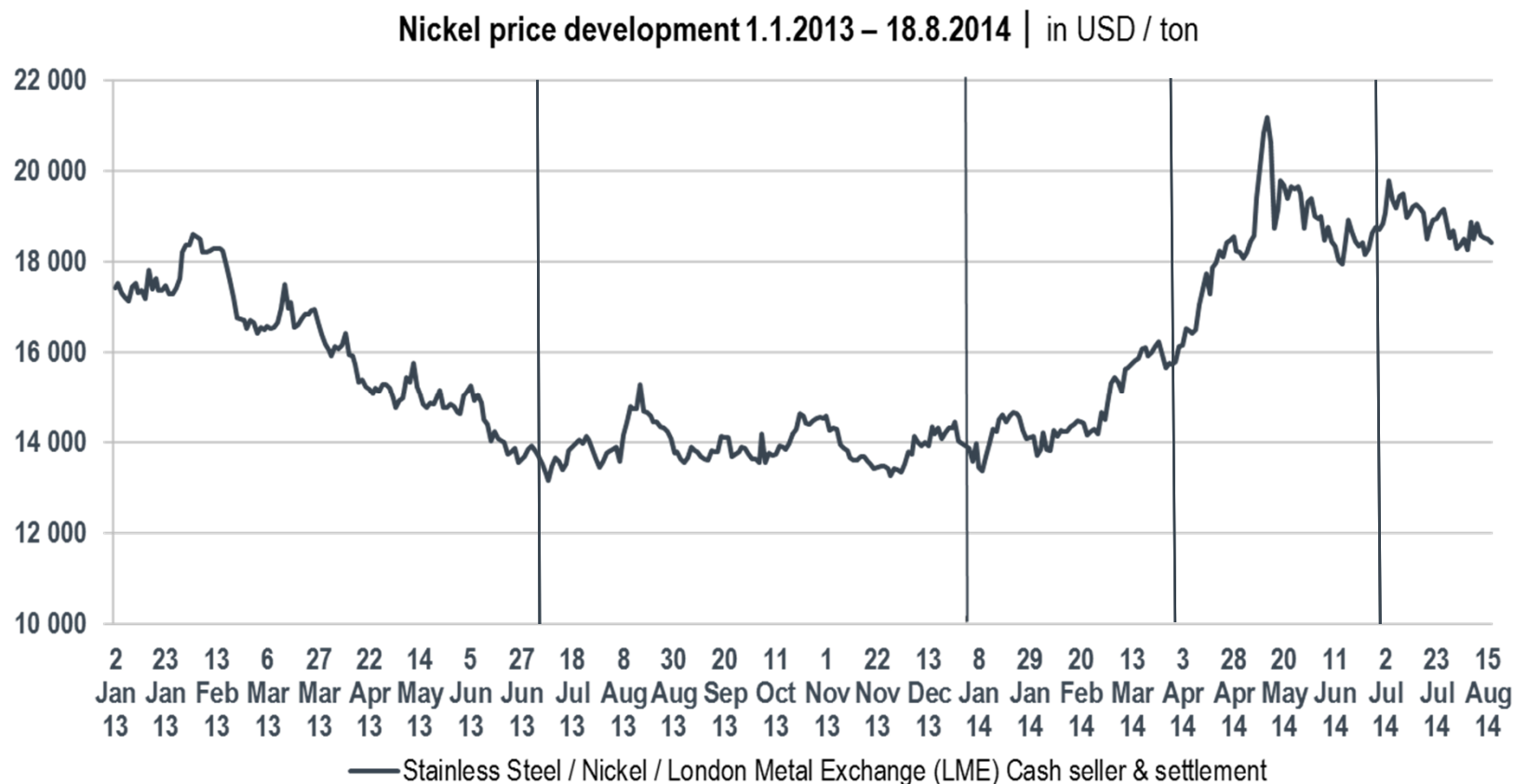
## APPENDIX



## Nickel price development



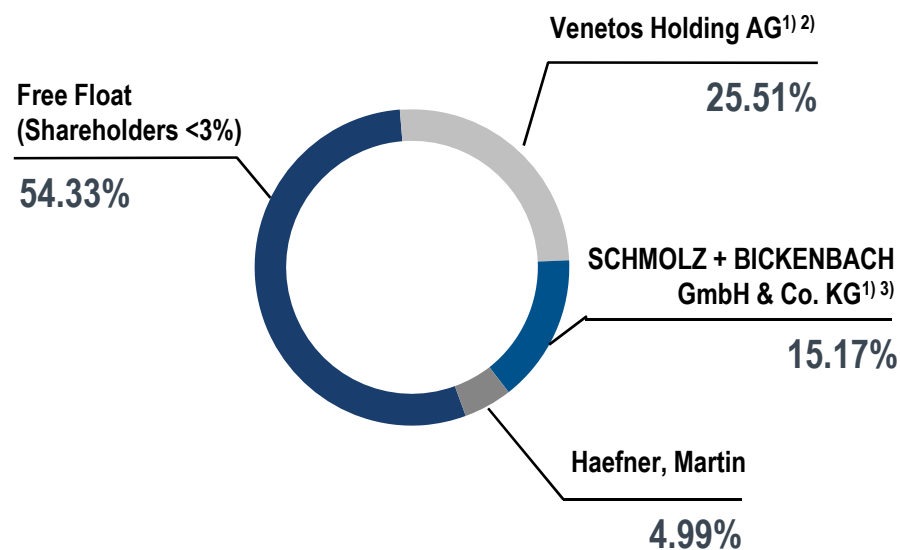
## Nickel price development January 2013 – August 2014



Source: Steel Business Briefing



## Swiss listed company with supportive anchor shareholder



Shareholder Structure

Key facts	
ISIN	CH0005795668
Securities symbol	STLN
Type of security	Registered share
Trading currency	CHF
Listing	SIX Swiss Exchange
Membership in indices	SPI, SPI Extra, SPI ex SLI, Swiss All Share Index
Number of shares	945 000 000
Nominal value in CHF	0.50

1) Form a group according to stock exchange act.

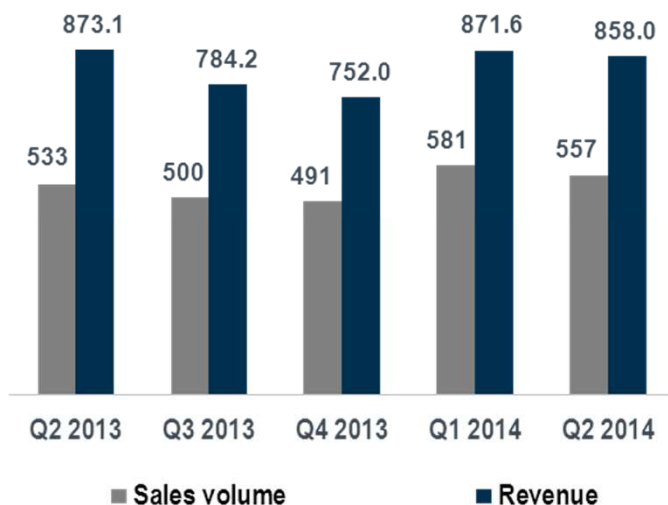
2) Member of the Renova Group.

3) Indirectly via subsidiaries SCHMOLZ + BICKENBACH Beteiligungs GmbH and SCHMOLZ + BICKENBACH Holding AG.

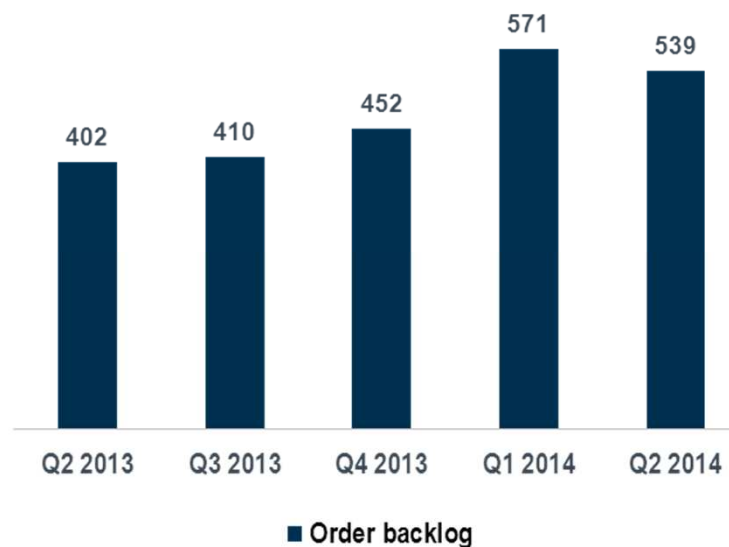


## Sales volume, revenue and order backlog

Sales volume and revenue Q2 2013 – Q2 2014 | in EUR m



Order backlog Q2 2013 – Q2 2014 | in kt



- » Sales volume increased by 7.1% in H1 2014 to 1 138 kilotonnes (H1 2013: 1 063 kilotonnes)
- » Revenue decreased by 0.6% to EUR 1 729.6 m in H1 2014 (H1 2013: 1 740.5 m)



## 5-year overview

		2009	2010	2011	2012	2013
Sales volume	kilotonnes	1 375	2 001	2 274	2 044	2 054
Revenue	million EUR	2 052.1	3 119.3	3 942.9	3 581.4	3 276.7
Adjusted EBITDA	million EUR	-181.1	232.9	296.2	151.1	178.8
Operating profit (loss) (EBIT)	million EUR	-288.2	121.9	179.6	-14.5	17.8
Net income (loss) (EAT)	million EUR	-276.0	38.6	42.7	-162.8	-83.7
Investments	million EUR	116.4	120.6	125.6	141.0	105.7
Free cash flow	million EUR	157.0	-136.6	191.6	44.0	73.7
Equity ratio	%	23.7	31.1	30.9	26.2	37.4
Net debt	million EUR	917.2	926.9	860.4	902.8	610.1
Gearing	%	173.9	116.5	101.9	142.6	68.6

2012 figures adjusted to IAS 19R



## 5-quarter overview

		Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Sales volume	kilotonnes	533	500	491	581	557
Revenue	million EUR	873.1	784.2	752.0	871.6	858.0
Adjusted EBITDA	million EUR	48.8	39.8	43.0	65.6	73.8
Operating profit (loss) (EBIT)	million EUR	13.1	3.5	-16.1	34.0	42.5
Net income (loss) (EAT)	million EUR	-11.2	-25.6	-39.2	12.4	22.8
Investments	million EUR	18.8	29.4	44.0	12.3	19.3
Equity ratio	%	24.5	24.5	37.4	36.3	35.7
Net debt	million EUR	952.7	971.5	610.1	549.2	633.7
Gearing	%	152.3	162.9	68.6	62.0	70.4



## Financial calendar and contact details Investor Relations

Date	Event
20 November 2014	Q3 Report 2014, Media Call, Investor Call

Stefanie Steiner	Director Investor Relations
Phone	+41 41 209 5042
Fax	+41 41 209 5043
Email	s.steiner@schmolz-bickenbach.com
Internet	www.schmolz-bickenbach.com



## Disclaimer

This publication constitutes neither a prospectus within the meaning of article 652a and/or 1156 of the Swiss Code of Obligations nor a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange. This publication constitutes neither an offer to sell nor a solicitation to buy securities of SCHMOLZ + BICKENBACH. The securities have already been sold.

This document shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities referred to herein in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States or to U.S. persons (as such term is defined in Regulation S under the Securities Act) absent registration or an exemption from registration under the Securities Act. The issuer of the securities has not registered, and does not intend to register, any portion of the offering in the United States, and does not intend to conduct a public offering of securities in the United States.

