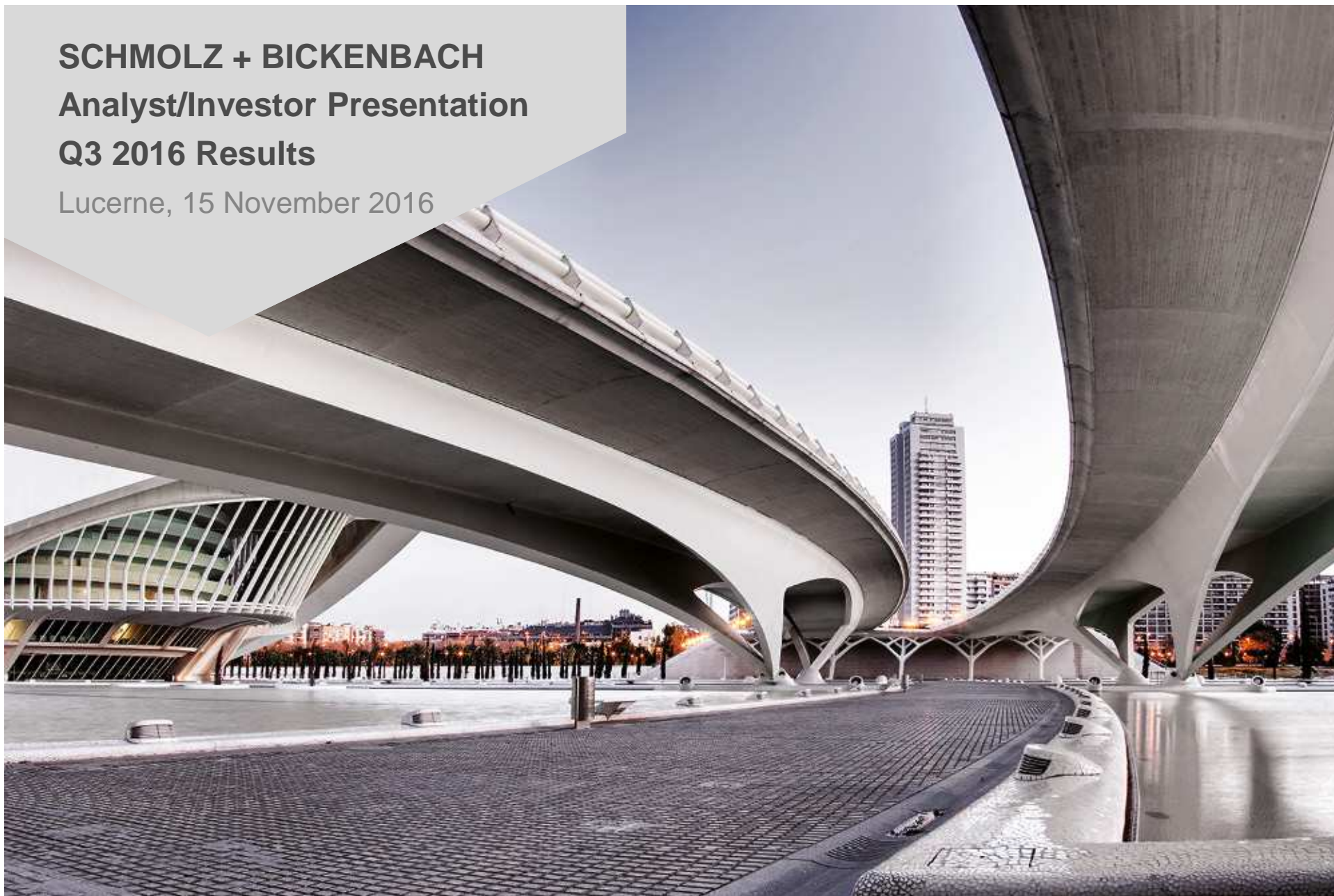


# **SCHMOLZ + BICKENBACH**

## **Analyst/Investor Presentation**

### **Q3 2016 Results**

Lucerne, 15 November 2016





## DISCLAIMER

### Forward-looking statements

Information in this presentation may contain forward-looking statements, including presentations of developments, plans, intentions, assumptions, expectations, assessments and potential impacts as well as descriptions of future events, income, results, situations or outlook. They are based on the Company's current expectations, assessments and assumptions, which are subject to uncertainty and may differ materially from the current facts, situation, impact or developments.



- 1 BUSINESS REVIEW Q3 2016**
- 2 FINANCIAL PERFORMANCE Q3 2016**
- 3 OUTLOOK**



# **1 BUSINESS REVIEW Q3 2016**



## Q3 2016 – solid performance achieved

- » Stable market environment; different drivers for product groups
  - sales volume in Stainless stable, Tool under competitive pressure, Engineering weaker due to production stops
  - raw material prices stabilized at a higher level than in H1 2016
- » Seasonally lower activity with extended production downtimes
  - extended maintenance and installation shutdowns led to lower sales volume and revenue
  - impact from production stop at DEW and slower start-up after new installation at Swiss Steel overcome in September
- » Structural improvements on track
  - agreement with unions on consolidation of production in Scandinavia
  - sales offices in Taiwan and Thailand opened in July and September, respectively
- » Higher adjusted EBITDA versus prior-year period despite lower revenue
- » Robust cash flow allowed further net debt reduction



## **Industries and regions – still no signs for a sustained upswing**

### **Industry sectors**

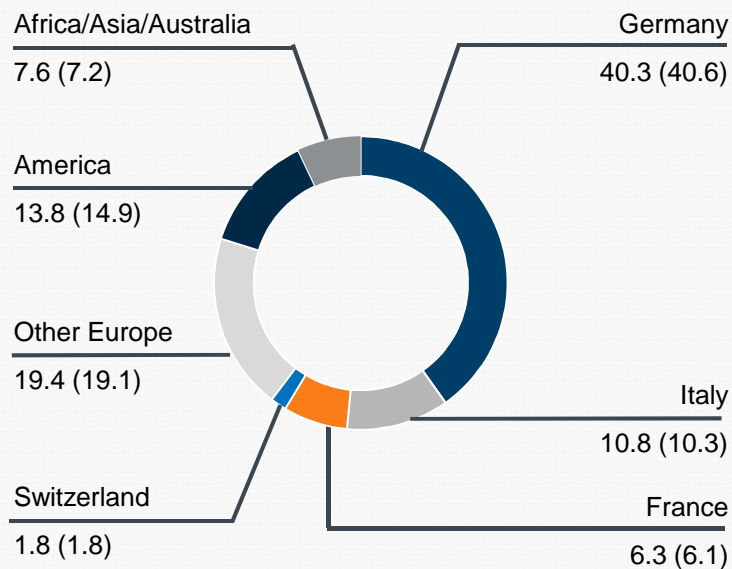
- » Main customer industries showed a differentiated picture:
  - automotive with moderate growth rates
  - mechanical & plant engineering flat without any major dynamics
  - oil & gas still at low levels despite higher oil prices

### **Regional development**

- » All regions with lower revenues year-on-year, due to lower sales prices compared to Q3 2015
- » North America lagging other regions due to ongoing weak oil & gas industry

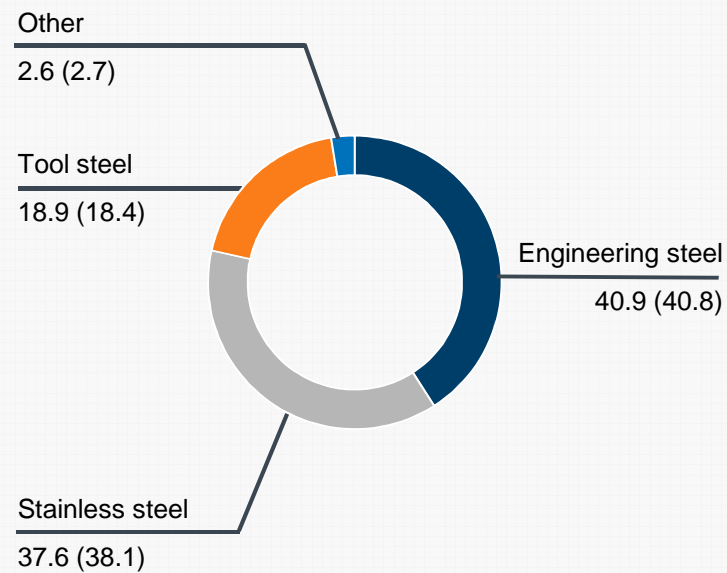
## Automotive strength still visible in regional split

Revenue by region Q3/16 (Q3/15\*), in %



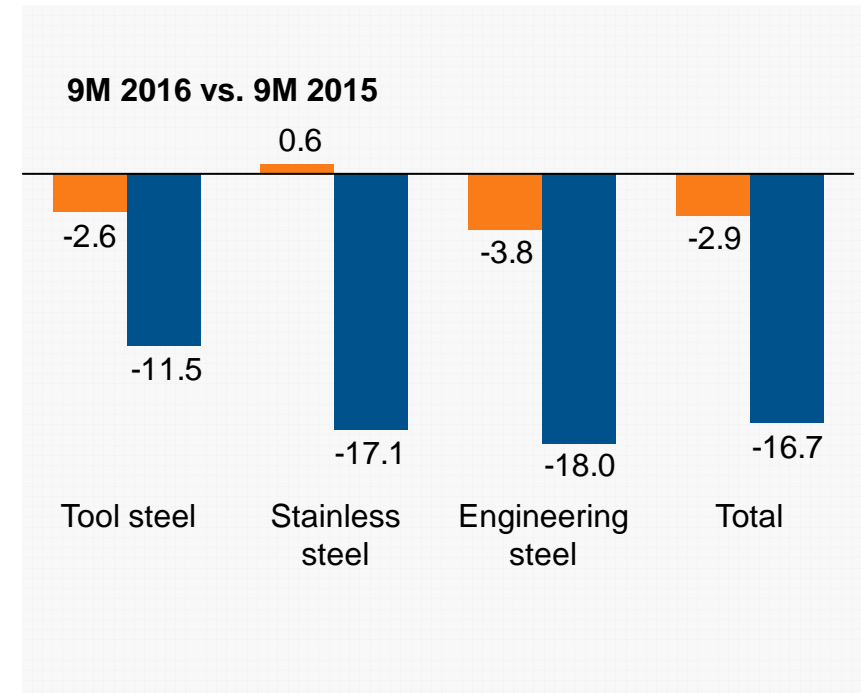
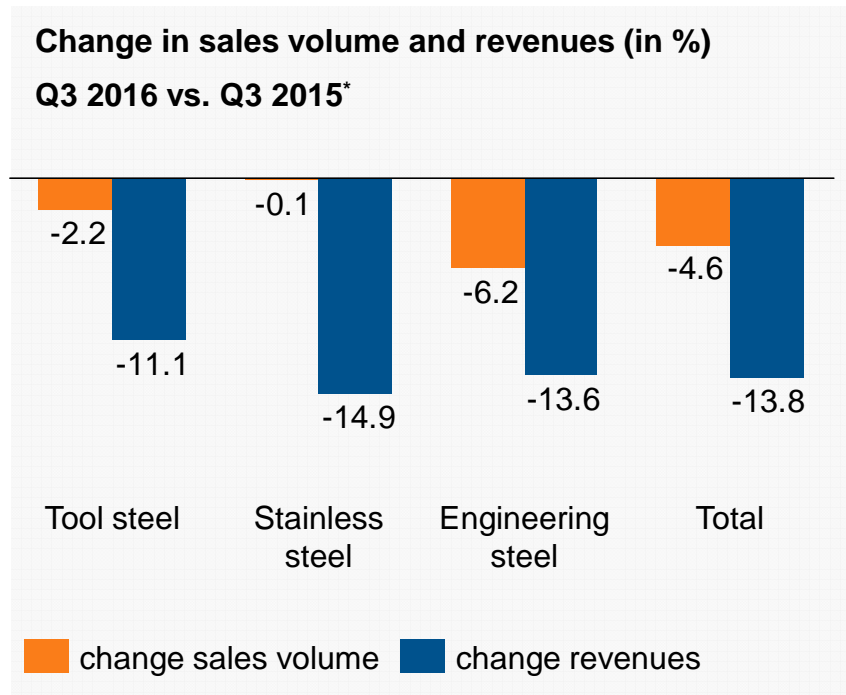
\* Restated due to deconsolidation of discontinued operations.

Revenue by product group Q3/16 (Q3/15\*), in %



- » Share of revenue from North America lower – high exposure to oil & gas business
- » Germany benefitted from strong automotive industry

## Volume and revenue influenced by longer downtimes in Q3

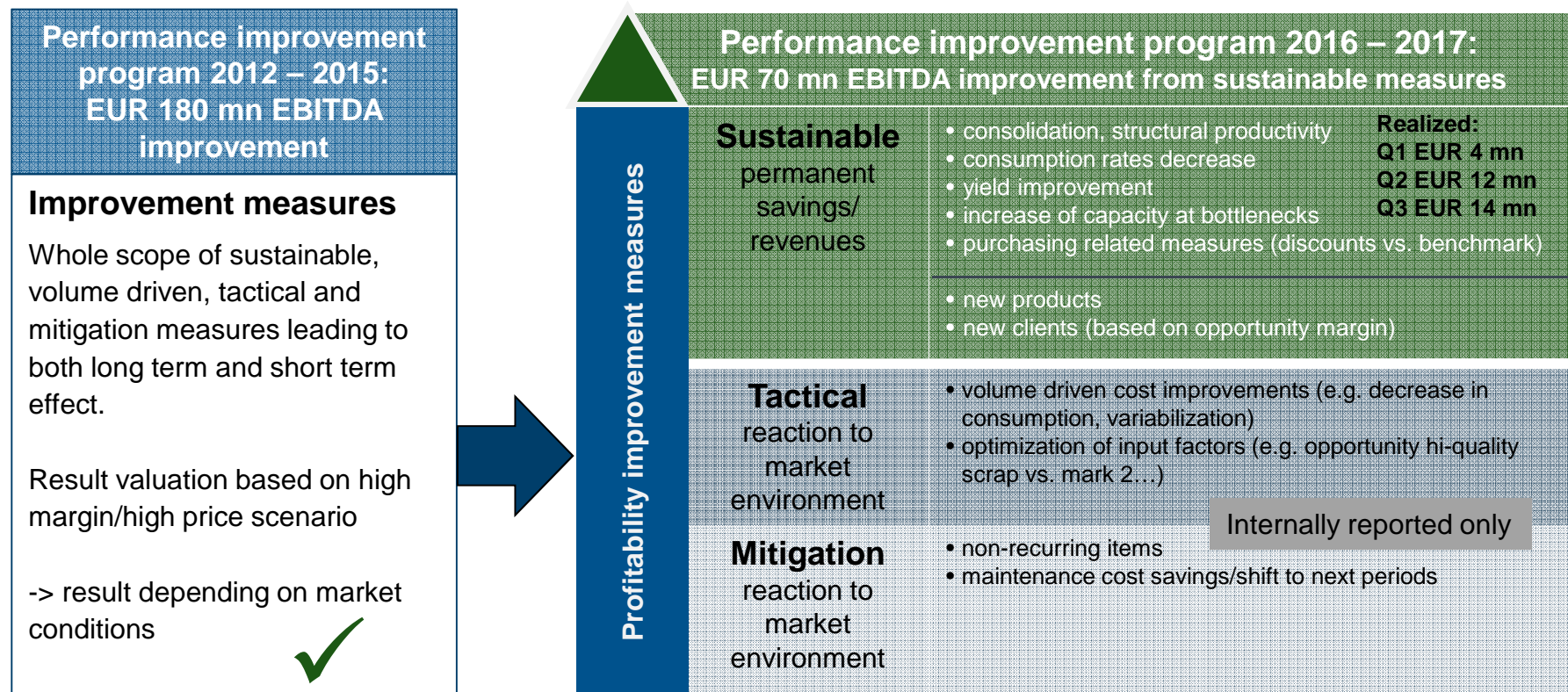


\* Restated due to deconsolidation of discontinued operations

- » Stainless steel volumes stable, engineering steel and tool steel lower
- » Aggravated by longer downtimes in Switzerland and Germany vs. Q3 2015
- » Sales prices down vs. Q3 2015, but higher compared to Q2 2016



## Improvements focusing on sustainability of measures





## Deutsche Edelstahlwerke (DEW) – increase efficiency of structures, processes and organisation

Initial position: Weak financial performance, Challenging market/competition



### Restructuring program based on 3 steps

2016–2017	2017–2019	
1. Immediate cost actions	2. Market + Organisation	3. Productivity + Innovation
<b>Focus on costs</b>  <b>Performance Improvement Program</b> » saving potential of >EUR 50m p.a., only partially sustainable  <b>Restructuring tariff agreement</b> » 2-year waiver, saves EUR 15m p.a. » RTA helps to bridge gap until initiated measures take full effect	<b>Focus on processes, structures and responsibilities</b>  » structure of sales organisation » production optimization » profit centre logic » optimization of shared services	<b>Focus on future viability</b>  Under investigation



## Technology & Innovation – recent investments and product developments

### Replacement hook conveyor & coil compactor at Swiss Steel

- » strategic EUR 8 million investment to follow market trends and to compete effectively
- » handling of coils with a weight from 2.2 t to 2.5 t (from 1.8 t/coil)
- » floor design adjusted to secure further production optimization projects like in-line controlled cooling & thermic and thermo-mechanical treatment



### Approval of Ugitech steel for medical applications

- » steel for medical applications – hip implant, aneurysm clamp or surgical instruments
- » Ugitech EN ISO 13485 certified: Safe special steel production for sterile medical products
- » meets all criteria of comprehensive QM in process design, training employees for specific applications, quality control and traceability of steel bar and wire for medical applications



### Introduction of new construction steel in Germany

- » Top12-500 reinforcing steel five times more resistant to corrosion than conventional rebar
- » improves durability of infrastructure projects such as tunnels and bridges lifecycle costs, structures in construction engineering can be designed lighter and thinner: lower costs
- » product approved by German Institute for Building Technology DIBT for sale on German market in September 2016





## **2 FINANCIAL PERFORMANCE Q3 2016**



## Profitability increased despite lower sales volume and revenue

		Q3 2016	Q3 2015	Change	Q2 2016
Production crude steel	kilotonnes	399	397	+0.5%	495
Sales volume	kilotonnes	391	410	-4.6%	471
Revenue	EUR m	534.1	619.7	-13.8%	618.7
Average sales price	EUR/tonne	1 366	1 511	-9.6%	1 312
Adj. EBITDA / adj. EBITDA margin	EUR m / %	31.8 / 6.0%	11.5 / 1.9%	>100% / 410 bps	52.5 / 8.5%
EBITDA / EBITDA margin	EUR m / %	27.6 / 5.2%	10.3 / 1.7%	>100% / 350 bps	49.6 / 8.0%
Earnings after taxes (EAT)*	EUR m	-13.9	-34.1	-	5.9

\* From continuing operations

- » Sales volume decreased due to seasonal effects and extended interruption of operations
- » Higher sales prices per tonne compared to Q2 2016: robust development in stainless steel and temporary more favorable product mix
- » Higher EBITDA year-on-year supported by progress in cost savings

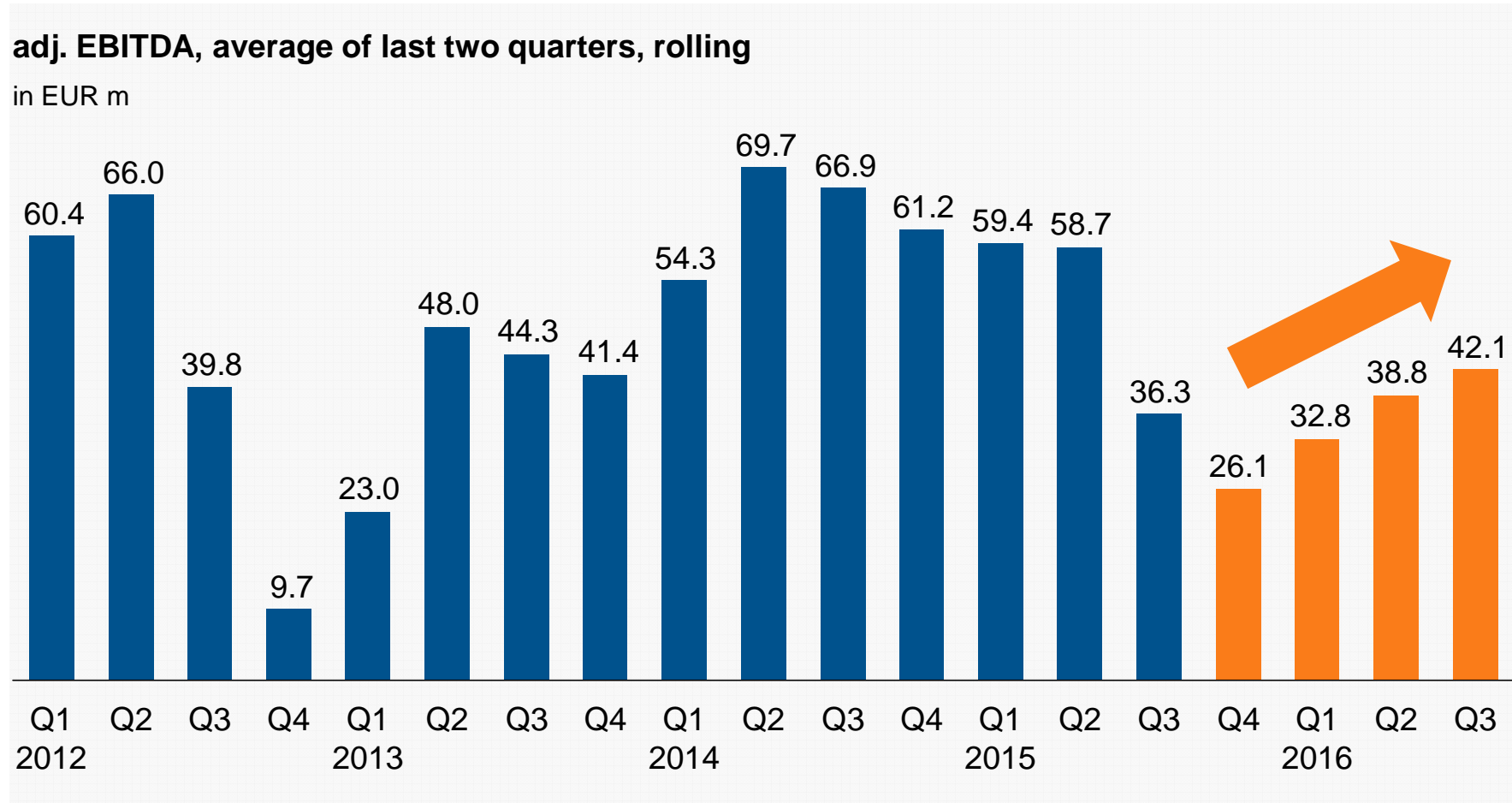


## Progress of efficiency measures visible in results

		Q3 2016	Q3 2015	Change	Q2 2016
Gross Profit	EUR m	207.5	204.9	+1.3%	245.1
Gross Profit	EUR/tonne	531	500	+6.2%	520
Personnel Expenses	EUR m	132.4	131.1	+1.0%	134.9
Personnel Expenses	EUR/tonne	339	320	+5.9%	286
Other Operating Expenses	EUR m	66.9	73.1	−8.5%	69.3
Other Operating Expenses	EUR/tonne	171	178	−3.9%	147

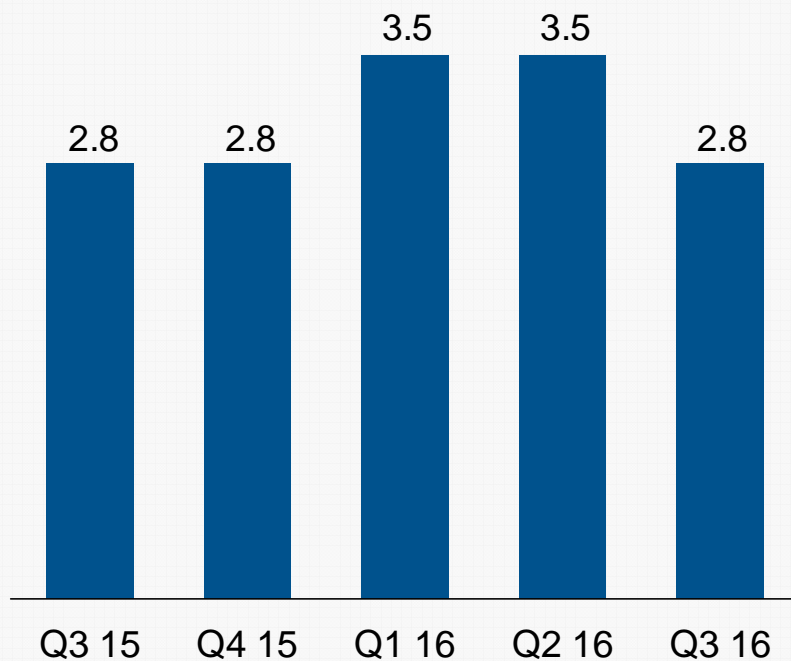
- » Gross profit increased vs Q3 2015, supported by progress in cost reduction and temporarily more favourable product mix
- » Personnel expenses showed positive development, partly supported by one-time effects
- » Other operating expenses declined vs Q3 2015, both in absolute numbers and per tonne

## Adjusted EBITDA – upward momentum since Q4 2015

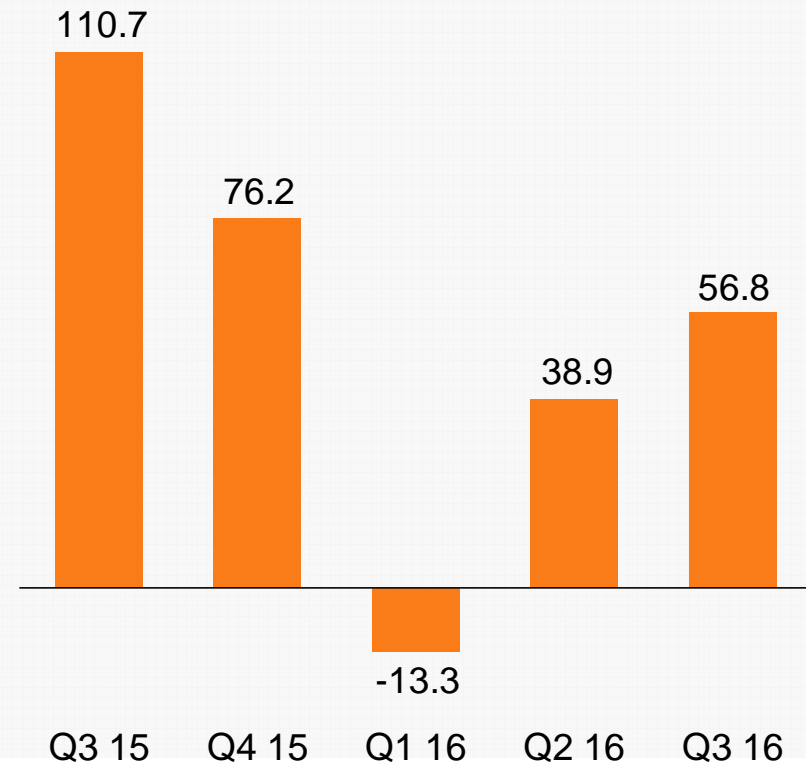


## Leverage significantly improved through continued strong cashflow

**Net debt/adjusted EBITDA (annualised)**  
ratio, continuing operations



**Free Cash Flow**  
in EUR million, continuing operations





## Net debt further reduced

		Q3 2016	Q3 2015	Change	Q2 2016
Net debt	EUR m	421.4	543.7	-22.5%	454.0
Net debt/adjusted EBITDA <sup>1)</sup>	factor	2.8	2.8	–	3.5
Shareholders' equity	EUR m	659.3	765.7	-13.9%	676.9
Equity ratio	%	32.6	34.9	-230bps	32.5
Financial result	EUR m	-9.9	-12.8	22.7%	-11.5
Capex	EUR m	-23.2	-22.2	-1.0	-14.6

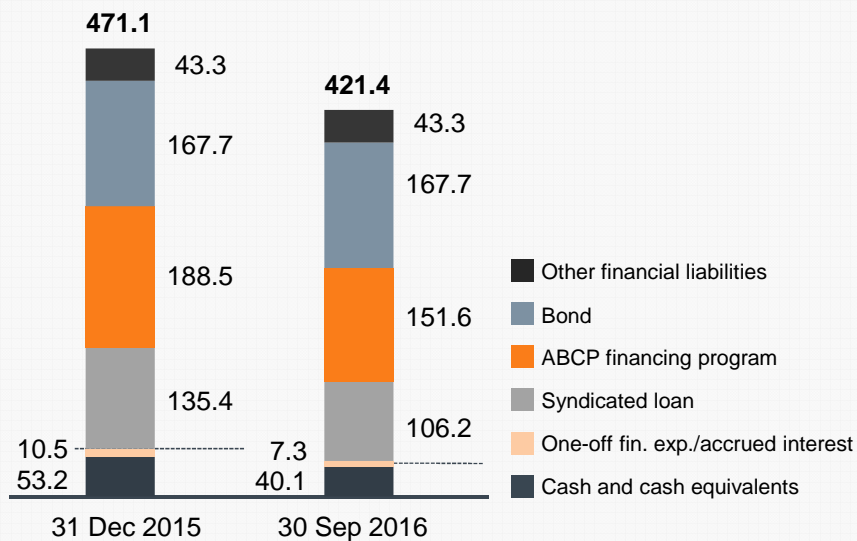
<sup>1)</sup> Last twelve months (LTM)

- » Progressive net debt reduction from EUR 471.1 million at year-end 2015
- » Net debt decreased by EUR 122 million compared to Q3 2015
- » Lower shareholders' equity: actuarial losses on pension plans – equity ratio lower
- » Financial result better than last year due to higher valuation of bond buy option
- » Capex seasonally higher, on track towards EUR 100 million for full year

## Financial flexibility expanded

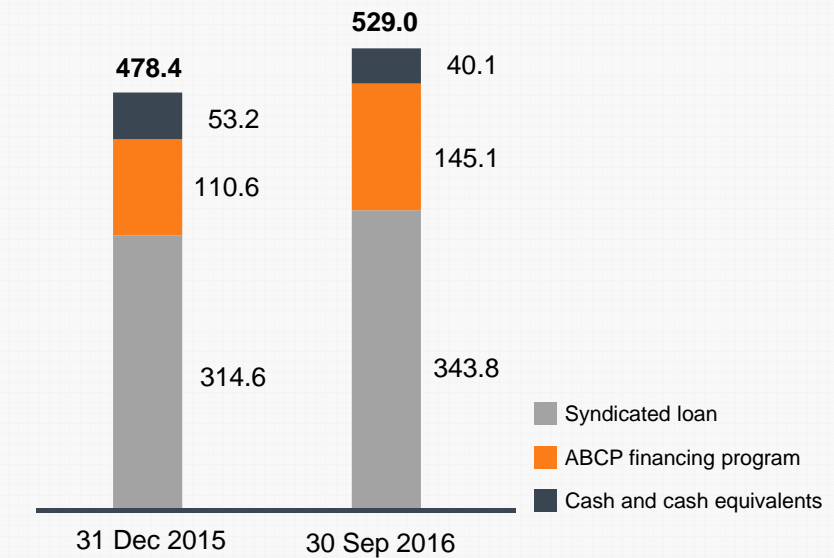
### Net debt as of 30 September 2016

in million EUR



### Financial headroom as of 30 September 2016

in million EUR



» Unused financing lines and cash of EUR 529 million as of 30 September 2016

# 3 OUTLOOK



## **Outlook 2016 – stable market environment but no tailwind expected**

### **Macroeconomic environment**

- » Muted global economic growth expected – cautious on China and the United States
- » Ongoing difficulties in Latin America, Russia and certain regions in Asia
- » Raw material and scrap prices volatile but expected to trend up during Q4 2016
- » Challenging market environment to persist through 2016

### **Industry Sectors**

- » Growth in the automotive industry will remain robust
- » Mechanical & Plant Engineering to remain stable
- » No short-term recovery expected in the oil & gas industry, stable at low levels
- » Competitive pressure in some parts of the portfolio increasing



## Outlook – 2016 guidance

**Full-year 2016** targets confirmed, adjusted EBITDA at lower end of range:

- » **Sales volumes** to remain stable compared to full-year 2015
- » **Adjusted EBITDA** at lower end of range between EUR 150 million and EUR 190 million
- » **Capex** approximately EUR 100 million
- » A **weaker first half-year** and a **stronger second half-year** compared to 2015

# 4 APPENDIX

## Nickel price development – 10 years

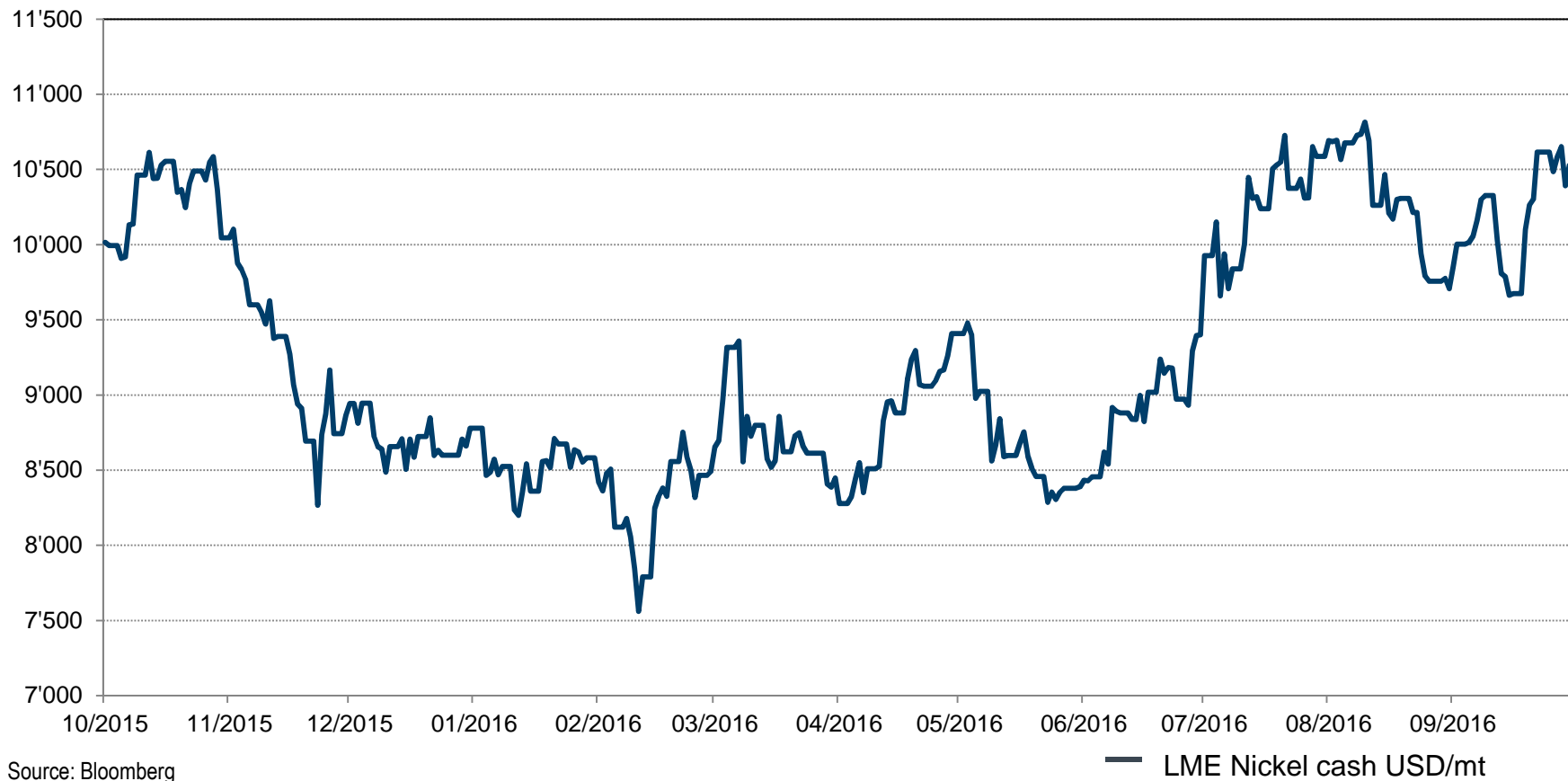


Source: Bloomberg

— LME Nickel cash USD/mt

Appendix

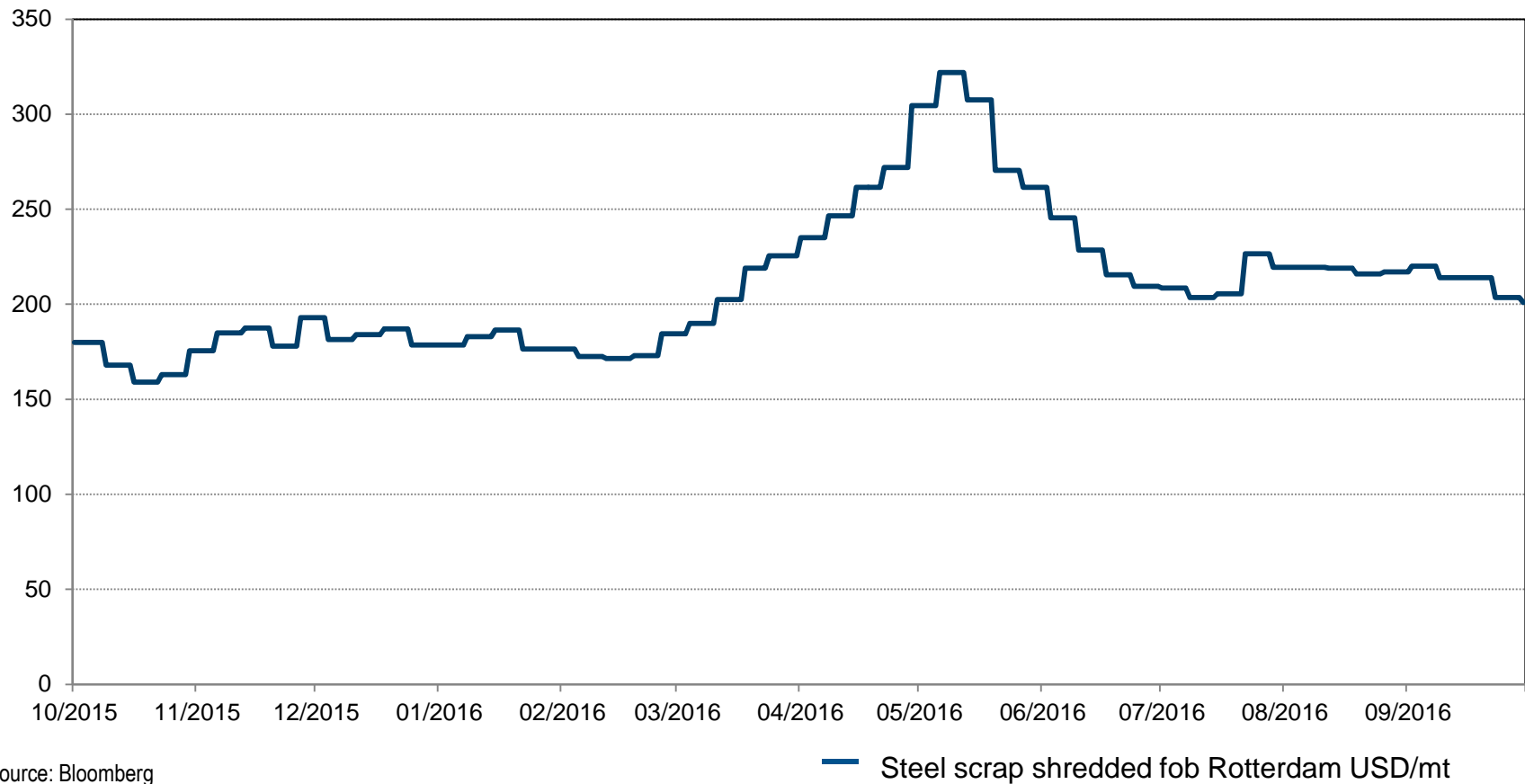
## Nickel price development – 1 year



Appendix



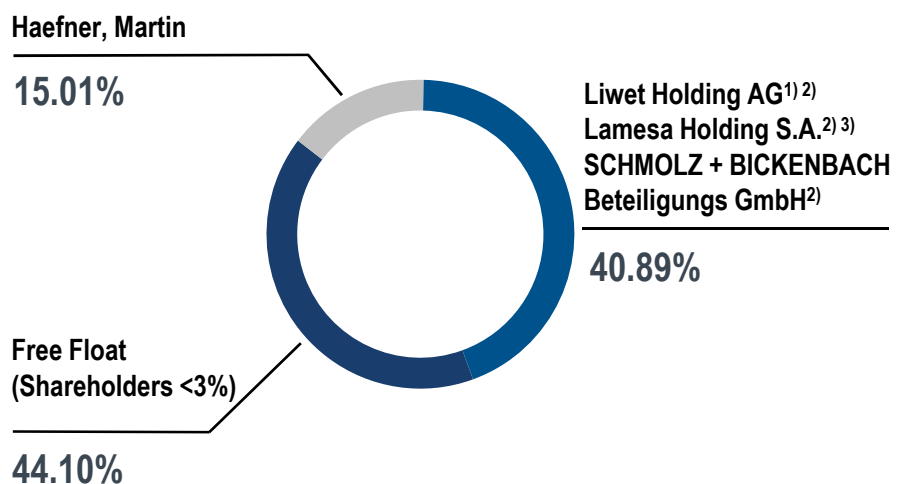
## Scrap steel price development – 1 year



Appendix



## Swiss listed company with supportive anchor shareholders



Shareholder Structure as of 30 September 2016

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) Acquisition of assets and liabilities of Venetos Holding AG, in Zurich (CHE-114.533.183), pursuant to the merger agreement dated 18.2.2015 and balance sheet as at 29.12.2014
- 2) The Group also holds 11 168 772 purchase options, corresponding to an underlying holding of 1.18%
- 3) As at 31.12.2014, Venetos Holding AG, Switzerland, and Renova Industries Ltd., Bahamas, were direct shareholders. The beneficial owners did not change.

Appendix



## Financial calendar and contact

Date	Event
9 March 2017	Annual Report 2016, Media Conference, Analyst & Investor Conference
11 May 2017	Interim Report Q1 2017, Conference Call for Media and Investors
11 August 2017	Interim Report Q2 2017, Conference Call for Media and Investors
9 November 2017	Interim Report Q3 2017, Conference Call for Media and Investors

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