

SCHMOLZ + BICKENBACH  
Investor Presentation  
Annual Results 2013/Outlook 2014  
Zurich, 13 March 2014



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## Clemens Iller to be the new CEO of SCHMOLZ + BICKENBACH AG as of 1 April 2014



### Clemens Iller (1960, German)

- » Holds a business degree (Diplom-Kaufmann) from the university of Tübingen
- » Substantial international experience in the steel and stainless steel business
- » Extensive management experience with major enterprises in various market situations and strategic development phases
- » Until end of 2012: CEO of the Stainless Global business area/Inoxum of the German listed company ThyssenKrupp AG
- » Until end of 2012: Chairman of the Executive Board of ThyssenKrupp Nirosta GmbH, which under his leadership was sold to Outokumpu group
- » Since end of 2012 he supervised the implementation of the disinvestment package required by the European Commission



- 1** BUSINESS OVERVIEW 2013
- 2** FINANCIAL PERFORMANCE 2013
- 3** STRATEGIC REALIGNMENT AND MID-TERM TARGETS
- 4** OUTLOOK AND GUIDANCE 2014
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# 1

## BUSINESS OVERVIEW 2013



# Overview 2013

## Strategic and operational highlights:

- » Strategy realigned
- » EBITDA improvement programme of EUR 230 m until 2016 identified, implementation well under way
- » New anchor shareholder Renova stands for long-term strategic and financial support
- » Finkl's new plant Chicago South went successfully into operation in February 2013 and will be one of the drivers for future profitable growth

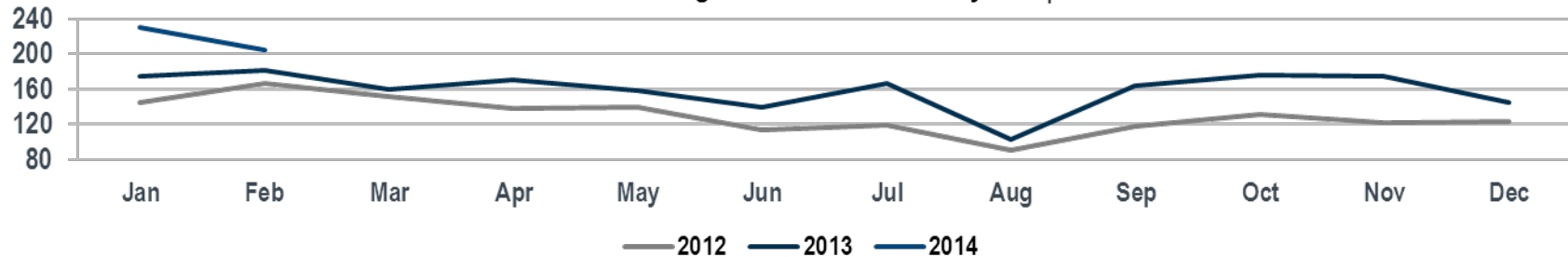
## Financial highlights:

- » Capital increase of EUR 357 m strengthens balance sheet and reduces future financing costs
- » Sales volume increased by 0.5% (10 kilotonnes) to 2 054 kilotonnes
- » Revenue decreased by 8.5% (EUR 304.7 m) to EUR 3 276.7 m; revenue continued to be influenced by low scrap and alloy prices decreased during all of 2013
- » Gross profit margin improved to 32.2% (2012: 30.2%)
- » Adjusted EBITDA amounted to EUR 178.8 m, an increase of 18.3% (2012: EUR 151.1 m); adjusted EBITDA margin improved to 5.5% (2012: 4.2%)
- » Positive development of results from operations eaten up by higher financing costs

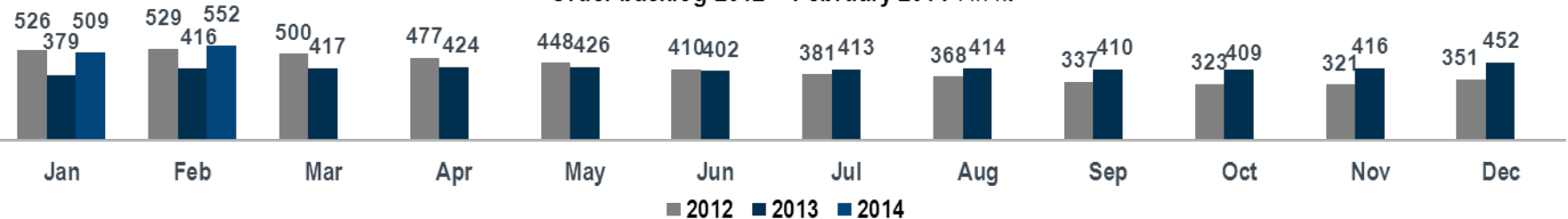


# Improvement in order intake, order backlog and sales volume

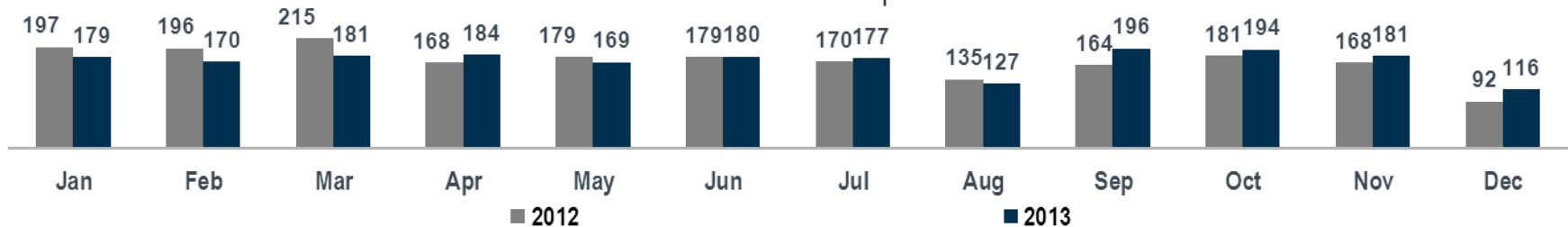
Incoming orders 2012 – February 2014 | in kt



Order backlog 2012 – February 2014 | in kt

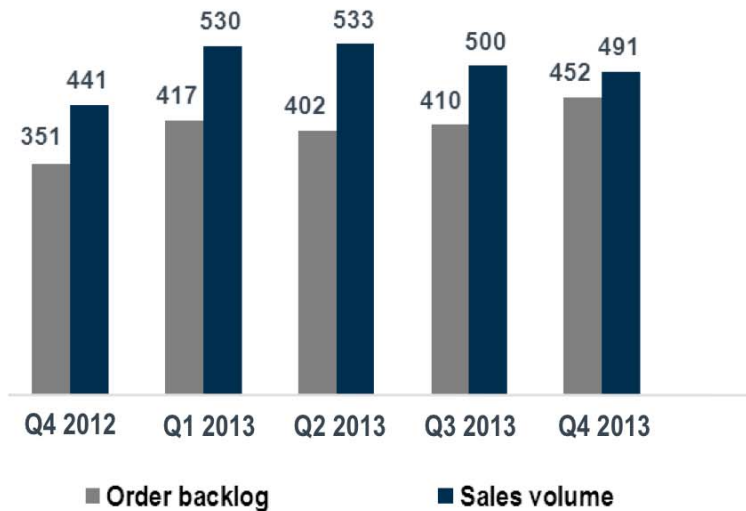


Sales volume 2012 – 2013 | in kt



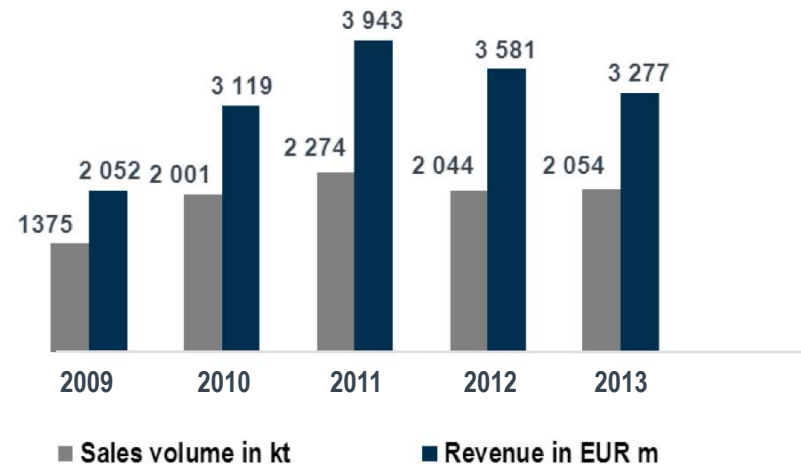
# Order backlog, sales volume and revenue

Order backlog and sales volume Q4 2012 – Q4 2013 | in kt



- » Order backlog started to increase since Q3 2013
- » Sales volume showed opposite trend due to typical seasonality, however in H2 2013 significantly above prior year

Sales volume and revenue 2009 – 2013 | in kt and in EUR m



- » Sales volume increased in 2013 by 0.5%. However, revenues decreased by 8.5% driven by low raw material prices (scrap, alloys) and increased price pressure on base prices





# Nickel price development 2013

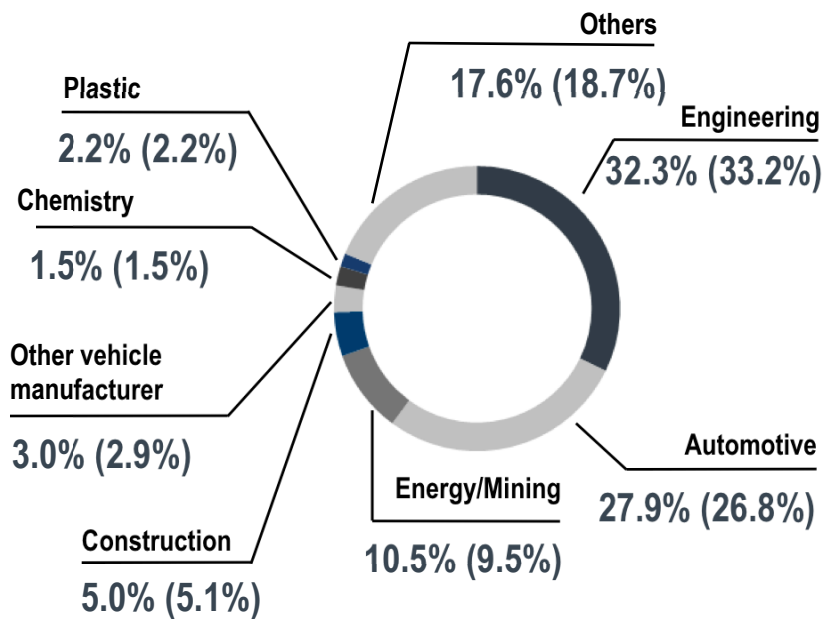
Nickel price development 2013 | in USD / ton



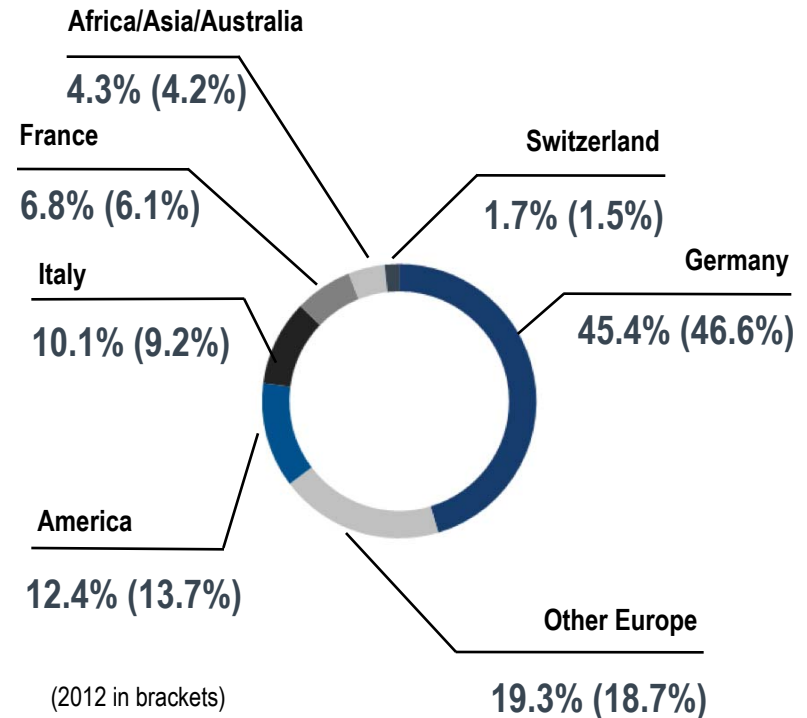
Source: Steel Business Briefing



# Revenue by market segments and by regions



(2012 in brackets)



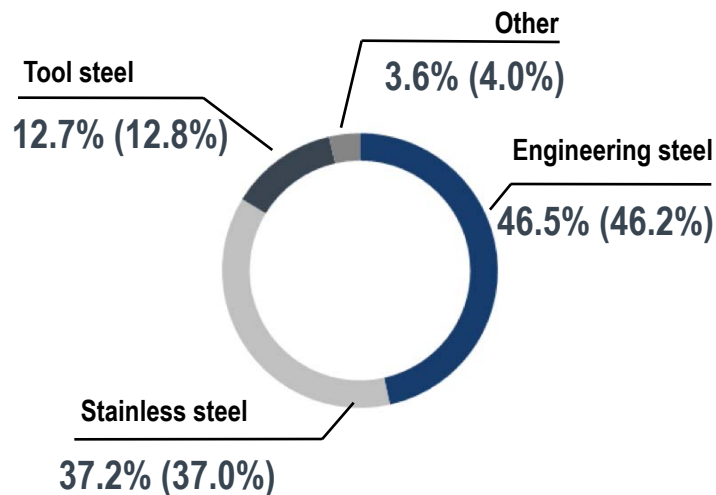
(2012 in brackets)

- » Engineering and Automotive remain the most important market segments
- » North America saw biggest decline in revenue (-16.7%) due to normalisation of demand from shale gas and shale oil industry; Europe (-7.2%) and other regions (-7.6%) almost same decreases in revenues



# Sales volume and revenue by product groups

Revenue by product groups | in EUR m

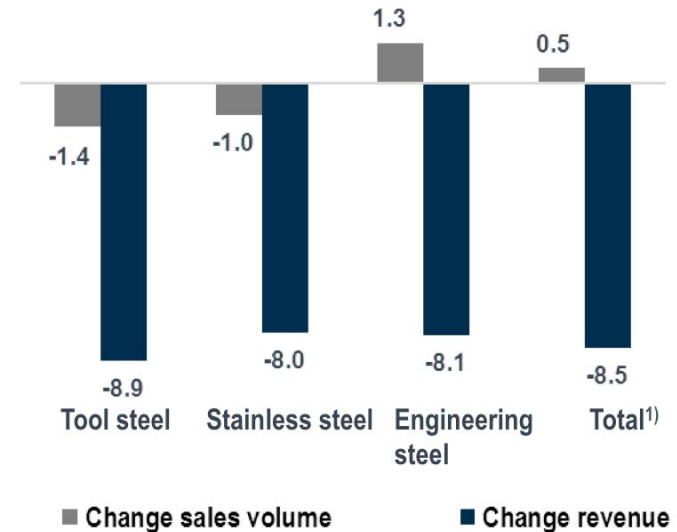


(2012 in brackets)

- » Engineering steel remains the product group with the highest sales volume and showed a slight increase in 2013
- » Tool steel and stainless steel with slightly decreasing sales volume
- » Revenue declines throughout all product groups between 8% – 9%

1) Total includes Other/Consolidation.

Change in revenue and sales volume | in %





# 2

## FINANCIAL PERFORMANCE 2013



## Results of operations – key figures

in EUR m	2013	2012	Change from prior year (%)	Q4 2013	Q4 2012	Change from prior year (%)
Sales volume (kt)	2 054	2 044	0.5	491	441	11.3
Revenue	3 276.7	3 581.4	-8.5	752.0	774.5	-2.9
Adjusted EBITDA	178.8	151.1	18.3	43.0	-1.3	> 100
Adjusted EBITDA margin (%)	5.5	4.2	31.0	5.7	-0.2	> 100
Operating profit before depreciation and amortisation (EBITDA)	141.7	121.8	16.3	15.1	-15.5	> 100
Operating profit (loss) (EBIT)	17.8	-14.5	> 100	-16.1	-61.7	73.9
Earnings before taxes (EBT)	-87.6	-89.1	1.7	-48.5	-82.9	41.5
Net income (loss) (EAT)	-83.7	-162.8	48.6	-39.2	-135.6	71.1

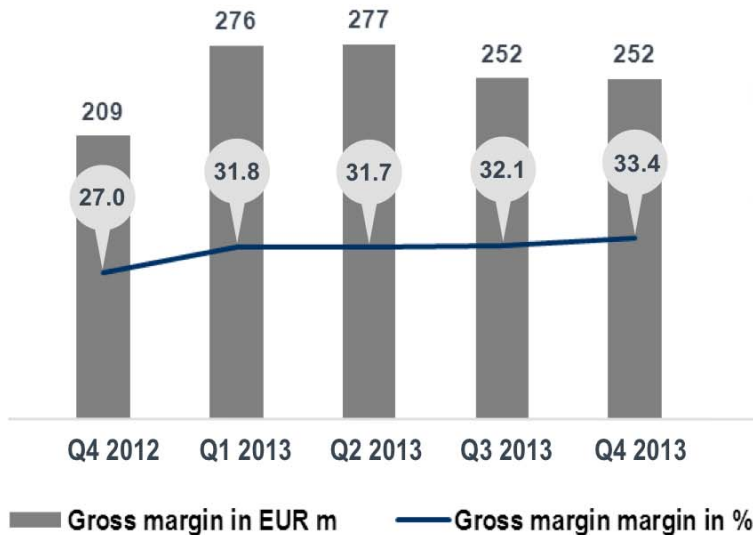
2012 figures adjusted to IAS 19R.



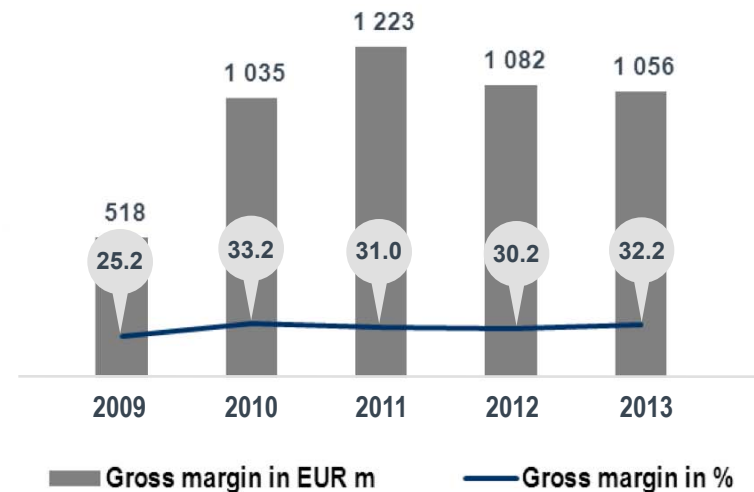


# Gross margin development

Gross margin Q4 2012 – Q4 2013 | in EUR m and in %



Gross margin 2009 – 2013 | in EUR m and in %



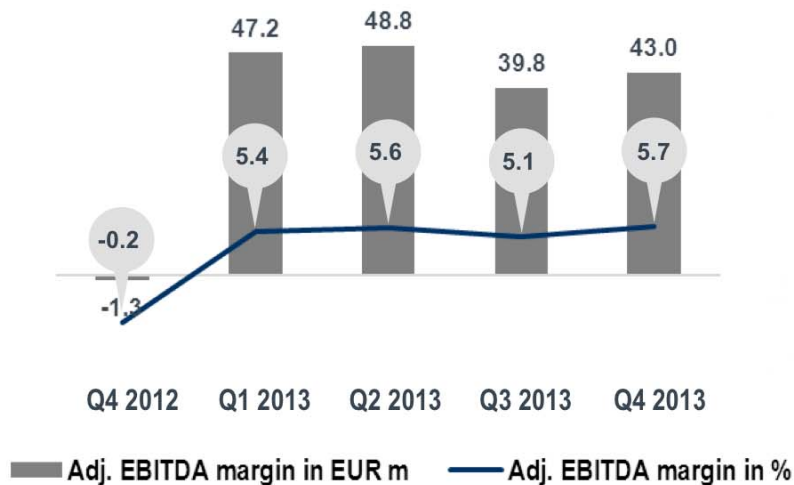
- » Absolute gross margin decreased by 2.3% to EUR 1 056.4 m (2012: EUR 1 081.7 m)
- » In percentage terms, gross margin increased over the reporting period, from 31.8% in Q1 2013 to 33.4% in Q4 2013. For the reporting period overall, it improved to 32.2% (2012: 30.2%)

2012 figures adjusted to IAS 19R.

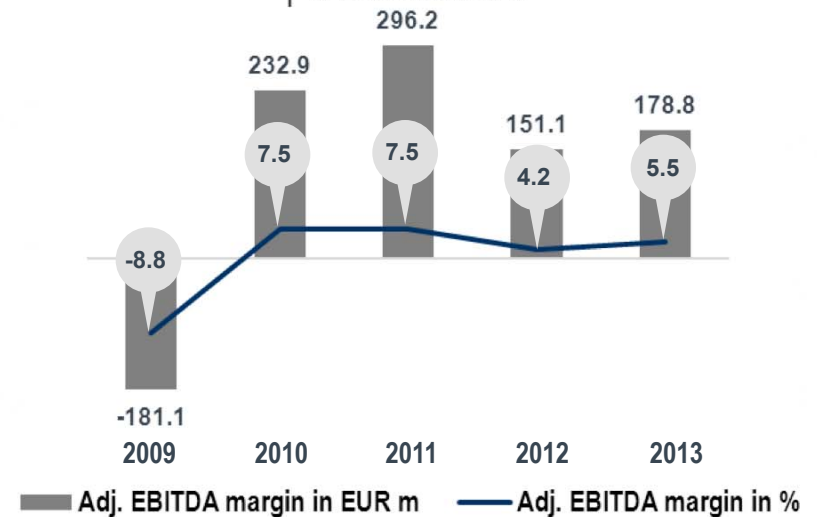


# Adjusted EBITDA development

Adjusted EBITDA and adjusted EBITDA margin Q4 2012 – Q4 2013 | in EUR m and in %



Adjusted EBITDA and adjusted EBITDA margin 2009 – 2013 | in EUR m and in %



- » Adjusted EBITDA and adjusted EBITDA margin development show first positive impacts of efficiency improvement measures (adjusted other operating expenses -10.4%, adjusted personnel costs -2.5%), whilst price pressure increased throughout 2013
- » One-off effects from restructuring programme and other measures of EUR 37.1 m (2012: EUR 29.3 m)

2012 figures adjusted to IAS 19R.



## Revenue by division

	2013	2012	Change from prior year (%)	Q4 2013	Q4 2013	Change from prior year (%)
<i>Production</i>	2 562.3	2 750.0	-6.8	592.0	593.2	-0.2
<i>Sales &amp; Services</i>	1 158.1	1 286.7	-10.0	266.1	276.2	-3.7
SCHMOLZ + BICKENBACH Group*	3 276.7	3 581.4	-8.5	752.0	774.5	-2.9

\* Group figures include Other and consolidation/eliminations.  
2012 figures adjusted to IAS 19R.



## Adjusted EBITDA and adjusted EBITDA margin by division

Adjusted EBITDA	2013	2012	Change from prior year (%)	Q4 2013	Q4 2012	Change from prior year (%)
<i>Production</i>	168.5	159.9	5.4	39.9	12.6	> 100
<i>Sales &amp; Services</i>	13.9	11.0	26.4	-0.5	-6.1	91.8
SCHMOLZ + BICKENBACH Group*	178.8	151.1	18.3	43.0	-1.3	> 100

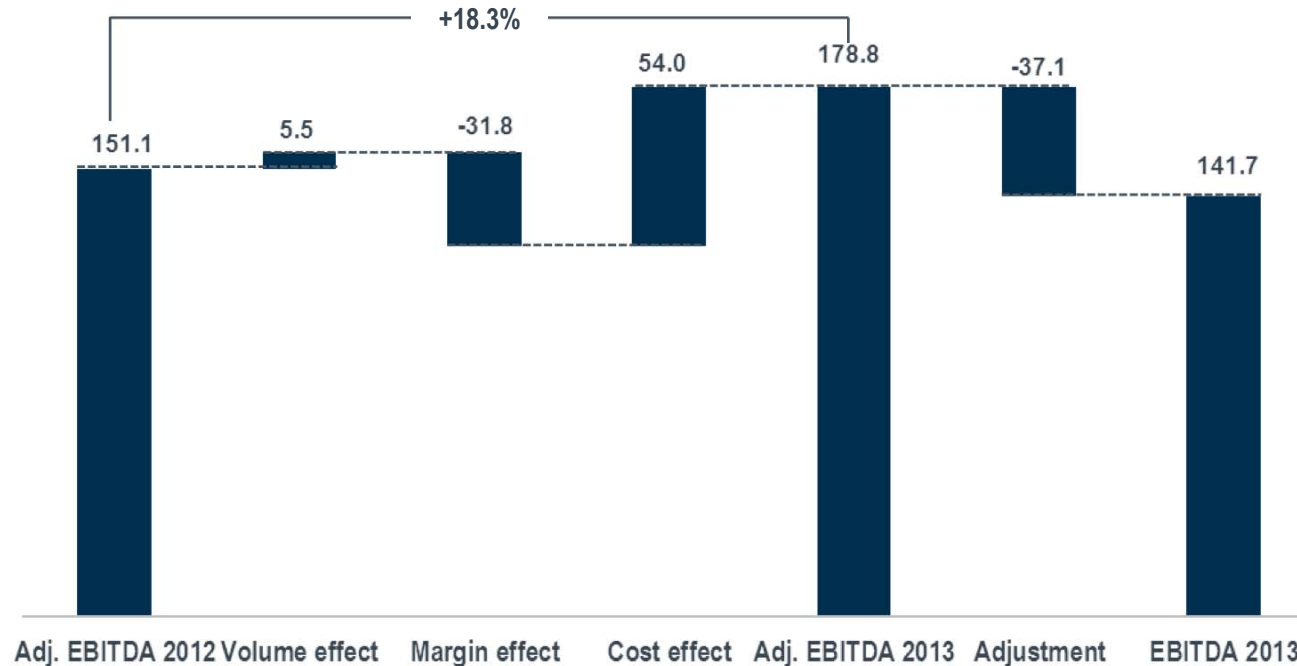
Adjusted EBITDA margin	2013	2012	Change from prior year (%)	Q4 2013	Q4 2012	Change from prior year (%)
<i>Production</i>	6.6	5.8	13.8	6.7	2.1	> 100
<i>Sales &amp; Services</i>	1.2	0.9	33.3	-0.2	-2.2	90.9
SCHMOLZ + BICKENBACH Group*	5.5	4.2	31.0	5.7	-0.2	> 100

\* Group figures include Other and consolidation/eliminations.  
2012 figures adjusted to IAS 19R.



# Positive volume and cost effects, price pressure increased in 2013

Adjusted EBITDA reconciliation 1.1.-31.12.2013 | in EUR m



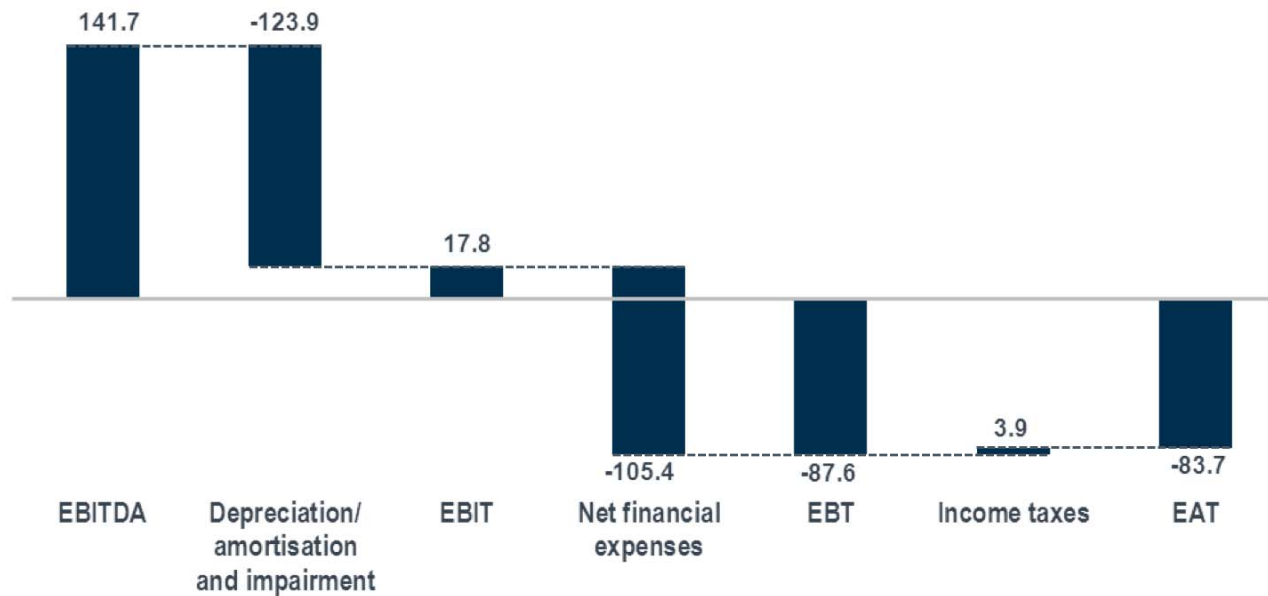
2012 figures adjusted to IAS 19R.





# Positive operating results eaten up by financing costs

Breakdown of results 1.1.-31.12.2013 | in EUR m



- » Cash interest payments amounted to EUR 84.6 m (2012: EUR 61.0 m)
- » Interest expenses contain non-recurring expenses of EUR 14.0 m related to the equity claw back and EUR 12.2 m for adjusting financing agreements in March 2013

2012 figures adjusted to IAS 19R.



## Financial position: key figures

		31.12.2013	31.12.2012	Change from 31.12.2012 in %
Shareholders' equity	EUR m	889.9	633.0	40.6
Equity ratio	%	37.4	26.2	42.7
Net debt	EUR m	610.1	902.8	-32.4
Net debt/Adjusted EBITDA	factor	3.4	6.0	-43.3
Net working capital (NWC)	EUR m	949.5	1 006.0	-5.6
NWC/Revenue	%	29.0	28.1	3.2

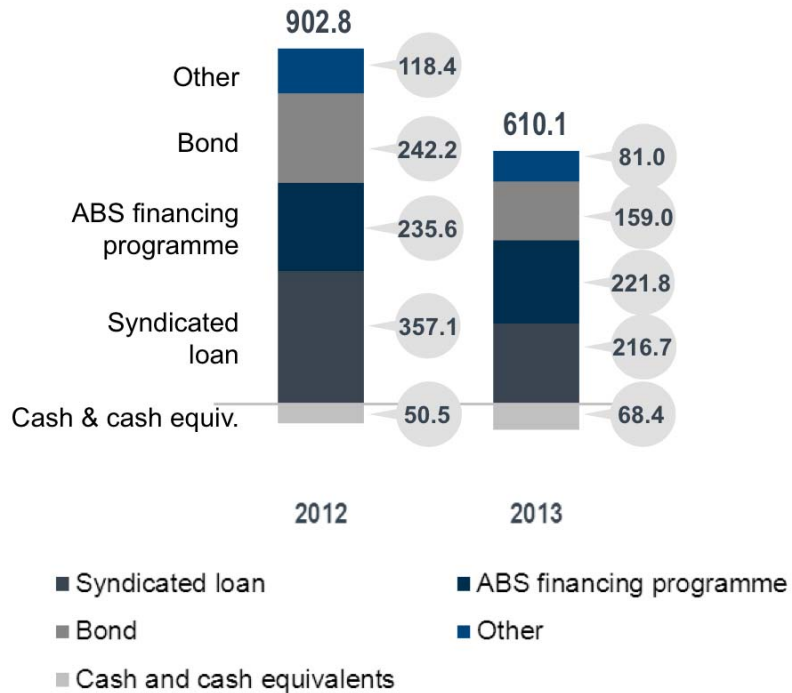
		1.1.- 31.12.2013	1.1.- 31.12.2012	Change from prior year in %
Investments	EUR m	105.7	141.0	-25.0
Free cash flow	EUR m	73.7	44.0	67.5

2012 figures adjusted to IAS 19R.

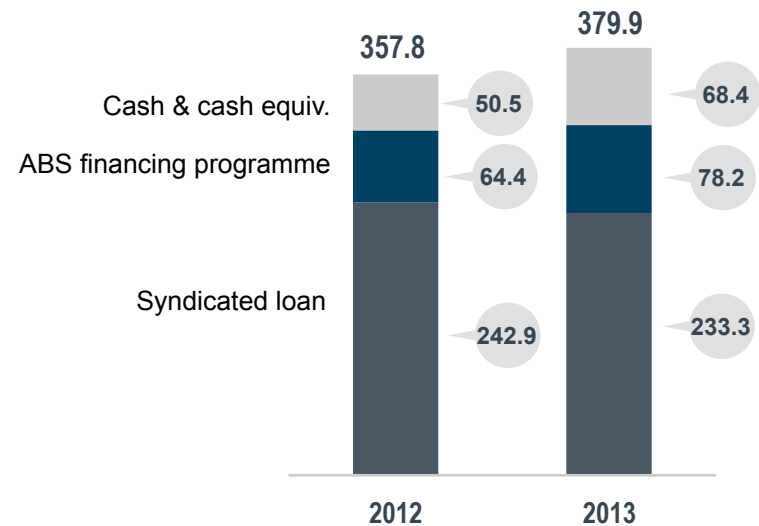


# Net debt and financial headroom

Net debt | in EUR m



Financial headroom | in EUR m





# 3

## STRATEGIC REALIGNMENT AND MID-TERM TARGETS



# 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 and > 6 000 single steps

Cost saving measures contribute > EUR 100 million to the total EBITDA improvement volume:  
Focus on personnel cost, efficiency improvements and purchasing measures

Total FTE reduction (including contract labour) of ~700 FTE; partly already implemented

Top-line measures include volume and price effects, including an optimised product mix

## Systematic tracking of implementation

Professional Management: Group-wide programme management office (PMO) installed, directly reporting to CEO/CFO

Full transparency/traffic light monitoring on implementation and effective realisation:  
Timely response to deviation from targets enabled by having full transparency on single step level via a group-wide project management tool (currently 300 users)

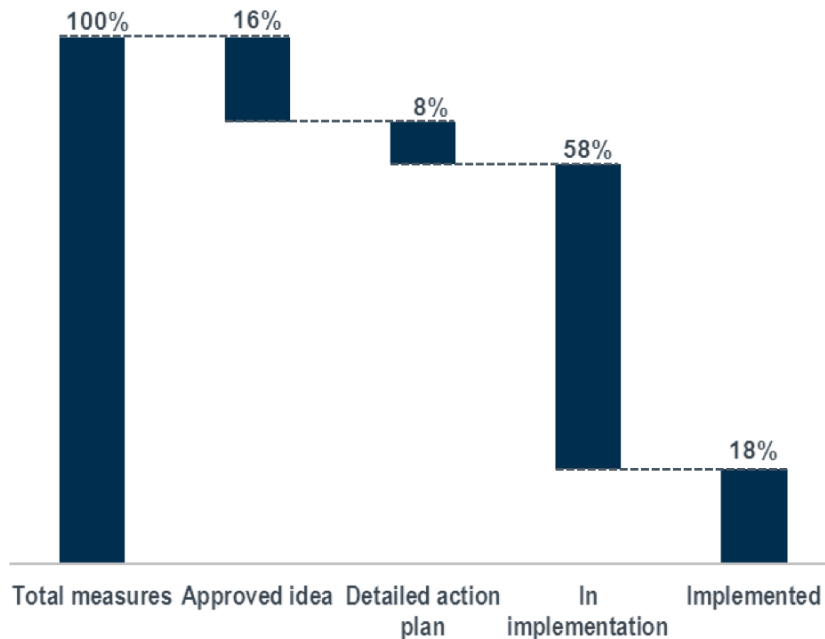
Accountability: Bimonthly reports and reviews with business unit management and Group management





# Current status of implementation (31.12.13) and mid-term targets

Measure status | in %



## Mid-term targets<sup>1)</sup>

» EBITDA

> EUR 300 million

> 8% margin

» Leverage<sup>2)</sup>

< 2.5x

» Implementation of the launched performance improvement programme is on track

» In 2013 cost savings of EUR 54.0 m have been realised

1) From 2016 on average over the cycle based on current portfolio.

2) Net debt to adjusted EBITDA.





# 4

## OUTLOOK AND GUIDANCE 2014



## Outlook 2014

- » Prospects for global economy improve, with an expected global GDP growth of 3.2 to 3.7% in 2014<sup>1)</sup>
- » Eurozone and USA are expected to grow by ca. 1% and ca. 3% respectively<sup>1)</sup>
- » Worldwide steel consumption is expected to increase by 3.3%<sup>2)</sup>
- » Stable currency exchange rates for the relevant currency relations CHF/EUR and USD/EUR expected
- » Steel prices are expected to have bottomed out in 2013<sup>3)</sup>. However, base prices remain on low levels
- » Nickel and scrap prices expected to increase modestly
- » Destocking is in an advanced stage, slight restocking expected<sup>3)</sup>
- » Strategic realignment strengthens SCHMOLZ + BICKENBACH to assert itself in markets that become slightly less challenging
- » Earnings improvement programme and reduction of indebtedness will support earnings in 2014

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

2) Source: World Steel Association, January 2014.

3) Source: MEPS (International) Ltd., October 2013.



## Guidance 2014

	2013 reported	2014 expected
Sales volume	2 054 kilotonnes	Increase of 2% – 5%
Revenue <sup>1)</sup>	EUR 3 276.7 m	Increase of 2% – 5%
Adjusted EBITDA	EUR 178.8 m	EUR 190 m – EUR 230 m
CAPEX	EUR 105.7 m	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!







# 5

## APPENDIX

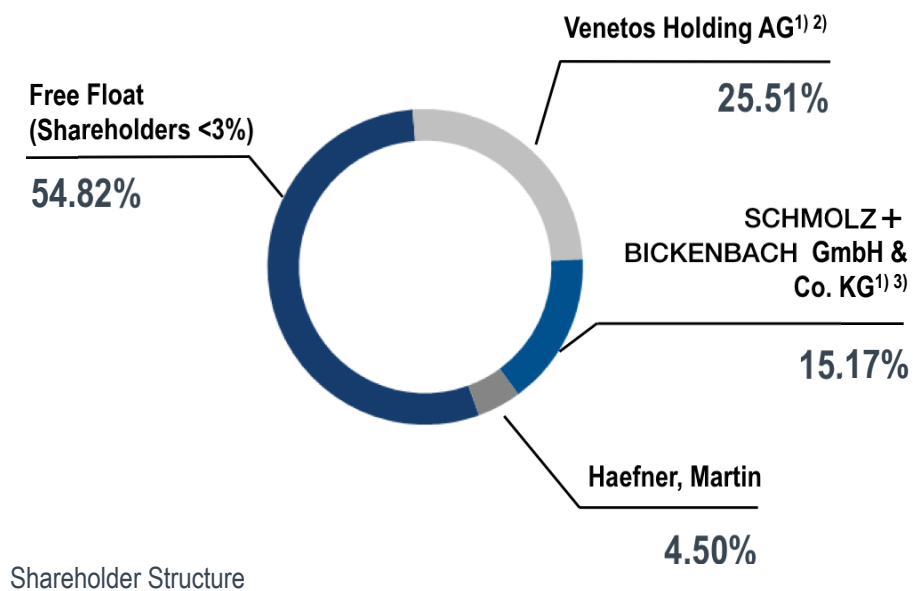


# Nickel price development

Nickel price development 2005 – 2014 | in USD



## Swiss listed company with supportive anchor shareholder



1) Form a group according to stock exchange act.

2) Member of the Renova Group.

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

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



## 5-year overview

		2009	2010	2011	2012	2013
Sales volume	kilotons	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.



## Financial calendar and contact details Investor Relations

Date	Event
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

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





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