

SCHMOLZ + BICKENBACH

Baader Helvea

Swiss Equities Conference

Bad Ragaz, 13 January 2017





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 **FACTS AND FIGURES**

2 **MARKETS**

3 **STRATEGY**

4 **FINANCIALS**

5 **SUMMARY**



1 FACTS AND FIGURES



Integrated Provider of Special Long Steel Solutions

PRODUCTION



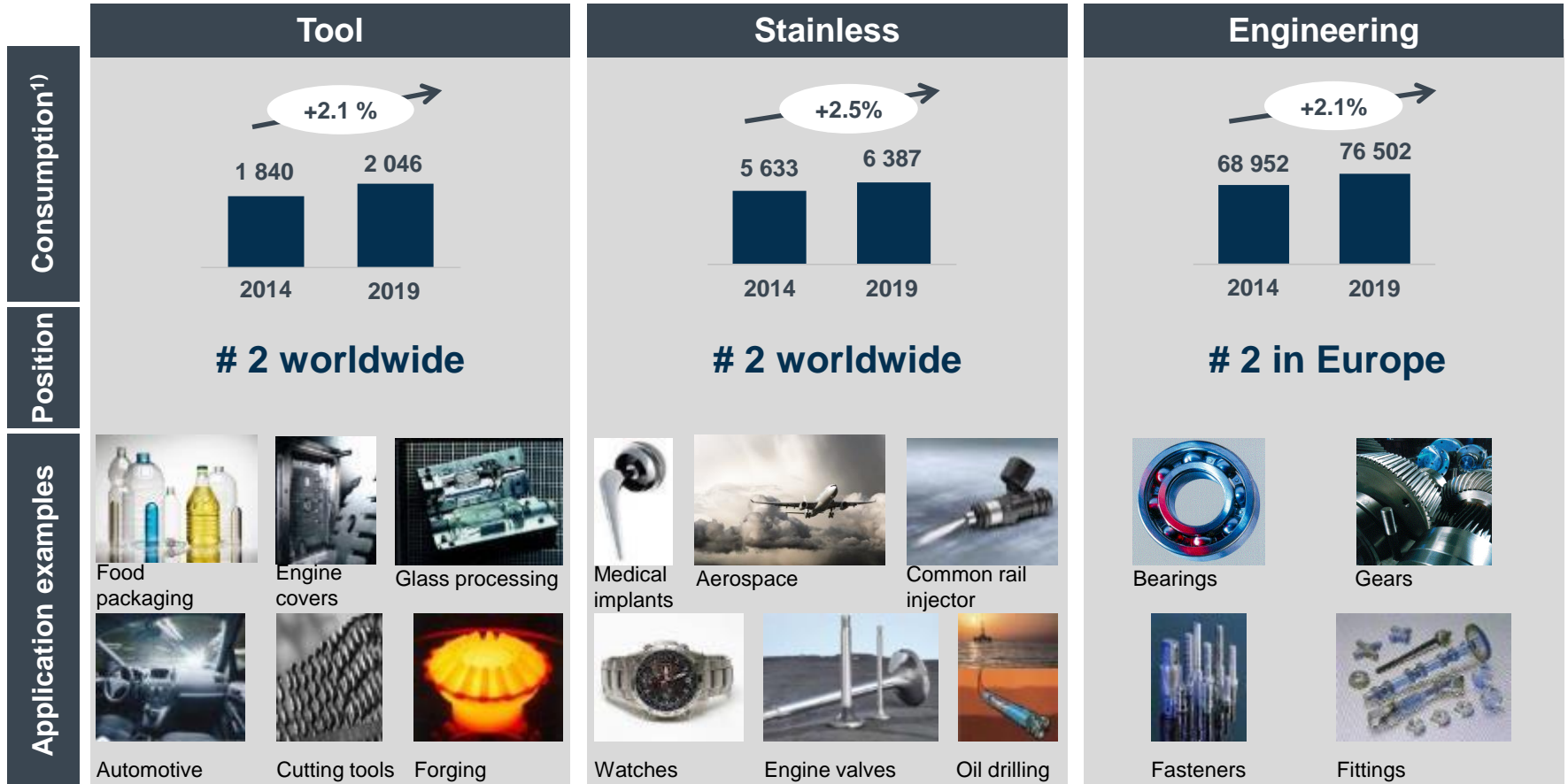
- » Production from scrap and alloys
- » Covering a wide product range from fine wire to large forged products
- » Processing to specific customer needs
- » Drawing, Sawing, Grinding, Turning
- » Heat treatment services

SALES & SERVICES



- » Worldwide sales/trading of special long steel
- » Inventory logistics and post-processing services
- » Global network in relevant markets

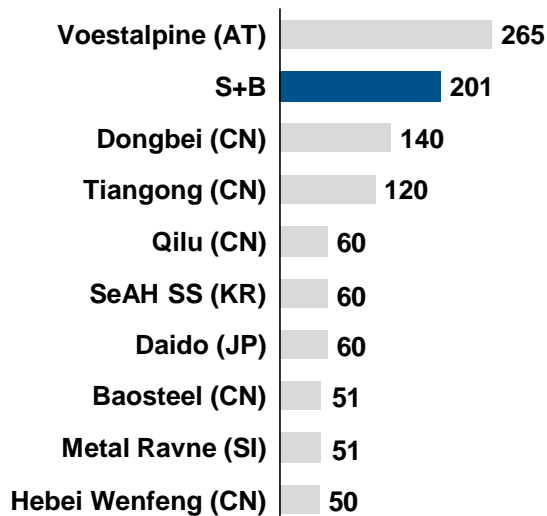
Leading Positions in Markets with Attractive Growth Prospects



¹⁾ SMR (in ktpy; April 2015, CAGR); expert estimates; SCHMOLZ + BICKENBACH

Leading Positions Globally – Top Producers of Special Long Steel

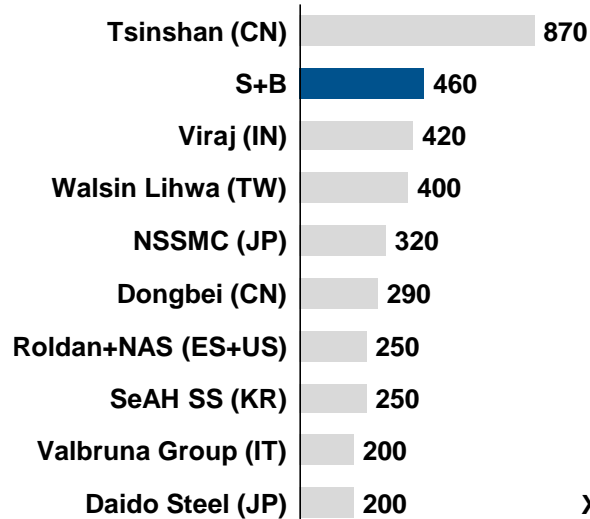
Top 10 Tool Steel



AM Industeel (FR), Ellwood (US), Eramet Alliage (FR), GMH Gröditz (DE), GMTC Gloria (TW)

2 worldwide

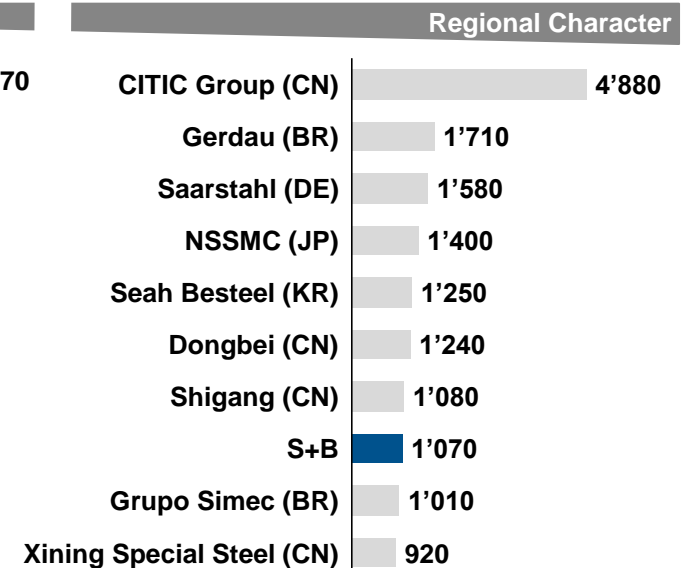
Top 10 Stainless Long Steel



BGH (DE), Cogne (IT), Outokumpu (FI)

2 worldwide

Top 10 Quality/Engineering Steel



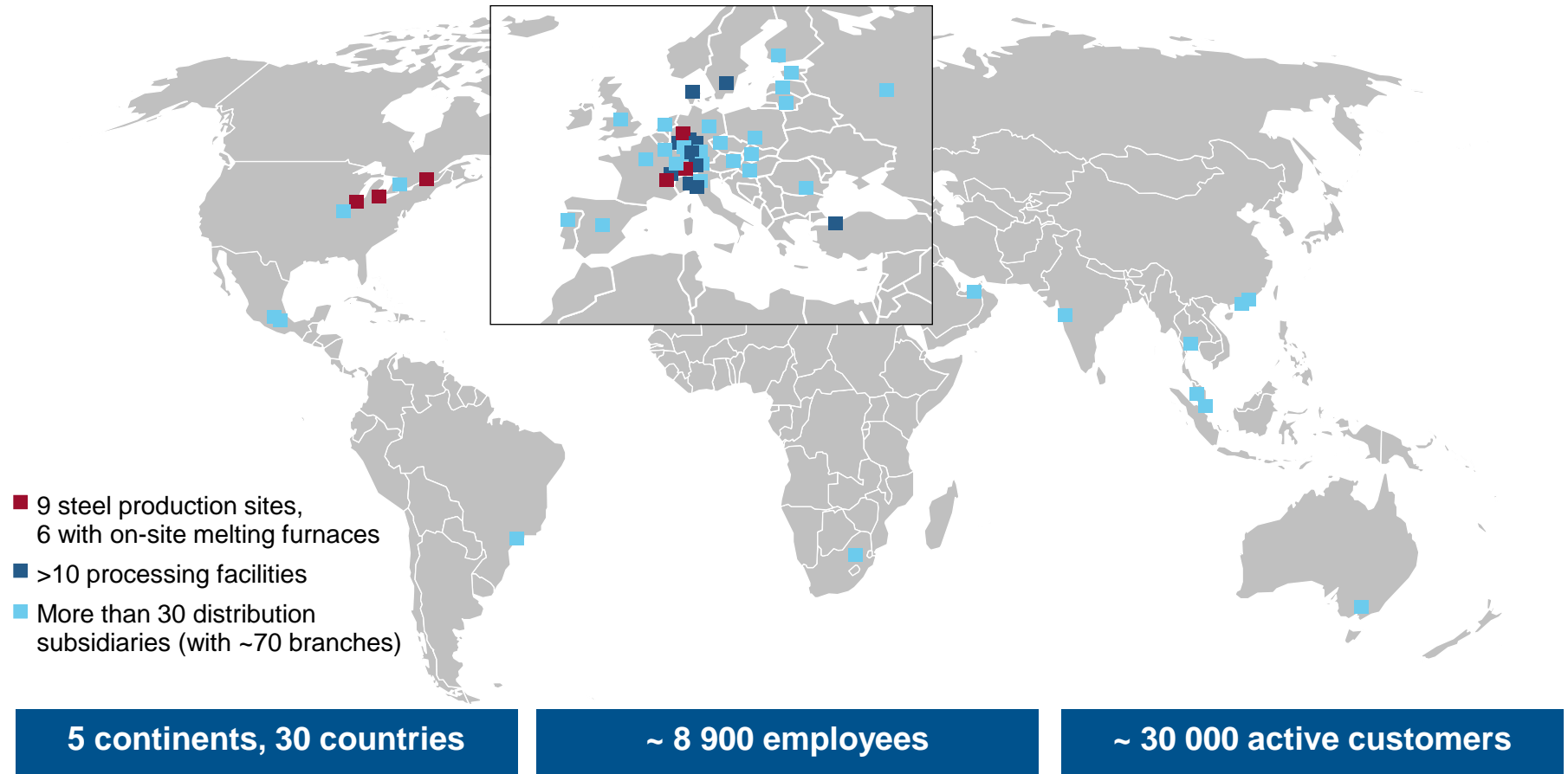
Ascometal (FR), BGH (DE), Buderus (DE), GMH (DE), Lechstahl (DE), Ovako (SE)

2 Europe

Source: SCHMOLZ + BICKENBACH expert analysis 2015



Present in Key Markets and Able to Serve Global Customers





Production Business Units with Strong Brand Names

	Tool	Stainless	Engineering ¹⁾	Details of product portfolio
DEW	✓	✓	✓	Wide range of steel grades and dimensions (0.8 mm wire to 1 100 mm forged products) allows comprehensive market coverage
Finkl Steel	✓		✓	Leading positions and strong brands with focus North America; with DEW complimentary product range in key industries (e.g. oil & gas)
Steeltec			✓	Premium range of bright steel products with strong brand products (e.g. ETG/HSX); key industries automotive and mechanical engineering
Swiss Steel			✓	Expertise in lead-alloyed free-cutting steel, strong presence in Germany, Italy and Switzerland with leading positions
Ugitech		✓		Clear focus on stainless steel (fine wire, wire rod and bars), together with DEW European market leader

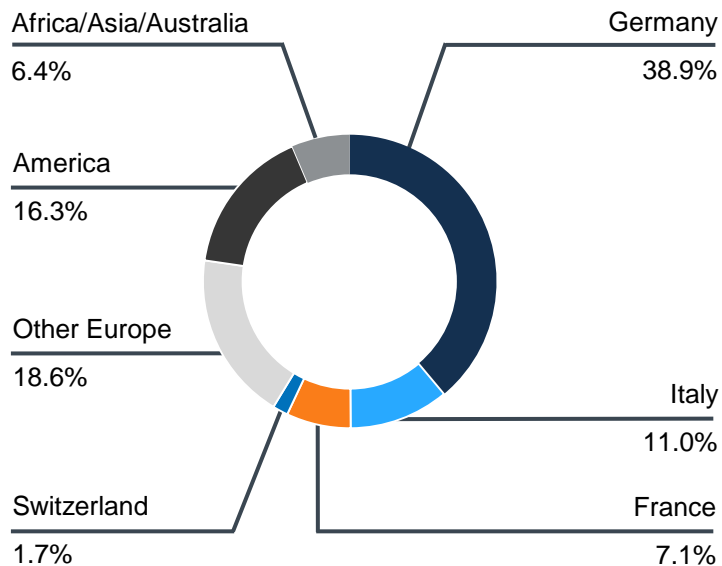
Leading position across special long steel segments, with complementary product ranges and market access potential

¹⁾including free cutting steel

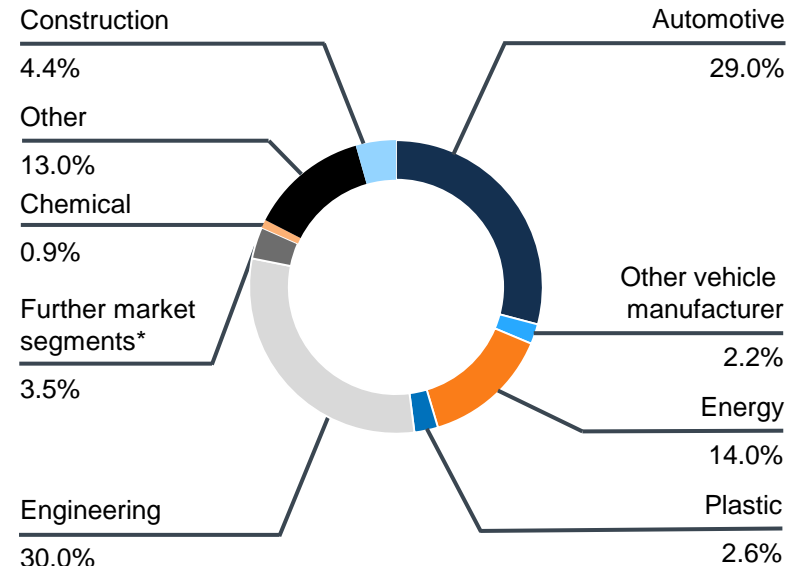


Well-balanced Revenue Streams, Wide Range of Application Industries and Broad Geographic Reach

Revenue by Region 2015



Revenue by Market Segment 2015



* Aerospace 0.6%, Mining 1.1%, Food and Beverage 1.8%

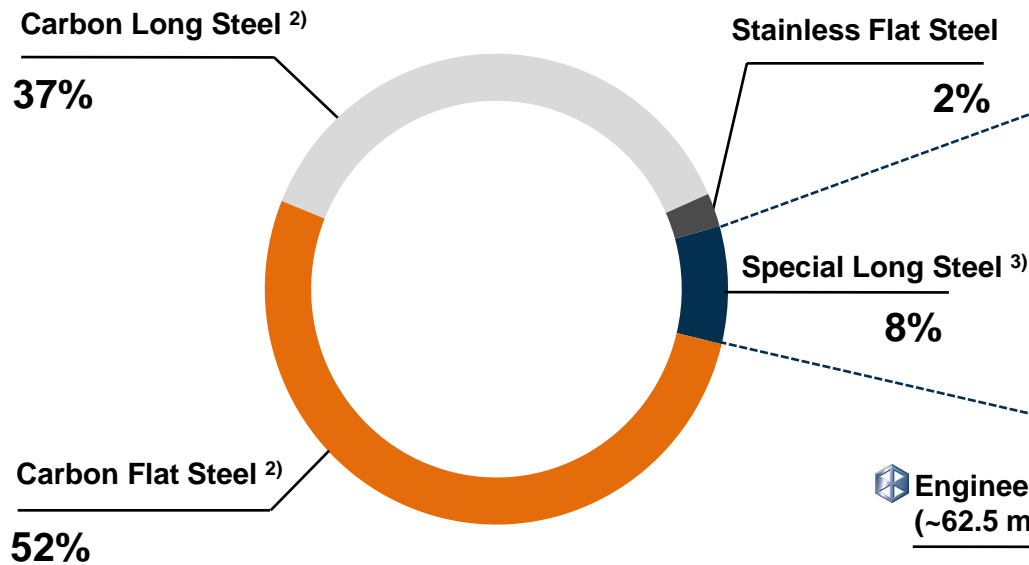
- » Top 20 customers accounted for only 18% of revenue, largest customer <3% of total revenue
- » Historically strong European customer base with activities in growth markets and high export component



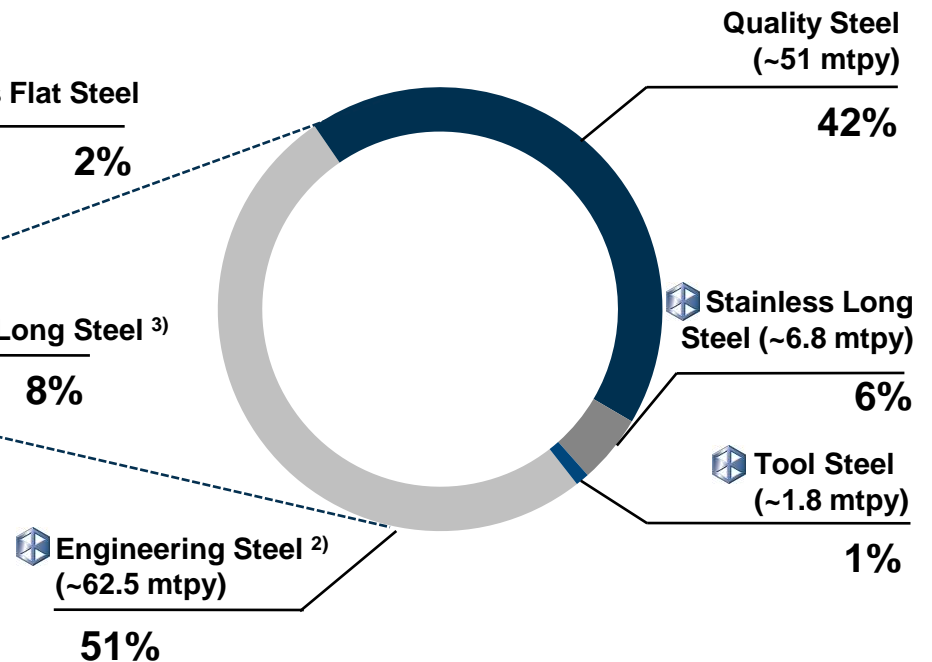
2 MARKETS

Attractive Niche Market

Global Finished Production, 2015
in %, 100% = 1 454 mtpy¹⁾



Global Special Long Steel Production, 2015¹⁾
S+B's core market, in %, 100% = 122.2 mtpy



1) Source: SMR update 01.06.2016

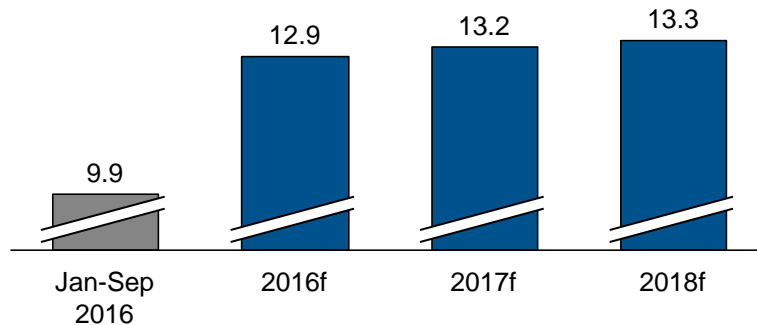
2) Source: Estimation based on SMR update 01.06.2016

3) Source: Estimation based SMR update 01.06.2016

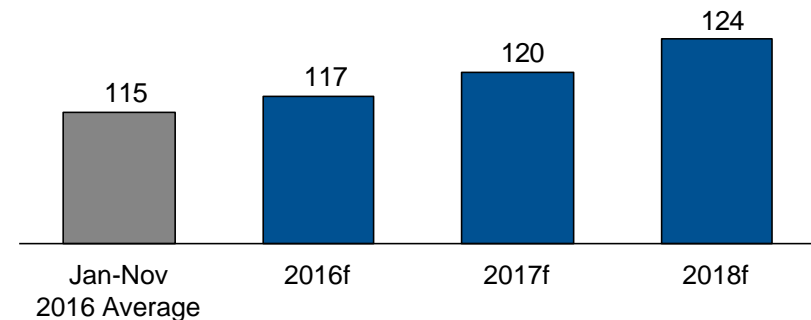


Main Product Groups Growing Slowly – Innovation & Technology Leadership is Key

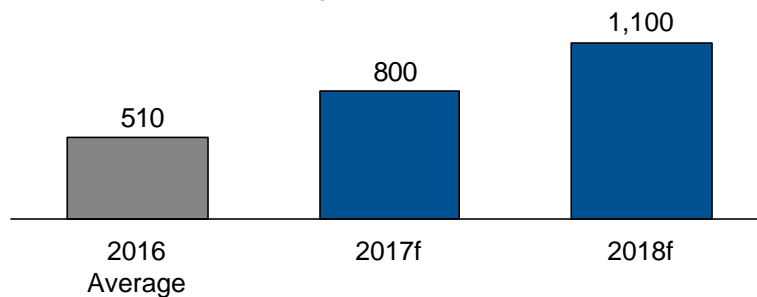
Production of Passenger Cars in Europe
in million cars



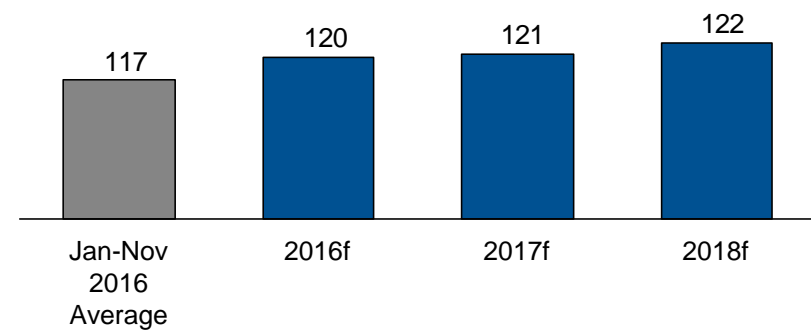
Production of Mechanical Engineering in Germany
seasonally adjusted indices, 2010 = 100



US Rotary Rig Count
number of active rigs



Production of Metal Products in Germany
seasonally adjusted indices, 2010 = 100



Sources: VDA (actuals), IHS (December 2016), Baker Hughes, Raymond James Associates (Forecast January 2017), Federal Statistics Office, Oxford Economics (Forecast September 2016)



3 STRATEGY



State-of-the-art Production Equipment Thanks to Sufficient Investment in the Last 10 Years

- » Current network of facilities allows to grow the business without any significant increase of capacities
- » Key strategic acquisitions in the past increased global footprint and led to leading positions in all sub-segments
- » Approx. EUR 1.4 bn investment in value chain since 2005
- » State-of-the-art production equipment across all business divisions, an expanded product spectrum and integrated production capabilities
- » Invested even throughout the cycle



Expansion of Rolled Wire Dimensions (Swiss Steel)



150 Metric Ton Tapping Crane (Swiss Steel)



Processing (Sales & Services)



Descaling Systems (Ugitech)



Powder Metallurgy (DEW)



New Facility (Finkl)



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



Approval of Ugitech steel for medical applications

- » Steel for medical applications – hip implant or surgical instruments
- » Ugitech EN ISO 13485 certified: Safe special steel production for sterile medical products
- » Meets all criteria of comprehensive Quality Management



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, 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



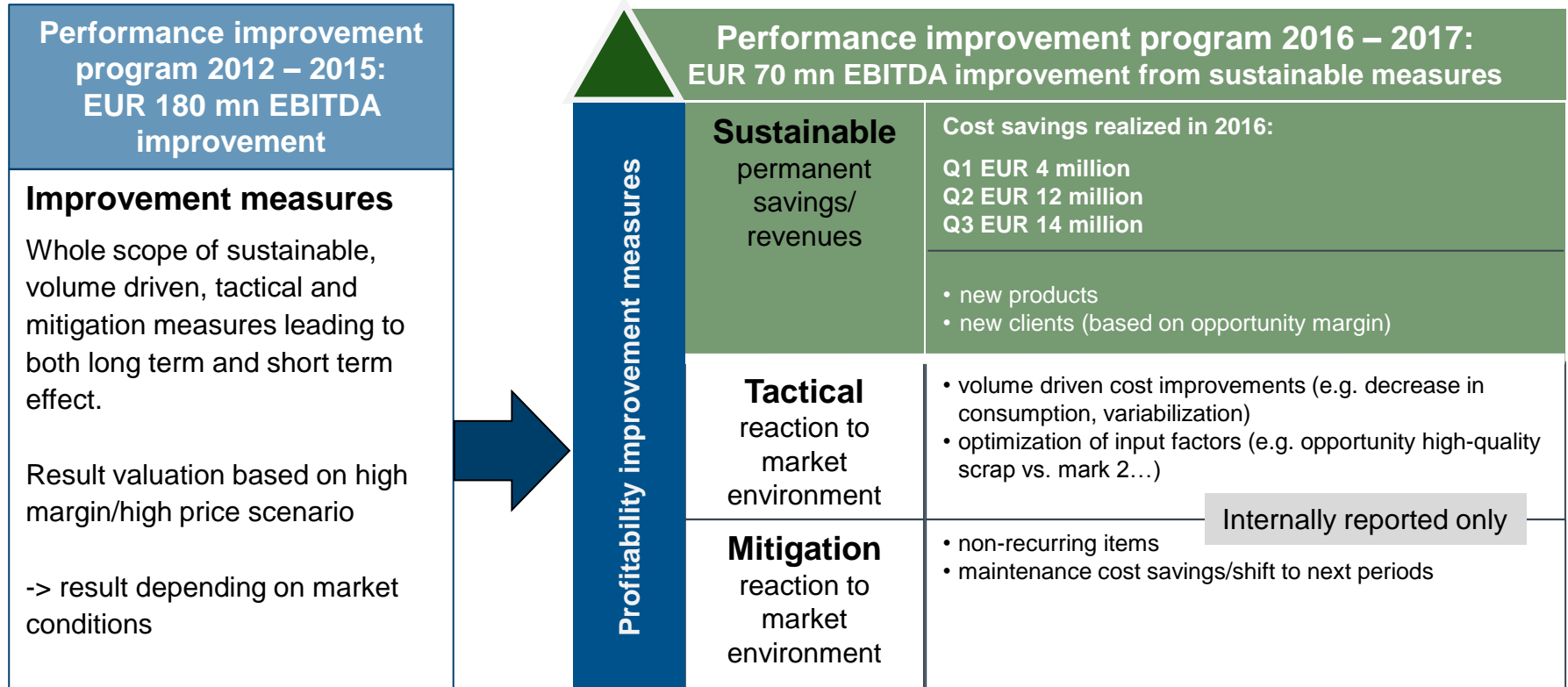


XTP Technology Reduces Costs for Customers

- » Leading edge/unique innovation in process technology, total investment approx. 8 million euro
- » Applicable to all standard steel materials – increases strength, toughness; boosts dynamic strength by 10%
- » Core benefit: gives customers significant savings compared to high-alloy steels
- » New industrial markets targeted:
 - automotive industry
 - oil and gas extraction industry
 - refrigeration technology
 - aviation sector



Improvements Focusing on Sustainability of Measures

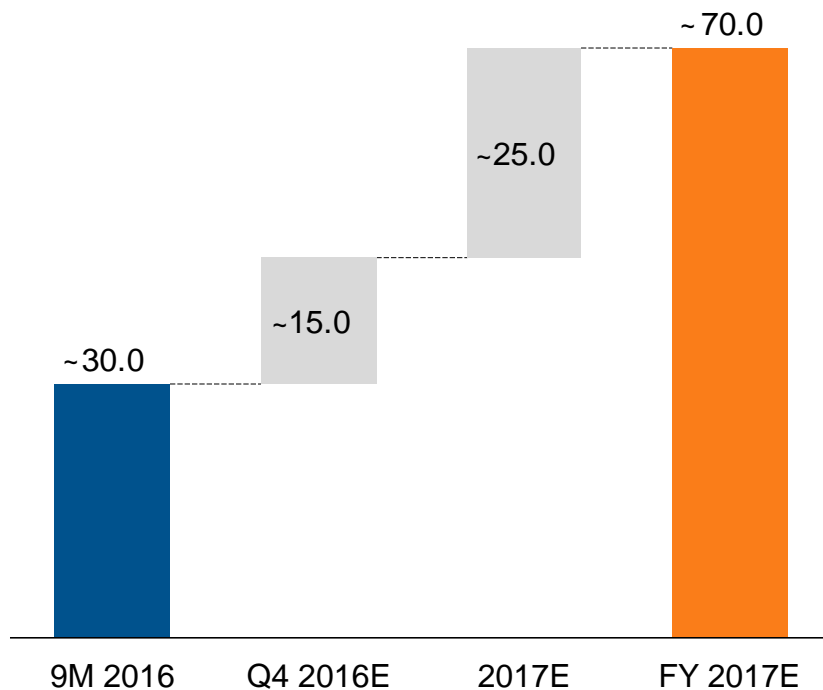




Performance Improvement 2016/2017

Sustainable Cost Savings

EUR million



Sustainable Cost Saving Measures

- » **DEW:** Energy efficiency + costs, procurement, scrap handling, logistic projects, structural productivity
- » **Ugitech:** Logistic projects, production performance
- » **Swiss Steel:** Scrap handling, logistic projects
- » **Steeltec:** Production performance, energy efficiency, site consolidation
- » **Finkl:** Insourcing, energy efficiency
- » **Sales & Services:** Personnel/network restructuring project



Deutsche Edelstahlwerke (DEW) – Increase Efficiency of Structures, Processes and Organization

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
<p>Focus on costs</p> <p>Performance Improvement Program</p> <ul style="list-style-type: none"> » saving potential of >EUR 50m p.a., only partially sustainable <p>Restructuring tariff agreement</p> <ul style="list-style-type: none"> » 2-year waiver, saves EUR 15m p.a. » RTA helps to bridge gap until initiated measures take full effect 	<p>Focus on processes, structures and responsibilities</p> <ul style="list-style-type: none"> » structure of sales organisation » production optimization » profit centre logic » optimization of shared services 	<p>Focus on future viability</p> <p>In progress</p>



Strategic Measures Aim at Financial Targets

Mid-term Financial Targets

- » Adjusted EBITDA margin above 8% over an economic cycle
- » An adjusted EBITDA-Leverage (net debt/adjusted EBITDA) of < 2.5 times

Full-Year 2016 Targets

- » 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 FINANCIALS



9M 2016 – Solid Performance Achieved

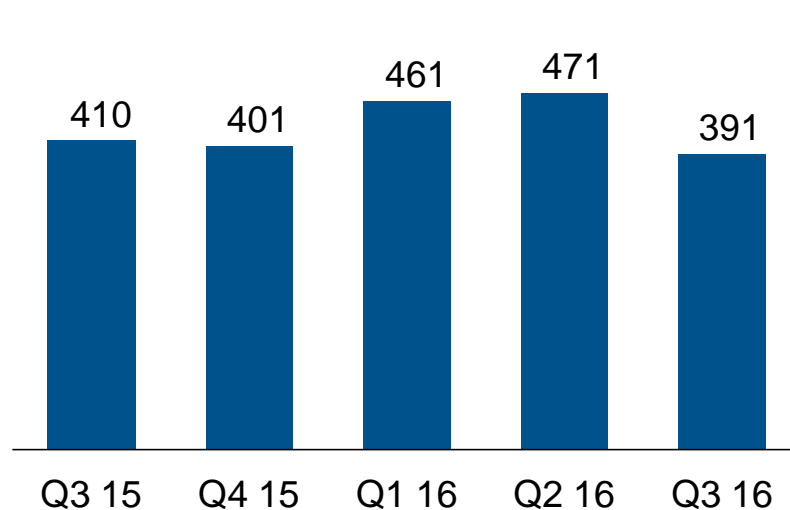
- » 2016 started from a very low level
 - weak overall demand due to soft economic conditions
 - depressed price environment, low raw material prices
 - crisis in the oil & gas industry on the back of low crude oil prices
- » Slightly improving business environment towards the end of Q2
- » Seasonally low demand in the third quarter, maintenance period

- » Fundamentals continued to moderately improve during Q4
- » Better start into 2017 than into 2016

Resilience of EBITDA Margin Improved

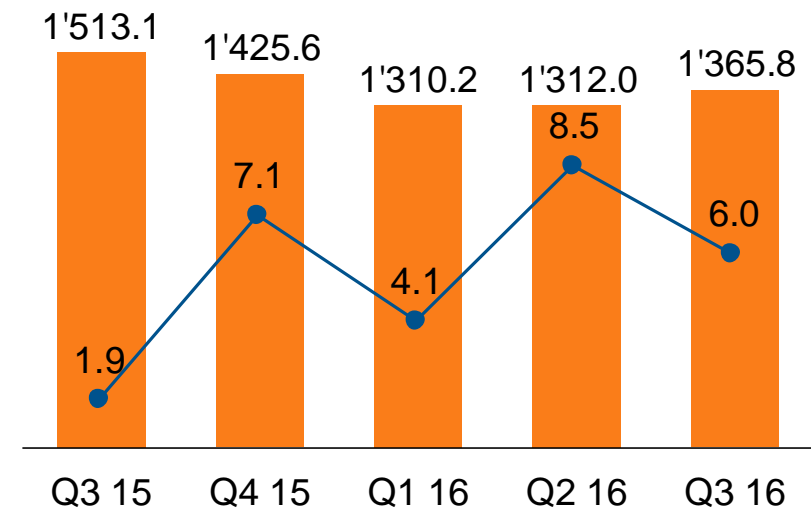
Sales Volume

kilotonnes



Average sales prices, adjusted EBITDA margin

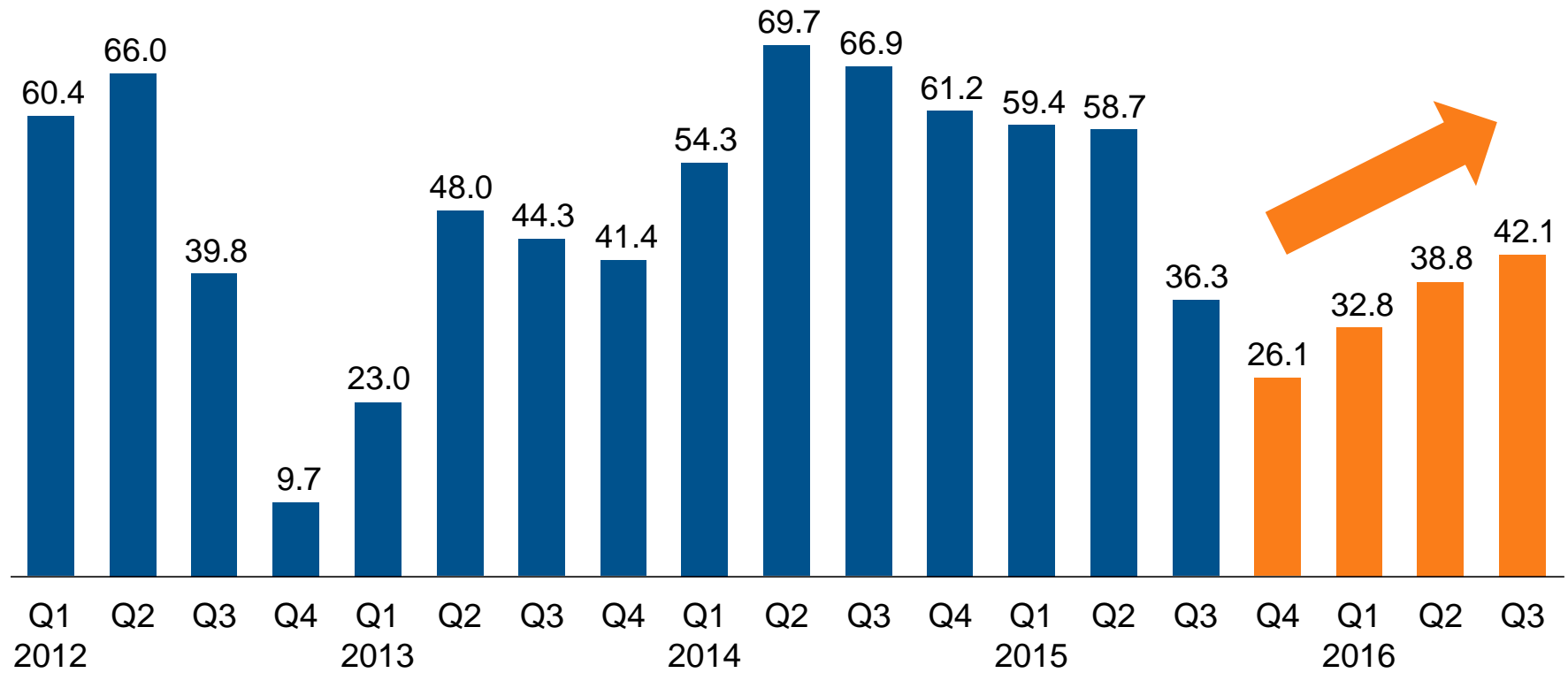
EUR/tonne, %



- » higher adj EBITDA margin despite lower volumes and revenues
- » successful restructuring and cost reduction measures

Adjusted EBITDA – Upward Momentum since Q4 2015

Adj. EBITDA/ average of last two quarters, rolling
 EUR million

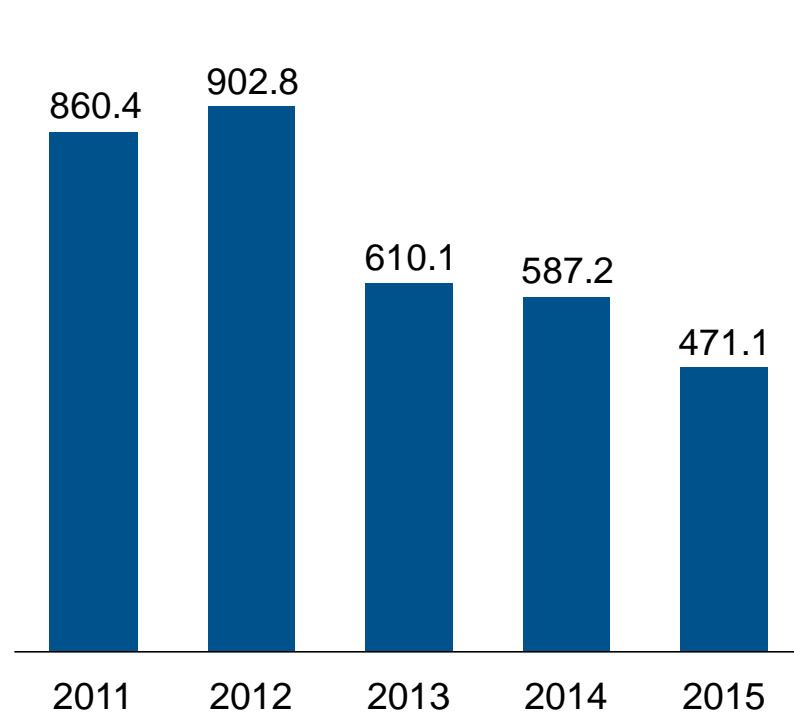




Strong Deleveraging and Cash Flow Development

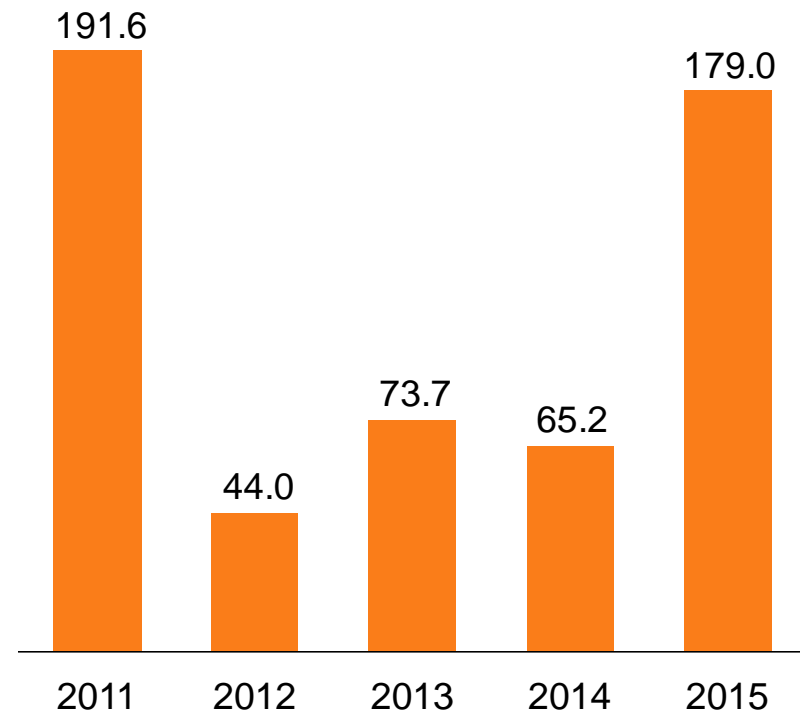
Net debt

EUR million, continuing operations



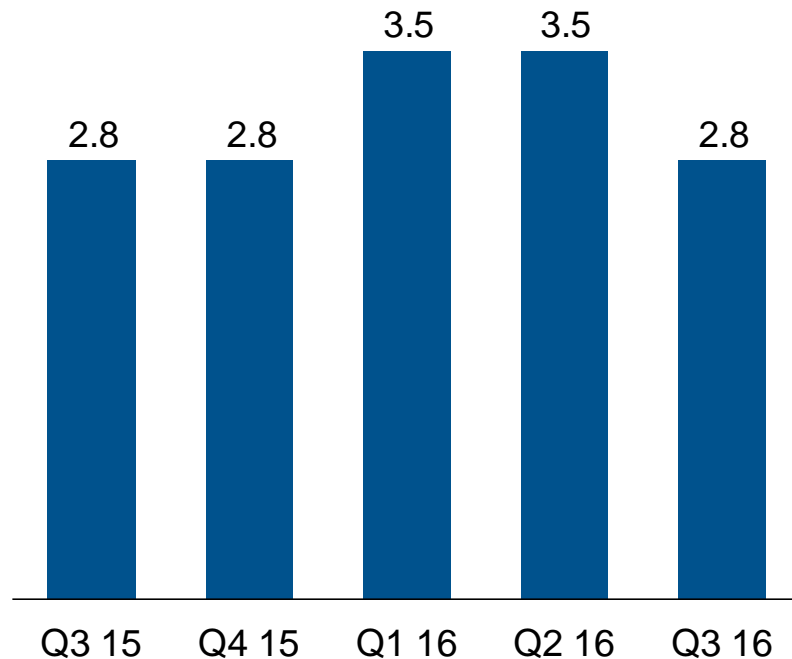
Free Cash Flow

EUR million, continuing operations

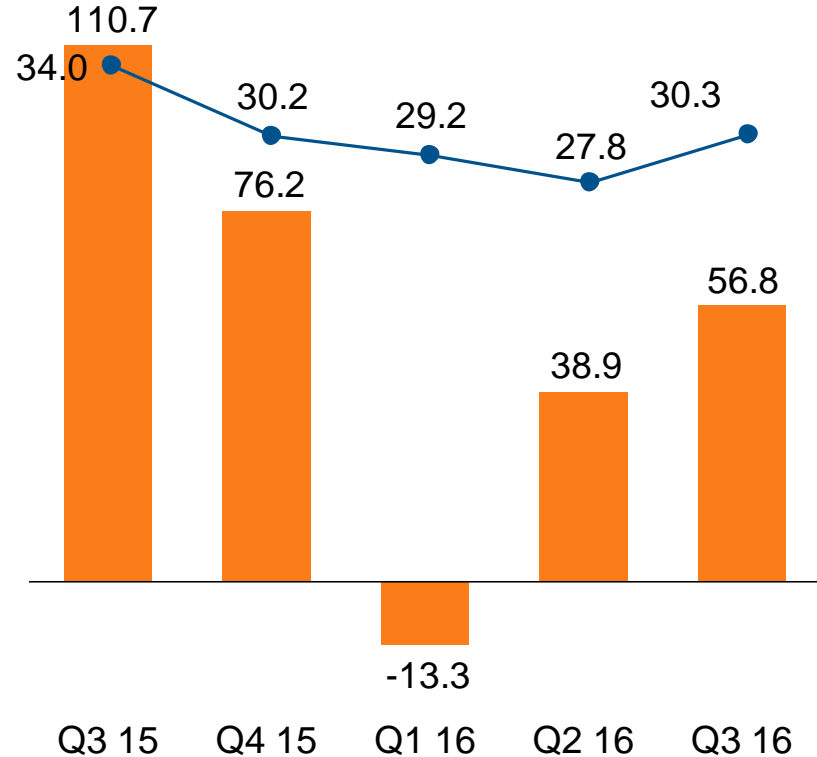


Leverage Significantly Improved through Continued Strong Cash Flow

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



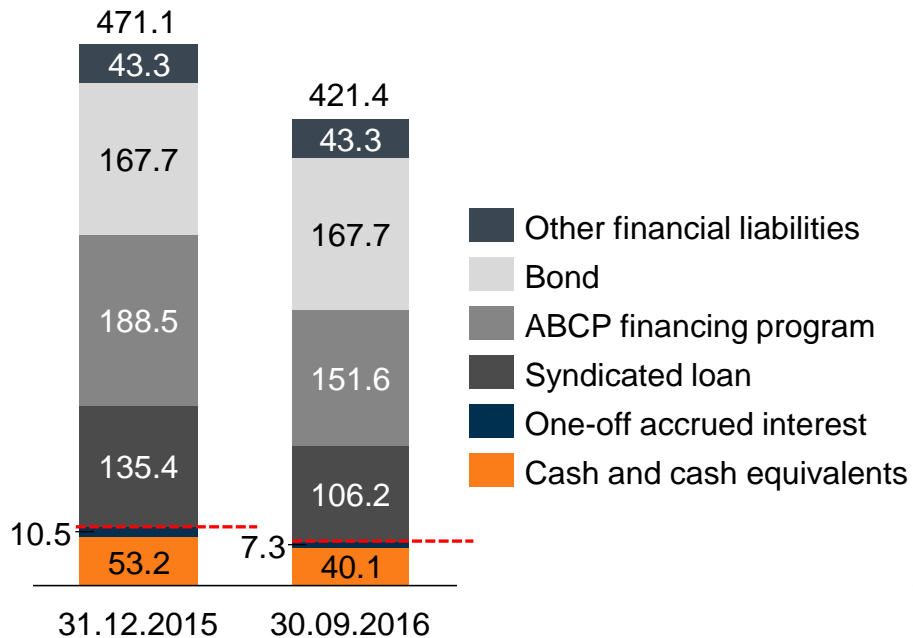
Free Cash Flow, Net Working Capital/Revenue
EUR million, %, continuing operations



Sufficient Financial Flexibility

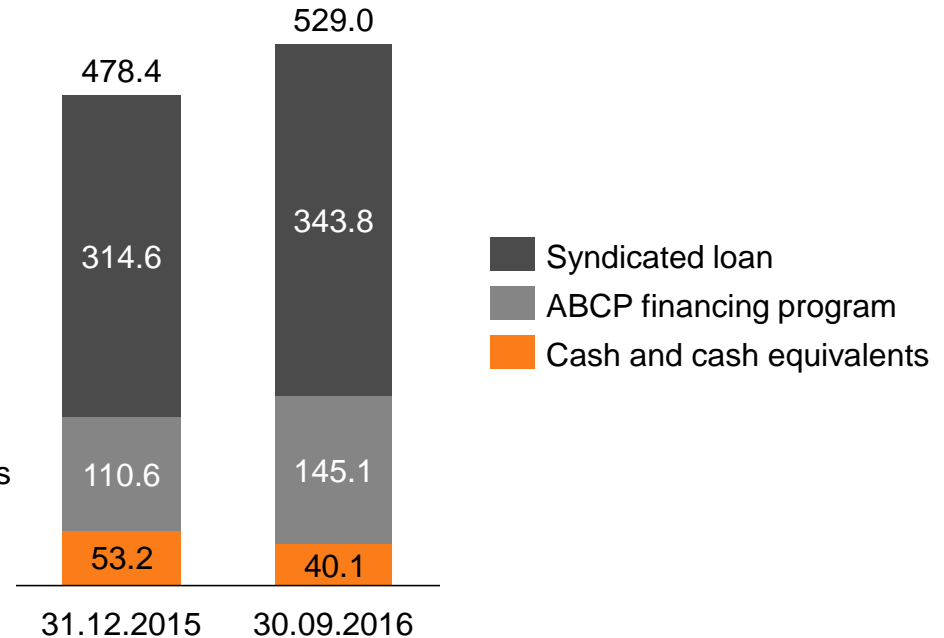
Net Debt

EUR million



Financial Headroom

EUR million



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



5 SUMMARY



Key Investment Highlights

1

Leading global producer, processor and distributor of special long steel products, operating with a global Sales & Services network in an attractive niche market

2

Strong customer relationships, well diversified customer base in various application industries and strong global footprint with presence in all relevant geographic markets

3

Comprehensive range of quality products to nearly 30 000 customers around the globe

4

Stable gross profit margin with the ability to pass on raw material price volatility to a large extent to the customer

5

State-of-the-art production facilities and equipment in capital-intensive industry

6

Strong brand names with complementary product portfolio





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