

Acquisition of parts of Ascometal
Media & Investors presentation
Lucerne, January 29, 2018



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Forward-looking statements

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01 Transaction Highlights



Transaction Highlights – Strategic SCHMOLZ + BICKENBACH Active Driver of Market Consolidation

- ▶ **New European leader for Quality & Engineering long steel products**
- ▶ Major step in **consolidating historically fragmented European landscape**
- ▶ High **cost synergies** based on new production flows
- ▶ Strong **scale effects** for sales network and R+D, growth opportunities
- ▶ Better **capacity utilization** of steel and rolling mills and resilience through consolidation
- ▶ Know-how, product lines and production of ASCO with **excellent fit** to S+B
- ▶ Ascometal **further strengthens French footprint** – jobs to be created at Ugitech
- ▶ **Managed as standalone Business Unit**
- ▶ **Unique opportunity** to turn around with S+B support. Good company, reasonable price
- ▶ **Asset deal**

Transaction Highlights – Financial

Structure	Asset deal for majority of Asco Industries' assets (excl. Ascoval), representing sales volume of > 450 kt per year
Considerations	EUR 50 million cash consideration to leasing companies and bondholders
Investments	<ul style="list-style-type: none"> ▶ EUR 85 million working capital ▶ Capex (2018–2021): EUR 80 million Asco, EUR 30 million S+B
Financial Impact	<ul style="list-style-type: none"> ▶ Effectivity of industrial synergies within 2–3 years (approx. EUR 40 million/year) ▶ Positive EBITDA contribution from FY 2019 onwards
Financing	<ul style="list-style-type: none"> ▶ Unused parts of EUR 375 million revolving credit facility ▶ Additional EUR 50 million working capital bridge loan ▶ Inclusion in ABS financing program and term out of debt to be considered
Timing	Asset transfer planned for February 1, 2018

02 Ascometal – Facts & Figures



Ascometal – a technically strong European player in engineering long steel



- ▶ **Key European steel producer** of special engineering long products
- ▶ Approx. **1,400 employees** at year-end 2017*
- ▶ **Sales revenues** of EUR 373 million in 2016, **approx. EUR 440 million in 2017E****
- ▶ Annual **sales volumes** of 437 kt in 2016, **approx. 479 kt in 2017****
- ▶ **Assets acquired:**
 - 3 steel plants: Hagondange, Fos-sur-Mer with melt shops, melt shop Les Dunes (Dunkerque) closed as of 10/2017; each site with rolling and finishing
 - 2 tailor-made processing sites located in Custines and Le Marais (Saint-Etienne)
 - 1 warehouse located in Cluses
 - 1 research facility in Hagondange

* excluding Ascoval (JV with Vallourec), commercial subsidiaries ** FY estimate based on 8 months data

Ascometal – sizeable position in four main markets



▶ Asco Industries addresses 4 main markets and applications:



Automotive / Forging

- e.g.
- engine
 - injection
 - transmission
 - gearboxes
 - steering

40%



Mechanical Engineering

- wheels for railways
- machinery tool holders
- stabilizer

33%



Bearings

- inner and outer bearings rings
- integrated bearings and rolling elements

24%



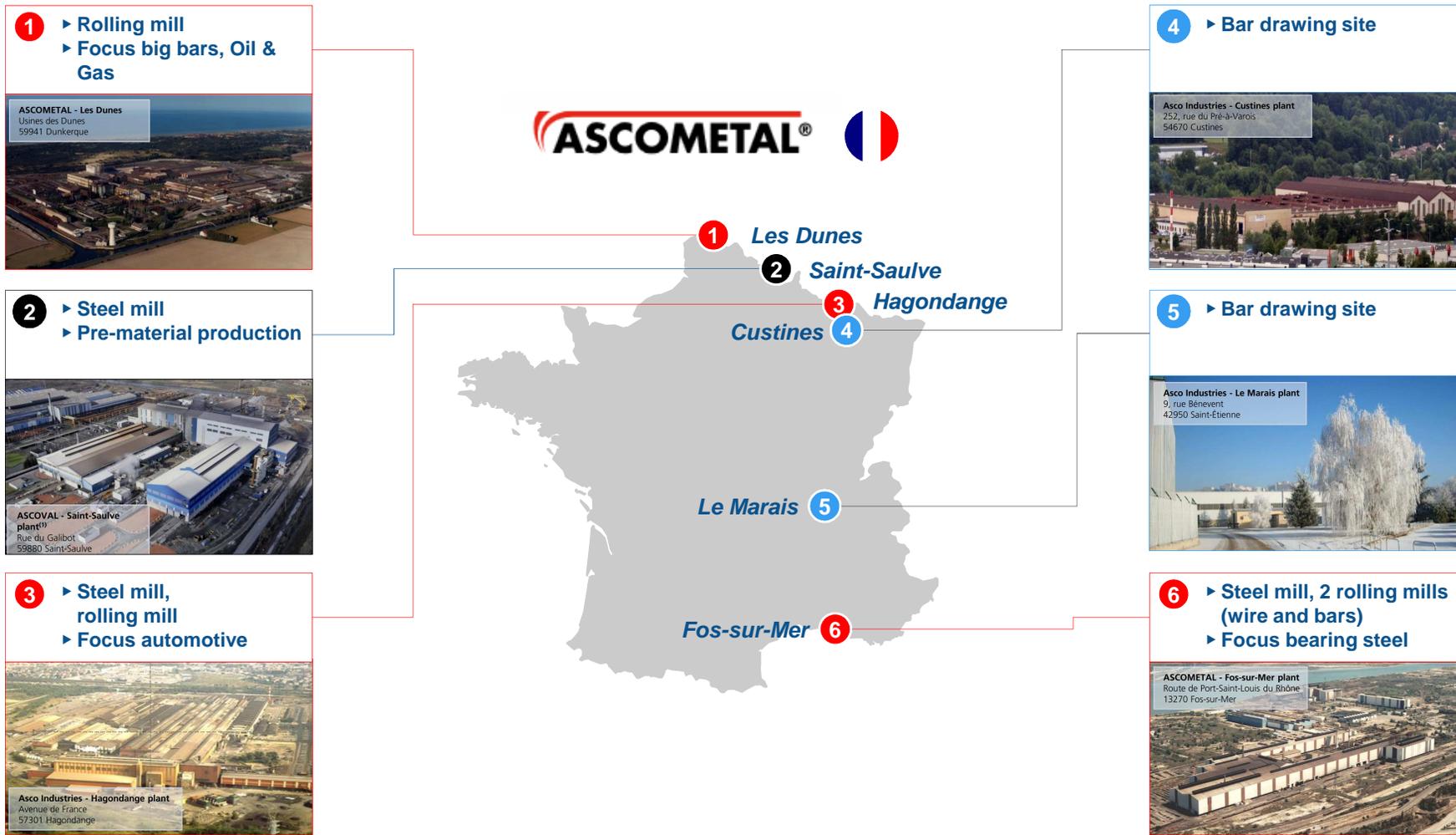
Oil and Gas

- bottom hole assembly
- valve
- drill collar
- heavy weight drill pipe

3%

of total sales volume (2016)

The set-up of Ascometal and the acquired plants



Source: Information memorandum

● Steel plant

● Bar drawing plant

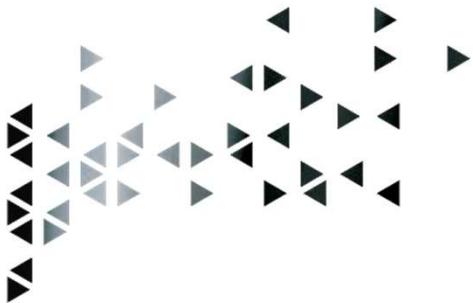
● Steel plant out of S+B scope

Geographical presence focused on Europe



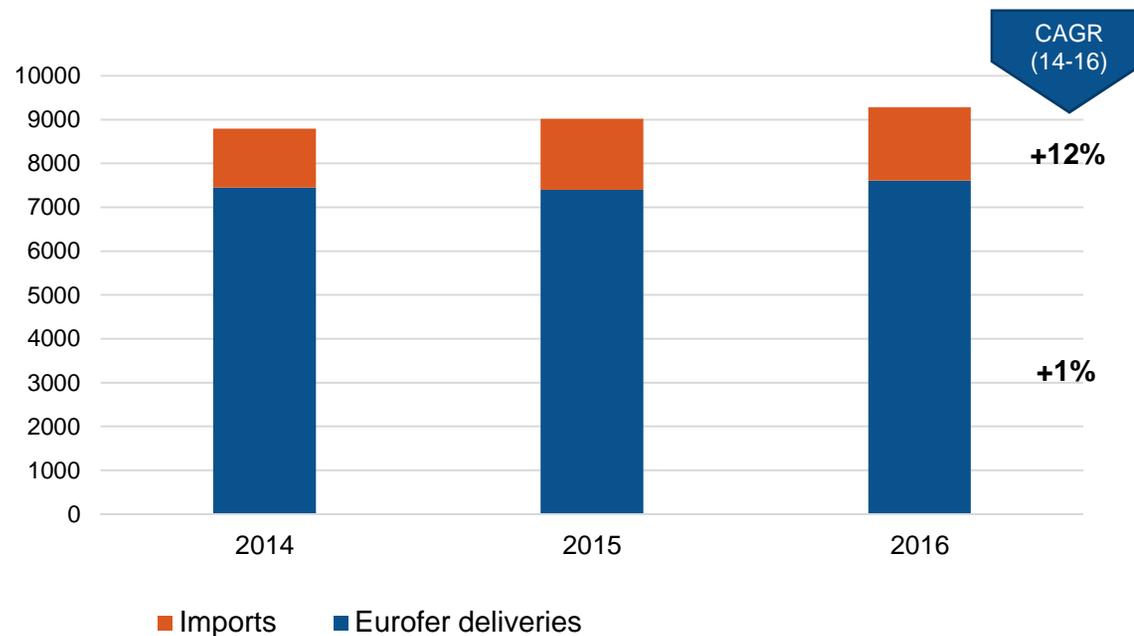
- ▶ All production and processing **assets located in France**
- ▶ **Commercial presence** in Europe, America and Asia **through sales organization** – direct sales, international sales subsidiaries, agents & distributors
- ▶ **Europe** accounts for **95% of sales volume**
- ▶ **Main customers** located in **France** (41% of sales) and **Germany** (23%)
- ▶ **Diversified customer base** – approx. 450 customers, major players in their sectors

03 Transaction Rational & Combination Benefits



Capacity reduction required to balance European market for alloy engineering steel on the background of increasing imports

European alloy engineering steel consumption (in kt)*



- ▶ Total market size stagnant – increasing imports add pressure on European Steel industry
- ▶ Utilization of leading European engineering steel players on average around 60-70% – below efficient production
- ▶ Consolidation of Ascometal and S+B melt capacity first step towards more balanced industry structure

* Source: Eurofer deliveries plus imports from WVS (adjusted)

Combination of assets results in multiple benefits



Long-term perspective with a quality and service oriented business model allowing the new group to become a clear European leader on its markets

- ▶ Consolidation – required **industry consolidation** in European engineering long steel
- ▶ Market position – **leading** long-term sustainable **positions** in key markets Oil & Gas, Bearings and Automotive industries
- ▶ Production – **efficient production** routes improve utilization rates
- ▶ Customer proximity – **improve service levels to customers** in Europe
- ▶ Culture – leverage on similar **corporate culture** shared by both companies in order to foster a joint future

Structural adaptations key to a successful business plan

▶ **Develop a sustainable and cost-efficient supply chain framework**

- **Replace steel supply** from Ascoval and Hagondange by S+B Group (i.e. Siegen and Witten) after 2 to 3 years (> 300 kt/y)
- **Enable full utilization** at the operating mills and improve cost structure
- Allow to make **competitive offerings** with robust market delivery mechanism

▶ **Leverage and optimize the Sales & Services network**

- **Integration of Asco's strong regional sales organization** into broader S+B Sales & Services network globally to expand customer outreach, **create opportunities for new markets / customers**
- **Significant growth opportunities** for bearing steels

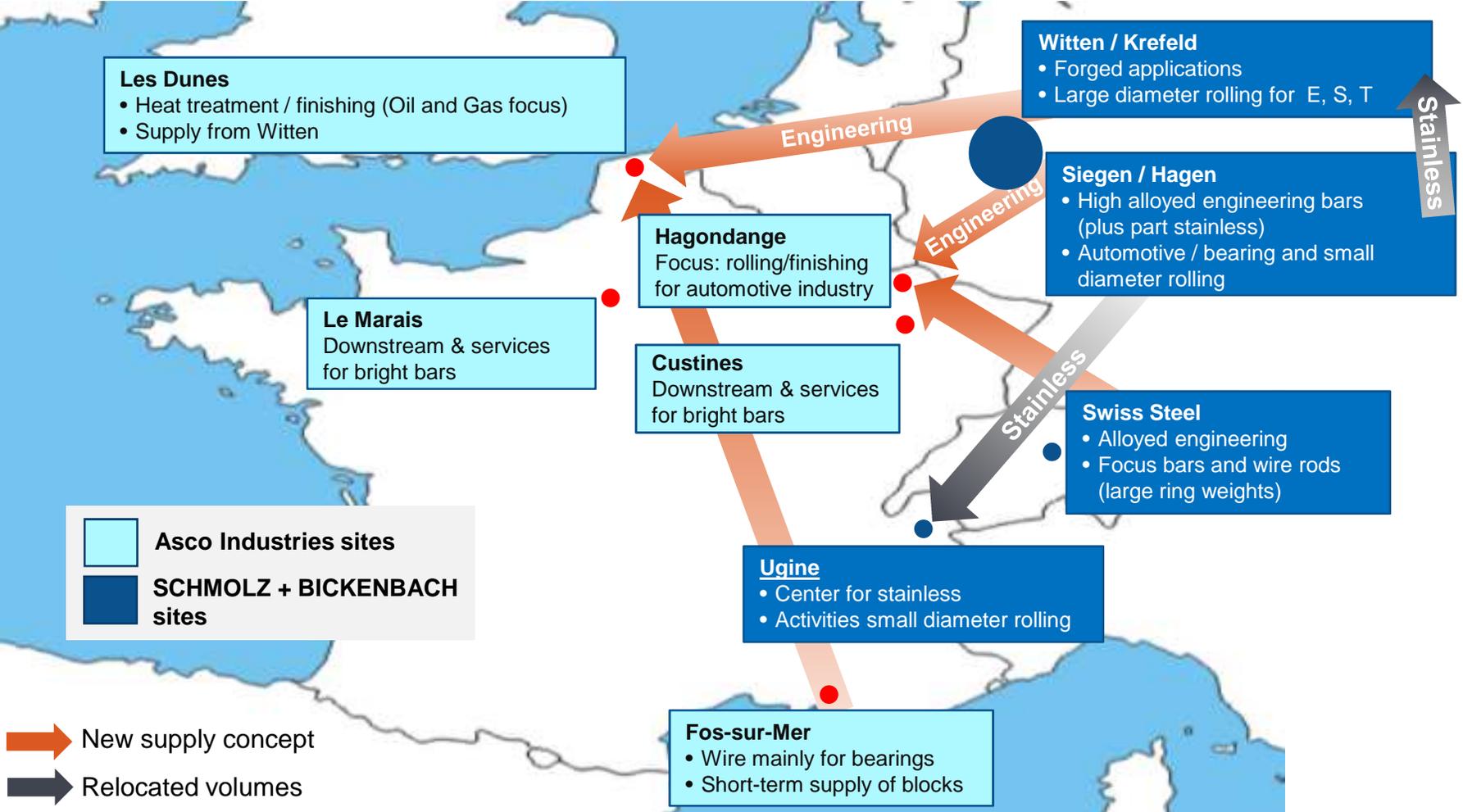
▶ **Combine research and development infrastructure**

- Bring **complementary expertise in technology and innovation**, leverage for total group
- **Cooperation with universities** in key application areas.

▶ **SCHMOLZ + BICKENBACH group well prepared for integration**

- **Strong and successful French presence** (Ugitech) to support integration
- Ascometal to be **managed as separate Business Unit**
- **Efficient systems** and **international procedures** at group are in place

Industrial reorganization – a redesigned group with a sustainable business model for each production stream



Source: S+B

04 Summary



Summary – acquisition meets defined objectives and criteria



Objectives

- ▶ Cost synergies
- ▶ Improve European network

General Criteria

- ▶ Value creation
- ▶ Hard synergies
- ▶ Financial feasibility

SCHMOLZ + BICKENBACH
Group



+

ASCOMETAL®

Immediate creation of a new European leader for
Quality & Engineering long steel products

A decorative graphic in the top-left corner of the slide, consisting of a cluster of small triangles in various shades of gray and blue, arranged in a pattern that suggests movement or a stylized letterform.

Q & A

