Operating business severely affected by decreasing steel production – Efficiency program initiated

Conference Call H1-2013

August 13, 2013

Overview H1-2013

- Continuously weak steel production figures in regions of major importance for the SKW Metallurgie Group:
  - Sharp y-on-y reduction of steel production in the USA (-6.4%), the EU (-5.1%), and Brazil (-3.1%) in H1-2013
- Revenues down 20% to €176.2 million due to decreasing steel production, decreasing raw material prices, and FX impacts
- Continuously high share of variable costs limits EBITDA effect from lower revenues
- EBITDA (currency-adjusted) in H1 at €9.1 million (H1-2012: €12.9 million)
- Positive free cash flow
- Continuously high quality of balance sheet with equity ratio > 40%
- Guidance for 2013 adapted to weaker outlook for steel production in H2

  ➔ Efficiency program initiated

Solid profitability due to high share of variable costs – Gross margin at 31.3%

in € million	H1-2013	H1-2012
Revenues	176.2	219.9
EBITDA *	8.7	13.5
EBIT	3.2	8.6
EBT	0.8	6.6
Consolidated net income (SKW)	0.4	4.3
Gross margin	*31.3%*	*29.0%*
EBITDA margin	*4.9%*	*6.1%*
EPS in €	0.07	0.66

* Shown are reported figures; currency-adjusted: € 9.1 million (H1-2013) vs. € 12.9 million (H1-2012)

Cored Wire:
Earnings improvement from new plants as expected

in € million	H1-2013	H1-2012
Revenues	81.0	102.0
EBITDA	4.2	2.6
EBITDA margin	5.2%	2.5%

- Revenues influenced by drop in steel production
- EBITDA improved in both absolute and relative terms due to
  - Improved EBITDA contribution from new facilities (especially Bhutan)
  - Solid operating performance of local subsidiaries

Powder and Granules:
Challenging macroeconomic environment

in € million	H1-2013	H1-2012
Revenues	83.3	103.4
EBITDA	4.2	10.2
EBITDA margin	5.0%	9.9%

- Revenues and earnings negatively affected by challenges in Brazil:
  - Macroeconomic slow-down, social unrest
  - FX effects (approx. 10% decrease of BRL against EUR)
  - Increase of competition in hot metal desulfurization
  - Full contributions from expansion of capacity for sintered synthetic slag expected as of 2014
- Turnaround mastered in Sweden despite macroeconomic challenges:
  - European markets (key for Swedish affiliate due to limited transportability of main products) remain challenging
  - Despite those challenges, Swedish affiliate has reached turnaround (positive EBITDA)

Sound balance sheet structure despite weak operating business

in € million	June 30, 2013	Dec. 31, 2012
Total equity & liabilities	280.2	299.6
Equity*	113.7	120.6
Equity ratio*	40.6%	40.2%
Net financial debt	75.3	73.9
Gearing**	0.66	0.61

Including new requirements for IAS 19, figures for 2012 adjusted * Incl. non-controlling interests ** Net financial debt divided by equity*

- Equity ratio further improved to 40.6%
- Gearing relatively stable at 0.66
- Net financial debt to be reduced during H2-2013 and beyond

Positive free cash flow despite challenging business environment

in € million	H1-2013	H1-2012
Gross cash flow	4.1	6.3
+/- Changes in working capital	0.7	8.7
= Net cash flow	4.8	15.0
- Cash-out for investments	-2.2	-17.1
= Free cash flow	2.6	-2.1
+/- Cash-in/out from finance activities	-17.7	8.0
= Changes in cash on hand (before FX)	-15.1	-5.9

- Free cash flow turnaround
- Investment focus on maintenance
- Working capital KPIs significantly improved compared to June 30, 2012

Guidance for 2013
adapted to weak development of steel production

Economic conditions:

- Weak economic outlook for the EU, uncertainties for the US economy from public spending cuts, and slowdown of growth dynamics in developing countries (e.g. Brazil)
- Negative outlook for steel production in H2-2013:
  - Further decline of production expected for the EU
  - Growing uncertainties concerning outlook for NAFTA countries

Revised Guidance 2013:

- Continued low visibility based on growing uncertainties in North America and Brazil
- No positive impact expected in EU countries
- Full-year revenues expected to be below 2012 figure of €404.6 million
- EBITDA most probably below 2012 figure of €20.8 million despite positive contributions from new facilities
- Strong focus on improvement of balance sheet structure and positive free cash flow

Efficiency program initiated
to react to a more challenging economic environment

Measures include, but are not limited to:

- Adjust capacities
- Lower sales cost
- Reduce temporary workers
- Reduce SG&A (Selling, General and Administrative) expenses through reduction of complexities
- Continue focus on working capital and investments

Financial calendar 2013 (remaining)

- November 11, 2013:

  Analysts' Conference 2013 at "Eigenkapitalforum" in Frankfurt/Main (Germany)

- November 15, 2013:

  Publication of business figures for 9M-2013

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