



Significantly increased profitability
despite challenging environment

Conference Call 9M-2013


November 15, 2013





Overview 9M-2013

- Signs of stabilization in Q3 **steel production** in regions of major importance for SKW Metallurgie:
 - Steel production in USA (Q3: +1.1% / 9M: -4.0%), EU (Q3: -2.3% / 9M: -4.2%), and Brazil (Q3: +2.4% / 9M: -0.6%)
- 9M **revenues** down to €262.9 million (Q3: -9.1% to €86.7 million) due to lower steel production, decreasing raw material prices, and FX impacts
- Continuously high share of variable costs limits impact on EBITDA
- **EBITDA** (operative) in 9M improved to €17.6 million (9M-2012: €16.9 million)
- EBITDA margin (operative) in Q3 improved to 9.1% (Q3-2012: 4.3%)
- Free cash flow up by €18.3 million to €13.0 million
- Net financial debt reduced stronger than anticipated
- Guidance for 2013 reiterated
 - Efficiency program (EPC) initiated



Operative EBITDA margin increased from 4.3% to 9.1% in Q3-2013

in € million	9M-2013	9M-2012	Q3-2013	Q3-2012
Revenues	262.9	315.4	86.7	95.4
EBITDA (operative)	17.6	16.9	7.9	4.1
<i>EBITDA margin (operative)</i>	<i>6.7%</i>	<i>5.3%</i>	<i>9.1%</i>	<i>4.3%</i>
EBIT (operative)	9.3	9.4	5.1	1.5
EBT (operative)	5.9	6.4	4.1	0.5
Consolidated net income (SKW)	1.7	5.7	1.2	1.4
<i>Gross margin</i>	<i>32.1%</i>	<i>29.4%</i>	<i>33.8%</i>	<i>30.5%</i>
EPS in €	0.25	0.87	0.18	0.21



Operative EBITDA reflects true economic performance of SKW Metallurgie Group

Starting with Q3-2013, the SKW Metallurgie Group will report “operative EBITDA” in a pre-defined way

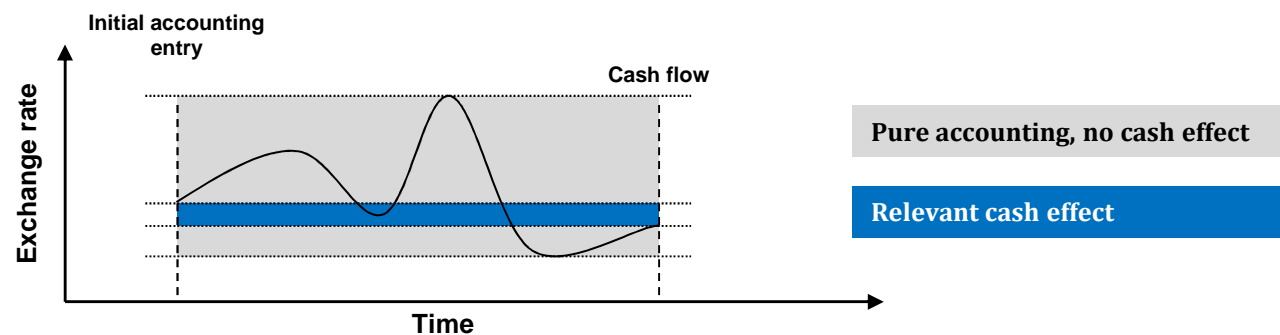
in € million	9M-2013	9M-2012
EBITDA IFRS	14.9	19.8
Unrealized FX	-1.9	2.7
Other extraordinary	-0.8	0.2
EBITDA Operative	17.6	16.9


- Main adjustment is unrealized FX effects, as further detailed on next slide
- Other adjustments refer to expenses in connection with our efficiency program, and to aperiodic legal topics

Adjusting earnings for unrealized FX effects allows meaningful analysis of operative performance

- FX effects can be divided into (a) realized effects, and (b) unrealized effects (incl. those resulting from consolidation). Currently, about 10% of our total currency effects relate to category (a), about 90% to category (b)
- Out of category (b), more than 95% are related to intercompany transactions
- A significant share of those intercompany transactions are intercompany loans: As all of our intercompany financing is mid- to long-term-oriented, short-term category (b) effects distort view on true economic results

Example of effects of a widely fluctuating exchange rate:





Contributions from recent investments in Bhutan and Sweden positively influence y-o-y comparison of segment profitability

Cored Wire:

in € million	9M-2013	9M-2012
Revenues	121.3	143.9
EBITDA (operative)	8.2	6.7
EBITDA margin (operative)	6.8%	4.7%

Powder and Granules:

in € million	9M-2013	9M-2012
Revenues	124.9	149.8
EBITDA (operative)	9.3	12.4
EBITDA margin (operative)	7.4%	8.3%



Net financial debt down to €65.4 million


in € million	Sep. 30, 2013	Dec. 31, 2012
Total equity & liabilities	266.4	299.6
Equity*	112.9	120.6
Equity ratio*	42.4%	40.2%
Net financial debt	65.4	73.9
Gearing**	0.58	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 42.4%
- Gearing improves to 0.58
- Net financial debt reduced:
 - Level as of Sept. 30, 2013: €65.4 million
 - Lower debt level achieved faster than anticipated



Significant free cash flow due to strong EBITDA, streamlined CapEx, and efficient NWC management

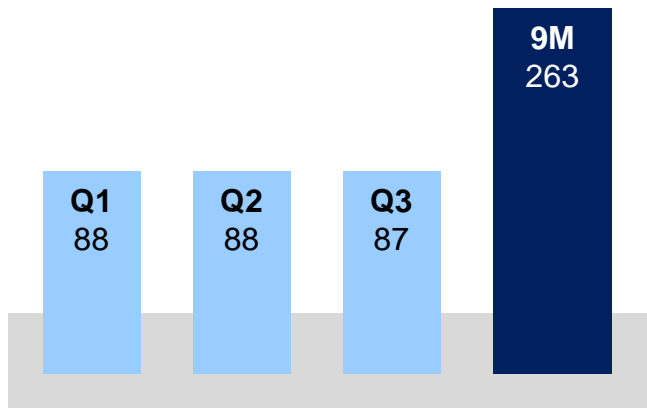
in € million	9M-2013	9M-2012
Gross cash flow	9.7	8.5
+/- Changes in working capital	7.3	5.3
= Net cash flow	17.0	13.8
- Cash-out for investments	-4.0	-19.0
= Free cash flow	13.0	-5.3
+/- Cash-in/out from finance activities	-26.0	14.6
= Changes in cash on hand (before FX)	-13.0	9.3

- Free cash flow improved by €18.3 million
- Investment focus on maintenance
- Continued focus on working capital management

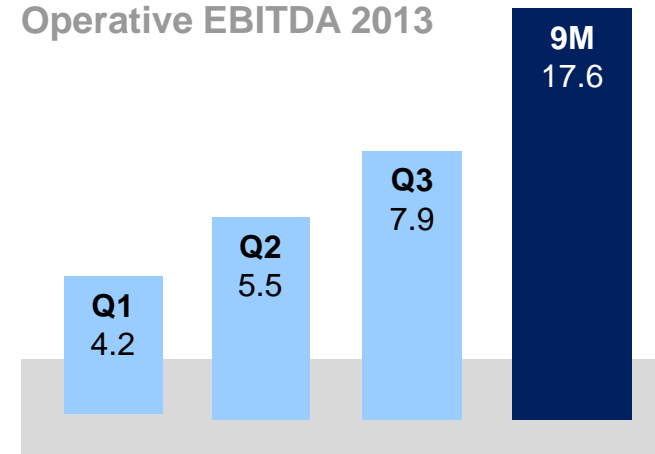


Summary of financials: Important indicators trending the right way in Q3

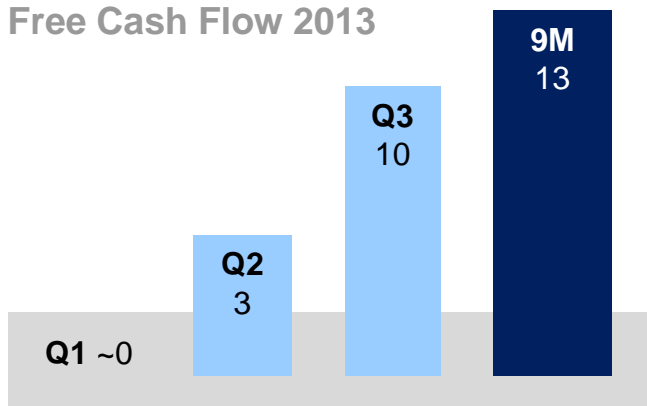
Revenues 2013



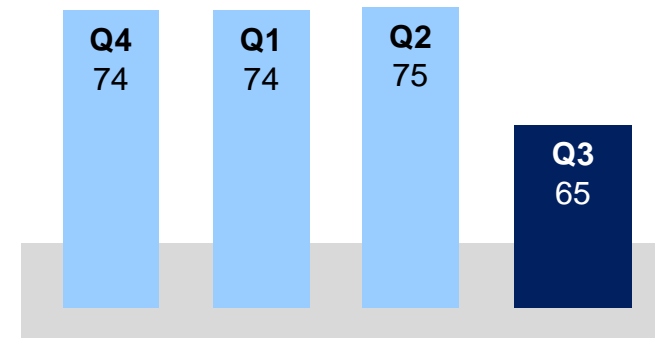
Operative EBITDA 2013



Free Cash Flow 2013




Net financial debt Q4-2012 and 2013



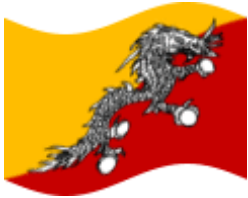
All figures in € million.





Outlook new plants: Profitable operations (1)

- Bhutan:



- Plant is up and running
- Positive EBITDA expected for 2013

- Brazil:



- Sintered synthetic slag:
 - ✓ New plant in operation
 - ✓ Successful delivery to clients
 - ✓ Technological differentiation
 - ✓ Full contributions to revenues and earnings as of 2014



Outlook new plants: Profitable operations (2)

- Russia:



- Late 2012: Production and sales commenced
- 2013ff: New management in order to increase revenues and earnings

- Sweden:

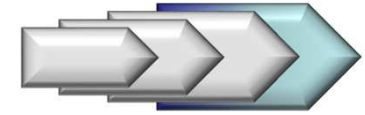


- Costs significantly lowered
- Continued burden due to economic uncertainties in Europe => Main share of revenues in Europe
- Optimization to be continued in 2013/2014





Strategic steps towards a profitable future



1. Successfully complete projects and expansions commenced so far

2. Optimize earnings (EPC)

- One-off costs < €1 million
- Significant positive EBITDA impact in 2014 (some already in 2013)

3. Use opportunities along the value chain – critical size has been reached thanks to expansion





EPC - Every Penny Counts

Efficiency program (all segments) launched in 2013

- Positive EBITDA effect (recurring):
 - About €8 million annually
 - Some effects already in 2013, most effects as of 2014
- Negative EBITDA effect (one-off in 2013):
 - Less than €1 million
 - Not included in operative EBITDA (adjustment made)
- Five areas, each of which with similar contribution to EPC targets:
 - Sales push (e. g., sintered slag to India)
 - Raw material (e. g., strategic negotiations)
 - Staff & Organization (e. g., degree of centralization)
 - Production & Processes (e. g., furnace operations)
 - Others (e. g., insurance)
- Most activities would have been technically impossible to implement at an earlier date (e. g., furnace in Bhutan or new sinter plant in Brazil were not yet completed)



Guidance FY 2013:
Operative EBITDA at least at 2012 level

- **Guidance FY 2013:**

- Revenues are expected below 2012 (€404.6 million), as already announced
- **Operative EBITDA at least at 2012 level (€19.5 million)**

**Guidance FY 2014 will be given on March 28, 2014
(release of FY 2013 figures)**



Financial calendar 2014

- March 28, 2014:
Publication of business figures full year 2013 (incl. Year-end Press Conference)
- May 15, 2014:
Publication of business figures for Q1-2014
- June 3, 2014:
AGM 2014 in München (Germany)
- August 14, 2014:
Publication of business figures for H1-2014
- November 14, 2014:
Publication of business figures for 9M-2014
- November 24-26, 2014:
Analysts' Conference 2014 at "Eigenkapitalforum" in Frankfurt/Main (Germany)





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