



## Highlights of Fiscal Year 2014

March 20, 2015

Strategic repositioning initiated

Non-core cash drain stopped

Core business fostered



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## SITUATION IN SPRING 2014

**The new management team started in spring 2014 and came to the following insights:**

- Vertically integrated businesses (furnaces)
  - were highly cash-burning
  - did not yield any significant advantages in price, quality, nor reliability of supply
- Core business units
  - have not yet been systematically harvesting cross-selling synergies
  - were partly acquired based on overly optimistic scenarios beyond realistic market potentials (leading to impairments of intangible assets)
  - have not yet adequately positioned themselves in high-value growth markets



## SITUATION IN SPRING 2014

### **In response to this situation, the new management team**

- stopped any further cash drainage to non-core businesses immediately,
- launched the ReMaKe program, and
- had to conduct impairment tests leading to extraordinary value adjustments of more than € 80 million.



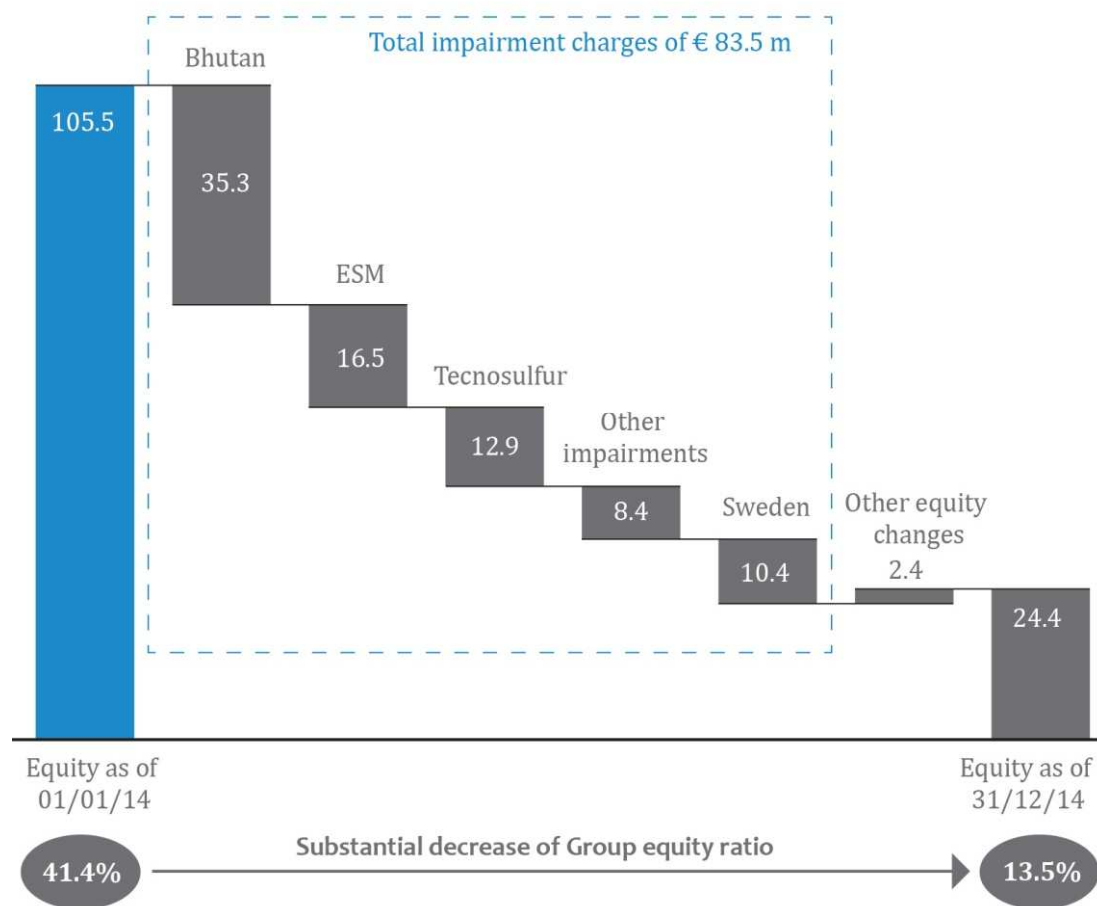
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# GROUP IMPAIRMENTS

## TOTAL EFFECTS ON EQUITY FIGURES

One-off, non-cash extraordinary impairments in 2014



- Switch from € 84 million (H1) to € 83.5 million (FY) mainly due to exchange rate fluctuations
- € 2.8 million of the overall impairments affect EBITDA (mainly due to inventory write-offs)



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# ReMaKe MODULE 1: BUSINESS **RE**STRUCTURING

- Immediate actions to stop cash burning in non-core businesses
- Increase average profitability level by disposing of those businesses

## **What we have already done:**

- „Stop the bleeding“ – No further cash drain from SKW Metallurgie entities to the Bhutan Joint Venture
- „Stop the bleeding“ - Sale of 100% of SKW Metallurgy Sweden AB (with all assets and liabilities)

## **Impacts on the SKW Metallurgie Group:**

- No further capital need to finance loss-making furnace operations
- Release of cash to invest into core businesses





## ReMaKe MODULE 2: EFFICIENCY MANAGEMENT

- Actively manage core businesses
- Initiate efficiency improvement programs
- Use sales synergies (cross selling)
- Implement business development initiatives

### **What we have already done:**

Kick-off Group-wide efficiency improvement actions, e. g.:

- Affival Inc. and ESM Group Inc. as well as their subsidiaries now acting as SKW North America vis-à-vis the customer (under one combined management)
- Headcount adjustments, mainly in Brazil and China

### **Impacts on the SKW Metallurgie Group:**

- Systematic cross-selling and enhanced value proposition to customers yielding higher sales figures
- EBITDA and free cash flow to increase sustainably over the next years



## ReMaKe MODULE 3: GROWTH IN **KEY** MARKETS

Penetration of markets with high volume and with growth potential

### **What we have already done:**

- Definition of our priorities re emerging markets: no. 1 is India
- Kick-off of actions in order to reposition the SKW Metallurgie Group in key markets

### **Impacts on the SKW Metallurgie Group:**

- Potential to realize significant growth
- On track to become truly global market leader
- Specific programs in preparation



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## FISCAL YEAR 2014 OVERVIEW

- Revenues -1.5% down to € 316.0 million (2013: € 320.8 million), mainly attributable to lower sales in North America
- EBITDA + € 2.7 million to € 17.5 million (2013: € 14.8 million)
- Figures below EBITDA severely affected by one-off impairments of € 83.5 million
- Negative EPS => Negative financial figures of parent entity do not allow any disbursement of dividends
- Slightly higher gross profit margin of 31.5% (2013: 30.6%) due to continuous focus on high-margin products

*SKW Metallurgy Sweden AB was sold in the fall of 2014 and is for this reason included in neither revenues nor EBITDA*

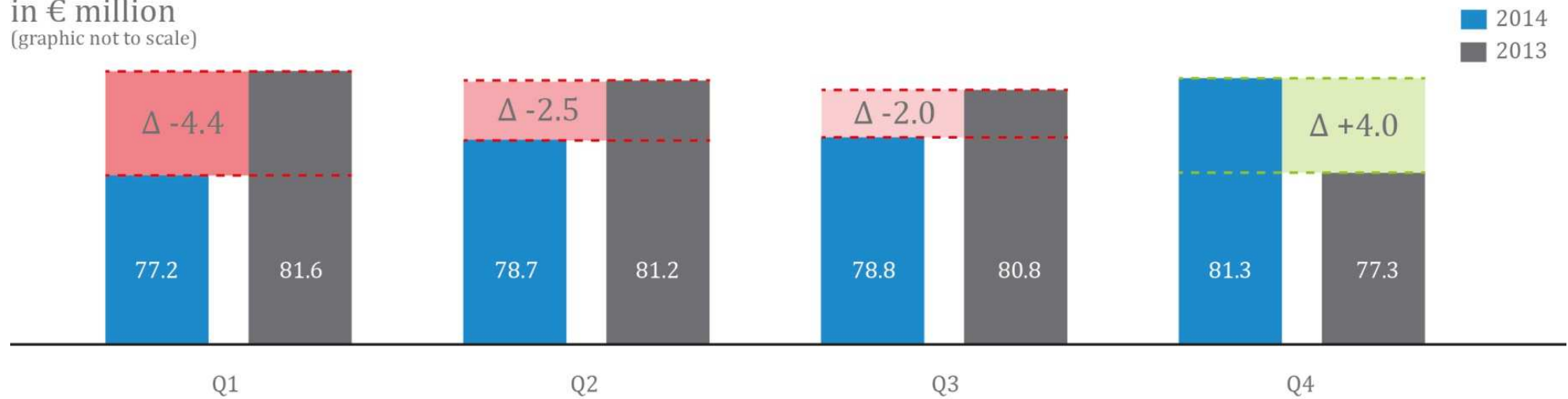
## FISCAL YEAR 2014: Q4 STANDALONE

in € million	Q4 2014	Q4 2013	Δ
Revenues	81.3	77.3	+4.0
EBITDA	3.9	-0.2	+4.1
EBIT	3.1	-2.6	+5.7
EBT	1.2	-4.5	+5.7
Consolidated net result	0.2	-3.7	+3.9
Gross margin	34.0%	28.6%	+5.4% p
EBITDA margin	4.8%	-0.3%	+5.1% p

*SKW Metallurgy Sweden AB was sold in the fall of 2014 and is for this reason included in neither revenues, EBITDA, nor EBIT, nor EBT*

# FISCAL YEAR 2014 REVENUES

in € million  
(graphic not to scale)



- Negative trend in quarterly revenues was successfully reversed
- Continuation of positive trend expected

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## FISCAL YEAR 2014 KEY EARNINGS FIGURES

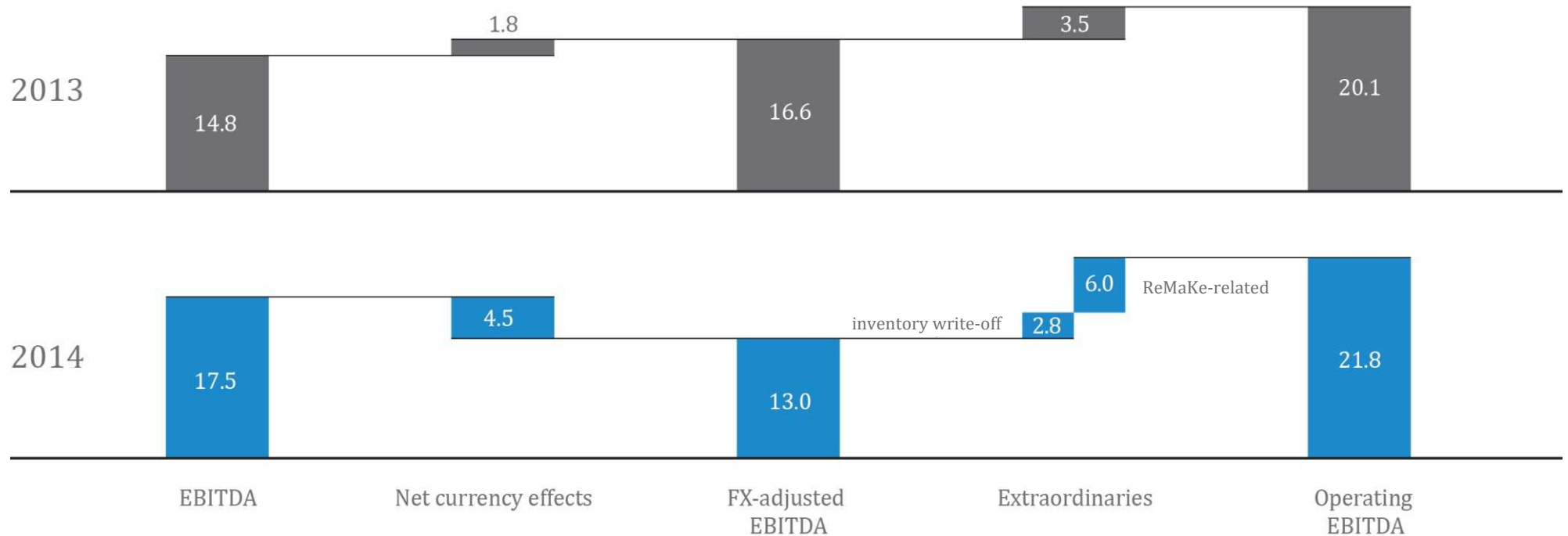
in € million		EBITDA	EBIT	consolidated net result
2014 reported figures		17.5	-53.3	-81.0
add back of impairments	inventory write-offs	2.8	2.8	2.8
	impairments on tangible and intangible assets		61.6	61.6
	impairments on deferred tax assets			8.7
	impairments SKW Metallurgy Sweden AB			10.4
	<b>total impairments</b>	<b>2.8</b>	<b>64.4</b>	<b>83.5</b>
after impairments		20.3	11.1	2.5
2013 figures		14.8	4.8	-3.2
<b>Δ</b>		<b>5.5</b>	<b>6.3</b>	<b>5.7</b>

- EBITDA 2014 significantly above 2013 despite slight decrease in revenues
- Items below EBITDA distorted by impairments
- Adjusted for impairments, all key P&L figures are positive as well as above previous year

*SKW Metallurgy Sweden AB was sold in the fall of 2014 and is for this reason included in neither EBITDA, nor EBIT*

# FISCAL YEAR 2014 OPERATING EBITDA

in € million



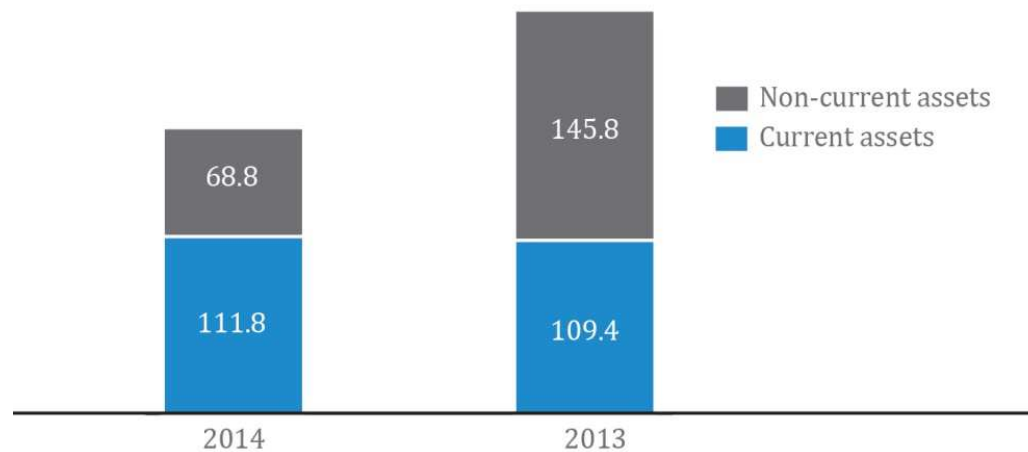
- Net currency effects mainly from USD/EUR and RUR/EUR exchange rates; mainly intercompany liabilities, and mainly non-cash
- On an operating level, EBITDA figures are in line with previous year

*SKW Metallurgy Sweden AB was sold in the fall of 2014 and is for this reason not included in the EBITDA figures shown*



# FISCAL YEAR 2014 BALANCE SHEET

Assets in € million



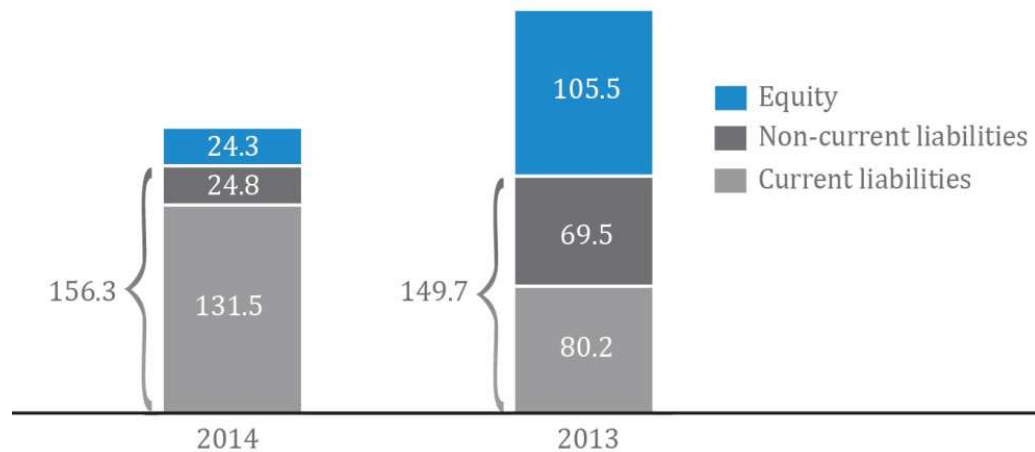
## Assets

- Extraordinary impairments were main drivers in reduction of non-current assets

## Equity and liabilities

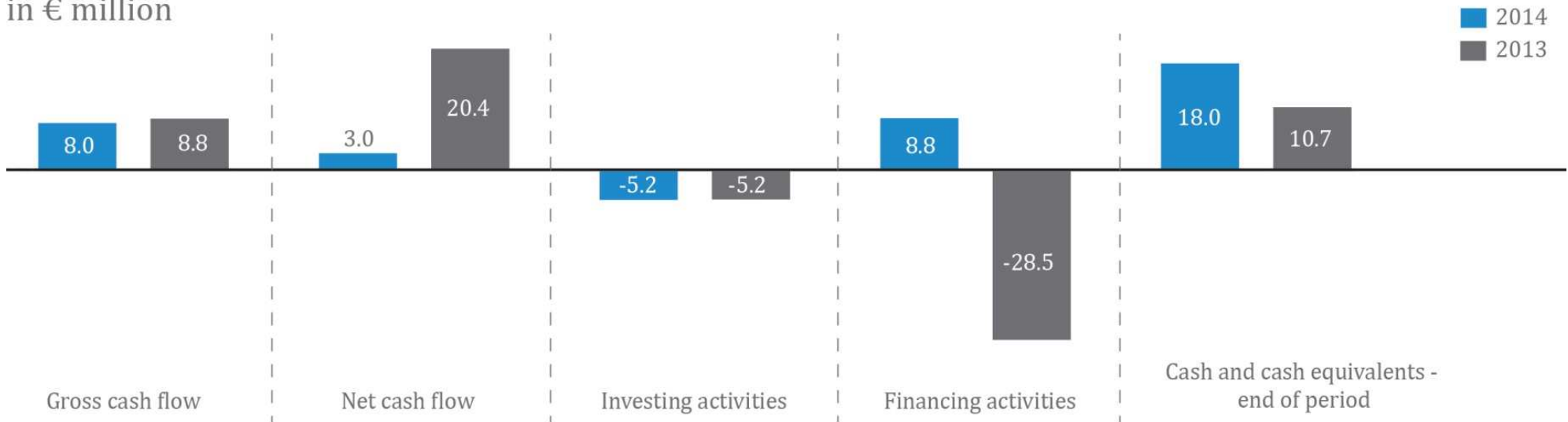
- Significant shift from non-current to current liabilities is temporary effect due to refinancing; situation returned to normal with signing of new loan agreement in January 2015
- Equity decreased due to extraordinary impairments

Equity and liabilities in € million



# FISCAL YEAR 2014 CASH FLOW

in € million



- Gross cash flow 2014 in line with 2013
- Net cash flow in 2014 below 2013 due to increase of working capital (one-off effect)
- Increase in cash position is temporary effect in connection with the refinancing concluded in January



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# OUTLOOK

## Next steps

- Operational:
  - Continued focus on optimizing and developing core businesses
  - Solution for Bhutan in 2015
- Financial:
  - Evaluation of options to increase equity ratio
  - Ambitious working capital management program
- Strategic:
  - Implementation of actions for the development of SKW Metallurgie in key markets

## Forecast 2015 (based on current Group composition)

- Moderate sales growth
- Increase of EBITDA by a low single-digit million Euro amount



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# FINANCIAL CALENDAR

## 2015

Annual General Meeting (in Munich/Germany)	June 9, 2015
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Release of Q1-2015 figures	May 13, 2015
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Release of Q2-2015 figures	August 14, 2015
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Release of Q3-2015 figures	November 13, 2015
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## FURTHER QUESTIONS

**PLEASE CONTACT THE IR DEPARTMENT**

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