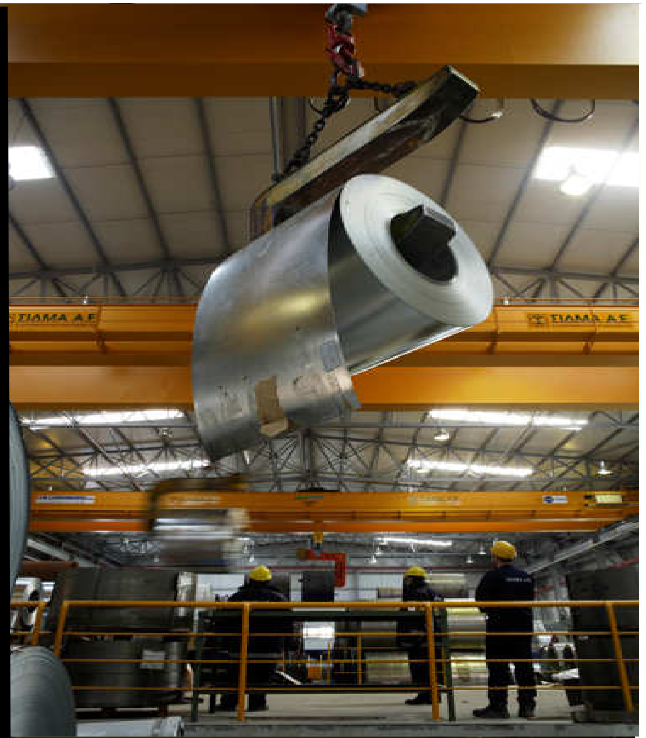
SIDMA S.A.

STEEL PRODUCTS

2nd CFO Forum

19 June 2012

Agenda



I. Short Company Profile :

1. Sidma at a Glance
2. Typical Product & Services
3. Geographic Coverage

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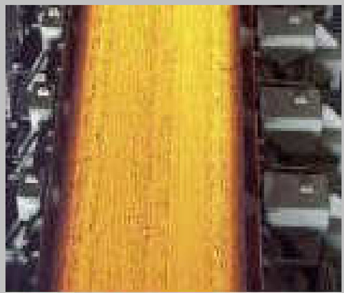
SIDMA S.A. at a glance

Producer



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Products: Flat, Long, Wire Products & Panels.

Services: Slitting & Cutting, Shot blasting & Painting, Polishing, Plasma & Oxygen cutting.

- ❑Listed Company in ASE
- ❑Leading steel distributor in the Greek and Balkan markets combined.
- ❑ Distribution network with 6 warehouses in Greece and the Balkans.
- ❑ 250 employees.
- ❑ FY 2011 Sales ≈ € 150 million

Customer

Construction:

- Building and civil engineering

Merchants:

- Retail

Manufacturing :

- Machinery
- White Appliances
- Mechanical Engineering

Others:

- Public Sector
- Metal products
- Shipbuilding
- Etc.

Typical Product & Services

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Flat Products

Profile Steel / Hollow Profiles / Tubes

Long Products / Structural Steel

Corrugated Products

Cutting to Length
Bending

Blasting / Coating

Cutting and Slitting

Oxygen & Plasma cutting

Geographic Coverage

Goal: To create a network of modern Steel Service Centers in the Balkans

Strategic Alliance in above countries: with SIDENOR and some of our main suppliers

Business opportunities:

- Better growth rates than local market.
- Potential increase in demand for steel products (infrastructure modernization, metal construction, white appliances, ship-building).
- Insufficient number of large and organized steel service centers.

Comparative Advantages:

- Know-how & long experience in the steel sector.
- Important position of the SIDENOR Group in the Balkans.



II. Current Economic Environment

1. Euro Area Sovereign Crisis
2. The Impact

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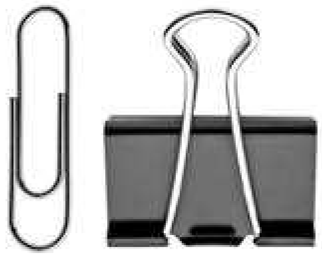
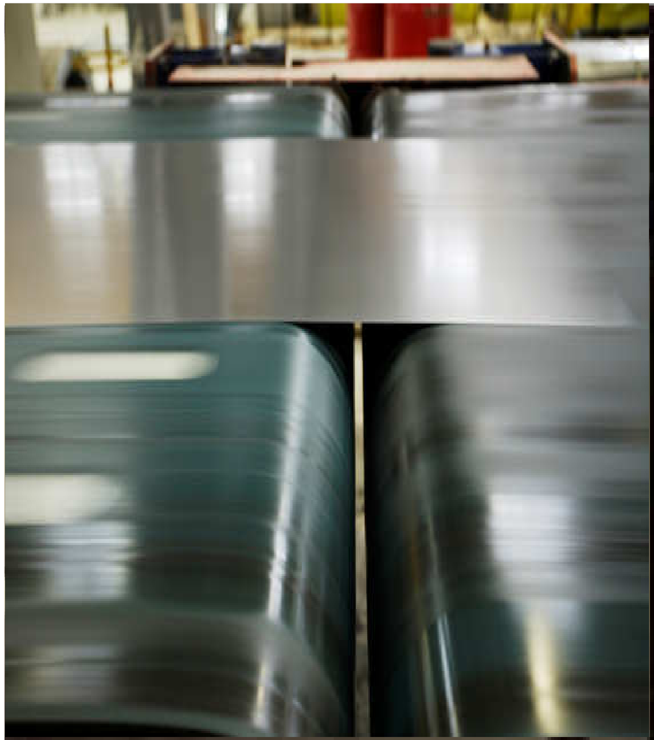
Rising Severity of Euro Area Sovereign Crisis

The Impact

- Improvement in Europe will take years not months
- Growth will slow further
  - Fitch Ratings sees major GDP headwinds going into 2013
  - Growth markets cannot decouple from stagnant western economies
- Credit should get much more expensive
  - Solvency II and Basel III
  - Recapitalisation/de-leveraging
  - Defaults will increase from their current low level
- Credit will become scarce
- Corporates will replace banks in financing their clients





III. Increase Shareholder Value

1. Increase profitability through cost cutting
2. Increase liquidity through Working Capital management

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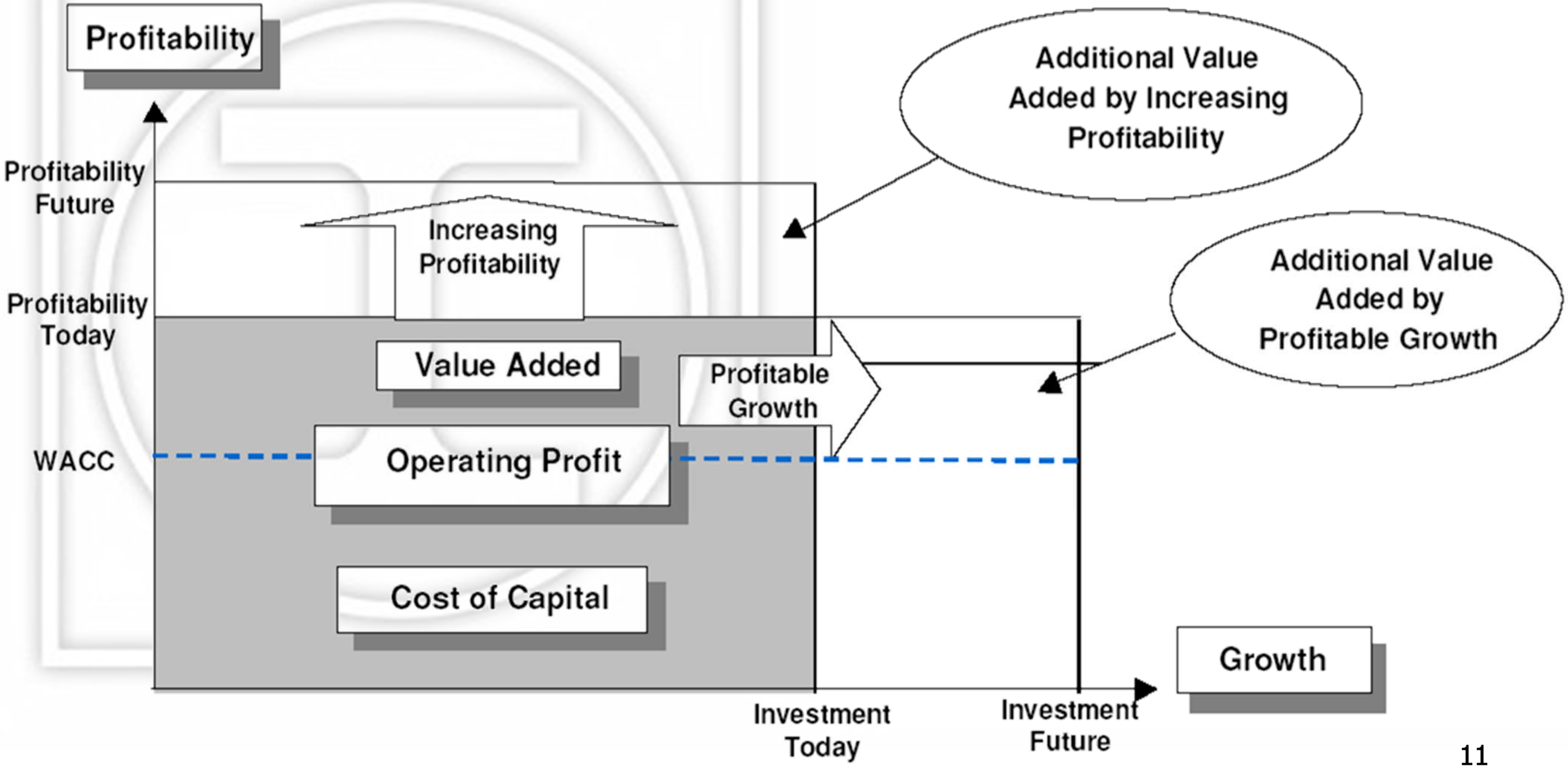
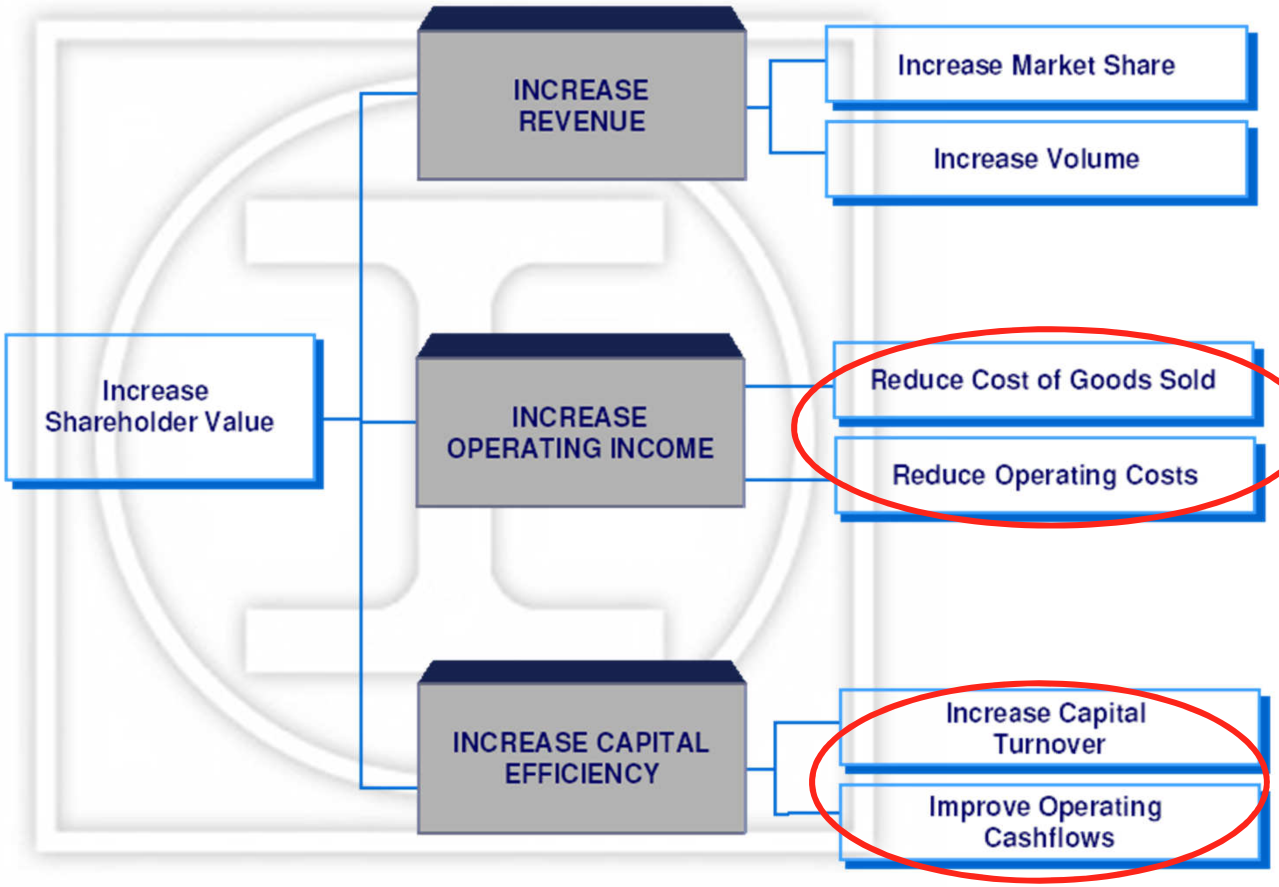
To enhance shareholder wealth, we need to address either the profitability or the growth components of the business

Value can be created either by increasing profitability, or by putting new assets in place earning above the cost of capital, i.e., profitable growth



Shareholder value framework



Potential/Example Benefits

- Increased sales force effectiveness
- Improved key account mgmt
- Recapture of "lost sales"

- Reduced inventory handling cost
- Reduced warehouse facilities cost
- Reduced freight/transport
- Reduced customer service/order entry

- Improved inventory turns
- Improved cash flow management
- Improved cash operating margin

IV. Cost Management

Fit for the Future. Building competitive advantage through strategic cost reduction.

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CATEGORY	SAMPLE INITIATIVES	POTENTIAL COST REDUCTION*	COMMENTS
Human Resources	■ Pay severance benefits from qualified pension plan ■ Consolidate pension and benefit programs ■ Link compensation more closely to performance	5–10%	■ Single largest expense category, often 50 percent of total expenses ■ Reductions of 25 percent in HR administrative expenses are possible ■ Improved HR practices can also drive desired business outcomes
Occupancy Costs	■ Renegotiate leases ■ Contest tax assessments ■ Seek government incentives	5–20%	■ Difficult to achieve short-term savings due to lease contracts ■ Savings of up to 20 percent are possible, but only if aggressively pursued; three to five years required for full implementation
Travel and Entertainment	■ Revise policies and procedures ■ Improve monitoring and enforcement of compliance	5–10%	■ Additional short-term savings can be achieved quickly (30 percent or more), but are not sustainable
Advertising and Marketing	■ Revise policies and procedures ■ Improve monitoring of return on spend	5–10%	■ Although larger cost reductions are possible, these are not sustainable without long-term damage ■ Firms that maintain their level of marketing activity can gain market share
Tax	■ Tax-efficient structuring of financing, leasing, research and development, and corporate restructuring	NA	■ Cost reductions can be substantial, although size of savings varies widely depending on the characteristics of individual firms and country tax regimes

Fit for the Future. Building competitive advantage through strategic cost reduction.

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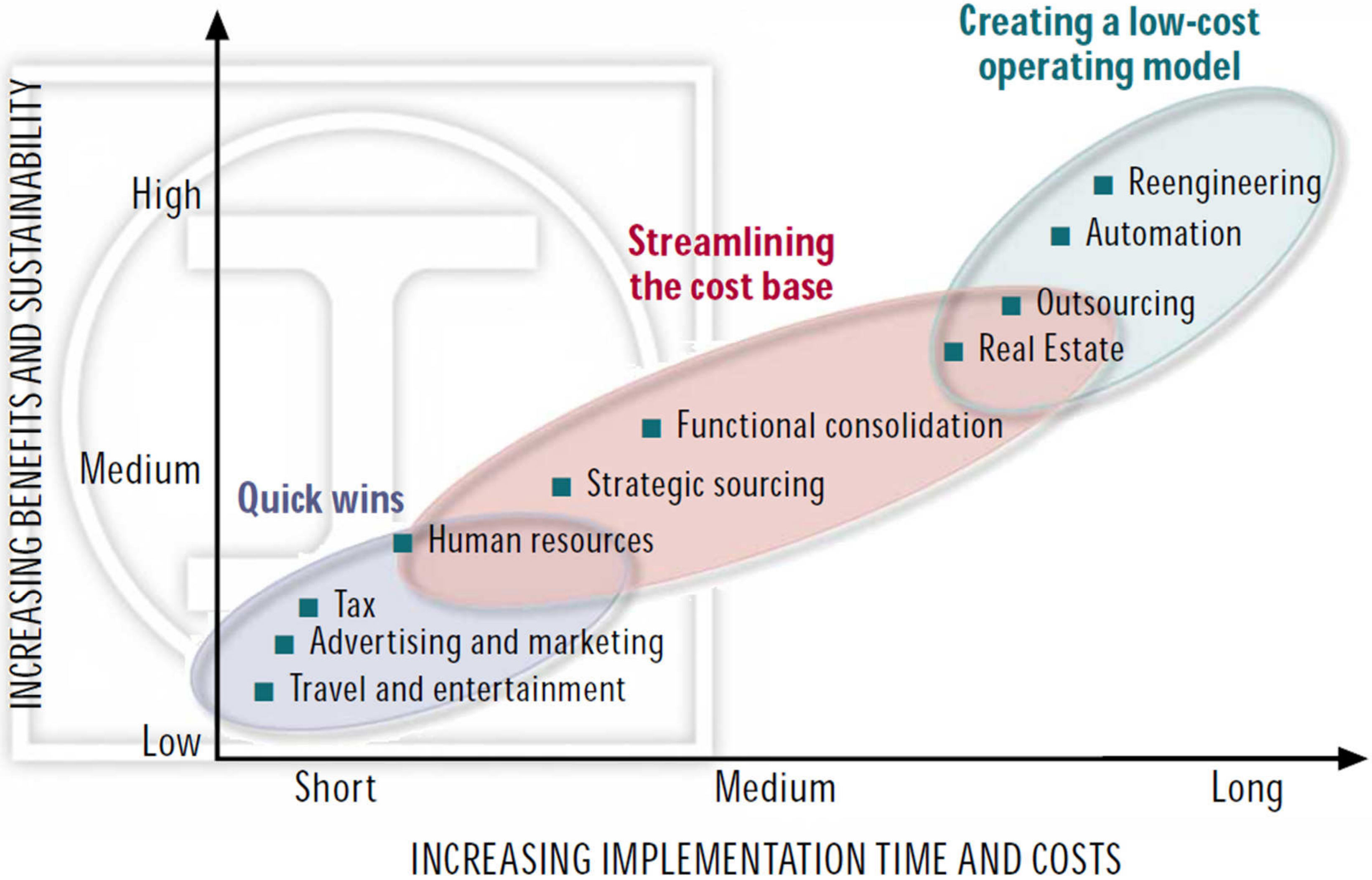
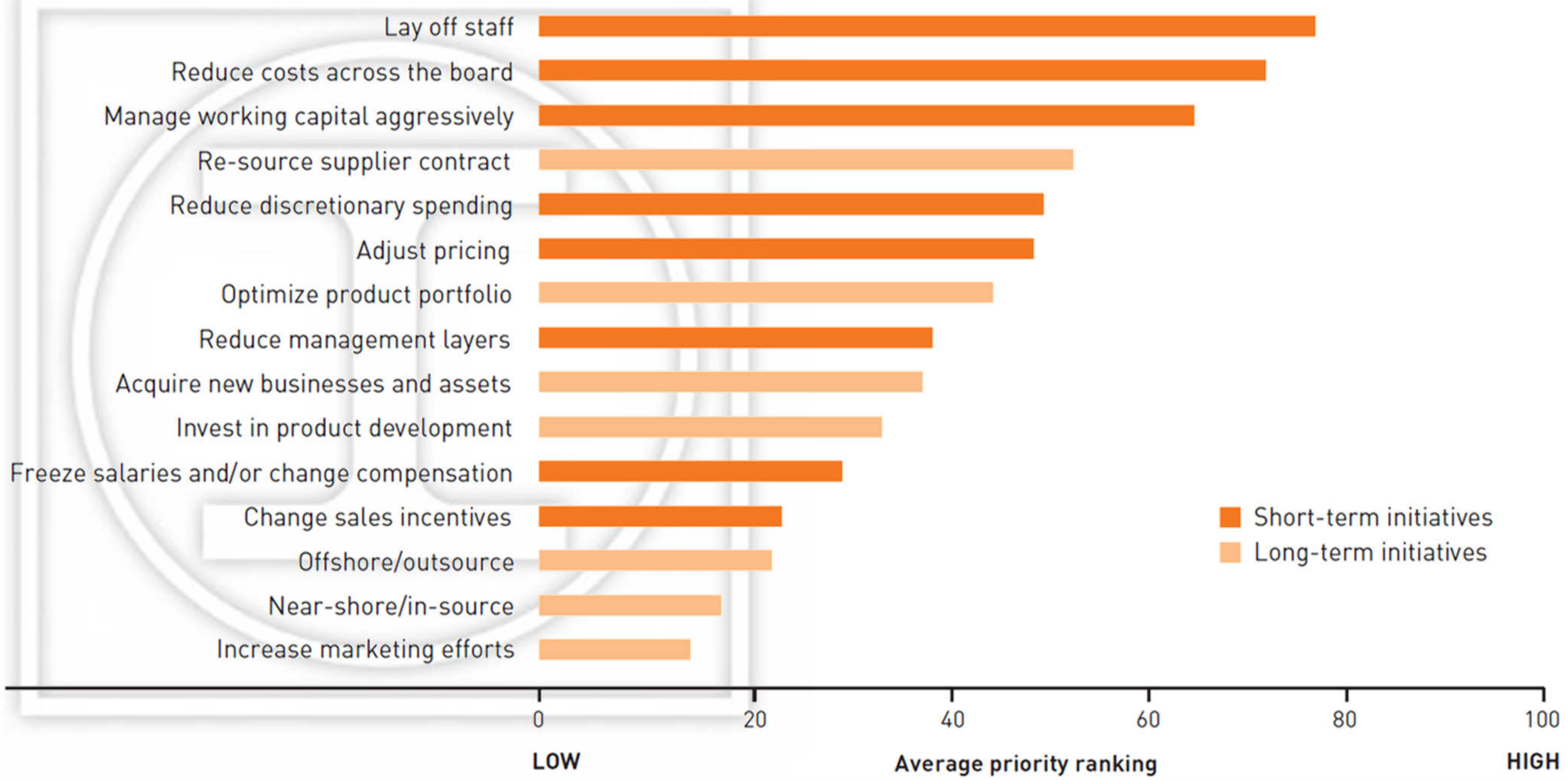
Outsourcing	■ Outsourcing aspects of major business processes ■ Strategic partnerships with vendors	Up to 10%	■ Shift to lower-cost provider, who performs function as core competency ■ Replace fixed costs with variable costs ■ Management time and resources freed to focus on core business activities ■ Opportunity to generate additional revenue from strategic partnerships with vendors ■ Outsourcing not a cure for inefficient operations
Strategic Sourcing	■ Create global procurement ■ Create uniform standards ■ Reduce number of suppliers ■ Improve monitoring of contract compliance	15–25%	■ Global purchasing power leveraged ■ Increased price transparency ■ Improved oversight to ensure that appropriate goods and services are purchased and at competitive cost
Functional Consolidation	■ Shared-service centers to achieve economies of scale	10–20%	■ Multiple operations centers resulting from acquisitions have often not been integrated ■ Redundant IT systems can be eliminated and headcount reduced ■ Service centers can be located where real estate and labor are less expensive
Automation	■ Straight through processing ■ Billing and collection ■ Procurement ■ T&E administration	15–20%	■ Eliminating manual processes can reduce headcount ■ Reduced interest expense on outstanding receivables ■ Automated processes are less expensive to administer and produce fewer processing errors
Reengineering	■ Elimination of bottlenecks, redundancies, and unnecessary handoffs	25–30%	■ Zero-based evaluation of business processes can result in significant reductions in headcount ■ Streamlined processes must not weaken risk management controls

Fit for the Future. Building competitive advantage through strategic cost reduction.



Priority ranking of cost reduction measures



Source: Harvard Business Press; Shumeet Banerji, Paul Leinwand and Cesare R. Mainardi; "Cut Costs, Grow Stronger".

Cut Inventory – Not People

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Greenwich Associates Survey of 243 US financial decision makers from midsize firms ($10m – $500m in revenues), March 2010

ACTION	Popularity %	Aver.Saving ($000s)
Staffing reduction	47	400
Freeze salaries	37	245
Reduced discretionary exp	21	250
Reduced inventory	17	520
Reduction of bonuses	17	190
Hiring freeze	11	200
Aggressive Working Capital	9	350
Reduced supplier costs	8	230
Cut travel expenses	7	230

Workforce cost reduction – key areas of activity

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Headcount Reduction	Employment policies
Workforce productivity	Terms and conditions of employment

Cost management challenges – Indirect Costs

- Staff and management have limited time and resources to address non-strategic costs.
- No internal benchmark data on purchases.
- Limited negotiating power.
- Lack of expertise and/or tools
- Multiple suppliers and multiple order points.

Top 12 Cost Categories

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- Logistics & Transport
- Courier
- Energy
- Packaging
- Temporary & Outsourced Personnel – HR
- Banking and Finance
- Telecommunications
- Insurance
- Printing
- Office Supplies
- Leasing & Rental
- Waste management

Typical cost reductions by expense category

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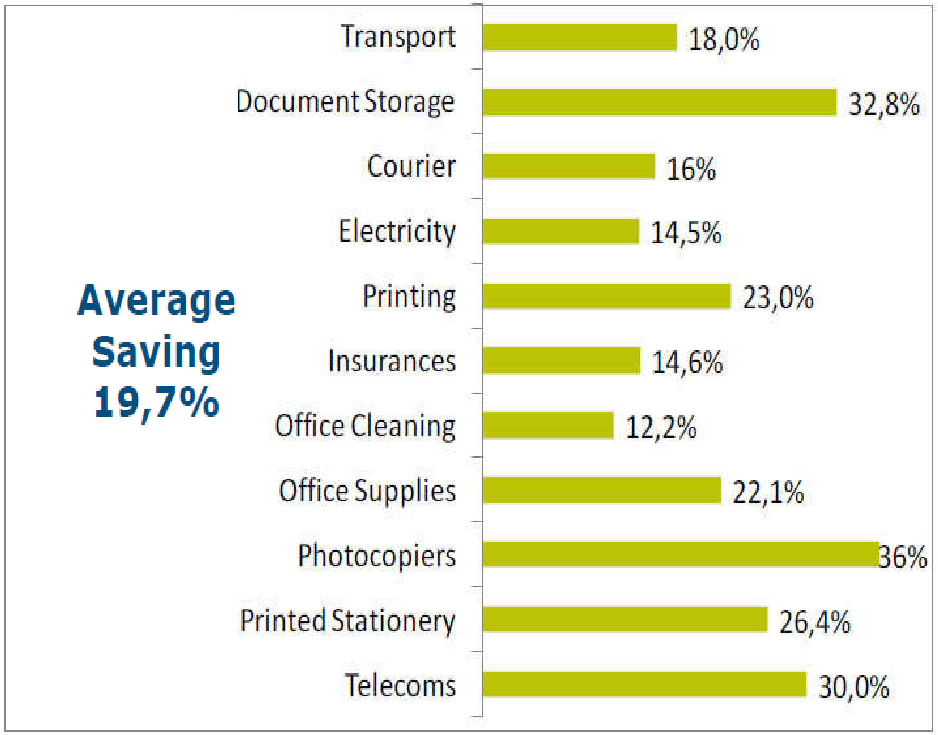

Expense Reduction Analysts

Average Savings in Greece 17%

Categories	Savings
Courier	21%
Insurances	25%
3PL Logistics	12%
Stationary	18%
Cleaning services	17%
Printing	26%
Mobiles	28%
Internet	30%
Fixed telephone lines	29%
International Transport	13%
Packaging Materials	12%

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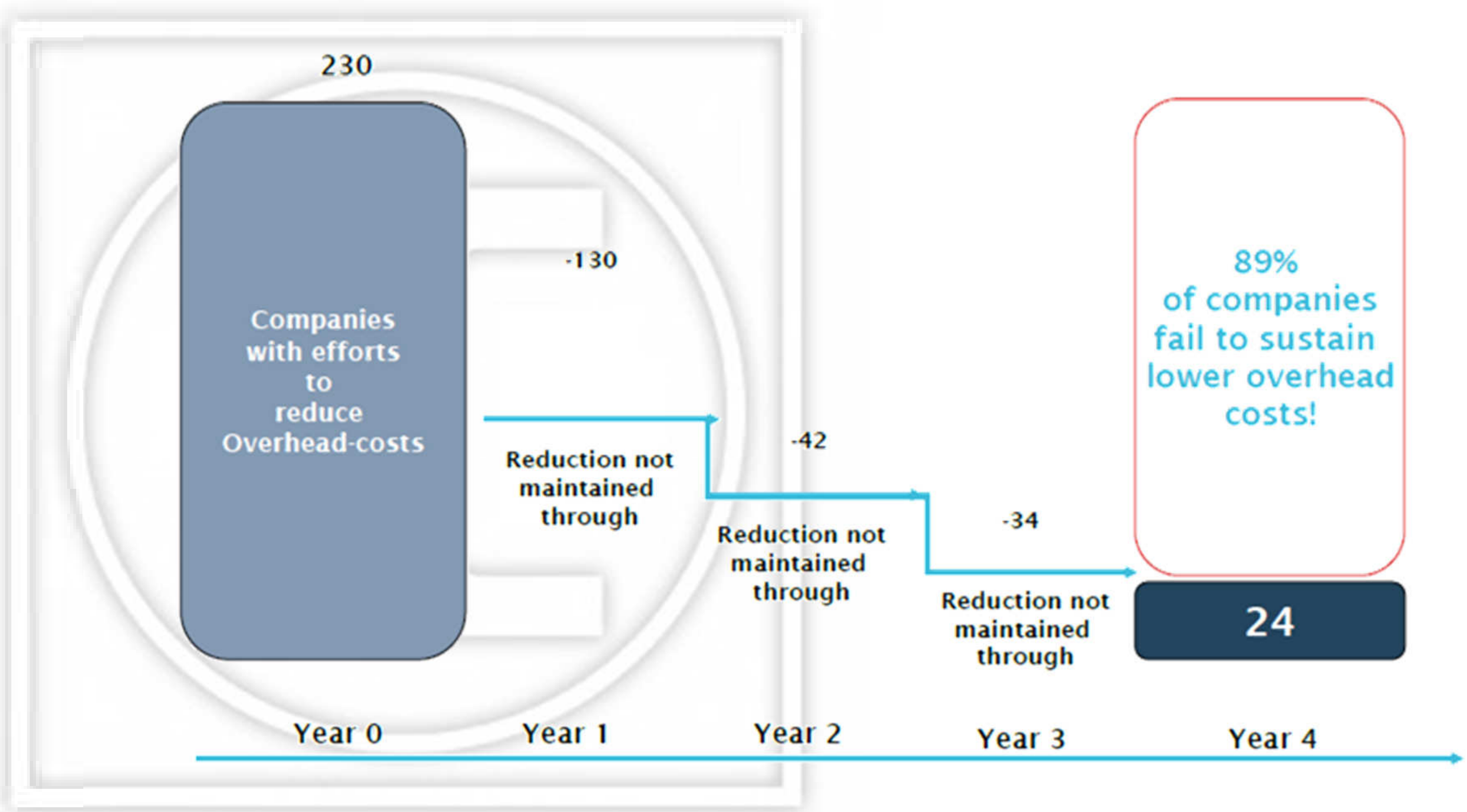
Our performance. Your power

Sustainable Cost Reduction



Source: McKinsey Global Survey

Cost reduction planning

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- Establish an overall strategy for cost reduction.
  - Re-examine the company's goals and strategies. Where the company is heading for the next few years?
- Identify the core and non-core activities.
  - "must have" vs "nice to have"
- Develop a goal for each activity.
  - What is the minimum resource required for each activity?
- Establish expectations.
  - What % of cost savings can we envision?
- Measure results.
  - Adjust budget lines for surviving activities.
- Audit savings on an on-going basis.
  - Sustain lower costs.

Resetting the cost structure @ SIDMA

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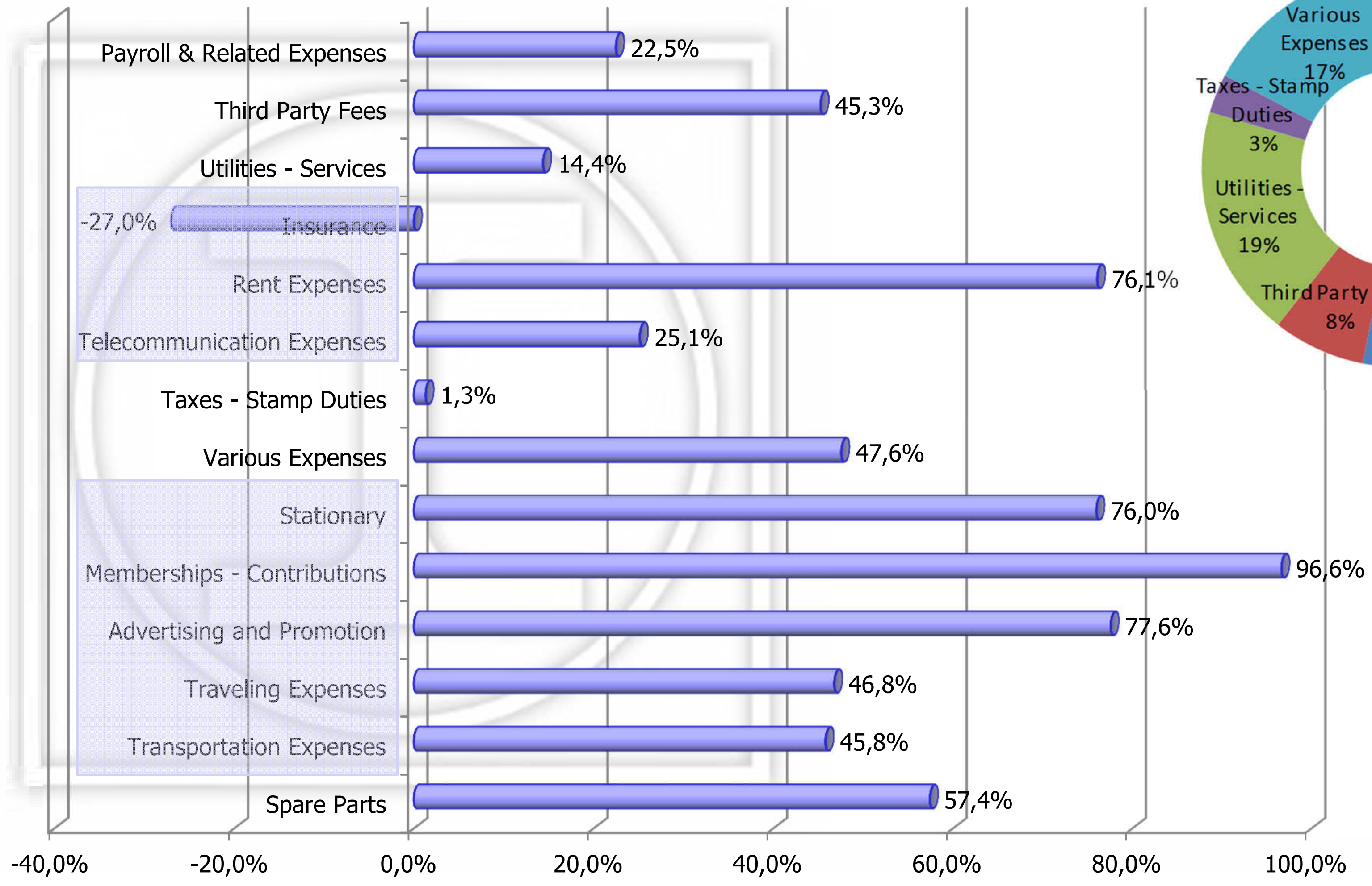
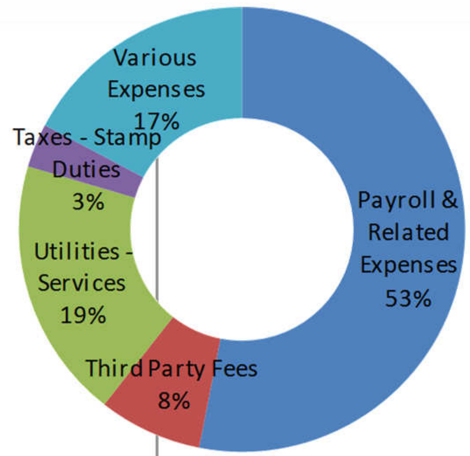
- Defined what impact we wanted to achieve in our current costs.
  - A hard reset (≈ 30%) more than a modest 3-5 %
- Defined which cost categories were off-limits (i.e. HSE).
- Top Management put full weight behind the initiative from day one by communicating the importance of resetting the cost base.
- Backed up cost estimates with benchmarks to show where we could improve relative to competition and the top quartile in our industry.
- Handpicked talented staffers from a wide array of functions and freed them from their day-to-day work for a certain period of time.
- Used a strategic approach known as zero-based cost management.
  - The budgets for assets, operations, functions & departments were rewound to nil so a fresh argument could be made for every funding decision.
- Presented the results to top management.
  - After approval a commitment session was held with department heads to challenge the findings.

Cost Reduction @ SIDMA between 2008 -2011





Cost Reduction @ SIDMA between 2008 -2011

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- *General Cost Reduction*
  - *Decrease of operating expenses by 30% during the 3-year period between 2008 to 2011 or € 5 million.*
  - *Decrease of operating costs by a further 10 % in 2012.*

- *Cost Reduction of Capital Investments*
  - *By € 8,5 m in 2011 against 2008.*

- *Cost Reduction through Consolidation of Operations*
  - *Aspropirgos Warehouse evacuation.*
  - *All South Greece operations move to Inofyta achieving economies of scale and other financial benefits of ≈ € 1 million / year.*

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V. Capital Efficiency

Working Capital Management

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Harvard Business Review

www.hbr.org

With credit so hard to get during this recession, the old adage that "cash is king" is even more relevant.

Kaiser & Young surveyed many companies and found that the traditional business focus on the bottom line actually ties up working capital, setting managers on a death march towards bankruptcy.

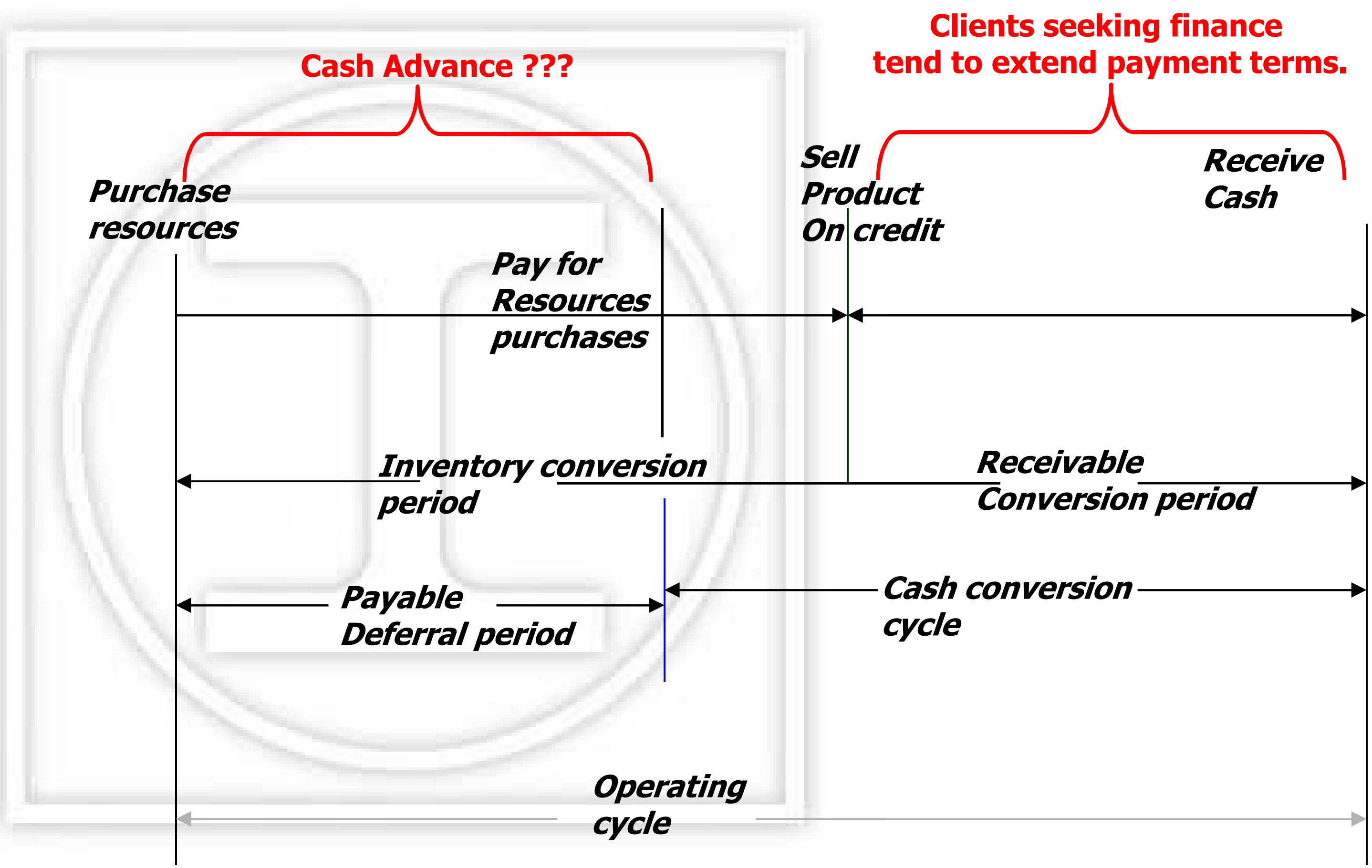
FINANCIAL CRISIS SPOTLIGHT

Thanks to the credit crisis, companies are scrambling for cash. Time to take a cold, hard look at the way you manage working capital.

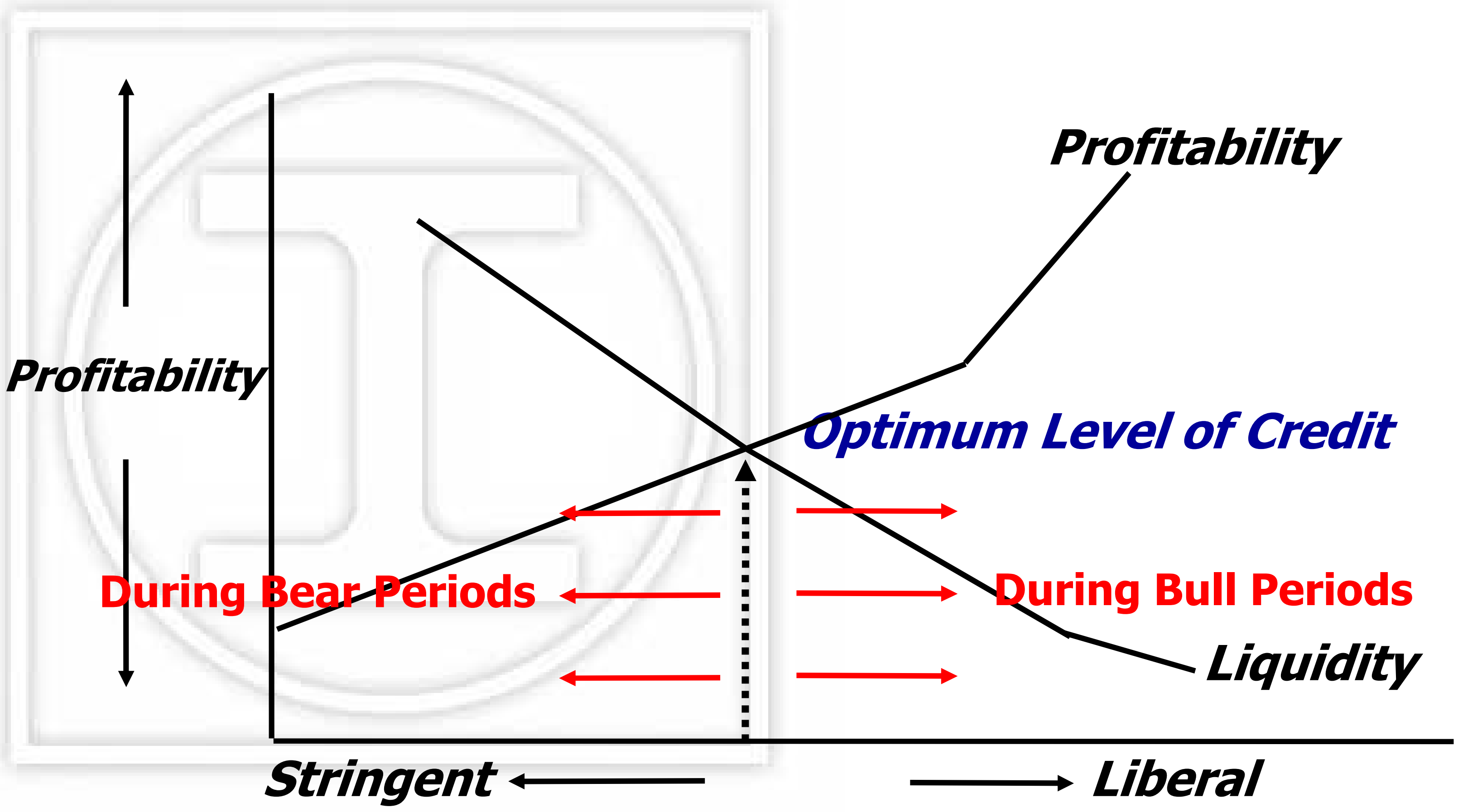
Need Cash? Look Inside Your Company

by Kevin Kaiser and S. David Young

Working Capital Components



Dimensions of Receivables Management



Credit Mission @ SIDMA:

Manage risk. Support Sales with:
- Highest prudent credit limits
- Rapid credit decisions

Goals:
- Standardize & simplify credit decisions
- Reduce processing costs

Approach:
- Credit managed separately from Collections. Close collaboration.
- Credit risk is being managed by the Financial department instead of the Commercial.
- Nevertheless very close cooperation between Sales and Finance.

Credit Scoring

Scoring:

- Customer Financial Data
- Internal Metrics
  - Payment history
  - Sales forecasts
- External Data
  - Third Party Credit Information Provider data
  - Sector Risk Ratings

Credit Risk Classification & Credit Limits

- Based on score

Predictive Scores are the primary driver to reducing risk and managing costs

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Predictive scores enable us to:

- Predict slow paying or non-paying customers
- Predict potential bankruptcies/failures
- Implement a consistent approach to risk management
  - Apply consistent rules
  - Enable automated decisioning
  - Allows portfolio Risk Management

Sample Credit Score

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COMPANY:			
SAP CODE : 10599	VAT:	DATE :	7/12/2011

	2010	2009	2008
Book Value of Fixed Assets at Year End	958.319	629.973	383.878
Current Assets	16.312.698	4.332.151	1.112.601
Receivables	13.642.792	3.308.404	739.544
Total Assets	17.271.157	4.962.334	1.496.759
Retained Earnings	1.361.102	139.836	8.446
Book Value Of Equity	1.525.102	229.836	98.446
Current Liabilities	15.681.162	4.732.497	1.398.313
Total Liabilities	0	1.179.391	753.847
Long Term debt	0	0	0
Short Term debt	15.681.162	4.732.497	1.398.313
Working Capital	631.536	-400.346	-285.712
Sales	24.879.646	5.877.672	1.346.563
Earnings before interest and taxes	1.964.648	296.609	81.554
Depreciation	217.041	99.043	36.391
Interest Charges	142.073	98.746	65.785
Earnings before taxes	1.688.712	161.526	7.784
Taxes	467.446	30.136	3.956

	2010	2009	2008
Z-score	1,92	1,35	0,96
Z''-score For Emerging Markets	4,61	3,27	2,46
Cash flows from operating activities (OpCF)	1.727.888	18.269	-362.131
Total liabilities/Turnover	0,6	0,8	1,0
Credit period (AVG)	163	171	168
OpFCF Interest Coverage (x)	12,2	0,2	-5,5
CAPital EXpenditure	545.387	729.016	420.269
Free Operating Cashflow	1.182.501	-710.747	-782.400
Free Operating Cashflow / Total Debt		-60%	-104%
EBIT Interest Coverage (x)	13,8	3,0	1,2
Return on Capital (%)	128,8%	21,0%	9,6%
Total Debt / Capital (%)	0,0	83,7	88,4

		2010	2009	2008
Working Capital/Total Assets	X1 =	0,037	-0,081	-0,191
Retained Earnings / Total Assets	X2 =	0,079	0,028	0,006
EBIT / Total Assets	X3 =	0,114	0,060	0,054
Book value of Equity / Total Liabilities	X4 =	0,097	0,049	0,070
Sales / Toatal Assets	X5 =	1,441	1,184	0,900

Z = 0.72 X1 + 0.85 X2 + 3.11 X3 + 0.42 X4 + 1.0 X5
Z'' = 6.56 X1 + 3.26 X2 + 6.72 X3 + 1.05 X4 + 3.25
OpCF = Funds from operations adjusted for WC changes
Free Operating Cash Flow = OpCF - CAPEX
CAPEX = BV of Assets at Year End - BV of Assets at Beg. of Year + Depriciation

	Average E.M. Score	U.S. Equivalent Rating		Average E.M. Score	U.S. Equivalent Rating
Safe Zone	8,15	AAA	Gray Zone	5,65	BBB-
	7,60	AA+		5,25	BB+
	7,30	AA		4,95	BB
	7,00	AA-		4,75	BB-
	6,85	A+		4,50	B+
	6,65	A		4,15	B
	6,40	A-	Distress	3,75	B-
	6,25	BBB+		3,20	CCC+
	5,85	BBB		2,50	CCC
				1,75	CCC-
				1,70	D

Mortality Rates, by S&P 1971 - 2004. Cummulative Probability after # of years

Year	1	2	3	4	5	6	7	8	9
AAA	0,00%	0,00%	0,00%	0,00%	0,03%	0,03%	0,03%	0,03%	0,03%
AA	0,00%	0,00%	0,32%	0,48%	0,51%	0,54%	0,54%	0,59%	0,57%
A	0,01%	0,11%	0,13%	0,22%	0,28%	0,39%	0,45%	0,65%	0,76%
BBB	0,36%	3,56%	4,49%	6,16%	6,89%	7,31%	7,50%	7,68%	7,87%
BB	1,19%	3,64%	7,88%	9,74%	12,00%	12,93%	14,36%	15,07%	16,52%
B	2,85%	9,51%	16,20%	23,37%	27,94%	30,96%	33,46%	34,97%	36,25%
CCC	7,98%	22,31%	37,50%	45,06%	47,37%	52,35%	55,01%	56,43%	56,43%

The company is rated according to S&P as:

Z''-score	EBIT Interest Coverage (x)	Total Debt / Capital (%)
B+	AA	AAA

with cumulative probability to default after 3 years equals to:

Z''-score	EBIT Interest Coverage (x)	Total Debt / Capital (%)
16,20%	0,32%	0,0%

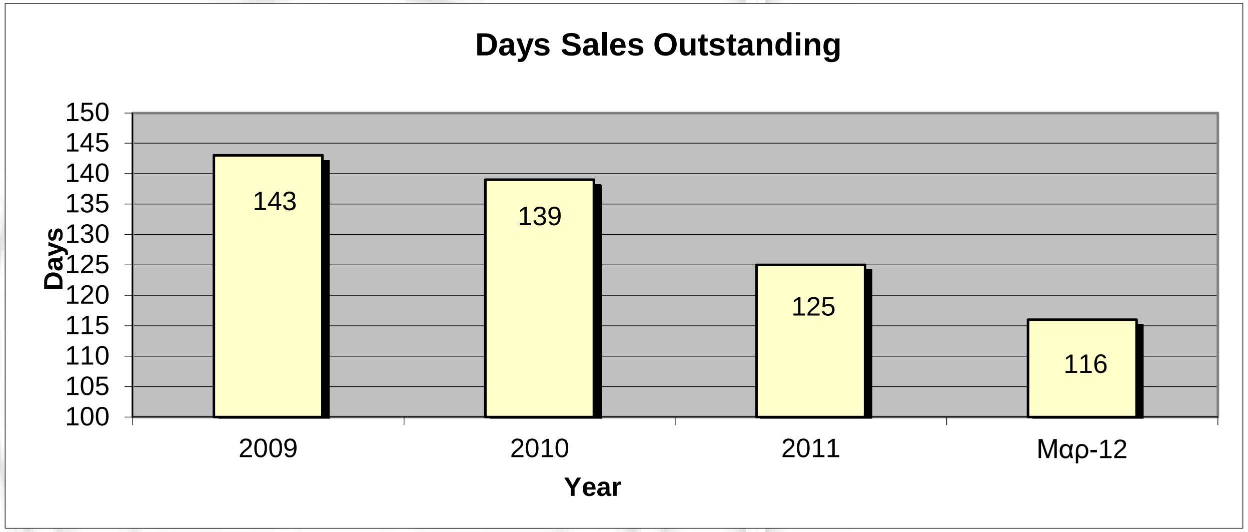
Financial Ratios per Rating (3-Year Medians for 1998-2000), US Firms

	AAA	AA	A	BBB	BB	B	CCC
EBIT int. cov. (x)	21,4	10,1	6,1	3,7	2,1	0,8	0,1
EBITDA int. cov. (x)	26,5	12,9	9,1	5,3	3,4	1,8	1,3
Free oper.cash flow/total debt(%)	55,4	24,6	15,6	6,6	1,9	-4,5	-14,0
Return on Capital (%)	34,9	21,7	19,4	13,6	11,6	6,6	1,0
Operating Income/Sales (%)	27,0	22,1	18,6	15,4	15,9	11,9	11,9
Long Term Debt/capital (%)	13,3	28,2	33,9	42,5	57,2	69,7	68,8
Total debt / capital (%)	22,9	37,7	42,5	48,2	62,6	74,8	87,7

Source: Corporate Financial Distress & Bankrupcy, Wiley Finance, 2006, Ed., I. Altman.

SIDMA Case

- DSO Reduction
  - € 14 million less tied in working capital.



- Stock Cover Reduction
  - From 5x (2 stock & 3 due) in 2008 to 3,5x (2 stock & 1,5 due) in 2012.
  - € 7 million less tied in working capital.

Conclusion

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- We saved € 5 mil. through Strategic Cost Reduction but € 14 mil. through proper Credit Management.

Credit Risk Management reduces company's risk in four ways

- Eliminates of Bad Debt
  - Early identification of risk
  - Improves profitability and cash-flow
- Reduces Days Sales Outstanding (DSO)
  - Improves cash-flow
- Improves credit decisioning with customers
- Manages the total risk in your portfolio of customers

$$\boxed{ShareholderWealth = F\left(\frac{CashFlows}{Risk}\right)}$$

...and besides, Basic Management Rules stay Unchanged...

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COST = LOSS	INVESTMENT = RISK	DEBT = DEATH	BUSINESS = DANGER
CUT COSTS	**LIMIT CAPEX**	**REDUCE WCR**	**ADAPT PORTFOLIO**
NO COST = PROFIT	NO RISK = FUN	CASH = LIFE	LESS = MORE

NEEDED TIME

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Questions