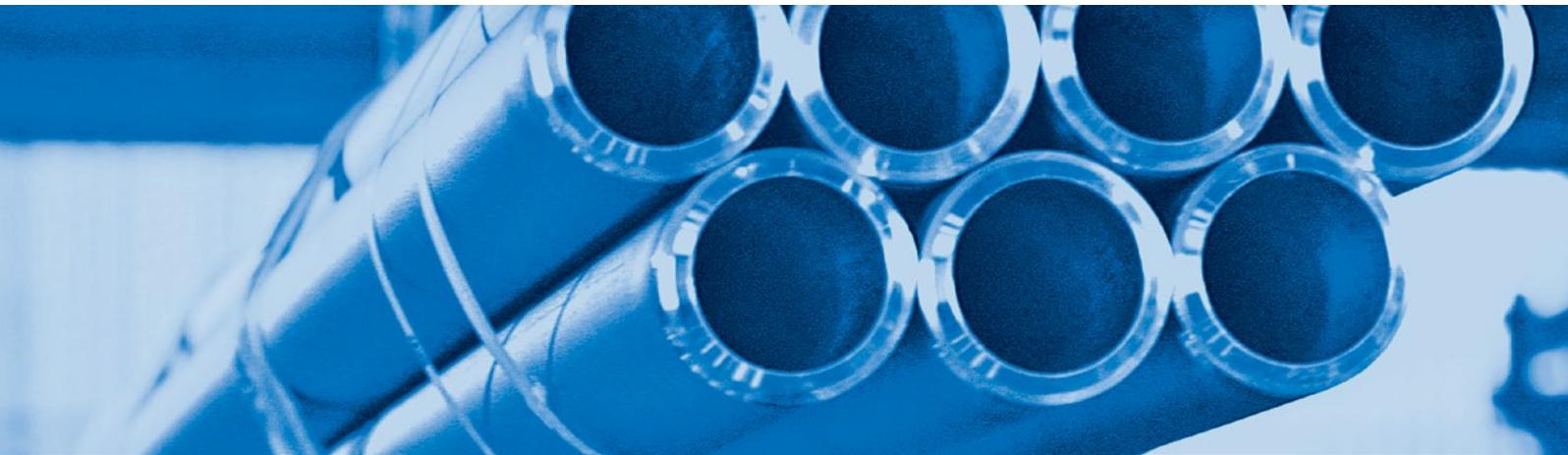


Schmidt + Clemens



Annual Report 2013





“The staffing policy, the enlarged management and the new organizational structure have brought about a tangible change in the Schmidt + Clemens Group.” Lutz Werner, Advisory Board Chairman

In the past financial year, the positive development of the Schmidt + Clemens Group not only continued, but actually accelerated. We recorded an excellent economic result. This was achieved despite the dark clouds that hung in the economic sky at the start of the year. Through the political turmoil that still remained from the “Arab Spring”, the ongoing crisis in the euro and the competition from low-wage countries, the expectations for 2013 were cautious at best. So it was all the more gratifying when it emerged that the year as a whole was characterized by a strong level of capacity utilization at nearly all our operating locations.

It also emerged that the far-sighted staffing policy, the enlarged management and the new organizational structure launched in 2012 were a source of major impulses for setting the business on course for the future. All executive personnel received training on a considerable scale in matters such as leadership and communication. Through all these measures, the Schmidt + Clemens Group underwent a tangible change in 2013.

In the year under review, we were once again able to maintain our long-standing worldwide leadership in the spun castings business. And it was also this division, with its high-quality, innovative products, that once again made the biggest contribution to the success of the Schmidt + Clemens Group. The use of the new S+C special alloys and the resulting increase in the service life of the products enable the customers to not only achieve higher productivity but also make energy savings in the operation of their plants. The research and development division which, with its close orientation to the customers, has been operating with great success for many years, was once again able to demonstrate its high level of ability. This performance was also fostered by investment in new technical equipment, e.g. the acquisition of our own scanning electron microscope. The expansion in the service business activities also proved profitable, such as the dismantling and fitting of pipeline systems for the customers directly on site. Several major projects of this kind were completed punctually and successfully around the world.

Developments in the business fields bracketed together under the term “Non-Petro” were varied. While special products manufactured using the spun casting process developed positively, the extrusion tools business once again fell short of expectations. To consolidate the enterprise,

therefore, the management and the Advisory Board have resolved to assess loss-making fields of business from a strictly strategic point of view. As a result of this approach, the operation in Tianjin (China) was closed, and the manufacture of products in the extrusion tools business will be discontinued in mid-2014. The production of spun castings in Brazil has also been terminated; in future, the focus in Brazil will be exclusively on selling. At the specialist rolls maker S+C Bowers & Jones Ltd. in the UK, the new management that has been put in place has already made significant progress. For example, the company again succeeded in supplying not just individual rolls, but also in designing, producing and delivering a complete rolling line. In this way, the British subsidiary is increasingly developing into a system supplier.

For some time now, one of the key strategic goals of the management and the Advisory Board has been to develop a second business pillar. This has now taken on concrete form in the shape of a special pipes division, which is already expected to turn in some first successes in 2014. This will significantly strengthen the stability of the enterprise. In the course of the year 2013, the Advisory Board once again held regular meetings with the management at which it was informed about the status of implementation of the strategy. Thanks to the long-standing spirit of trust existing between the bodies, once measures had been decided upon, they were able to be put in place quickly. The information was also passed on equally regularly and constructively to the shareholders, with the position of the “family manager”, which was established by the partners in 2011, providing an important link in this context.

On behalf of all the members of the Advisory Board, I wish to congratulate the workforce and the management on the outstanding business result for 2013. An equally resounding “thank you” goes to the customers of the Schmidt + Clemens Group, without whose orders this success could not have been achieved. And we likewise thank all the shareholders, who continue to observe and give well-wishing support to our efforts in steering the fortunes of our family enterprise with its long-standing traditions. The reorientation of the Schmidt + Clemens Group as outlined above will continue to be driven forward in 2014 and gives the Advisory Board ample grounds for looking positively into the future.

With best regards,

A handwritten signature in blue ink that reads "Lutz Werner". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Lutz Werner
Advisory Board Chairman



"The continuation of our strategy is already proving successful. In the year under review, nearly all the economic key figures of the previous year were exceeded."

Jan J. Schmidt-Krayer, Chief Executive Officer

The Schmidt + Clemens Group can look back on a highly eventful and above all successful year 2013. Staying on course with the new strategy already embarked upon produced a number of successes. For example, nearly all the previous year's economic key figures were exceeded last year. However, that does not mean that we only look from year to year. On the contrary, as a family enterprise we have to think more in terms of decades.

2013 was the first full financial year operating with our new worldwide matrix organization. Looking back, we can now say that the decision in favour of the new organization structure was the right one. We see this confirmed time and again in our day-to-day activities.

Our worldwide markets proved robust in 2013. The aftershocks of the Arab Spring fortunately had no negative impact on us. The boom in the fracking gas business in the USA is only marginal to us and already seems to be ebbing away again. Of greater concern to us is the current policy of the German government, for example in relation to the so-called "energy policy change". The aim here should be to reduce costs through energy-saving measures. S+C has been working for years on constantly reducing its costs for electricity, gas and water consumption.

2013 was also a year of significant changes: On the one hand, the long-standing extrusion tools division was closed, and the production of spun castings at our plant in Brazil was also discontinued. On the other hand, the creation of the S+C Academy represented an important new stone in the foundation for our success, i.e. the skills and qualification of our personnel. A decision was also taken to significantly enlarge our Asia business site in Malaysia, where the newest and most modern plant of the S+C Group is being created in 2014. A project on this scale has not been undertaken by S+C since the 1970s, when our plant in Spain was built.

As in previous years, we are constantly working towards establishing ourselves as a top employer in the region. This includes not only allowing all employees to share in the financial success of the S+C Group,

but also offering flexible work time models for all tiers of the hierarchy. Our staff programme will be further extended in 2014 through our new works restaurant as well as even more activities offered in the field of health management. And finally, our range of offerings for the staff includes our own in-house kindergarten facility.

The year 2013 saw the continuation of numerous measures which were already in place and have the purpose of upgrading the skills and qualifications of the workforce – up to and including the management. All management personnel underwent comprehensive training e.g. in the fields of leadership, feedback and conflict management. The curriculum also included topics such as the communication of our values and culture. This was the first time a carefully structured and targeted training programme of this kind had ever been held at S+C.

On behalf of all the shareholders and management, I wish to thank you, our business partners, for once again placing your trust in us in 2013. I also wish to thank all our employees throughout the world, without whose commitment our success would not have been possible.

With best regards,

A handwritten signature in blue ink, appearing to be 'S+K' followed by a stylized flourish.

Dipl.-Ing. Jan J. Schmidt-Krayer
Chief Executive Officer



From left to right: Dominic Otte, Thomas Hellige, Jan J. Schmidt-Krayer and Jan Kümmel

Staying strictly on course for the future

After a number of key steps were already taken in 2012 aimed at putting the Schmidt + Clemens Group on course for success in the future, these were followed by a number of other decisions of vital importance in the year under review. The production of spun castings at our plant in Brazil was discontinued and the service company in China was closed. The extrusion tools business at the parent site in Germany was also terminated, though existing orders will continue to be filled right into the current year.

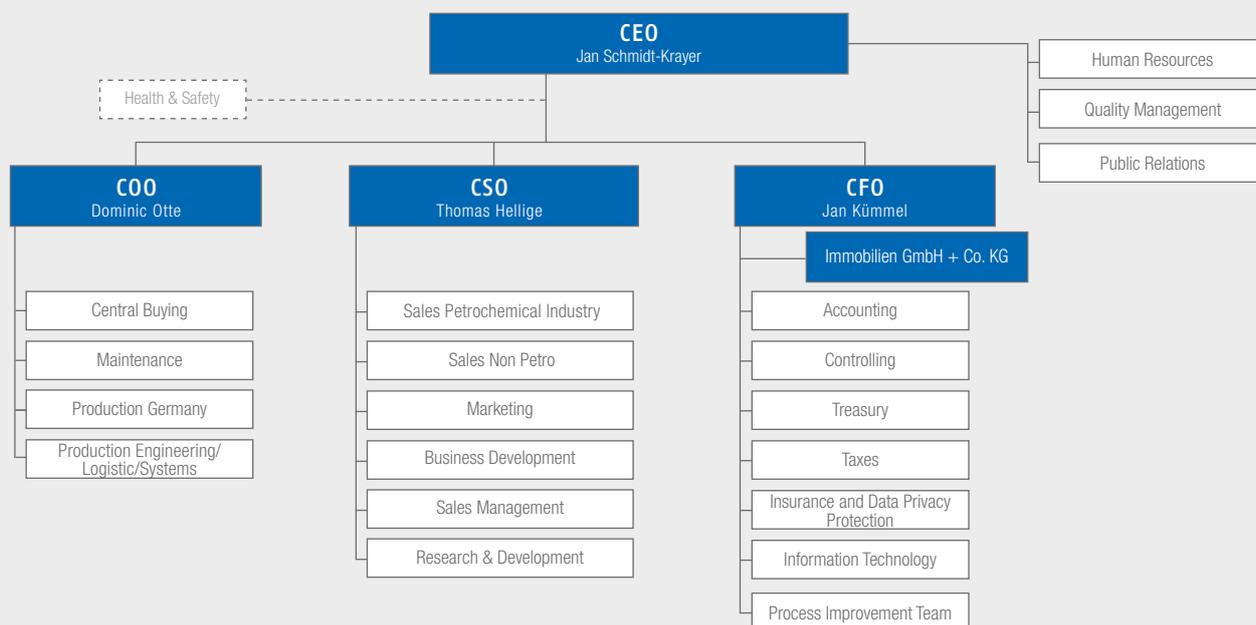
One special milestone was the opening of the Schmidt + Clemens Academy. This meant that for the first time, basic and further training as well as personnel development activities can all be conducted

under one roof. That is an important step for us in enabling us to cover our needs of skilled and executive personnel in future from among our own ranks.

One of the core tasks of the Academy is to identify and foster talent early on. In organizational terms, the S+C Academy falls under the aegis of HR.

The management is headed by Chief Executive Officer Jan J. Schmidt-Krayer. He is supported by Commercial Director Jan Kümmel; Production & Technology Director Dominic Otte, and Sales Director Thomas Hellige. The general managers of the foreign subsidiaries report directly to the CEO at the Group's headquarters in Lindlar.

Schmidt + Clemens GmbH + Co. KG



2013: The most successful financial year for Schmidt + Clemens to date

The financial year 2013 was both eventful and successful for the S+C Group. The already good economic key figures of the previous year were exceeded still further – with 2013 going down as the hitherto most successful financial year ever in the history of Schmidt + Clemens.

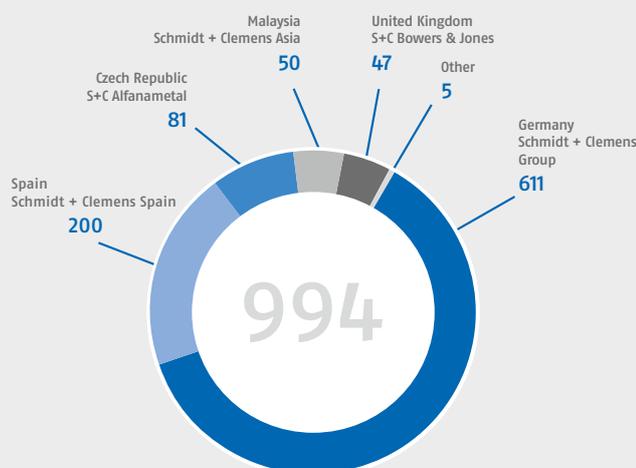
Our worldwide markets all proved robust. Schmidt + Clemens was only marginally affected by regional currents. On the bottom line, the sales of the S+C Group reached the record total of €310 million, an increase of 13.1% on the previous year's level. Once again, it was the spun castings division with its innovative, high-quality products that made the biggest contribution to the success of the Schmidt + Clemens Group. Various new S+C special alloys and the work of the R&D division were other important factors in our positive business development.

At the roll-making specialist S+C Bowers & Jones Ltd., the new management has already made significant progress, ensuring that our UK subsidiary is increasingly developing into a system supplier.

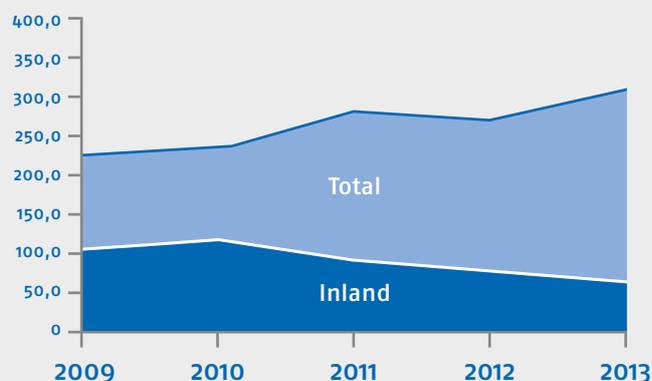
The extrusion tools business was once again unable to meet the expectations placed in it. In the light of our decision to assess persistently loss-making fields of business from a strictly strategic point of view, the closure of the operation in Tianjin (China) was inevitable. The production of spun cast pipes in Brazil was also terminated for the same reasons.

Our far-sighted staffing policy, the enlargement of the management and the new organizational structure introduced in 2012 have strongly proved their worth and are continuing to give powerful impulses in readying the enterprise for the future.

Number of employees on 31.12.2013



Sales (in € million)



ASSETS	149,958 (T €)	149,958 (T €)	LIABILITIES
Other Assets	1,514	21,779	Current Liabilities
Liquid Assets	27,006	21,288	Liabilities due to Banks
Accounts Receivable and other Assets	59,068	34,723	Provisions
Inventories	27,584	0	Special Reserve
Fixed Assets	34,786	72,168	Capital Resources

"In 2013, we were able to set special accents with our new materials. The service business developed positively, the order volume increased, and we were able to expand geographically."

Thomas Hellige, Chief Sales Officer



Petrochemicals

In the business year under review, we were able to set special accents with our new materials. We succeeded in gaining further references on important markets with our materials Centralloy® HTE (ethylene market), Centralloy® G 4852 Micro R (reformer market) and Centralloy® HTD (direct reduction market).

The Service division also developed strongly. Together with a rise in the order volume, we also expanded geographically. As in previous years, the project focus in 2013 was again on the Middle East, but service projects were also successfully carried out in North America, Europe and Southeast Asia. We were able to book two major projects for the convection zones business - an upgrade for an ethylene furnace and a new fertilizer plant. These projects are currently in the engineering phase and will be delivered in 2014. We entered the financial year 2014 with an acceptable volume of orders on our books. The ethylene and reformer market segments are equally

balanced in terms of orders on hand. Some important framework agreements are up for renegotiation with plant operators this year.

Special Products

The financial year 2013 was characterized in particular by further consolidation of the individual product and market segments.

The synergy effects achieved by amalgamating the individual sales departments (Märker and Special Products) have been successfully utilized. Specifically on the growth markets of energy engineering and industrial furnace construction, a number of important reference projects were brought to a positive conclusion.

For 2014, the Special Products division reckons with significant growth in orders on the target markets of energy engineering and industrial furnace construction. Additionally, our high-performance material Centralloy® G 45 will be systematically marketed.



S+C Bowers & Jones

The specialist roll-making firm of S+C Bowers & Jones is setting a new course for the coming financial years. Alongside their existing focus on the European market, Bowers & Jones will in future also increase their presence on the American and Eastern European markets. In addition to special and other rolls, a focus will be on complete solutions for reduction mills to broaden the product portfolio.

In 2014, Bowers & Jones will be appearing at Tube, the most important international trade fair in this sector. Tube is taking place in April in Düsseldorf. B&J will also make every effort to promote their mechanical engineering capabilities for the first time.

Research & Development

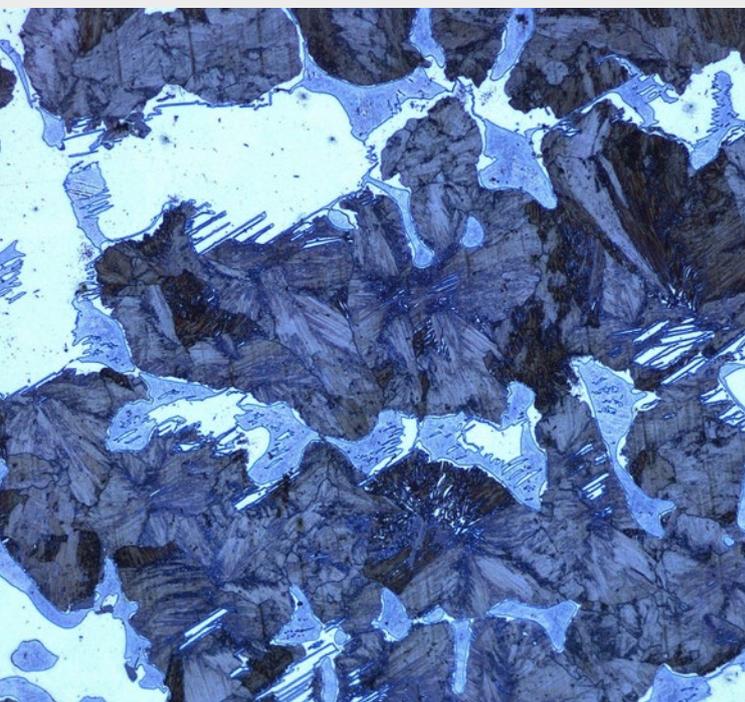
Since 2013, the Research & Development Services division (RDS) has been equipped with a new, state-of-the-art scanning electronic microscope that operates in the highest performance class and is fitted with various systems for highly sensitive chemical analysis in the micro range. The microscope is able to magnify structures up to one nanometre. The very latest X-ray microanalysis capability enables extremely small areas to be chemically analysed with high sensitivity and precision. Particles on surfaces or polished faces can also be chemically analysed with this device.

S+C therefore now has equipment that is comparable to that to be found in university and research institutes. Together with other data from mechanical tests and simulations, the result is a comprehensive picture of a material. The new knowledge gained in this way is im-

mediately incorporated into the further development process, enabling the duration of development cycles to be shortened. Altogether, this results in new knowledge being gained more quickly and translated into new or improved products.

The latest measurement campaign was conducted as part of the Geothermal Project, a project supported financially by the German Federal Ministry of the Environment, Nature Conservation and Reactor Safety (BMU) and coordinated by the German GeoResearch Centre (GFZ). Using online corrosion measurement methods, various materials were tested and compared in terms of their corrosion resistance. The spun cast pipes made of Centralloy® G 45 Mo and Alloy 59 which had been used under operating conditions for three years were dismantled and examined. The results show that even under these aggressive conditions, the newly developed, low-priced S+C material Centralloy® G 45 Mo did not sustain any corrosion. As well as its excellent anti-corrosion properties, this nickel-based alloy also possesses excellent mechanical properties, making Centralloy® G 45 Mo also suitable for use in applications with a heavy exposure to sour gas.

The statistical evaluation methods for analyzing the process data in steam crackers were further optimized with the aim of identifying the benefits of using new S+C technologies in terms of raising throughput, improving efficiency or extending the service life of such systems.



of the S+C Group as of 31.12.2013 (in thousand €)

	31.12.2012	31.12.2013
Fixed Assets	36,502	34,786
1. Intangible Assets	1,960	1,218
2. Fixed Assets	34,509	33,564
3. Financial Assets	33	4
Current Assets	95,272	113,658
1. Inventories	30,122	27,584
2. Accounts Receivable and other Assets	50,644	59,068
3. Securities, Bank, Cash	14,506	27,006
Deferred Expenses	1,145	1,514
ASSETS	132,919	149,958
Capital Resources*	62,491	72,168
Special reserve for investment premiums	50	0
Provisions	28,089	34,723
Liabilities	42,289	43,067
1. Liabilities due to Banks	33,103	21,288
thereof due within 1 year	11,749	9,033
thereof due between 1 and 5 years	19,843	12,148
thereof due after 5 years	1,511	107
2. Accounts Payable	5,237	16,096
3. Other Liabilities	3,949	5,683
Deferred Income	0	0
Liabilities	132,919	149,958

* including shareholders' accounts



"In 2013, the S+C Group succeeded in achieving the best ever result in its history."

Jan Kümmel, Chief Financial Officer

Consolidated financial statements

Besides the parent entity, Schmidt + Clemens GmbH + Co. KG, the consolidated financial statements also include a further six German and nine foreign subsidiaries and hence all the enterprises in which S+C directly or indirectly holds a majority of the shares. The consolidated financial statements have been drawn up on the basis of the German Commercial Code (HGB) rules in the version of the Accounting Law Modernization Act (BilMoG).

In 2013, the S+C Group recorded consolidated sales of €310 million, i.e. €36 million or 13.1% more than the previous year's figure of €274 million. The 2013 pre-tax result rose even more sharply compared to the previous year and reached a new record level.

The balance sheet total grew from €133 million in 2012 to €150 million in the year under review. The reason for this was the increase in current assets from €95.3 million to €113.7 million. While the inventories fell, the receivables and, in particular, the cash and cash equivalents increased sharply. The volume of fixed assets was slightly below the previous year's level.

Repayments on existing loans in an amount of €11.8 million resulted in a reduction in the amount owed to banks to €21.3 million in the year under review, down from €33.1 million in 2012.

In addition, free borrowing and guarantee credit lines are available in an amount of €107 million, most of which are contractually agreed for a period of three years. Additionally, pension provisions of €9 million are available for long-term borrowing. Together with the excellent equity ratio, which has risen still further compared to 2012, the assets of the Schmidt + Clemens Group are financed through long-term funding.

This sound and diversified financial base also puts S+C in the position to respond quickly and flexibly to any increase in the business volume and to fund strategic investments. Explicit mention should be made at this point of the investment in the construction of a new state-of-the-art production plant in Malaysia, which will contribute to the future growth of S+C.

Outlook

Altogether, the S+C Group has set itself ambitious goals for all areas of the business for 2014 and subsequent years. Achieving them will also have a positive impact on the most important business figures in future. Continuing growth in sales revenue combined with the continuation of good cost management will also ensure a positive result situation in future.



"The process of optimizing order handling and capacity utilization will continue in 2014. This is crucial to improving throughput times and delivery performance."

Dominic Otte, Chief Operation Officer

S+C production capacities

In the year under review, the new growth-gearred corporate strategy was adopted, with the consequence that the production capacities within the Schmidt + Clemens Group also have to be restructured.

In connection with the creation of additional capacity, the physical limitations on the availability of space at our Lindlar site made it necessary to also look at our operating locations in other countries. Through targeted investment at our Spanish subsidiary, Schmidt – Clemens Spain, in an additional smelting furnace and a further spun casting machine, we already succeeded in increasing the capacity there by 30%.

The new plant under construction in Malaysia, work on which started in early 2014, and the possibilities for expansion it will provide, mean that we will be able to make additional capacity available in future as and when it becomes necessary. The ground-breaking ceremony was held in February 2014, with construction work beginning in March. The new facility in Malaysia is scheduled to be ready for production in late 2014, and can be subsequently expanded to match sales growth.

Encapsulation of spun casting machine

In addition to the personal protection equipment for the workforce, the statutory regulations under the Occupational Safety Directive on Noise and Vibration are making it necessary to pay additional attention to the avoidance of emissions. 2013 was the start of work on the planning and realization of a prototype system for the encapsulation of spun casting machines. By direct comparison with a non-encapsulated machine operating under comparable conditions, the prototype is able to significantly reduce the noise level by up to 6 dB.

A further goal of encapsulation is to reduce dust and smoke emissions, and the results achieved in this area were also very good. It proved possible to cut the consumption of natural gas by about 5%. Aside from the cost aspect, this reduction in heat input also contributes to improving the ambient temperature and hence to improving the working and environmental conditions in general. It is planned to encapsulate two further machines in the course of the current year.



It was decided in 2013 to cease operation of the company ETS Tianjin in China, and the closure is now proceeding as planned. Also the activities of the extrusion tool division in Germany was stopped. On completion of the last orders in mid-year, work will begin on the necessary reorganization of the entire production layout at the site in Lindlar. This will include relocation of the deep-hole drilling operations to the Alfred Schmidt-Krayer shop so as to bring about optimum production flow in the manufacturing of pipes. Additionally, to increase capacity, it is planned to integrate the deep-hole drilling machine from the S+C plant in Brazil which has the production-site already been closed.

Following inspection and testing, the machining tools from the former extrusion tool business will be used in exchange or for expanding capacity at the German site.

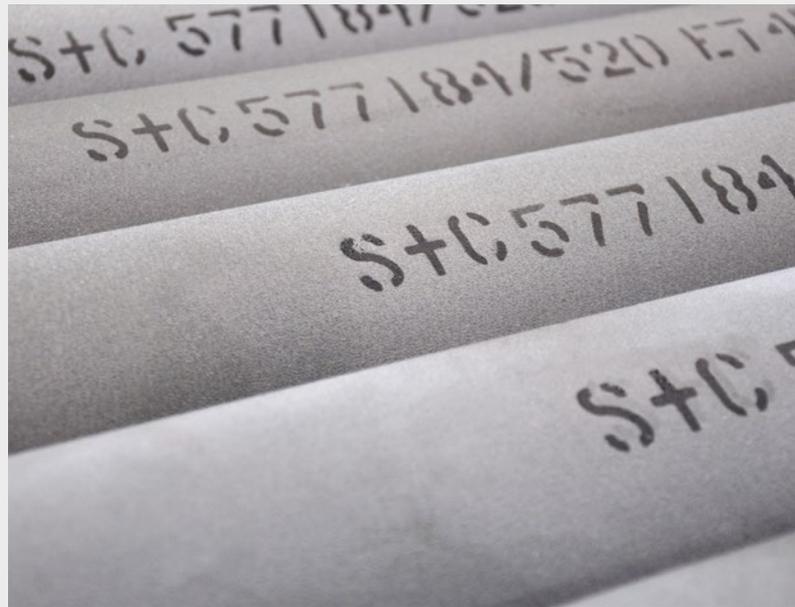
5-S activities

The 5-S activities were a key focus of attention in 2013 and have already made a major contribution to improving the processes at the German site. With a newly initiated "learnshop" concept, it is intended to pursue the change process at national and international level with even greater intensity in 2014, with differing emphases in the individual divisions and areas.

As well as the focus on one or several layout emphases, each learnshop is based on a phased, three-stage model comprising analysis, reorganization and implementation, and integration of the production personnel into the team.

Using this approach, work areas underwent optimization, resulting in documented improvements to the organization and layout of the machines, tools and workplaces. These standards were also applied in the planning for the S+C Academy, which was opened in 2013. Through the standardized layout of the workplaces, apprentices/trainees learn the rules of tidiness and cleanliness at the workplace right from the very beginning.

Through the introduction of corresponding cleaning plans, deviations from the ordered state can be more easily recognized. These measures will continue to form the basis for further process improvements.



Capacity planning

The optimization of order handling with corresponding visualization of the capacity utilization situation will continue in 2014. These measures provide a major contribution to further reducing throughput times and ensuring delivery performance. An additional goal is to reveal bottlenecks in production and enable them to be eliminated through meaningful investment measures in an effort to additionally optimize the crucial success factor of speed of delivery.

New purchasing structure

The reorganization of purchasing within the S+C Group was successfully driven forward in 2013. In addition to numerous strategic purchasing projects, the focus was also on the preparatory introduction of a group-wide lead buyer structure. The further integration between purchasing and technology contributed to adding sustained value to our enterprise. Purchasing will continue to pursue this approach vigorously in 2014. We have set ourselves challenging goals for the professional further development of our procurement structure and the value contributions generated by this.

Certifications 2013

In view of the organizational integration of the individual companies at the Lindlar site, the relevant certifications were also integrated. In the course of 2014, we are planning to have our occupational health and safety system at the Lindlar site certified under OHS 18001. The preparations for the certification process are already in progress.



"A large part of our HR work in 2013 was devoted to activities aimed at supporting and accompanying the Group's medium-term goal – i.e. the achievement of clear, profitable growth."

Ralf Welters, Director Human Resources S+C Group

On 31.12.2013, a total of 994 people were employed worldwide in all parts of the Group, including 611 at the parent site in Lindlar-Kaiserau. 18 apprentices/trainees and BA students embarked on their working careers with S+C at its German site in 2013. Apprentices and trainees accounted for 8% of the workforce in the year under review – a very high proportion. In 2014, 15 apprentices/trainees and two students will begin their professional careers at S+C. Altogether, S+C currently has 45 apprentices/trainees and students on its payroll.

New direction for international corporate development

A large part of S+C's HR work in 2013 was devoted to activities aimed at supporting and accompanying the Group's medium-term goal – i.e. the achievement of "clear, profitable growth". On the one hand, that means increasing sales on the Group's current markets and expanding into new markets. On the other hand – and this indicates the conflict of goals for HR in 2013 – profitable growth also means the gradual elimination of loss-making fields of business (Extrusion Toolings) and operating locations (China, Brazil). All necessary staff-related measures have already been dealt with or are in the process of implementation. At the same time, a process of intense qualification and skills-upgrading was initiated for employees and management personnel to enable them to handle future challenges and tasks, in particular in the areas of leadership, complexity management and know-how.

Qualification and personnel development

To enable our further qualification activities – further training, personnel development, vocational training – to be undertaken more efficiently, the S+C Academy was opened in September 2013. Additionally, we developed what we term a "Management Audit System". This is an HR policy system for the second and third management levels. At some time in the future, the S+C middle management will also be

brought in the system. Parameters of the management audit included detailed discussions with each executive employee by the management in relation to actual performance in the fields of conduct and leadership, identification of potential on the basis of the manager specification profile and possible medium-term target positions (successor arrangements, advancement). The aim is to obtain knowledge which is as objective as possible about the present and future management competence at S+C, especially in the light of the strategically targeted corporate growth and the resulting higher demands on management skills. In 2013, 80 internal training programmes were held for management personnel, especially on the subjects of "Leadership and coaching", "Conflict management based on the Harvard Concept" and "Giving and taking constructive feedback". For 2014, further audits are planned for the next tiers of management.

Internationalization of our vocational training system

In consultation with the Spanish authorities and our Spanish subsidiary, it has been decided to put an international vocational training system in place. In the coming months, two to three Spanish apprentices/trainees will receive training in Lindlar. This is a social policy contribution designed to support young people on the currently very difficult labour market in southern Europe.

Assessment of potential and feedback

Potential assessments were conducted and evaluated with all middle-level management personnel (approx. 80 people). This was followed by intensive feedback interviews with the participants, with each manager receiving a short report on his/her personal strengths and improvement potential. Especially in the areas of personnel leadership, emotional intelligence, empathy, commitment, personnel development and leadership, a higher need for development was identified.

Our further qualification activities at a glance

Personnel development	Further training	Basic training
Training in necessary qualifications and skills, including potential assessment and manager/talent development	Employee training; provision of specialist knowledge; skills upgrading measures in the current activity and for the future, e.g. <ul style="list-style-type: none">• Specialist courses/seminars• Language courses• IT user training	Apprenticeship/traineeship or study (Bachelor) in a recognized vocation, e.g. <ul style="list-style-type: none">• Machine and plant operator• Plant fitter/Welder Selection is usually carried out through and extensive assessment centre and intensive interviews

Attractive employer

As well as further qualification and skills upgrading for the existing workforce and management personnel, the growth of the business also means a need to recruit new, capable staff. In order to attract the “best” applicants and subsequently retain them in the enterprise, it is essential for S+C to enjoy an image as an attractive employer. The creation of the S+C Academy, our manifold training activities and our attractive HR systems are already supporting an image of this kind. A further offer in this area has been developed in the form of “worktime flexibilization” for management and salaried personnel: Provided certain requirements are fulfilled, our management employees will have the possibility, every three years, to take a period of extended, uninterrupted holiday leave lasting from 11 to 14 weeks. Later on, when some experience has been gathered with the system, it is planned to extend it to other employee groups.

Flexible part-time arrangements for administration employees

Unlike the production sector, flexible part-time working arrangements in the administration sector have been largely ignored in the public debate. We have developed flexible models that take account both of our employer interests as well as the working and free-time preferences of the employees. These models are designed in particular to meet the needs of people whose ability to take up or continue in employment is dependent on the availability of working time models of this kind.

Outlook

In 2014, our sights will continue to be firmly set on qualification and training measures and on further enhancing S+C's attractiveness as an employer. Special focal fields will include the training of our management personnel on all levels, management audits for the middle management and a new “structured development interview” for our

employees. Our programme for the identification and promotion of talent will continue in the current year.

Our website underwent marked improvement in relation to HR matters and now offers applicants all key information about the S+C Group itself and our HR strategy. As well as useful tips with regard to applications, it now also offers the possibility for people to apply. In 2013, Schmidt + Clemens received an accolade from the employer application portal KUNUNU, being named a “Top Company – Recommended by Employees”. As from this year, 2014, we also bear the “Open Company – We love openness” seal, as further documentation of the great value our enterprise places on receiving feedback from our employees.



Altogether, we see a generally positive mood in the German economy. Nevertheless, we take the view that the euro debt crisis and the development in the Arab countries continue to give cause to plan cautiously. For the Schmidt + Clemens Group, the year 2014 has started very much as 2013 ended, i.e. with a strong volume of orders on hand ensuring full capacity utilization at all our operating locations worldwide for several months ahead.

Market leadership maintained

In 2013, Schmidt + Clemens was able to maintain its world market leadership in pipe systems for the petrochemical industry. We achieved this by pursuing a strategy that has remained unchanged at core for years - namely by supplying better solutions to meet the requirements of our customers than our competitors are able to. It also includes growing our existing core businesses and either restructuring loss-making activities and returning them to profitability or closing them down.

As well as expanding our core business, we are also constantly striving to develop new applications for our products. By upgrading the technical capabilities and increasing the staffing level of our Research & Development Centre at the Group parent site, we have made a further contribution to this process. As a result, we are increasingly able to understand complex processes faced with by our customers and offer assistance in dealing with them.

Strategic goals

One of our key strategic goals has, for a long time, been the development of a second business pillar, and this is now being realized in the shape of a new "special pipes" division. Extensive groundwork for this has already been done, including the development of the relevant materials and obtaining the necessary approvals and certifications from the appropriate testing bodies. The worldwide demand for special pipes of this kind will increase in the next few years. With our short delivery times, flexibility in terms of materials, wall thicknesses and diameters, and tighter production tolerances in the finished pipes, we are able to offer a 100% match to the needs of the market.

The results of our research & development work in relation to corrosion-resistant materials have been presented at technical conferences, including, for example, Eurocorr and Nace Corrosion, as well as other technical forums. In this way, we have been able to draw the attention of the industry to the properties of the corrosion-resistant materials developed by S+C and made using the spun casting process. Also deserving of mention in this context is that application of the new S+C Production System (SCPS) is being further expanded at the Lindlar site in the current year. To do this, we have undertaken some personnel restructuring and also recruited appropriate experts. Eventually, the SCPS will also be introduced at our production locations in other countries.

Production locations

- Germany** Schmidt + Clemens GmbH + Co. KG
- Spain** Schmidt - Clemens Spain S.A.U
- Czech Republic** S+C ALFANAMETAL s.r.o. concern
- Malaysia** Schmidt + Clemens (Asia) Sdn. Bhd.
- Kingdom of Saudi-Arabia** Schmidt + Clemens Saudi Arabia Ltd.
- United Kingdom** S+C Bowers & Jones Ltd.

Sales locations

- Brazil** Schmidt + Clemens Brasil
- United Arab Emirates** Schmidt + Clemens Middle East
- India** Schmidt + Clemens GmbH + Co. KG, India Liaison Office
- USA** Schmidt & Clemens Inc.



Our HR strategy

For many years now, our human resources strategy has been a very important matter for us. So also in the current year, a large number of measures are once again scheduled in this area. For one thing, we are planning the introduction of an employee appraisal system at our Group parent site. And for another, starting from this year, we are offering all employees flexible working time models. These measures are flanked by management audits, with our management and executive personnel being assessed according to a wide range of criteria.

September 2013 saw the completion of the new S+C Academy. With over 1,500 square metres of floor space, it offers the possibility for the first time to bring together basic and further training and also the personnel development activities all under one roof. To make this possible, a sum of altogether €1.5 million was invested in the building alterations and the necessary equipment. In 2014, every effort will be made to firmly establish the Academy. Many training courses, seminars and workshops have already been held by internal and external experts.

To ensure the further growth of the S+C Group, an agreement was signed at the end of September 2013 for the purchase of a site with a size of seven hectares for S+C (Asia). The construction of a state-of-the-art spun casting production plant similar to that of our subsidiary in Spain is scheduled for completion this year and represents S+C's biggest investment for 2014.

According to a study by the World Bank, Malaysia is becoming increasingly established as one of the best places in the world to do business. In its study, the World Bank names the simplified tax system and ease of applying for building permits among Malaysia's particular advantages. In the same study, Germany only ranks in 21st place. Another advantage of Malaysia are the energy costs. According to the VK, the Association of Industrial and Commercial Energy Customers in Germany, they have an index figure of only 63% (basis: Germany = 100%). The agreements for the purchase of the new site were already signed in the year under review, with the ground-breaking ceremony for this ambitious project taking place on 12 February 2014. The plant is scheduled to go into production towards the end of the current year.

So viewed altogether, Schmidt + Clemens is now very well placed, with the new special tubes business and the new factory in Malaysia offering good opportunities for profitable growth.





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- Iron-ore direct reduction

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Services

- Metallurgy and material engineering
- Material analysis and examinations
- Metallurgical defect analysis
- Process and material consulting
- Design of tubes and tube systems

Production locations

Germany, Spain, United Kingdom, Czech Republic, Malaysia, Saudi-Arabia

Industries

- On- and Offshore

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- Material welding services
- Mechanical machining
- Heat treatment
- Convection zones
- Site services and logistics

Industries

- Power technology
- Industrial furnace construction
- Separation technology
- Pump manufacturing
- Machine and plant construction

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