

SCHMOLZ + BICKENBACH GROUP

Company Presentation
June 2016





- 1 INVESTMENT HIGHLIGHTS**
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1 INVESTMENT HIGHLIGHTS



Key Investment Highlights

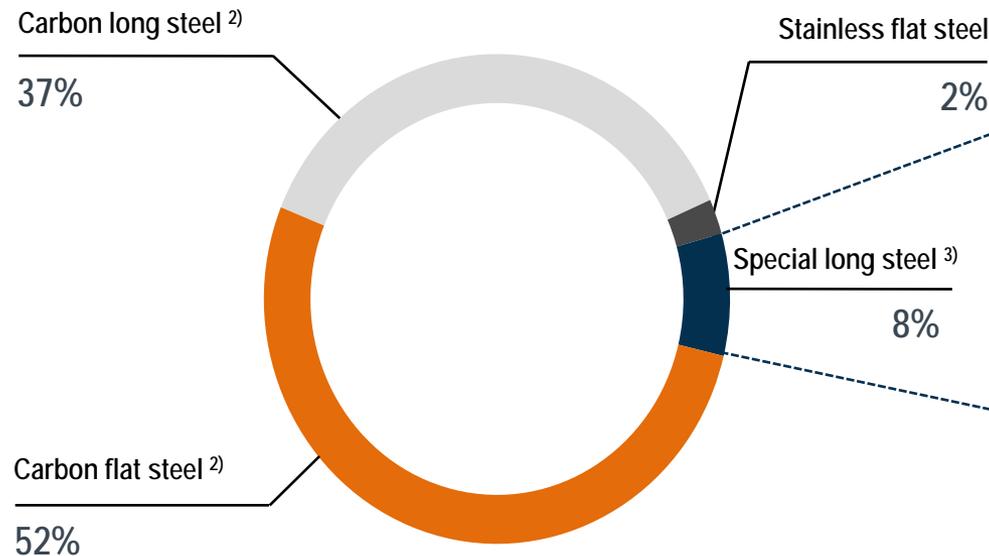
- 1** Leading global producer, processor and distributor of special long steel products, operating with a global sales and services network in an attractive niche market
- 2** Strong customer relationships, well diversified customer base in various application industries and strong global footprint with presence in all relevant geographic markets
- 3** Comprehensive range of quality products to nearly 30 000 customers around the globe
- 4** Stable gross profit margin with the ability to pass on raw material price volatility to a large extent to the customer
- 5** State-of-the-art production facilities and equipment in capital-intensive industry
- 6** Strong brand names with complementary product portfolio



1 Attractive niche market

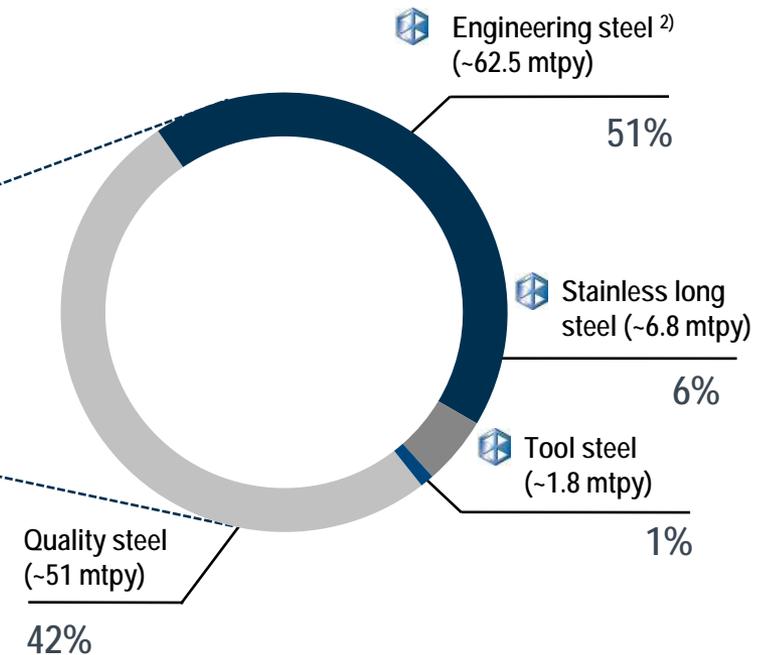
Global finished production, 2015

in %, 100% = 1 454 mtpy ¹⁾



Global special long steel production, 2015¹⁾

SCHMOLZ + BICKENBACH's core market, in %, 100% = 122.2 mtpy



1) Source: SMR update 01.06.2016

2) Source: Estimation based on SMR update 01.06.2016

3) Source: Estimation based SMR update 01.06.2016

1 Leading global producer, processor and distributor of special steel long products

PRODUCTION



- » Production of special long steel from scrap and alloys
- » Six electric arc furnaces in Canada, France, Germany, Switzerland and the USA
- » Rolling and forging capacities at nine facilities covering a wide product range from fine wire to large forged products



- » Processing of high-grade steels such as the production of bright steel and special long steel to customer specific needs
 - » Drawing
 - » Sawing
 - » Grinding
 - » Turning
 - » Heat treatment services

SALES & SERVICES



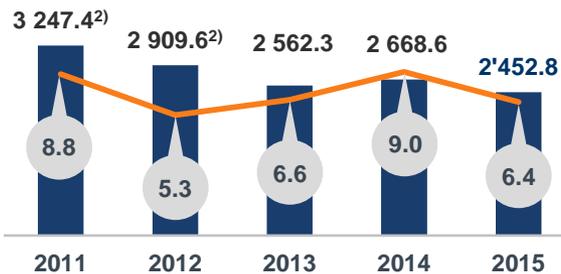
- » Worldwide sales/trading of special long steel
- » Inventory logistics and post-processing services
- » Global network in relevant markets

Adj. EBITDA (EUR m)¹⁾

Revenues (EUR m)

Adj. EBITDA margin (%)¹⁾

284.9²⁾ 135.1²⁾ 168.5 240.5 156.9

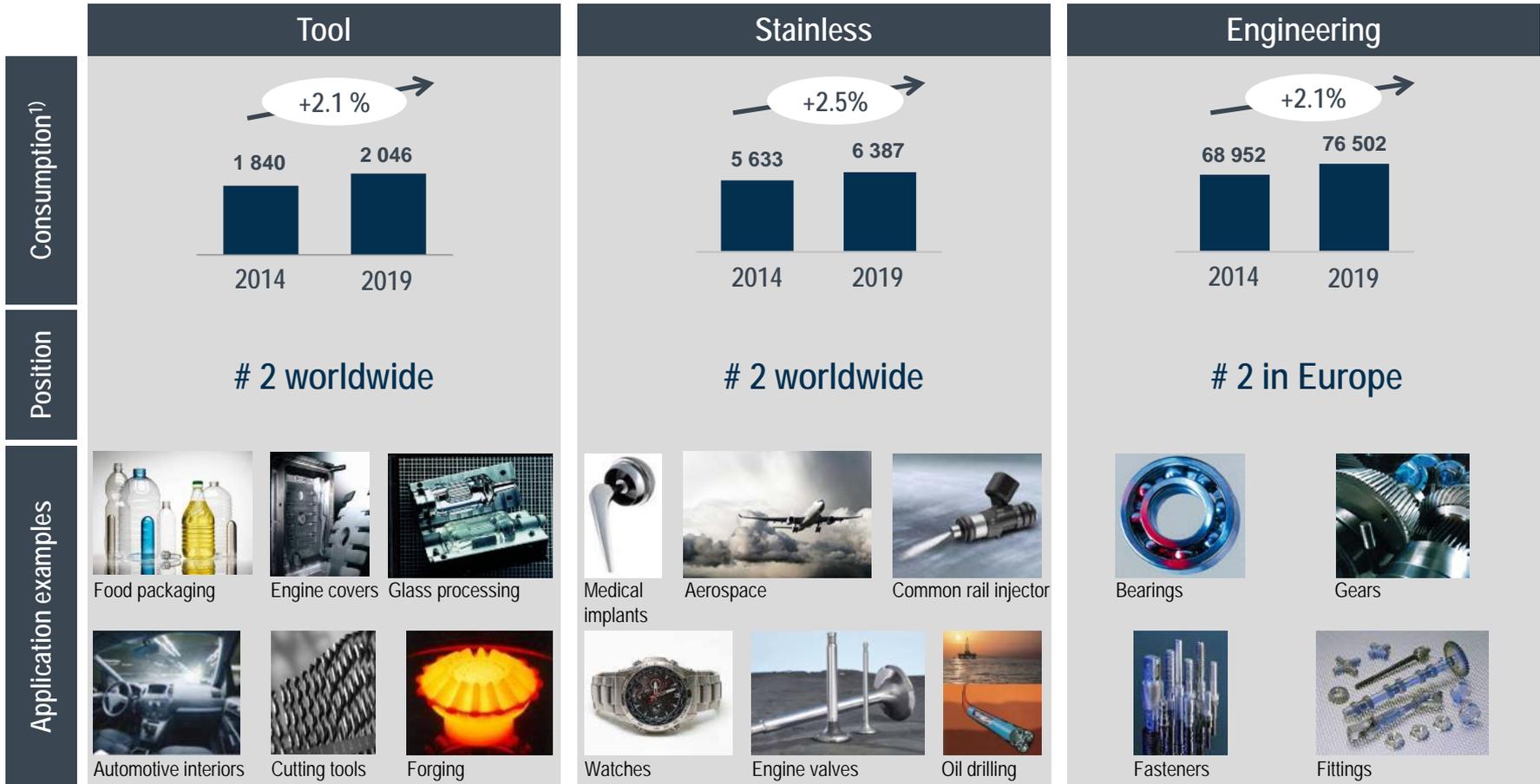


25.8³⁾ 15.9³⁾ 13.9 23.7⁴⁾ 19.6⁴⁾



- 1) Divisional financials do not add up to group revenue and EBITDA due to consolidation and other effects
- 2) Combined figures for former divisions "Production" and "Processing", not adjusted for consolidation effects
- 3) Former division "Distribution + Services"
- 4) Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the respective entities as at 22.7.2015, the figures for the reporting period now refer only to continuing operations. The prior-year figures were restated accordingly.

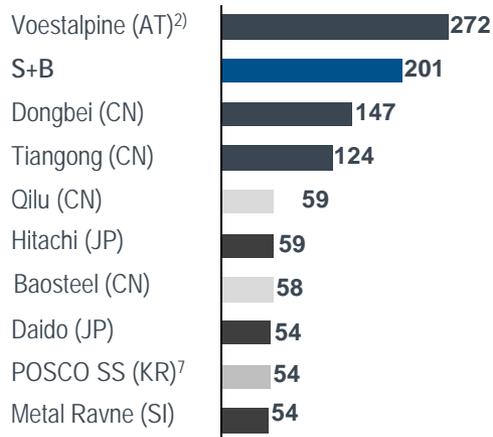
1 Leading positions in markets with attractive growth prospects



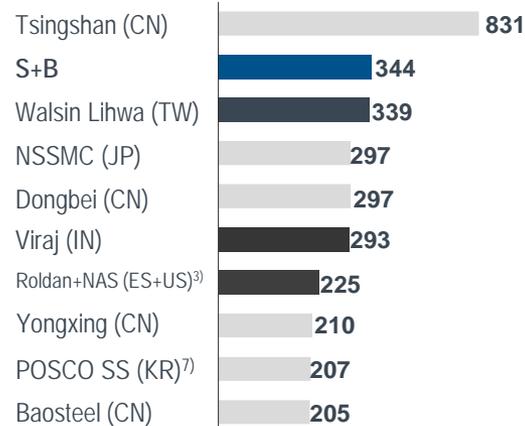
1) SMR (in ktpy; April 2015, CAGR); expert estimations; SCHMOLZ + BICKENBACH

1 Leading positions globally – Top producers of special long steel

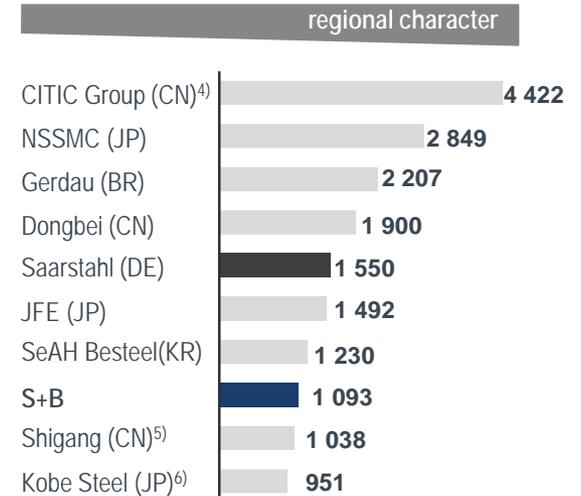
Top 10 tool steel¹⁾



Top 10 stainless long steel¹⁾



Top 10 quality/engineering steel¹⁾



regional character

Additional direct competitors

AM Industeel (FR), Ellwood (US), Eramet Alliage (FR), GMH Gröditz (DE), GMTC Gloria (TW)

BGH (DE), Cogne (IT), Daido (JP), Outokumpu (FI)

Ascometal (FR), BGH (DE), Buderus (DE), GMH (DE), Lechstahl (DE), Ovako (SE)

2 worldwide

2 worldwide

2 Europe

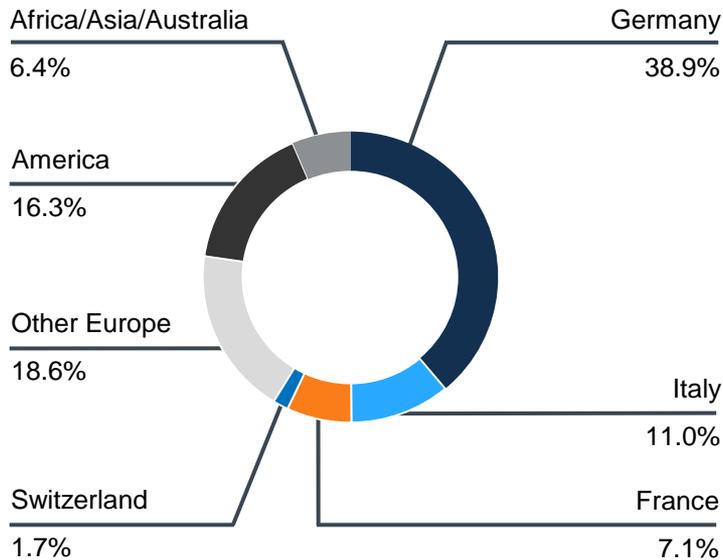
 SCHMOLZ+BICKENBACH

 Direct competitors

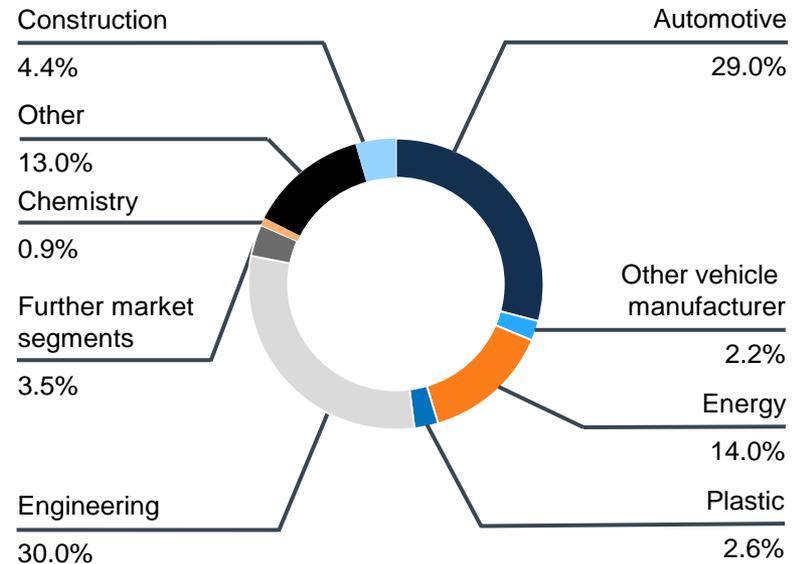
1) SMR 2014 in ktpy 2) division Special Steel 3) part of Acerinox Group 4) Xingcheng, Xinyegang
5) Part of Hebei Iron + Steel Group 6) incl. Nippon Koshua, 7) Part of SeAH Besteel

2 Well-balanced revenue streams, strong customer relationships, wide range of application industries and broad geographic reach

Revenue by region 2015



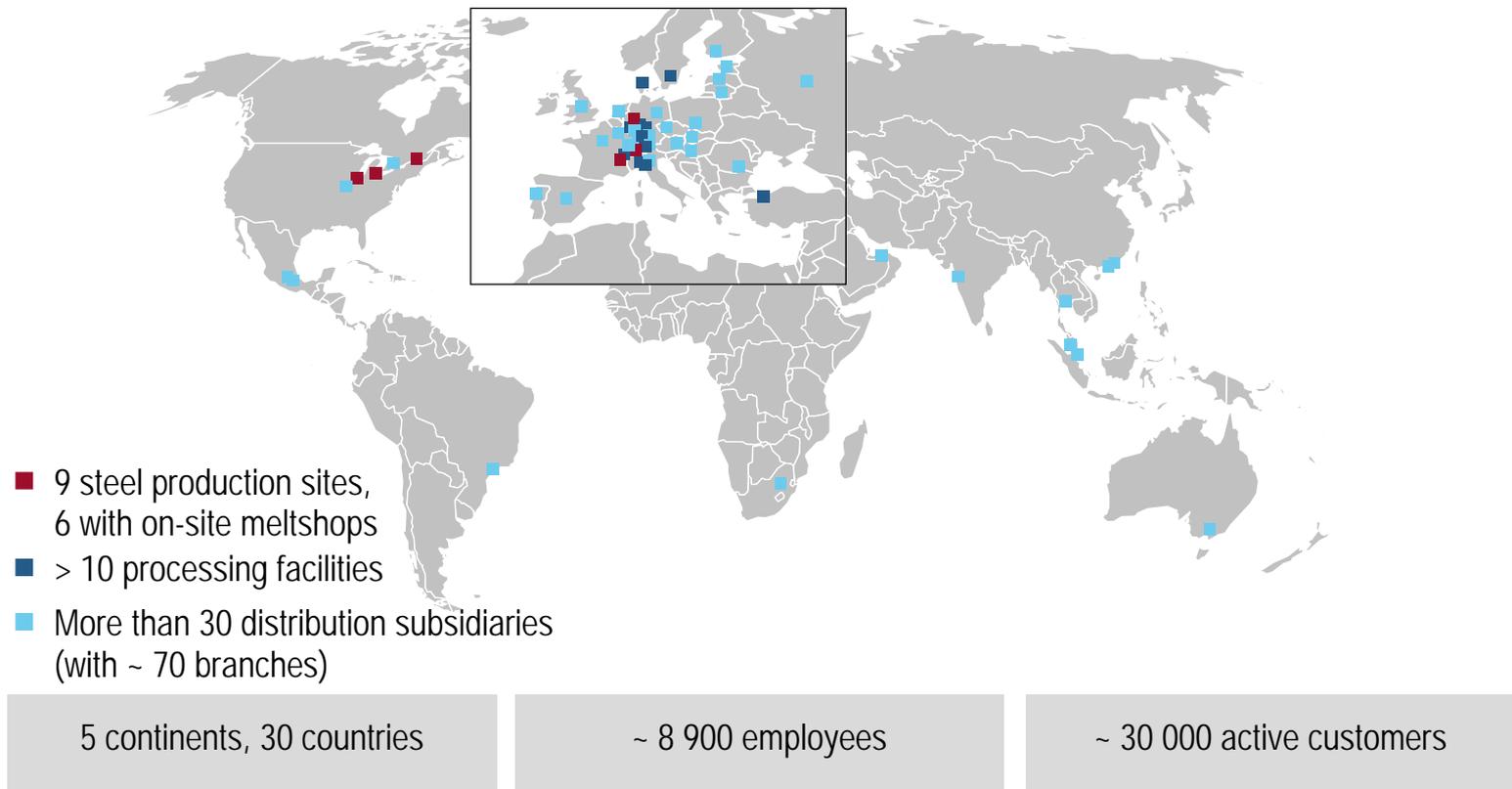
Revenue by market segment 2015



* Aerospace 0.6%, Mining 1.1%, Food and Beverage 1.8%

- » Top 20 customers accounted for only 18% of revenue, largest customer <3% of total revenue
- » Approx. 77% of the German passenger car production and of the German engineering production are exported (sources: VDA 2014, VDMA 2013)

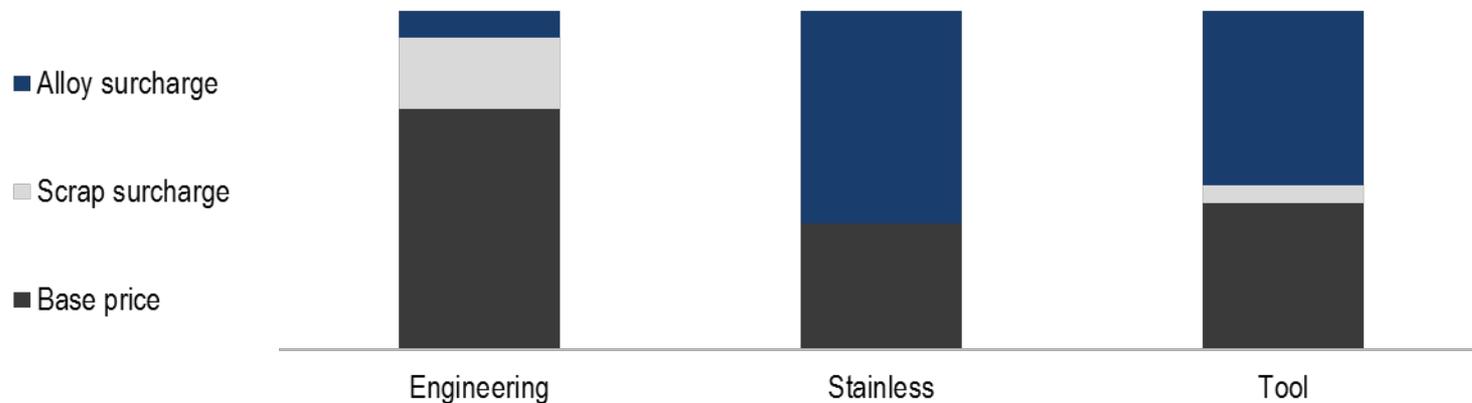
3 Present in key markets for Special Long Steel, able to consistently serve global customers with its global distribution network





4 The industry-wide surcharge system allows to pass raw material price fluctuations largely on to customers

Decomposition of effective prices for representative grades



- » Carbon steel is facing significant challenges to adapt to spot prices for iron ore and coking coal
- » The special long steel industry follows an index system. E.g. surcharge is based on a fixed Nickel price index¹⁾, scrap surcharges follow local surcharge mechanisms
- » Customers accept this industry-wide arrangement, as a result, the industry is widely protected against raw material price volatility

1) Independent from the actual sourcing price of the producer

5 State-of-the-art production equipment thanks to the investment of ca. EUR 1.4 bn within last 10 years

- » Current network of facilities allows to grow the business without any significant increase of capacities
- » Key strategic acquisitions in the past increased global footprint and led to leading positions in all sub-segments
- » Approx. EUR 1.4 bn investment in value chain since 2005 – well above depreciation of ca. EUR 750 m in the same period – led to state-of-the-art production equipment across all business divisions, an expanded product spectrum and integrated production capabilities
- » Invested even throughout financial crisis as exemplified by new south Chicago facilities, which became operational in 2013



Expansion of rolled wire dimensions (Swiss Steel)



150 metric ton tapping crane (Swiss Steel)



Processing (Sales & Services)



Descaling systems (Ugitech)



Powder Metallurgy (DEW)



New facility (Finkl)

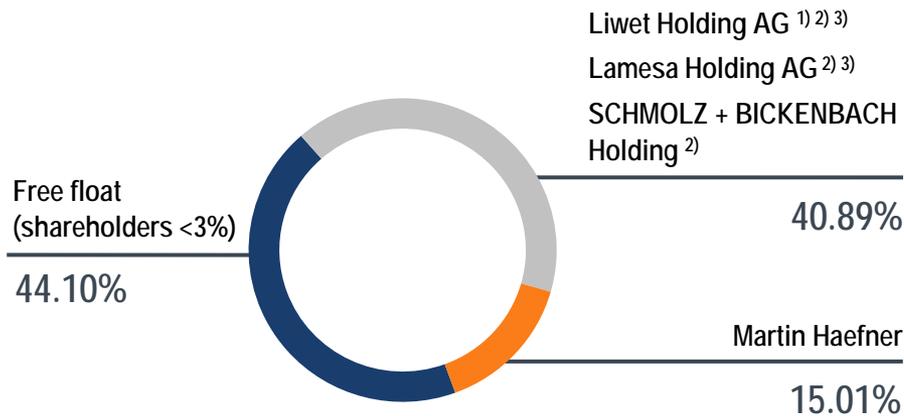
6 Production business units with strong brand names and complementary product portfolio form together a leading position across all steel segments

	Tool	Stainless	Engineering ¹⁾	Details of product portfolio
DEW	✓	✓	✓	Wide range of steel grades and dimensions (0.8 mm wire to 1 100 mm forged products) allows comprehensive market coverage
Finkl Steel	✓		✓	Leading positions and strong brands with focus North America; with DEW complimentary product range in key industries (e.g. oil & gas)
Steeltec			✓	Premium range of bright steel products with strong brand products (e.g. ETG/HSX); key industries automotive and mechanical engineering
Swiss Steel			✓	Expertise in lead-alloyed free-cutting steel, strong presence in Germany, Italy and Switzerland with leading positions
Ugitech		✓		Clear focus on stainless steel (fine wire, wire rod and bars), together with DEW European market leader

Leading position across special long steel segments, with complementary product ranges and market access potential

1) including free cutting steel

Swiss listed company with supportive anchor shareholders



Shareholder Structure as of 31 March 2016

Key facts	
ISIN	CH0005795668
Securities symbol	STLN
Type of security	Registered share
Trading currency	CHF
Listing	SIX Swiss Exchange
Membership in indices	SPI, SPI Extra, SPI ex SLI, Swiss All Share Index
Number of shares	945 000 000
Nominal value in CHF	0.50

- 1) Acquisition of assets and liabilities of Venetos Holding AG, in Zurich (CHE – 114.533.183), pursuant to the merger agreement dated 18.2.2015 and balance sheet as at 29.12.2014.
- 2) The Group also holds 11 168722 purchase options, corresponding to an underlying holding of 1.18%.
- 3) As at 31.12.2014, Venetos Holding AG, Switzerland, and Renova Industries Ltd., Bahamas, were direct shareholdings. The beneficial owners do not change.



2 STRATEGY AND MID-TERM TARGETS

SCHMOLZ + BICKENBACH's positioning in the value chain



Engineering steel	Mining Scrap		Automotive Engineering Energy
Stainless long steel			
Tool steel			



Key results of the strategic review: Focus on core competencies – SCHMOLZ + BICKENBACH is a production company

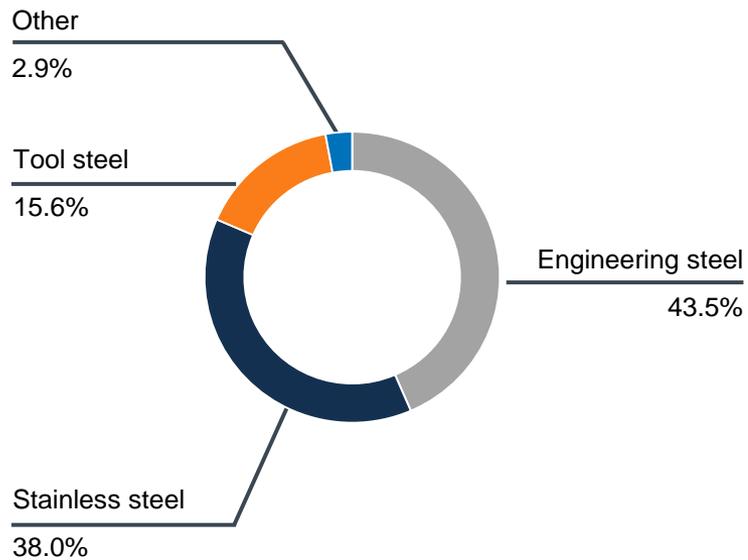
Company profile	Guiding principles
<p>SCHMOLZ + BICKENBACH is a leading producer of special long steel with a dedicated global Sales & Services network focusing on client demands and product quality</p>	<p>Production is the core of SCHMOLZ+BICKENBACH'S business – Mills allow differentiation due to know-how, expertise and assets</p>
	<p>Entire value chain setup to support production business – Focus on processing and distribution of own mill products</p>
	<p>Product portfolio strategy is to focus on high-margin products in tool, stainless and quality/engineering steel leveraging strategic advantages of business units</p>
	<p>Synergies within the group are captured and joint group strategy is applied to all business units</p>
	<p>Stronger corporate governance and corporate culture, strategic management holding with strong central functions. Coordinated, appropriate investment policy</p>



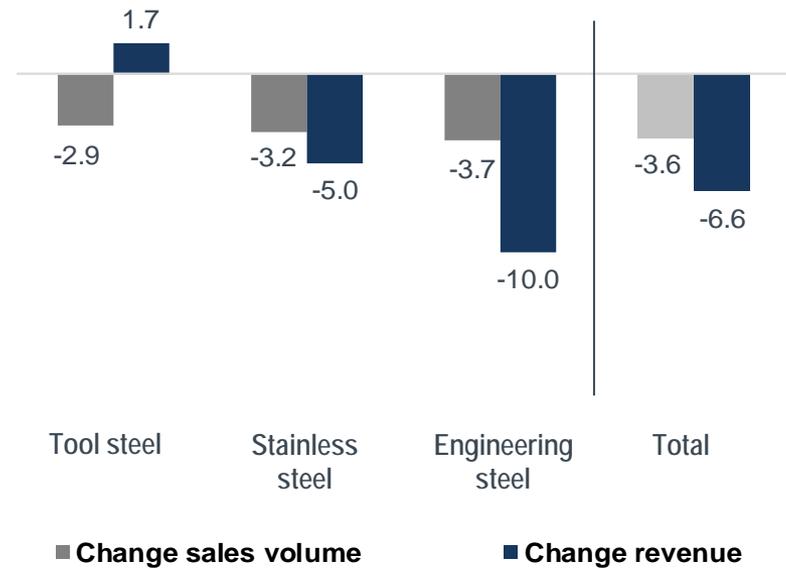
3 FINANCIAL OVERVIEW

Sales volume and revenue by product groups

Revenue by product groups 2015



Change in sales volume* and revenue* (2015 to 2014 in %)



* Restated due to deconsolidation of discontinued operations



Key figures of financial performance

in m EUR (all figures continuing operations)	FY 2015	FY 2014	Change
Production crude steel (kilotonnes)	1 907	2 014	-5.3%
Sales volume (kilotonnes)	1 763	1 829	-3.6%
Revenues	2 679	2 869	-6.6%
Adjusted EBITDA / adjusted EBITDA margin	169.6 / 6.3%	256.6 / 8.9%	- EUR 87 m / -260 bps
EBITDA / EBITDA margin	159.0 / 5.9%	246.6 / 8.6%	- EUR 87.6 m / -270 bps
Earnings after taxes (EAT)	-35.4	52.0	n/m
Net income/loss (EAT) ¹⁾	-166.8	50.0	n/m

¹⁾ includes impairment of EUR -128 m from discontinued operations

Revenues and EBITDA of the divisions

Revenues (in m EUR)	FY 2015	FY 2014	Change (%)	Q4 2015	Q4 2014	Change (%)
Production ¹⁾	2 452.8	2 668.6	-8.1	514.8	628.4	-18.1
Sales & Services ¹⁾	543.5	496.9	+9.4	117.3	124.0	-14.3
SCHMOLZ + BICKENBACH Group ^{1) 2)}	2 679.9	2 869.0	-6.6	571.3	677.5	-15.7

Adjusted EBITDA (in m EUR)	FY 2015	FY 2014	Change (in m EUR)	Q4 2015	Q4 2014	Change (in m EUR)
Production ¹⁾	156.9	240.5	-83.6	38.2	64.2	-26.0
Sales & Services ¹⁾	19.6	23.7	-4.1	3.0	3.5	-0.5
SCHMOLZ + BICKENBACH Group ^{1) 2)}	169.6	256.6	-87.0	40.6	64.6	-24.0

¹⁾ Continuing operations

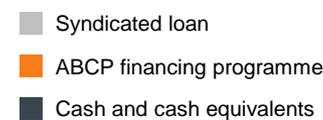
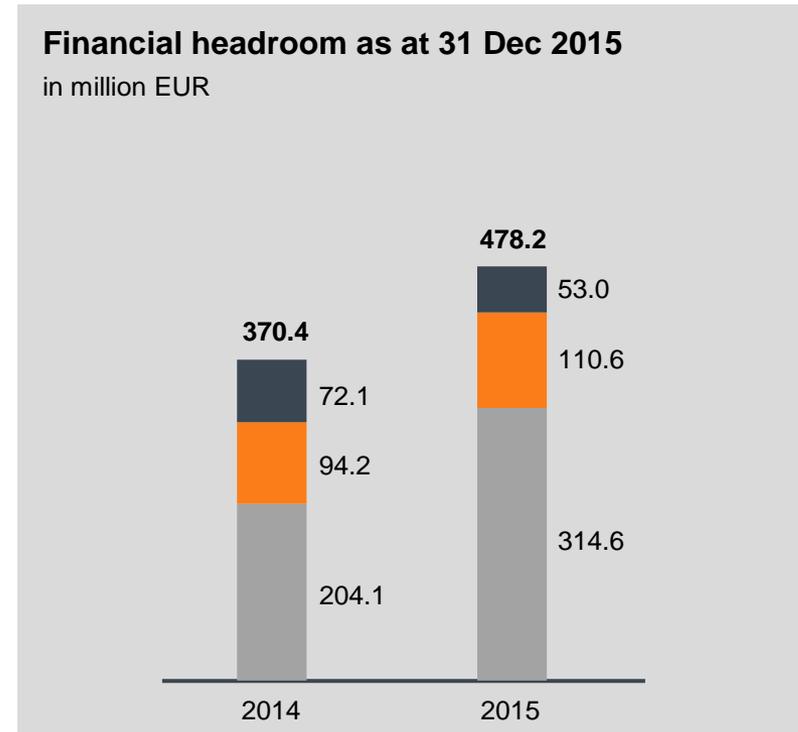
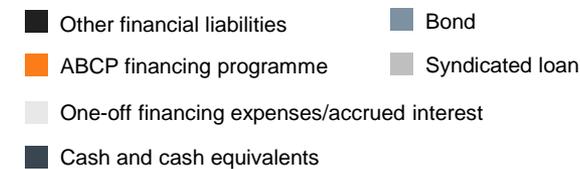
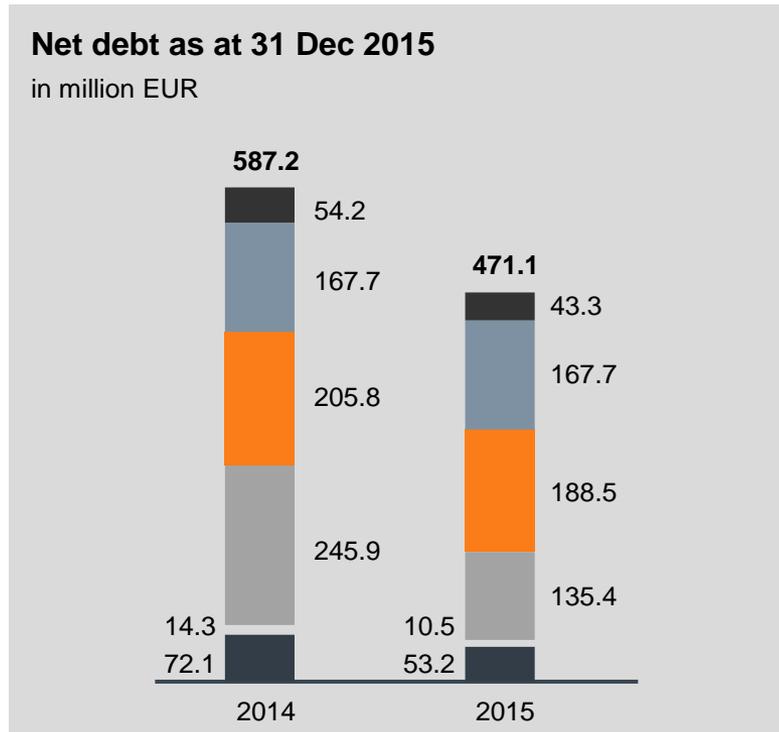
²⁾ Group figures include Other and consolidation/eliminations

Key figures on financial situation

		31 Dec 2015	31 Dec 2014	Change (%)	31 Mar 2015
Net debt	EUR m	471.1	587.2	-19.8	488.5
Net debt/adjusted EBITDA ¹⁾	factor	2.8	2.3	0.5 points	3.5
Shareholders' equity	EUR m	750.6	900.9	-16.7	687.7
Equity ratio	%	35.6	35.9	-30 bps	32.6

¹⁾ LTM

2015: net debt reduced – financial flexibility increased





4 OUTLOOK AND GUIDANCE 2015



Outlook 2016 – markets will remain challenging

Macroeconomic environment

- » Outlook for global economic growth remains subdued
- » Development of commodity prices – especially for scrap steel and important alloy metals nickel, ferrochrome and molybdenum – are currently unpredictable
- » SCHMOLZ + BICKENBACH expects market conditions to remain challenging throughout 2016

Industry Sectors

- » Weakness in demand from oil & gas industry expected to continue
- » Automotive industry remains on a moderate growth path
- » Mechanical & Plant Engineering with zero growth



Actual Performance Improvement Programs with an EBITDA Potential of EUR 70m

Realignment DEW

- » Productivity improvement
- » Reduction of production cost
 - Yield improvement
 - Maintenance costs
 - Energy cost + efficiency
 - Lower raw material cost

Purchasing

- » Improved supply chain for scrap at Swiss Steel
- » Usage of higher quantities of raw scrap instead of ready-to-use-scrap
- » Renegotiation of key supply contracts

» 2/3 achievement in 2016

» EUR 10m expenses foreseen to support improvement projects

» Enabler projects ongoing to improve focused steering and integration (e.g. Hedging, Benchmarking, VMV)

Top-line

- » New customer development for Finkl / Sorel
- » Sales development e.g. bars specialties Ugitech or new customers Steeltec
- » Product mix improvement Swiss Steel

Other

- » Reduction outgoing freight
- » Closing of warehouse and optimization of distribution
- » Reduction of general and administrative expenses

» Further restructuring measures if no profitable capacity utilization can be achieved in current market environment



Outlook – 2016 and mid-term guidance

Full-year 2016 targets:

- » **Sales volumes** to remain stable compared to full-year 2015
- » **Adjusted EBITDA** between EUR 150 million and EUR 190 million
- » **Capex** approximately EUR 100 million
- » A **weaker first half-year** and a **stronger second half-year** compared to 2015

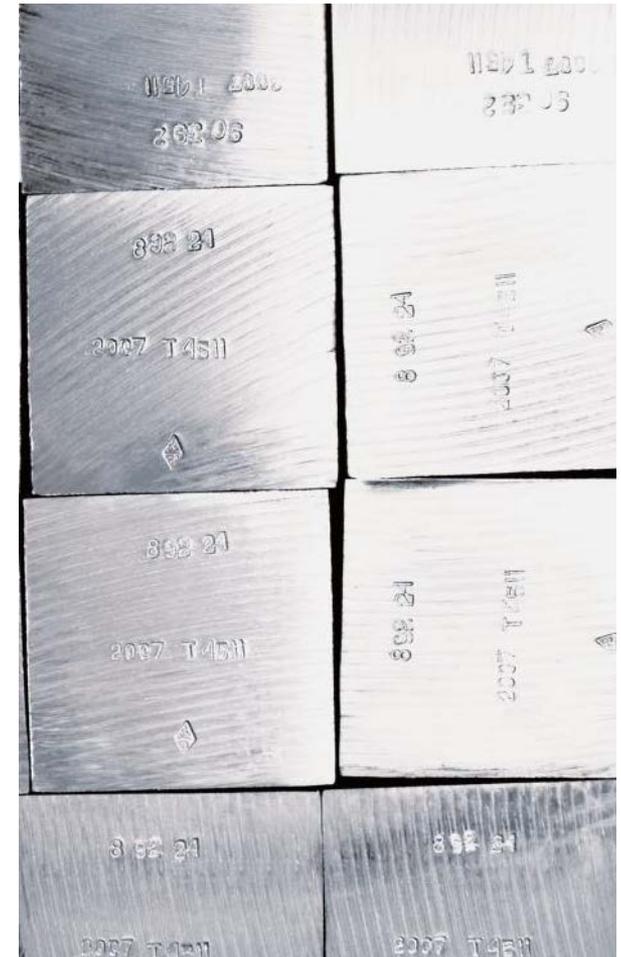
Mid-term targets:

- » An **adjusted EBITDA margin above 8% over an economic cycle**
- » An **adjusted EBITDA-Leverage** (net debt/adjusted EBITDA) of **< 2.5 times**

5 KEY TAKE-AWAYS

Key take-aways

- » Fundamentally attractive investment case despite challenging market environment
- » Leading global provider of special long steel solutions in an attractive niche market
- » Strong customer relationships, well diversified customer base in various application industries and strong global footprint with presence in all relevant geographic markets
- » Stable gross profit margin with the ability to pass on raw material price volatility to the customer
- » State-of-the-art production facilities and equipment in capital-intensive industry
- » Strong brand names with complementary product portfolio
- » Implementation of strategic realignment to address strategic and operational weaknesses and reduce cost base well under way



6 APPENDIX

Nickel price development – 10 years

As at 25 May 2016



Source: Bloomberg

— LME Nickel cash USD/mt

Appendix

Nickel price development since 1 Jan 2015



Source: Bloomberg

— LME Nickel cash USD/mt

Appendix

Scrap steel price development since 1 Jan 2015

As at 25 May 2016



Source: Bloomberg

— Steel scrap shredded fob Rotterdam USD/mt

Appendix



5 years overview

		2011	2012 ¹⁾	2013	2014 ²⁾	2015
Sales volume	kilotons	2 274	2 044	2 054	1 829	1 763
Revenue	million EUR	3 942.9	3 581.4	3 276.7	2 869.0	2 679.9
Adjusted EBITDA	million EUR	296.2	151.8	178.8	256.6	169.6
Operating profit (loss) (EBIT)	million EUR	179.6	-13.8	17.8	130.2	34.9
Net income (loss) (EAT)	million EUR	42.7	-157.9	-83.7	50.0	-166.8
Investments	million EUR	125.6	141.0	105.7	97.3	161.9
Free cash flow	million EUR	191.6	44.0	73.7	65.2	179.0
Equity ratio	%	30.9	26.2	37.1	35.9	35.6
Net debt	million EUR	860.4	902.8	610.1	587.2	471.1
Gearing	%	101.9	142.6	68.6	65.2	62.8

¹⁾ Figures of 2012 adjusted to IAS 19R.

²⁾ Restated due to the classification of the discontinued operations as at 31.3.2015, which were deconsolidated as at 22.7.2015.



Financial calendar and contact

Date	Event
11 August 2016	Q2 2016 Results Publication, Conference Call
15 November 2016	Q3 2016 Results Publication, Conference Call

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