

SCHMOLZ + BICKENBACH
Investor Presentation
**Annual Results 2014/
Outlook 2015**
Zurich, 12 March 2015





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Matthias Wellhausen to be the new CFO of SCHMOLZ + BICKENBACH AG as of 1 April 2015



Matthias Wellhausen (1957, German)

- » Banking professional and graduate economist
- » Long and successful career in finance, treasury and controlling positions as well as in the steel industry
- » Focus areas: steering of production and administration costs, optimisation of current assets, integration of international structures
- » Experienced CFO and steel manager with extensive management experience
- » Working for ten years in different management positions in the areas finance and controlling at IBM
- » Since 1996, he held several CFO positions within the ArcelorMittal Group



- 1 BUSINESS OVERVIEW 2014**
- 2 FINANCIAL PERFORMANCE 2014**
- 3 OUTLOOK AND GUIDANCE 2015**
- 4 APPENDIX**



1 BUSINESS OVERVIEW 2014



Highlights 2014 (I)

Implementation of new strategy

- » April 2014: Clemens Iller starts as new CEO
- » New corporate functions like Technical Development, Central Purchasing and Sales Coordination have been created
- » The Sales & Services division is being reorganised
- » Earnings improvement programme is well on track

Financing

- » June 2014: Refinancing secured
 - New EUR 450 m revolving credit facility with maturity in April 2019
 - Prolongation of EUR 300 m ABCP-programme until April 2019
- » October/November 2014: Rating upgrades
 - Standard & Poor's upgrades the rating to B+ from B with a stable outlook
 - Moody's upgrades the rating to B2 with a stable outlook



Highlights 2014 (II)

Markets and prices

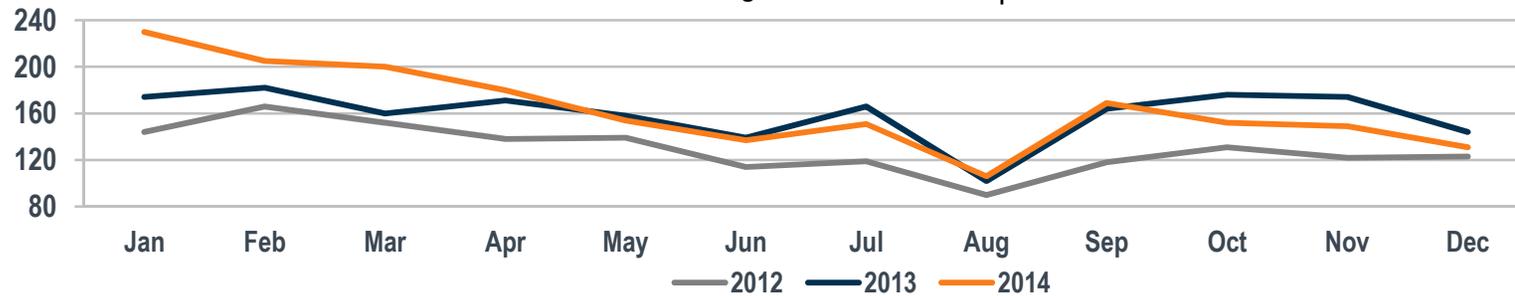
- » Order intake increased by 4.9%, after strong H1 normalisation in H2
- » Customer industries: automotive and oil & gas with strong demand, engineering is only slightly picking up
- » Persisting pressure on base prices
- » Nickel price with high volatility, closed the year with a plus of 6%

Operational development

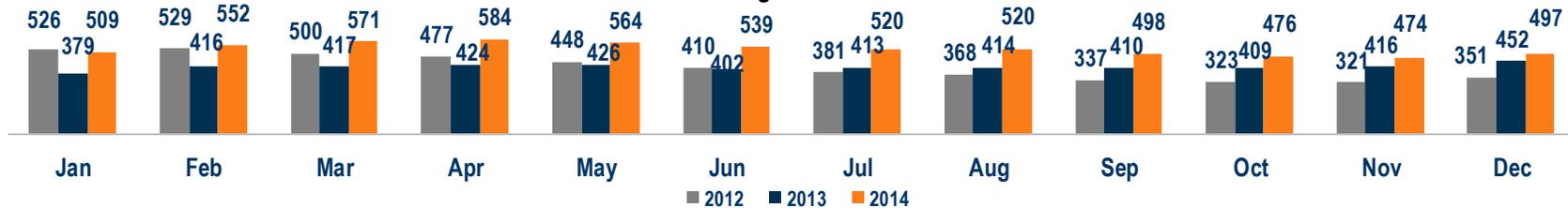
- » Sales volume increased by 3.9% (81 kt) to 2 135 kt
- » Revenue increased by 1.9% to EUR 3 338.4 m due to a somewhat lower price level
- » Gross margin improved to 35.0% (2013: 32.2%)
- » Adjusted EBITDA amounted to EUR 261.7 m in 2014, an increase of 46.4%; adjusted EBITDA-margin improved to 7.8% (2013: 5.5%)

Improvement in order intake, order backlog and sales volume

Incoming orders 2012 – 2014 | in kt



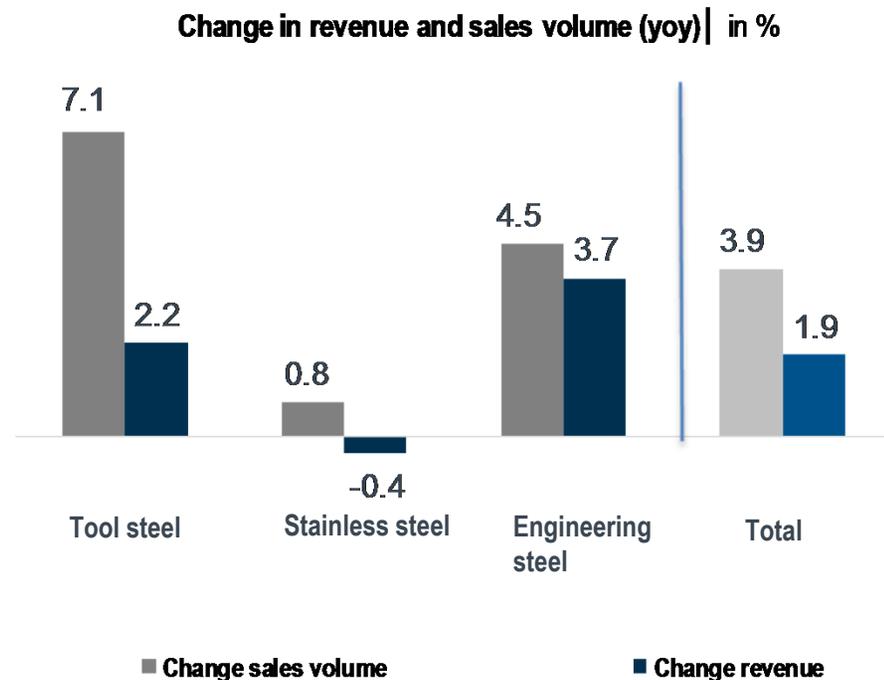
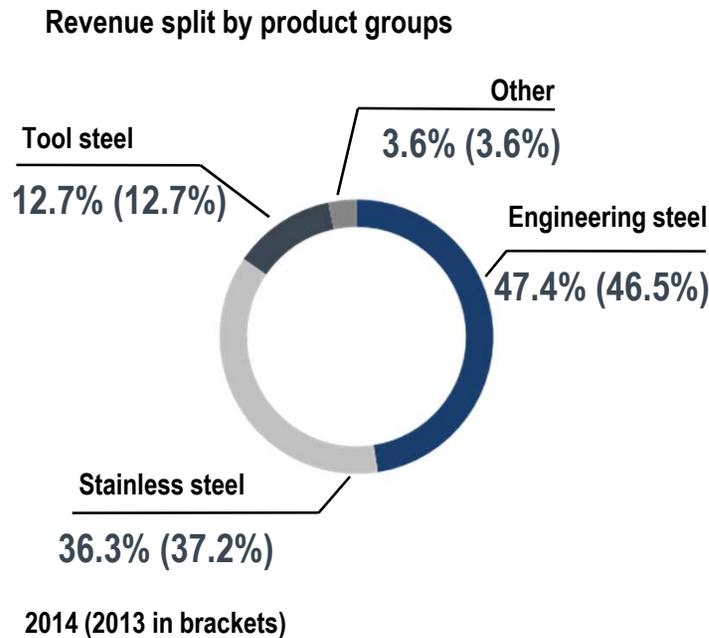
Order backlog 2012 – 2014 | in kt



Sales volume 2012 - 2014 | in kt

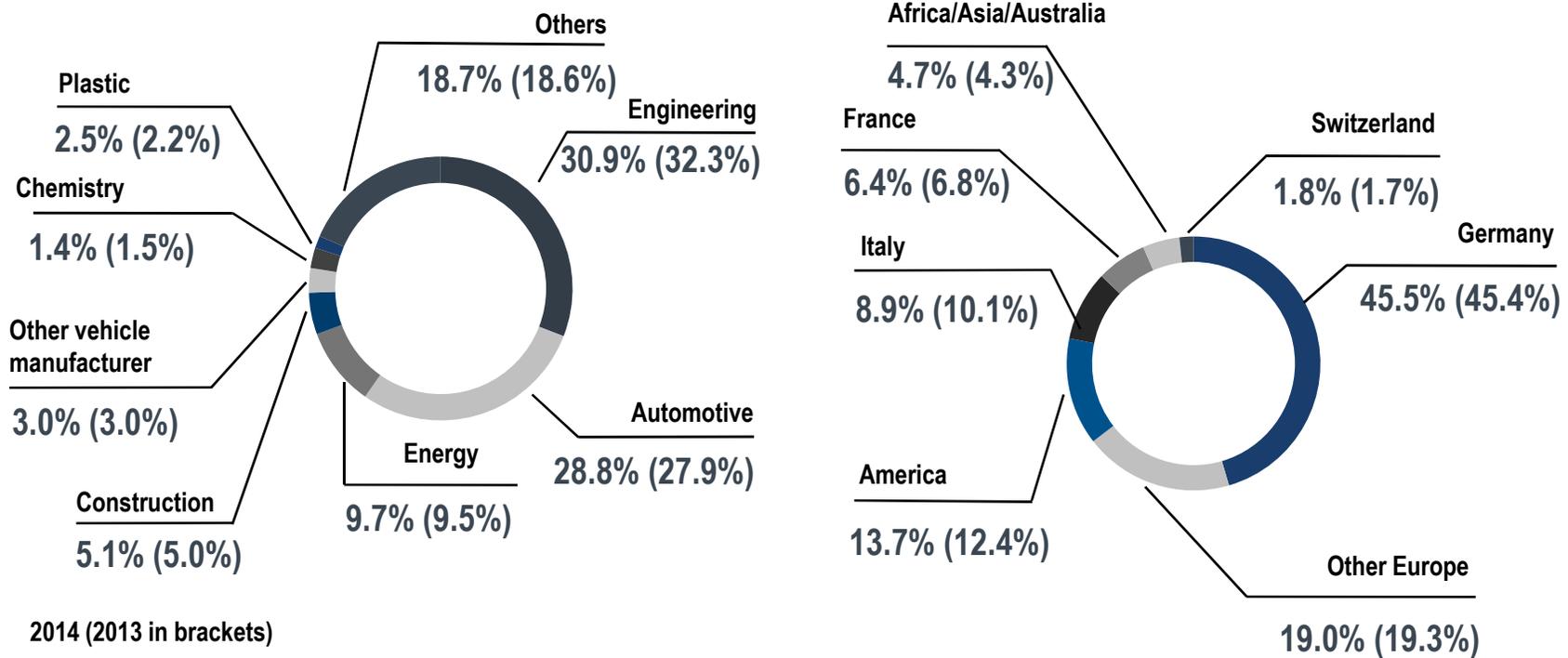


Sales volume and revenue by product groups



- » All product groups showed an increase in sales volume
- » Higher alloy surcharges in H2 2014 (especially in Q3) supported revenue development

Revenue by market segments and regions



- » Increasing share of revenues with automotive customers
- » Strong growth in America, mainly driven by the oil & gas industry



2 FINANCIAL PERFORMANCE 2014

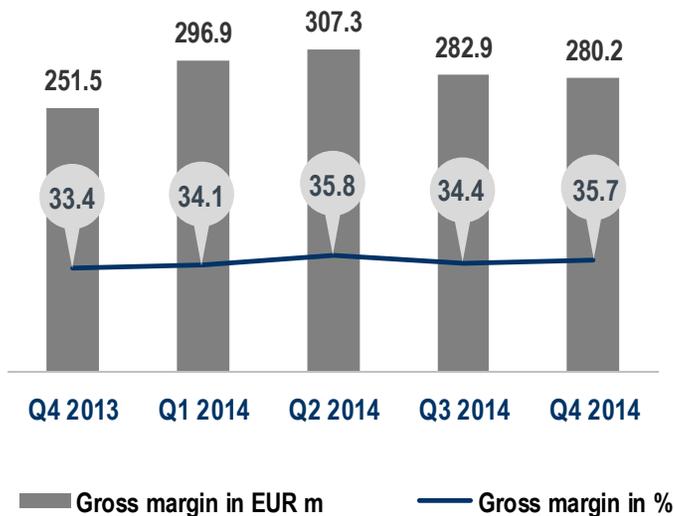


Result of operations – key figures

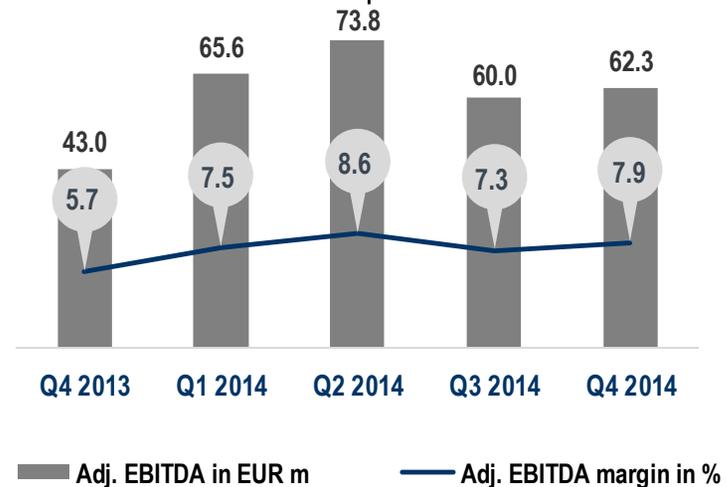
in EUR m	2014	2013	Change on prior year (%)	Q4 2014	Q4 2013	Change on prior year (%)
Sales volume (kt)	2 135	2 054	3.9	488	491	-0.6
Revenue	3 338.4	3 276.7	1.9	785.3	725.0	4.4
Adjusted EBITDA	261.7	178.8	46.4	62.3	43.0	44.9
Adjusted EBITDA margin (%)	7.8	5.5	230 bp	7.9	5.7	220 bp
Operating profit before depreciation and amortisation (EBITDA)	252.6	141.7	78.3	59.2	15.1	>100
Operating profit (loss) (EBIT)	130.6	17.8	>100	28.9	-16.1	>100
Earnings before taxes (EBT)	79.7	-87.6	>100	11.4	-48.5	>100
Net income (loss) (EAT)	50.0	-83.7	>100	4.2	-39.2	>100

Margin development

Gross margin Q4 2013 – Q4 2014 | in EUR m and in %



Adjusted EBITDA and adjusted EBITDA margin Q4 2013 – Q4 2014 | in EUR m and in %



- » Absolute gross margin in 2014 increased by EUR 110.9 m or 10.5% to EUR 1 167.3 m (2013: EUR 1 056.4 m). In percentage terms, gross margin increased from 32.2% in 2013 to 35.0% in 2014.
- » In 2014 adjusted EBITDA rose by EUR 82.9 m or 46.4% to EUR 261.7 m (2013: EUR 178.8 m). Adjusted EBITDA margin of 7.8% (2013: 5.5%).



Revenue by division

	2014	2013	Change on prior year (%)	Q4 2014	Q4 2013	Change on prior year (%)
Production	2 668.6	2 562.3	4.1	628.5	592.0	6.2
Sales & Services	1 074.4	1 158.1	-7.2	251.9	266.1	-5.3
SCHMOLZ + BICKENBACH Group*	3 338.4	3 276.7	1.9	785.3	752.0	4.4

- » *Production* Division: volume increase by 5.2% compared to 2013. Revenue increased at a lower rate (4.1%). Modest revenue growth in Europe (1.7%), significant growth in North America (19.3%).
- » *Sales & Services* Division: fall in sales volume of 8.9% and in revenue of 7.2%. Main reason for the decrease in sales and revenue was that the bright steel business is now directly served by the *Production* Division. Without this change of the distribution channel, revenue would have only fallen by 2.2% and sales volume would have decreased by only 0.1%.



Adjusted EBITDA and adjusted EBITDA margin by division

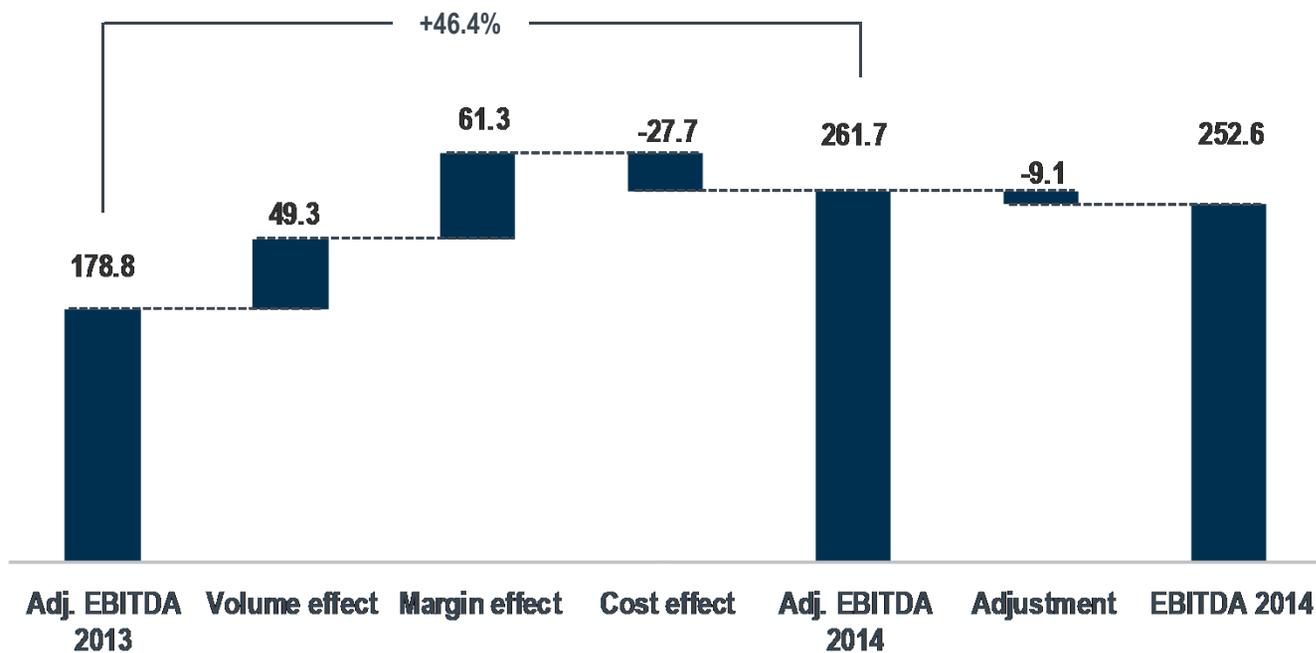
Adjusted EBITDA	2014	2013	Change on prior year (%)	Q4 2014	Q4 2013	Change on prior year (%)
Production	239.2	168.5	42.0	63.9	39.9	60.2
Sales & Services	30.5	13.9	>100	1.4	-0.5	>100
SCHMOLZ + BICKENBACH Group*	261.7	178.8	46.4	62.3	43.0	44.9

Adjusted EBITDA margin	2014	2013	Change on prior year	Q4 2014	Q4 2013	Change on prior year
Production	9.0	6.6	240 bp	10.2	6.7	350 bp
Sales & Services	2.8	1.2	160 bp	0.6	-0.2	80 bp
SCHMOLZ + BICKENBACH Group*	7.8	5.5	230 bp	7.9	5.7	220 bp

* Group figures include Other and consolidation/eliminations

Positive volume and margin effect

Adjusted EBITDA reconciliation 1.1.-31.12.2014 | in EUR m

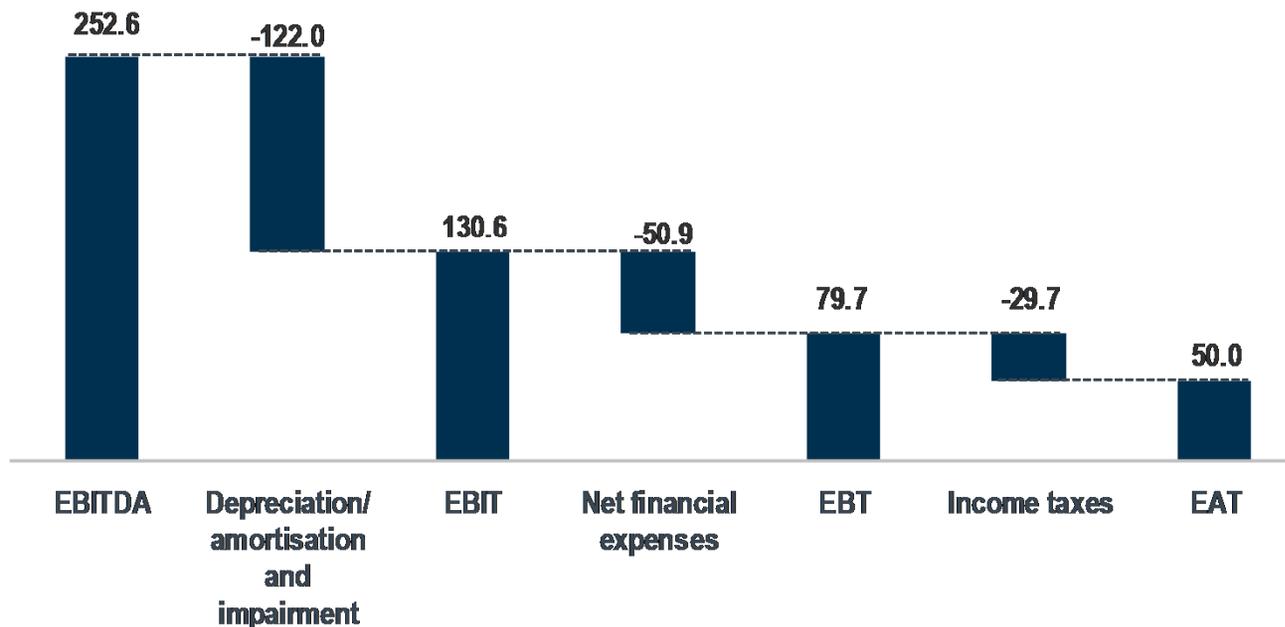


- » Volume increase of 3.9% y-o-y allowed for positive volume effect
- » Positive margin effect due to on average higher alloy surcharges and an improved product mix despite of persisting pressure on base prices



Higher operating results and lower financing costs result in positive earnings after taxes

Breakdown of results 1.1.-31.12.2014 | in EUR m



- » Depreciation and amortisation nearly on prior year level
- » Net financial expenses decreased significantly by EUR 54.5 m or 51.7% to EUR 50.9 m (2013: EUR 105.4 m), 2013 burdened by one-time costs related to the equity clawback (EUR 14.0 m)

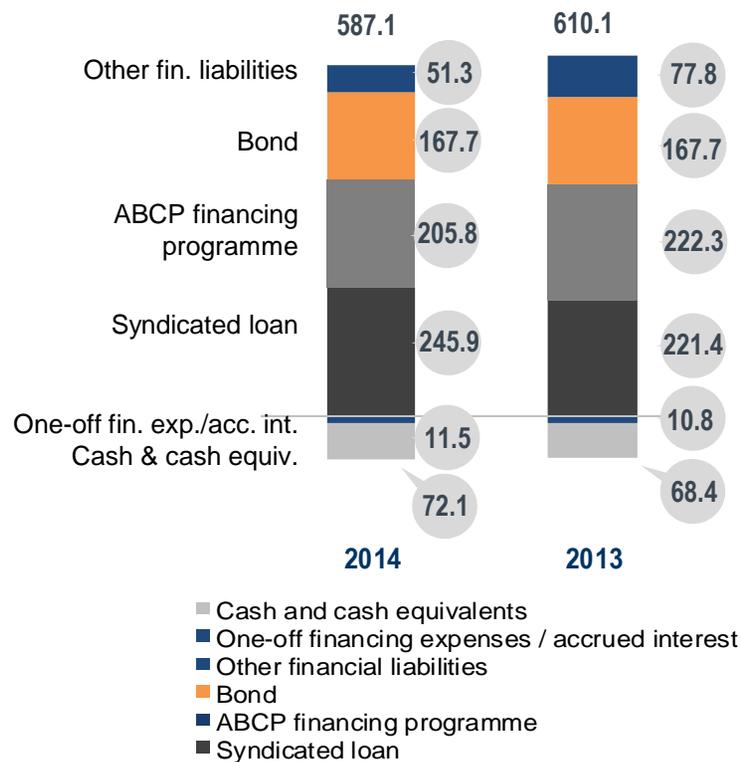


Financial position: key figures

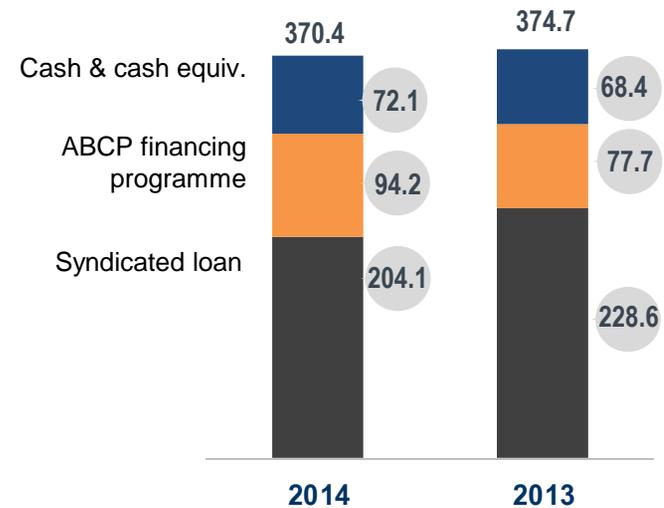
		31.12.2014	31.12.2013	Change on 31.12.2013 in %
Shareholders' equity	EUR m	900.9	889.9	1.2
Equity ratio	%	35.9	37.4	-150 bp
Net debt	EUR m	587.2	610.1	-3.8
Net debt/Adjusted EBITDA	factor	2.2	3.4	-
Net working capital (NWC)	EUR m	992.3	949.5	4.5
NWC/Revenue	%	29.7	29.0	70 bp
		1.1.-31.12.2014	1.1.-31.12.2013	Change on prior year in %
Investments	EUR m	100.8	105.7	-4.6
Free cash flow	EUR m	82.9	73.7	12.5

Net debt and financial headroom

Net debt | in EUR m



Financial headroom | in EUR m





3 OUTLOOK AND GUIDANCE 2015



Outlook 2015

- » Global economic growth between 3.0% and 3.7% expected, USA 3.1% - 3.6%, but Eurozone only 1.1% - 1.2% (IMF, OECD and World Bank)
- » General steel consumption expected to grow by ca. 2%, but most important steel consumers with partially significantly lower growth rates than 2014 (Asia 1.4%, Europe 2.9%, NAFTA 2.2%)
- » Economic environment for SCHMOLZ + BICKENBACH with mixed signals, steel demand in the relevant markets raises concerns
- » Customer industries: global automotive industry expected to grow by ca. 2%, engineering industry more optimistic than in 2014, expecting growth of 2%
- » Scrap prices expected to stay on low levels
- » Oil price unlikely to reach previous levels, on average USD 60 per barrel expected
- » Swiss franc assumed to stay strong between CHF/EUR 1.00 to 1.07



Impact of currency fluctuations

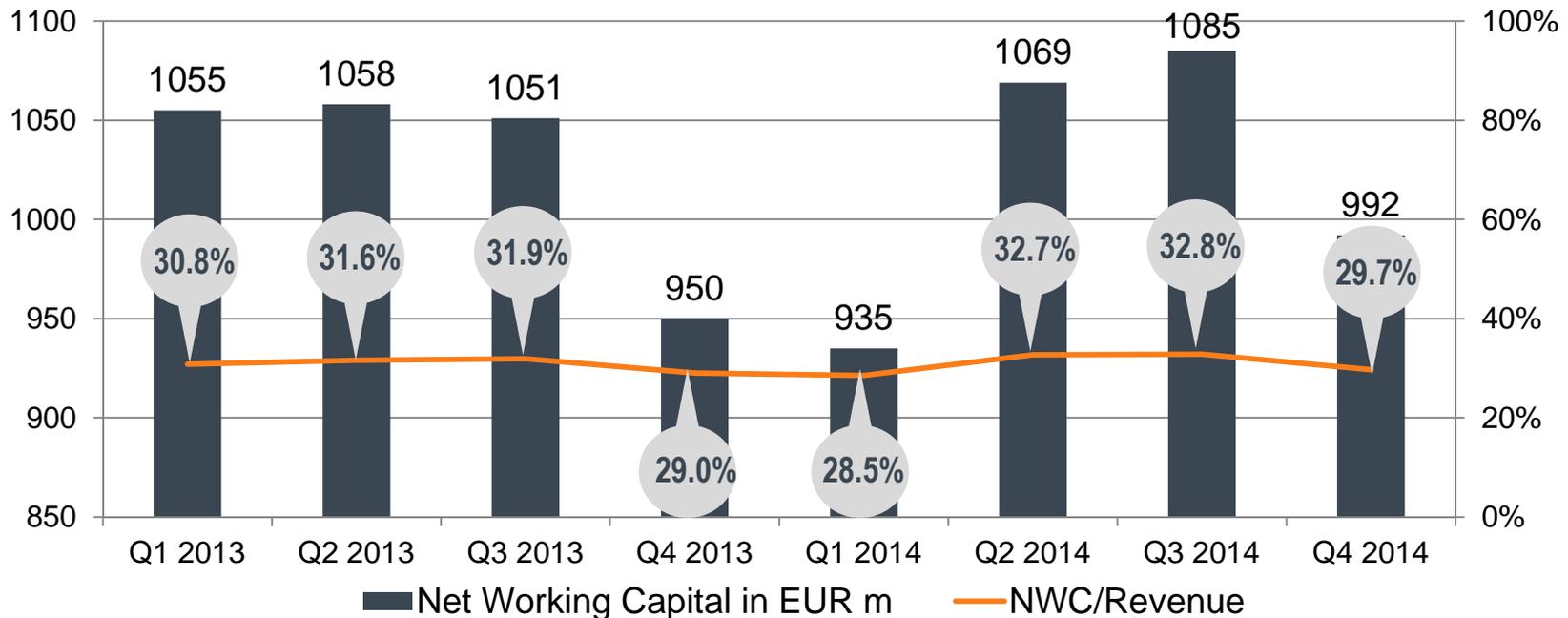
- » On 15 January 2015 the Swiss National bank abandoned its policy to keep the EUR/CHF exchange rate at >1.20 ; since then the exchange rate hovered in a corridor of CHF 1.00/ EUR and CHF 1.07/EUR
- » We estimate a **one-off negative impact of around EUR 7 m** on our **EBITDA** as at the end of February 2015 due to currency losses on our Swiss operating companies' net trade accounts denominated in euro
- » A positive currency effect in the financial result due to financial liabilities denominated in euro as well as hedging will partially make up for this burden
- » In addition, **continuing effects** occur as a result of the appreciation of the Swiss franc against the euro: Preliminary sensitivity analyses show that **every increase of one centime in the Swiss franc against the euro would see EBITDA fall by around CHF 1.5 m per year**. Translation effects in the opposite direction will only partially make up for this.
- » Additional compensating effects can be expected from the favourable development of the **USD/EUR exchange rate**, which has a positive impact on the results of our North American operations while fostering the export business of our European operations.



Measures in response to CHF development

- » SCHMOLZ + BICKENBACH's Swiss entities are evaluating counter-measures like
 - adjustments in the personnel area
 - stretching/shifting of capex
 - negotiating purchasing conditions
 - enlargement of already existing cost measures
 - new hedging strategies

New Net Working Capital Project



- » Net Working Capital is too high (absolute and in relation to revenue)
- » Targets of the group-wide project: reduction of throughput times in the production and of storage times, thereby improvement of cash flows and financial result

Guidance 2015

	2014 reported	2015 expected
Sales volume	2 135 kilotonnes	Should roughly match the 2014 level
Reported EBITDA	EUR 252.6 m	EUR 210 m – EUR 250 m
CAPEX	EUR 100.8 m	Around EUR 150 m, due to one-off effects in the amount of EUR 44 m



Q&A

THANK YOU FOR YOUR ATTENTION

4 APPENDIX

Nickel price development

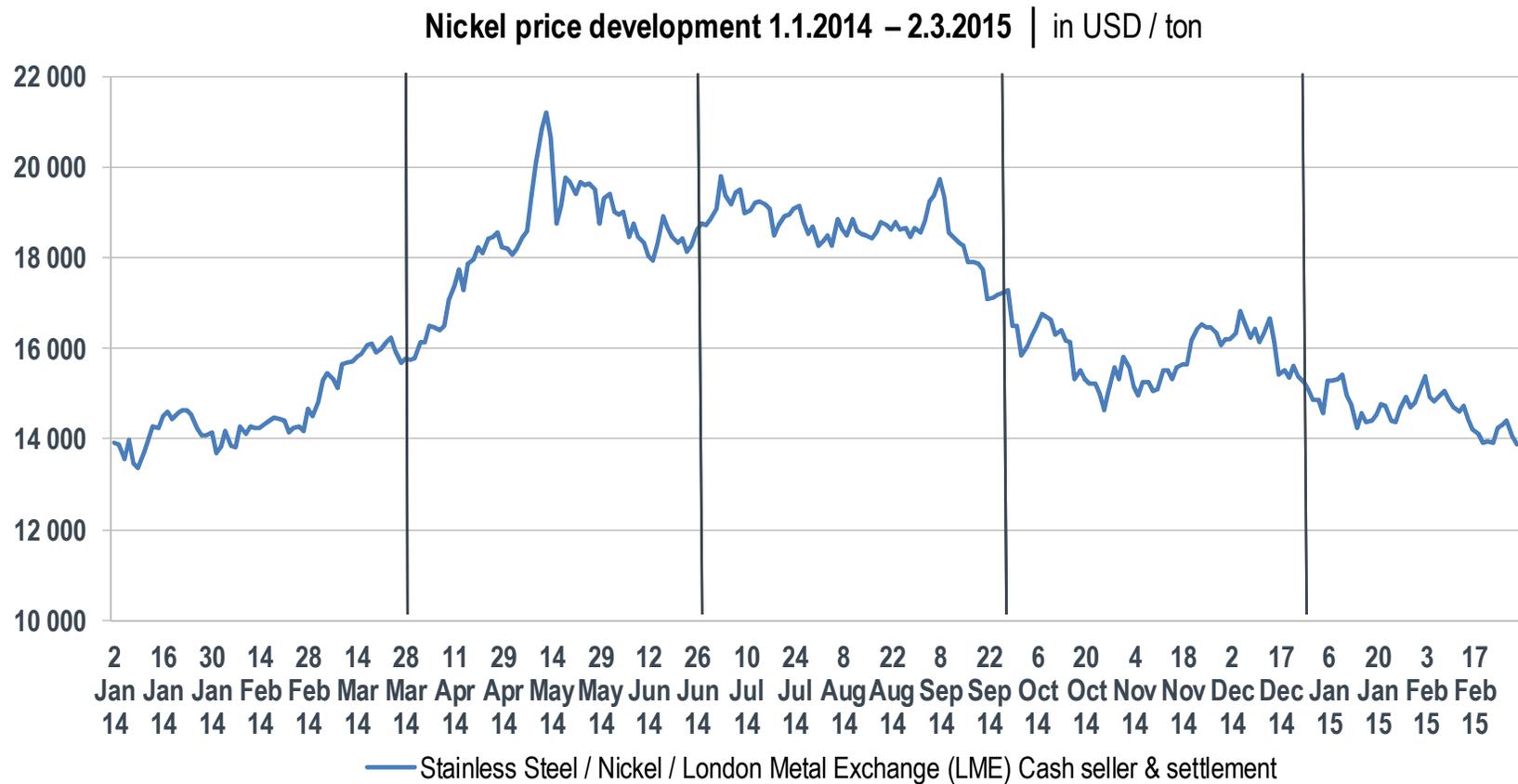
Nickel price development 2005 – 2014 | in USD



Source: Steel Business Briefing

Appendix

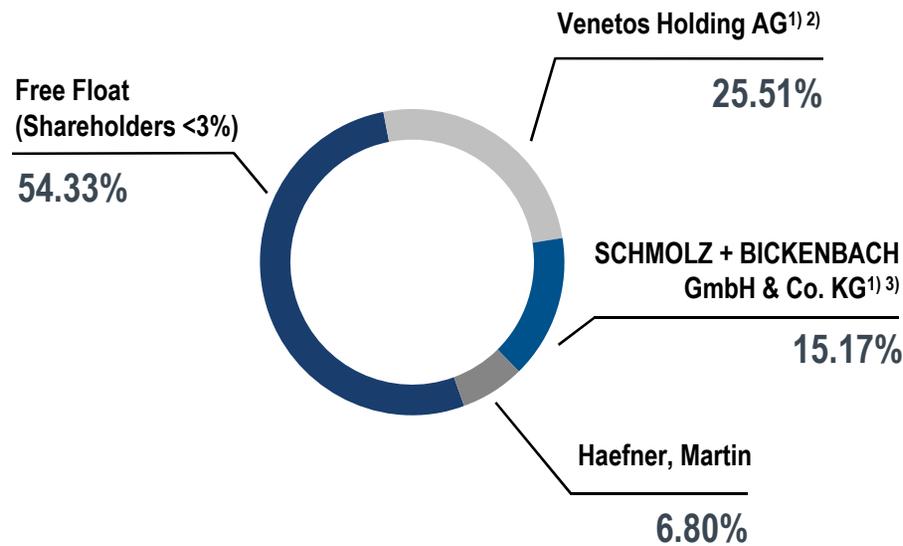
Nickel price development January 2014 – March 2015



Source: Steel Business Briefing

Appendix

Swiss listed company with supportive anchor shareholder



Shareholder Structure as of 31 December 2014

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) Form a group according to stock exchange act.

2) Member of the Renova Group.

3) Indirectly via subsidiaries SCHMOLZ + BICKENBACH Beteiligungs GmbH and SCHMOLZ + BICKENBACH Holding AG.



5-year overview

		2010	2011	2012	2013	2014
Sales volume	kilotons	2 001	2 274	2 044	2 054	2 135
Revenue	million EUR	3 119.3	3 942.9	3 581.4	3 276.7	3 338.4
Adjusted EBITDA	million EUR	232.9	296.2	151.8	178.8	261.7
Operating profit (loss) (EBIT)	million EUR	121.9	179.6	-13.8	17.8	130.6
Net income (loss) (EAT)	million EUR	38.6	42.7	-157.9	-83.7	50.0
Investments	million EUR	120.6	125.6	141.0	105.7	100.8
Free cash flow	million EUR	-136.6	191.6	44.0	73.7	82.9
Equity ratio	%	31.1	30.9	26.2	37.1	35.9
Net debt	million EUR	926.9	860.4	902.8	610.1	587.2
Gearing	%	116.5	101.9	142.6	68.6	65.2



5-quarter overview

		Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Sales volume	kilotonnes	491	581	557	509	488
Revenue	million EUR	752.0	871.6	858.0	823.5	785.3
Adjusted EBITDA	million EUR	43.0	65.6	73.8	60.0	62.3
Operating profit (loss) (EBIT)	million EUR	-16.1	34.0	42.5	25.2	28.9
Net income (loss) (EAT)	million EUR	-39.2	12.4	22.8	10.6	4.2
Investments	million EUR	44.0	12.3	19.3	28.2	41.0
Equity ratio	%	37.4	36.3	35.7	35.7	35.9
Net debt	million EUR	610.1	549.2	633.7	627.4	587.2
Gearing	%	68.6	62.0	70.4	68.9	65.2



Financial calendar and contact details Investor Relations

Date	Event
15 April 2015	Annual General Meeting 2015
19 May 2015	Q1 Report 2015, Media Call, Investor Call
11 August 2015	Q2 Report 2015, Media Call, Investor Call
12 November 2015	Q3 Report 2015, Media Call, Investor Call

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Thank you for your attention