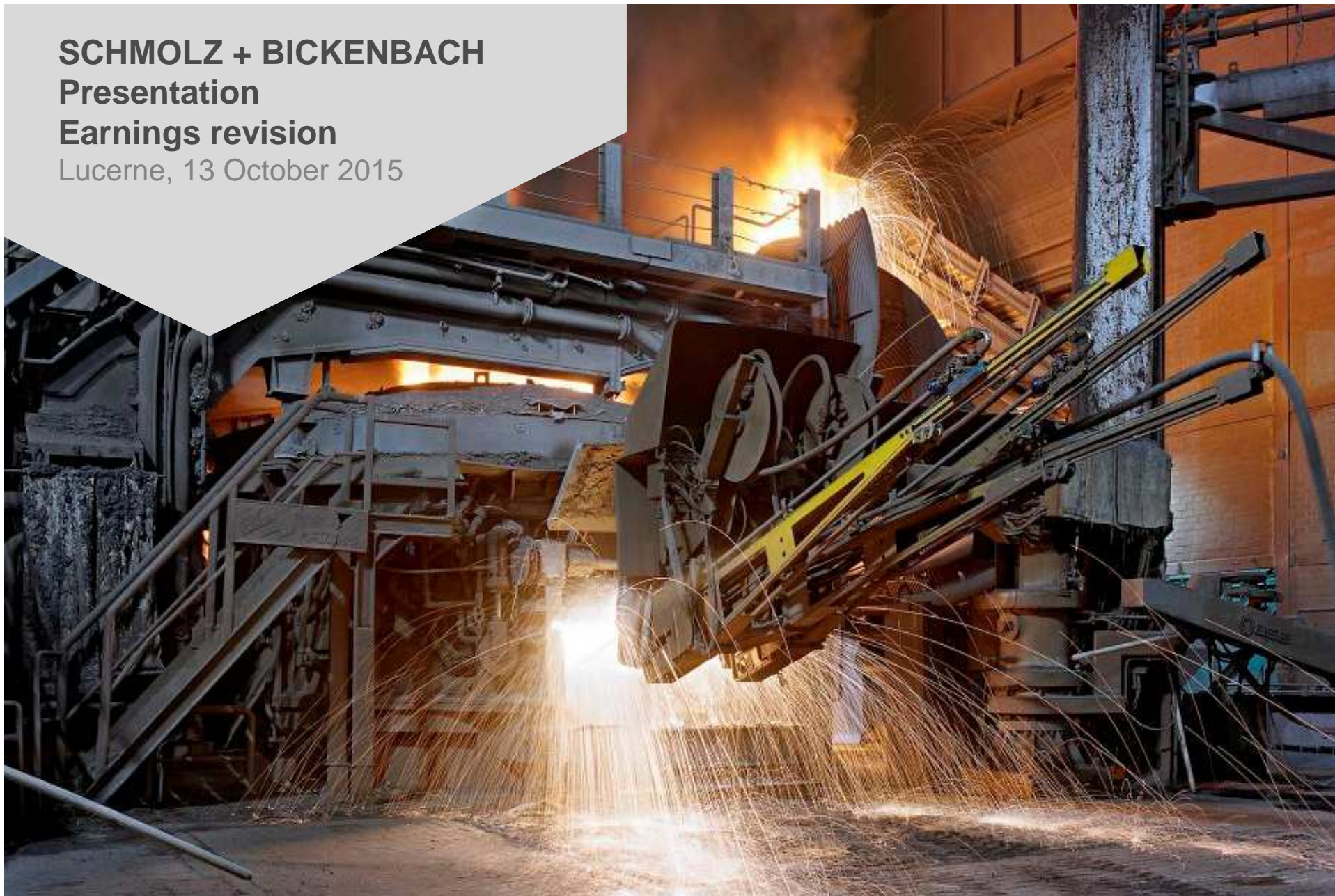


**SCHMOLZ + BICKENBACH**

**Presentation**

**Earnings revision**

Lucerne, 13 October 2015



SCHMOLZ + BICKENBACH GROUP





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- 1 DEVELOPMENT OF GUIDANCE 2015**
- 2 CHANGES IN THE ECONOMIC FRAMEWORK**
- 3 NEW GUIDANCE AND FRAMEWORK CONDITIONS**



# **1 DEVELOPMENT OF GUIDANCE 2015**



## Initial guidance 2015 in March 2015

	2014 reported	Initial guidance 2015 (as at 12 March 2015)
Sales volume	2 135 kilotonnes	Should roughly match the 2014 level
Reported EBITDA	EUR 252.6 m	EUR 210 m – EUR 250 m (impacted by strong CHF)
CAPEX	EUR 100.8 m	Around EUR 150 m, due to one-off effects (acquisition of additional land at the main Düsseldorf site, purchase of a slag disposal site at DEW's Siegen plant)

### Economic framework

- » World economic growth 3.0% - 3.7%
- » Steel demand expected to grow around 2%
- » Automotive expected to grow around 2%
- » Engineering expected to grow around 2%



Development of Guidance 2015








## Guidance adjusted in May 2015 for disposal of specific distribution units

	2014 reported	Guidance 2015 (as at 19 May 2015)
Sales volume	2 135 kilotonnes	Should roughly match the 2014 level less non mill-own volumes from specific distribution units (ca. 300 kilotonnes)
Reported EBITDA	EUR 252.6 m	EUR 190 m – EUR 230 m (continuing operations, currently lower end of guidance likely)
CAPEX	EUR 100.8 m	Around EUR 150 m, due to one-off effects in the amount of EUR 44 m

### Economic framework

- » World economic growth 3.0% - 3.7%
- » Steel demand expected to grow around 0.5%  (instead of 2.0%)
- » Automotive expected to grow around 2% 
- » Engineering expected to grow around 2% 





Development of Guidance 2015



## Guidance unchanged in August 2015

	2014 reported	Guidance 2015 (as at 25 August 2015)
Sales volume	2 135 kilotonnes	Should roughly match the 2014 level less non mill-own volumes from specific distribution units (ca. 300 kilotonnes)
Reported EBITDA	EUR 252.6 m	EUR 190 m – EUR 230 m (continuing operations, currently lower end of guidance likely)
CAPEX	EUR 100.8 m	Around EUR 150 m, due to one-off effects in the amount of EUR 44 m

### Economic framework

- » World economic growth 2.8% - 3.5%  (instead of 3.0% - 3.7%)
- » Steel demand expected to grow around 0.5%  (instead of 2.0%)
- » Automotive expected to grow around 2% 
- » Engineering expected to grow around 0%  (instead of 2.0%)

Development of Guidance 2015



## **2 CHANGES IN THE ECONOMIC FRAMEWORK**

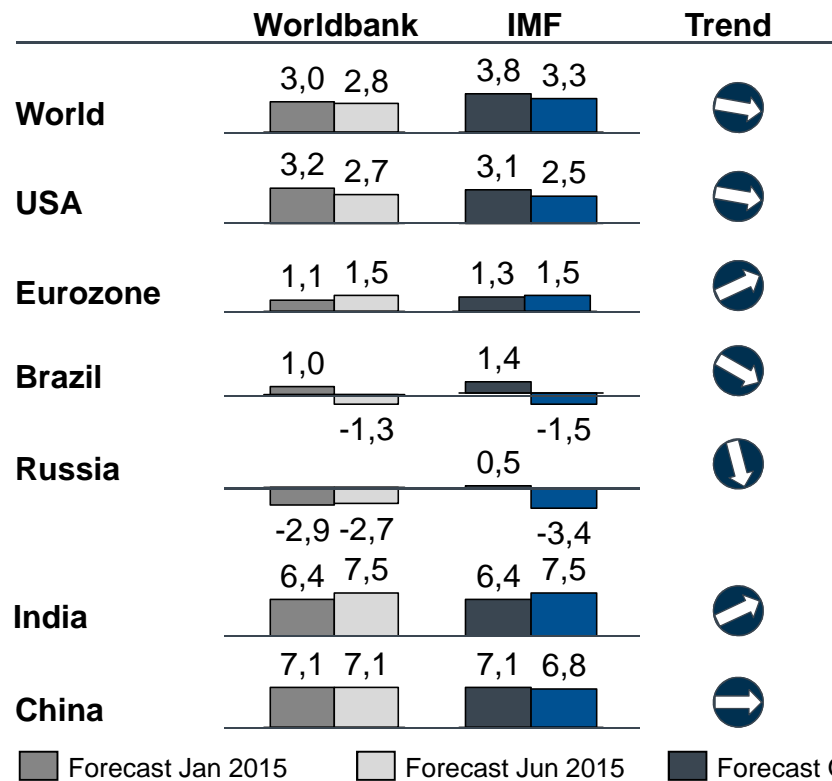




# Current trends show worsening market conditions – nevertheless these general indicators only partially reflect the current situation of S+B

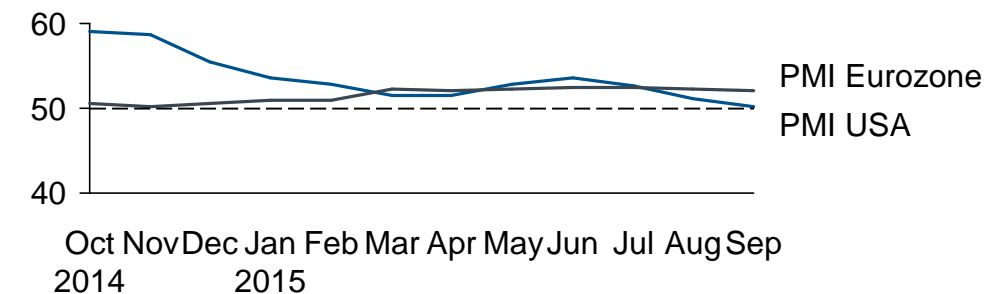
## Growth expectations

GDP growth expectations 2015<sup>1)</sup> (in %)

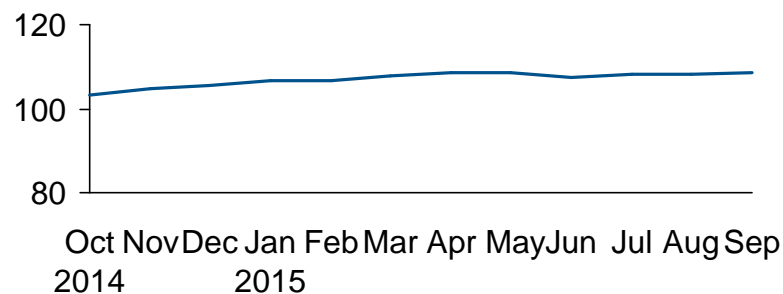


## Business climate indicators

Purchasing Managers Index (PMI)<sup>2)</sup>



Ifo-business climate index (2005 = 100)



1) The forecasts have been published at different times. IMF published in October 2014 and July 2015, Worldbank in January and June 2015

2) 2) PMI above 50 means expansion, below 50 means contraction,

Source: IMF, Worldbank, Ifo-Institut, ISM, markit economics



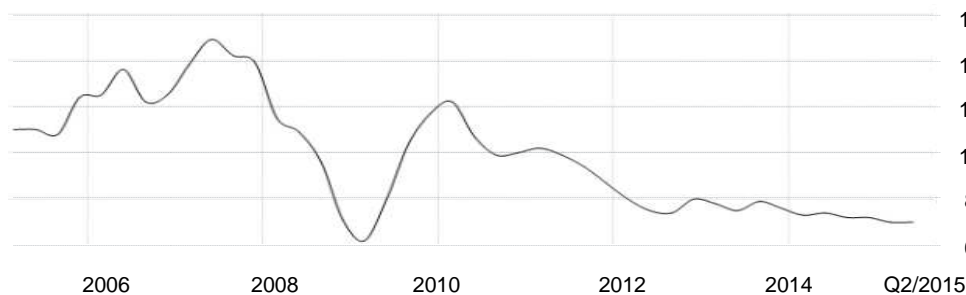
# China's economic growth slows down in 2015 with “only” one-digit growth rates – Economy mainly affected by weaker local demand. Metal commodities in decline

## Economic overview

### Economic rationale

- » Economic activity in China remained in a lower gear: Manufacturing PMI fell to a 36-month low of 49.7 in September, Caixin PMI dropped to 47.3, the lowest value since March 2009. But: the underlying economy remains solid. Retail sales rose marginally to +10.8 % yoy and property market climbed by 15.6 % in sales volume and 13.8 % in prices
- » Export/import: Both declined by 5.6% respectively 13.9%, with imports marking its tenth consecutive month of contraction
- » Forex: Renminbi (CNY) depreciated strongly by -2.5% (largest plunge since 2005) in August compared to the USD, reaching its highest point at 6.40 USD at the end of August; in October CNY recovered slightly to 6.34 USD. Overall limited impact on the real economy expected as China maintains the world's largest foreign currency reservoir
- » Interest markets: The central bank lowered in September the interest rate by 0.25% to 4.6% in order to maintain high market liquidity. Overall interest rates on a moderate level
- » Stock market: Investor wariness led to a stock market plunge in August, with Shanghai and Shenzhen indices falling down by 12.5% and 14.7%.

### GDP growth [in %]



## Press climate

**China September data likely to show further economic weakness** [...] September performance readings will be capped by third-quarter gross domestic product (GDP) on Oct. 19, with many economists expecting growth to drop below 7%, the weakest since the global financial crisis.. [...]

Reuters, 09 October 2015

**China's Auto Production, a Manufacturing Backbone, Slumping** [...] Gross auto sales for the first half of 2015 grew at the slowest pace in more than six years. In July, the China Association of Automobile Manufacturers was forced to slash its forecast of 2015 vehicle sales growth by more than half, from 7 percent to a mere 3 percent. [...]

Epoch times, 11 October 2015

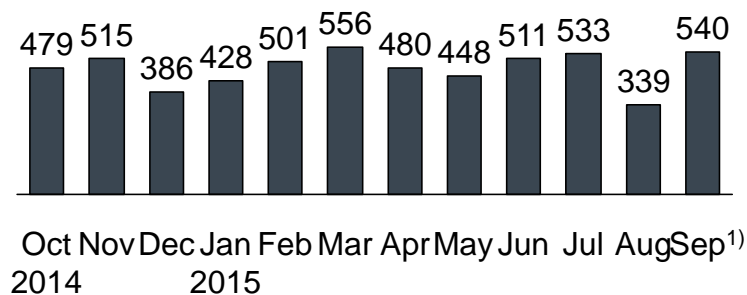
**Slide in Manufacturing Continued in China Last Month** [...] China's sprawling manufacturing sector continued to shrink in September [...] despite strength in service industries. [...] profits at China's larger industrial companies fell 8.8 % yoy in August, [...], the biggest drop since the state statistics agency began releasing monthly data in 2011. Profit fell 22 % at auto-makers and 72% at oil and natural gas companies.[...]

The New York Times, 01 October 2015

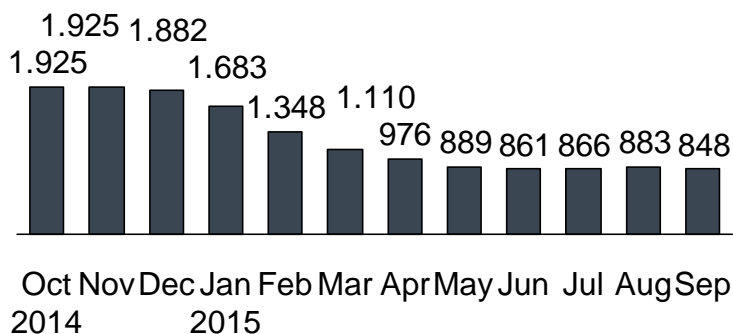


# US oil & gas production still on an extremely low level. German car manufacturing with increased production, lower order intake in engineering sector

**Production cars Germany** (in 1 000 pieces)



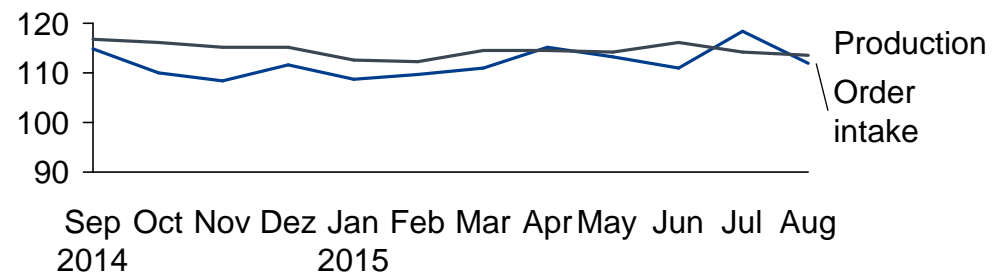
**US Rotary Rig Count** (number of active rigs)



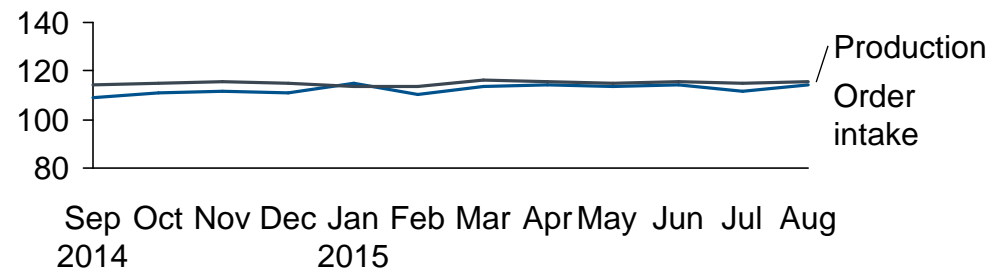
1) Partly estimated

Source: VDA, Baker Hughes, Statistisches Bundesamt

**Order intake and production engineering sector Germany** (indic seasonally adjusted indices, basis 2010 = 100)

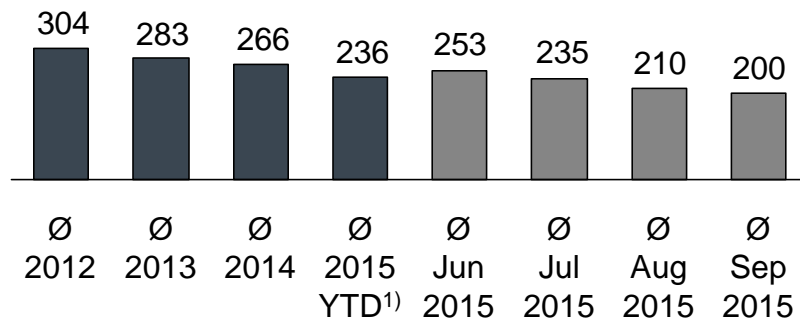


**Order intake and production metal processing industry Germany** (seasonally adjusted indices, basis 2010 = 100)

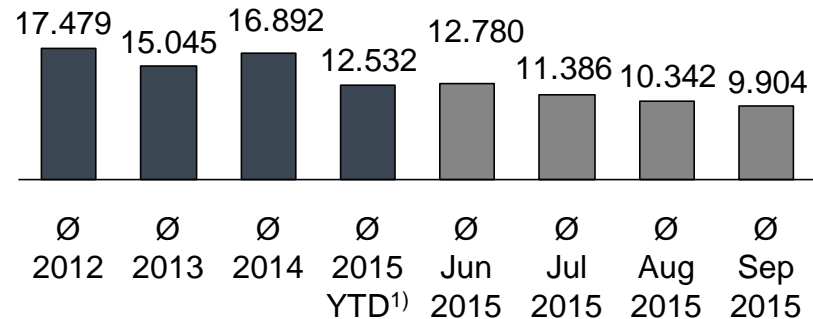


# Raw material prices under constant pressure – all prices decreased significantly and stand now on lowest level

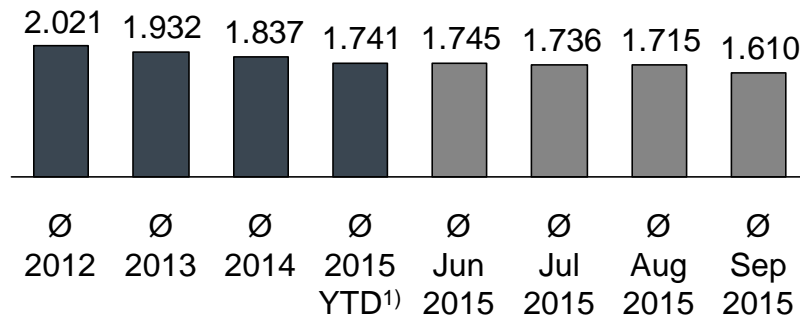
**Shredded scrap (N. Europe domestic, deliv.)**  
(in EUR/ t)



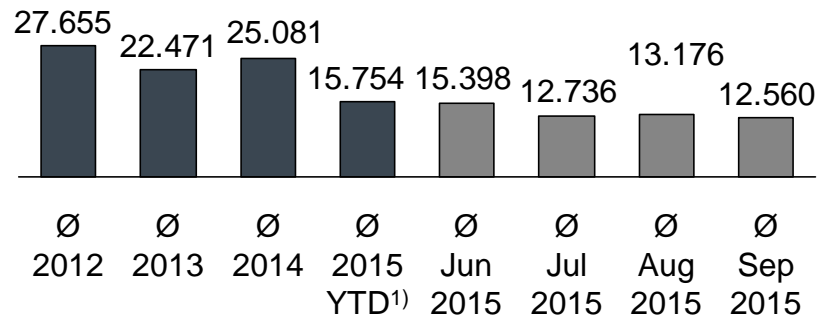
**Nickel (LME cash)**  
(in USD/ t)



**Ferrochrome (China port)**  
(in USD/ t)



**Molybdenum (3-month bid/offer)**  
(in USD/ t)

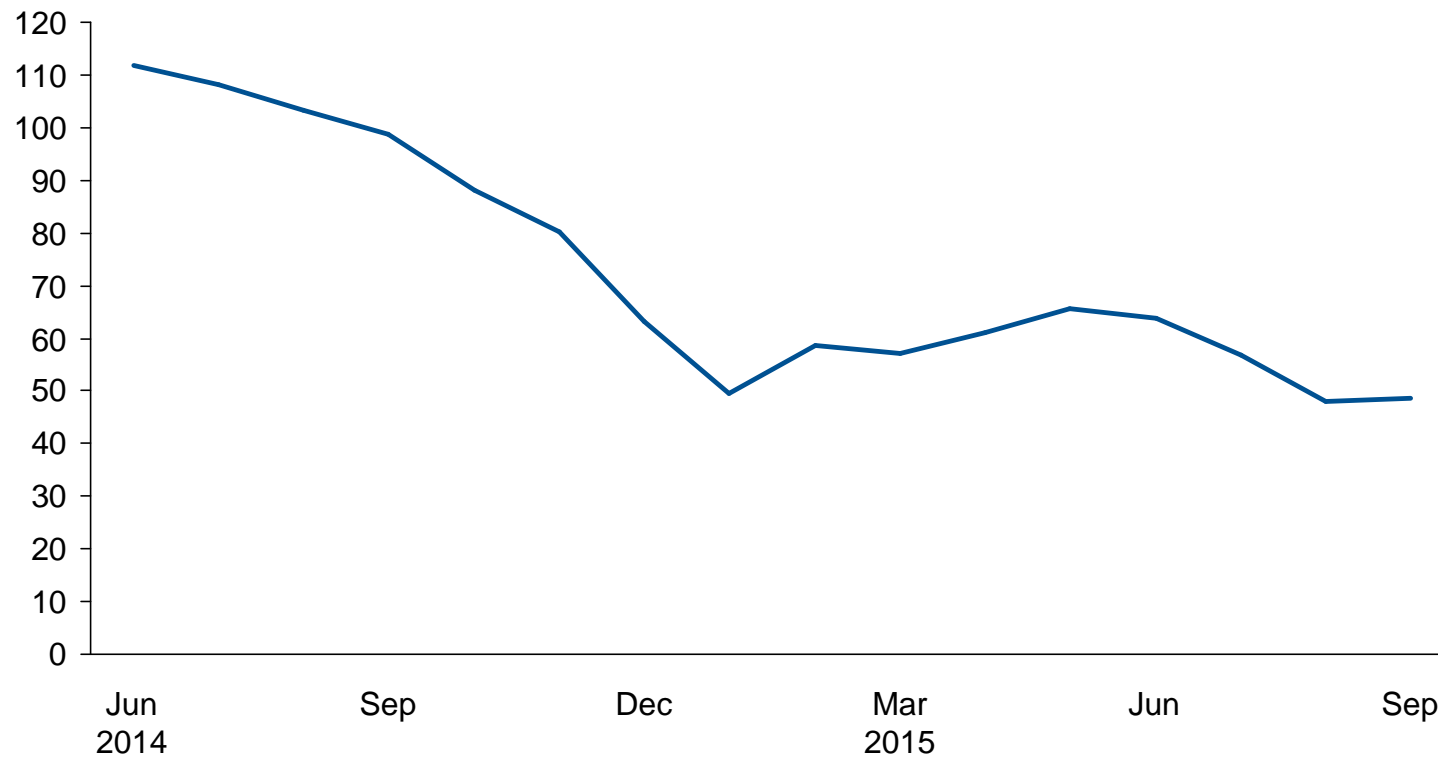


1) As of 8 October 2015  
Source: Steel Business Briefing



# Development of oil price continues to be a challenge

**Monthly average price for crude oil (Brent, in USD per barrel )**



Source: Consensus Economics (August 2015)



# **3 NEW GUIDANCE AND FRAMEWORK CONDITIONS**



## New guidance in October 2015

	2014 reported	Guidance 2015 (as at 13 October 2015)
Sales volume	2 135 kilotonnes	Slightly below the 2014 level less non mill-own volumes from specific distribution units (ca. 300 kilotonnes)
Reported EBITDA	EUR 252.6 m	160 to 180
CAPEX	EUR 100.8 m	Around EUR 150 m, due to one-off effects in the amount of EUR 44 m





## Summary: Framework conditions

- » Low oil and gas prices weigh on oil & gas business and general economy
- » Prices for raw materials like nickel stay on low level
- » Scrap prices on a constant decline
- » Uncertainty with respect to Chinese economy burdens demand in customer industries like automotive and OEMs
  
- » Results of these parameters:
  - Temporary / once-off impact from
  - Customers with wait-and-see attitude and write down of inventories
  - Increased pressure on base prices



# **Q&A**

## **THANK YOU FOR YOUR ATTENTION**



**Thank you for your attention**

