SCHMOLZ + BICKENBACH
Analyst / Investor Presentation
Q2 / H1 2016 Results

Lucerne, 11 August 2016

SCHMOLZ + BICKENBACH AG

DISCLAIMER

Forward-looking statements

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SCHMOLZ + BICKENBACH AG

1 BUSINESS REVIEW SECOND QUARTER 2016

2 FINANCIAL PERFORMANCE – SECOND QUARTER / FIRST HALF-YEAR 2016

3 OUTLOOK

1 BUSINESS REVIEW SECOND QUARTER 2016

Second quarter 2016 significantly better than Q1 2016

- » Business environment slightly improved compared to Q1 2016
  - solid demand in Stainless and Engineering Steel, some favourable developments in order intake
  - selective base price increases achieved
  - raw material prices up compared to Q1 2016, yet volatile
- » Progress on structural cost measures
  - cost improvements achieved, according to plan
  - consolidation of production in Scandinavia initiated
  - restructuring tariff agreed for Deutsche Edelstahlwerke (DEW)
- » Adjusted EBITDA doubled compared to Q1 2016
- » Net debt at lowest level since 2005

Industries and regions – automotive sector with high growth, oil & gas sector activity bottoming-out

Industry sectors

» Mixed development of customer industries:
  - European car sales increased by 9% year-on-year, US car sales by 1.5%
  - mechanical & plant engineering industry stable
  - oil & gas industry stabilized at depressed levels, some pockets of recovery

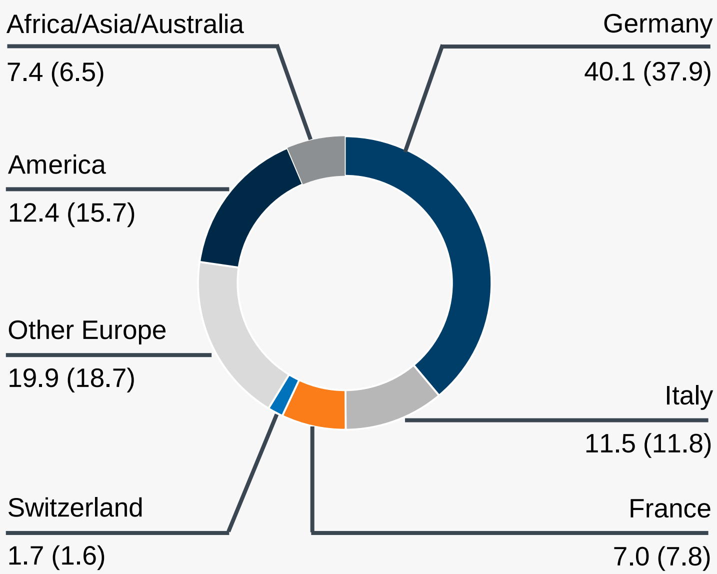
Regional development

» All regions with lower revenues year-on-year, North America lagging other regions on high exposure to oil & gas industry

» All regions achieved growth in comparison to Q1 2016 with the exception of North America where revenues slightly declined

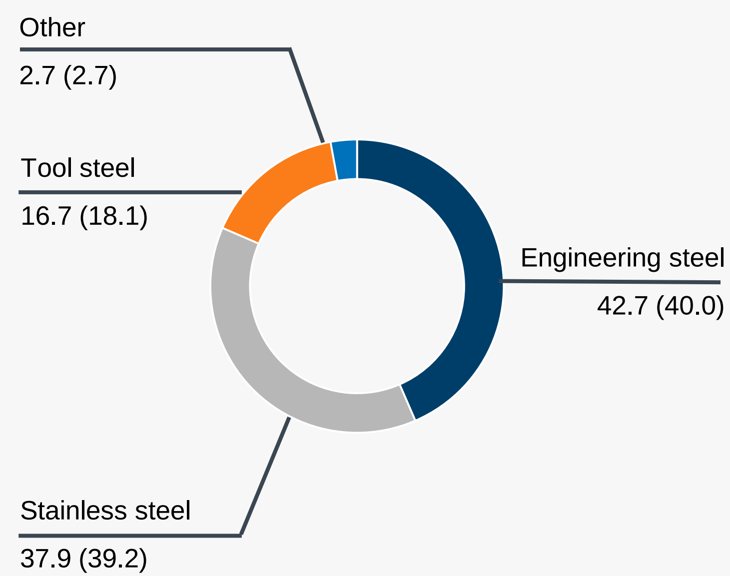
Regional shift from US to Germany reflects weak oil & gas business and strong automotive business

Revenue by region Q2/16 (Q2/15*), in %



* Restated due to deconsolidation of discontinued operations.

Revenue by product group Q2/16 (Q2/15*), in %



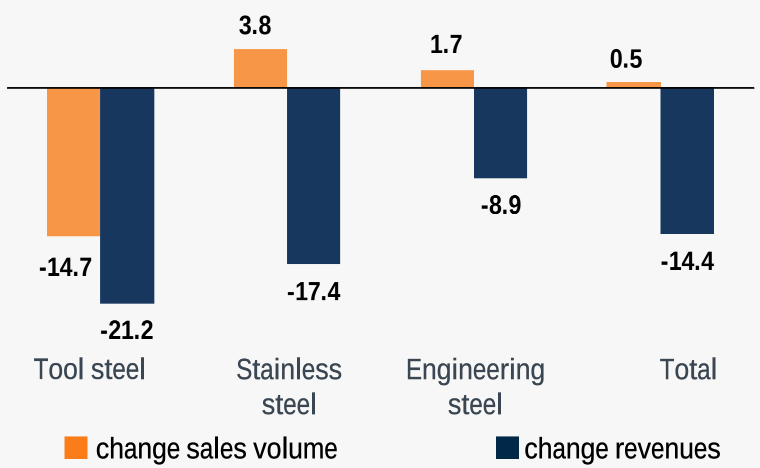
» Significantly lower share of revenues from NorAm – high exposure to oil & gas industry

» Germany benefits from good growth in the automotive industry

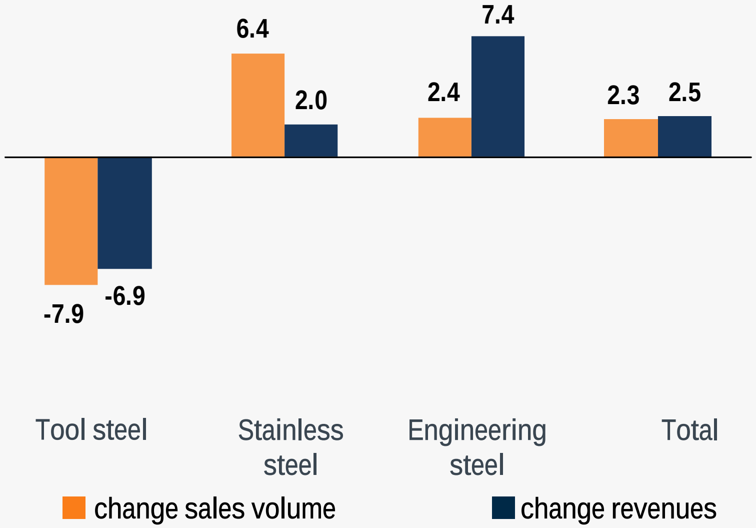
Solid volume growth in stainless and engineering steel vs both Q2 2015 and Q1 2016

Change in sales volume and revenues (in %)

Q2 2016 vs. Q2 2015*



Q2 2016 vs. Q1 2016



* Restated due to deconsolidation of discontinued operations

- Solid volume growth in stainless and engineering steel vs. Q2 2015 <u>and</u> Q1 2016
- Price-related revenue contraction year-on-year, but higher revenues compared to Q1 2016
- Tool steel lower due to pressure in Europe from imports and weaker oil & gas business

Improvements focusing on sustainability of measures

Performance improvement program 2012 – 2015: EUR 180 mn EBITDA improvement

Improvement measures

Whole scope of sustainable, volume driven, tactical and mitigation measures leading to both long term and short term effect.

Result valuation based on high margin/high price scenario

-> result depending on market conditions

Performance improvement program 2016 – 2017:
EUR 70 mn EBITDA improvement from sustainable measures

Profitability improvement measures

Sustainable permanent savings/ revenues	• consolidation, structural productivity • consumption rates decrease • yield improvement • increase of capacity at bottlenecks • purchasing related measures (discounts vs. benchmark) **Realized:** **Q1 EUR 4 mn** **Q2 EUR 12 mn** • new products • new clients (based on opportunity margin)
Tactical reaction to market environment	• volume driven cost improvements (e.g. decrease in consumption, variabilization) • optimization of input factors (e.g. opportunity hi-quality scrap vs. mark 2…)
Mitigation reaction to market environment	• non-recurring items • maintenance cost savings/shift to next periods

Internally reported only

Good progress on tangible improvements

» Realignment of DEW progressing according to plan
- reduction of 200 contract workers in the last 12 months (1/3 of total contract labor staff)
- restructuring tariff agreed for 2 years until end 2017
- purchasing: renegotiated contracts with top supliers will lead to a cost reduction of roughly EUR 2 million costs

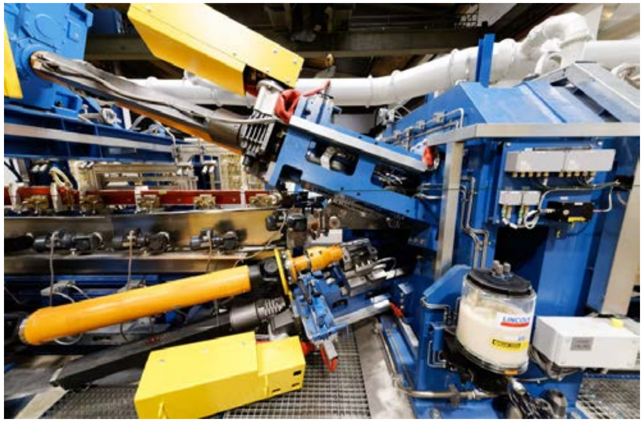
» Optimisation of Sales & Services network
- strengthen operational assets for S&S tool steel operations in Germany – takeover and continuation of warehousing and sawing operations from SBE in Krefeld
- S&S offices opened in Japan, Thailand, Taiwan; warehouse opened in China, warehouse closed in Malaysia and merged in the UK

» Planned consolidation in Scandinavia
- planned closure of Boxholm operations until 30 Sept 2017
- continue to serve market with warehouse in Scandinavia and sales organisations in Denmark and Sweden
- reduction of about 50 employees, 15 assets, mostly re-allocated
- production will be transferred to Germany

» Progress on Technological Leadership: e.g. XTP technology
- milestone in specialty steel – allows strength and toughness at the same time
- new benchmark in the manufacture of long steels
- product life cycle in customer applications significantly extended

XTP Technology reduces costs for customers

- Leading edge/unique innovation in process technology, total investment approx. 8 million euro
- Applicable to all standard steel materials – increases strength, toughness; boosts dynamic strength by 10%
- Core benefit: gives customers significant savings compared to high-alloy steels
- New industrial markets targeted:
  - Automotive industry
  - oil and gas extraction industry
  - refrigeration technology
  - aviation sector



2 FINANCIAL PERFORMANCE – SECOND QUARTER 2016

Internal progress reflected in improved bottom line

		Q2 2016	Q2 2015	Change	Q1 2016
Production crude steel	kilotonnes	495	515	–3.9%	474
Sales volume	kilotonnes	471	469	0.4%	461
Revenues	EUR m	618.7	723.2	–14.4%	603.6
Average sales price	EUR/tonne	1 314	1 542	–14.8%	1 309
Adj. EBITDA / adj. EBITDA margin	EUR m / %	52.5 / 8.5%	61.1 / 8.4%	–14.1% / 10 bps	25.0 / 4.1%
EBITDA / EBITDA margin	EUR m / %	49.6 / 8.0%	58.0 / 8.0%	–14.5% / 0 bps	21.9 / 3.6%
Earnings after taxes (EAT)*	EUR m	2.4	4.8	–	–24.4

* including discontinued operations

» Sales volumes in Q2 2016 approximately at previous year's level; up versus Q1 2016

» Average sales price per tonne has bottomed-out in Q1 2016, positive momentum towards the end of Q2. Yet 228 EUR/t below previous year.

» EBITDA margin at level of previous year despite significantly lower price level

Progress on cost measures results in enhanced profitability

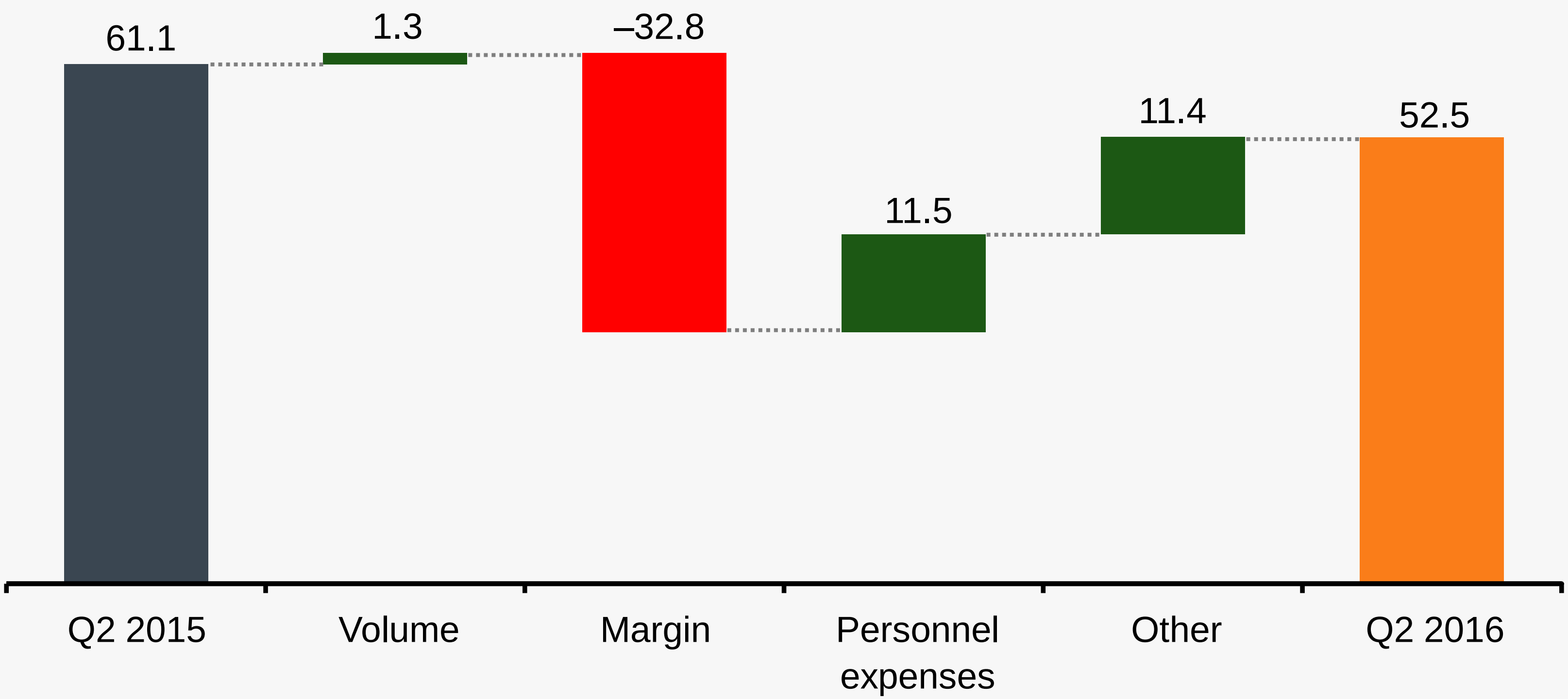
		Q2 2016	Q2 2015	Change	Q1 2016
Gross Profit	EUR m	245.1	276.6	–11.4%	230.2
Gross Profit	EUR/tonne	520	590	–11.8%	499
Personnel Cost	EUR m	134.9	146.4	–7.9%	142.7
Personnel Cost	EUR/tonne	286	312	–8.2%	310
Other Operating Expenses	EUR m	69.3	78.8	–12.1%	73.7
Other Operating Expenses	EUR/tonne	147	168	–12.4%	160

- Personnel expenses: progress through wage and pension agreements
- Personnel costs reduction helped by approximately 6 million EUR one-off
- Other operating expenses declined in absolute terms as well as per tonne

Reduced personnel expenses and lower operating costs partly mitigated unfavourable margin impact

Adjusted EBITDA bridge Q2 2016

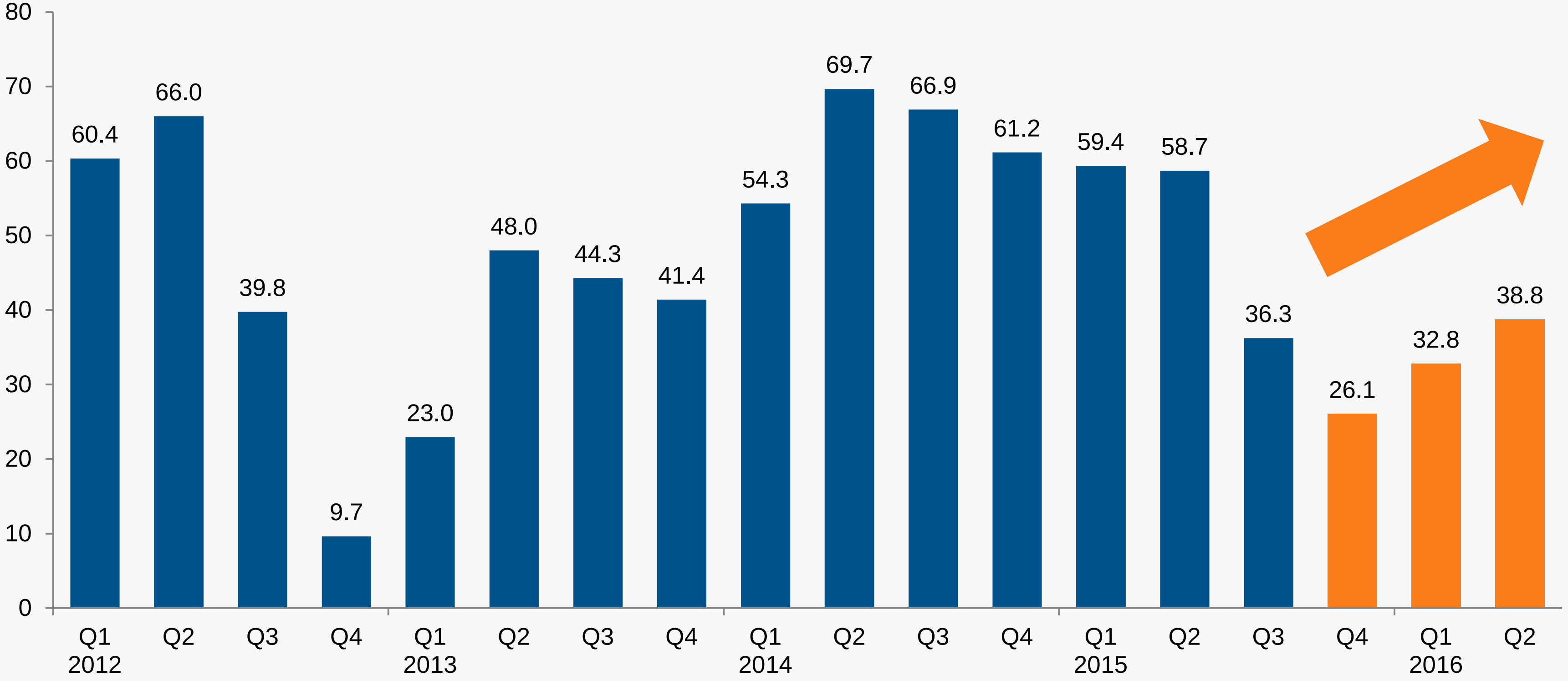
in EUR m



EBITDA – upward momentum since Q4 2015

adj. EBITDA, average of last two quarters, rolling

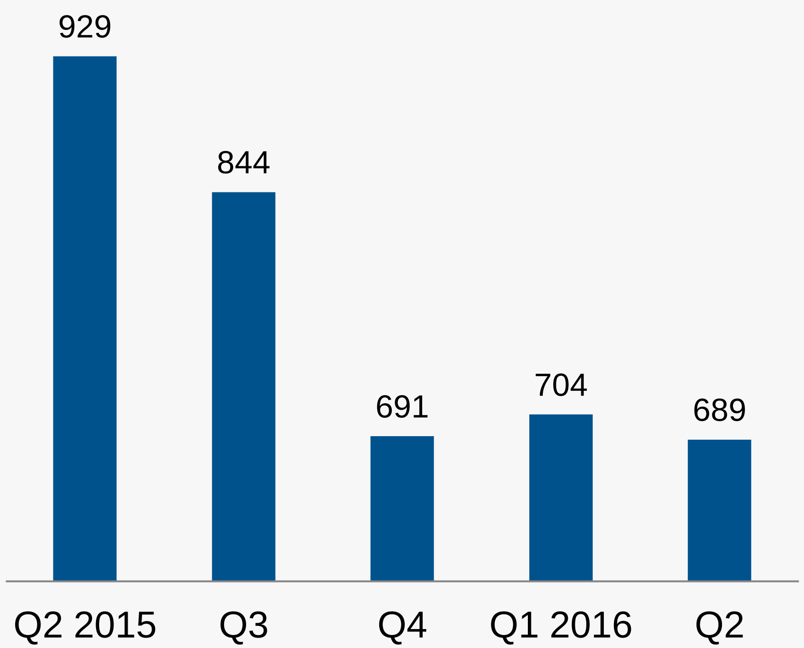
in EUR m



Net working capital/sales improved

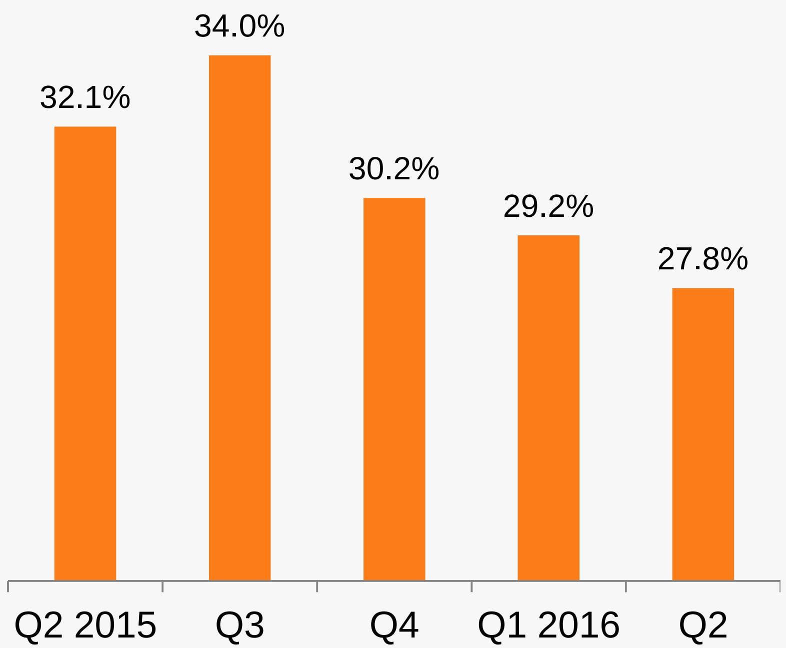
Net working capital (NWC)

in EUR m, continuing operations



NWC/sales (last 3M)

in %, continuing operations



Net debt at lowest level since 2005, increase of leverage as expected

		Q2 2016	Q2 2015	Change	Q1 2016
Net debt	EUR m	454.0	637.9	–28.8%	488.5
Net debt/adjusted EBITDA [1)]	factor	3.5	2.7	–	3.5
Shareholders' equity	EUR m	676.9	814.5	–16.9%	687.7
Equity ratio	%	32.5	32.9	–40 bps	32.6
Financial result	EUR m	–11.5	–10.2	–1.3 m	–11.3
Capex	EUR m	–14.6	–57.5	42.9 m	–16.6

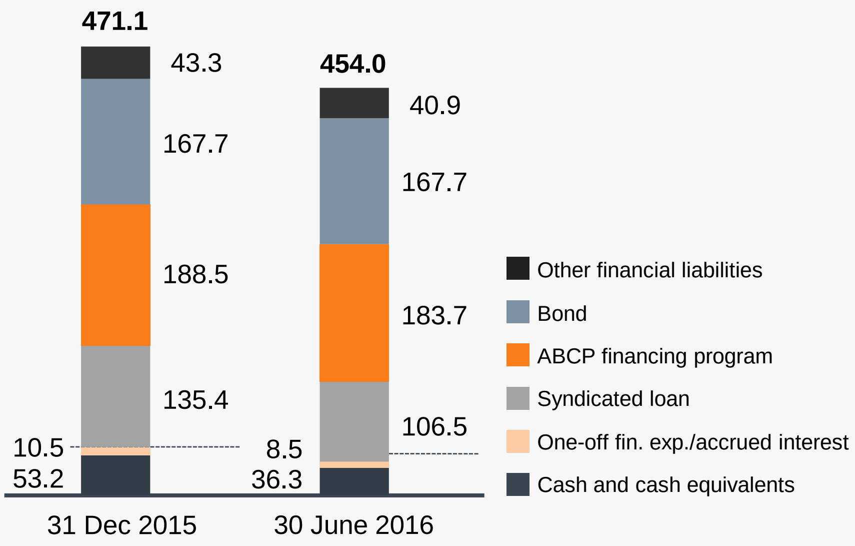
1) Last twelve months (LTM)

- » Further reduction in net debt compared to year-end 2015 despite seasonal effects
- » Net debt decreased by EUR 184 million compared to end Q2 2015
- » Lower shareholders' equity: actuarial losses on pension plans – equity ratio stable
- » Financial result declined due to higher interest expenses as leverage rose
- » Capex seasonally low, Q2 2015 higher due to purchase of real estate in Dusseldorf (Ger)

Financial flexibility further increased

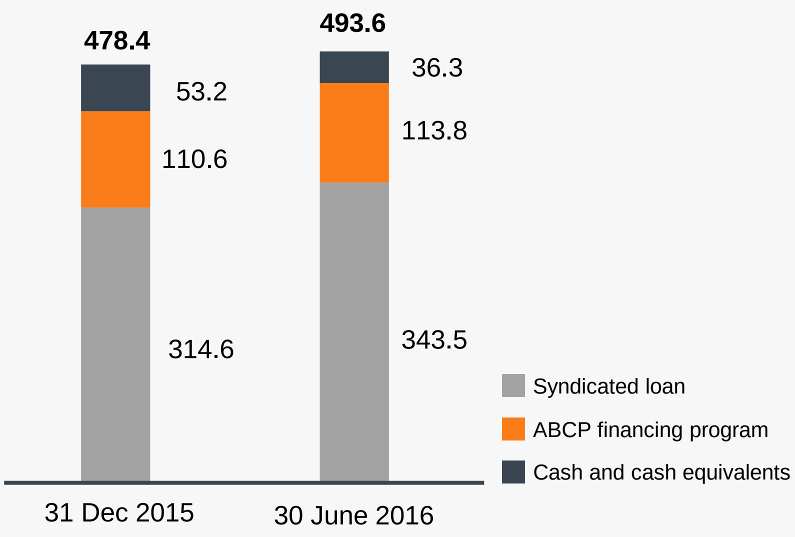
Net debt as of 30 June 2016

in million EUR



Financial headroom as of 30 June 2016

in million EUR



» Unused financing lines and cash around EUR 494 million as of 30 June 2016

3 OUTLOOK

Outlook 2016 – stable market environment but no tailwind expected

Macroeconomic environment

» Muted global economic growth expected – uncertainties in China and the United States

» Ongoing crisis in Brazil, Russia, Malaysia; political uncertainties (Brexit, Turkey)

» Despite recent recovery, raw material and scrap prices are expected to remain unpredictable and volatile

» Challenging market environment to persist through 2016, with seasonal slowdown in industrial activity during the third quarter

Industry Sectors

» Growth in the automotive industry will remain solid

» Mechanical & Plant Engineering stable but not growing

» Continued mild recovery in the oil & gas industry from trough levels

Outlook – 2016 guidance

Full-year 2016 targets confirmed:

- » **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

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4 APPENDIX

Nickel price development – 10 years

Source: Bloomberg

Appendix

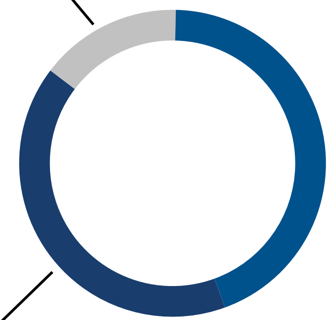
Nickel price development – 1 year

Source: Bloomberg

Scrap steel price development – 1 year

Source: Bloomberg

Swiss listed company with supportive anchor shareholders



Shareholder Structure as of 30 June 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 11 168 772 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 shareholders. The beneficial owners did not change.

Financial calendar and contact

Date	Event
15 November 2016	Q3 Report 2016, Telephone Conference for Media, Analysts & Investors
09 March 2017	Annual Report 2016, Media Conference, Analyst & Investor Conference

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