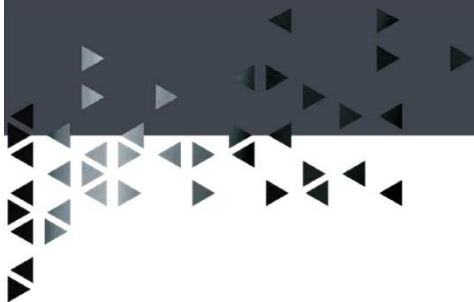




SCHMOLZ + BICKENBACH

Full-year / Q4 2018 Results – Investors' & Analysts' Conference

Zurich, March 13, 2019



SCHMOLZ + BICKENBACH
Group



Disclaimer

Forward-looking statements

This presentation contains forward-looking statements about developments, plans, intentions, assumptions, expectations, convictions, possible impacts or the description of future events, outlooks, revenues, results or situations, for example. These are based upon the company's current expectations, convictions and assumptions, but could materially differ from any future results, performance or achievements. We are providing this communication as of the date hereof and do not undertake to update any forward-looking statements contained herein as a result of new information, future events or otherwise.

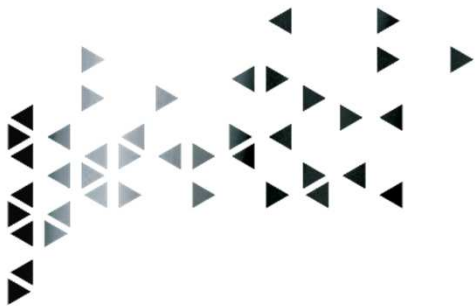
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01 Business Review / Financial Performance FY 2018



2018 – a Busy and Successful Year For The Group

A successful year...

- ▶ **EBITDA target achieved** – increased guidance for full-year met
- ▶ **Improved performance** in most Business Units
- ▶ **Permanent cost reduction** of EUR 21 million, slightly ahead of target
- ▶ Milestone in **growth strategy execution** – takeover of Ascometal assets
- ▶ **Seamless integration** of Ascometal
 - 1. new Business Unit stabilized, 2. integration into systems, processes and platforms of the Group
 - 3. confidence restored, 4. productivity increased, 5. implementation of industrial concept initiated
- ▶ **Additional financing** secured – EUR 150 mn bond tap in June
- ▶ **Impact** of provisional EU safeguard measures largely **avoided**, only temporary impact in Q4

... but:

- ▶ Impairment of Finkl Steel assets in the fourth quarter
- ▶ Deteriorating markets towards year-end – a temporary slowdown of growth

Mixed Market Environment – Booming in the First Half-year, Decelerating Towards Year-end

Commodity prices vs. year-end 2017 (in USD per ton)	Nickel	–17%
	Scrap (FOB Rotterdam)	–23%
	Ferrochrome	–22%
Oil price per barrel (WTI)	USD 45	–25% vs. year-end 2017 (USD 60)
VDMA production full-year 2018	+2% vs. full-year 2017	
New passenger car registrations (EU)	+0.1% in full-year 2018 vs. full-year 2017	

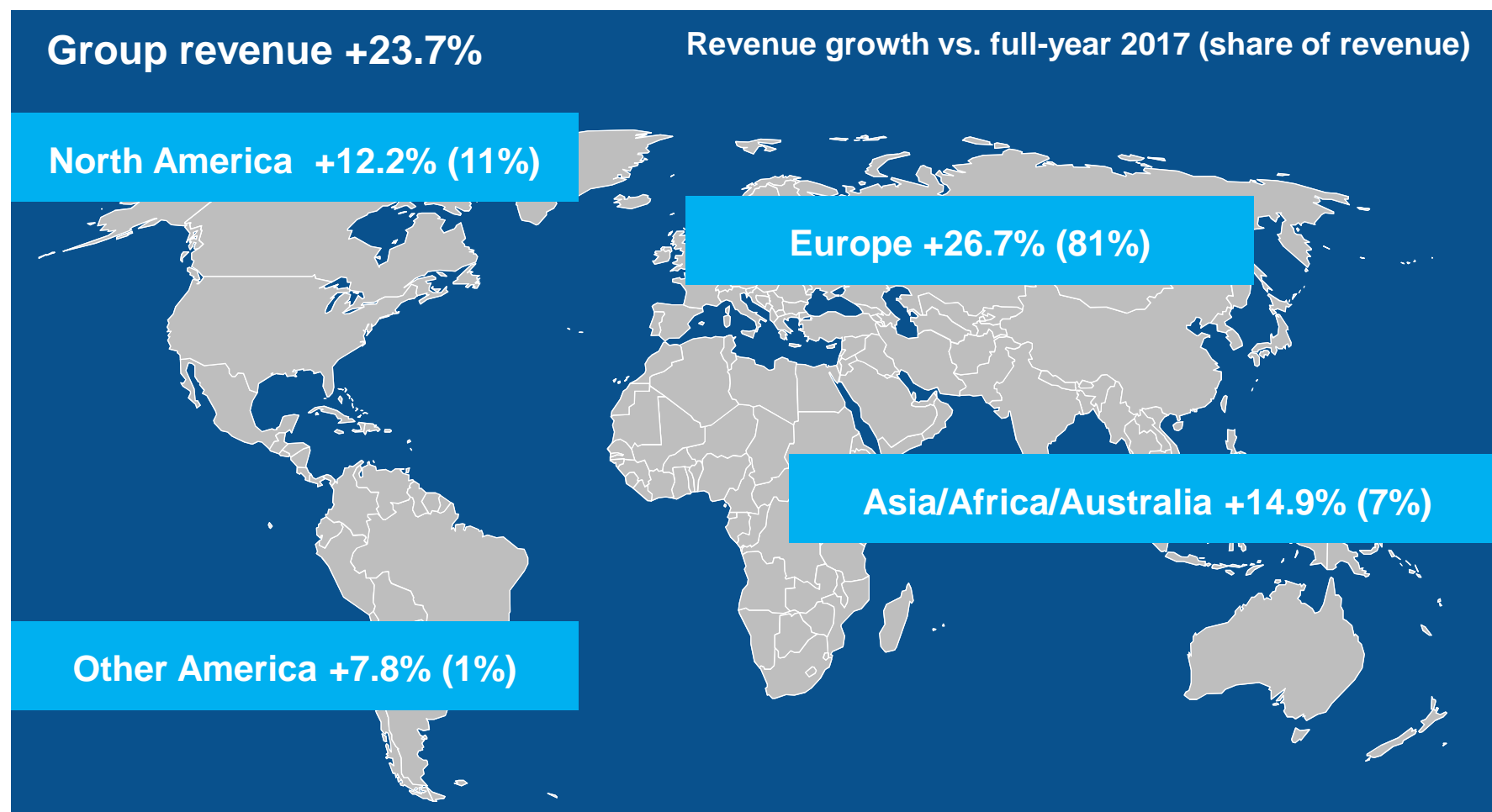
Sources: ACEA, WTI, VDMA, Platts, LME, ICDA (International Chromium Development Association)

Strong Growth in Adjusted EBITDA, Cash Flow Reflecting Investments Into Ascometal and Working Capital

Sales volume	2,093 kilotons	+16.5% (1,797 kilotons)
Revenue	EUR 3.313 billion	+23.7% (EUR 2.678 billion)
Adj. EBITDA	EUR 236.7 million	+6.3% (EUR 222.7 million)
Group result (EAT)	EUR –0.7 million	EUR 45.7 million FY 2017
Free cash flow	EUR –159.8 million	EUR 16.3 million FY 2017

All figures include results of Business Unit Ascometal for 11 months

Double-digit Revenue Growth in the Key Regional Markets



Ascometal Integration in 3 Steps – Major Progress in 2018

Business Stabilization

✓ H1 2018

- ▶ Personnel fluctuation reduced
- ▶ Staff added where necessary
- ▶ BU management hired
- ▶ Supplier and customer base secured

Optimization, Growth, Efficiency Gains

✓ FY 2018/2019

- ▶ Best practices exchange
- ▶ Investments
- ▶ EBITDA stabilized
- ▶ Reliability, productivity and customer service improved
- ▶ Group synergies: systems, processes, platforms harmonized

Industrial Integration

Process initiated, completed within next 3 to 4 years

- ▶ Sales organization integrated
- ▶ Investment Witten approved
- ▶ Ascoval supplier contract expired
- ▶ Witten supplies for rolling mill in Les Dunes
- ▶ Dual strategy for Hagondange / Siegen



Ascometal Integration in Examples – Significant Progress in All Workstreams in the Second Half-Year

Industrial

- ▶ **Industrial concept pursued**
- ▶ **Supply route Witten to Les Dunes substitutes Ascoval**
- ▶ **Critical investments for quality improvement, maintenance of EUR 18 mn**
- ▶ Performance improvement program centrally driven
- ▶ Ascometal fully integrated in R&D, technical organisation

Procurement

- ▶ **Full integration in S+B lead buyer structure and S+B annual tendering**
- ▶ Regular yearly energy contracts in place
- ▶ Payment terms normalized
- ▶ Revision of industrial service contracts in progress

Commercial

- ▶ **Regular training sessions organized for our new sales net (S+B Int.)**
- ▶ Regular exchanges and cooperations with the BU's involved on Eng. Steel
- ▶ Recovering confidence of Ascometal customer base

Communication

- ▶ **Integration of Ascometal into S+B communication landscape completed**
- ▶ Trade media / marketing communication activities strengthened and aligned with other Group BUs
- ▶ Cultural change: connect to group-wide intranet

Legal

- ▶ **Compliance roll-out commenced, incl. trainings for leadership**
- ▶ Policies and procedures published, e.g. EU- and General data protection, anti-corruption and anti-trust guidelines

Finance

- ▶ **First IFRS group audit successfully accomplished**
- ▶ S&S entities completely transitioned, partially merged
- ▶ Reporting proc. harmonized with group standards
- ▶ Acc. guidelines implemented

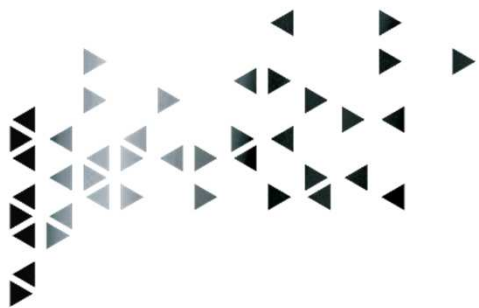
Information Tech.

- ▶ **Ascoval carve-out**
- ▶ **BPC Integration**
- ▶ Data Network linked
- ▶ Group firewall implemted
- ▶ License compliance
- ▶ Intranet, Mail, AD access
- ▶ Group Video solution
- ▶ SAP transition to 5 entities
- ▶ Full mail migration

Human Ressources

- ▶ **Integration into S+B H&S strategy, incl. cross BU audits**
- ▶ New Exec Mgmt Team
- ▶ Additional staffing for critical functions
- ▶ Set up of local works councils and a Group committee
- ▶ Agreement signed on participation

02 Financial Performance Q4 2018



Differentiated Picture in End-markets in the Fourth Quarter

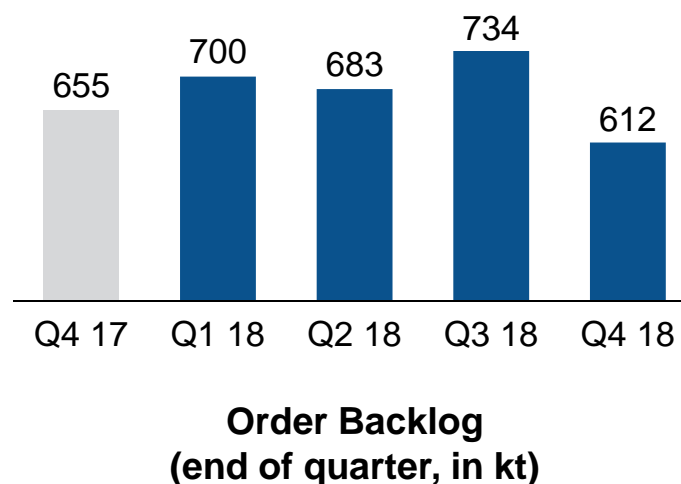
Trends observed during the fourth quarter

- ▶ **Rapid deterioration** of market environment since mid-November, especially in **December**
- ▶ Political hiccups created uncertainty – “**real economy**” **fundamentals** remained **intact** in late 2018
- ▶ **Differentiated development** in key end markets
 - Pronounced weakness in the automotive market towards year-end
 - Mechanical & Plant Engineering stable
 - EU safeguard measures temporarily impacted Business Unit Swiss Steel operations
 - Frictions through Section 232 and continued structural shifts in North America
- ▶ **Accelerated destocking** by customers in the last few weeks of 2018 continued into first weeks of 2019

Growth of Production and Sales Volume Driven by Ascometal

Crude Steel Production	570 kilotons	+22.1%	vs. Q4/17 (467 kilotons)
Sales Volume	498 kilotons	+15.0%	vs. Q4/17 (433 kilotons)
Order Backlog	612 kilotons	–6.6%	vs. end Q4/17 (655 kilotons)

- ▶ Sales volume up by 15% compared to Q4 2017:
 - Sales volume ex-Ascometal –8%:
 - low off-take in Nov/Dec
 - weak order intake in December with some catch-up in January
 - Production slightly throttled towards year-end, yet producing to order
- ▶ Lower order backlog both year-on-year and compared to Q3 2018 reflects economic growth concerns in our end markets



Revenue and ASP Up Year-on-Year – Base Prices Remained Largely Stable in The Fourth Quarter

Revenue

EUR 795.5 million

+20.6% vs. Q4/17 (EUR 659.4 million)

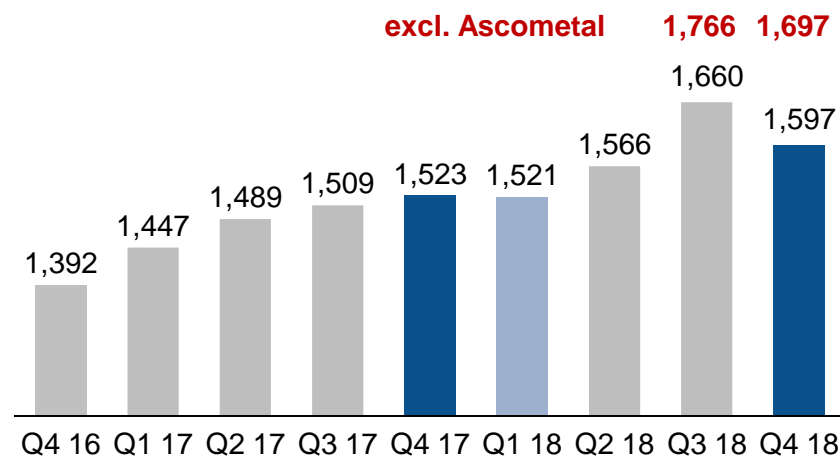
- ▶ Ascometal contribution; higher base prices and scrap/alloy surcharges year-on-year

Average sales price (ASP)

EUR 1,597/t

+4.9% vs. Q4/17 (EUR 1,523/t)

- ▶ Year-on-year sales prices up in an overall favorable pricing environment
- ▶ Decline of ASP versus previous quarter:
 - mix effect – seasonally low share of Quality & Engineering steel in Q3/18, normalized mix in Q4
 - raw material prices in Q3/Q4 reduced surcharges
 - base prices stable



Average Sales Price (EUR/t)



Demand-driven Decline of Adjusted EBITDA

Adjusted EBITDA	EUR 39.2 million	–19.2% vs. Q4/17 (EUR 48.5 million)
– EUR/t	EUR 79/t	–29.5% vs. Q4/17 (EUR 112/t)
– margin	4.9%	7.4% in Q4/17
EBITDA	EUR 28.0 million	–36.1% vs. Q4/17 (EUR 43.8 million)

- ▶ Adj. EBITDA below previous year due to weak demand in Q4 and low shipments at Swiss Steel
- ▶ Adj. EBITDA per ton also reflects change in product mix vs. PY – Ascometal not part of S+B in Q4/17
- ▶ One-time effects of EUR 11.2 million mainly attributable to restructuring/transaction expenses Ascometal

Group Result	EUR –93.1 million	EUR 26.2 million in Q4/17
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- ▶ Tax income of EUR 29.3 million in Q4 recorded due to negative pre-tax result (EBT)
- ▶ Net loss as a result of impairment of Finkl Steel assets – impact of EUR –81.1 million after tax

Impairment at Finkl Steel in Q4 Due to Accelerated Structural Market Changes

- ▶ Write-down of fixed assets of Finkl Steel by EUR –108.6 million
- ▶ One-off impact on Group result of EUR –81.1 million



Structural issues – overcapacities

- ▶ Too large upstream for full utilization of furnace built in Chicago in 2013 – high book value.
- ▶ Resulting low capacity utilization
- ▶ No compelling business case for downstream expansion

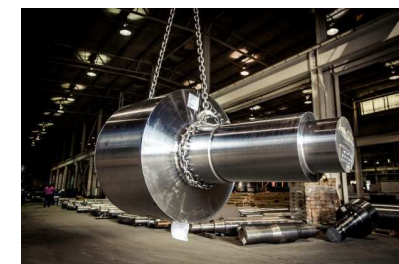
Effects From Section 232

- ▶ Permanent effects from Section 232 steel tariffs:
 - interrupted cost-optimal production chain between plants in Montreal and Chicago
 - attracted competitors to Canada
 - increased pressure on world-wide mold steel pricing

Structural Shift – Products

- ▶ Hit by accelerated longevity
- ▶ Protracted adaptation of superior proprietary steel grade in the market

- ▶ Detailed turnaround plan already in roll-out (markets, efficiencies, organization)
- ▶ No significant additional capex / provisions required
- ▶ Impact on results well-balanced within portfolio of S+B Group companies



Temporarily Elevated Capex to Drive Future Growth – DEW, Swiss Steel and Ugitech

Capex

EUR 72.0 million

+44.3% vs. Q4/17 (EUR 49.9 million)

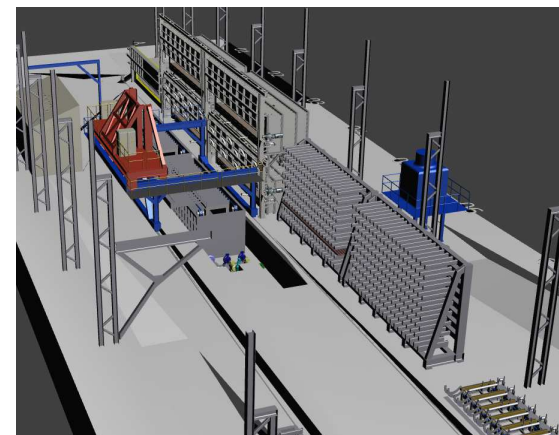
- ▶ Capex slightly below targeted EUR 145 million for full-year, back-end loaded in 2018
- ▶ Investment projects to improve Ascometal operational performance and implement industrial concept
- ▶ Major projects at Swiss Steel (walking beam furnace), Ugitech (Nadcap-certified heat treatment line), DEW (walking hearth furnace)



Walking Hearth Furnace
DEW (2020)



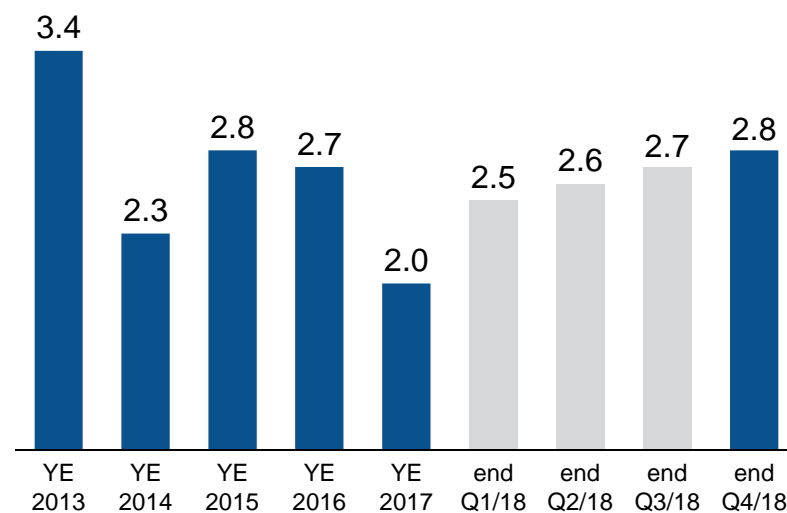
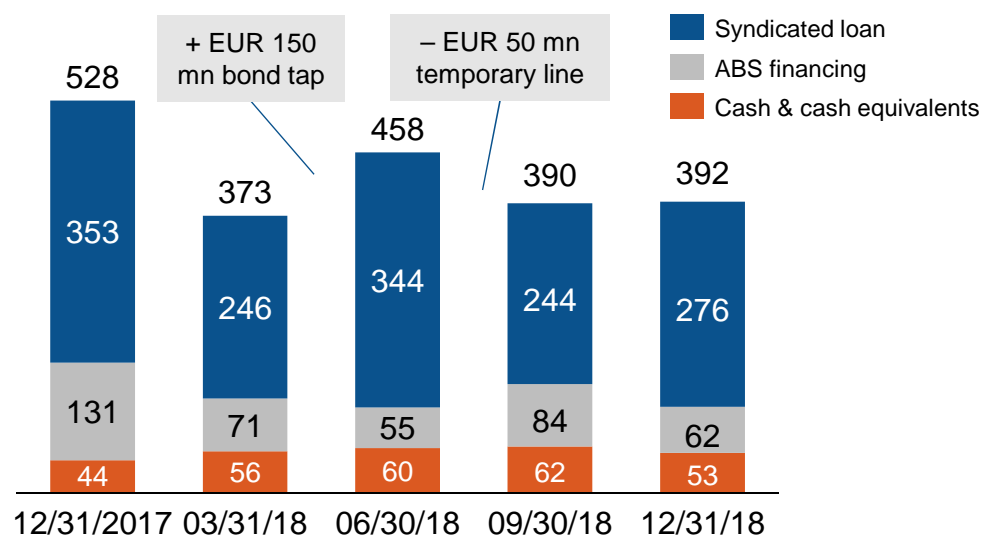
Walking Beam Furnace
Swiss Steel (2019/20)



Nadcap-certified heat treatment line
Ugitech (2020)

Net Debt Stable Compared to Q3 2018

Free Cash Flow	EUR 13.6 million	EUR 13.6 million in Q4/17
Net debt	EUR 655 million	EUR 651 million end Q3/18
Leverage	2.8	2.7 end Q3/18



Financial Headroom (EUR million)

Net debt/adj. EBITDA

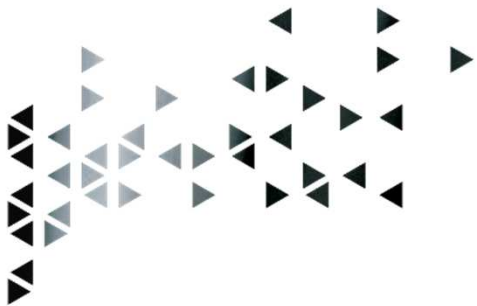


Moderate Impact of New Standard IFRS 16 in 2019 Expected

- ▶ IFRS 16 “Leases” sets out the principles governing the recognition, measurement, presentation, and disclosure of leases.
- ▶ S+B has introduced IFRS 16 with effect from Jan 1, 2019
- ▶ IFRS 16 has a moderate impact on the financial statements of S+B
- ▶ Detailed description of IFRS 16 in Annual Report 2018, Note 7 “Published standards, interpretations and amendments not yet applied”, p 121
- ▶ Largest item: leasehold property DEW

Key metric	Approximate FY 2019 impact of IFRS 16 (e)
Income statement (impact in million EUR)	
EBITDA	+ 11
Financial result	– 2
Depreciation	– 9
Capex	+ 11
Balance sheet (impact in million EUR)	
Assets	+ 65
Net debt	+ 65
Financial metrics	
Leverage	+ 0.2 x

03 Outlook



Risks and Uncertainties Will Shape the Business Performance in 2019

View on macroeconomic developments and steel industry

- ▶ Global economic growth has softened in recent months as a result of interventions in free trade and political tensions
- ▶ This resulted in a sharp drop in demand, particularly in the automotive industry
- ▶ Restrained start to the first quarter confirmed a continuation of a period of subdued growth in Q4
- ▶ SCHMOLZ + BICKENBACH expects a gradual improvement towards the second half-year, assuming no disruptive macro-economic developments
- ▶ The special long steel industry will grow in 2019

Outlook and Priorities For Full-Year 2019

Priorities for the Group

- ▶ Push industrial integration of Ascometal
- ▶ Implement measures to turn around Finkl Steel
- ▶ Execute continuous improvement measures to offset cost inflation (energy, salaries)
- ▶ Normalize working capital investments

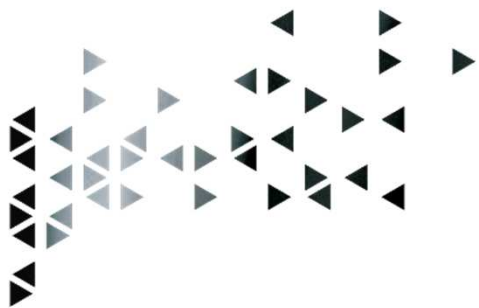
Guidance for full-year 2019

Due to political and macroeconomic risks, SCHMOLZ + BICKENBACH expects a continuation of the dip in growth followed by a recovery in the further course of the year. On this assumption, **adjusted EBITDA of between EUR 190 million and EUR 230 million is forecasted.**

Q & A



Appendix



Nickel Price Development – 1 Year



Source: Bloomberg, LME Nickel USD/mt



Nickel Price Development – 10 Years



Source: Bloomberg, LME Nickel USD/mt



Financial Calendar and Contact

Date	Event
March 13, 2019	Full-year Report 2018, Media and Investor Conference, Zurich
April 30, 2019	Annual General Meeting, KKL Lucerne
May 9, 2019	Interim Report Q1 2019, Media and Investor Conference Call
August 8, 2019	Interim Report Q2 2019, Media and Investor Conference Call
November 12, 2019	Interim Report Q3 2019, Media and Investor Conference Call

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