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Description of the Capital Increase of SCHMOLZ+BICKENBACH AG

The planned capital increase shall result in additional equity capital and liquidity for SCHMOLZ+BICKENBACH AG of at least CHF 325 million. The Shareholder Letter explains why these funds are required. This document explains how the capital increase shall be technically implemented as well as its expected timing.

1. Capital Increase and Capital Reduction

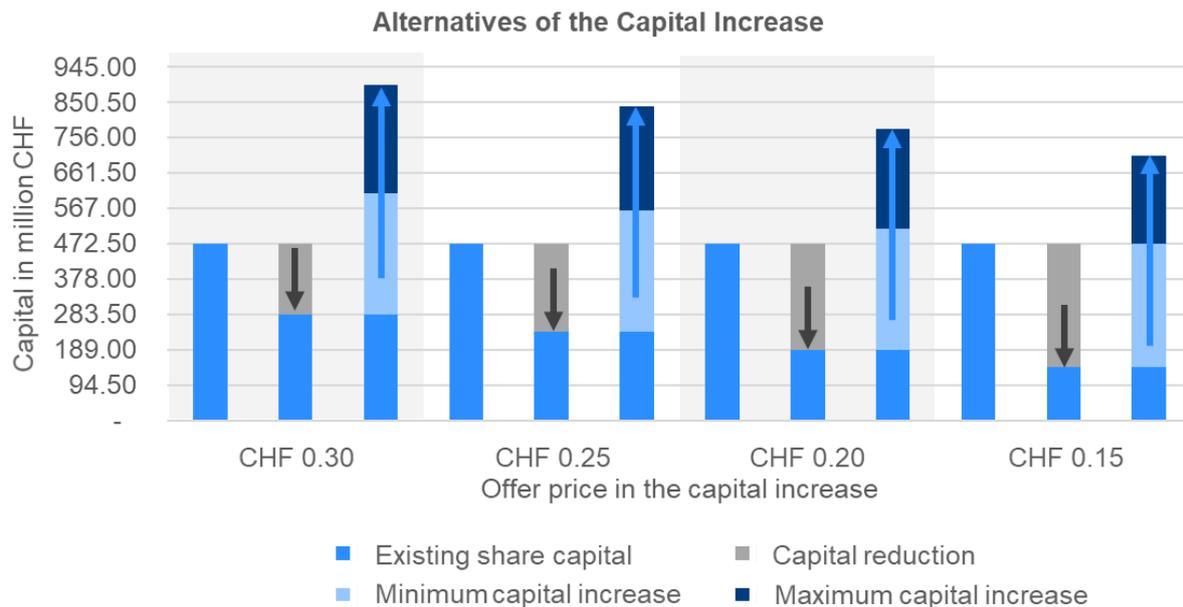
The par-value of the shares of SCHMOLZ+BICKENBACH AG amounts to CHF 0.50 per share. A capital increase must be done at least at the par-value. The share price has recently fluctuated between CHF 0.19 and CHF 0.29 per share. Therefore, a capital increase at those share price levels is not possible, and the par-value of the shares needs to be reduced. A reduction of the par-value is a capital reduction. Normally, a capital reduction requires a review report by the auditors and a waiting period of two months for a creditor call. A creditor call is not a viable route in the company's current situation.

The capital reduction is possible without a creditor call and a review report, if concurrently with the capital reduction the share capital is increased again by at least the same amount. If for example one plans a capital increase at CHF 0.20, the par-value needs to be reduced at least to CHF 0.20. In view of the Company's 945 million shares, this amounts to a capital reduction of CHF 283.5 million. Such a capital reduction mandatorily requires a capital increase of at least the same amount. For the financing of the Company, at least CHF 325 million of new capital are required. Given that BigPoint Holding AG has made its undertaking to subscribe for CHF 325 million conditional, inter alia, to reaching at least 37.5% of the voting rights upon completion of the capital increase, the Board of Directors proposes that the maximum amount of the capital increase be approved at CHF 614.25 million; this is to ensure that the Company will still receive CHF 325 million should BigPoint Holding AG not reach 37.5% because all other shareholders exercised their subscription rights.

The board of directors proposed four alternatives for the capital increase with a different offer price in each case: CHF 0.30 with a maximum amount of CHF 614.25 million, CHF 0.25 with a maximum amount of CHF 603.75 million, CHF 0.20 with a maximum amount of CHF 590.625 million und CHF 0.15 with a maximum amount of CHF 567.000 million. The board of directors shall be authorized to determine the offer price subsequent to the international offering (see number 4 below). The four alternatives allow the board of directors the necessary flexibility. Such flexibility is required because the market price of the shares varies a lot and it is the goal to set the offer price close to the market price. The alternative of a discounted offer price was dismissed because of the increased risk that such capital increase might not be sufficient to cover the capital reduction amount and that therefore the capital increase would fail.

In the morning of the extraordinary general meeting, the board of directors will delete those offer prices below CHF 0.30 which are more than CHF 0.05 below the market price then established by the board of directors. The board of directors will then amend its proposal to the extraordinary general meeting accordingly. This prevents offer prices that are not close to the market price, unless there should be an unexpected increase above CHF 0.30.

The following chart shows the four alternatives for the capital increase and capital reduction, in each case with a different offer price:



2. Commitment Letter of BigPoint Holding AG

BigPoint Holding AG, which is controlled by Mr. Martin Haefner, has committed to subscribe for up to CHF 325 million in shares. This commitment is subject to the condition, among others, that Mr. Martin Haefner directly and indirectly through BigPoint Holding AG reaches a participation in the company's share capital after capital increase of at least 37.5%. In addition, BigPoint Holding AG has set the condition that Liwet Holding AG may participate in the rights offering, but shall not be considered as investor in the international offering. Further conditions will be cleared prior to the shareholders meeting.

3. Rights Offering

Shareholders will be informed about the capital increase by their depositary bank and are kindly asked to follow their bank's instructions. Shareholders that own physical share certificates are kindly asked to present those share certificates well before the general meeting at their depositary bank, so that the bank in cooperation with the share register can arrange for converting the share certificates into book-entry securities.

Each shareholder may with respect to each offer price of CHF 0.15, CHF 0.20, CHF 0.25 and CHF 0.30 (except for those offer price(s) deleted at the extraordinary shareholders meeting), indicate how many shares such shareholder wishes to purchase by exercising its subscription rights. The subscription ratio per offer price is as follows:

- Offer price of CHF 0.15: 1 existing share entitles to purchase 4 new shares.
- Offer price of CHF 0.20: 8 existing shares entitle to purchase 25 new shares.
- Offer price of CHF 0.25: 9 existing shares entitle to purchase 23 new shares.
- Offer price of CHF 0.30: 6 existing shares entitle to purchase 13 new shares.

Non exercised subscription rights lapse without compensation. This also applies to subscription rights that only allow the purchase of fractional shares at the above subscription ratio.

The subscription rights are expected to be exercisable through the depositary banks from 5 December 2019 through 11 December 2019 (12 noon CET). After the end of the rights exercise period, the result of the rights offering will be announced.

4. International Offering

Shares not acquired in the rights offering are offered in the international offering in the market. The international offering is expected to take place from 5 December 2019 through 16 December 2019 (12 noon CET). Mr. Martin Haefner has committed to participate in the international offering with a total of up to CHF 325 million, subject to certain conditions (see number 2 above).

5. Determination of the Offer Price

The offer price will be set by the board of directors after the end of the international offering. From the possible offer prices mentioned above, the board of directors will choose the highest possible one which still allows a capital increase of at least CHF 325 million. In case of an offer price of CHF 0.15 this amount increases to CHF 330.75 million. By doing so, the board of directors makes sure that the shareholders that do not participate in the offering are not unduly disadvantaged.

6. Settlement

The settlement of the offer is expected to occur such that on 18 December 2019 the offer price is paid by shareholders and investors considered in the international offering against booking of entitlements. The aggregate paid-in offer price is used to implement the capital increase. Thereafter, the new shares are delivered on 20 December 2019 against the entitlements.

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