SCHMOLZ + BICKENBACH AG
Providing special steel solutions

# Media release

## Concentration on core business leads to one-off effects in first quarter results of SCHMOLZ + BICKENBACH

- **Revenue increased by 2.3% despite lower sales volume**
- **Impairment losses and provisions at discontinued operations lead to net loss of EUR 122.4 million (Q1 2014: net income EUR 12.4 million)**
- **Improved interest terms further reduce net financial expense**

Emmenbrücke, 19 May 2015 – SCHMOLZ + BICKENBACH AG, a global leader in special long steel (such as tool steel, stainless steel, and engineering steel) listed on the SIX Swiss Exchange (SIX: STLN), was not able to repeat its sound set of financial figures from the previous year in the continued demanding market environment. EBITDA decreased by 10.5% to EUR 54.5 million (1.1.–31.3.2014: EUR 60.9 million). Bottom line slightly positive earnings after taxes of the continuing operations of EUR 1.9 million were achieved (EUR 11.3 million). Due to the loss from the discontinued operations, the Group's net income (loss), which is calculated as a sum of the earnings after taxes of the continuing and discontinued operations, amounted to EUR – 122.4 million (1.1.–31.3.2014: EUR 12.4 million).

In the first quarter of 2015, there was a slight decrease in order intake at the continuing operations compared to the prior-year figure. The order backlog of 569 kilotonnes (31.3.2014: 571 kilotonnes) as at 31 March 2015 matched the prior-year level and represented an increase of 14.5% on the figure as at 31 December 2014 (497 kilotonnes).

Compared to the first quarter of 2014, SCHMOLZ + BICKENBACH had to contend with a slight decrease in sales of 17 kilotonnes or 3.4% to 483 kilotonnes (1.1.–31.3.2014: 500 kilotonnes) at the continuing operations. At the same time, revenue increased by EUR 17.3 million or 2.3% compared to the same quarter of the prior year to EUR 765.7 million (1.1.–31.3.2014: EUR 748.4 million), thanks to higher average revenue.

The percentage gross margin improved significantly to 37.1% (1.1.–31.3.2014: 35.9%) compared to the prior-year period. In the first quarter of 2015, operating profit before depreciation and amortisation (EBITDA) came to EUR 54.5 million, down 10.5% (1.1.–31.3.2014: EUR 60.9 million) and the EBITDA margin was 7.1% (1.1.–31.3.2014: 8.1%). The adjusted EBITDA came to EUR 56.4 million in the first quarter of 2015, representing a decrease of EUR 6.2 million or 9.9% on the same period of the prior year (1.1.–31.3.2014: EUR 62.6 million). The earnings figures for the first quarter of 2015 were primarily influenced by the increase in net exchange losses of EUR 8.5 million compared to the same quarter in the prior year.

As a result of improved interest conditions for the refinancing concluded in June 2014, SCHMOLZ + BICKENBACH was able to reduce interest expenses on financial liabilities by EUR 5.1 million or 34.2% compared to the same period of the prior year to EUR 9.8 million (1.1.–31.3.2014: EUR 14.9 million). Taking into account negative effects from marking interest and embedded derivatives, SCHMOLZ + BICKENBACH thus reduced the net financial expense of the continuing operations by EUR 2.6 million or 17.2% compared to the same period of the prior year to EUR 12.5 million (1.1.–31.3.2014: EUR 15.1 million).

At EUR 9.0 million, earnings before taxes (EBT) of the continuing operations decreased by EUR 8.4 million or 48.3% on the same period of the prior year (1.1.–31.3.2014: EUR 17.4 million). Earnings after taxes from the continuing operations saw a total decrease of EUR 9.4 million or 83.2% to EUR 1.9 million (1.1.–31.3.2014: EUR 11.3 million). At EUR – 0.6 million in the first quarter of 2015 (1.1.–31.3.2014: EUR 1.1 million), earnings after taxes from ordinary operations of the discontinued operations were EUR 1.7 million down on the figure for the same period of the prior year.

As part of the first-time classification as discontinued operations, the disposal group was measured in its entirety at fair value less costs to sell. As at 31 March 2015, this valuation was performed on the basis of provisional purchase price calculations and costs to sell, and resulted in a provisional impairment loss of EUR 123.7 million. The final purchase price will be determined on the basis of the statements of financial position of the distribution entities involved as at 30 April 2015. As a result, overall earnings after taxes from the discontinued operations came to EUR – 124.3 million (1.1.–31.3.2014: EUR 1.1 million).

The Group's net income (loss), which is calculated from the earnings after taxes of the continuing and the discontinued operations, was down EUR 134.8 million on the prior-year figure at EUR – 122.4 million (1.1.–31.3.2014: EUR 12.4 million).

**Outlook 2015**

**Economic development and steel demand**
Expectations regarding global economic development in 2015 have increased compared to the prior year. The World Bank, OECD and IMF anticipate growth of between 3.0% and 3.7%. However, the regional picture should be quite mixed in 2015.

In contrast to the improved expectations for the general economic situation, the outlook for steel demand has deteriorated significantly. In its latest forecast for steel consumption in 2015, the World Steel Association considerably reduced the expected average growth rate for 2015 from 2.0% to 0.5%, following weaker-than-initially-expected growth in 2014. Closer inspection reveals that growth is continuing to slow appreciably, particularly in the key Asian market. Accounting for the highest steel consumption in terms of tonnes (2014: 1 016 million tonnes), appetite in this region is now expected to increase by just 0.6% (formerly: 1.4%) in 2015. The second-largest steel consumer is the European Union, with around 150 million tonnes. After a strong year in 2014 (+4.5%), consumption is expected to grow by just 2.1% in 2015 instead of the previously expected 2.9%. The third-largest market is NAFTA, where steel consumption is actually set to decrease by 0.9% in 2015 following on from the extraordinary 11.3% increase in steel consumption in 2014. The ongoing difficult geopolitical developments could also dampen general demand for steel.

**Development of the SCHMOLZ + BICKENBACH Group**
As described above, the estimates for steel consumption carry a negative sign. SCHMOLZ + BICKENBACH sees these estimates as presenting considerable uncertainties for our further earnings development. The expectations for 2015 as a whole therefore remain cautious.

As a result of the reclassification of the specific distribution units as discontinued operations, SCHMOLZ + BICKENBACH is adjusting the estimates for the sales volumes by the amounts these entities generated with third-party products. SCHMOLZ + BICKENBACH now expects sales volumes for 2015 which are around 300 kilotonnes lower than 2014 levels.

The earnings for 2015 as a whole will be burdened by currency effects, especially with the Swiss franc stronger against the euro since January 2015. Aside from the one-time net currency losses of EUR 7.4 million recorded in the first quarter 2015, SCHMOLZ + BICKENBACH assumes that based on sensitivity analyses every increase of one centime in the Swiss franc against the euro would see EBITDA fall by around CHF 1.5 million per year. Translation effects in the opposite direction will only partially make up for this.

As a result of the reclassification of the specific distribution units as discontinued operations, SCHMOLZ + BICKENBACH has adjusted the EBITDA forecast for 2015 by the amount of the EBITDA contribution of the entities disposed of (around EUR 20 million). Adjusted for the effects from the disposal of the selected distribution units, EBITDA is expected to come in at between EUR 190 million and EUR 230 million 2015, with a currently anticipated figure at the lower end of this range due to the framework conditions described above.

Following its launch in 2013, the comprehensive earnings improvement programme is clearly progressing successfully. In response to the challenges posed by exchange rates and to the uncertainties in the oil and gas business, SCHMOLZ + BICKENBACH will step up its efforts in 2015 and expand the programme to include additional measures. A project geared to reducing net working capital is already under way.

In future, the EBITDA contribution of around EUR 20 million annually of the selected entities disposed of will no longer flow into the earnings of the SCHMOLZ + BICKENBACH Group. Adjusted for this effect, SCHMOLZ + BICKENBACH stands by its medium-term goals: from 2016 onwards, it is intended to generate EBITDA of > EUR 280 million and an EBITDA margin of > 8% over an economic cycle. SCHMOLZ + BICKENBACH wants to reduce the EBITDA leverage to a sustainable figure of < 2.5 x.

## Key figures

| | | 1.1.-31.3.2015 | 1.1.-31.3.2014 |
|---|---|---|---|
| Sales volume [1)] | Kilotonnes | 483 | 500 |
| Revenue [1)] | million EUR | 765.7 | 748.4 |
| Adjusted EBITDA [1)] | million EUR | 56.4 | 62.6 |
| Operating profit before depreciation and amortisation (EBITDA) [1)] | million EUR | 54.5 | 60.9 |
| Operating profit (EBIT) [1)] | million EUR | 21.5 | 32.5 |
| Earnings before taxes (EBT) [1)] | million EUR | 9.0 | 17.4 |
| Net income (loss) (EAT) | million EUR | -122.4 | 12.4 |
| Investments [1)] | million EUR | 19.2 | 11.9 |
| Free Cash Flow from continuing operations [1)] | million EUR | 2.3 | 76.5 |
| Earnings per share (undiluted) | EUR | -0.13 | 0.01 |
| | | **31.3.2015** | **31.12.2014** |
| Total assets | million EUR | 2 493.6 | 2 509.6 |
| Shareholders‘ equity | million EUR | 781.6 | 900.9 |
| Net debt [2)] | million EUR | 625.9 | 587.2 |
| Employees as at closing date [2)] | positions | 9 022 | 10 000 |

1) Following reclassification of the discontinued operations as at 31 March 2015, the figure for the reporting period now refers only to continuing operations. The prior-year figure was restated accordingly.
2) Following reclassification of the discontinued operations as at 31 March 2015, the figure for the reporting date now refers only to continuing operations. The prior-year figure was not restated and continues to include all operations.

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The interim report as at 31 March 2015 can be found here:

http://www1.schmolz-bickenbach.com/en/investor-relations/reports/financial-reports/2015

**About SCHMOLZ + BICKENBACH**

Today, the SCHMOLZ + BICKENBACH Group is one of the world's leading providers of customised solutions in the special long steel products business. A global name in tool steel and stainless long steel, the Group is one of the two largest companies in Europe for alloy and high-alloy special and engineering steel. With around 10 000 employees at its own production and distribution companies in 38 countries across five continents, the Company supports and supplies customers wherever they operate. Besides a comprehensive Production and Sales & Services portfolio, customers benefit from the Company's technological expertise, consistent high quality worldwide and in-depth knowledge of local markets.

**Forward-looking statements**

Information in this release may contain forward-looking statements, including presentations of developments, plans, intentions, assumptions, expectations, beliefs and potential impacts as well as descriptions of future events, income, results, situations or outlook. They are based on the Company's current expectations, beliefs and assumptions, which are subject to uncertainty and may differ materially from the current facts, situation, impact or developments.

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