2018

Interim report 2nd quarter

SCHMOLZ + BICKENBACH

Group

SCHMOLZ + BICKENBACH is one of the leading producers of premium special long steel products, operating with a global sales and service network.

We focus on meeting our customers' specific needs. Solution. Innovation. Quality.

We are the benchmark for special steel solutions.

Contents

Key figures

SCHMOLZ + BICKENBACH Group	Unit	H1 2018 [1]	H1 2017	Δ in %	Q2 2018 [1]	Q2 2017	Δ in %
Sales volume	kilotons	1,125	959	17.3	580	470	23.4
Revenue	million EUR	1,737.2	1,407.4	23.4	908.3	699.8	29.8
Average sales price	EUR/t	1,544.2	1,467.6	5.2	1,566.0	1,488.9	5.2
Adjusted EBITDA	million EUR	155.2	136.2	14.0	84.9	69.6	22.0
EBITDA	million EUR	184.9	134.0	38.0	81.8	67.7	20.8
Adjusted EBITDA margin	%	8.9	9.7	–	9.3	9.9	–
EBITDA margin	%	10.6	9.5	–	9.0	9.7	–
EBIT	million EUR	131.0	70.6	85.6	55.5	36.0	54.2
Earnings before taxes	million EUR	110.5	41.3	–	45.3	13.9	–
Group result	million EUR	96.1	26.5	–	37.1	10.0	–
Investments	million EUR	35.9	25.0	43.6	20.8	13.7	51.8
Free cash flow	million EUR	–170.9	–24.3	–	–68.2	7.1	–
	Unit	30.6.2018 [1]	31.12.2017	Δ in %			
Net debt	million EUR	625.9	442.0	41.6			
Shareholders' equity	million EUR	818.7	717.5	14.1			
Gearing	%	69.0	61.6	–			
Net debt/adj. EBITDA (leverage)	x	2.6	2.0	29.5			
Balance sheet total	million EUR	2,642.2	2,113.1	25.0			
Equity ratio	%	31.0	34.0	–			
Employees as at closing date	positions	10,318	8,939	15.4			
Capital employed	million EUR	1,876.0	1,535.1	22.2			
	Unit	H1 2018 [1]	H1 2017	Δ in %	Q2 2018 [1]	Q2 2017	Δ in %
Earnings/share [2]	EUR/CHF	0.10/0.12	0.03/0.03	–	0.04/0.05	0.01/0.01	–
Shareholders' equity/share [3]	EUR/CHF	0.87/1.02	0.76/0.89	–	0.87/1.02	0.76/0.89	–
Share price high/low	CHF	0.886/0.700	0.960/0.660	–	0.830/0.733	0.960/0.820	–

[1] Including Ascometal, fully consolidated since February 1, 2018
[2] Earnings per share are based on the result of the Group after deduction of the portions attributable to non-controlling interests.
[3] As at 30.6.2018 and as at 31.12.2017

Five-quarter overview

	Unit	Q2 2017	Q3 2017	Q4 2017	Q1 2018 [1]	Q2 2018 [1]
Key operational figures						
Production volume	kilotons	535	408	467	589	650
Sales volume	kilotons	470	405	433	545	580
Order backlog	kilotons	600	547	655	700[2]	683
Income statement						
Revenue	million EUR	699.8	611.0	659.4	828.9	908.3
Average sales price	EUR/t	1,488.9	1,508.6	1,522.9	1,520.9	1,566.0
Gross profit	million EUR	280.7	232.2	255.8	299.2	343.6
Adjusted EBITDA	million EUR	69.6	38.0	48.5	70.3	84.9
EBITDA	million EUR	67.7	37.1	43.8	103.1	81.8
EBIT	million EUR	36.0	4.5	12.9	75.5	55.5
Earnings before taxes	million EUR	13.9	– 3.8	4.9	65.2	45.3
Group result	million EUR	10.0	– 7.0	26.2	59.0	37.1
Cash flow/investments/depreciation/amortization						
Cash flow before changes in net working capital	million EUR	74.8	23.6	34.8	50.7	72.6
Cash flow from operating activities	million EUR	17.6	57.7	56.8	– 80.7	– 37.1
Cash flow from investing activities	million EUR	– 10.5	– 30.7	– 43.2	– 22.0	– 31.1
Free cash flow	million EUR	7.1	27.0	13.6	– 102.7	– 68.2
Investments	million EUR	13.7	28.3	49.9	15.1	20.8
Depreciation, amortization and impairments	million EUR	31.7	32.6	30.9	27.6	26.3
Net assets and financial structure						
Non-current assets	million EUR	920.7	908.7	927.1	930.2	933.8
Current assets	million EUR	1,240.8	1,169.0	1,186.0	1,556.4	1,708.4
Net working capital	million EUR	753.2	715.8	684.8	906.8	1,017.2
Balance sheet total	million EUR	2,161.5	2,077.7	2,113.1	2,486.6	2,642.2
Shareholders' equity	million EUR	687.7	671.8	717.5	772.3	818.7
Non-current liabilities	million EUR	710.7	733.7	645.6	720.0	754.8
Current liabilities	million EUR	763.1	672.2	750.0	994.3	1,068.7
Net debt	million EUR	472.4	454.6	442.0	556.5	625.9
Employees						
Employees as at closing date	positions	8,894	8,969	8,939	10,212	10,318
Value management						
Capital employed	million EUR	1,606.1	1,554.1	1,535.1	1,764.1	1,876.0
Key figures on profit/net assets and financial structure						
Gross profit margin	%	40.1	38.0	38.8	36.1	37.8
Adjusted EBITDA margin	%	9.9	6.2	7.4	8.5	9.3
EBITDA margin	%	9.7	6.1	6.6	12.4	9.0
Equity ratio	%	31.8	32.3	34.0	31.1	31.0
Gearing	%	68.7	67.7	61.6	68.9	69.0
Net debt/adj. EBITDA (leverage)	x	2.2	2.1	2.0	2.5	2.6
Net working capital/revenue	%	26.9	29.3	26.0	27.4	28.0

[1] Including Ascometal, fully consolidated since February 1, 2018
[2] Backlog excluding Ascometal

Dear shareholders,

The advantageous market environment of the first three months of 2018 continued to prevail in the second quarter. Amid this environment – but also thanks to internal measures – we succeeded in achieving the best quarterly result since 2011. Some of our production sites reached the upper capacity limit in the quarter under review. Demand in our end markets remained strong despite the political uncertainties caused by trade barriers, punitive tariffs, and the resulting retaliatory measures. Consequently, we are now in a position to raise our guidance for fiscal year 2018 and are confident that we will exceed our 2017 results by a significant margin.

The strong demand from SCHMOLZ + BICKENBACH's key end markets – automotive, oil and gas, and mechanical and plant engineering – remained consistently high, with a similar situation apparent at regional level. All regions contributed to the pleasing growth we recorded. With regard to the integration of Ascometal into our Group, we have made important progress in all areas, with the Business Unit already making a slightly positive contribution to EBITDA in the second quarter. The sales organization of Ascometal has now been absorbed into the Sales & Services organization of SCHMOLZ + BICKENBACH, and we have approved investments of several million euros in state-of-the-art technology for the Business Unit. To finance these investments, we topped up the previously issued bond by another EUR 150 million toward the end of the quarter. This ensures that we have a sufficient financial cushion to push ahead with the successful integration of Ascometal into the Group.

In terms of the rest of the year, we don't see our business weakening to any significant degree given the full order books and promising signals from the markets. We have revised our forecast for adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) upward to EUR 230 million to EUR 250 million.

Adjusted EBITDA continues to rise
We were able to improve on the positive results of the prior-year period in the second quarter of 2018. A significantly higher sales volume of 580 kilotons attributable to Ascometal and increased sales prices led to a revenue gain of 29.8 % to EUR 908.3 million. Adjusted EBITDA was up 22.0 % on the second quarter of 2017 at EUR 84.9 million. However, net debt also rose as a result of the acquisition, amounting to EUR 625.9 million as at the end of June.

Thanks to our employees, shareholders, and customers
On behalf of the Board of Directors and Executive Board, I would like to thank our shareholders for the confidence they have shown in our Company. I would also like to thank our employees, who work for the future success of our Group on a daily basis. Last but not least, allow me to thank our customers and business partners for the good and long-standing working relationship and the trust they have placed in us.

Clemens Iller, CEO

Management report

Business environment

The advantageous market environment persisted through the second quarter of the year with demand from the customer industries remaining high. Our key end markets, mechanical and plant engineering, and the European automotive industry pursued their upward trajectory. Commodity prices, which are of great importance to SCHMOLZ + BICKENBACH, developed in different directions in the second quarter of 2018. While nickel and ferrochrome continued to get more expensive, scrap and molybdenum prices declined.

The average price of shredded scrap (FOB Rotterdam) fell by 3.2 % compared with the first quarter of 2018, while nickel climbed 9.0 % on the London Metal Exchange (LME) to USD 14,475 per ton and European ferrochrome rose around 2 % quarter-on-quarter. However, these increases in the price of nickel and ferrochrome were less pronounced than in the first quarter. Following a strong increase in the average price of around 40 % in the first quarter of 2018 compared with the fourth quarter of 2017, molybdenum depreciated by some 5 % in the second quarter of 2018.

SCHMOLZ + BICKENBACH's key end market of mechanical and plant engineering continued to perform well in the second quarter of 2018. According to the German Engineering Federation, production in Germany rose by more than 4 % in the first four months of the year (January to April 2018) compared with the same period last year. Exports simultaneously grew by more than 3 %.

According to the European Automobile Manufacturers' Association, there was an EU-wide increase in new passenger vehicle registrations in June 2018 of more than 5 % compared with the prior-year period. At nearly 1.6 million new passenger vehicles, this marks the highest ever amount recorded in June since records began. In total, new registrations grew 2.9 % in the first half of 2018, with the new EU member states displaying particularly noteworthy growth rates. New registrations there jumped approximately 11 % in the first half of 2018 compared with the same period in 2017.

The crude oil price continued to trend upward in the second quarter of 2018, starting at a price of around USD 65 per barrel (WTI) at the end of March and rising to around USD 74 per barrel by the end of June. The number of rotary rig counts in the oil and gas industry in North America rose from 1,127 at the end of March 2018 to 1,219 at the end of June 2018 (source: Baker Hughes).

Business development of the Group

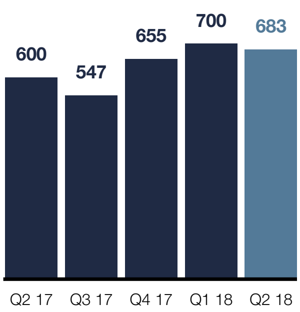
Business development continued to be positive in the second quarter of 2018. Revenue increased by 29.8 %, driven by higher sales volumes and prices. Adjusted EBITDA grew by 22.0 % compared with the same quarter last year. The Group result was nearly four times that of the second quarter of 2017 at EUR 37.1 million. Net debt rose significantly, however, and free cash flow was also encumbered by the acquisition of Ascometal and higher net working capital.

Integration of Ascometal

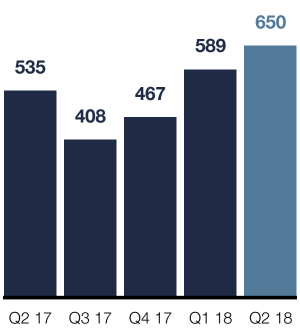
The results of Ascometal, recently acquired and managed as a Business Unit within the Group, have been included in the Group figures since February 2018. The figures for the relevant prior-year periods have not been adjusted, which has had significant effects on the comparison with these figures. This is reflected in higher sales volumes, revenue, and expenses. Ascometal made a slightly negative contribution to EBITDA in the first quarter and a slightly positive contribution in the second. In the first quarter – and thus the first half – of 2018, EBITDA was increased by a negative goodwill ("badwill"), which will be offset by future restructuring measures. The integration also had a substantial impact on the key figures in the statement of financial position and statement of cash flows, as explained in detail in the following sections and in note 7 to the consolidated financial statements.

Production, sales and order situation

Order backlog at quarter-end
in kilotons



Production volume in the quarter
in kilotons



The order backlog at the end of June of 683 kilotons was 13.8 % above the prior-year level of 600 kilotons. This is attributable to overall improved demand from key customer industries and the integration of Ascometal. To be able to meet the strong demand, crude steel production was increased in the second quarter to 650 kilotons (Q2 2017: 535 kilotons).

Sales volume by product group in kilotons	**H1 2018 [1]**	**H1 2017**	**Δ in %**	**Q2 2018 [1]**	**Q2 2017**	**Δ in %**
Quality & engineering steel	854	684	24.9	446	336	32.7
Stainless steel	189	190	– 0.5	93	92	1.1
Tool steel	79	83	– 4.8	39	41	– 4.9
Others	3	3	0.0	2	1	–
Total	**1,125**	**960**	**17.2**	**580**	**470**	**23.4**

[1] Including Ascometal, fully consolidated since February 1, 2018

At 580 kilotons, 23.4 % more steel was sold in the second quarter of 2018 than in the prior-year quarter (Q2 2017: 470 kilotons). This was primarily attributable to the increase of 32.7 % in sales volumes of quality & engineering steel because Ascometal's sales volumes are allocated in full to the quality & engineering steel product group. Excluding the additional volumes contributed by Ascometal, sales nevertheless remained stable due to strong demand from the European automotive industry as well as the mechanical and plant engineering sector. The volume of stainless steel sold also increased in the second quarter of 2018 compared with the same quarter last year. By contrast, tool steel recorded a slight decline in sales volumes.

Key figures on the income statement

in EUR million	**H1 2018 [1]**	**H2 2017**	**Δ in %**	**Q2 2018 [1]**	**Q2 2017**	**Δ in %**
Revenue	1,737.2	1,407.4	23.4	908.3	699.8	29.8
Gross profit	642.8	565.0	13.8	343.6	280.7	22.4
Adjusted EBITDA	155.2	136.2	14.0	84.9	69.6	22.0
EBITDA	184.9	134.0	38.0	81.8	67.7	20.8
Adjusted EBITDA margin (%)	8.9	9.7	– 7.7	9.3	9.9	– 5.6
EBITDA margin (%)	10.6	9.5	11.8	9.0	9.7	– 7.2
EBIT	131.0	70.6	85.6	55.5	36.0	54.2
Earnings before taxes	110.5	41.3	–	45.3	13.9	–
Group result	96.1	26.5	–	37.1	10.0	–

Revenue by product group in EUR million	**H1 2018 [1]**	**H1 2017**	**Δ in %**	**Q2 2018 [1]**	**Q2 2017**	**Δ in %**
Quality & engineering steel	895.1	595.0	50.4	484.5	299.0	62.0
Stainless steel	581.6	555.2	4.8	293.2	271.3	8.1
Tool steel	225.1	219.9	2.4	116.7	111.2	4.9
Others	35.4	37.3	– 5.1	13.9	18.3	– 24.0
Total	**1,737.2**	**1,407.4**	**23.4**	**908.3**	**699.8**	**29.8**

[1] Including Ascometal, fully consolidated since February 1, 2018

Revenue by region in EUR million	H1 2018 [1]	H1 2017	Δ in %	Q2 2018 [1]	Q2 2017	Δ in %
Germany	643.5	559.0	15.1	333.2	270.2	23.3
Italy	234.2	174.9	33.9	120.1	95.4	25.9
France	186.0	104.4	78.2	100.8	51.9	94.2
Switzerland	24.1	21.5	12.1	12.2	10.6	15.1
Other Europe	327.4	264.9	23.6	171.8	124.9	37.6
Europe	**1,415.2**	**1,124.7**	**25.8**	**738.1**	**553.0**	**33.5**
USA	143.9	136.4	5.5	74.1	70.5	5.1
Canada	41.7	31.7	31.5	27.2	15.9	71.1
Other America	20.9	19.9	5.0	10.2	10.5	– 2.9
America	**206.5**	**188.0**	**9.8**	**111.5**	**96.9**	**15.1**
China	51.4	48.0	7.1	27.4	24.1	13.7
India	16.4	9.2	78.3	9.1	5.1	78.4
Asia Pacific/Africa	47.7	37.5	27.2	22.2	20.7	7.2
Africa/Asia/Australia	**115.5**	**94.7**	**22.0**	**58.7**	**49.9**	**17.6**
Total	**1,737.2**	**1,407.4**	**23.4**	**908.3**	**699.8**	**29.8**

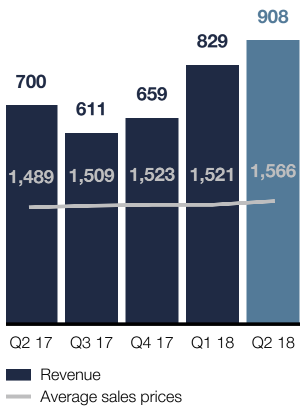
[1] Including Ascometal, fully consolidated since February 1, 2018

The average sales price per ton of steel was EUR 1,566.0 in the second quarter of 2018, 5.2 % higher than in the prior-year quarter (Q2 2017: EUR 1,488.9 per ton). This increase is attributable to higher base prices as well as higher scrap and alloy surcharges. Despite the shift in the product mix toward more low-alloy quality & engineering steel as a result of the Ascometal integration, the average sales price could be increased by nearly 3.0 % quarter-on-quarter.

The positive development in prices and the initial consolidation of Ascometal led to revenue of EUR 908.3 million, up 29.8 % on the prior-year quarter. This growth was driven first and foremost by quality & engineering steel, which recorded a gain of 62.0 %. Stainless steel achieved an increase in revenue of 8.1 %, tool steel of 4.9 %.

By region, revenue increased in almost all countries year-on-year. Of particular note is the revenue growth in France, which nearly doubled and was attributable to the integration of Ascometal. As a result of this and thanks to continued strong demand in the automotive industry, revenue in Europe rose by 33.5 %. Double-digit growth was also recorded in Africa/Asia/Australia and America.

Revenue and average sales prices
in EUR million / in EUR/t



Expenses

in EUR million	H1 2018 [1]	H1 2017	Δ in %	Q2 2018 [1]	Q2 2017	Δ in %
Cost of materials (incl. change in semi-finished and finished goods)	1,094.4	842.4	29.9	564.7	419.1	34.7
Personnel costs	348.1	297.0	17.2	181.0	149.2	21.3
Other operating expense	178.8	152.0	17.6	90.9	74.1	22.7
Depreciation, amortization and impairments	53.9	63.4	– 15.0	26.3	31.7	– 17.0

[1] Including Ascometal, fully consolidated since February 1, 2018

Cost of materials and gross profit

Cost of materials – adjusted for the change in semi-finished and finished goods – increased by 34.7 % to EUR 564.7 million. In addition to significantly higher prices for commodities such as scrap, nickel, and graphite electrodes, the integration of Ascometal was a further contributing factor. Gross profit – revenue less cost of materials – rose by 22.4 % to EUR 343.6 million (Q2 2017: EUR 280.7 million). The gross profit margin, meanwhile, fell to 37.8 % (Q2 2017: 40.1 %).

Personnel expenses

Personnel expenses increased by 21.3 % to EUR 181.0 million (Q2 2017: EUR 149.2 million), due in part to the integration of Ascometal and to inflation adjustments. The Group now has around 1,400 more employees than at the end of the second quarter of 2017, thus raising the headcount to 10,318.

Other operating income and expenses

At EUR 10.1 million, other operating income remained roughly on a par with the prior-year quarter (Q2 2017: EUR 10.3 million).

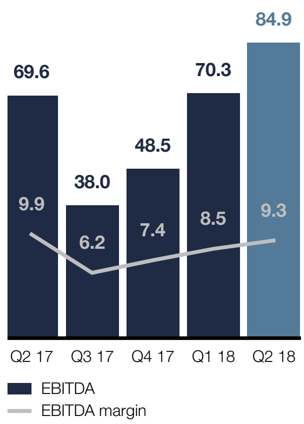
Other operating expenses increased by 22.7 % to EUR 90.9 million (Q2 2017: EUR 74.1 million), due in part to the integration expenses related to Ascometal.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

Adjusted for the one-time effects from the acquisition of Ascometal, EBITDA totaled EUR 84.9 million, up 22.0 % on the prior-year quarter (Q2 2017: EUR 69.6 million). These one-time effects had a net negative impact of EUR 3.1 million on EBITDA. Including these expenses, EBITDA increased by 20.8 % to EUR 81.8 million (Q2 2017: EUR 67.7 million).

However, the EBITDA margin fell to 9.0 % (Q2 2017: 9.7 %) and the adjusted EBITDA margin to 9.3 % (Q2 2017: 9.9 %). As expected, the integration of Ascometal had a dilutive effect, partly due to the forecasted insufficient EBITDA contribution and partly due to the changed product mix.

Adj. EBITDA, adj. EBITDA margin
in EUR million / in %



Depreciation, amortization and impairments

Depreciation, amortization and impairments were well below the prior-year level at EUR 26.3 million (Q2 2017: EUR 31.7 million). This was attributable in part to the first-time application of extended useful lives for property, plant and equipment.

Financial result

The financial result improved to EUR –10.2 million (Q2 2017: EUR –22.1 million). This reflects the lower interest expenses of the refinancing successfully carried out in April 2017. On June 25, 2018, SCHMOLZ+BICKENBACH topped up the corporate bond by EUR 150 million to EUR 350 million. The proceeds were primarily used to repay drawings under the EUR 375 million syndicated revolving credit facility, which were mainly used in connection with the acquisition of Ascometal. The costs incurred were capitalized.

Tax expense

Due to the developments mentioned earlier, we achieved earnings before taxes (EBT) of EUR 45.3 million (Q2 2017: EUR 13.9 million). Consequently, the tax expense of EUR –8.2 million was far higher than the prior-year figure (Q2 2017: EUR –3.9 million).

Group result

Therefore, the Group result amounted to EUR 37.1 million (Q2 2017: EUR 10.0 million) in the second quarter of 2018.

Key figures on the statement of financial position

	Unit	30.6.2018 [1]	31.12.2017	Δ in %
Shareholders' equity	million EUR	818.7	717.5	14.1
Equity ratio	%	31.0	34.0	–
Net debt	million EUR	625.9	442.0	41.6
Gearing	%	69.0	61.6	–
Net working capital (NWC)	million EUR	1,017.2	684.8	48.5
Balance sheet total	million EUR	2,642.2	2,113.1	25.0

[1] Including Ascometal, fully consolidated since February 1, 2018

Total assets

Total assets as at June 30, 2018 increased by EUR 529.1 million compared with December 31, 2017 to EUR 2,642.2 million, due mainly to the integration of Ascometal. This resulted primarily in an increase in working capital on the assets side and an expansion of current liabilities on the liabilities side.

Non-current assets

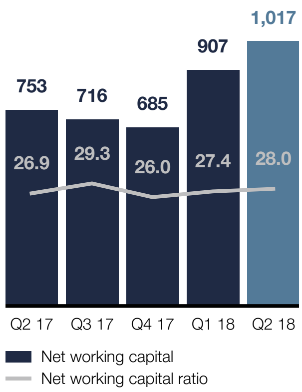
Non-current assets increased only slightly compared with December 31, 2017, rising by EUR 6.7 million to EUR 933.8 million. The increase was mainly the result of additions to property, plant and equipment from the integration of Ascometal. However, the share of non-current assets in total assets fell to 35.3 % (December 31, 2017: 43.9 %), which is explained by the greater increase in current assets and thus the balance sheet total.

Net working capital

Net working capital increased significantly compared with December 31, 2017, rising from EUR 684.8 million to EUR 1,017.2 million. This was due to higher inventories (EUR 245.2 million) and an increase in trade accounts receivable (EUR 224.8 million), which were mostly inherited following the integration of Ascometal. This effect was only partially offset by the increase of EUR 137.6 million in trade accounts payable.

The ratio of net working capital to revenue as at June 30, 2018 was 28.0 %, an increase compared with year-end 2017 (26.0 %) due to the higher net working capital.

Net working capital/revenue
in EUR million / in %



Shareholders' equity and equity ratio

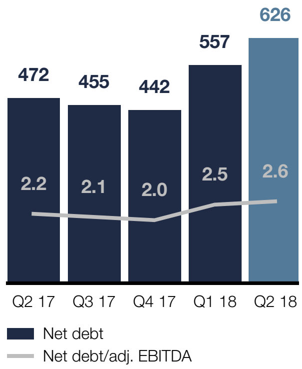
As at the end of June 2018, an increase of 14.1 % in shareholders' equity was recorded compared with December 31, 2017. The Group result of EUR 96.1 million in the first half of 2018 and actuarial gains of EUR 7.7 million had a positive effect. At 31.0 %, the equity ratio was significantly lower than at year-end 2017 (34.0 %).

Liabilities

Non-current liabilities totaled EUR 754.8 million as at the reporting date, up EUR 109.2 million on the figure as at December 31, 2017. The main contributing factor was the increase of EUR 93.1 million in non-current financial liabilities for the financing of the Ascometal acquisition. The share of non-current liabilities in total equity and liabilities decreased from 30.5 % to 28.6 %.

Current liabilities increased by EUR 318.7 million compared with the end of 2017, driven chiefly by the increases of EUR 137.6 million in trade accounts payable and EUR 103.5 million in current financial liabilities. Both increases are primarily attributable to the Ascometal integration. The share of current liabilities in total equity and liabilities increased to 40.4 % (December 31, 2017: 35.5 %).

Net debt
in EUR million / in relation to adj. EBITDA



Net debt

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 625.9 million, a marked increase on the figure as at December 31, 2017 (EUR 442.0 million). This stems from the significant increase in net working capital related to the Ascometal integration and the increase in graphite electrode inventories. The ratio of net debt to adjusted EBITDA thus rose from 2.0x to 2.6x compared with December 31, 2017.

Key figures on the cash flow statement

in EUR million	H1 2018 [1]	H1 2017	Δ in %	Q2 2018 [1]	Q2 2017	Δ in %
Cash flow before changes in net working capital	123.3	148.5	– 17.0	72.6	74.8	– 2.9
Cash flow from operating activities	– 117.8	– 3.2	–	– 37.1	17.6	–
Cash flow from investing activities	– 53.1	– 21.1	–	– 31.1	– 10.5	–
Free cash flow	– 170.9	– 24.3	–	– 68.2	7.1	–
Cash flow from financing activities	183.6	21.4	–	71.5	– 13.6	–
Investments	35.9	25.0	43.6	20.8	13.7	51.8

[1] Including Ascometal, fully consolidated since February 1, 2018

Cash flow from operating activities

Cash flow from operating activities prior to changes in net working capital was EUR 72.6 million, a decline of EUR 2.2 million compared with the prior year. The steep rise in net working capital caused by the integration of Ascometal and the increase in graphite electrode inventories had a negative effect on cash flow from operating activities, which fell to EUR – 37.1 million (Q2 2017: EUR 17.6 million).

Cash flow from investing activities

Cash flow from investing activities was EUR – 31.1 million, well above the prior-year figure of – 10.5 million. This is largely due to the acquisition of Ascometal, which resulted in an outflow of EUR 11.2 million. In addition, EUR 4.2 million was invested in Ugitech for the equipment for Nadcap certification and EUR 3.2 million in Swiss Steel for the new walking beam furnace.

Free cash flow (cash flow from operating activities less cash flow from investing activities) for the second quarter of 2018 was therefore EUR – 68.2 million (Q2 2017: EUR 7.1 million).

Cash flow from financing activities

Topping up the corporate bond by EUR 150.0 million and simultaneously paying off other financial liabilities resulted in an overall inflow from financing activities in the amount of EUR 71.5 million (Q2 2017: EUR –13.6 million).

Change in cash and cash equivalents

The overall change in cash and cash equivalents in the second quarter of 2018 was therefore EUR 4.1 million (Q2 2017: EUR –8.3 million). As at the end of June 2018, cash and cash equivalents came to EUR 59.8 million, compared with EUR 47.1 million as at the end of December 2017.

Business development of the divisions

Key figures divisions in EUR million	**H1 2018 [1]**	**H1 2017**	**Δ in %**	**Q2 2018 [1]**	**Q2 2017**	**Δ in %**
Production						
Revenue	1,605.0	1,303.1	23.2	834.6	646.1	29.2
Adjusted EBITDA	141.1	129.6	8.9	75.6	67.1	12.7
EBITDA	169.8	128.5	32.1	75.5	65.9	14.6
Adjusted EBITDA margin (%)	8.8	9.9	–	9.1	10.4	–
EBITDA margin (%)	10.6	9.9	–	9.0	10.2	–
Investments	34.2	23.1	48.1	19.9	12.6	57.9
Operating free cash flow	–125.7	–33.0	–	–45.8	11.1	–
Employees as at closing date	8,779	7,539	16.4	8,779	7,539	16.4
Sales & Services						
Revenue	364.8	265.8	37.2	188.2	133.7	40.8
Adjusted EBITDA	22.0	13.3	65.4	11.9	5.7	–
EBITDA	27.8	13.3	–	11.7	5.7	–
Adjusted EBITDA margin (%)	6.0	5.0	–	6.3	4.3	–
EBITDA margin (%)	7.6	5.0	–	6.2	4.3	–
Investments	1.2	1.4	–14.3	0.7	0.8	–12.5
Operating free cash flow	9.6	16.5	–41.8	–0.1	5.8	–
Employees as at closing date	1,428	1,242	15.0	1,428	1,242	15.0

[1] Including Ascometal, fully consolidated since February 1, 2018

Optimization of *Sales & Services* activities in Germany saw numerous reclassifications from the *Production* division to the *Sales & Services* division in 2017. Due to organizational reclassifications, revenue of EUR 18.8 million and EBITDA of EUR 1.0 million, which were still allocated to the *Production* division in the second quarter of 2017, were reclassified to the *Sales & Services* division. The corresponding prior-year figures were not adjusted. At the same time, 81 sales employees relocated from the production companies to the *Sales & Services* units.

The integration of Ascometal also impacted the key figures of both the *Production* division and the *Sales & Services* division, with its distribution and sales activities being integrated into the latter division.

Production

In the *Production* division, we recorded an increase in revenue of 29.2 %. This was primarily due to two factors: the increase in commodity prices and the increase in sales volumes due to the integration of Ascometal.

Adjusted EBITDA rose to EUR 75.6 million, while the adjusted EBITDA margin fell to 9.1 % (Q2 2017: 10.4 %) as a result of the shift in the product mix. The special effects of the Ascometal acquisition led to a single one-time effect of EUR 0.1 million in the *Production* division, resulting in EBITDA and an EBITDA margin that were on a par with the adjusted figures.

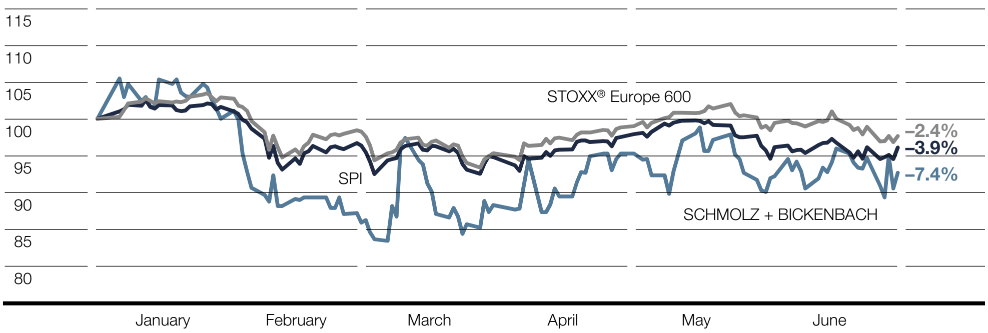
Sales & Services

Strong demand in the key markets and the integration of Ascometal had a positive effect on revenue in the *Sales & Services* division, leading to an increase of 40.8 % to EUR 188.2 million compared with the prior-year quarter.

At EUR 11.9 million, adjusted EBITDA more than doubled, which drove the adjusted EBITDA margin up 6.3 % (Q2 2017: 4.3 %). The negative one-time effects of the Ascometal acquisition allocated to the *Sales & Services* division were minimal, amounting to EUR 0.2 million.

Capital market

Share price development year-to-date
indexed



The first half of 2018 was a volatile period for the SCHMOLZ + BICKENBACH share, mainly due to prevailing political instability. After rising at the start of the year, the share price began to trend downward in February, mimicking the overall market. The publication of solid annual results in March prompted a renewed, rapid rise, followed by a highly volatile but overall sideways trend in the second quarter. The share price was heavily influenced by insecurities caused by global trade disputes in general and more specifically by the punitive tariffs imposed on steel imports by the USA, as well as political turmoil in some EU countries. The SCHMOLZ + BICKENBACH share closed on June 30, 2018 at CHF 0.778, down 7.4 % compared with the end of 2017. The Stoxx® Europe 600 Index closed down 2.4 %. The Swiss Performance Index (SPI), in which the SCHMOLZ + BICKENBACH share is included, recorded a 3.9 % drop after the first half of 2018.

The average daily trading volume in the first half of 2018 was 0.7 million SCHMOLZ + BICKENBACH shares, compared with 0.8 million in the first half of 2017.

Financing

SCHMOLZ + BICKENBACH's financing structure is built on three main pillars: a syndicated loan, an ABS financing program, and a corporate bond.

SCHMOLZ + BICKENBACH renewed all three financing lines in April 2017. A corporate bond of EUR 200 million was issued on April 24, 2017. The proceeds were used to repay an outstanding EUR 167.7 million bond early.

On June 25, 2018, SCHMOLZ + BICKENBACH topped up the corporate bond by EUR 150 million to EUR 350 million. The proceeds were primarily used to repay drawings under the EUR 375 million syndicated revolving credit facility, which were mainly used in connection with the acquisition of Ascometal. The issue was made at 101.5 % and thus an effective interest rate of 5.2 %.

Unused financing lines and freely disposable funds come to around EUR 458.0 million as at June 30, 2018, ensuring the Company has sufficient financial resources.

Outlook

We expect further growth in the special long steel industry in 2018, in terms of both sales volumes and product value, since we anticipate a further shift toward more sophisticated production and steel applications.

We aim to consistently pursue the positive trend of the last two years and our strategy, and make even better use of our strengths. At the same time, we will pay close attention to cost discipline, which is necessary to absorb increasing costs for raw materials and personnel. One clear area of focus will be the integration and operational improvement of Ascometal, however. We will utilize considerable management capacities over the next two years to bring this acquisition to a successful conclusion.

As a result of the trade barriers erected and punitive tariffs and retaliatory measures introduced in recent weeks, the political risks have increased significantly. Nevertheless, we have yet to witness any material deterioration in our business. Visibility is lower in the summer months than it is throughout the rest of the year, but we expect the market environment to remain robust, which is reflected in the fact that our order books remain full. These developments mean we are in a position to revise our guidance for 2018 upward. We now expect adjusted EBITDA of EUR 230 million to EUR 250 million (previously EUR 200 million to EUR 230 million).

Additional information

Please refer to the Annual Report 2017 for further information, particularly in relation to the topics below:

- Strategy and corporate management (pages 9–27)
- Business model (pages 10–11)
- Capital market (pages 53–56)
- Financing (pages 56–57)
- Executive Board (page 79)

Composition of the Board of Directors

On April 26, 2018, the Annual General Meeting of the Company elected the Board of Directors. It is now composed as follows:

SCHMOLZ + BICKENBACH AG Board of Directors

Edwin Eichler (DE)	Martin Haefner (CH)	Michael Büchter (DE)
Year of birth 1958	Year of birth 1954	Year of birth 1949
Chairman	Vice Chairman	
Compensation Committee (Chairman)	Audit Committee (Member)	Audit Committee (Chairman)
Member since 2013	Member since 2016	Member since 2013
Elected until 2019	Elected until 2019	Elected until 2019

Isabel Corinna Knauf (DE)	Marco Musetti (CH)	Dr. Oliver Thum (DE)[1]
Year of birth 1972	Year of birth 1969	Year of birth 1971
Compensation Committee (Member)	Compensation Committee (Member)	Audit Committee (Member)
Member since 2018	Member since 2013	Member since 2013
Elected until 2019	Elected until 2019	Elected until 2019

[1] Representative of SCHMOLZ + BICKENBACH GmbH & Co. KG.

Financial reporting

Consolidated income statement

in EUR million	Note	H1 2018	H1 2017	Q2 2018	Q2 2017
Revenue	8	1,737.2	1,407.4	908.3	699.8
Change in semi-finished and finished goods		51.6	49.3	39.2	30.8
Cost of materials		–1,146.0	–891.7	–603.9	–449.9
Gross profit		**642.8**	**565.0**	**343.6**	**280.7**
Other operating income	9	69.0	18.0	10.1	10.3
Personnel costs		–348.1	–297.0	–181.0	–149.2
Other operating expense	9	–178.8	–152.0	–90.9	–74.1
Operating result before depreciation, amortization and impairment (EBITDA)		**184.9**	**134.0**	**81.8**	**67.7**
Depreciation, amortization and impairments	12	–53.9	–63.4	–26.3	–31.7
Operating profit (EBIT)		**131.0**	**70.6**	**55.5**	**36.0**
Financial income	10	0.3	4.0	0.2	–7.1
Financial expense	10	–20.8	–33.3	–10.4	–15.0
Financial result		**–20.5**	**–29.3**	**–10.2**	**–22.1**
Earnings before taxes (EBT)		**110.5**	**41.3**	**45.3**	**13.9**
Income taxes	11	–14.4	–14.8	–8.2	–3.9
Group result		**96.1**	**26.5**	**37.1**	**10.0**
of which attributable to					
– shareholders of SCHMOLZ + BICKENBACH AG		95.6	25.5	36.8	9.6
– non-controlling interests		0.5	1.0	0.3	0.4
Earnings per share in EUR (undiluted/diluted)		**0.10**	**0.03**	**0.04**	**0.01**

Consolidated statement of comprehensive income

in EUR million	Note	H1 2018	H1 2017	Q2 2018	Q2 2017
Group result		**96.1**	**26.5**	**37.1**	**10.0**
Result from currency translation		−0.2	−16.5	6.8	−14.9
Items that may be reclassified subsequently to income statement		**−0.2**	**−16.5**	**6.8**	**−14.9**
Actuarial result from pensions and similar obligations	14	7.7	16.0	3.4	11.8
Tax effect from pensions and similar obligations		−1.1	−3.8	−0.5	−2.4
Change in unrealized result from cash flow hedges		0.2	−0.5	0.3	−0.3
Tax effect from cash flow hedges		−0.1	0.2	−0.1	0.2
Items that will not be reclassified subsequently to income statement		**6.7**	**11.9**	**3.1**	**9.3**
Other comprehensive result		**6.5**	**−4.6**	**9.9**	**−5.6**
Total comprehensive result		**102.6**	**21.9**	**47.0**	**4.4**
of which attributable to					
– shareholders of SCHMOLZ + BICKENBACH AG		102.1	20.9	46.7	4.0
– non-controlling interests		0.5	1.0	0.3	0.4

Consolidated statement of financial position

	Note	30.6.2018 in EUR million	30.6.2018 % share	31.12.2017 in EUR million	31.12.2017 % share
Assets					
Intangible assets	12	29.6		28.7	
Property, plant and equipment	12	835.6		824.8	
Other non-current assets		0.2		1.4	
Non-current income tax assets		7.1		8.1	
Other non-current financial assets		4.2		1.6	
Deferred tax assets	11	57.1		62.5	
Total non-current assets		**933.8**	**35.3**	**927.1**	**43.9**
Inventories	13	943.0		697.8	
Trade accounts receivable		608.4		383.6	
Current financial assets		3.2		0.2	
Current income tax assets		5.0		4.1	
Other current assets		89.0		52.9	
Cash and cash equivalents		59.8		47.1	
Assets held for sale		0.0		0.3	
Total current assets		**1,708.4**	**64.7**	**1,186.0**	**56.1**
Total assets		**2,642.2**	**100.0**	**2,113.1**	**100.0**
Shareholders' equity and liabilities					
Share capital		378.6		378.6	
Capital reserves		952.8		952.8	
Retained earnings (accumulated losses)		–468.2		–562.3	
Accumulated income and expense recognized in other comprehensive income (loss)		–54.4		–60.9	
Treasury shares		–0.7		–0.8	
Shareholders of SCHMOLZ + BICKENBACH AG		**808.1**		**707.4**	
Non-controlling interests		10.6		10.1	
Total equity		**818.7**	**31.0**	**717.5**	**34.0**
Pension liabilities	14	281.9		277.8	
Other non-current provisions		48.3		38.3	
Deferred tax liabilities	11	33.6		30.0	
Non-current financial liabilities	15	390.4		297.3	
Other non-current liabilities		0.6		2.2	
Total non-current liabilities		**754.8**	**28.6**	**645.6**	**30.5**
Current provisions		36.5		31.1	
Trade accounts payable		534.2		396.6	
Current financial liabilities	15	295.3		191.8	
Current income tax liabilities		25.6		6.2	
Other current liabilities		177.1		124.3	
Total current liabilities		**1,068.7**	**40.4**	**750.0**	**35.5**
Total liabilities		**1,823.5**	**69.0**	**1,395.6**	**66.0**
Total equity and liabilities		**2,642.2**	**100.0**	**2,113.1**	**100.0**

Consolidated statement of cash flows

in EUR million	Calculation	H1 2018	H1 2017
Earnings before taxes		110.5	41.3
Depreciation, amortization and impairments		53.9	63.4
Result from the disposal of intangible assets, property, plant and equipment and financial assets		−0.9	−2.8
Badwill from acquisition		−46.0	0.0
Increase/decrease in other assets and liabilities		−6.3	17.2
Financial income		−0.3	−4.0
Financial expense		20.8	33.3
Income taxes paid (net)		−8.4	0.1
Cash flow before changes in net working capital		**123.3**	**148.5**
Change in inventories		−144.7	−80.0
Change in trade accounts receivable		−220.4	−118.5
Change in trade accounts payable		124.0	46.8
Cash flow from operating activities	**A**	**−117.8**	**−3.2**
Investments in property, plant and equipment		−33.2	−24.0
Proceeds from disposal of property, plant and equipment		1.8	3.4
Investments in intangible assets		−2.7	−0.8
Acquisition of Group companies		−19.3	0.0
Interest received		0.3	0.3
Cash flow from investing activities	**B**	**−53.1**	**−21.1**
Increase/decrease of other financial liabilities		−2.0	23.5
Transaction costs other refinancing		0.0	−3.4
Interim financing		40.1	0.0
Bond issuance		150.8	195.5
Repayment bond		0.0	−171.9
Investment in treasury shares		−0.7	−0.9
Investments in shares in previously consolidated companies		−1.6	−3.1
Dividends to non-controlling interests		0.0	−1.2
Interest paid		−3.0	−17.1
Cash flow from financing activities	**C**	**183.6**	**21.4**
Net change in cash and cash equivalents	**A+B+C**	**12.7**	**−2.9**
Effect of foreign currency translation		0.0	−1.7
Change in cash and cash equivalents		**12.7**	**−4.6**
Cash and cash equivalents at the beginning of the period		47.1	43.7
Cash and cash equivalents at the end of the period		59.8	39.1
Change in cash and cash equivalents		**12.7**	**−4.6**
Free cash flow	**A+B**	**−170.9**	**−24.3**

Consolidated statement of changes in shareholders' equity

in EUR million	Share capital	Capital reserves	Retained earnings	Accumulated income and expenses recognized in other comprehensive income	Treasury shares	Shareholders of SCHMOLZ + BICKENBACH AG	Non-controlling interests	Total equity
As at 1.1.2017	**378.6**	**952.8**	**–606.7**	**–64.6**	**–0.1**	**660.0**	**7.5**	**667.5**
Purchase of treasury shares	0.0	0.0	0.0	0.0	–0.9	–0.9	0.0	–0.9
Expenses from share-based payments	0.0	0.0	0.8	0.0	0.0	0.8	0.0	0.8
Definitive allocation of share-based payments for the prior year	0.0	0.0	–1.4	0.0	1.0	–0.4	0.0	–0.4
Dividend payment	0.0	0.0	0.0	0.0	0.0	0.0	–1.2	–1.2
Capital transactions with shareholders	**0.0**	**0.0**	**–0.6**	**0.0**	**0.1**	**–0.5**	**–1.2**	**–1.7**
Group result	0.0	0.0	25.5	0.0	0.0	25.5	1.0	26.5
Other comprehensive result	0.0	0.0	0.0	–4.6	0.0	–4.6	0.0	–4.6
Total comprehensive result	**0.0**	**0.0**	**25.5**	**–4.6**	**0.0**	**20.9**	**1.0**	**21.9**
As at 30.6.2017	**378.6**	**952.8**	**–581.8**	**–69.2**	**0.0**	**680.4**	**7.3**	**687.7**
As at 1.1.2018	**378.6**	**952.8**	**–562.3**	**–60.9**	**–0.8**	**707.4**	**10.1**	**717.5**
First-time adoption of IFRS 9	**0.0**	**0.0**	**–1.2**	**0.0**	**0.0**	**–1.2**	**0.0**	**–1.2**
As at 1.1.2018 (restated)	**378.6**	**952.8**	**–563.5**	**–60.9**	**–0.8**	**706.2**	**10.1**	**716.3**
Purchase of treasury shares	0.0	0.0	0.0	0.0	–0.7	–0.7	0.0	–0.7
Expenses from share-based payments	0.0	0.0	0.9	0.0	0.0	0.9	0.0	0.9
Definitive allocation of share-based payments for the prior year	0.0	0.0	–1.2	0.0	0.8	–0.4	0.0	–0.4
Capital transactions with shareholders	**0.0**	**0.0**	**–0.3**	**0.0**	**0.1**	**–0.2**	**0.0**	**–0.2**
Group result	0.0	0.0	95.6	0.0	0.0	95.6	0.5	96.1
Other comprehensive result	0.0	0.0	0.0	6.5	0.0	6.5	0.0	6.5
Total comprehensive result	**0.0**	**0.0**	**95.6**	**6.5**	**0.0**	**102.1**	**0.5**	**102.6**
As at 30.6.2018	**378.6**	**952.8**	**–468.2**	**–54.4**	**–0.7**	**808.1**	**10.6**	**818.7**

Notes to the interim condensed consolidated financial statements

About the company

SCHMOLZ + BICKENBACH AG (SCHMOLZ + BICKENBACH) is a Swiss company limited by shares which is listed on the SIX Swiss Exchange (SIX) and has its registered office at Landenbergstrasse 11 in Lucerne. SCHMOLZ + BICKENBACH is a global steel company operating in the specialty long steel business. Its activities are divided into two divisions: *Production* and *Sales & Services*.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 7, 2018.

1 Accounting policies

The Group prepared these interim condensed consolidated financial statements of SCHMOLZ + BICKENBACH AG in accordance with IAS 34 “Interim Financial Reporting”. They contain all the information required of interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs). More detailed disclosures on accounting policies can be found in the consolidated financial statements as at December 31, 2017. This quarterly report is presented in euro. Unless otherwise stated, monetary amounts are denominated in millions of euro.

Due to rounding-off differences, some figures may not exactly match the total and the percentage figures may not reflect the underlying absolute figures.

2 Significant accounting judgments, estimates and assumptions

In preparing these interim condensed consolidated financial statements in accordance with IAS 34, assumptions and estimates have been made which affect the carrying amounts and disclosure of the recognized assets and liabilities, income and expenses, and contingent liabilities. Actual amounts may differ from the estimates.

3 Standards and interpretations applied

The relevant accounting policies applied in the interim condensed consolidated financial statements are consistent with those used for the most recent consolidated financial statements prepared as at the end of the fiscal year 2017, with the exception of those standards that were applied for the first time with effect from January 1, 2018. The initial application of IFRS 15 and IFRS 9 is explained in more detail in notes 4 and 5. In addition, the new standard IFRS 16 “Leases” was issued at the beginning of 2016, which replaces IAS 17 “Leases” and presents the principles relating to the recognition, measurement, presentation and disclosure of leases. In accordance with IFRS 16, lessees are required to report lease agreements as assets and liabilities in the statement of financial position. This standard is applicable for the first time for fiscal years beginning on or after January 1, 2019. SCHMOLZ + BICKENBACH will introduce the standard with effect from January 1, 2019 and will use the modified retrospective approach, according to which the information for the comparative period 2018 will not be adjusted retrospectively when the new standard is applied for the first time. The Group is currently evaluating the possible implications.

There were also changes to other standards and other IFRS interpretations (IFRIC) were published. None of these changes are expected to have a significant influence on the consolidated financial statements.

4 IFRS 15: "Revenue from Contracts with Customers"

With effect from January 1, 2018, the Group has applied IFRS 15 "Revenue from Contracts with Customers" using the modified retrospective approach. This new standard changes the requirements for recognizing revenue and establishes principles with regard to the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. It replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and their interpretations. Consequently, any cumulative effect from the transition is to be reported in shareholders' equity from January 1, 2018. Based on the disclosures below, this effect is zero. Please refer to the table in note 8 for detailed information on revenue.

The effects from the application of the new standard can be summarized as follows:

Revenue

The Group generates most of its revenue from the production and sale of special long steel for various customer industries and end markets, such as the mechanical and plant engineering and the automotive industry. Revenue from the sale of products is recognized in the income statement as soon as a contractual performance obligation has been satisfied, i.e. control of goods has passed to the customer. The passing of control takes place upon delivery and for SCHMOLZ + BICKENBACH is essentially governed by the international commercial terms (Incoterms) defined in the contract with the customer. Delivered goods or services are billed at the point in time at which control is passed to the customer and recognized in the statement of financial position only as trade accounts receivable.

The amount of revenue realized is based on the contractually agreed consideration for the delivery. The contracts concluded between SCHMOLZ + BICKENBACH and its customers for the most part contain a single performance obligation, to which 100 % of the relevant consideration is allocated. The consideration for satisfying the performance obligation is based on a multi-tiered price mechanism and is a fixed amount at the time of delivery, with the exception of discounts for early payment.

Discounts granted to customers are recognized as revenue reductions at the time of fulfillment of the underlying contract. Revenue reductions of this kind are estimated on the basis of contractual arrangements and historical data.

Payment arrangements with customers are also governed by contracts, based on normal commercial terms and solely shorter than twelve months after delivery. In line with IFRS 15.63, no further evaluation of potential financing components was undertaken.

SCHMOLZ + BICKENBACH recognizes revenue only at the time of delivery and not over time. Consequently, the application of IFRS 15 has no material impact on past recognition or revenue amounts.

5 IFRS 9: “Financial Instruments”

SCHMOLZ + BICKENBACH applied IFRS 9 “Financial Instruments” for the first time with effect from January 1, 2018. This new standard changes the classification and measurement of financial instruments, and also requires that the impairment of financial assets be measured on the basis of a forward-looking model. Financial assets, including trade accounts receivable and lease receivables, are now tested for impairment on the basis of expected losses and not, as previously, on the basis of actual losses already incurred. The standard also sets out new requirements and enhanced possibilities for hedge accounting and requires more detailed disclosures in the notes.

Trade accounts receivable are initially recognized at the estimated transaction proceeds in accordance with IFRS 15 including the VAT due on this amount (at cost). Loss allowances for doubtful trade accounts receivable are created on the basis of expected credit losses. Expected credit losses are calculated based on the entire lifetime of the trade accounts receivable, taking into account an increase in credit risk. Significant financial difficulties faced by a customer, such as likely bankruptcy, financial reorganization, payment default, or late payment, are all considered to be indicators of an increase in credit risk. The loss allowance for receivables with an increased probability of default corresponds to the exposure at default, the probability of default and the loss given default. The initial recognition and changes in the loss allowance for trade accounts receivable are recognized as other operating expenses in the income statement. The loss allowances recognized in the first half of 2018 are insignificant.

Overall, the initial application of IFRS 9 with effect from January 1, 2018 has resulted only in a one-off reduction in the amount of receivables due to a slightly higher estimate of the allowances for expected debtor defaults at SCHMOLZ + BICKENBACH.

The negative effect is EUR 1.2 million and was recognized in retained earnings with effect from January 1, 2018. Subsequent measurement will be based on the expected loss impairment model and recognized in the income statement.

6 Seasonal effects

There are slight seasonal effects on sales and revenue in both segments of the Group. These effects are attributable to the number of working days in the second half of the year, which is lower due to vacation periods in July and August as well as the second half of December. These periods are associated with plant downtime in some cases. The effects are particularly pronounced in the third quarter, which is affected by the summer vacation period. Fixed costs are distributed fairly equally over all four quarters, however. Furthermore, the majority of general overhaul work on production and processing plants is carried out over the summer during plant downtime. As a result, expenses for servicing and maintenance as well as capital expenditures are usually at their highest in the third quarter. Inventories of semi-finished and finished goods are usually increased over the summer months. This safeguards our customers’ supply after the end of the vacation period and has the effect that net working capital usually peaks around this time. In contrast, trade accounts receivable and payable, and with them net working capital, tend to reach their lowest level at year-end due to the reduction in inventories typically seen at the end of the year. Furthermore, the amount of net working capital is significantly affected by commodity prices. The cyclical economic development has a much more pronounced impact than seasonal effects on the development of the Group’s sales, revenue and results, however.

7 Consolidated group and company acquisitions

As at February 1, 2018, SCHMOLZ + BICKENBACH acquired the locations and plants of the French firm Ascometal. Ascometal is a steel group specializing in the production and processing of special long steel for the market segments of oil and gas, automotive and machine construction, and the production of ball-bearing steel. The associated plants and locations were acquired as part of an asset deal; the assets were subsequently transferred to the five newly established companies Ascometal France Holding S.A.S., Ascometal Hagondange S.A.S., Ascometal Les Dunes S.A.S., Ascometal Custines – Le Marais S.A.S., and Ascometal Fos-sur-Mer S.A.S., and allocated to the *Production* segment. As part of the transaction, SCHMOLZ + BICKENBACH also acquired the five sales companies Ascometal North America Inc. (USA), Ascometal GmbH (DE), Ascometal Iberica S.L. (ES), Ascometal Polska z.o.o. (PL), and Ascometal Italia S.r.l. (IT) by purchasing the share certificates (share deal). These five sales units were allocated to the *Sales & Services* segment.

The underlying strategy of the acquisition is to participate in the consolidation of the European special long steel industry. With the acquisition, SCHMOLZ + BICKENBACH intends to exploit integration opportunities and other synergy potential between the locations and plants of Ascometal and SCHMOLZ + BICKENBACH with respect to the product mix and the production network. The aim is to improve the capacity utilization of the existing plants and thus realize cost advantages.

The purchase price of the assets and share certificates is expected to be EUR 35.1 million and comprises payments of EUR 0.5 million to the representatives of the former owners (liquidators), EUR 17.7 million for the purchase of previously leased plants, EUR 5.9 million for suppliers whose deliveries are secured by existing inventories and EUR 11.0 million for owners of bonds secured by inventories. As at June 30, 2018, EUR 26.3 million of the total purchase price had been paid. As at the acquisition date, no cash and cash equivalents had been paid in to settle the purchase price. The transaction resulted in badwill (bargain purchase) of EUR 46.0 million; this represents planned restructuring expenses and investment commitments. The badwill was recognized in other operating income in the income statement in the first half of 2018. Costs of EUR 4.6 million have been incurred in connection with the acquisition since negotiations started, of which EUR 0.6 million in the first half of 2018 and EUR 4.0 million already recognized in the 2017 financial statements. These are recognized in the income statement under other operating expenses and in cash flow from operating activities.

An overview of the acquired assets and liabilities (net assets) can be found in the following table.

Provisionally determined fair values

in EUR million	1.2.2018
Property, plant and equipment	26.1
Other non-current financial assets	2.5
Total non-current assets	**28.6**
Inventories	101.0
Trade accounts receivable	4.8
Other current assets	0.2
Cash and cash equivalents	7.0
Total current assets	**113.0**
Total assets	**141.6**
Provisions for pensions and similar obligations	11.3
Other non-current provisions	9.6
Deferred tax liabilities	20.5
Non-current financial liabilities	4.3
Total non-current liabilities	**45.7**
Current provisions	1.8
Trade accounts payable	8.3
Other current liabilities	4.7
Total current liabilities	**14.8**
Total liabilities	**60.5**
Fair value of net assets acquired	**81.1**
Purchase price	35.1
Badwill	**46.0**
Cash and cash equivalents acquired	7.0
Cash inflow	**7.0**
Cash outflow	**30.6.2018**
Purchase price paid	26.3
Cash and cash equivalents acquired	7.0
Acquisition of Group companies	**19.3**

Revenue generated between February 1 and June 30, 2018 by the companies acquired through the acquisition was EUR 218.5 million. The loss came to EUR 17.1 million (excluding badwill). If the transaction had been concluded as at January 1, 2018, Group revenue would have been EUR 45.1 million higher and consolidated retained earnings EUR 4.4 million lower.

The figures mentioned above are provisional, as the purchase price allocation has not yet been finalized.

Furthermore, in the first half of 2018, the first installment of EUR 1.6 million (2017: EUR 3.1 million) was paid for the squeeze-out of non-controlling interests in SCHMOLZ + BICKENBACH s.r.o. (CZ), which was fully consolidated with effect from December 2016. The full purchase price amounted to EUR 6.1 million, with a further installment to be paid in 2019.

The entity SCHMOLZ + BICKENBACH Chile SpA (CL) was established in the first half of 2017 and integrated in the *Sales & Services* segment.

8 Revenue

SCHMOLZ + BICKENBACH's revenue can be broken down by product group and region as follows:

	Production		Sales & Services	
in EUR million	H1 2018	H1 2017	H1 2018	H1 2017
Quality & engineering steel	761.1	533.7	134.0	61.3
Stainless steel	476.6	463.3	105.0	91.9
Tool steel	117.7	113.1	107.4	106.8
Others	30.1	31.6	5.3	5.7
Total	**1,385.5**	**1,141.7**	**351.7**	**265.7**

	Production		Sales & Services	
in EUR million	H1 2018	H1 2017	H1 2018	H1 2017
Germany	584.6	544.2	58.9	14.8
Italy	213.8	152.9	20.4	22.0
France	161.7	83.8	24.3	20.6
Switzerland	24.1	21.5	0.0	0.0
Other Europe	228.3	180.7	99.1	84.2
Europe	**1,212.5**	**983.1**	**202.7**	**141.6**
USA	65.8	72.6	78.1	63.8
Canada	21.9	17.0	19.8	14.7
Other America	7.2	5.6	13.7	14.3
America	**94.9**	**95.2**	**111.6**	**92.8**
China	29.5	29.1	21.9	18.9
India	9.9	3.4	6.5	5.8
Asia Pacific/Africa	38.7	30.9	9.0	6.6
Africa/Asia/Australia	**78.1**	**63.4**	**37.4**	**31.3**
Total	**1,385.5**	**1,141.7**	**351.7**	**265.7**

9 Other operating income and expenses

Other operating income of EUR 69.0 million (2017: EUR 18.0 million) mainly comprises the badwill of EUR 46.0 million resulting from the acquisition of Ascometal.

Other operating expenses can be broken down as follows:

in EUR million	H1 2018	H1 2017
Freight, commission	48.9	43.6
Maintenance, repairs	39.5	36.1
Holding and administration expenses	23.4	15.5
Fees and charges	11.3	11.3
Rent and lease income	10.0	8.8
Consultancy and audit services	12.5	6.6
IT expenses	10.4	10.3
Losses on disposal of intangible assets, property, plant and equipment, and financial assets	0.5	0.4
Non-income taxes	9.3	6.8
Foreign exchange loss (net)	1.5	0.0
Miscellaneous expense	11.5	12.6
Total	**178.8**	**152.0**

Miscellaneous expense of EUR 11.5 million (2017: EUR 12.6 million) comprises a number of individually immaterial items which cannot be allocated to any other category. All exchange gains and losses on receivables and liabilities or derivative currency contracts concluded to hedge these are presented as other operating expenses or income.

10 Financial result

in EUR million	H1 2018	H1 2017
Interest income	0.3	0.4
Other financial income	0.0	3.6
Financial income	**0.3**	**4.0**
Interest expense on financial liabilities	–12.9	–17.1
Net interest expense on pension provisions and plan assets	–2.2	–2.6
Capitalized borrowing costs	0.2	0.1
Other financial expense	–5.9	–13.7
Financial expense	**–20.8**	**–33.3**
Financial result	**–20.5**	**–29.3**

Other financial expense in the first half of 2018 includes a loss of EUR 3.6 million from the measurement of the call option on the bond issued in May 2017. Other financial expense in the first half of 2017 contained expenses related to the premature redemption of the bond issued in 2012. These included the realization and derecognition of the capitalized repurchase right of EUR 4.6 million, as well as amortization of the remaining transaction costs and the redemption premium for premature payment totaling EUR 6.6 million.

Other financial income in the first half of 2017 contained a measurement gain of EUR 3.6 million from the repayment option of the bond issued in May 2017.

11 Income taxes

in EUR million	H1 2018	H1 2017
Current taxes	27.5	8.3
Deferred taxes	–13.1	6.5
Income tax effect	**14.4**	**14.8**

Apart from in the USA, the local tax rates used to determine current and deferred taxes have not changed materially in comparison with the prior year. The effective Group tax rate for the first half of 2018 was 13.0 % (2017: 35.8 %). This rate derives from the tax rates of the individual countries in which the Group operates, weighted for earnings before taxes. The fall in the effective Group tax rate compared with the prior year is primarily attributable to the badwill on the acquisition of Ascometal, which does not entail any income tax consequences.

The deferred tax liabilities, recognized upon the acquisition of the locations and plants of Ascometal, were settled in the first half of 2018, which resulted in deferred tax income as well as simultaneous, approximately comparable inverse current tax expenses.

The following table presents the net change in deferred tax assets and liabilities.

in EUR million	H1 2018	2017	H1 2017
Opening balance at the beginning of the period	32.5	17.3	17.3
Changes recognized in profit and loss	13.1	16.4	–6.5
Changes recognized in other comprehensive income	–1.1	–5.4	–3.6
Change in scope of consolidation	–20.5	0.0	0.0
Foreign currency effects	–0.5	4.2	3.2
Closing balance at the end of the period	**23.5**	**32.5**	**10.4**

12 Intangible assets and property, plant and equipment

Intangible assets did not change significantly in the first six months of 2018. The carrying amount of intangible assets as at June 30, 2018 was EUR 29.6 million (December 31, 2017: EUR 28.7 million). Scheduled amortization of intangible assets in the first six months of 2018 amounted to EUR 1.9 million (2017: EUR 1.9 million). There were no restrictions on ownership or disposal as at each reporting date.

The breakdown of property, plant and equipment into their subcategories can be seen in the table below. Most of the additions are attributable to the *Production* division. In the first half of 2018, the useful life of the assets was revised on the basis of historical values. The effect on the income statement amounted to EUR 10.3 million in the first half of 2018.

in EUR million	Land and buildings	Plant and equipment	Prepayments for property and plants under construction	Total
Cost value as at 1.1.2017	**707.8**	**2,418.2**	**59.8**	**3,185.8**
Changes in the scope of consolidation	3.3	0.5	0.0	3.8
Reclassification to assets held for sale	−0.8	0.0	0.0	−0.8
Additions	2.2	37.8	58.2	98.2
Disposals	−7.6	−25.8	0.0	−33.4
Reclassifications	4.5	41.5	−46.0	0.0
Foreign currency effects	−31.5	−83.3	−2.7	−117.5
Cost value as at 31.12.2017	**677.9**	**2,388.9**	**69.3**	**3,136.1**
Changes in the scope of consolidation	1.5	23.4	1.2	26.1
Additions	0.9	9.2	23.1	33.2
Disposals	−0.6	−17.5	−0.1	−18.2
Reclassifications	6.3	15.9	−22.2	0.0
Foreign currency effects	3.1	8.7	0.2	12.0
Cost value as at 30.6.2018	**689.1**	**2,428.6**	**71.5**	**3,189.2**
Accumulated depreciation and impairments as at 1.1.2017	**−401.9**	**−1,894.8**	**0.0**	**−2,296.7**
Reclassification to assets held for sale	0.5	0.0	0.0	0.5
Scheduled depreciation and amortization	−16.5	−105.2	0.0	−121.7
Impairment	0.0	−1.3	0.0	−1.3
Disposals	5.7	24.7	0.0	30.4
Foreign currency effects	17.6	59.9	0.0	77.5
Accumulated depreciation and impairments as at 31.12.2017	**−394.6**	**−1,916.7**	**0.0**	**−2,311.3**
Scheduled depreciation and amortization	−6.7	−45.3	0.0	−52.0
Disposals	0.3	17.0	0.0	17.3
Foreign currency effects	−1.8	−5.8	0.0	−7.6
Accumulated depreciation and impairments as at 30.6.2018	**−402.8**	**−1,950.8**	**0.0**	**−2,353.6**
Net carrying amount as at 31.12.2017	**283.3**	**472.2**	**69.3**	**824.8**
Net carrying amount as at 30.6.2018	**286.3**	**477.8**	**71.5**	**835.6**

13 Inventories

Inventories as at June 30, 2018 and as at December 31, 2017 break down as follows:

in EUR million	30.6.2018	31.12.2017
Raw materials, consumables and supplies	216.4	123.8
Semi-finished goods and work in progress	360.1	278.5
Finished products and merchandise	366.5	295.5
Total	**943.0**	**697.8**

The Group-wide reassessment of the value adjustments for slow and non-transshipment inventory items had a one-off effect of EUR 1.9 million on expenses in the first half of 2018.

14 Pensions

The Group has both defined benefit plans and defined contribution plans, where contractually defined amounts are transferred to an external pension institution. Most of the plans are defined benefit plans, however, in which the employer undertakes to deliver the agreed pension benefits to its employees.

Since the beginning of the year, the following significant changes occurred:

Pension liabilities, plan assets and funded status

	Defined benefit obligation		Fair value of plan assets		Net liability	
in EUR million	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
Present value of defined benefit obligations/Fair value of plan assets at the beginning of the period	**579.1**	**636.9**	**302.7**	**311.6**	**276.4**	**325.3**
Current service cost	4.7	10.7	0.0	0.0	4.7	10.7
Administration expenses	0.0	0.0	−0.3	−0.7	0.3	0.7
Interest result	3.7	7.4	1.5	2.7	2.2	4.7
Past service costs	0.0	−2.7	0.0	0.0	0.0	−2.7
Net pension result	**8.4**	**15.4**	**1.2**	**2.0**	**7.2**	**13.4**
Return on plan assets less interest income	0.0	0.0	0.1	16.9	−0.1	−16.9
Actuarial result from changes in demographic assumptions	0.0	−11.9	0.0	0.0	0.0	−11.9
Actuarial result from changes in financial assumptions	−8.3	−12.8	0.0	0.0	−8.3	−12.8
Actuarial result from experience-based assumptions	0.7	1.9	0.0	0.0	0.7	1.9
Remeasurement effects included in other comprehensive income	**−7.6**	**−22.8**	**0.1**	**16.9**	**−7.7**	**−39.7**
Employer contributions	0.0	0.0	4.1	8.9	−4.1	−8.9
Employee contributions	2.2	4.8	2.2	4.8	0.0	0.0
Change in scope of consolidation	11.3	0.0	0.0	0.0	11.3	0.0
Benefits paid	−12.7	−22.6	−9.3	−13.9	−3.4	−8.7
Foreign currency effects	4.5	−32.6	3.5	−27.6	1.0	−5.0
Present value of defined benefit obligations/Fair value of plan assets at the end of the period	**585.2**	**579.1**	**304.5**	**302.7**	**280.7**	**276.4**
Provisions from obligations similar to pensions	1.2	1.4	0.0	0.0	1.2	1.4
Total provisions for pensions and obligations similar to pensions	**586.4**	**580.5**	**304.5**	**302.7**	**281.9**	**277.8**

Actuarial gains primarily result from the slight increase in discount rates as at June 30, 2018 compared with December 31, 2017 in Switzerland and the USA.

An improvement in earnings was recognized in the income statement in 2017. This resulted from the reduction of pension conversion rates in Switzerland, which as a result of the recalculation of the present value of the defined benefit obligations, led to a non-recurring gain of EUR 2.8 million that was posted immediately to other comprehensive income.

As at the reporting date, the main driver of the measurement of the defined benefit obligations, the discount rates, were evaluated critically and adjusted if not within the appropriate range. The following valuation assumptions were used:

Valuation assumptions for pensions

	Switzerland		Euro area		USA		Canada	
in EUR million	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
Discount rate	0.8	0.6	1.8	1.8	3.9	3.4	3.4	3.4
Salary trend	1.3	1.3	1.8-2.8	1.8-2.8	nm	nm	3.0	3.0

15 Financial liabilities

As at June 30, 2018, financial liabilities were as follows:

in EUR million	30.6.2018	31.12.2017
Syndicated loan	26.6	82.4
Other bank loans	13.3	16.0
Bond	342.7	195.3
Liabilities from finance leases	6.9	3.1
Other financial liabilities	0.9	0.5
Total non-current	**390.4**	**297.3**
Other bank loans	45.6	7.0
ABS financing program	239.4	178.3
Liabilities from finance leases	0.9	0.9
Other financial liabilities	9.4	5.6
Total current	**295.3**	**191.8**

Other current financial liabilities include accrued interest of EUR 9.0 million for the bond (December 31, 2017: EUR 5.2 million).

On June 25, 2018, SCHMOLZ + BICKENBACH topped up the senior notes of EUR 200 million issued in April 2017 by another EUR 150 million at an issue price of 101.5 % of the nominal value plus accrued interest since January 15, 2018. The issue thus forms part of a total issue at the same conditions, with a coupon of 5.625 % p.a. The bond was issued by the subsidiary SCHMOLZ + BICKENBACH Luxembourg Finance S.A. and matures on July 15, 2022. Interest is payable semi-annually on January 15 and July 15.

The bond issued in 2017 replaced the old bond (issue date: May 15, 2012) prematurely on May 15, 2017. Moreover, in April 2017, the syndicated loan of EUR 375 million was extended at better conditions and the ABS financing program of EUR 230 million and USD 75 million also extended, both until 2022.

The increase in other bank loans is based on interim financing of EUR 40 million taken out in connection with the acquisition of Ascometal. The new Ascometal companies were also integrated into the Group-wide ABS financing program, which resulted in significantly higher utilization of the program as at the end of the first half of 2018. The inflow from the increase in the size of the issue was used to repay part of the syndicated loan in the second quarter of 2018.

16 Fair value measurement considerations

SCHMOLZ + BICKENBACH regularly reviews the procedure for measuring items at fair value. If the material input parameters change, the Group assesses whether an item needs to be transferred between the levels.

There were no transfers between the individual levels during the reporting period. As at June 30, 2018, the bonds had a fair value (Level 1) of EUR 354.7 million (December 31, 2017: EUR 213.4 million). The carrying amount of the bonds as at June 30, 2018 was EUR 342.7 million (December 31, 2017: EUR 195.3 million).

As at June 30, 2018, a positive fair value of EUR 0.4 million (December 31, 2017: EUR 3.8 million) was recognized for embedded derivative financial instruments (Level 2). This figure is attributable to the call option on the bond issued by SCHMOLZ + BICKENBACH Luxembourg S.A: (LU) in April 2017 and topped up in the first half of 2018. The effect recognized in the income statement from the measurement of this call option was EUR 3.6 million in the first six months of 2018 and is presented as other financial expense (note 10).

The fair value of the repayment options for the bonds was calculated using an option pricing model. The main drivers of the fair value are the change in market interest rates, the change in the credit spread, and the volatility of market interest rates and the credit spread. The payment profile of the repurchase options is determined on each exercise date, taking into account the deviation in the present value of future interest and principal repayments from the repayment amount at each date of termination. The acquisition costs recognized for the bond take into consideration the value determined for the embedded option during the issue.

17 Segment reporting

The Group is presented in accordance with its internal reporting and organizational structure, comprising the two divisions *Production* and *Sales & Services*. Optimization of *Sales & Services* activities in Germany saw numerous reclassifications from the *Production* division to the *Sales & Services* division, which were completed during fiscal year 2017.

The total adjustment effect of EUR 29.7 million primarily comprises the correction of badwill in the amount of EUR 46.0 million (divided into EUR 39.6 million in the *Production* segment and EUR 6.4 million in *Sales & Services*). In addition, EUR 10.8 million was recognized in the *Production* segment for the booking of existing, onerous supply contracts with Ascoval as well as transaction costs in connection with the integration of the acquired assets and companies.

The table below shows the segment reporting as at June 30, 2018.

	Production		Sales & Services	
in EUR million	**H1 2018**	**H1 2017**	**H1 2018**	**H1 2017**
Third-party revenue	1,385.5	1,141.7	351.7	265.7
Internal revenue	219.5	161.4	13.1	0.1
Total revenue	**1,605.0**	**1,303.1**	**364.8**	**265.8**
Segment result (= adjusted EBITDA)	**141.1**	**128.5**	**22.0**	**13.3**
Adjustments	28.7	0.0	5.8	0.0
Operating profit before depreciation and amortization (EBITDA)	169.8	128.5	27.8	13.3
Depreciation and amortization of intangible assets, property, plant and equipment	−50.0	−59.1	−2.4	−2.3
Impairment of intangible assets, property, plant and equipment and assets held for sale	0.0	−0.2	0.0	0.0
Operating profit (EBIT)	**119.8**	**69.2**	**25.4**	**11.0**
Financial income	0.6	1.6	1.5	1.7
Financial expense	−16.3	−17.3	−3.4	−3.6
Earnings before taxes (EBT)	**104.1**	**53.5**	**23.5**	**9.1**
Segment investments [1]	34.2	23.1	1.2	1.4
Segment operating free cash flow [2]	−125.7	−33.0	9.6	16.5
in EUR million	**30.6.2018**	**31.12.2017**	**30.6.2018**	**31.12.2017**
Segment assets [3]	2,206.4	1,734.9	292.4	247.8
Segment liabilities [4]	505.9	375.8	145.9	109.4
Segment assets less segment liabilities (capital employed)	**1,700.5**	**1,359.1**	**146.5**	**138.4**
Employees as at closing date (positions)	8,779	7,389	1,428	1,430

[1] Segment investments: Additions to intangible assets (excluding goodwill) + additions to property, plant and equipment (without reclassification from assets held for sale)
[2] Segment operating free cash flow: Adjusted EBITDA +/– change in net working capital (inventories, trade accounts receivable and payable valued at spot rate), less segment investments less capitalized borrowing costs
[3] Segment assets: Intangible assets (excluding goodwill) + property, plant and equipment + inventories + trade accounts receivable (total matches total assets in the statement of financial position)
[4] Segment liabilities: Trade accounts payable (total matches total liabilities in the statement of financial position)

		Reconciliation					
Total operating segments		Corporate activities		Eliminations/adjustments		Total	
H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
1,737.2	1,407.4	0.0	0.0		0.0	1,737.2	1,407.4
232.6	161.5	0.0	0.0	−232.6	−161.5	0.0	0.0
1,969.8	**1,568.9**	**0.0**	**0.0**	**−232.6**	**−161.5**	**1,737.2**	**1,407.4**
163.1	**141.8**	**−6.0**	**−7.6**	**−1.9**	**−0.2**	**155.2**	**134.0**
34.5	0.0	−4.8	0.0	0.0	0.0	29.7	0.0
197.6	141.8	−10.8	−7.6	−1.9	−0.2	184.9	134.0
−52.4	−61.4	−1.5	−1.8	0.0	0.0	−53.9	−63.2
0.0	−0.2	0.0	0.0	0.0	0.0	0.0	−0.2
145.2	**80.2**	**−12.3**	**−9.4**	**−1.9**	**−0.2**	**131.0**	**70.6**
2.1	3.3	24.9	20.7	−26.7	−20.0	0.3	4.0
−19.7	−20.9	−20.2	−32.4	19.1	20.0	−20.8	−33.3
127.6	**62.6**	**−7.6**	**−21.1**	**−9.5**	**−0.2**	**110.5**	**41.3**
35.4	24.5	0.5	0.5		0.0	35.9	25.0
−116.1	−16.5	−7.0	−7.7	1.3	−2.5	−121.8	−26.7
30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
2,498.8	1,982.7	43.0	43.0	100.4	87.4	2,642.2	2,113.1
651.8	485.2	3.2	2.9	1,168.5	907.5	1,823.5	1,395.6
1,847.0	**1,497.5**						
10,207	8,819	111	120	0	0	10,318	8,939

Legal notice

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The equal treatment of men and women is very important to SCHMOLZ + BICKENBACH. Every care has been taken to ensure that we do not exclude either gender in this report.

This interim report contains 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. These 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.

This interim report is also available in German. The German version is binding.

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