Press release

SCHMOLZ + BICKENBACH achieves 2013 targets and starts 2014 with cautious optimism

- **Adjusted EBITDA of EUR 178.8 million generated in 2013 (2012: EUR 151.1 million)**
- **Performance improvement programme shows first impacts, implementation of measures on track**
- **Fiscal year 2014 started with cautious optimism**
- **For 2014 sales volumes and revenue are expected to increase by 2% – 5% on the prior year; adjusted EBITDA between EUR 190 million and EUR 230 million expected**

Emmenbrücke, 13 March 2014 – SCHMOLZ + BICKENBACH AG, a global market leader in special steel (such as tool steel, stainless steel, and engineering steel) listed on the SIX Swiss Exchange (SIX: STLN), achieved the financial targets set for 2013: while the adjusted EBITDA came in slightly above expectations, revenue fell slightly short due to the price level which again decreased in the fourth quarter. Thanks to the successful capital increase and an improved free cash flow the adjusted EBITDA leverage (the ratio of net financial debt to adjusted EBITDA) was reduced to factor 3.4 (2012: 6.0). The implementation of the launched performance improvement programme is on track.

Sales volume increased by 0.5% to 2 054 kilotonnes (2012: 2 044 kilotonnes) in an environment that became more and more challenging over the course of the year. Revenue continued to be impacted by the declining level of base prices and alloy surcharges, decreasing by 8.5% on the prior year to EUR 3 276.7 million (2012: EUR 3 581.4 million). Thanks to an improved percentage gross margin of 32.2% (2012: 30.2%) the absolute gross margin decreased by only 2.3% to EUR 1 056.4 million (2012: EUR 1 081.7 million).

The adjusted EBITDA was up 18.3% or EUR 27.7 million on the prior year to EUR 178.8 million (2012: EUR 151.1 million), reflecting the first impacts of the extensive efficiency improvement and cost reduction programme. In 2013 cost savings of EUR 54.0 million have been realised, although the lower price level had an opposing effect. Mainly due to the improvement in EBITDA the free cash flow increased from EUR 44.0 million in the prior year by 67.5% to EUR 73.7 million.

Net financial expense in 2013 increased by 41.3% or EUR 30.8 million to EUR 105.4 million (2012: EUR 74.6 million). Besides higher current interest payments, one-off costs were incurred in connection with redeeming a portion of the bond and adjusting the financing agreements.

At EUR -87.6 million (2012: EUR -89.1 million) earnings before taxes (EBT) only improved slightly on the prior year with an increase of EUR 1.5 million or 1.7%. In contrast the net loss of EUR 83.7 million represents a significant improvement of EUR 79.1 million on the prior-year result (2012: net loss of EUR 162.8 million), which is mainly attributable to special tax effects in the prior year that did not reoccur in 2013.

As a result of the successful capital increase in October 2013, a portion of the outstanding bond and the bank liabilities were redeemed, strengthening the balance sheet structure. Consequently, net debt came to EUR 610.1 million, down 32.4% on the prior-year figure (2012: EUR 902.8 million). The EBITDA leverage, i.e. the ratio of net financial debt to adjusted EBITDA, was lowered to the factor 3.4 (2012: 6.0). Shareholders' equity rose by 40.6% to EUR 889.9 million (2012: EUR 663.0 million), pushing up the equity ratio to 37.4% (2012: 26.2%). Gearing, which expresses the ratio of net debt to shareholders' equity, dropped from 142.6% in the prior year to 68.6%.

No distribution of dividend in 2014
In line with the long-term focus of the corporate strategy, SCHMOLZ + BICKENBACH will for the foreseeable future continue to use profits primarily to strengthen its balance sheet and repay debt. This approach will gradually increase the value of the Company. For 2013, the Board of Directors thus proposes not distributing a dividend.

Changes in the Executive Committee
According to the organisational regulations applicable as at the reporting date, the Executive Committee consists of the Executive Board and Business Unit Management. By resolution dated 12 March 2014, the Board of Directors redefined “Executive Committee” to mean the members of the Executive Board only from 2014 onwards

Outlook
Based on recent forecasts on the global economy and the relevant sectors and markets, we begin the fiscal year 2014 with cautious optimism. We have started the first quarter with a higher order backlog of 452 kilotonnes; the order backlog increased further to 552 kilotonnes by end of February 2014. Overall, we expect sales volume for the Group to increase by 2% – 5% in 2014 compared to the prior-year level. Revenue should exceed the prior-year level by 2% – 5%, too, although this forecast is even more uncertain due to the limited predictability of surcharges for scrap and alloying elements as well as exchange rates.

In order to realise the full earnings effect of EUR 230 million from 2016 on, we will press ahead in 2014 with the extensive cost-cutting programme and efficiency drive launched in 2012 and significantly expanded in 2013. We expect to generate adjusted EBITDA of between EUR 190 million and EUR 230 million in 2014. Investments planned for 2014 match the prior-year level, and are once again well below the level of depreciation and amortisation. This outlook assumes that the forecast development of the economy, commodity prices and exchanges rates proves accurate, and that there are no other unexpected incidents or events with a negative impact on our activities,

Refinancing the syndicated loan and ABS programme is a key task to tackle in 2014. This process could be associated with origination fees, which will be included in the financial result in the appropriate period, but we nevertheless expect a significant reduction in the financial result.

We stand by our medium-term goals: by 2016, we intend to generate adjusted EBITDA of > EUR 300 million and an adjusted EBITDA margin of > 8% over an economic cycle. We hope to bring down adjusted EBITDA leverage (ratio of net debt to adjusted EBITDA) to <2.5.

Key figures

		2013	2012	Q4 2013	Q4 2012
Sales volume	kilotonnes	2 054	2 044	491	441
Revenue	million EUR	3 276.7	3 581.4	752.0	774.5
Adjusted EBITDA	million EUR	178.8	151.1	43.0	-1.3
Operating profit before depreciation and amortisation (EBITDA)	million EUR	141.7	121.8	15.1	-15.5
Operating profit (EBIT)	million EUR	17.8	-14.5	-16.1	-61.7
Earnings before taxes (EBT)	million EUR	-87.6	-89.1	-48.5	-82.9
Net income (loss) (EAT)	million EUR	-83.7	-162.8	-39.2	-135.6
Investments	million EUR	105.7	141.0	44.0	55.6
Free cash flow	million EUR	73.7	44.0	--	--
Total assets	million EUR	2 377.5	2 417.1	--	--
Shareholders' equity	million EUR	889.9	633.0	--	--
Net debt	million EUR	610.1	902.8	--	--
Employees per closing date	positions	10 095	10 278	--	--
Earnings per share (undiluted)	EUR	-0.26	-1.38	--	--

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The annual report as at 31 December 2013 can be found here:

http://www1.schmolz-bickenbach.com/en/investor-relations/reports/financial-reports/2013/

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 three 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 over 35 countries across five continents, the Company supports and supplies customers wherever they operate. Besides the 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 statement
Information in this release may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this release are based on information available to SCHMOLZ + BICKENBACH AG as of the date of this release, and we assume no duty to update any such forward-looking statements. The forward-looking statements in this release are not guarantees of future performance and actual results could differ materially from our current expectations. Numerous factors could cause or contribute to such differences. Factors that could affect the Company's forward-looking statements include, among other things: national and global GDP trends; changes in regulation relevant to the steel industry; intense competition in the markets in which the Company operates; integration of acquired companies; changes in the Company's ability to attract and retain qualified internal and external personnel or clients; the potential impact of disruptions related to IT; any adverse developments in existing commercial relationships, disputes or legal and tax proceedings.

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