SCHMOLZ + BICKENBACH AG
Providing special steel solutions

Media release

SCHMOLZ + BICKENBACH after difficult third quarter on track for reaching the year end targets

- **Sales and revenue down by 3.5% resp. 3.8% on prior year**
- **EBITDA margin in the first nine months 2015 at 5.8%**
- **Interest expenses on financial liabilities reduced further**
- **EBITDA guidance for fiscal year 2015 confirmed at EUR 160 million – EUR 180 million**

Lucerne, 12 November 2015 – SCHMOLZ + BICKENBACH AG, a global leader in special long steel, faced an increasingly difficult market environment in the third quarter 2015. EBITDA decreased to EUR 10.3 million (Q3 2014: EUR 55.5 million). Earnings after taxes from continuing operations at EUR -32.7 million stayed behind the prior-year figure of EUR 10.6 million. In total the company recorded a loss or EUR 34.1 million in the third quarter 2015.

In the first nine months of the fiscal year, there was a decrease in order intake compared to the prior-year figure. As a result, the order backlog of 395 kilotonnes as at 30 September 2015 was down on the levels as at 30 September 2014 (498 kilotonnes) and as at 31 December 2014 (497 kilotonnes).

Compared to the prior-year quarter sales from continuing operations decreased by 21 kilotonnes or 4.9% to 410 kilotonnes in the third quarter (Q3 2014: 431 kilotonnes) and revenue from continuing operations decreased by EUR 84.3 million or 12.0% to EUR 619.7 million (Q3 2014: EUR 704.0 million). In comparison to the first nine months of the year 2014 the Company recorded a decrease in sales from continuing operations by 49 kilotonnes or 3.5% to 1 362 kilotonnes in (9M 2014: 1 411 kilotonnes) and a decrease of revenue from continuing operations by EUR 82.9 million or 3.8% to EUR 2 108.6 million (9M 2014: EUR 2 191.5 million).

At 33.1% in the third quarter the percentage gross margin came in significantly below the prior-year figure (Q3 2014: 36.4%). In the first nine months of the year the percentage gross margin came to 36.3% (9M 2014: 36.8%).

Due to lower raw material prices the EBITDA margin fell to 1.7% in the third quarter of 2015 (Q3 2014: 7.9%) and to 5.8% in the first nine months of the year (9M 2014: 8.5%),

The improved interest terms for the refinancing concluded in June 2014 are reflected in interest expenses on financial liabilities, which decreased by EUR 0.7 million or 6.7% to EUR 9.8 million (Q3 2014: EUR 10.5 million); in the nine month comparison interest expenses on financial liabilities decreased by EUR 8.1 million or 22.0% compared to the same period of the prior year to EUR 28.8 million (9M 2014: EUR 36.9 million).

Net debt came to EUR 543.7 million (31.12.2014: EUR 587.2 million), a decrease of EUR 43.5 million or 7.4% on the figure as at 31 December 2014. The decrease is mainly attributable to the proceeds from the disposal of selected distribution entities of EUR 48.6 million as well as a significant reduction of net working capital as at 30 September 2015.

Earnings after taxes from continuing operations saw a total decrease of EUR 64.6 million to EUR – 20.5 million in the first nine months of the fiscal year (9M 2014: EUR 44.1 million).).

At EUR –3.1 million (9M 2014: EUR 1.7 million), earnings after taxes from ordinary activities of the discontinued operations until deconsolidation were EUR 4.8 million down on the figure for the same period of the prior year. The loss on disposal resulting from deconsolidation came to EUR 128.1 million as at 30 September 2015. As a result, overall earnings after taxes from discontinued operations came to EUR –131.2 million (9M 2014: EUR 1.7 million).

Mainly due to the loss from the discontinued operations, the Group’s net income (loss) (EAT) was down by EUR 197.5 million on the prior-year figure at EUR – 151.7 million (9M 2014: EUR 45.8 million).

Outlook 2015

Economic development and development of steel demand
Expectations regarding global economic development in 2015 have continued to fall. The World Bank, OECD and IMF anticipate growth of between 2.8% and 3.1% (previously: 2.8% to 3.5%). It is still assumed that the regional picture will be quite mixed in 2015.

In contrast to the improved expectations for the general economic situation, the outlook for steel demand has deteriorated significantly. After the World Steel Association (WSA) considerably reduced the expected average growth rate from 2.0% to 0.5% in its April forecast for steel consumption for 2015, the WSA now estimates a decrease of 1.7% in its October forecast. Closer inspection reveals that particularly in the important Asian market, which accounts for by far the highest steel consumption in terms of tonnes (2014: 1 016 million tonnes), demand is not only down, but a decline of 2.1% is now expected (previously: an increase of 0.6%) for 2015. Consumption in the EU is expected to grow by just 1.3% in 2015 instead of the 2.1% expected to date. The second-largest steel consumer is the European Union (EU), with around 150 million tonnes. In the third-largest market, NAFTA, a more pronounced decrease of 2.7% (previously: 0.9%) is expected for 2015^.

Development of SCHMOLZ + BICKENBACH Group
Our expectations for the fiscal year 2015 as a whole remain cautious on account of the challenging economic situation and the associated fall in demand for steel.

As a result of the reclassification of the selected distribution entities as discontinued operations, we have reduced our estimates for the sales volumes by the amounts these entities generated with third-party products. In addition, due to the economic conditions mentioned above, significant improvement is unlikely in the fourth quarter. We therefore anticipate sales volumes in 2015 to be slightly lower than 2014 levels.

The news regarding an economic slowdown in China has put commodity prices under even more pressure than anticipated. Low prices for scrap and alloying elements increased the pressure on base prices and resulted in lower revenue due to diminished alloy surcharges. In addition, the oil and gas business came to an almost complete standstill temporarily on account of the low oil prices. Although the situation recently stabilised, the continued weakness of crude oil prices means the recovery of the oil and gas business expected for the second half of 2015 is now unlikely.

Nevertheless, SCHMOLZ + BICKENBACH still expects EBITDA to come in at between EUR 160 million and EUR 180 million for the 2015 reporting year. This target is based on the assumption that commodity prices remain stable and that no other unexpected events occur that impact negatively on our business activities. We will respond to the challenges posed by exchange rates and uncertainties in the oil and gas business by systematically implementing and expanding our measures to improve efficiency.

Key figures		**1.1.–30.9.2015**	**1.1.–30.9.2014**
Sales[1)]	kilotonnes	1 362	1 411
Revenue[1)]	EUR m	2 108.6	2 191.5
Adjusted EBITDA[1)]	EUR m	129.0	192.0
Operating profit before depreciation and amortisation (EBITDA) [1)]	EUR m	122.8	186.3
Operating profit (EBIT) [1)]	EUR m	29.5	98.9
Earnings before taxes (EBT) [1)]	EUR m	-6.0	65.1
Net income (loss) (EAT)	EUR m	-151.7	45.8
Investments[1)]	EUR m	101.6	57.8
Free cash flow from continuing operations[1)]	EUR m	102.8	57.8
Earnings per share from continuing operations	EUR	-0.02	0.05
		30.9.2015	**31.12.2014**
Total assets	EUR m	2 193.5	2 509.6
Shareholders' equity	EUR m	765.7	900.9
Net debt[2)]	EUR m	543.7	587.2
Employees as at reporting date[2)]	positions	8 927	10 000

1) Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the respective entities as at 1.7.2015, the figures for the reporting period now refer only to continuing operations. The prior-year figures were restated accordingly.
2) Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the respective entities as at 1.7.2015, the figures for the reporting period now refer only to continuing operations. The prior-year figures were not restated and continue to include all operations..

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The interim report as at 30 September 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 9 000 employees at its own production and distribution companies in 35 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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