Media release

SCHMOLZ + BICKENBACH maintains positive earnings after taxes from continuing operations in the second quarter of 2015

- **Sales volume and revenue down slightly year on year by 2.3% and 2.2% respectively**
- **EBITDA margin of 8.0% in the second quarter**
- **Net financial expense reduced further**

Emmenbrücke, 25 August 2015 – SCHMOLZ + BICKENBACH AG, a global leader in special long steel (such as tool steel, stainless steel, and engineering steel) listed on the SIX Swiss Exchange (SIX: STLN), was not able to match the good earnings from continuing operations from the comparative prior-year period in a market environment that remains challenging in the second quarter of 2015. EBITDA saw a 17.0% decrease to EUR 58.0 million (Q2 2014: EUR 69.9 million). Although earnings after taxes from continuing operations, at EUR 10.3 million, remained below the prior-year figure of EUR 22.2 million, the bottom line was once again a profit in the second quarter. EBITDA increased by 6.4% in comparison to the seasonally stronger first quarter of 2015, while earnings after taxes from continuing operations increased more than fivefold.

In the first half of 2015, there was a slight decrease in order intake compared to the prior-year figure. As a result, the order backlog of 476 kilotonnes as at 30 June 2015 was down on the levels as at 30 June 2014 (539 kilotonnes) and as at 31 December 2014 (497 kilotonnes).

Compared to the same quarter of the prior year, sales at the continuing operations decreased by 11 kilotonnes or 2.3% to 469 kilotonnes (Q2 2014: 480 kilotonnes), and revenue by EUR 15.9 million or 2.2% to EUR 723.2 million (Q2 2014: EUR 739.1 million), in the second quarter of 2015. In comparison to the first half of 2014, the Company recorded a decrease in sales of 28 kilotonnes or 2.9% to 952 kilotonnes (H1 2014: 980 kilotonnes), while revenue increased slightly compared to the prior-year period by EUR 1.4 million or 0.1% to EUR 1 488.9 million (H1 2014: EUR 1 487.5 million).

The percentage gross margin of the continuing operations improved in the second quarter of 2015 to 38.2% (Q2 2014: 38.0%) and in the first half of the year to 37.7% (H1 2014: 36.9%) compared to the respective prior-year period. This is primarily attributable to a lower share of engineering steel in the product mix.

The EBITDA margin of the continuing operations increased in the second quarter of 2015 to 8.0% (Q1 2015: 7.1%) compared to the prior quarter; however, there was a decrease of 1.5 percentage points compared to the second quarter of the prior year (Q2 2014: 9.5%). The EBITDA margin fell from 8.8% to 7.6% in a comparison with the first half of the prior year.

The improved interest terms for the refinancing concluded in June 2014 are reflected in interest expenses on financial liabilities, which decreased by 20.0% or EUR 2.3 million to EUR 9.2 million (Q2 2014: EUR 11.5 million) compared to the second quarter of 2014. Interest expenses on financial liabilities fell by EUR 7.4 million or 28.0% to EUR 19.0 million (H1 2014: EUR 26.4 million) in a comparison with the first half of the prior year.

At EUR 17.4 million (Q2 2014: EUR 32.2 million), earnings before taxes of the continuing operations decreased significantly by EUR 14.8 million or 46.0% in the second quarter of 2015. At EUR 26.4 million (H1 2014: EUR 49.6 million), earnings before taxes of the continuing operations decreased by EUR 23.2 million or 46.8% in a comparison with the first half of the prior year.

As a result, earnings after taxes from continuing operations saw a decrease of EUR 11.9 million or 53.6% to EUR 10.3 million (Q2 2014: EUR 22.2 million) in the second quarter of 2015 and a decrease of EUR 21.3 million or 63.6% to EUR 12.2 million (H1 2014: EUR 33.5 million) in the first half of 2015. In its core business, SCHMOLZ + BICKENBACH therefore continued to record a profit as its bottom line.

Earnings after taxes of the discontinued operations came to EUR – 5.5 million (Q2 2014: EUR 0.6 million) in the second quarter of 2015. As part of the first-time classification as discontinued operations, the disposal group was measured in its entirety at fair value less costs to sell as at 31 March 2015 and thereafter as at 30 June 2015. In both cases, this measurement was performed on the basis of provisional purchase price calculations and costs to sell, and as at 30 June 2015 resulted in a provisional impairment loss of EUR 126.7 million (31 March 2015: EUR 123.7 million), for which no tax effects were taken into account as the expected loss on disposal will not be tax deductible. Including this, impairment loss resulted in earnings after taxes from the discontinued operations of EUR – 129.8 million (H1 2014: EUR 1.7 million) in the first half of 2015.

Due to the loss from the discontinued operations, the Group’s net income (loss) (EAT), which is calculated from the earnings after taxes from continuing and discontinued operations, came to EUR – 117.6 million (H1 2014: EUR 35.2 million) in the first half of 2015. In the second quarter of 2015, the Group’s net income (loss) stood at EUR 4.8 million (Q2 2014: EUR 22.8 million).

Outlook 2015

Economy and demand for steel

Expectations regarding global economic development in 2015 have fallen slightly compared to the first quarter. The World Bank, OECD and IMF anticipate growth of between 2.8% and 3.5% (previously: 3.0% to 3.7%). 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. In its latest forecast for steel consumption in 2015, the World Steel Association considerably reduced the expected average growth rate for 2015 from 2.0% to 0.5%, following weaker-than-initially-expected growth in 2014.

Closer inspection reveals that growth is slowing down even more, particularly in the important Asian market. Accounting for by far the highest steel consumption in terms of tonnes (2014: 1 016 million tonnes), demand in this region is now expected to increase by just 0.6% (formerly: 1.4%) in 2015. This is primarily due to the expected weakness in the Chinese market, which accounted for around 70% of demand in Asia in 2014 and is currently expected to decline by 0.5%. The continued difficult geopolitical development could also dampen general demand for steel.

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

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

The Group's earnings for 2015 as a whole will be burdened by currency effects, especially with the Swiss franc stronger against the euro since January 2015. Aside from the one-time net exchange losses of EUR 7.6 million recorded in the first half of the year, it assumes that based on sensitivity analyses every increase of one centime in the Swiss franc against the euro would see EBITDA fall by around CHF 1.5 million per year. Translation effects in the opposite direction will only partially make up for this.

For 2015, SCHMOLZ + BICKENBACH continues to expect EBITDA to come in at between EUR 190 million and EUR 230 million, with a currently anticipated figure at the lower end of this range due to the framework conditions described above. This estimate is also based on the assumption that forecasts as to the development of the economy and commodity prices prove accurate and that no other unexpected events occur that impact negatively on its business activities.

In response to the challenges posed by exchange rates and to the uncertainties in the oil and gas business, SCHMOLZ + BICKENBACH will step up its efforts in 2015 and expand the comprehensive earnings improvement programme introduced in 2013 to include additional measures.

Key figures		**1.1.–30.6.2015**	**1.1.–30.6.2014**
Sales volume [1)]	kilotonnes	952	980
Revenue [1)]	million EUR	1 488.9	1 487.5
Adjusted EBITDA [1)]	million EUR	117.5	133.8
Operating profit before depreciation and amortisation (EBITDA) [1)]	million EUR	112.5	130.8
Operating profit (EBIT) [1)]	million EUR	49.1	73.8
Earnings before taxes (EBT) [1)]	million EUR	26.4	49.6
Net income (loss) (EAT)	million EUR	-117.6	35.2
Investments [1)]	million EUR	77.5	30.7
Free cash flow from continuing operations [1)]	million EUR	-7.9	-0.8
Earnings per share from continuing operations	EUR	0.01	0.04
		30.6.2015	**31.12.2014**
Total assets	million EUR	2 476.3	2 509.6
Shareholders' equity	million EUR	814.5	900.9
Net debt [2)]	million EUR	637.9	587.2
Employees as at closing date [2)]	positions	8 900	10 000

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

For further information please contact:

Stefanie Steiner, Director Investor Relations and Corporate Communications, phone +41 41 209 50 42

The interim report as at 30 June 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.

Disclaimer
This publication constitutes neither a prospectus within the meaning of article 652a and/or 1156 of the Swiss Code of Obligations nor a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange. This publication constitutes neither an offer to sell nor a solicitation to buy securities of SCHMOLZ + BICKENBACH. The securities have already been sold.
This document shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities referred to herein in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States or to U.S. persons (as such term is defined in Regulation S under the Securities Act) absent registration or an exemption from registration under the Securities Act. The issuer of the securities has not registered, and does not intend to register, any portion of the offering in the United States, and does not intend to conduct a public offering of securities in the United States.