SCHMOLZ + BICKENBACH AG
Providing special steel solutions

Press release from SCHMOLZ+BICKENBACH AG

Robust operating result in tough market environment, earnings forecast for 2013 confirmed

- **Incoming orders exceed the prior-year level in the first half of 2013**
- **Sales volume up slightly in the second quarter of 2013**
- **Adjusted EBITDA of EUR 96.0 million generated in the first half of 2013**
- **Cost-cutting programmes show first signs of success**

Emmenbrücke, 13 August 2013

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), generated a robust operating profit in a market environment that remains challenging. Adjusted EBITDA came to EUR 96.0 million in the first half of 2013 and EUR 48.8 million in the second quarter of 2013. In the comparative period of the prior year, the Group generated adjusted EBITDA of EUR 131.8 million (H1 2012) and EUR 58.7 million (Q2 2012), albeit in a much stronger market environment.

The sales volume fell in the first half of 2013 compared to the same period of the prior year by 6.3% to 1’063 kilotonnes (H1 2012: 1’134 kt), while revenue dropped 11.9% to EUR 1’740.5 million (H1 2012: EUR 1’974.9 million). The fact that revenue fell more than sales is mainly attributable to lower commodity prices which are passed on to customers via scrap and alloy surcharges as well as the price level, which remains low. However, every month in the first half of 2013 saw a higher order intake than in the comparative period of the prior year. This was reflected in the slight period-on-period increase in sales, which climbed 1.3% in the second quarter of 2013 to 533 kilotonnes (Q2 2012: 526 kt).

The gross margin fell by EUR 71.8 million in absolute terms to EUR 552.9 million in the first half of 2013 (H1 2012: EUR 624.7 million), equivalent to a decrease of 11.5%. In percentage terms, however, the gross margin matched the level of the first half of 2012, recovering to 31.8% in the first half of 2013 (H1 2012: 31.6%) after having slipped to 28.4% in the second half of the prior year. At the same time, the gross margin was impacted by impairment losses of EUR 12.8 million (H1 2012: EUR 5.0 million) charged on inventories in the first half of 2013 to reflect the fall in scrap and nickel prices.

The net loss (EAT) of EUR 18.9 million incurred in the first half of 2013 represents a decrease of EUR 34.7 million on the net income generated in the first half of the prior year (H1 2012: EUR 15.8 million) and is attributable to high financing costs, some of which were non-recurring expenses.

Catalogue of measures shows first signs of success

In light of the downward adjustment to sales forecasts, a catalogue of measures was initiated in the second half of 2012 at the German group companies aimed at significantly cutting personnel and other costs. The positive effects will not be seen fully until after 2013. The Group was nevertheless able to cut personnel costs by EUR 23.3 million or 7.2% to EUR 298.6 million in the first half of 2013 year compared to the same period of the prior year (H1 2012: EUR 321.9 million). This is due in part to the lower capacity utilisation compared to the first half of 2012. The catalogue of measures is also reflected in the lower headcount, with 409 fewer employees reported compared to 30 June 2012 and 240 fewer compared to 31 December 2012. Use of temporary employees was also downscaled considerably in the last twelve months.

Outlook

We generated a solid operating profit in the first half of 2013 despite contending with a difficult market. We expect earnings development in the second six months of 2013 to be stronger than in the second half of 2012. The third quarter of 2013 got off to a satisfactory start. Sales volume and order backlog are expected to remain stable in the second half of the year. The drop in commodity prices and the as yet unpredictable development of prices in the second half make it difficult to forecast revenue for 2013 as a whole. Assuming that commodity prices remain low for the rest of the year, revenue is set to fall just short of the prior-year level.

We are making good headway with the restructuring and cost-cutting programmes. Around two thirds of the cost savings (EUR 35 million) introduced in the fiscal year 2012 will positively impact on adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) in 2013. We are therefore very confident that we will achieve an adjusted EBITDA of between EUR 150 million and EUR 200 million. This forecast already considers the fact that the third quarter is the weakest in terms of business development due to seasonal effects such as plant downtime over the summer months and the scheduled general overhaul work carried out at production facilities, leading to maintenance and repair costs. The intense investment phase for production plant over the last few years – part of our buy-and-build investment strategy - has largely been concluded, meaning that the investment volume for 2013 will be modest at less than EUR 100 million.

This forecast assumes that the economic outlook, commodity prices and exchange rates of relevance for us (CHF/EUR and USD/EUR) will be stable in the second half of the year and that no further unforeseen events hinder our business development.

Key performance indicators

		1.1.– 30.6.2013	1.1.- 30.6.2012	Q2 / 2013	Q2 / 2012
Sales volume	Kilotonnes	1'063	1'134	533	526
Revenue	million EUR	1'740.5	1'974.9	873.1	947.8
Adjusted EBITDA	million EUR	96.0	131.8	48.8	58.7
Operating profit before depreciation and amortisation (EBITDA)	million EUR	90.4	126.3	43.8	53.2
Operating profit (EBIT)	million EUR	30.4	66.1	13.1	23.3
Earnings before taxes (EBT)	million EUR	-14.6	32.8	-10.1	5.9
Net income (loss) (EAT)	million EUR	-18.9	15.8	-11.2	-3.5
Capital expenditure	million EUR	32.3	46.9	18.8	26.5
Free cash flow	million EUR	-2.7	-5.6	--	--
Total assets	million EUR	2'553.0	2'796.2	--	--
Shareholders' equity	million EUR	625.7	842.0	--	--
Net debt	million EUR	952.7	912.1	--	--
Employees as at closing date	Positions	10'038	10'447	--	--
Earnings per share (basic)	EUR	-0.17	0.13	-0.10	-0.03

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More information

- The interim report as at 30 June 2013 can be found at: www.schmolz-bickenbach.com/en/investor-relations/annual-reports-financial-reports/2013/

About SCHMOLZ+BICKENBACH
SCHMOLZ+BICKENBACH was established in 1919 in Düsseldorf by Arthur Schmolz and Oswald Bickenbach and since 1937 the company bearing their names has been synonymous with tradition in steel. Since the acquisition of the former Swiss Steel AG in 2003, SCHMOLZ+BICKENBACH has been listed on the SIX Swiss Exchange (STLN). Today, the SCHMOLZ+BICKENBACH Group is one of the world's largest manufacturers, processors and distributors of special-steel long products. The Group has a total of approximately 10 000 employees. SCHMOLZ+BICKENBACH is one of the world's leading producers of stainless long steels as well as tool steels, and is one of the ten largest companies for alloy and high-alloy special and engineering steels.

Forward-looking statements
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 avail-able 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; adverse developments in existing commercial relationships, disputes or legal and tax proceedings.

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