Media release

SCHMOLZ + BICKENBACH raises full-year outlook after a solid second quarter

- **Sales volume in Q2 2017 almost stable compared to Q2 2016 as demand remained robust in most product groups, customer industries and regions**
- **Average sales prices per ton rose by 13.3% to EUR 1 489 from EUR 1 314 in Q2 2016 and by 2.9% from EUR 1 447 in Q1 2017**
- **Adjusted EBITDA at EUR 69.6 million compared to EUR 52.5 million achieved in Q2 2016; adjusted EBITDA margin rose to 9.9% from 8.5% in Q2 2016**
- **Positive free cash flow of EUR 7.1 million and slightly higher net debt of EUR 472.4 million compared to EUR 469.8 million at the end of March 2017**
- **Outlook raised for full-year 2017: SCHMOLZ + BICKENBACH expects an adjusted EBITDA in a range between EUR 200 million and EUR 220 million**

CEO Clemens Iller commented: „The better market conditions of the first three months continued into the second quarter. Supported by benefits from the internal improvement initiatives, the robust demand from our main customer industries led to results on par with the strong first quarter. Although we are now entering a period of lower business activity we do not believe that market conditions will deteriorate significantly in the coming months despite considerable political and economic uncertainties. As a consequence, we raised our earnings outlook for the full-year 2017. In the second half-year we will focus on finalizing the restructuring steps in Germany and Scandinavia to further improve the earnings power of our company."

Financial key figures

	Unit	H1 2017	H1 2016	+/- (%)	Q2 2017	Q2 2016	+/- (%)
Sales volume	kilotons	959	932	2.9	470	471	–0.2
Revenue	million EUR	1 407.4	1 222.3	15.1	699.8	618.7	13.1
Adjusted EBITDA	million EUR	136.2	77.5	75.7	69.6	52.5	32.6
EBITDA	million EUR	134.0	71.5	87.4	67.7	49.6	36.5
Adjusted EBITDA margin	%	9.7	6.3	3.4	9.9	8.5	1.4
EBITDA margin	%	9.5	5.8	3.7	9.7	8.0	1.7
Operating profit (loss) (EBIT)	million EUR	70.6	11.1	nm	36.0	19.4	85.6
Earnings before taxes (EBT)	million EUR	41.3	–11.7	nm	13.9	7.9	75.9
Net income (loss) (EAT)	million EUR	26.5	–22.0	nm	10.0	2.4	nm
Free cash flow	million EUR	–24.3	25.6	nm	7.1	38.9	–81.7
Earnings per share [1)]	EUR/CHF	0.03/0.03	–0.02/–0.02	–	0.01/0.01	0.00/0.00	–

		30/06/17	31/12/16	31/03/17
Net debt	million EUR	472.4	420.0	469.8
Employees as at balance sheet date	positions	8 894	8 877	8 889

[1)] Earnings per share are based on the net income (loss) of the Group after deduction of the portions attributable to non-controlling interests

Lucerne, August 11, 2017 – SCHMOLZ + BICKENBACH, a global leader in special long steel, today reported stable sales volumes of 470 kilotons compared to 471 kilotons in the previous-year period. Along with significantly higher average sales prices this resulted in revenues of EUR 699.8 million, an increase of 13.1% compared to EUR 618.7 million in the second quarter of 2016. Higher revenues and a favorable impact from the performance improvement initiatives resulted in an adjusted EBITDA of EUR 69.6 million, an increase of 32.6% over the EUR 52.5 million achieved one year ago. The corresponding margin improved to 9.9% from 8.5% in the prior-year period. The EBITDA stood at EUR 67.7 million, with significantly lower one-time expenses for restructuring measures than one year ago.

After a good start into 2017, the market environment remained stable in the second quarter with demand at more normal levels compared to the last two years. Sales volume was lower compared to the first quarter as restocking activities observed in the first three months ended. While raw material prices especially for Nickel softened slightly, average sales prices rose by 2.9% to EUR 1 489 per ton from EUR 1 447 per ton in the first quarter. Compared to the same quarter of the previous-year, average sales prices climbed by 13.3%. This was the result of the successful sales contract negotiations in the fourth quarter 2016 with price increases in all product groups, supported by an improved product mix.

Similar to the first quarter, demand remained robust in many customer industries. The automotive industry in Europe and China as well as the mechanical and plant engineering industry in Germany remained strong. This reflects the current growth dynamics of the European economy with an increasing optimism regarding the development in the second half-year. In the oil & gas segment, demand continued to recover slowly despite still low oil prices.

All regions contributed to revenue growth in the first three months. Sales in the Americas rose 26.5% upon a mild recovery in the oil & gas segment from extremely low levels in the year-ago period. Europe recorded an increase in revenue of 11.4% as the economies in most euro zone countries continued their upwards trend from the last few quarters. Growth also remained robust in the region Africa/Asia/Australia, mainly due to 26.2% higher revenue in China while India cooled down and registered a growth of 2.0% only. In sum, this led to an increase of revenue of 9.2% in Africa/Asia/Australia.

As in the first three months of 2017, revenue rose in all three product groups compared to the second quarter 2016. The strong demand from the automotive industry resulted in an increase of 15.6% to EUR 271.3 million in the stainless steel product group. However, compared to the first quarter, revenue was EUR 12.7 million lower, mainly reflecting the positive restocking effects in the first quarter that were driven by very low inventories in some of our customer industries. Double-digit growth was also achieved in quality & engineering steel with a plus of 14.3% to EUR 299.0 million. In comparison to the first quarter, sales volume was also lower but could be more than compensated by higher sales prices. Tool steel grew at a more moderate pace of 4.8% to EUR 111.2 million compared to the prior-year period.

The Group achieved an adjusted EBITDA of EUR 69.6 million compared to EUR 52.5 million in the second quarter 2016. The associated margin improved to 9.9% from 8.5% in the prior-year period. The increase was mainly due to better sales prices which over-compensated the impact of higher costs for raw materials, personnel costs and other operating expenses. The EBITDA result was also supported by positive one-time effects from the sale of a warehouse and a benefit from a further reduction in pension conversion rates in Switzerland of EUR 5.8 million in total. Of the EUR 28.0 million permanent cost savings from the performance improvement program targeted for 2017, EUR 7.4 million were realized in the second quarter, bringing the total for the first half-year to EUR 18.0 million. The adjustments to the EBITDA for restructuring measures amounted to EUR 1.9 million in the second quarter. The unadjusted EBITDA was accordingly EUR 67.7 million. This compares to EUR 49.6 million in the previous year. The resulting margin was 9.7% versus 8.0% in the second quarter 2016.

The financial result was lower at EUR –22.1 million compared to EUR –11.5 million in the second quarter of the previous year. The decrease reflects the valuation loss from the realization of the redemption option for the new bond in the second quarter in the amount of EUR 15.5 million. The valuation loss was partially offset by a gain on the redemption option embedded in the new bond in the amount of EUR 3.6 million. Income taxes increased to EUR 3.9 million compared to EUR 2.0 million last year, along with the improved earnings of the Group. Bottom line, SCHMOLZ + BICKENBACH recorded a net income of EUR 10.0 million compared to EUR 2.4 million in the second quarter 2016.

After a negative number in the first quarter of the year, free cash flow turned positive as expected and reached EUR 7.1 million. Compared to the previous-year period, free cash flow was lower (Q2 2016: 38.9 million), which was mainly due to higher revenues and the related impact of a higher net working capital with increased inventories, trade receivables and trade payables. The ratio of net working capital to revenue improved from 27.8% in the previous year period to 26.9% in the second quarter 2017.

Despite a positive free cash flow, net debt was slightly higher than at the end of the first quarter. A net debt of EUR 472.4 million compares to EUR 469.8 million at the end of the first quarter 2017 and to EUR 420.0 million at year-end 2016. Gearing – i.e. the ratio of net debt to equity – therefore increased to 68.7% (FY 2016: 62.9%).

Outlook 2017

Overall, SCHMOLZ + BICKENBACH does not believe that market conditions will deteriorate significantly in the coming months despite considerable political and economic uncertainties.

In the second quarter the positive trend of the first three months with a normalization of demand continued as expected. In the coming months, the automotive industry should continue on its robust growth path while the mechanical and plant engineering industry is expected to remain slightly expansive. In the oil and gas industry, the moderate recovery observed in the first six months is expected to continue. Prices for scrap, nickel and ferrochrome have peaked in the first quarter and entered into a consolidation phase recently. Despite the downturn in the second quarter, raw material prices are expected to remain at higher levels compared to the average prices of the previous year.

For full-year 2017, we are well on track to improve our results from last year’s level. This cautious optimism is based on the good results achieved in the first half-year, robust customer industries fundamentals, a strong order backlog and the ongoing positive impact from the rigorous implementation of internal performance improvement initiatives. Based on those assumptions, we raise the full-year outlook to an adjusted EBITDA between EUR 200 million and EUR 220 million (from EUR 160 million to EUR 200 million).

– END –

For further information:

Dr Ulrich Steiner, Vice President Corporate Communications & Investor Relations
Telephone +41 (0)41 581 4120
u.steiner@schmolz-bickenbach.com

Forward-looking statements

This press release contains forward-looking statements about developments, plans, intentions, assumptions, expectations, convictions, possible impacts or the description of future events, outlooks, revenues, results or situations, for example. These are based upon the company's current expectations, convictions and assumptions, but could materially differ from any future results, performance or achievements. We are providing this communication as of the date hereof and do not undertake to update any forward-looking statements contained herein as a result of new information, future events or otherwise.

About SCHMOLZ + BICKENBACH

The SCHMOLZ + BICKENBACH Group is today one of the world's leading providers of individual solutions in the special long steel products sector. The Group is one of the leading manufacturers of tool steel and non-corrosive long steel on the global market and one of the two largest companies in Europe for alloyed and high-alloyed constructional steel. With around 8 900 employees and its own production and distribution companies in 30 countries on 5 continents, the company guarantees global support and supply for its customers and offers them a complete portfolio of production and sales & services around the world. Customers benefit from the company's technological expertise, consistently high product quality around the world as well as detailed knowledge of local markets.