



To our shareholders

# INVITATION to the Annual General Meeting on April 26, 2018

Ladies and Gentlemen,

On behalf of the Board of Directors of SCHMOLZ + BICKENBACH, we are pleased to invite you to the Annual General Meeting on April 26, 2018 at the Kultur- und Kongresszentrum Luzern (KKL).

The year 2017 was a good year for the Group. We have achieved or exceeded all our goals. At the end of the year, we successfully completed the two-year restructuring program that led to permanent cost savings of more than 70 million euros. In this context, for example, Deutsche Edelstahlwerke were re-organized and the Steeltec Business Unit was restructured. A high level of cost discipline and a good market environment enabled us in August to raise the EBITDA target set at the beginning of the year. At the same time we successfully refinanced the company.

Besides the short-term successes of the past fiscal year we have also further developed the SCHMOLZ + BICKENBACH Group structurally and with a longer-term horizon. Together with Tsingshan, the world's largest stainless steel producer, we established a joint venture company which will strengthen our presence in the Chinese market. In Europe, we repositioned the sales organization in our most important market, Germany. Our geographical footprint was optimized with the opening of a new sales location in Chile and a warehouse in India as well as with the closure of our location in Malaysia. We also made some adjustments to the operations in Europe and decided to invest more than 70 million euros in Switzerland and in France.

All these factors contributed to significantly improved business conditions compared to 2016. Sales volumes increased by around 4% to 1.8 million tonnes, revenues by 16% to 2.7 billion euros, and EBITDA adjusted for one-time expenses was 223 million euros and therefore more than 45% higher than in the previous year. This resulted in a net profit of the Group of close to 46 million euros after a net loss of 80 million euros in the previous year. Despite a positive net result of the Group we propose at the 2018 Annual General Meeting not to pay a dividend. We need the liquidity on the one hand to further reduce debt and on the other hand to achieve our long-term goal: the creation of an innovative, global and widely diversified specialty long steel Group that remains profitable in the long term.

With a view to 2018, we have two clear priorities. Firstly, the integration of the Ascometal Business Unit in France, which is part of our Group since February 1, 2018, requires a great deal of time and our full attention. Secondly, we want to further develop the other Business Units. Especially against this background it is all the more important to pay particular attention to efficiency and cost discipline because we need to be prepared for weaker markets as we could be confronted with an economic slowdown at any time despite the current global economic upswing.

At the same time, we propose changes to the composition of the Board of Directors. On the one hand, the Board shall be reduced in size to take account of the changed ownership structure of the major shareholders. On the other hand, we propose the election of a new independent member to the Board of Directors.

On behalf of the Board of Directors and the Executive Board, we would like to express our thanks for your continued and long-standing commitment to the Group. We hope that you will continue to support us in future as shareholders as we continue our journey, and we would like to welcome you personally to the Annual General Meeting in Lucerne on April 26, 2018.

Yours sincerely,  
**SCHMOLZ+BICKENBACH AG**

On behalf of the Board of Directors:

Edwin Eichler  
Chairman

Martin Haefner  
Vice Chairman