



Media release

SCHMOLZ + BICKENBACH's profitability improves again in the second quarter of 2014

- **Adjusted EBITDA increases 51.2% to EUR 73.8 million in the second quarter of 2014 (Q2 2013: EUR 48.8 million)**
- **Group reports net income once again, generating EUR 22.8 million (Q2 2013: net loss of EUR 11.2 million)**
- **Sales volume grows 4.5% in the second quarter of 2014; revenue down 1.7% due to ongoing low price level**
- **Group remains cautiously optimistic for fiscal year 2014 as a whole**

Emmenbrücke, 21 August 2014 – 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), once again generated a clearly positive net income in the second quarter of 2014 in a market environment that remains challenging. Following losses in the same quarter of the prior year and for the fiscal year 2013 as a whole, the Group has built on the positive result of the first quarter of 2014 and achieved with a net income of EUR 22.8 million in the second quarter of 2014 a positive result again.

Following a particularly high order intake at SCHMOLZ + BICKENBACH in the first quarter of 2014, the situation settled down in the second quarter and figures stabilised at around the prior-year level. At 539 kilotonnes, the order backlog as at 30 June 2014 fell 5.6% short of the level recorded as at 31 March 2014 (571 kilotonnes) but was nevertheless up 19.2% on the order backlog of 31 December 2013 (452 kilotonnes) and as much as 34.1% on the figure for 30 June 2013 (402 kilotonnes).

Compared to the second quarter of 2013, the sales volume improved by 24 kilotonnes or 4.5% to 557 kilotonnes (Q2 2013: 533 kilotonnes), while revenue decreased by EUR 15.1 million or 1.7% to EUR 858.0 million (Q2: EUR 873.1 million). In a year-on-year comparison of the full six months, however, the sales volume was up 7.1% to 1 138 kilotonnes (H1 2013: 1 063 kilotonnes), while revenue decreased by 0.6% to EUR 1 729.6 million (H1 2013: EUR 1 740.5 million). The fall in revenue despite a higher sales volume was mainly attributable to lower scrap prices and continued pressure on base prices. Alloy prices, in particular nickel, increased significantly again compared to the first half of the prior year, however.

The percentage gross margin of 35.8% represents a renewed improvement in the second quarter of 2014 (Q1 2014: 34.1%, Q2 2013: 31.7%), giving an overall percentage growth margin for the first half year of 34.9% (H1 2013: 31.8%). Adjusted EBITDA saw a 51.2% increase to EUR 73.8 million (Q2 2013: EUR 48.8 million). Compared to first half of the prior year, it was up EUR 43.4 million or 45.2% to EUR 139.4 million (H1 2013: EUR 96.0 million).



Having reduced debt using funds raised from the capital increase in the fourth quarter of 2013 and exploiting better interest rates, SCHMOLZ + BICKENBACH managed to more than halve the net financial expense compared to the same quarter of the prior year, reducing it to EUR 9.3 million (Q2 2013: EUR 23.2 million). At EUR 24.3 million, the figure for the first six months was also almost half that reported for the first half of the prior year (H1 2013: EUR 45.0 million).

Earnings before tax (EBT) came to EUR 33.2 million – a marked improvement once again on both the first quarter of 2014 and the same quarter of the prior year (Q1 2014: EUR 19.0 million, Q2 2013: EUR -10.1 million). Overall, SCHMOLZ + BICKENBACH generated an EBT of EUR 52.2 million in first half of 2014 – an increase of EUR 66.8 million on the same period of the prior year (H1 2013: EUR -14.6 million). Net income (EAT) of EUR 22.8 million in the second quarter of 2014 represents an improvement of EUR 34.0 million on the same period of the prior year (Q2 2013: net loss of EUR 11.2 million). Net income for the first six months came to EUR 35.2 million – up EUR 54.1 million on the first half of the prior year (H1 2013: EUR net loss of 18.9 million).

Outlook 2014

SCHMOLZ + BICKENBACH expects the recovery of the global economy to continue, albeit at a somewhat slower pace. The latest forecasts of the World Bank, OECD and IMF project growth of between 2.5% and 3.6%. In its April forecast, the World Steel Association predicts a 3.1% rise in global steel consumption for 2014. This breaks down into an increase of 3.1% for the EU, 3.8% for the NAFTA region and 2.8% for Asia. Recently published economic data does not reflect these rather optimistic expectations, however. For instance, Germany's industrial order intake was in some cases down significantly in May and June, while Italy slipped back into recession. Mounting concern around geopolitical developments, e.g. in Ukraine, is also a factor to consider as these might dampen the economic mood – including demand for steel – over the coming months.

SCHMOLZ + BICKENBACH remains cautiously optimistic for the fiscal year 2014. The 539-kilotonnes order backlog achieved in the second quarter of 2014 will ensure good capacity utilisation for the Company in the third quarter and leading into the fourth. Customers' purchasing patterns after the summer break will be decisive in determining how the development continues. The Group stands by its prediction that the sales volume for the entire year will increase by around 2% to 5% compared to the prior-year level of 2 045 kilotonnes.

Base prices seem to have bottomed out, bringing the prospect of price increases in some areas. However, in general base prices remain very low and have yet to reach the level of the prior year. SCHMOLZ + BICKENBACH does not currently anticipate a recovery in base prices across the board. The sharp rise in the nickel price should push up alloy surcharges over the coming months and have a positive impact on revenue. The Company expects scrap prices to stay low. Based on the above, SCHMOLZ + BICKENBACH continues to assume that revenue will exceed the prior-year level by 2%–5%, although there is considerable uncertainty surrounding this forecast due to the unpredictability of changes in scrap and alloy surcharges and the currency exchange rate development. The Group could see typical cyclical patterns, with sales volume and revenue lower in the second half of the year than the first due to customers' holiday periods in July, August and the second half of December. All assumptions are based on more or less stable exchange rates for the currencies of relevance for SCHMOLZ + BICKENBACH – CHF/EUR and USD/EUR.



The Group will press ahead in 2014 with the cost-cutting and efficiency improvement programme launched in 2012 and significantly expanded in 2013. Its results should be reflected in better earnings. SCHMOLZ + BICKENBACH only anticipates further non-recurring expenses in the low to mid single-digit millions for these measures in 2014. The Company is satisfied with the way earnings have developed in the first half of the year. As described above, there are a number of uncertain factors and the picture will not be clearer until after the summer break. From a current perspective and based on our cautiously optimistic estimate for the fiscal year 2014 as a whole – taking account of the uncertainty – we anticipate adjusted EBITDA of between EUR 210 million and EUR 230 million (hitherto: between EUR 190 million and EUR 230 million).

Investments planned for 2014 match the prior-year level, and are once again well below the level of depreciation.

Key performance indicators

		H1 2014	H1 2013	Q2 2014	Q2 2013
Sales volume	kilotonnes	1 138	1 063	557	533
Revenue	million EUR	1 729.6	1 740.5	858.0	873.1
Adjusted EBITDA	million EUR	139.4	96.0	73.8	48.8
Operating profit before depreciation and amortisation (EBITDA)	million EUR	136.3	90.4	72.5	43.8
Operating profit (EBIT)	million EUR	76.5	30.4	42.5	13.1
Earnings before taxes (EBT)	million EUR	52.2	-14.6	33.2	-10.1
Net income (loss) (EAT)	million EUR	35.2	-18.9	22.8	-11.2
Investments	million EUR	31.6	32.3	19.3	18.8
Free cash flow	million EUR	6.4	-2.7	-72.1	-6.8
Total assets	million EUR	2 522.9	2 553.0	-	-
Shareholders' equity	million EUR	900.7	625.7	-	-
Net debt	million EUR	633.7	952.7	-	-
Employees as at closing date	positions	10 018	10 038	-	-
Earnings per share (basic)	EUR	0.04	-0.17	-	-

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The interim report as at 30 June 2014 can be found here:

<http://www1.schmolz-bickenbach.com/en/investor-relations/reports/financial-reports/2014/>



About SCHMOLZ+BICKENBACH

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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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