SCHMOLZ + BICKENBACH
Group

Media release

SCHMOLZ + BICKENBACH off to a strong start in 2018

- **Ascometal managed as an independent Business Unit since February 1, 2018; fully consolidated for the first time; integration on track**
- **Sales volume increased by 11.5% to 545 kilotons in Q1 2018, from 489 kilotons in Q1 2017; continued good demand in all end markets and regions**
- **Average sales price per ton increased to EUR 1,521, from EUR 1,447 in Q1 2017**
- **Adjusted EBITDA of EUR 70.3 million, 5.6% higher than in Q1 2017 with EUR 66.6 million**
- **Free cash flow of EUR –102.7 million compared to EUR –31.4 million, lower due to acquisition of Ascometal**
- **Net debt increased due to seasonality and Ascometal to EUR 556 million, from EUR 442 million at the end of 2017**
- **Outlook for 2018 confirmed: SCHMOLZ + BICKENBACH expects an adjusted EBITDA in a range of EUR 200 million to EUR 230 million**

CEO Clemens Iller commented: "We had a good start to the 2018 financial year in an economically stable environment. On the one hand, our most important sales markets and customer industries remained friendly. On the other hand, further increases in raw material prices provided additional impetus. In addition, we were able to absorb the significant increase in graphite electrode costs last year, which is now reflected in the figures for the first quarter. In addition to our day-to-day operations we focused on the integration of Ascometal which has been managed as an independent Business Unit since February 1, and have already started to implement the long-term, sustainable industrial concept. Looking ahead to the second quarter, we do not currently see any weakening in our businesses, although the political risks appear to be higher than before. For 2018 as a whole, we continue to aim for an adjusted EBITDA in a range of EUR 200 million to EUR 230 million."

SCHMOLZ + BICKENBACH Group

Financial key figures

SCHMOLZ + BICKENBACH Group	Unit	Q1 2018[1]	Q1 2017	Δ in%
Sales volume	kilotons	545	489	11.5
Revenue	million EUR	828.9	707.6	17.1
Average sales price	EUR/t	1,521	1,447	5.1
Adjusted EBITDA	million EUR	70.3	66.6	5.6
EBITDA	million EUR	103.1	66.3	55.5
Adjusted EBITDA margin	%	8.5	9.4	–
EBITDA margin	%	12.4	9.4	–
EBIT	million EUR	75.5	34.6	–
Earnings before taxes	million EUR	65.2	27.4	–
Group result	million EUR	59.0	16.5	–
Investments	million EUR	15.1	11.3	33.6
Free cash flow	million EUR	–102.7	–31.4	–
	Unit	**31.3.2018[1]**	**31.12.2017**	**Δ in%**
Net debt	million EUR	556.5	442.0	25.9
Shareholders' equity	million EUR	772.3	717.5	7.8
Gearing	%	68.9	61.6	–
Leverage	x	2.5	2.0	25.0
Balance sheet total	million EUR	2,486.6	2,113.1	17.7
Equity ratio	%	31.1	34.0	–
Capital employed	million EUR	1,764.1	1,535.1	14.9
Employees at closing date	positions	10,212	8,939	14.2
	Unit	**Q1 2018[1]**	**Q1 2017**	**Δ in%**
Earnings/share[2]	EUR/CHF	0.06/0.07	0.02/0.02	–
Shareholders' equity/share[3]	EUR/CHF	0.82/0.96	0.75/0.88	–
Share price high/low	CHF	0.886/0.700	0.800/0.660	–

[1] Including Ascometal for two months, fully consolidated since February 1, 2018
[2] Earnings per share are based on the net income (loss) of the Group after deduction of the portions attributable to non-controlling interests
[3] As at 31.3.2018 and 31.12.2017, respectively

Lucerne, May 8, 2018 – SCHMOLZ + BICKENBACH, a global leader in special long steel, reported today an 11.5% increase in sales volume to 545 kilotons compared to 489 kilotons in the first quarter of last year. Thanks to slightly higher selling prices and sharply increased volumes, revenue rose by 17.1% to EUR 828.9 million (Q1 2017: EUR 707.6 million). Adjusted EBITDA increased at a lower rate than revenue by 5.6% to EUR 70.3 million from EUR 66.6 million. EBITDA rose to EUR 103.1 million after EUR 66.3 million in the prior-year quarter.

Effects of the acquisition of Ascometal on results

The results of Ascometal, which was acquired and is now managed as an independent Business Unit within the Group, have been included in the Group figures since February 2018. Compared to the same quarter of the previous year, for which the figures were not adjusted, this has a significant impact. On the one hand, this is evident in higher sales volumes, revenues and expense items. On the other hand, Ascometal delivered a slightly negative EBITDA contribution in the first quarter. EBITDA also includes negative goodwill ("badwill"), which will be offset by future restructuring measures. The integration also had a significant impact on the balance sheet and cash flow figures. Details are provided on pages 8 – 16 and in Note 7 of the Interim Report for the first quarter of 2018. The report can be accessed via the company's website.

Business development in the first quarter of 2018

The market environment remained stable in the first quarter despite an uncertain political environment. On a comparable basis, i.e. excluding Ascometal, sales volumes were slightly lower than in the previous year. However, this was exclusively due to two one-time effects: the streamlining of Steeltec's product portfolio as part of the restructuring of the Business Unit during 2017 and catch-up effects at Swiss Steel in the first quarter of 2017 due to delayed deliveries towards the end of 2016.

Average prices for nickel, ferrochrome and scrap increased compared to both the prior-year quarter and the fourth quarter of 2017. The quarterly average price for nickel was 14% higher than in the fourth quarter. The average scrap price rose by 13% and the ferrochrome price by 3%. This had a favourable effect on the sales prices achieved. The average sales price per ton of steel was EUR 1,521 in the first quarter of 2018, up 5.1% from EUR 1,447 per ton in the prior-year quarter, mainly due to higher base prices as well as scrap and alloy surcharges. By contrast, the average sales price declined slightly compared to the fourth quarter of 2017. The reason for this is exclusively the changed product mix, as Ascometal produces and sells exclusively low-alloy quality & engineering steels with lower gross margins.

The European automotive market remained one of the most important growth drivers. The mechanical and plant engineering sector continued to develop robustly. The oil and gas industry benefited from rising oil prices, which was reflected in a slight increase in the number of active wells in North America. However, the Finkl Steel Business Unit was only able to benefit to a limited extent from the positive trend in the industry, due to structural changes in business in the first quarter.

All regions contributed to revenue growth in the first quarter, led by Europe with a revenue increase of 18.5%. The strong growth was driven by a good economic situation in Europe, but also by the acquisition of Ascometal. Two of Ascometal's main markets – France and Italy – increased by 62% and 44% respectively. Double-digit revenue growth of 26.8% was also achieved in the Asia/Africa/Australia region. In America revenue increased by 4.1% only, driven by the United States with growth of 5.9%.

Sales volumes in the three product groups developed differently. Sales volume of quality & engineering steel rose by 17.2% to 408 kilotons. In contrast, the quantities of stainless steel fell by 2.0% and of tool steel by 4.8%. However, the lower sales volumes in these two product groups were largely offset by higher selling prices.

The positive development in sales prices and the first-time consolidation of Ascometal were the main reasons for the Group revenue growth of 17.1% to EUR 828.9 million compared to EUR 707.7 million in the prior-year quarter. This was particularly high in the quality & engineering steel product group with an increase of 38.7% to EUR 410.6 million. This is because Ascometal's products are fully included in the quality & engineering steel product group. Revenue in the stainless steel product group rose by 1.5% to EUR 288.4 million. By contrast, revenue in tool steel remained virtually stable at EUR 108.4 million.

EBITDA adjusted for one-time effects related to the acquisition of Ascometal was EUR 70.3 million, 5.6% higher than the EUR 66.6 million achieved in the prior-year quarter. The adjusted EBITDA margin fell from 9.4% in the first quarter of the previous year to 8.5%. This is partly due to Ascometal's slightly negative EBITDA contribution, as expected, and partly to the change in the product mix resulting from the acquisition. On balance, the one-time items had a positive effect of EUR 32.8 million on EBITDA. Including those items, the EBITDA rose by 55.5%, which rose to EUR 103.1 million from EUR 66.3 million in the first quarter of 2017. The corresponding margin improved to 12.4% from 9.4% in the prior-year quarter.

The financial result was EUR –10.3 million compared to EUR –7.2 million in the first quarter of 2017, while financial expenses of EUR –10.4 million were significantly lower than EUR –18.3 million in the first quarter of 2017. This reflects the lower interest expenses due to the refinancing in April 2017, in the scope of which a new EUR 200 million corporate bond was issued and the syndicated loan and the ABS financing program were extended until 2022 at improved conditions. Financial income, on the other hand, fell significantly to EUR 0.1 million from EUR 11.1 million due to valuation effects in connection with the repurchase option for the then outstanding bond.

As a result of the developments described above, SCHMOLZ + BICKENBACH achieved earnings before taxes (EBT) of EUR 65.2 million compared to EUR 27.4 million in the same quarter of the previous year. Tax expenses of EUR 6.2 million were nevertheless significantly lower than the previous year's figure of EUR 10.9 million. On the bottom line, the consolidated result thus amounted to EUR 59.0 million after EUR 16.5 million in the same period of the previous year.

Free cash flow decreased to EUR –102.7 million in the first quarter from EUR –31.4 million in the first quarter of 2017, largely due to the acquisition of Ascometal, which required payments for the acquisition and led to a strong increase in net working capital (NWC). Seasonal factors also had an adverse effect on free cash flow.

At EUR 556.5 million, net debt was significantly higher than the figure of EUR 442.0 million as at December 31, 2017, which is due to the low free cash flow as described above. Accordingly, the ratio of net debt to adjusted EBITDA increased to 2.5x from 2.0x as of December 31, 2017.

Outlook 2018

We expect the specialty long steel industry to continue to grow in 2018, both in terms of sales volumes and product value, as we expect a further shift towards more demanding production and steel applications.

We want to build on the success of the last two years and benefit more from our strengths. At the same time, we are focusing on cost discipline, which is necessary to mitigate rising raw material and personnel costs. However, the integration of Ascometal will be a clear focus. In order to bring this acquisition to a successful conclusion, we will deploy considerable management capacities over the next two years.

Although political risks appear to be greater than ever before, we do not currently see any weakening in our businesses. Visibility is high until the middle of the year due to the high order backlog and robust fundamentals in most customer industries. Accordingly, we confirm our expectations for 2018 with adjusted EBITDA in a range between EUR 200 million and EUR 230 million.

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For further information:

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