SCHMOLZ + BICKENBACH Group

Media release

SCHMOLZ + BICKENBACH with lower EBITDA in a challenging first quarter

- **Sales volume increased slightly to 551 kilotons from 545 kilotons in Q1 2018; additional volumes from Ascometal level out reduced demand**
- **Average sales price per ton increased to EUR 1,605, from EUR 1,521 in Q1 2018 and EUR 1,597 in Q4 2018**
- **Adjusted EBITDA of EUR 42.2 million lower than in Q1 2018 at EUR 70.3 million**
- **Free Cash Flow at EUR –23.7 million better compared to Q1 2018 with EUR –102.7 million due to inventory reduction**
- **Net debt increased to EUR 752 million from EUR 655 million at year end 2018; this was due to seasonally higher working capital and the first-time adoption of IFRS 16, which contributed EUR 59 million to the increase**
- **Outlook for 2019: SCHMOLZ + BICKENBACH expects adjusted EBITDA between EUR 190 million and EUR 230 million**

CEO Clemens Iller commented: “As expected, the start to the 2019 financial year was restrained. After a significant decline in business activities towards the end of last year, the dip in growth in our sales markets continued in the first three months. There are no clear signs of a rapid recovery in the current low demand, particularly from the European automotive industry. In view of the latent trade conflicts and political uncertainties in Europe, it is currently difficult to estimate when new impulses will lead to a sustained improvement in the economic situation in our core market Europe. From today's perspective, we expect demand to gradually normalize in the first half of 2019, with a continued recovery in the second half of the year.”

SCHMOLZ + BICKENBACH
Group

Financial key figures

SCHMOLZ + BICKENBACH Group	Unit	Q1 2019	Q1 2018 [1)]	Δ in %
Sales volume	kilotons	551	545	1.1
Revenue	million EUR	884.2	828.9	6.7
Average sales price	EUR/t	1,605	1,521	5.5
Adjusted EBITDA	million EUR	42.2	70.3	– 40.0
EBITDA	million EUR	38.8	103.1	– 62.4
Adjusted EBITDA margin	%	4.8	8.5	–
EBITDA margin	%	4.4	12.4	–
EBIT	million EUR	13.3	75.5	– 82.4
Earnings before taxes	million EUR	– 0.3	65.2	–
Group result	million EUR	0.7	59.0	– 98.8
Investments	million EUR	22.5	15.1	49.0
Free cash flow	million EUR	– 23.7	– 102.7	– 76.9
	Unit	**31.3.2019**	**31.12.2018**	**Δ in %**
Net debt	million EUR	751.9	654.8	14.8
Shareholders‘ equity	million EUR	697.7	707.7	– 1.4
Gearing	%	107.8	92.5	–
Net debt/adj. EBITDA LTM (leverage)	x	3.6	2.8	29.0
Balance sheet total	million EUR	2,644.8	2,531.8	4.5
Equity ratio	%	26.4	28.0	–
Employees as at closing date	positions	10,460	10,486	– 0.2
Capital employed	million EUR	1,742.7	1,739.5	0.2
	Unit	**Q1 2019**	**Q1 2018 [1)]**	**Δ in %**
Earnings/share [2)]	EUR/CHF	0.00/0.00	0.06/0.07	–
Shareholders‘ equity/share [3)]	EUR/CHF	0.74/0.83	0.75/0.88	–
Share price high/low	CHF	0.617/0.435	0.886/0.700	–

[1)] Including Ascometal for two months, fully consolidated since February 1, 2018
[2)] Earnings per share are based on the result of the Group after deduction of the portions attributable to non-controlling interests
[3)] As at March 31, 2019 and as at December 31, 2018

Lucerne, May 9, 2019 – SCHMOLZ + BICKENBACH, a global leader in special long steel, today reported 1.1% higher sales volumes of 551 kilotons compared with 545 kilotons in the first quarter of 2018. Revenue increased by 6.7% to EUR 884 million from EUR 829 million due to higher sales volumes resulting from the integration of Ascometal and higher sales prices. Adjusted EBITDA decreased by –40% to EUR 42.2 million from EUR 70.3 million in the same quarter one year ago. EBITDA of EUR 38.8 million was –62.4% lower than in the first quarter of 2018 (EUR 103.1 million). However, the previous year's result was positively influenced by the contribution of badwill of EUR 46.0 million from the acquisition of Ascometal.

Integration of Ascometal

The results of Ascometal, which was acquired and is managed as a Business Unit within the Group, have been included in the Group figures since February 2018. As a result, only two months of Ascometal's results are included in the first quarter of 2018. This has an impact on the comparison with those figures because Ascometal is fully included in the results of the first quarter of 2019. As a result, higher sales volumes, revenue and expense items were recorded. The integration also had a significant impact on the cash flow figures.

Business development in the first quarter of 2019

Following a significant decline in demand in the last two months of the previous year, the start into the 2019 financial year was also challenging. Although demand began to stabilize at a lower level, there was a lack of dynamics to improve the market environment in the steel industry. Accordingly, our production was cut back in order to adjust inventories to the current low demand, particularly from the automotive industry. At the structural improvement level, the focus was on implementing the first steps of Finkl Steel's turnaround plan and the continued integration of Ascometal.

At 551 kilotons, sales volume in the first quarter of 2019 was 1.1% higher than in the prior-year quarter (Q1 2018: 545 kilotons). This increase was driven by 2.9% higher sales volume of quality & engineering steel, fully attributable to Ascometal. On a comparable basis, i.e. excluding Ascometal, sales volume declined. By contrast, sales of stainless steel and tool steel were lower in the first three months than in the prior-year period.

The average sales price per ton of steel was 5.5% higher than in the prior year quarter and reached EUR 1,605 in the first quarter of 2019 compared to EUR 1,521/ton in the first quarter 2018. The increase is mainly attributable to higher scrap and alloy surcharges, with base prices remaining largely stable compared with the previous year. Thanks to the positive price development and higher sales volumes, revenue rose 6.7% to EUR 884.2 million after EUR 828.9 million in the same period of the previous year. Growth was primarily driven by the quality & engineering steel product group, which grew by 8.8%. Revenue of stainless steel increased 2.3% and tool steel 5.3%.

From a regional perspective, revenue increased in all regions compared with the prior year quarter. The strongest growth was in the Americas region with 9.9%, followed by Europe with 6.6% and the Africa/Asia/Australia region with 1.9% sales growth.

EBITDA adjusted for non-recurring items was EUR 42.2 million (Q1 2018: EUR 70.3 million), down –40% on the prior-year quarter. The non-recurring items amounted to EUR 3.4 million and mainly comprised integration and M&A costs. Excluding these one-time effects, EBITDA decreased by –62.4% to EUR 38.8 million (Q1 2018: EUR 103.1 million). The adjusted EBITDA margin decreased to 4.8% (Q1 2018: 8.5%) and the EBITDA margin to 4.4% (Q1 2018: 12.4%), the latter positively influenced in the prior-year period by the contribution of badwill of EUR 46 million from the acquisition of Ascometal.

At EUR –13.6 million (Q1 2018: EUR –10.3 million), the financial result was lower than in the prior-year quarter due to debt-related higher interest expenses. As a result of the developments described above, earnings before taxes (EBT) amounted to EUR –0.3 million (Q1 2018: EUR 65.2 million). The negative EBT resulted in tax income of EUR 1.0 million compared to a tax expense of EUR –6.2 million in the same quarter of the previous year. Group result amounted to EUR 0.7 million after EUR 59.0 million in the same quarter last year.

Free cash flow improved strongly compared to the first quarter of the previous year thanks to stringent measures to reduce net working capital – namely the reduction of inventories – resulting in a free cash flow of EUR –23.7 million after EUR –102.7 million in the first quarter of 2018.

At EUR 751.9 million, net debt was higher than at the end of 2018 (EUR 654.8 million) due to the seasonally higher net working capital and the first-time application of IFRS 16, the latter increasing net debt by EUR 59.0 million. The ratio of net debt to adjusted EBITDA (based on the last twelve months, “leverage”) rose to 3.6 from 2.8 as at December 31, 2018. On a comparable basis i.e. without the application of IFRS 16, the leverage was 3.4.

Outlook for the 2019 financial year

The main focus of SCHMOLZ + BICKENBACH in 2019 will be on the next steps in the industrial integration of Ascometal. The takeover has created the conditions for further strengthening the market position of SCHMOLZ + BICKENBACH in the medium to long term. The company intends to consistently exploit this opportunity while at the same time working on the efficiency, profitability and optimization of inventories. A further focus will be on measures to improve the earnings position of Finkl Steel.

In view of the numerous uncertainties and contradictory signals with regard to the future global economic trend, forecasts for the 2019 fiscal year are subject to a high degree of uncertainty. SCHMOLZ + BICKENBACH expects demand to gradually normalize in the coming months with a continued recovery in the second half of the year. Based on this assumption and the further implementation of the measures at Ascometal and Finkl Steel, we expect adjusted EBITDA for the current fiscal year to range between EUR 190 million and EUR 230 million.

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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 quality and engineering steels. With more than 10,000 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.

Forward-looking statements