SCHMOLZ + BICKENBACH
Group

Media release

SCHMOLZ + BICKENBACH achieves double-digit EBITDA growth in Q3 2017

- **Sales volume rose 3.6% to 405 kilotons in Q3 2017 from 391 kilotons in Q3 2016, driven by further good demand of most customer industries and regions**
- **Average sales price per ton improved to EUR 1 509 from EUR 1 366 in Q3 2016 and from EUR 1 489 in Q2 2017**
- **Adjusted EBITDA at EUR 38.0 million up 19.5% compared to EUR 31.8 million achieved in Q3 2016; adjusted EBITDA margin rose to 6.2% from 6.0% in Q3 2016**
- **Positive free cash flow of EUR 27.0 million and reduction of net debt to EUR 454.6 million compared to EUR 472.4 million at the end of Q2 2017**
- **Outlook for full-year 2017 confirmed: SCHMOLZ + BICKENBACH expects an adjusted EBITDA in a range between EUR 200 million and EUR 220 million**

CEO Clemens Iller said: „In the third quarter, the market environment remained favorable despite the normal seasonality with lower business activity during the summer months. We were able to increase sales volume and profitability compared to the previous-year period despite a more selective order intake and the optimization of the product portfolio. Undiminished strong demand was in particular observed in the European automotive industry, supported by generally robust conditions of other important end markets. For the remainder of the year, we therefore confirm our view that the special steel market will develop favorably. Adversely, we are facing challenges linked to accelerated cost inflation for electrodes and refractories."

SCHMOLZ + BICKENBACH Group

Financial key figures

	Unit	9M 2017	9M 2016	+/- (%)	Q3 2017	Q3 2016	+/- (%)
Sales volume	kilotons	1 364	1 323	3.1	405	391	3.6
Revenue	million EUR	2 018.4	1 756.4	14.9	611.0	534.1	14.4
Adjusted EBITDA	million EUR	174.5	109.3	59.7	38.0	31.8	19.5
EBITDA	million EUR	171.1	99.1	72.7	37.1	27.6	34.4
Adjusted EBITDA margin	%	8.6	6.2	2.4	6.2	6.0	0.2
EBITDA margin	%	8.5	5.6	2.9	6.1	5.2	0.9
Operating profit (loss) (EBIT)	million EUR	75.1	6.7	nm	4.5	–4.4	nm
Earnings before taxes (EBT)	million EUR	37.5	–26.0	nm	–3.8	–14.3	–73.4
Net income (loss) (EAT)	million EUR	19.5	–35.9	nm	–7.0	–13.9	–49.6
Free cash flow	million EUR	2.7	82.4	–96.7	27.0	56.8	–52.5
Earnings per share [1]	EUR CHF	0.02 0.02	–0.04 –0.04	nm	–0.01 –0.01	–0.02 –0.02	–

		30/09/17	31/12/16	30/06/17
Net debt	million EUR	454.6	420.0	472.4
Employees as at balance sheet date		8 969	8 877	8 894

[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, November 9, 2017 – SCHMOLZ + BICKENBACH, a global leader in special long steel, today reported higher sales volumes of 405 kilotons compared to 391 kilotons in the previous-year period. In combination with higher average sales prices revenue rose to EUR 611.0 million, an increase of 14.4% compared to EUR 534.1 million in the third quarter of 2016. Higher revenue and an improved gross profit per ton resulted in an adjusted EBITDA of EUR 38.0 million, an increase of 19.5% over the EUR 31.8 million recorded one year ago. The corresponding margin improved to 6.2% from 6.0% in the prior-year period. EBITDA rose 34.4% and stood at EUR 37.1 million as one-time expenses for restructuring measures were substantially lower than one year ago.

The market environment remained favorable in the third quarter despite the usual seasonal slowdown in business activity during the summer months, especially in Europe. Sales volume was 3.6% higher at 405 kilotons compared to 391 kilotons in the previous-year period. The development of raw material prices was heterogeneous during the quarter. Compared to the previous year and the second quarter 2017 average prices for both nickel and scrap went up. On the other hand, ferrochrome prices in euro per ton were weaker compared to the second quarter (–7%) but significantly higher than one year ago (+12%). Overall, raw material prices supported the normalization of the pricing environment, resulting in an increase of average sales prices to EUR 1 509 per ton from EUR 1 489 per ton in the second quarter 2017 and EUR 1 366 per ton in the same period of the previous year, i.e. an increase of 10.5% year-on-year.

The automotive industry in Europe and to a lesser extent in China remained the growth engine, but also mechanical and plant engineering contributed to the solid results. However, the oil & gas segment did not markedly improve compared to the preceding quarters although demand from the industry is at much higher levels than one year ago. Overall, the figures reflect the healthy state of the global economy.

All regions contributed to higher revenue in the third quarter. Year-on-year growth was most pronounced in the Americas with an increase of 23.6%. New product launches and the successful expansion into markets outside of the oil & gas industry were contributing to double-digit growth, but also a recovery of the latter from very low demand levels one year ago. Double-digit growth was also achieved in Europe on the back of a broad-based upswing in most euro zone countries. With the contribution of the new joint venture with Tsingshan, revenue in China grew 38.6%. The strong growth in China also contributed to the increase of revenue in the region Africa/Asia/Australia of 22.8%.

Revenue rose in all three product groups compared to the third quarter 2016, mainly driven by better sales prices. Quality & engineering steel was growing fastest at 20.5% to EUR 263.4 million, driven by a robust demand from all customer industries. However, growth was also supported by a low base in the previous year period when the ramp-up of a new hook conveyor at our Swiss Steel operations reduced sales volumes by more than 10 kilotons. Double-digit growth was also recorded in the product group stainless steel with a plus of 12.3% to EUR 225.4 million, reflecting mainly the continuing strength of the European automotive industry. As in the previous quarters, revenue in tool steel grew at a slower pace compared to the other product groups, recording an increase of 3.5% to EUR 104.7 million compared to the prior-year period.

SCHMOLZ + BICKENBACH was able to increase adjusted EBITDA by 19.5% to EUR 38.0 million in the quarter compared to EUR 31.8 million in the third quarter of 2016. The associated margin rose to 6.2% from 6.0% in the prior-year period. This was the result of higher sales prices and volumes that more than compensated significantly higher raw material costs and slightly higher personnel and other operating expenses. The adjustments to EBITDA for restructuring measures amounted to EUR 0.9 million, bringing EBITDA to EUR 37.1 million compared to EUR 27.7 million in the previous year. The resulting margin was 6.1% versus 5.2% in the third quarter 2016.

The financial result improved to EUR –8.3 million compared to EUR –9.9 million in the third quarter of the previous year as a result of lower interest costs due to refinancing of all major financing agreements in the second quarter 2017. As a result of the improved earnings of the Group, income tax expense was EUR 3.2 million compared to a tax income of EUR 0.4 million in the previous year period. Below the line SCHMOLZ + BICKENBACH recorded a net result of EUR –7.0 million compared to EUR –13.9 million in the third quarter 2016.

Following the normal seasonal pattern free cash flow further improved to EUR 27.0 million compared to EUR 7.1 million in the second quarter 2017, mainly influenced by a reduction in inventories during the summer months. However, compared to the EUR 56.8 million achieved in the third quarter of 2016, free cash flow was lower as a result of higher revenue and the related impact of higher net working capital. The ratio of net working capital to revenue improved to 29.3% from 30.3% in a year-on-year comparison.

Net debt came in at EUR 454.6 million which was EUR 17.8 million lower than the EUR 472.4 million recorded at the end of the second quarter 2017. The financial leverage, i.e. the ratio between net debt and adjusted EBITDA of the last twelve months, improved to 2.1 and is therefore at a historical low for the Group.

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Outlook 2017

For the remainder of the year, SCHMOLZ + BICKENBACH confirms its view that the special steel market will develop favorably despite considerable political and economic uncertainties.

After the normal seasonal slowdown in business activity during the summer months, SCHMOLZ + BICKENBACH had a good restart without any signs of a slowdown in the Group's core markets. The automotive industry is expected to remain on its growth path for the remainder of the year, while the mechanical and plant engineering industry will support a solid development in the fourth quarter. In contrast, the oil and gas industry has limited momentum. On the raw material side, prices for scrap and nickel moved up again after a consolidation phase in the second quarter. Overall, raw material prices are expected to stay at higher levels compared to the average prices of the previous year. Higher prices for graphite electrodes and refractories could threaten the current favorable environment in the coming quarters.

Compared to the previous year we will significantly improve our results in full-year 2017 as the order backlog is strong and the fundamentals in most customer industries are robust. Based on those assumptions, we expect an adjusted EBITDA in a range between EUR 200 million and EUR 220 million.

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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.