2020

Interim report 1st quarter

SCHMOLZ + BICKENBACH

Group

SCHMOLZ + BICKENBACH is one of the leading producers of premium special long steel products, operating with a global sales and service network.

We focus on meeting our customers' specific needs. Solution. Innovation. Quality.

We are the benchmark for special steel solutions.

Contents

Key figures

SCHMOLZ + BICKENBACH Group	Unit	Q1 2020	Q1 2019	Δ in %
Sales volume	kilotons	457	551	– 17.1
Revenue	million EUR	704.5	884.2	– 20.3
Average sales price	EUR/t	1,541.6	1,604.7	– 3.9
Adjusted EBITDA	million EUR	– 6.1	42.2	–
EBITDA	million EUR	– 7.6	38.8	–
Adjusted EBITDA margin	%	– 0.9	4.8	–
EBITDA margin	%	– 1.1	4.4	–
EBIT	million EUR	– 31.7	13.3	–
Earnings before taxes	million EUR	– 43.7	– 0.3	–
Group result	million EUR	– 42.3	0.7	–
Investments	million EUR	14.6	22.5	– 35.1
Free cash flow	million EUR	– 87.3	– 23.7	–
	Unit	**31.3.2020**	**31.12.2019**	**Δ in %**
Net debt	million EUR	608.6	797.6	– 23.7
Shareholders’ equity	million EUR	451.9	183.8	–
Gearing	%	134.7	433.9	–
Net debt/adj. EBITDA LTM (leverage)	x	209.9	15.6	–
Balance sheet total	million EUR	1,970.6	1,919.1	2.7
Equity ratio	%	22.9	9.6	–
Employees as at closing date	Positions	10,236	10,318	– 0.8
Capital employed	million EUR	1,466.6	1,384.1	6.0
	Unit	**Q1 2020**	**Q1 2019**	**Δ in %**
Earnings/share [1]	EUR/CHF	– 0.02/– 0.02	0.00/0.00	–
Shareholders’ equity/share [2]	EUR/CHF	0.22/0.23	0.19/0.21	–
Share price high/low	CHF	0.340/0.126	0.617/0.435	–

[1] Earnings per share are based on the result of the Group after deduction of the portions attributable to non-controlling interests.
[2] As at March 31, 2020 and as at December 31, 2019

Five-quarter overview

	Unit	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Key operational figures						
Production volume	kilotons	592	506	395	437	525
Sales volume	kilotons	551	486	405	388	457
Order backlog	kilotons	571	480	392	417	431
Income statement						
Revenue	million EUR	884.2	807.6	670.1	619.0	704.5
Average sales price	EUR/t	1,604.7	1,661.7	1,654.6	1,595.4	1,541.6
Gross profit	million EUR	290.9	269.4	197.1	194.8	239.3
Adjusted EBITDA	million EUR	42.2	40.5	−32.9	1.4	−6.1
EBITDA	million EUR	38.8	28.0	−64.2	−15.1	−7.6
EBIT	million EUR	13.3	2.3	−388.3	−52.7	−31.7
Earnings before taxes	million EUR	−0.3	−7.8	−402.6	−72.2	−43.7
Group result	million EUR	0.7	−13.6	−432.2	−75.9	−42.3
Cash flow/investments/depreciation/amortization						
Cash flow before changes in net working capital	million EUR	47.8	31.5	−33.9	−88.0	18.3
Cash flow from operating activities	million EUR	−2.9	79.5	37.3	2.2	−74.1
Cash flow from investing activities	million EUR	−20.8	−20.3	−31.3	−50.8	−13.2
Free cash flow	million EUR	−23.7	59.2	6.0	−48.6	−87.3
Investments	million EUR	22.5	25.1	34.6	56.0	14.6
Depreciation, amortization and impairments	million EUR	25.5	25.7	324.1	37.6	24.1
Net assets and financial structure						
Non-current assets	million EUR	956.9	952.6	623.1	635.4	629.7
Current assets	million EUR	1,687.9	1,587.5	1,390.5	1,283.7	1,341.0
Net working capital	million EUR	988.8	937.9	872.1	773.1	862.3
Balance sheet total	million EUR	2,644.8	2,540.1	2,013.6	1,919.1	1,970.6
Shareholders' equity	million EUR	697.7	670.0	211.5	183.8	451.9
Non-current liabilities	million EUR	929.9	927.3	994.8	644.5	776.5
Current liabilities	million EUR	1,017.2	942.9	795.0	1,090.8	742.2
Net debt	million EUR	751.9	709.3	723.5	797.6	608.6
Employees						
Employees as at closing date	Positions	10,460	10,415	10,451	10,318	10,236
Value management						
Capital employed	million EUR	1,742.7	1,804.8	1,460.8	1,384.1	1,466.6
Key figures on profit/net assets and financial structure						
Gross profit margin	%	32.9	33.4	29.4	31.5	34.0
Adjusted EBITDA margin	%	4.8	5.0	−4.9	0.2	−0.9
EBITDA margin	%	4.4	3.5	−9.6	−2.4	−1.1
Equity ratio	%	26.4	26.4	10.5	9.6	22.9
Net debt/adj. EBITDA LTM (leverage)	x	3.6	4.3	8.2	15.6	209.9
Net working capital/revenue (L3M annualized)	%	28.0	29.0	32.5	31.2	30.6

Dear shareholders,

After a significant decline in business activities toward the end of last year, the start of the 2020 fiscal year was, as expected, marked by a cautious low-level recovery. This trend continued until about mid-March, accompanied by a moderate improvement in order books. However, the second half of the month witnessed an even sharper decline in demand in the wake of the COVID-19 crisis, which left a big dent in both volumes and prices. The complete shutdown of all business activities of major European automobile manufacturers and their suppliers had an especially abrupt effect on demand.

For the second quarter, too, it is difficult to predict when conditions can be expected to ease to a sustainable degree. Although customers are already ramping up production capacities in stages, the situation remains extremely challenging. While the mechanical and plant engineering industry did not perform so badly, demand from the oil and gas industry was consistently weak and practically collapsed after the acute drop in oil prices in March. Coupled with the renewed escalation of trade conflicts and an increasingly uncertain political environment, it is difficult to gauge right now when the economic situation in our core market, Europe, might improve.

We responded to the challenging environment of the first quarter by significantly cutting back on production costs. In addition to reducing the number of shifts, short-time work was introduced at some locations and temporary production shutdowns were implemented. Consequently, the main focus will be on securing and optimizing liquidity in the short term. This is after we successfully completed the refinancing in the first quarter by means of a capital increase, repayment of a large part of the bond, and the partial increase and extension of debt financing. In addition to operational and financial liquidity measures, advantage was also taken of government aid programs to maintain liquidity. With the help of these measures, we were able to limit the rise in debt for the first quarter and are also confident about securing liquidity in the medium term. State development loans are being evaluated and, if necessary, assistance will be sought.

In terms of structural improvements, we have been rigorously focusing on preparing the turnaround plan, which is intended to systematically achieve sustainable competitive profitability. Current measures at the top of the agenda include the transformation and restructuring of Ascometal, the turnaround of Finkl Steel in North America and the restructuring of Steeltec, as well as personnel measures and operational improvements at DEW.

From our current perspective, we do not expect a gradual normalization of demand to set in until the end of the first half of 2020 at the earliest, with a possible continued recovery expected in the second half of the year. While we are increasingly focusing on the implementation of the restructuring plan, a reliable estimate of adjusted EBITDA is not possible at this time due to the existing uncertainties.

Initial impact of COVID-19 crisis on results

The COVID-19 crisis already made its presence felt in the results for the first quarter of 2020. The sales volume fell to 457 kilotons compared with 551 kilotons in the prior-year quarter. Revenue contracted by 20.3 % to EUR 704.5 million. Adjusted EBITDA decreased to EUR – 6.1 million from EUR 42.2 million in the first quarter of 2019. Net debt fell to EUR 608.6 million due to the successful capital increase on January 8, 2020. This represents a decrease of 23.7 % versus end-2019.

Thanks to our employees, shareholders, and customers

On behalf of the Board of Directors and Executive Board, I would like to thank our shareholders for the confidence they have shown in our Company. I would also like to thank our employees, who work for the future success of our Group on a daily basis. And finally, allow me to thank our customers and business partners for the good and long-standing working relationship and the trust they have placed in us.

Clemens Iller, CEO

Management report

Business environment

In the first quarter of 2020, the steel industry, our end markets and the commodities markets were shaken by the COVID-19 outbreak and its spread around the globe. As a result, the global economy is moving into recession. Several countries have introduced measures to control COVID-19, and some companies have closed down production completely. The resumption of production activity in China at the end of the first quarter gives hope for similar restarts in other regions. However, concerns about a second wave of infection and the impact of possible further containment measures outweigh this.

According to the outlook recently published by the International Monetary Fund (IMF) (as at April 2020), a 3.0 % reduction in global gross domestic product (GDP) is expected in 2020. In industrialized countries, which represent SCHMOLZ + BICKENBACH's largest sales market, a reduction in GDP of 6.1 % is anticipated. GDP in China is expected to continue to grow, but at a lower rate of 1.2 % compared with 6.1 % in 2019. Business climate indicators such as the PMIs for the manufacturing sector in the USA and the eurozone as well as the Ifo Business Climate fell at the end of the first quarter. In China, the PMI for the manufacturing sector returned to growth in March after a sharp decline in February.

In the automotive industry, the main impact of COVID-19 was a decline in sales and a halt in production. Due to the measures introduced in China to contain COVID-19, virtually all car manufacturers in the country had to close their plants for several weeks or abruptly reduce production. This caused Chinese car production in the first quarter to slump by 48.7 % compared with the same period in the previous year. Since mid-March, most European vehicle assembly plants have also been temporarily closed. At the end of March 2020, LMC Automotive estimated that production of light vehicles in Europe (17 European countries: Germany, France, Spain, the UK, Italy, Austria, Belgium, Finland, the Netherlands, Portugal, Sweden, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia) in the first quarter of 2020 was 21.4 % lower than in the same period last year. In the five largest markets, the decline in production of light vehicles was in the double-digit range versus the prior-year period, with the most pronounced falls in Italy (–27.7 %) and France (–38.2 %). In addition to plant closures related to COVID-19, French light vehicle production was affected by a redistribution of certain production volumes within Europe. Compared with the production declines in China and Europe, the fall in US car production in January and February was less pronounced (–3.2 %) compared with the previous year. However, with the temporary closure of most US vehicle assembly plants at the end of March, we expect similar double-digit declines in production in the period from March to April.

After a weak year in 2019, the dip in the German mechanical and plant engineering industry continued. According to the Federal Statistical Office in Germany, production in the period from January to February was 7.3 % below the prior-year level, and incoming orders were down 3.2 % year on year. However, the German Engineering Federation (VDMA) believes the actual extent of the impact of COVID-19 on the German mechanical and plant engineering industry will only become apparent when incoming orders are known for March and the subsequent months.

The global oil and gas industry was rocked by increased uncertainty from the decline in demand from China and the failure by OPEC and Russia to reach an agreement on production cuts, resulting in a price war. The price of West Texas Intermediate (WTI) crude oil fell by more than 60 % to USD 20 per barrel during the quarter. In the North American oil and gas industry – which is also a key sales market for SCHMOLZ + BICKENBACH – the number of rotary rig counts fell to 782 at the end of the quarter after rising to more than 1,040 at the beginning of February (source: Baker Hughes).

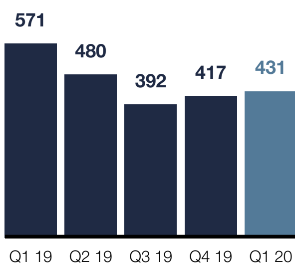
Price movements in raw materials important to SCHMOLZ + BICKENBACH painted a mixed picture in the first quarter. Nickel lost 20.2 % of its value during the quarter. After an increase in January, monthly average prices for German grade 2/8 scrap fell in February, followed by an increase in March. In the course of the quarter, however, prices shrank by a total of 5.8 % (source: BDSV). Price drops in both nickel and scrap were mainly the result of contracting demand. European prices for high-carbon ferrochrome fluctuated during the quarter due to softening demand and fears of supply bottlenecks. Rising prices in January and February were followed by a fall in March and a recovery driven by mine closures in South Africa. Overall, European prices for high-carbon ferrochrome rose by 4.2 % over the first quarter.

Business development of the Group

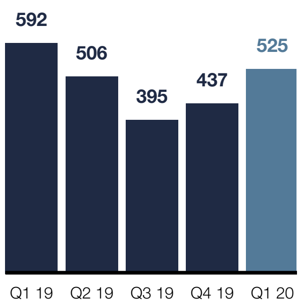
The financial figures for the first quarter of 2020 were marked by an initially cautious recovery, which was abruptly interrupted by the COVID-19 crisis. The decline in demand caused by production stoppages is reflected in reduced sales volumes and revenue. Adjusted EBITDA, net income and free cash flow were negative. Net debt was down 23.7 % compared with the end of 2019 as a result of the capital increase.

Production, sales and order situation

Order backlog at quarter-end
in kilotons



Production volume in the quarter
in kilotons



The order backlog at the end of March of 431 kilotons was 24.5 % below the prior-year level of 571 kilotons. This is attributable to overall weaker demand. Crude steel production in the first quarter of 2020 stood at 525 kilotons, which was also significantly below the figure for the same quarter in the previous year (Q1 2019: 592 kilotons).

Sales volume by product group in kilotons	Q1 2020	Q1 2019	Δ in %
Quality & engineering steel	332	420	– 21.0
Stainless steel	91	94	– 3.2
Tool steel	33	37	– 10.8
Others	1	0	–
Total	**457**	**551**	**– 17.1**

At 457 kilotons, 17.1 % less steel was sold in the first quarter of 2020 than in the prior-year quarter (Q1 2019: 551 kilotons). This fall is attributable to the decreasing sales volume for quality & engineering steel, which was down 21.0 % on the back of the sharp drop in demand from the automotive industry, which is having a particularly strong impact on this product group.

Sales volume also decreased compared with the prior-year quarter in the two other product groups, stainless steel and tool steel, but exhibited less sharp declines of 3.2 % and 10.8 % respectively.

Key figures on the income statement

in million EUR	Q1 2020	Q1 2019	Δ in %
Revenue	704.5	884.2	–20.3
Gross profit	239.3	290.9	–17.7
Adjusted EBITDA	–6.1	42.2	–
EBITDA	–7.6	38.8	–
Adjusted EBITDA margin (%)	–0.9	4.8	–
EBITDA margin (%)	–1.1	4.4	–
EBIT	–31.7	13.3	–
Earnings before taxes	–43.7	–0.3	–
Group result	–42.3	0.7	–

Revenue by product group in million EUR	Q1 2020	Q1 2019	Δ in %
Quality & engineering steel	305.8	446.6	–31.5
Stainless steel	284.5	295.1	–3.6
Tool steel	96.2	114.1	–15.7
Others	18.0	28.4	–36.6
Total	**704.5**	**884.2**	**–20.3**

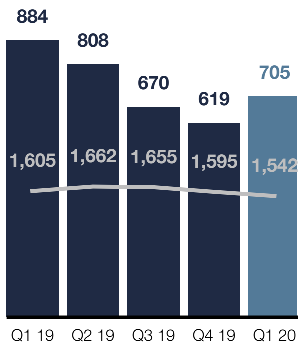
Revenue by region in million EUR	Q1 2020	Q1 2019	Δ in %
Germany	263.2	339.4	–22.5
Italy	81.3	111.0	–26.8
France	79.1	96.2	–17.8
Switzerland	12.5	15.3	–18.3
Other Europe	134.4	160.0	–16.0
Europe	**570.5**	**721.9**	**–21.0**
USA	59.9	69.0	–13.2
Canada	18.1	23.0	–21.3
Other Americas	10.8	12.4	–12.9
America	**88.8**	**104.4**	**–14.9**
China	18.9	22.0	–14.1
India	6.7	10.4	–35.6
Asia Pacific/Africa	19.6	25.5	–23.1
Africa/Asia/Australia	**45.2**	**57.9**	**–21.9**
Total	**704.5**	**884.2**	**–20.3**

The average sales price per ton of steel was EUR 1,541.6 in the first quarter of 2020, 3.9 % lower than in the prior-year quarter (Q1 2019: EUR 1,604.7 per ton). The decline is mainly due to lower scrap and alloy surcharges, but also to lower base prices.

The fall in prices and sales volume resulted in revenue of EUR 704.5 million, down 20.3 % on the prior-year quarter. At 31.5 %, the decline was most pronounced in the quality & engineering steel product group. Revenue from stainless steel was down 3.6 %, and from tool steel 15.7 %.

Geographically, all regions and countries suffered a double-digit decline in revenue compared with the prior-year quarter.

Revenue and average sales prices
in million EUR / in EUR/t



Expenses

in million EUR	Q1 2020	Q1 2019	Δ in %
Cost of materials (incl. change in semi-finished and finished goods)	465.2	593.3	– 21.6
Personnel expenses	176.3	178.6	– 1.3
Other operating expenses	81.4	91.2	– 10.7
Depreciation, amortization and impairments	24.1	25.5	– 5.5

Cost of materials and gross profit

Cost of materials – adjusted for the change in semi-finished and finished goods – decreased by 21.6 % to EUR 465.2 million. In addition to lower prices for commodities, the contraction in production volume was a contributing factor.

Gross profit – revenue less cost of materials – declined by 17.7 % to EUR 239.3 million (Q1 2019: EUR 290.9 million). The gross profit margin, meanwhile, rose to 34.0 % (Q1 2019: 32.9 %). This was due to the change in the mix of sales volumes toward products with higher added value. Accordingly, relatively less quality & engineering steel was sold, and more stainless steel and tool steel.

Personnel expenses

Personnel expenses decreased slightly, falling by 1.3 % to EUR 176.3 million (Q1 2019: EUR 178.6 million). The short-time work programs had only a marginal effect in the first quarter. The Group now has 224 fewer employees than it had at the end of the first quarter of 2019, thus reducing the headcount to 10,236.

Other operating income and expenses

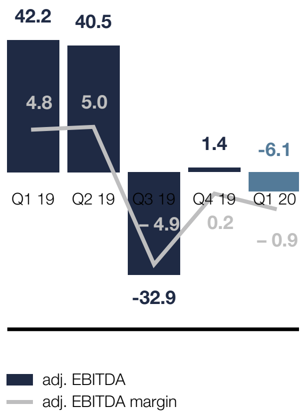
At EUR 10.8 million, other operating income was lower than in the prior-year quarter (Q1 2019: EUR 17.7 million). Other operating expenses decreased by 10.7 % to EUR 81.4 million (Q1 2019: EUR 91.2 million). The lower production and sales volumes also had an impact here.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

Adjusted for one-time effects, EBITDA totaled EUR – 6.1 million (Q1 2019: EUR 42.2 million), considerably down on the prior-year quarter. One-time effects amounted to EUR 1.5 million and are attributable to consulting services in connection with performance improvement programs. Including these one-time effects, EBITDA fell to EUR – 7.6 million (Q1 2019: EUR 38.8 million).

in million EUR	Q1 2020	Q1 2019	Δ in %
EBITDA (IFRS)	**– 7.6**	**38.8**	**–**
Performance improvement program, others	1.5	0.4	–
Reorganization and transformation processes	0.0	0.6	–
M&A and integration	0.0	2.4	–
Adjusted EBITDA	**– 6.1**	**42.2**	**–**

Adj. EBITDA, adj. EBITDA margin
in million EUR / in %



As a result, the adjusted EBITDA margin fell to – 0.9 % (Q1 2019: 4.8 %), and the EBITDA margin to – 1.1 % (Q1 2019: 4.4 %).

Depreciation, amortization and impairments

Depreciation, amortization and impairments were EUR 24.1 million (Q1 2019: EUR 25.5 million), below the prior-year level, which is attributable to the impairment of property, plant and equipment in the second half of 2019 and the resulting lower carrying amounts. In addition, an impairment of EUR 4.0 million was recognized for the Ascometal Business Unit.

Financial result

At EUR – 12.0 million (Q1 2019: EUR – 13.6 million), the financial result fell short of the prior-year quarter due to lower financial expense.

Tax expense

Due to the developments mentioned earlier, earnings before taxes (EBT) came to EUR – 43.7 million (Q1 2019: EUR – 0.3 million). Due to the negative EBT, tax income of EUR 1.4 million was recorded, which was higher than in the same quarter of the previous year (Q1 2019: EUR 1.0 million).

Group result

In the first quarter of 2020, the Group posted a loss of EUR – 42.3 million, compared with a Group result of EUR 0.7 million in the first quarter of 2019.

Key figures on the balance sheet

	Unit	31.3.2020	31.12.2019	Δ in %
Shareholders' equity	million EUR	451.9	183.8	–
Equity ratio	%	22.9	9.6	–
Net debt	million EUR	608.6	797.6	–23.7
Gearing	%	134.7	433.9	–
Net working capital (NWC)	million EUR	862.3	773.1	11.5
Balance sheet total	million EUR	1,970.6	1,919.1	2.7

Balance sheet total

Compared with December 31, 2019, the balance sheet total as at March 31, 2020 was higher at EUR 1,970.6 million.

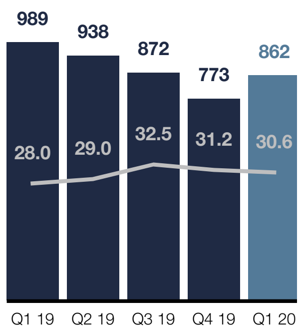
Non-current assets

Non-current assets decreased compared with December 31, 2019, falling by EUR 5.7 million to EUR 629.7 million, owing to the reduced additions to assets. Non-current assets accounted for 32.0 % of total assets, a decrease on the prior year (December 31, 2019: 33.1 %).

Net working capital

Net working capital increased compared with December 31, 2019, rising from EUR 773.1 million to EUR 862.3 million due to seasonal effects. This development primarily resulted from an increase in trade accounts receivable of EUR 92.8 million and a reduction in trade accounts payable of EUR 17.0 million, which could only be partially offset by the decline in inventories of EUR 20.7 million. The ratio of net working capital to revenue as at March 31, 2020 was 30.6 %, a decrease of 31.2 % compared with year-end 2019 due to higher revenue.

Net working capital/revenue
in million EUR / in %



Shareholders' equity and equity ratio

A rise in shareholders' equity of EUR 268.1 million was recorded as at the end of March 2020 compared with December 31, 2019. The negative Group result of EUR –42.3 million and currency losses of EUR 5.9 million in the first three months of 2020 were more than offset by the capital increase of EUR 291.0 million and actuarial gains of EUR 25.5 million after taxes. As a result, the equity ratio increased to 22.9 % (December 31, 2019: 9.6 %).

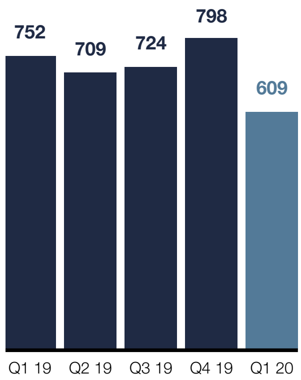
Liabilities

Non-current liabilities totaled EUR 776.5 million as at the reporting date, up EUR 132.0 million on the figure as at December 31, 2019. This was mainly due to higher non-current financial liabilities, which rose by EUR 162.0 million, bolstered in part by the increase in the syndicated loan and the raising of a shareholder loan. The share of non-current liabilities in the balance sheet total increased from 33.6 % to 39.4 %.

Current liabilities decreased by EUR 348.6 million compared with the end of 2019. This was due to the repayment of the validly tendered bonds in the amount of EUR 328.8 million, which was triggered by the change of control in connection with the capital increase on January 8, 2020. The share of current liabilities in the balance sheet total fell to 37.7 % (December 31, 2019: 56.8 %).

Net debt
Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 608.6 million, a decrease on the figure as at December 31, 2019 (EUR 797.6 million). This was due to the capital increase implemented. The ratio of net debt to adjusted EBITDA (leverage, on the basis of the last twelve months) rose sharply compared with December 31, 2019 due to the negative EBITDA.

Net debt
in EUR million / in relation to adj. EBITDA (last 12 months)



Key figures on the cash flow statement

in million EUR	Q1 2020	Q1 2019	Δ in %
Cash flow before changes in net working capital	18.3	47.8	– 61.7
Cash flow from operating activities	– 74.1	– 2.9	–
Cash flow from investing activities	– 13.2	– 20.8	– 36.5
Free cash flow	– 87.3	– 23.7	–
Cash flow from financing activities	77.7	26.5	–

Cash flow from operating activities
Compared with the prior year, operating cash flow before changes in net working capital fell to EUR 18.3 million. Cash flow from operating activities, meanwhile, deteriorated markedly in the first quarter of 2020 compared with the prior-year quarter, down to EUR – 74.1 million (Q1 2019: EUR – 2.9 million). This can primarily be explained by the high Group loss.

Cash flow from investing activities
Cash flow from investing activities amounted to EUR – 13.2 million, falling far short of the EUR – 20.8 million posted in the previous year. The reason for this was the reduced investment in property, plant and equipment. Free cash flow in the first quarter of 2020 deteriorated to EUR – 87.3 million compared with the prior-year quarter (Q1 2019: EUR – 23.7 million).

Cash flow from financing activities
At EUR 77.7 million, the total inflow from financing activities in the first quarter of 2020 was significantly higher than in the prior-year quarter (Q1 2019: EUR 26.5 million). This was due to the refinancing of SCHMOLZ + BICKENBACH in the first quarter of 2020. More details can be found in the “Financing” section of this report.

Change in cash and cash equivalents
The overall change in cash and cash equivalents in the first quarter of 2020 was EUR –10.5 million (Q1 2019: EUR 3.5 million).

Business development of the divisions

Key figures divisions in million EUR	Q1 2020	Q1 2019	Δ in %
Production			
Revenue	640.4	814.2	– 21.3
Adjusted EBITDA	– 7.6	34.0	–
EBITDA	– 7.9	32.0	–
Adjusted EBITDA margin (%)	– 1.2	4.2	–
EBITDA margin (%)	– 1.2	3.9	–
Investments	13.6	20.8	– 34.6
Operating free cash flow	– 119.6	– 37.4	–
Employees as at closing date	8,791	8,957	– 1.9
Sales & Services			
Revenue	149.4	182.8	– 18.3
Adjusted EBITDA	6.2	11.5	– 46.1
EBITDA	6.2	11.5	– 46.1
Adjusted EBITDA margin (%)	4.1	6.3	–
EBITDA margin (%)	4.1	6.3	–
Investments	1.0	1.0	0.0
Operating free cash flow	12.1	– 0.9	–
Employees as at closing date	1,336	1,397	– 4.4

Production

The *Production* division recorded a fall in revenue of 21.3 % compared with the prior-year period. This reduction was mainly due to two factors: the sharp drop in demand from the end markets, not least as a result of the COVID-19 crisis, and lower sales prices.

Adjusted EBITDA fell to EUR –7.6 million, and the adjusted EBITDA margin to –1.2 % (Q1 2019: 4.2 %). EBITDA was EUR –7.9 million. One-time effects amounted to EUR 0.3 million and mainly comprised consulting services in connection with efficiency measures.

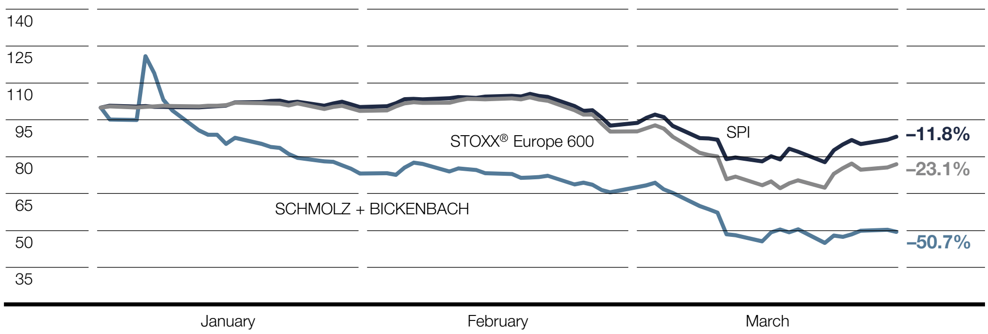
Sales & Services

In the *Sales & Services* division, revenue decreased 18.3 % compared with the prior-year quarter to EUR 149.4 million.

Adjusted EBITDA fell to EUR 6.2 million, and the adjusted EBITDA margin to 4.1 % (Q1 2019: 6.3 %). No one-time effects were recorded in the *Sales & Services* division.

Capital market

Share price year-to-date
indexed



SCHMOLZ + BICKENBACH carried out a capital increase of CHF 325 million on January 8, 2020. The registered share capital was increased to 2,028,333,333 shares with a nominal value of CHF 0.30 each. As a result, the price rose sharply at the beginning of January before a volatile downward movement set in. The spread of the COVID-19 pandemic and its dire consequences around the world caused financial markets to collapse. On March 31, 2020, the SCHMOLZ + BICKENBACH share closed at CHF 0.1386, 50.7 % below the year-end price for 2019. In the same period, the Stoxx® Europe 600 Index sank by 23.1 %, while the Swiss Performance Index (SPI), which includes the SCHMOLZ + BICKENBACH share, retreated by 11.8 %.

In the first three months of 2020, the average daily trading volume of shares of SCHMOLZ + BICKENBACH on the Swiss stock market was 3.3 million, compared with 0.5 million in the first quarter of 2019.

Financing

Following the capital increase of CHF 325 million in January 2020, SCHMOLZ + BICKENBACH signed new financing agreements with the banks and with the major shareholder BigPoint Holding AG.

The financing of the SCHMOLZ + BICKENBACH Group is now based on three pillars: syndicated loan, ABS program and shareholder loan. The existing syndicated loan was increased by EUR 90 million from EUR 375 million to EUR 465 million. BigPoint Holding AG granted a shareholder loan of EUR 95 million. The existing ABS program of EUR 230 million plus USD 75 million remains unchanged. All financing components were concluded or extended until March 2025.

As part of its refinancing, the Company also repaid the validly tendered bonds with a term until 2022 on March 31, 2020. The repayment was triggered by the change of control in connection with the capital increase on January 8, 2020. The nominal value of the repaid bonds was EUR 328.8 million.

Thanks to unused financing lines and freely disposable funds of around EUR 339 million as at March 31, 2020, the Company has sufficient financial resources.

in million EUR	Credit line	Status as at 31.3.2020	Total funds available
Syndicated loan (excl. transaction costs)	465.0	280.4	184.6
ABS financing (excl. transaction costs)	298.0	187.7	110.3
Cash and cash equivalents		43.6	43.6
Financial leeway			**338.5**

Outlook

SCHMOLZ + BICKENBACH will direct increased attention in 2020 on short-term liquidity protection measures to safely overcome the COVID-19 crisis and the resulting slump in demand, especially in the automotive industry. As part of the structural improvements, the focus will be on the consistent implementation of the turnaround plan. Priority will be placed here on the transformation and restructuring of Ascometal, the turnaround of Finkl Steel in North America and the restructuring of Steeltec, as well as personnel measures and operational improvements at DEW.

In view of the numerous uncertainties, particularly as a result of the COVID-19 crisis, forecasts for the 2020 financial year are still subject to a high degree of uncertainty.

From our current perspective, we do not expect a gradual normalization of demand to set in until the end of the first half of 2020 at the earliest, with a possible continued recovery expected in the second half of the year. While we are increasingly focusing on the implementation of the restructuring plan, a reliable estimate of adjusted EBITDA is not possible at this time due to the existing uncertainties.

Additional information

Please refer to the Annual Report 2019 for further information, particularly in relation to the topics below:
Strategy and corporate management (pages 2-13), Business model (pages 5-9), Capital market (pages 49-52), Financing (page 53), Executive Board (page 81), Glossary (page 196)

The definitions and reconciliation of the alternative performance indicators contained in the Management Report can be found in the following documents:
Glossary, Annual Report 2019 (page 196) (www.schmolz-bickenbach.com/investor-relations): Adjusted EBITDA margin, free cash flow, net working capital, net debt, capital employed, gross profit margin, EBITDA margin, equity ratio, gearing, net debt/adj. EBITDA LTM (leverage), net working capital/revenue (L3M annualized), operating free cash flow.
Earnings before interest, taxes, depreciation and amortization (EBITDA), page 13 Management Report: adjusted EBITDA, segment reporting (note 17) in financial reporting: Investments

Composition of the Board of Directors

On April 28, 2020, the Annual General Meeting of the Company elected the Board of Directors. It is now composed as follows:

SCHMOLZ + BICKENBACH AG Board of Directors

Jens Alder (CH)	Heinrich Christen (CH) [1]	Svein Richard Brandtzaeg (NO)
Born 1957	Born 1965	Born 1957
Chairman	Vice Chairman	
Compensation Committee (Chairman)	Compensation Committee (Member)	Compensation Committee (Member)
Member since 2019	Member since 2020	Member since 2020
Elected until 2021	Elected until 2021	Elected until 2021
David Metzger (CH/FR) [2]	**Dr. Michael Schwarzkopf (AT)**	**Karin Sonnenmoser (DE)**
Born 1969	Born 1961	Born 1969
Audit Committee (Member)		Audit Committee (Member)
Member since 2020	Member since 2020	Member since 2020
Elected until 2021	Elected until 2021	Elected until 2021
Jörg Walther (CH) [1]	**Adrian Widmer (CH)**	
Born 1961	Born 1968	
	Audit Committee (Chairman)	
Member since 2020	Member since 2019	
Elected until 2021	Elected until 2021	

[1] Representative of BigPoint Holding AG; [2] Representative of Liwet Holding AG

Financial reporting

Consolidated income statement

in million EUR	Note	Q1 2020	Q1 2019
Revenue	7	704.5	884.2
Change in semi-finished and finished goods		−31.2	−23.6
Cost of materials		−434.0	−569.7
Gross profit		**239.3**	**290.9**
Other operating income	8	10.8	17.7
Personnel expenses		−176.3	−178.6
Other operating expenses	8	−81.4	−91.2
Operating result before depreciation, amortization and impairment (EBITDA)		**−7.6**	**38.8**
Depreciation, amortization and impairments	11	−24.1	−25.5
Operating profit (EBIT)		**−31.7**	**13.3**
Financial income	9	0.3	0.4
Financial expenses	9	−12.3	−14.0
Financial result		**−12.0**	**−13.6**
Earnings before taxes (EBT)		**−43.7**	**−0.3**
Income taxes	10	1.4	1.0
Group result		**−42.3**	**0.7**
of which attributable to			
– shareholders of SCHMOLZ + BICKENBACH AG		−42.4	0.6
– non-controlling interests		0.1	0.1
Earnings per share in EUR (undiluted/diluted)		**−0.02**	**0.00**

Consolidated statement of comprehensive income

in million EUR	Note	Q1 2020	Q1 2019
Group result		**−42.3**	**0.7**
Result from currency translation		−5.9	5.4
Change in unrealized result from cash flow hedges		−0.7	0.5
Tax effect from cash flow hedges		0.2	−0.2
Items that may be reclassified subsequently to income statement		**−6.4**	**5.7**
Actuarial result from pensions and similar obligations	14	27.2	−24.3
Tax effect from pensions and similar obligations		−1.7	7.5
Items that will not be reclassified subsequently to income statement		**25.5**	**−16.8**
Other comprehensive result		**19.0**	**−11.1**
Total comprehensive result		**−23.3**	**−10.4**
of which attributable to			
– shareholders of SCHMOLZ + BICKENBACH AG		−23.4	−10.6
– non-controlling interests		0.1	0.2

Consolidated statement of financial position

	Note	31.3.2020 in million EUR	31.3.2020 % share	31.12.2019 in million EUR	31.12.2019 % share
Assets					
Intangible assets		18.2		19.2	
Property, plant and equipment	11	551.1		555.2	
Right-of-use of leased assets		35.4		37.0	
Non-current income tax assets		4.6		4.4	
Non-current financial assets		1.3		1.4	
Deferred tax assets	10	14.6		14.4	
Other non-current assets		4.4		3.9	
Total non-current assets		**629.7**	**32.0**	**635.4**	**33.1**
Inventories	12	745.6		766.3	
Trade accounts receivable		464.0		371.2	
Current financial assets		4.3		7.3	
Current income tax assets		9.6		10.2	
Other current assets		73.8		74.7	
Cash and cash equivalents		43.6		54.0	
Total current assets		**1,341.0**	**68.0**	**1,283.7**	**66.9**
Total assets		**1,970.6**	**100.0**	**1,919.1**	**100.0**
Shareholders' equity and liabilities					
Share capital	13	504.4		378.6	
Capital reserves	13	1,118.1		952.8	
Retained earnings (accumulated losses)	13	−1,219.2		−1,202.7	
Accumulated income and expenses recognized in other comprehensive income (loss)		42.7		49.1	
Treasury shares		−1.2		−1.2	
Shareholders of SCHMOLZ + BICKENBACH AG		**444.8**		**176.6**	
Non-controlling interests		7.2		7.1	
Total equity		**451.9**	**22.9**	**183.8**	**9.6**
Pension liabilities	14	269.0		297.8	
Other non-current provisions		52.0		52.9	
Deferred tax liabilities	10	5.4		7.3	
Non-current financial liabilities	15	447.8		285.8	
Other non-current liabilities		2.3		0.6	
Total non-current liabilities		**776.5**	**39.4**	**644.5**	**33.6**
Other current provisions		25.6		28.3	
Trade accounts payable		347.3		364.3	
Current financial liabilities	15	204.3		565.8	
Current income tax liabilities		13.0		12.7	
Other current liabilities		151.9		119.7	
Total current liabilities		**742.2**	**37.7**	**1,090.8**	**56.8**
Total liabilities		**1,518.7**	**77.1**	**1,735.3**	**90.4**
Total equity and liabilities		**1,970.6**	**100.0**	**1,919.1**	**100.0**

Consolidated statement of cash flows

in million EUR	Calculation	Q1 2020	Q1 2019
Earnings before taxes		−43.7	−0.3
Depreciation, amortization and impairments		24.1	25.5
Result from disposal of intangible assets, property, plant and equipment and financial assets		−0.2	−0.1
Increase/decrease in other assets and liabilities		27.9	9.6
Financial income		−0.3	−0.4
Financial expenses		12.3	14.0
Income taxes paid (net)		−1.8	−0.5
Cash flow before changes in net working capital		**18.3**	**47.8**
Change in inventories		17.0	52.1
Change in trade accounts receivable		−95.4	−83.2
Change in trade accounts payable		−14.0	−19.6
Cash flow from operating activities	**A**	**−74.1**	**−2.9**
Investments in property, plant and equipment		−13.1	−20.3
Proceeds from disposal of property, plant and equipment		0.2	0.6
Investments in intangible assets		−0.6	−1.4
Interest received		0.3	0.3
Cash flow from investing activities	**B**	**−13.2**	**−20.8**
Increase/decrease of other financial liabilities		53.6	45.2
Increase of loan from shareholder		95.0	0.0
Transaction costs from refinancing		−6.9	0.0
Repayment of bonds		−328.8	0.0
Proceeds from capital increase		300.5	0.0
Transaction costs from capital increase		−9.5	0.0
Payment of lease liabilities		−2.7	−2.2
Investment in treasury shares		0.0	−0.1
Investments in shares in previously consolidated companies		0.0	−1.5
Interest paid		−23.5	−14.9
Cash flow from financing activities	**C**	**77.7**	**26.5**
Net change in cash and cash equivalents	**A+B+C**	**−9.6**	**2.8**
Effect of foreign currency translation		−0.9	0.7
Change in cash and cash equivalents		**−10.5**	**3.5**
Cash and cash equivalents at the beginning of the period		54.0	53.3
Cash and cash equivalents at the end of the period		43.6	56.8
Change in cash and cash equivalents		**−10.5**	**3.5**
Free cash flow	**A+B**	**−87.3**	**−23.7**

Consolidated statement of changes in shareholders' equity

in million EUR	Share capital	Capital reserves	Retained earnings	Accumulated income and expenses recognized in other comprehen-sive result	Treasury shares	Shareholders of SCHMOLZ + BICKENBACH AG	Non-controlling interests	Total equity
As at 1.1.2019	**378.6**	**952.8**	**−672.0**	**40.2**	**−1.3**	**698.4**	**9.4**	**707.8**
Purchase of treasury shares	0.0	0.0	0.0	0.0	−0.1	−0.1	0.0	−0.1
Expenses from share-based payments	0.0	0.0	0.4	0.0	0.0	0.4	0.0	0.4
Effects from minority buy-out	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital transactions with shareholders	**0.0**	**0.0**	**0.4**	**0.0**	**−0.1**	**0.3**	**0.0**	**0.3**
Group result	0.0	0.0	0.6	0.0	0.0	0.6	0.1	0.7
Other comprehensive result	0.0	0.0	−16.8	5.6	0.0	−11.2	0.1	−11.1
Total comprehensive result	**0.0**	**0.0**	**−16.2**	**5.6**	**0.0**	**−10.6**	**0.2**	**−10.4**
As at 31.3.2019	**378.6**	**952.8**	**−687.8**	**45.8**	**−1.4**	**688.1**	**9.6**	**697.7**
As at 1.1.2020	**378.6**	**952.8**	**−1,202.7**	**49.1**	**−1.2**	**176.6**	**7.1**	**183.8**
Capital increase	300.5	−9.5	0.0	0.0	0.0	291.0	0.0	291.0
Capital decrease	−174.7	174.7	0.0	0.0	0.0	0.0	0.0	0.0
Expenses from share-based payments	0.0	0.0	0.4	0.0	0.0	0.4	0.0	0.4
Capital transactions with shareholders	**125.8**	**165.2**	**0.4**	**0.0**	**0.0**	**291.4**	**0.0**	**291.4**
Group result	0.0	0.0	−42.4	0.0	0.0	−42.4	0.1	−42.3
Other comprehensive result	0.0	0.0	25.5	−6.4	0.0	19.0	0.0	19.0
Total comprehensive result	**0.0**	**0.0**	**−16.9**	**−6.4**	**0.0**	**−23.4**	**0.1**	**−23.3**
As at 31.3.2020	**504.4**	**1,118.1**	**−1,219.2**	**42.7**	**−1.2**	**444.8**	**7.2**	**451.9**

Notes to the interim condensed consolidated financial statements

About the company

SCHMOLZ+BICKENBACH AG (SCHMOLZ+BICKENBACH) is a Swiss company limited by shares which is listed on the SIX Swiss Exchange (SIX) and has its registered office at Landenbergstrasse 11 in Lucerne. SCHMOLZ+BICKENBACH is a global steel company operating in the special long steel business. Its activities are divided into two divisions: *Production* and *Sales & Services*.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 5, 2020.

1 Accounting policies

The Group prepared these interim condensed consolidated financial statements of SCHMOLZ+BICKENBACH in accordance with IAS 34 “Interim Financial Reporting”. They contain all the information required of interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). More detailed disclosures on accounting policies can be found in the consolidated financial statements as at December 31, 2019. This quarterly report is presented in euro. Unless otherwise stated, monetary amounts are denominated in millions of euro.

Due to rounding-off differences, some figures may not exactly match the total, and the percentage figures may not reflect the underlying absolute figures.

2 Significant accounting judgments, estimates and assumptions

In preparing these interim condensed consolidated financial statements in accordance with IAS 34, assumptions and estimates were made which affect the carrying amounts and disclosure of the recognized assets and liabilities, income and expenses, and contingent liabilities. Actual amounts may differ from the estimates.

In the first quarter of 2020, an evaluation was performed of the particular impact of COVID-19 on the Group’s financial performance. The associated uncertainty has implications primarily for sales volumes, revenue and cash flow, as well as for the valuation of current and non-current assets. For this purpose SCHMOLZ+BICKENBACH formulated various scenarios with differing effects on valuations.

Based on the current assessment of the effects of COVID-19, the Group does not expect the key macroeconomic factors such as the cost of capital and average growth to suffer a sustained impact. Furthermore, SCHMOLZ+BICKENBACH assumes that the results and cash flow projected in its medium-term plans will be subject to delay but do not need to be revised downward on a lasting basis. The Group has responded and will respond to this expected delay by taking appropriate measures such as optimizing working capital and postponing investments.

The situation will be continuously monitored and the valuation of non-current assets will be re-evaluated as at each reporting date. A further deterioration in the situation could result in additional impairment charges for current and non-current assets such as receivables, inventories, and property, plant and equipment.

3 Going concern

The weakness in important end markets led to a crisis in the steel industry in 2019, which SCHMOLZ + BICKENBACH was unable to evade due to its close ties to the automotive and mechanical engineering industries. As a result, it had to take measures to strengthen liquidity and capital. The start of the 2020 fiscal year was marked by a cautious low-level recovery with a moderate improvement in order books up to mid-March 2020. However, the second half of the month witnessed an even sharper decline in demand in the wake of the COVID-19 crisis, which left a big dent in both volumes and prices. Due to the drop in oil prices in March, demand from the oil and gas industry also declined, further exacerbating the crisis.

On January 8, 2020, the capital increase decided on in December 2019 was legally executed, generating a net cash inflow of EUR 291.0 million.

In March 2020, the Group's existing debt financing was adjusted and extended. The syndicated loan was increased by EUR 90 million and now extends up to EUR 465 million. In addition, the Company arranged a new loan of EUR 95 million from BigPoint Holding AG, which is the largest shareholder in SCHMOLZ + BICKENBACH AG, holding a stake of 49.6 %. As a result of the change of control (exceeding a share of 33.3 %), EUR 328.8 million of the previous nominal value of EUR 350 million was tendered in a public bond redemption offer and repaid accordingly. The outstanding nominal value of the bond issue now totals EUR 21.2 million.

The syndicated loan, shareholder loan and ABS financing program have a term of five years ending in March 2025. The corporate bond's term runs until July 2022. If the bond is still outstanding in May 2022, the term of the syndicated loan and the ABS financing program will also end in July 2022.

The renewed debt financing is linked to certain conditions requiring the Company to improve operating performance and liquidity, which were fleshed out in a restructuring report. Failure to meet these conditions may result in the Company having to repay the financial liabilities concerned in full or in part.

Due to the need to comply with the defined measures, there is a material level of uncertainty, and this currently gives rise to considerable doubts as to whether the Company can continue as a going concern. Furthermore, the impact of COVID-19 on the Group cannot be estimated at present.

During the preparation of the quarterly financial statements, the Board of Directors and the Executive Board assessed as positive SCHMOLZ + BICKENBACH's ability to continue as a going concern. It is expected that liquidity can be secured by means of the initiated improvement in operating performance and the Group's financing implemented in the first quarter of 2020. It is also anticipated that the impact of COVID-19 can be mitigated by government support measures such as short-time work, development loans and the operational and structural countermeasures already initiated.

In summary, it is considered realistic that the Company can continue its business operations for the next twelve months, and consequently these consolidated financial statements have been prepared on a going concern basis.

4 Standards and interpretations applied

The relevant accounting policies applied in the interim condensed consolidated financial statements are consistent with those used for the most recent consolidated financial statements prepared as at the end of the fiscal year 2019.

5 Seasonal effects

There are slight seasonal effects on sales and revenue in both segments of the Group. These effects are attributable to the number of working days in the second half of the year, which is lower due to vacation periods in July and August, as well as in the second half of December. These periods are associated with plant downtime in some cases. The effects are particularly pronounced in the third quarter, which is affected by the summer vacation period. Fixed costs are distributed fairly equally over all four quarters, however. Furthermore, the majority of general overhaul work on production and processing plants is carried out over the summer during plant downtime. As a result, expenses for servicing and maintenance as well as capital expenditures are usually at their highest in the third quarter. Inventories of semi-finished and finished goods are usually increased over the summer months. This safeguards our customers' supply after the end of the vacation period and has the effect that net working capital usually peaks around this time.

In contrast, trade accounts receivable and payable, and with them net working capital, tend to reach their lowest level at year-end due to the reduction in inventories typically seen at the end of the year. Furthermore, the amount of net working capital is significantly affected by commodity prices. The cyclical nature of the economy has a much more pronounced impact than seasonal effects on the development of the Group's sales, revenue and results, however.

6 Scope of consolidation and company acquisitions

In the first three months of 2020, von Moos Stahl AG was liquidated.

In the first quarter of 2019, the final installment of the purchase price of EUR 1.5 million was paid to acquire the non-controlling interests in SCHMOLZ + BICKENBACH s.r.o. (CZ), which was fully consolidated in December 2016. The total purchase price amounted to EUR 6.1 million.

7 Revenue

SCHMOLZ + BICKENBACH's revenue can be broken down by product group and region as follows:

	Production		Sales & Services	
in million EUR	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Quality & engineering steel	261.7	381.3	44.0	65.3
Stainless steel	235.7	242.5	48.8	52.6
Tool steel	49.4	60.8	46.8	53.3
Others	14.3	24.3	3.7	4.1
Total	**561.1**	**708.9**	**143.4**	**175.3**

	Production		Sales & Services	
in million EUR	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Germany	241.4	310.1	21.7	29.3
Italy	73.9	100.4	7.4	10.6
France	70.0	84.4	9.2	11.8
Switzerland	12.5	15.3	0.0	0.0
Other Europe	91.8	111.4	42.6	48.6
Europe	**489.6**	**621.6**	**80.9**	**100.3**
USA	26.4	29.2	33.5	39.8
Canada	10.3	11.9	7.9	11.1
Other Americas	3.7	4.9	7.1	7.5
America	**40.4**	**46.0**	**48.5**	**58.4**
China	10.8	12.4	8.1	9.6
India	4.3	7.1	2.4	3.3
Asia Pacific/Africa	16.0	21.8	3.6	3.7
Africa/Asia/Australia	**31.1**	**41.3**	**14.1**	**16.6**
Total	**561.1**	**708.9**	**143.4**	**175.3**

8 Other operating income and expenses

Other operating income of EUR 10.8 million (2019: EUR 17.7 million) includes various items such as rental income, income from maintenance and repair services, public grants, etc.

Other operating expenses can be broken down as follows:

in million EUR	Q1 2020	Q1 2019
Freight, commission	21.5	25.2
Allowances on trade receivables	3.5	0.9
Maintenance, repairs	18.1	22.6
Holding and administration expenses	8.6	9.6
Fees and charges	6.1	7.1
Expenses for leases not capitalized	2.6	3.1
Consultancy and audit services	4.7	6.2
IT expenses	5.4	6.4
Non-income taxes	6.0	4.9
Foreign exchange loss (net)	2.1	1.6
Miscellaneous expenses	2.9	3.6
Total	**81.4**	**91.2**

All exchange gains and losses on receivables and liabilities or derivative currency contracts concluded to hedge these are reported under other operating expenses or income.

9 Financial result

	Q1 2020	Q1 2019
Interest income	0.3	0.3
Other financial income	0.0	0.1
Financial income	**0.3**	**0.4**
Interest expenses on financial liabilities	–10.6	–10.5
Interest expenses on lease liabilities	–0.8	–0.8
Net interest expense on pension provisions and plan assets	–0.7	–1.2
Capitalized borrowing costs	0.9	0.4
Other financial expenses	–1.1	–1.9
Financial expenses	**–12.3**	**–14.0**
Financial result	**–12.0**	**–13.6**

10 Income taxes

in million EUR	Q1 2020	Q1 2019
Current taxes	2.3	1.3
Deferred taxes	−3.6	−2.3
Income tax effect (income (–) / expenses (+))	**−1.4**	**−1.0**

The local tax rates used to determine current and deferred taxes have not changed materially. The effective Group tax rate for the first quarter of 2020 was 3.2 % (Q1 2019: 333.3 %). This rate derives from the tax rates of the individual countries in which the Group operates, weighted for earnings before taxes. The following table presents the net change in deferred tax assets and liabilities.

in million EUR	Q1 2020	2019	Q1 2019
Opening balance at the beginning of the period	7.1	53.1	53.1
Changes recognized in profit and loss	3.6	−41.7	2.3
Changes recognized in other comprehensive income	−1.5	−4.4	7.3
Foreign currency effects	0.1	0.0	0.1
Closing balance at the end of the period	**9.2**	**7.1**	**62.8**

11 Property, plant and equipment

The breakdown of property, plant and equipment into their subcategories can be seen in the tables below. Most of the additions are attributable to the *Production* division.

	Land and buildings	Plant and equipment	Prepayments for property and plants under construction	Total
Cost value as at 1.1.2020	**728.3**	**2,551.9**	**118.5**	**3,398.7**
Additions	0.1	3.3	10.6	14.0
Disposals	0.0	−2.9	0.0	−2.9
Reclassifications	0.7	3.3	−3.9	0.0
Foreign currency effects	4.7	10.2	0.9	15.8
Cost value as at 31.3.2020	**733.7**	**2,565.8**	**126.0**	**3,425.6**
Accumulated depreciation and impairments as at 1.1.2020	**−538.6**	**−2,275.1**	**−29.8**	**−2,843.5**
Scheduled depreciation and amortization	−2.6	−14.1	0.0	−16.7
Impairment	0.0	0.0	−3.6	−3.6
Disposals	0.0	2.9	0.0	2.9
Reclassifications	−0.1	−1.0	1.1	0.0
Foreign currency effects	−4.3	−9.3	0.0	−13.6
Accumulated depreciation and impairments as at 31.3.2020	**−545.6**	**−2,296.6**	**−32.3**	**−2,874.5**
Net carrying amount as at 31.12.2019	**189.7**	**276.8**	**88.7**	**555.2**
Net carrying amount as at 31.3.2020	**188.1**	**269.2**	**93.7**	**551.1**

In the Ascometal Business Unit (Production segment), impairment charges of EUR 4.0 million were recognized in the first quarter of 2020 (EUR 3.6 million of which related to property, plant and equipment and EUR 0.4 million to intangible assets).

12 Inventories

Inventories as at March 31, 2020 and as at December 31, 2019 break down as follows:

in million EUR	31.3.2020	31.12.2019
Raw materials, consumables and supplies	159.8	159.4
Semi-finished goods and work in progress	288.1	279.3
Finished products and merchandise	297.7	327.5
Total	**745.6**	**766.3**

13 Shareholders’ equity

At the Extraordinary General Meeting on December 2, 2019, shareholders approved the capital reduction and simultaneous capital increase of CHF 325 million proposed by the Board of Directors. The capital increase was legally executed on January 8, 2020.

The capital increase was effected by issuing 1,083,333,333 new registered shares with a nominal value of CHF 0.30 each. Immediately prior to this, the nominal value of all existing registered shares was reduced to CHF 0.30 through a capital reduction. The new share capital of SCHMOLZ + BICKENBACH AG entered in the Commercial Register amounts to CHF 608,499,999.90, divided into 2,028,333,333 registered shares with a nominal value of CHF 0.30 each. The listing and first trading day of the new registered shares on SIX Swiss Exchange was January 9, 2020.

The issue of the 1,083,333,333 new registered shares provided SCHMOLZ + BICKENBACH with net proceeds of approximately EUR 291.0 million.

14 Pensions

The Group has both defined benefit plans and defined contribution plans, where contractually defined amounts are transferred to an external pension institution. Most of the plans are defined benefit plans, however, in which the employer undertakes to deliver the agreed pension benefits to its employees.

Since the beginning of the year, the following significant changes have occurred:

Pension liabilities, plan assets and funded status

	Defined benefit obligation		Fair value of plan assets		Net liability	
in million EUR	31.3.2020	31.12.2019	31.3.2020	31.12.2019	31.3.2020	31.12.2019
Present value of defined benefit obligations/fair value of plan assets at the beginning of the period	**657.8**	**591.2**	**362.0**	**300.5**	**295.8**	**290.7**
Current service cost	2.9	10.3	0.0	0.0	2.9	10.3
Administration expenses	0.0	0.0	−0.2	−0.7	0.2	0.7
Interest result	1.3	8.4	0.6	3.5	0.7	4.9
Past service costs	0.0	−0.6	0.0	0.0	0.0	−0.6
Settlement gain	0.0	−0.6	0.0	−0.4	0.0	−0.2
Net pension result	**4.2**	**17.5**	**0.4**	**2.4**	**3.8**	**15.1**
Return on plan assets less interest income	0.0	0.0	−17.7	54.4	17.7	−54.4
Actuarial result from changes in demographic assumptions	0.0	4.6	0.0	0.0	0.0	4.6
Actuarial result from changes in financial assumptions	−44.9	60.2	0.0	0.0	−44.9	60.2
Actuarial result from experience-based assumptions	0.0	−4.8	0.0	0.0	0.0	−4.8
Remeasurement effects included in other comprehensive income	**−44.9**	**60.0**	**−17.7**	**54.4**	**−27.2**	**5.6**
Employer contributions	0.0	0.0	2.3	8.7	−2.3	−8.7
Employee contributions	1.3	5.2	1.3	5.2	0.0	0.0
Benefits paid	−7.5	−29.7	−5.3	−21.9	−2.2	−7.8
Foreign currency effects	8.1	13.6	7.8	12.7	0.3	0.9
Present value of defined benefit obligations/fair value of plan assets at the end of the period	**619.0**	**657.8**	**350.8**	**362.0**	**268.2**	**295.8**
Provisions from obligations similar to pensions	0.8	0.8	0.0	0.0	0.8	0.8
Total provisions for pensions and obligations similar to pensions	**619.8**	**658.6**	**350.8**	**362.0**	**269.0**	**296.6**
thereof in pension liabilities					269.0	297.8
thereof in other non-current assets					0.0	1.2

Actuarial gains primarily resulted from the increase in discount rates as at March 31, 2020 compared with December 31, 2019 for the pension plans in all currency areas.

The main driver of the measurement of the defined benefit obligations, discount rates, were evaluated as at the reporting date and adjusted if not within the appropriate range. The following valuation assumptions were used:

Valuation assumptions for pensions

	Switzerland		Euro area		USA		Canada	
in %	31.3.2020	31.12.2019	31.3.2020	31.12.2019	31.3.2020	31.12.2019	31.3.2020	31.12.2019
Discount rate	0.4	0.3	1.7	0.9	3.0	3.0	3.8	3.0
Salary trend	1.3	1.3	2.5–3.0	2.5–3.0	nm	nm	3.0	3.0

15 Financial liabilities

As at March 31, 2020, financial liabilities were as follows:

in million EUR	31.3.2020	31.12.2019
Syndicated loan	269.9	221.6
Other bank loans	4.0	5.3
Bond	21.2	0.0
Lease liabilities	54.8	56.0
Loan from shareholder	95.0	0.0
Other financial liabilities	2.8	2.8
Total non-current	**447.8**	**285.8**
Other bank loans	6.0	5.6
Bond	0.0	352.5
ABS financing program	187.7	184.8
Lease liabilities	9.1	9.9
Other financial liabilities	1.6	13.0
Total current	**204.3**	**565.8**

Other current financial liabilities include accrued interest of EUR 0.2 million for the bond (December 31, 2019: EUR 9.0 million).

The significant change in the shareholder base that took place in January 2020 triggered the change of control clause in the terms of the bond issued in April 2017 and increased in 2018. This gave bondholders the opportunity to redeem the bond early at a price of 101 %. In the public bond redemption offer on March 13, 2020, EUR 328.8 million was tendered and repaid accordingly. The outstanding amount relating to the bond now totals EUR 21.2 million. This amount is reported on a long-term basis, as the bondholders have no redemption option until the bond matures in 2022. In addition to the repayment of the nominal value of EUR 328.8 million, the bond creditors were paid the redemption premium of EUR 3.3 million and accrued interest of EUR 3.9 million.

In March 2020, besides the bond, the Group's existing debt financing was adjusted and extended. The syndicated loan now extends up to EUR 465 million. In addition, the Company arranged a new shareholder loan of EUR 95 million from BigPoint Holding AG, which is the largest shareholder in SCHMOLZ + BICKENBACH AG, holding a stake of 49.6 %.

The syndicated loan, shareholder loan and ABS financing program have a term of five years ending in March 2025. The corporate bond's term runs until July 2022. If the bond is still outstanding in May 2022, the term of the syndicated loan and the ABS financing program will also end in July 2022.

16 Fair value measurement considerations

SCHMOLZ + BICKENBACH regularly reviews the procedure for measuring items at fair value. If the material input parameters change, the Group assesses whether an item needs to be transferred between the levels.

There were no transfers between the individual levels during the reporting period. As at March 31, 2020, the bonds had a fair value (Level 1) of EUR 19.6 million (December 31, 2019: EUR 346.5 million). The carrying amount of the bonds as at March 31, 2019 was EUR 21.2 million (December 31, 2019: EUR 352.5 million).

17 Segment reporting

The Group is presented in accordance with its internal reporting and organizational structure, comprising the two divisions *Production* and *Sales & Services*.

The table below shows the segment reporting as at March 31, 2020.

	Production		Sales & Services	
in million EUR	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Third-party revenue	561.1	708.9	143.4	175.3
Internal revenue	79.2	105.3	6.1	7.5
Total revenue	**640.4**	**814.2**	**149.4**	**182.8**
Segment result (= adjusted EBITDA)	**–7.6**	**34.0**	**6.2**	**11.5**
Adjustments [1]	**–0.3**	**–2.0**	**0.0**	**0.0**
Operating profit before depreciation and amortization (EBITDA)	**–7.9**	**32.0**	**6.2**	**11.5**
Depreciation and amortization of intangible assets, property, plant and equipment	–17.0	–22.7	–2.3	–2.1
Impairment of intangible assets, property, plant and equipment and right-of-use assets	–4.0	0.0	0.0	0.0
Operating profit (EBIT)	**–28.9**	**9.3**	**3.9**	**9.4**
Financial income	6.5	0.8	1.1	0.9
Financial expenses	–16.4	–12.2	–2.6	–1.8
Earnings before taxes (EBT)	**–38.8**	**–2.1**	**2.4**	**8.5**
Segment investments [2]	13.6	20.8	1.0	1.0
Segment operating free cash flow [3]	–119.6	–37.4	12.1	–0.9
in million EUR	31.3.2020	31.12.2019	31.3.2020	31.12.2019
Segment assets [4]	1,604.5	1,522.0	265.2	269.2
Segment liabilities [5]	346.4	358.6	109.0	103.9
Segment assets less segment liabilities (capital employed)	**1,258.1**	**1,163.4**	**156.2**	**165.3**
Employees as at closing date (positions)	8,791	8,853	1,336	1,353

[1] Adjustments: Performance improvement program, others (EUR 1.5 million)
[2] Segment investments: Additions to intangible assets (excluding goodwill) + additions to property, plant and equipment without acquisitions + additions to right-of-use assets
[3] Segment operating free cash flow: Adjusted EBITDA +/– change in net working capital (inventories, trade accounts receivable and payable valued at spot rate), less segment investments less capitalized borrowing costs
[4] Segment assets: Intangible assets (excluding goodwill) + property, plant and equipment + right-of-use of leased assets + inventories + trade accounts receivable (total matches total assets in the statement of financial position)
[5] Segment liabilities: Trade accounts payable (total matches total liabilities in the statement of financial position)

	Total operating segments		Reconciliation				Total	
			Corporate activities		Eliminations/adjustments			
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
	704.5	884.2	0.0	0.0	0.0	0.0	704.5	884.2
	85.3	112.8	0.0	0.0	−85.3	−112.8	0.0	0.0
	789.8	**997.0**	**0.0**	**0.0**	**−85.3**	**−112.8**	**704.5**	**884.2**
	−1.4	**45.5**	**−4.2**	**−3.7**	**−0.5**	**0.4**	**−6.1**	**42.2**
	−0.3	**−2.0**	**−1.2**	**−1.4**	**0.0**	**0.0**	**−1.5**	**−3.4**
	−1.7	**43.5**	**−5.3**	**−5.1**	**−0.6**	**0.4**	**−7.6**	**38.8**
	−19.3	−24.8	−1.1	−1.1	0.3	0.4	−20.1	−25.5
	−4.0	0.0	0.0	0.0	0.0	0.0	−4.0	0.0
	−25.0	**18.7**	**−6.4**	**−6.2**	**−0.3**	**0.8**	**−31.7**	**13.3**
	7.6	1.7	17.7	12.3	−25.0	−13.6	0.3	0.4
	−19.0	−14.0	−18.3	−13.6	25.0	13.6	−12.3	−14.0
	−36.4	**6.4**	**−7.0**	**−7.5**	**−0.3**	**0.8**	**−43.7**	**−0.3**
	14.6	21.8	0.0	0.7	0.0	0.0	14.6	22.5
	−107.5	−38.3	−1.9	1.3	−0.5	−0.4	−109.9	−37.4
	31.3.2020	31.12.2019	31.3.2020	31.12.2019	31.3.2020	31.12.2019	31.3.2020	31.12.2019
	1,869.7	1,791.2	82.9	77.7	18.0	50.2	1,970.6	1,919.1
	455.4	462.5	26.5	17.9	1,036.8	1,254.9	1,518.7	1,735.3
	1,414.3	**1,328.7**						
	10,127	10,206	109	112	0	0	10,236	10,318

Legal notice

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The equal treatment of men and women is very important to SCHMOLZ + BICKENBACH. Every care has been taken to ensure that we do not exclude either gender in this report.

This interim report contains 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. These 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.

This interim report is also available in German. The German version is binding.

This report was produced in-house using firesys.

Creative concept and design
Linkgroup AG, CH-8008 Zurich, www.linkgroup.ch

Translation and proofreading
Lionbridge, CH-8152 Glattbrugg-Zürich, www.lionbridge.com

Editorial system
firesys GmbH, D-60486 Frankfurt am Main, www.firesys.de

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