SCHMOLZ + BICKENBACH AG
Providing special steel solutions

Press release from SCHMOLZ+BICKENBACH AG

SCHMOLZ+BICKENBACH returns to success path

Strong increase in revenue and income. Outlook for current year also positive.

Emmenbrücke/Düsseldorf, March 18, 2011

In financial year 2010, Swiss public limited company SCHMOLZ+BICKENBACH AG (SIX: STLN), a globally leading company for special steels that include tool steel, stainless long steels and engineering steel, substantially improved its revenue and earnings relative to crisis-year 2009. Revenue reached EUR 3 119.3 million (2009: EUR 2 052.1 million). Net income increased significantly to EUR 38.6 million (2009: EUR -276.0 million). Operating profit before depreciation and amortisation (EBITDA) rose by EUR 414.0 million from the previous year to EUR 232.9 million (2009: EUR -181.1 million), corresponding to a margin of around 7.5 %, while EBIT rose to EUR 121.9 million, or around 4 % (2009: EUR -288.2 million).

After our customers had largely completed their inventory rundowns, by the end of 2009, ordering behaviour returned to normal from the first quarter of 2010. In addition, there were the beginnings of a noticeable economic recovery. This resulted in massively higher order and shipping volumes as well as increasing order backlogs. The measures that had been implemented to reduce costs and increase efficiency contributed substantially to improving the earnings situation. On the market side, numerous price increases could be obtained.

The good order situation of our production, processing and distribution companies is continuing also in the first months of the current year. The capacity utilisation of our plants is at a high level. In view of the robust development of the main customer markets, and the continuing very good order intake, we expect to achieve a further improvement in the result in 2011.

The financial restructuring, including an increase of EUR 220 million in shareholders' equity, that was arranged with an international banking syndicate in the autumn of 2010, was implemented successfully. As part of a further optimisation of the capital structure, we shall submit to the shareholders' meeting 2011 a proposal to increase the capital to allow the existing hybrid capital, plus accrued interest totalling approximately EUR 96 million, to be replaced by formal shareholders' equity.

After an extremely difficult year in 2009, from the first quarter of 2010 the market situation gradually improved. Our customers had completed their inventory depletions and gradually returned to normal ordering behaviour. This upward trend received support from a brightening of the economic scene. This was first felt in the automotive and automobile components supply industries. These industries

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were successively followed by the other market segments that are important to us: machinery-, apparatus- and plant-construction, hydraulic engineering, heavy road-vehicle production, energy extraction and energy generation. We consequently experienced increased shipping volumes and growing order backlogs. In individual cases there were even supply shortages. To cope with the increased order volume, we also recruited temporary employees again. The decision that was taken in the crisis, to retain the core workforce as far as possible and absorb the reduction in orders by short-time working, proved effective. By doing so, we did not lose the know-how and were in a position to respond rapidly to the improving market situation.

Key figures

Driven by higher raw-material prices and increased sales volumes, Group revenue in 2010 rose sharply relative to the previous year to EUR 3 119.3 million (2009: EUR 2 052.1 million). Operating profit before depreciation and amortisation (EBITDA) rose by EUR 414.0 million to EUR 232.9 million which, after the previous year (2009: EUR -181.1 million), was clearly positive again.

On account of the lower investment budget by comparison with previous years, depreciation and impairments rose only slightly by 4% from last year.

EBIT was EUR 121.9 million (2009: EUR -288.2 million). The financial result changed relative to the previous year to EUR -88.6 million (2009: EUR -77.2 million), which was attributable to increased tied-up capital as a consequence of the volume- and price-related business activity and resulting net debt, as well as to higher financing costs. Group net income (EAT) rose to EUR 38.6 million after a loss in the previous year (2009: EUR -276.0 million).

Cash flow before acquisitions of Group companies was EUR -134.2 million (2009: EUR 158.3 million). This value was attributable to the expansion in working capital resulting from increased business activity as well as higher raw-material prices. Net financial liabilities consequently increased only slightly to EUR 926.9 million (31.12.2009: EUR 917.2 million). Total assets rose to EUR 2 557.8 million (31.12.2009: EUR 2 222.0 million). The equity ratio increased to 31.1% (31.12.2009: 23.7%) in response to the improved result and the implemented increase in capital.

Investments of EUR 120.6 million (2009: EUR 116.4 million) were made. Relative to the years before the crisis, the investments were reduced to a level that will also serve as guideline for subsequent years. The largest investment project, reconstruction of the steel plant of A. Finkl & Sons Co. in Chicago, will go into operation during 2011. We expect it to make first positive contributions to the result from the fourth quarter of 2011.

Dividend

To further strengthen the balance sheet, the board of directors will propose to the shareholders' meeting to forego payment of a dividend for financial year 2010. Provided that business continues to develop positively, it is planned to propose payment of a dividend again for subsequent years.

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Financing
In the autumn of 2010 we successfully secured the financing of our Group with an international bank consortium up to the end of 2012. Within the framework of this new financing concept, we substantially increased the shareholders' equity of our Company with a capital increase of EUR 220 million. During 2011, we shall initiate the necessary measures for financing our Group beyond 2012.

Replacement of Hybrid / Capital increase
In December 2008, the Company obtained a hybrid loan ("Hybrid") for EUR 80 million from SCHMOLZ+BICKENBACH Holding AG and Gebuka AG. Interest of 15 % p.a. is payable on this Hybrid. To avoid this interest charge in the future, the Hybrid of EUR 80 million, together with the accrued interest as at the date of the capital increase of approximately EUR 16.2 million (together "Hybrid Claim"), will be completely replaced with formal shareholders' equity. This will further simplify the financing structure of the Company relative to the present situation, at the same time as creating a better starting position for successful long-term financing of the Group after 2012.

To enable the Hybrid together with the accrued interest to be replaced with formal shareholders' equity, the board of directors will propose to the shareholders' meeting that the ordinary share capital be increased. The issuing volume of the capital increase will as far as possible match the amount of the Hybrid Claim. The nominal amount by which the share capital is increased, and the number of new shares that will be issued depend on the terms of issuance of the new shares, i.e. on the subscription price and the subscription ratio. On the day before the annual shareholders' meeting, i.e. on 14 April 2011, the board of directors will determine the terms of issuance of the new shares at market conditions and announce them on the day of the shareholders' meeting.

The subscription rights of the former shareholders are preserved. All shareholders can therefore subscribe for new shares according to their former shareholding and pay for them in cash. On completion of the capital increase, Bank Vontobel AG, Zurich, will pay-in the nominal amount of the shares subscribed by the shareholders and deliver such shares against payment of the subscription price to the subscribing shareholders, such delivery to be expected on 3 May 2011.

Any subscription rights that remain unexercised at the end of the subscription period will be assigned by the board of directors exclusively to the creditors of the Hybrid Claim to allow the creditors to offset the Hybrid Claim against payment for the newly issued shares. Through this payment by offset, the Hybrid Claim will be converted directly into shareholders' equity. SCHMOLZ+BICKENBACH AG will repay the remainder of the Hybrid Claim to the Hybrid Claim creditors with the cash that is received from the capital increase. The entire Hybrid Claim will therefore be replaced with formal shareholders' equity, either through offsetting in the course of the capital increase or through repayment with cash resulting from the capital increase. Shareholders' equity according to IFRS (subject to costs) will be at least as high as today, and according to Swiss commercial law higher than today.

The main shareholders, i.e. SCHMOLZ+BICKENBACH GmbH & Co KG and companies under its control, and Gebuka AG, which is 100% owned by Dr. Gerold Büttiker, have agreed to a transaction

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agreement with the Company in which they undertake to vote in favour of the capital increase at the shareholders' meeting and to convert their Hybrid Claims into shareholders' equity to the extent to which they are assigned subscription rights by the Company. These undertakings are subject to the condition that the issued ruling of the Takeover Board, according to which the planned transaction does not result in a duty of the main shareholders to make an offer, becomes binding and enforceable no later than the date of the shareholders' meeting.

In the course of the capital increase of autumn 2010, the Company, SCHMOLZ+BICKENBACH Holding AG, SCHMOLZ+BICKENBACH Finanz AG, SCHMOLZ+BICKENBACH Beteiligungs GmbH and Gebuka AG, among others, completed lock-up agreements with Credit Suisse (for itself and as representative of the other joint bookrunners of the former banking syndicate) which in each case cover all shares in the Company currently held by those parties. These lock-up agreements remain in force until 8 May 2011. The joint bookrunners have waived adherence to the lock-up agreements by the Company, as well as by the other parties to lock-up agreements, to the extent necessary for execution of the transaction.

Planned time schedule for the capital increase

Date	Event
15 April 2011	Announcement of the definitive terms of the capital increase
15 April 2011	Ordinary shareholders' meeting
19 April 2011	Subscription rights exercise period starts
	Trading of the subscription rights on SIX Swiss Exchange starts
27 April 2011	Trading of the subscription rights on SIX Swiss Exchange ends
28 April 2011	Subscription rights exercise period ends at 12.00 noon CET
02 May 2011	First day of trading of the new registered shares on SIX Swiss Exchange
03 May 2011	Delivery and payment of the new registered shares

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Outlook

The pleasing progress of business in 2010, which strengthened from quarter to quarter, caused high order backlogs in our Production and Processing plants, was well as in our Distribution organisations, at the end of 2010. The high order bookings continued also in the first weeks and months of the current year, which brought good capacity utilisation for our production and further-processing plants. In all of our customer segments, the situation gradually returned to normal. After the upswing was first carried primarily by the automotive industry, demand in the late cyclical segments also gradually returned. We are currently receiving positive feedback from the market about the current economic situation and the further outlook. To be able to satisfy the stronger demand from our customers, we have substantially increased our capacities compared with last year, and especially relative to 2009.

The prices for raw materials are trending strongly upwards worldwide. In view of the good demand situation and the established surcharge system in our product segments, we can add these price increases to our products in the form of monthly adjustments. Since we are simultaneously further optimising the assortment mix towards higher-value steels and additional operations, the margins are also increasing pleasingly. The measures that we initiated to reduce costs and increase efficiency continue to have positive effects on the expenses side. In view of the current order situation and the forecasts available to us, we expect business to develop positively in 2011. We therefore expect to be able to increase revenue substantially in the first half of the year relative to the same period last year, and to increase earnings correspondingly relative to the previous year. We also expect net income for the full year to be clearly positive.

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The full annual report for 2010 will be available at

http://www.schmolz-bickenbach.com/en/investor-relations/annual-reports-financial-reports/

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About SCHMOLZ+BICKENBACH
SCHMOLZ+BICKENBACH was established in 1919 in Düsseldorf by Arthur Schmolz and Oswald Bickenbach and since 1937 the Company bearing their joint names has been a synonym for tradition in steel. Since the acquisition of the former Swiss Steel AG in 2003, SCHMOLZ+BICKENBACH has been listed on the SIX Swiss Exchange (STLN). Today, the SCHMOLZ+BICKENBACH Group is the world's largest manufacturer, processor and distributor of special-steel long products. The Group has a total of approximately 10 000 employees. SCHMOLZ+BICKENBACH is the world's Number 1 producer of stainless long steels as well as tool steels and one of the ten largest companies for alloy and high-alloy special and engineering steels. www.schmolz-bickenbach.com

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