Press Release from SCHMOLZ+BICKENBACH AG of April 29, 2010

Noticeable recovery of the markets and positive outlook based on the very good positioning of SCHMOLZ+BICKENBACH AG in the special steels segment after a difficult financial year 2009. Despite a loss situation, financial debt could be reduced.

The economic slump that was triggered by the financial crisis had a negative impact also on our company. In addition to a consumption-related fall in demand for our products, it was mainly the massive reductions in inventories that caused a sharp drop in orders received and revenue. Revenue closed at EUR 2,052.1 million (2008: EUR 4,091.9 million). The gross margin fell from EUR 1,110.8 million to EUR 517.5 million, personnel costs could be cut from EUR 548.2 million to EUR 466.2 million, and other costs were reduced from EUR 403.4 million to EUR 278.8 million. Operating profit before depreciation and amortisation (EBITDA) was EUR -181.1 million (2008: EUR 233.9 million) and EBIT was EUR -288.2 million (2008: EUR 138.4 million). Consolidated net income (EAT) was EUR -276.0 million (2008: EUR 62.8 million). Thanks to a cash flow before acquisitions of Group companies of EUR 158.3 million (2008: EUR 41.1 million), we could reduce net financial liabilities from EUR 988.0 million to EUR 917.2 million.

The trough was crossed in mid-year 2009, which shows in the improved income situation in the second half-year as compared to the first half-year of 2009. Orders received and capacity utilisation in the first months of the current year are clearly above the previous year's values. For 2010, we expect a marked improvement in the income situation.

SCHMOLZ+BICKENBACH received a positive decision from the German Ministry of Economics and Technology under Economic Stimulus Package II as the basis for successful conclusion of a new financing structure for the existing amount of EUR 1,367 million up to the end of 2012.

In view of the integration strategy of AFV Acciaierie Beltrame, which is the majority shareholder of Stahl Gerlafingen AG, SCHMOLZ+BICKENBACH AG is selling its remaining 35% holding to AFV Acciaierie Beltrame.

SCHMOLZ+BICKENBACH AG was strongly impacted by the economic weakness that arose as a result of the financial crisis. From autumn 2008, orders received slumped to an unprecedented degree. Besides a decline in orders in response to demand, above all it was the massive inventory reductions along the entire value chain of our customers that caused an extremely low capacity utilisation of our production works, processing plants and distribution networks. Almost all of our customer groups were affected by this development, especially the automobile and mechanical engineering industries. The situation was exacerbated by the fall in margins, which was mainly caused by the liquidity pressure of the competitors in the market. We already responded to this development as from the fourth quarter of 2008 by initiating cost-reduction projects and working capital optimisation programmes. A detailed analysis shows that the trough of the development was crossed in summer 2009. Since then, orders received have successively increased, and the measures that were implemented have gradually become noticeable in the result. Consequently, the key figures for the second half of 2009 are better than those for the first half-year, despite the plant closures for holidays in the summer and at Christmas. Together with the current significant market recovery, this makes us optimistic for the future.

Key figures
Revenue, at EUR 2,052.1 million, was clearly below the previous year (2008: EUR 4,091.9 million). Operating profit before depreciation and amortisation (EBITDA) amounted to EUR -181.1 million (2008: EUR 233.9 million). EBIT was EUR -288.2 million (2008: EUR 138.4 million). Group net income (EAT) was EUR -276.0 million (2008: EUR 62.8 million). Cash flow before acquisitions of Group companies was a pleasing EUR 158.3 million (2008: EUR 41.1 million). Total assets fell to EUR 2,220.0 million (2008: EUR 2,670.2 million). Net financial liabilities declined to EUR 917.2 million (2008: EUR 988.0 million). The equity ratio was 23.7% (2008: 30.7%). Investments amounted to EUR 116.4 million (2008: EUR 221.4 million).

Cost optimisation
In view of the dramatic market development, already from the fourth quarter of 2008 we had to implement massive measures to reduce costs and working capital. In addition to the extensive introduction of short-time working in most parts of the company, we were also compelled to adapt personnel numbers to the new market situation. We did this mainly by reducing the numbers of temporary employees. We wanted to retain most of the permanent workforce to avoid losing know-how and to be prepared for the following upswing. Where personnel reductions in individual cases were necessary nonetheless, we implemented them in the most socially fair way possible. We charged the respective expenses to the financial results for 2009. In addition, as part of a Groupwide optimisation programme, all other costs were precisely analysed in relation to the future programmes for volume and service requirements, and corresponding savings potentials were realized. Many of these measures that were implemented are sustainable, and have positive effects also when sales volumes increase again. To reduce working capital, we greatly reduced our inventories. We also reduced investment expenses by approximately half relative to the previous years.

Financing
The wholly owned subsidiary of SCHMOLZ+BICKENBACH AG, SCHMOLZ+BICKENBACH Edelstahl GmbH, Düsseldorf, has received the definitive text of the decision signed by the German Federal Republic and the state of North Rhine-Westphalia under Economic Stimulus Package II, as well as the associated letter of the Federal Ministry of Economics and Technology regarding grant of a guarantee, and the decision of the KfW Bank Group.

In addition to other financing instruments, the future financing package will consist of the following three components:

- A multi-bank syndicated loan (club deal) of EUR 200 million, of which a tranche of EUR 100 million will be provided by the KfW Bank Group under the special programme for large companies;

- A multi-bank syndicated loan (club deal) of EUR 300 million secured to 75% against default with a guarantee of the German Federal Republic and the state of North Rhine-Westphalia;

- Continuation of the syndicated credit line of the existing bank consortium of EUR 525 million.

In a difficult environment of the capital and finance markets, with a total volume of EUR 1,367 SCHMOLZ+BICKENBACH has thus succeeded in obtaining the two essential elements of financing for the entire Group until the end of 2012, thereby assuring adequate flexibility for growth of business activity in the recovering markets.

Based on the positive decision, the financing concept will now be finalised and implemented with the banks. We expect this to be completed by the end of May 2010.

Dividend
In view of the result, the Board of Directors proposes to the General Meeting to forego payment of a dividend for the financial year 2009.

Investments
The greater part of the investment volume was implemented in our production plants. The most important project was construction of the new steelmaking plant and forge at Finkl & Sons, Co. in Chicago. These will go into operation at the change of year 2010/2011. In our production and processing plants in Germany, France, Switzerland and Sweden, various investments were made to increase performance, optimise processes, access new markets, and improve the environmental situation. The investments in distribution were used for more intensive processing of the markets, and for the expansion of customised finishing in France, Italy, Portugal, Slowakia, China, Brazil, Malaysia and India.

Sale of the 35% holding in Stahl Gerlafingen AG
AFV Acciaierie Beltrame S.p.A., which is the majority shareholder of Stahl Gerlafingen AG, is pursuing the goal of consistent integration of its production plants into the corporate group. Beltrame and SCHMOLZ+BICKENBACH have therefore agreed to prematurely terminate the call/put option that was foreseen in the sale contract of 2006. On April 28, 2010, they completed a contract for the sale of the remaining 35% holding of SCHMOLZ+BICKENBACH in Stahl Gerlafingen AG. By mutual agreement, the price is not being disclosed. For SCHMOLZ+BICKENBACH, the sale indicates its clear focus on the higher-grade steels segment.

Outlook

After a completely irregular market situation in 2009, which was mainly characterised by a massive reduction of inventories by our customers, since autumn 2009, and particularly since January 2010, orders received have greatly increased again. The capacity utilisation of our production and processing plants has returned to a very high level. Since February 2010, short-time working could be discontinued in most areas. In individual cases, supply shortages have already occurred. As a result of the global improvement in the economic outlook, the costs for raw materials such as scrap and alloying elements are trending upwards. In consequence, steel prices are also rising. Even though the volumes that were attained before the crisis, also mainly because of the build-up of inventories, will not return very soon, for the current year we nonetheless expect a significantly more favourable environment than in 2009. In view of the continuing uncertainty regarding the rapidity and extent of the recovery in the global economy, reliable forecasts are difficult at this time. Based on the level of business to date, and current orders on hand, we expect a clearly positive operating result for 2010.

This is based on SCHMOLZ+BICKENBACH AG having an outstanding – globally unique – positioning in the special steels segment, i.e. a complete assortment in the engineering steels, stainless, acid and heat-resistant steels (long products), and tool steel segments. According to results of external market research that are available to us, SCHMOLZ+BICKENBACH continues as global market leader in the stainless, acid and heat-resistant long products (non-commodities) and tool steels product groups. The analysis of the relevant driver markets for the SCHMOLZ+BICKENBACH products shows that these, too, are intact and growing after the crisis. SCHMOLZ+BICKENBACH AG also has a global distribution network with branches in more than 30 countries, i.e. in all important markets. It is therefore able to offer a worldwide service for global customers.

Contact persons for further information are:

Benedikt Niemeyer, CEO, phone +41 41 209 50 40
Dr. Marcel Imhof, COO, phone +41 41 209 51 81

Investor Relations
Axel Euchner, CFO, phone +41 41 209 50 35

The full annual report for 2009 is available at

www.schmolz-bickenbach.com/investor-relations/geschaeftsberichte-finanzberichte/2009.html