



Press release from SCHMOLZ + BICKENBACH AG of August 28, 2009

Financial and economic crisis strongly impacts the business level and earnings of our company

The widespread drastic effects of the economic slump were made even more severe for our company by massive inventory reductions of our customers. As a result, production and sales volumes, as well as revenue and earnings, fell sharply relative to the same period last year. Revenue totalled EUR 1,054.2 million (first half 2008: EUR 2,278.8 million). Operating profit before depreciation and amortisation (EBITDA) amounted to EUR -115.2 million (first half 2008: EUR 231.9 million), while EBIT closed at EUR -166.5 million (first half 2008: EUR 184.8 million). Net income was EUR -149.0 million (first half 2008: EUR 108.6 million). Measures to safeguard the financing have been initiated. Various projects to align the capacities to a lower level of demand are being implemented. The market is showing first signs of recovery.

As SCHMOLZ+BICKENBACH AG already announced at the end of 2008, as well as at the presentation of the annual report 2008 in March 2009, as a manufacturer, processor and distributor of steel we are particularly heavily impacted by the effects of the global economic crisis. A pleasing first half-year 2008 was followed in the autumn by a veritable collapse in the ordering behaviour of our customers, which resulted from a sharp decline in demand in various economic segments such as the automobile and machine industries. This development was additionally exacerbated by major reductions in inventories along the entire value chain of our customers. Earnings were also negatively impacted by further declines in scrap and alloy prices. As a result of the difficult market situation, and triggered by pressure on our competitors' liquidity, margins were also forced down. Earnings for the first half-year were additionally burdened by restructuring costs of EUR 15 million. Corresponding personnel reduction measures, which this year and next year foresee a further contraction of about 350 employees, have been initiated.

Key figures

Group revenue for the first half of 2009 was EUR 1,054.2 million (first half 2008: EUR 2,278.8 million). Operating profit before depreciation and amortisation (EBITDA) amounted to EUR -115.2 million (first half 2008: EUR 231.9 million). EBIT was EUR -166.5 million (first half 2008: EUR 184.8 million). Net income (EAT) closed at EUR -149.0 million (first half 2008: EUR 108.6 million). Cash flow before acquisition of Group companies was EUR 118.7 million (first half 2008: EUR -69.3 million). Total assets fell to EUR 2,213.7 million (31.12.2008: EUR 2,670.2 million). Net financial liabilities declined to EUR 907.9 million (first half 2008: EUR 1,089.6 million). The equity ratio was 29.2 % (31.12.2008: 30.7 %). Investments amounted to EUR 59.0 million (first half 2008: EUR 99.7 million).

Cost optimisation

The difficult market situation compelled us to continue and extend the optimisation measures that we already initiated in 2008. Besides the reduction of overtime and flexible work-time balances



and the introduction of massive short-time working at most plants, temporary and loaned employees were largely eliminated. In individual organisational units we had to make additional personnel reductions to take account of the weak demand. Units affected include Ugitech S.A., where a comprehensive restructuring programme is being implemented, and our activities in China, which are being repositioned. In addition, we have initiated a comprehensive cost and working capital reduction programme to adapt ourselves to the new market conditions.

Financing

The onset of the financial crisis and its impact on the real economy have caused radical changes in the conditions for corporate financing. The steel industry, and hence also SCHMOLZ+BICKENBACH, is particularly heavily impacted by the effects of the global economic crisis. In view of the incipient deterioration in earnings, in the spring of 2009 we entered into dialogue with our financing partners to safeguard the long-term financing of the Group. Our goal is to fix the present credit facilities for a total of EUR 1,367 million up to the end of 2012, and thus to have sufficient financing flexibility for a clear recovery of the markets when it occurs. In this connection, through SCHMOLZ+BICKENBACH Edelstahl GmbH (DE), the Group has also applied for financial support under Germany's Economic Stimulus Package II. At present, management expects the discussions regarding the application for state financial support and reorganisation of the financing structure to be successfully completed in the next few months.

Outlook

As a consequence of the massive inventory reductions by our customers, our order bookings in the first half-year were clearly lower than our customers' actual steel consumption. However, in the last few weeks we have experienced increasing ordering activity again. We therefore assume that the for us exceptional and irregular market situation of the last few months, with demand dropping in some cases by more than 50%, is coming to an end and making way for a return to a regular ordering behaviour. Since we do not expect demand to return rapidly to the level that prevailed before the onset of the global economic crisis, we are aligning our capacities to a lower level.

The measures that were initiated in the areas of working capital reduction and cost optimisation are being rigorously pursued. We want the measures to enable us to attain respectable earnings again despite lower tonnages and revenues. After the massive expenditures of the last few years on production plant and process improvements, we are now restricting ourselves to absolutely necessary investments. This notwithstanding, the project for the reconstruction of our Finkl & Sons works in Chicago will be completed according to plan.

For the full year 2009 we expect appreciably lower revenue than in the previous year and negative earnings. Thanks to its integrated business model, with companies in production, processing and distribution, as well as the measures that have been taken and its good positioning in the key markets, SCHMOLZ+BICKENBACH expects any brightening of the economic situation to be accompanied by a corresponding recovery in earnings.



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