SCHMOLZ + BICKENBACH AG
Providing special steel solutions

Press release from SCHMOLZ + BICKENBACH AG

Substantial increase in revenue and operating profit. Positive outlook for the current year. Dividend payment resumed.

Emmenbrücke/Düsseldorf, 7 March 2012

In fiscal year 2011, Swiss public limited company SCHMOLZ + BICKENBACH AG (SIX: STLN), a globally leading company for special steel that includes tool steel, stainless long steel and engineering steel, again markedly improved its revenue and earnings relative to the previous year. Revenue attained EUR 3 942.9 million (2010: EUR 3 119.3 million). Relative to 2010, operating profit before depreciation and amortisation (EBITDA) increased by EUR 63.3 million to EUR 296.2 million (2010: EUR 232.9 million), which represents a margin of 7.5% (2010: 7.5%). Operating profit (EBIT) increased by 47.3% to EUR 179.6 million (2010: EUR 121.9 million). Despite tax effects and non-recurring costs associated with the refinancing, net income after taxes (EAT) increased from the previous year to EUR 42.7 million (2010: EUR 38.6 million). The Board of Directors proposes payment of a dividend of CHF 0.10 per share.

Relative to the previous year, the demand for our special steel again increased in all segments of the markets that we serve. This resulted in higher orders received, production volumes and revenue. Owing to the uncertainty in the markets resulting from the financial and currency crisis, in the second half-year a slight weakening in demand with falling alloy prices caused an erosion of margins.

Based on feedback received from our customers, we are cautiously optimistic for the current year.

Particularly the first half of 2011 was characterised by strong demand for our special steel. Substantial impulses came from the automotive and automotive components supply industry. The other market segments that we serve, including machinery and apparatus construction as well as the hydraulic, energy extraction, energy generation, aircraft and chemical industries, also developed positively. Our plants mostly operated at full capacity.

In the first half of 2011, revenue progressively increased. Scrap prices were relatively stable throughout the year. Most noteworthy of the alloy prices is nickel, which after a prolonged climb lasting until March 2011 dropped back until December and thereby substantially reduced our margin in the second half-year.

Key figures

Increased sales volumes and higher average prices boosted revenue in 2011 by a strong 26.4% from the previous year to EUR 3 942.9 million (2010: EUR 3 119.3 million). Operating profit before depreciation and amortisation (EBITDA) rose to EUR 296.2 million (2010: EUR 232.9 million), an increase of 27.2%.

Commissioning during the year of the new steelmaking and forging plant of A. Finkl Sons & Co. caused depreciation, amortisation and impairments to increase by 5.0% from the previous year to EUR 116.6 million (2010: EUR 111.0 million).

Operating profit (EBIT) rose by 47.3% to EUR 179.6 million (2010: EUR 121.9 million).

Net financial expenses rose markedly from the previous year to EUR 112.0 million (2010: EUR 88.6 million). Although the improvement in the ratio of net debt to EBITDA that resulted from our implemented measures reduced the interest spread that was payable, the income statement in 2011 was burdened with non-recurring costs of EUR 21.9 million associated with replacement of the former bank financing within the framework of the Group refinancing up to 2015.

Despite this effect, EBT more than doubled from the previous year to EUR 67.6 million (2010: EUR 33.3 million). Notwithstanding higher tax expenses than in 2010, EAT increased to EUR 42.7 million (2010: EUR 38.6 million).

Free cash flow before acquisitions of Group companies was EUR +191.6 million (2010: EUR -134.2 million). Total assets increased to EUR 2 730.6 million (2010: EUR 2 557.8 million).
Net financial liabilities decreased substantially to EUR 860.4 million (2010: EUR 926.9 million). Although shareholders' equity increased to EUR 844.2 million (2010: EUR 795.8 million), the equity ratio declined slightly to 30.9% (2010: 31.1%) on account of the higher total assets.

Investments amounted to EUR 125.6 million (2010: EUR 120.6 million). The Group's most significant investment project, the new steelmaking and forging plant of A. Finkl & Sons Co. in Chicago, went into operation in the second half of the year. In 2012, the plant will be progressively run up to full capacity and the transfer of all equipment from the former location to the new site will be completed.

In line with the increased production volumes, the number of employees in the Group increased from 10 000 at the end of 2010 to 10 332 at the end of 2011.

Dividend
In view of the substantially improved income situation, the Board of Directors will propose to the Ordinary General Meeting a dividend of CHF 0.10 per share.

Financing
With the conversion in spring 2011 of the former hybrid capital into formal shareholders' equity, and the extension in autumn 2011 of the existing bank financing of EUR 1 175 million until May 2015, as well as the existing ongoing investment loans, the financing of the Group is secured with sufficiently flexible liquidity to allow also for future growth.

Board of Directors
At the Ordinary General Meeting, the Board of Directors will propose the re-election of former members Manfred Breuer, Dr. Helmut Burmester and Dr. Alexander von Tippelskirch (all for one year), Dr. Gerold Büttiker and Benoît Ludwig (both for three years). It will also propose the election of Roland Eberle (CH) and Dr. Marc Feiler (DE) as new members (both for three years). In the interests of good corporate governance, the CEO of the company, Benedikt Niemeyer, will not stand for re-election as a member of the Board of Directors.

Special investigation
The investigation that was ordered by the Board of Directors into the circumstances relating to improper separation of private and company expenses that resulted in the immediate resignation of the former Chairman of the Board of Directors is not yet complete. Since the former Chairman has undertaken to fully repay any deficit, the company is not expected to suffer any damage from the incident. The operating business of SCHMOLZ + BICKENBACH is unaffected by this situation. A report on the state of the investigation will be given at the General Meeting of 19 April 2012.

Outlook
Order bookings in the second half of 2011 were weaker than in the first half-year. This was partly because of the darkening economic outlook associated with the international financial and currency crisis. Another reason was that our customers reduced their inventory levels at the end of the year to optimise their balance sheets. Since the beginning of 2012, the overall order intake has increased again. From this we conclude that the markets for our special steel are in substantially better health than the markets for commodities. Particularly the premium suppliers in the automotive industry, as well as the markets in the energy extraction and energy generation segments, are still running at high levels. The megatrends of mobility, urbanisation and energy provision which are important for our business still apply. The future development in the financial sector as well as the difficult currency situation in our production and customer countries, may continue to exert a negative impact on our business.

Positive for our outlook are the investments of the last few years in modern production systems, in additional operations for the production of higher-value qualities, and in the international market organisation. A substantial income potential will come online when the new steelmaking and forging plant at A. Finkl & Sons. Co., Chicago, starts full-scale operation. Assuming stable raw-material and alloy prices, we expect revenue and income for the current year to be at the same order of magnitude as in the previous year.

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The annual report for 2011 is available at

www.schmolz-bickenbach.com/en/investor-relations/annual-reports-financial-reports/2011/