Press release from SCHMOLZ+BICKENBACH AG

SCHMOLZ+BICKENBACH in still difficult market environment

- **New Executive Board of SCHMOLZ+BICKENBACH AG elected.**
- **Impact of international financial and economic crisis clearly noticeable on revenue and earnings.**
- **Restructuring measures are being implemented according to plan.**

Emmenbrücke/Düsseldorf, 16 November 2012

The Swiss listed company SCHMOLZ+BICKENBACH AG (SIX: STLN) has elected Johannes Nonn as new CEO and Hans-Jürgen Wiecha as new CFO.

In the first nine months of 2012, SCHMOLZ+BICKENBACH, a globally leading company for special steel that includes tool steel, stainless steel and engineering steel, generated less revenue than in the comparable period last year. It declined by 7.1% to EUR 2,806.9 million (01.01.-30.09.2011: EUR 3,020.7 million). Operating profit before depreciation and amortisation (EBITDA) before restructuring costs, declined by 38.6% to EUR 152.6 million (01.01.-30.09.2011: EUR 248.6 million), representing a margin of 5.4% (01.01.-30.09.2011: 8.2%). Operating profit (EBIT) declined by 71.1% to EUR 47.4 million (01.01.-30.09.2011: EUR 163.9 million), net income (EAT) by EUR 89.8 million to EUR -23.9 million (01.01.-30.09.2011: EUR 65.9 million).

The business development of the Group varied between the different regions and product groups. However, overall, the effects of the international financial and economic crisis made themselves clearly noticeable.

We anticipate a continuingly demanding market environment and, for the full year, expect a declining development of revenue and earnings. The restructuring measures that were initiated are being implemented according to plan.

Election of Johannes Nonn as new CEO and Hans-Jürgen Wiecha as new CFO

The Board of Directors of SCHMOLZ+BICKENBACH AG, Emmen/Lucerne, has elected Johannes Nonn (born 1965) as new CEO and Hans-Jürgen Wiecha (born 1962) as new CFO of the company. Both will take over their new functions on 1 February 2013. Marcel Imhof, who as long-serving COO has temporarily headed the company since the departure of the former CEO in June this year, will stay on to accompany their introduction to their new responsibilities before then relinquishing his operational functions on grounds of age after more than 35 years with the Group. The CFO ad interim, Oliver Karst, will continue to hold a position of responsibility within the Group. "After a carefully conducted selection process, the Board of Directors is delighted to be able to place the management of the Group in the hands of two professionally and personally highly qualified individuals", comments Chairman of the Board of Directors Hans-Peter Zehnder on the renewal of the Executive Board. "The Board of Directors thanks Marcel Imhof and Oliver Karst for their exceptional and successful endeavours in the transitional phase. Together with the new management generation we will now, as foreseen, press forward with the realignment of the management organisation and the corporate culture".

Since 2010, the newly appointed CEO, Johannes Nonn, has been a member of the Executive Board of the German MDAX-listed company Salzgitter AG, with responsibility for the steel division. In this position he is responsible for revenue of around EUR 4 billion and around 8,500 employees. From 2002 to 2009, Johannes Nonn headed the areas of sales, supply chain management and logistics of Salzgitter Flachstahl GmbH, first as a member of the Executive Management, from 2006 as President of the Executive Management and Member of the Executive Board of Salzgitter Stahl GmbH. Johannes Nonn began his career in 1991 with VIAG, where until 2002 he was active in various functions within the VIAG/Klöckner Group.

Johannes Nonn completed his studies in Industrial Engineering at Kaiserslautern University in 1991. From his career to date, he has outstanding knowledge of the steel industry and many years of experience in customer-oriented and process-optimised business establishment and expansion.

Since 2005, the newly elected CFO, Hans-Jürgen Wiecha, has been CFO of the German MDAX-listed company Gerresheimer AG. The company generates sales revenue of around EUR 1.2 billion and employs around 11,000 employees. Hans-Jürgen Wiecha joined Gerresheimer in 2000 as Director of Corporate Finance, with responsibility for treasury, accounting and taxes. In 2004 he has been granted general power of attorney and his responsibilities were expanded to include mergers and acquisitions. Hans-Jürgen Wiecha previously spent seven years in several positions of responsibility with the VEBA Oel AG Group, finally as Manager of Controlling, Accounting and Treasury. He began his professional career in 1989 with what is today PricewaterhouseCoopers.

Hans-Jürgen Wiecha completed his studies at the University of Siegen with a degree in business administration in 1989. Thanks to his career to date, he has extensive specialist knowledge and experience as a financial executive.

Business development
In the first nine months of 2012, our business development was influenced by a weakening global economy. In particular, as the year progressed, the sovereign debt crisis caused market conditions in Europe to become increasingly uncertain, as well as the continuing price pressure on steel products, resulted in an unsatisfactory development of our revenue and earnings. By contrast, in the North American market, particularly in the first half-year, business developed positively, but could not compensate the losses of volume and margin in Europe.

Due to seasonal effects, the third quarter generally displays a weaker development of revenue and earnings than the other quarters. Accordingly, as expected, the third-quarter sales volume of 469 kilotonnes (Q1 2012: 608 kilotonnes, Q2 2012: 526 kilotonnes), and revenue of EUR 832.0 million (Q1 2012: EUR 1,027.1 million, Q2 2012: EUR 947.8 million), were below the values of the first two quarters, due to plant vacations in the summer months. However, also by comparison with the third quarter of the previous year, sales volume and revenue fell by 9.5% and 10.9% respectively.

The development of revenue for the first nine months of 2012 differed greatly in the individual regions. While Europe (particularly Germany) experienced total revenue reductions of 11.5%, in North America and the rest of the world, substantial increases in revenue of 26.8% and 11.6%, respectively, were attained.

There was an equally variable development of sales volume and revenue in the individual product groups. In the stainless steel segment, the volume remained virtually stable at -1.6% below the previous-year period. This was mainly attributable to the good export-driven order situation of the German automobile manufacturers, which could so far almost absorb the downward trend of the South European automotive industry. On the other hand, as a result of the fall in price of the alloying elements, revenue from stainless steel declined by 7.4%. In tool steel, despite the increased volume associated with commissioning of the new plant of A. Finkl & Sons Co. (US), sales volume fell by a total of 6.4% in response to the subdued demand from mechanical engineering in Europe. However, as a result of the improved product mix, revenue remained virtually stable at -0.5% relative to the comparable period last year. The largest reductions were in engineering steel, in both sales volume (-9.1%) and sales revenue (-9.3%).

Key figures
The overall economic situation caused revenue to fall by 7.1% to EUR 2,806.9 million (01.01.-30.09.2011: EUR 3,020.7 million). Sales volume was 1,603 kilotonnes, a reduction of 7.4% (01.01.-30.09.2011: 1,731 kilotonnes). Operating profit before depreciation and amortisation (EBITDA) fell by 44.7% to EUR 137.5 million (01.01.-30.09.2011: EUR 248.6 million), while EBITDA before restructuring costs declined by 38.6% to EUR 152.6 million.

Commissioning of the new steel plant of A. Finkl & Sons Co. (US) caused depreciation, amortisation and impairments to increase by 6.4% to EUR 90.1 million (01.01.-30.09.2011: EUR 84.7 million).

At EUR 47.4 million, operating profit (EBIT) was 71.1% below the result of the previous-year period (01.01.-30.09.2011) of EUR 163.9 million. Thanks to the refinancing that was completed at the end of December 2011, the financial result developed positively. Net financial expense fell by 29.7% from EUR 70.7 million to EUR 49.7 million. However, there was also a fall in net income (EAT) of EUR 89.8 million to a net loss of EUR -23.9 million (01.01.-30.09.2011: EUR 65.9 million).

The free cash flow more than quadrupled from the previous-year period to EUR 101.7 million (01.01.-30.09.2011: EUR 24.0 million). This development was mainly attributable to the extensive reduction of net working capital in the third quarter of 2012, by means of which net financial liabilities were reduced by EUR 90.7 million relative to 30 June 2012 (EUR 912.1 million) to EUR 821.4 million, and by EUR 39.0 million relative to 31 December 2011 (EUR 860.4 million). With financing lines for a total of EUR 1,250 million at 30 September 2012, the Group therefore has sufficient free credit lines at its disposal. At EUR 2,630.7 million, total assets decreased slightly from 31 December 2011 (EUR 2,730.6 million). As a result of the net loss, higher actuarial losses on pension valuations, and dividend payments that were made in the second quarter of 2012, shareholders' equity fell to EUR 795.0 million (31 December 2011: EUR 844.2 million). Despite lower total assets, the equity ratio declined slightly to 30.2% (31 December 2011: 30.9%).

Relative to the previous-year period, investments increased by 9.2% to EUR 85.4 million (01.01.-30.09.2011: EUR 78.2 million), but were still below the level of depreciation, amortisation and impairments.

The number of employees increased slightly from 31 December 2011 (10,332 employees) to 10,365, mainly as a result of the personnel build-up in North America, but was still lower than at 30 June 2012 (10,447 employees).

Restructuring measures continue according to plan

In the business areas affected, the lower order situation has already been responded to with an extensive restructuring and cost-saving programme. This will permanently lower the break-even point of those companies. The restructuring measures that were announced at half-year are being implemented according to plan. Additional cost-reduction projects have also been initiated throughout the entire Group. The restructuring and cost-saving measures that were implemented will be partly reflected in the income development in the current fiscal year, but will only develop their full positive impact in the following years.

Executive management of Deutsche Edelstahlwerke GmbH

Jürgen Horsthofer, CEO of Deutsche Edelstahlwerke GmbH (DEW), will leave the company at his own wish on 31 December 2012. A proposal will be made to the Supervisory Board of DEW that Johannes Nonn, CEO-elect of SCHMOLZ+BICKENBACH AG, should take over the presidency of the Executive Management of this largest operating unit of the Group ad interim from 1 February 2013. The other existing members of the Executive Management, Dirk Wallesch (Controlling), Jürgen Alex (Engineering) and Burkhard Hartmann (Human Resources), retain their former functions. In addition, a proposal will be made to the Board of Directors of DEW for Martin Löwendick (born 1972) to be appointed to the Executive Management of DEW with responsibility for sales. Martin Löwendick has worked for SCHMOLZ+BICKENBACH since 2010 as Head of Business Development. He previously spent 11 years with McKinsey as a consultant. In that function he advised DEW on various projects. He is currently a member of the Supervisory Board of DEW as well as a member of the steering committee for the restructuring measures that are now being implemented at DEW.

Outlook

The clouded market environment continues to cause a cautious stance on the part of the customers, which manifests itself as rescheduling of orders and postponements of deliveries to the customers. In the last few months, in the markets that are important for SCHMOLZ+BICKENBACH, the economic development has clearly weakened further. It is therefore expected that the total development of sales volume and revenue in fiscal year 2012 will be lower than the previous year. For the full year 2012, a substantial reduction in EBITDA relative to the previous year is expected. Provided that the level of scrap and alloy prices remains stable, in 2012 we expect to achieve EBITDA before restructuring costs to be above EUR 150 million. In view of this difficult market environment, SCHMOLZ+BICKENBACH expects earnings before taxes for the full year to be negative.

In view of the economically determined decline in earnings, a deterioration is expected at year-end in specific financial key figures, which in certain financing contracts are defined as financial covenants. For this reason, we have pro-actively entered into negotiations with the lending banks and in November obtained a suspension of the review of fulfilment of the financial covenants at 31 December 2012.

Contact persons for further information are:
Marcel Imhof, CEO ad interim, phone +41 41 209 51 81
Oliver Karst, CFO ad interim, phone +41 41 209 50 35

Investor Relations
Martin Poschmann, Head of Investor Relations, phone +41 41 209 50 42

Further information:

- The quarterly report as at 30 September 2012 is available at www.schmolz-bickenbach.com/en/investor-relations/annual-reports-financial-reports/2012/

- CVs and portraits of Johannes Nonn and Hans-Jürgen Wiecha can be downloaded from the website of SCHMOLZ+BICKENBACH at www.schmolz-bickenbach.com/en/company/group-management-board/

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.

Forward-looking statement
Information in this release may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this release are based on information available to SCHMOLZ+BICKENBACH AG as of the date of this release, and we assume no duty to update any such forward-looking statements. The forward-looking statements in this release are not guarantees of future performance and actual results could differ materially from our current expectations. Numerous factors could cause or contribute to such differences. Factors that could affect the Company's forward-looking statements include, among other things: national and global GDP trends; changes in regulation relevant to the steel industry; intense competition in the markets in which the Company operates; integration of acquired companies; changes in the Company's ability to attract and retain qualified internal and external personnel or clients; the potential impact of disruptions related to IT; any adverse developments in existing commercial relationships, disputes or legal and tax proceedings.