

Swiss Steel AG press release dated 15 March 2006

The strategic realignment in collaboration with main shareholder SCHMOLZ+BICKENBACH has been a resounding success. Profits soared in 2005 and dividend payments have doubled.

Thanks to the successful implementation of the new strategic roadmap in collaboration with our main shareholder SCHMOLZ+BICKENBACH, focusing on higher-grade steels, the expansion of the global distribution network and various projects aimed at exploiting synergies, Swiss Steel has achieved outstanding results. Net sales rose to CHF 2,633.7 million (2004: CHF 893.7 million). Operating results (EBIT) also rose, coming in at CHF 208.2 million (2004: CHF 50.6 million). Swiss Steel Group posted a net profit of CHF 122.3 million (2004: CHF 44.6 million). The Board of Directors proposes that the Annual General Meeting approve a dividend of CHF 0.70 per share (2004: CHF 0.50) plus a special dividend of CHF 0.30 per share based on the strong earnings situation.

2005 was an extremely good year for Swiss Steel. Following the complete integration of Edelstahlwerke Südwestfalen GmbH and the acquisition of Edelstahl Witten-Krefeld GmbH, the business has grown beyond all recognition, evolving into a highly focused, globally active steel group. We are in an excellent position in the international market for high-value long products. Our production plants in Switzerland and Germany complement one another perfectly and we have already been able to exploit significant synergies between the respective companies. With our own sales operations and those of the SCHMOLZ+BICKENBACH Group, we have at our disposal an extensive distribution network. Demand may have tailed off slightly since the boom year of 2004, but we nevertheless posted a very strong set of results.

Profits up significantly

Net sales for the Swiss Steel Group stood at CHF 2,633.7 million (2004: CHF 893.7 million). Operating results (EBIT) came in at CHF 208.2 million (2004: CHF 50.6 million), with a Group net profit of CHF 122.3 million (2004: CHF 44.6 million) – a record result for Swiss Steel.

A sound financial position

Internal and external growth meant an increase in net debts, up CHF 273.5 million to CHF 367.2 million. Cash flow prior to the acquisition of the new Group companies stood at CHF 141.8 million (2004: CHF 22.6 million). In the context of the expansion of the Group, new and stable forms of financing were secured in the form of a capital investment loan and operating lines of credit, provided by a syndicate of international banks over a term of five years. We were able to boost shareholders' equity in the financial year 2005 by a massive CHF 246.9 million to CHF 499.4 million. This quantum leap was due to the April 2005 capital increase and the high Group net profit.

Thanks to good financial results, the holding company Swiss Steel AG posted an annual profit of CHF 14.2 million (2004: CHF 8.7 million).

Proposed higher dividends

Based on these extremely pleasing results, the Board of Directors proposes that the Annual General Meeting approve an increased dividend of CHF 0.70 per share (2004: CHF 0.50) plus a special dividend of CHF 0.30 per share, giving a total of CHF 1.00 per share.

A major programme of investment and a significant increase in the headcount

In order to ensure that the business continues to go from strength to strength and to secure our technological advantage, we have embarked on a major programme of investment across all our plants. The total investment for the Swiss Steel Group in 2005 stood at CHF 102.3 million (2004: CHF 44.3 million). As part of this ongoing commitment, the strategic projects earmarked for investment will receive CHF 150 million or more in the current year. In this way, we aim to consolidate and extend our leading position in our various markets.

The number of staff that we employ has increased considerably as a result of the acquisition of the new Group companies. The total headcount currently stands at 5,389 compared with 1,274 in 2004.

The impact of the recent floods is limited thanks to good insurance cover

Our Swiss operations – particularly our facilities at Emmenbrücke – were badly hit by flooding in August 2005. Thanks to the sterling efforts of all concerned, however, we were able to get things up and running again in a relatively short time. The total damage to premises, plant and equipment – including the interruption to business – amounted to almost CHF 50 million. The vast majority of this was covered by our insurance.

Outlook for the future

Swiss Steel had another excellent steel year in 2005. Thanks to our clear strategic roadmap and the measures that we have put in place, the outlook remains good for earnings in 2006. Demand for our products is strong and capacity utilisation at our plants is good. Energy prices, though, are a major cause for concern. Steel production is a highly energy-intensive business. The dramatic trend in terms of natural gas prices and the significant hike in electricity prices will have an effect on results this year. Thanks to the successful implementation of the new strategic roadmap, however, Swiss Steel is in much better shape than in previous years. Together with our main shareholder, the SCHMOLZ+BICKENBACH Group, we are major players in the production, processing and distribution of higher-grade steels. Swiss Steel is today a truly global steel group.