

Press Announcement from Swiss Steel AG of August 28, 2006

**A globally active company for special steels with sales of around CHF 5,000 million is born: SCHMOLZ+BICKENBACH AG.**

**The SCHMOLZ+BICKENBACH Group plans to integrate substantial parts of its processing and international distribution activities, as well as its stainless-steel producer Ugitech Group, into Swiss Steel AG. Swiss Steel AG will be re-formed under the name SCHMOLZ+BICKENBACH AG. As a result of the merger, SCHMOLZ+BICKENBACH AG will become a strategically well-positioned international group that is focused on special steels with the business segments production, processing, and distribution and services. The reorientation will unify the global corporate identity under the umbrella brand of SCHMOLZ+BICKENBACH which will be underscored with a new logo and the associated claim "Providing special steel solutions". In the first half of 2006, Swiss Steel posted another very pleasing result.**

With some 10,000 employees, the new group will generate annual revenues of approximately CHF 5,000 million. The group will retain its headquarters at Emmenbrücke, Switzerland. Group management functions will operate from both Emmenbrücke and Düsseldorf, Germany.

The corporate group resulting from the merger offers significant potential for synergies. It creates a strong value chain covering production, processing, and distribution. These synergies will enable the group to sustain a high level of profitability in the future throughout the entire economic cycle. This will further increase the attractiveness of the group to all stakeholders, especially the financial and capital markets.

#### **Capital increase through transfer of assets**

The largest shareholder of Swiss Steel AG, the SCHMOLZ+BICKENBACH Group, will increase the assets of Swiss Steel AG by transferring most of its business activities, including the Ugitech Group and a total of around 3,500 employees, to Swiss Steel AG.

The aggregated figures of the new group for the financial year 2005 and the first half of 2006 are as follows:

In CHF Basis Swiss GAAP ARR	Swiss Steel Group OLD		SCHMOLZ+BICKENBACH / Ugitech		Swiss Steel Group NEW (aggregated)	
	1st half 2006	2005	1st half 2006	2005	1st half 2006	2005
<b><u>Income statement</u></b>						
Net sales	1,614.9	2,633.7	1,224.7	2,094.9	2,839.6	4,728.6
Total revenue	1,651.6	2,689.8	1,252.0	2,074.8	2,903.6	4,764.6
Gross profit	662.6	1,114.2	333.6	581.1	996.2	1,695.3
EBITDA	171.5	278.8	86.0	130.1	257.5	408.9
EBIT	131.8	209.2	77.7	107.0	209.5	316.2
Group net profit	86.0	122.3	54.9	68.0	140.9	190.3
<b><u>Balance sheet</u></b>						
Fixed assets	509.3	476.7	246.1	231.6	755.4	708.3
Current assets	<u>1,322.0</u>	<u>1,177.9</u>	<u>1,010.4</u>	<u>798.3</u>	<u>2,332.4</u>	<u>1,976.2</u>
Total assets	1,831.3	1,654.6	1,256.5	1,029.9	3,087.8	2,684.5
Shareholders' equity	561.0	499.4	399.9	341.4	960.9	840.8
Liabilities	1,270.3	1,155.2	856.6	688.5	2,126.9	1,843.7
Long-term liabilities	328.4	322.6	131.4	125.9	459.8	448.5
Short-term liabilities	<u>941.9</u>	<u>832.6</u>	<u>725.2</u>	<u>562.7</u>	<u>1,667.1</u>	<u>1,395.3</u>
Total liabilities & equity	1,831.3	1,654.6	1,256.5	1,029.9	3,087.8	2,684.5

SCHMOLZ+BICKENBACH KG, Düsseldorf, and SCHMOLZ+ BICKENBACH Finanz AG, Wil, (formerly SCHMOLZ+BICKENBACH AG) plan to integrate the following companies into Swiss Steel AG:

<b>Company</b>	<b>Headquarters</b>	<b>Holding</b>
<b>Production</b>		
Ugitech S.A.	Ugine FR	100%
<b>Processing</b>		
SCHMOLZ+BICKENBACH A/S	Norresundby DK	100%
SCHMOLZ+BICKENBACH Blankstahl GmbH	Düsseldorf DE	100%
SCHMOLZ+BICKENBACH Celik A.S.	Istanbul TR	100%
Sprint Metal Edelstahlziehereien GmbH	Hemer DE	100%
Trafilerie Bedini S.r.l	Peschiera Borromeo IT	100%
<b>Distribution and Services</b>		
SCHMOLZ+BICKENBACH Oy	Espoo FI	60%
SCHMOLZ+BICKENBACH UK Ltd.	Derbyshire GB	51%
SCHMOLZ+BICKENBACH Iberica S.A.	Madrid ES	76%
SCHMOLZ+BICKENBACH AG	Vienna AT	100%
SCHMOLZ+BICKENBACH B.V.	Zwijndrecht NL	100%
SCHMOLZ+BICKENBACH Distributions GmbH	Düsseldorf DE	100%
SCHMOLZ+BICKENBACH Romania SRL	Bucharest RO	100%
SCHMOLZ+BICKENBACH S.A.S.	Chambly FR	100%
SCHMOLZ+BICKENBACH Sp.z o.o.	Myslowice PL	100%
Günther + Schramm GmbH & Co. KG	Oberkochen DE	100%
G+S Metal Acelkereskedelmi Kft.	Budapest HU	100%
G+S Metal s.r.o.	Trencin SK	70%
G+S Metal s.r.o.	Kladno CZ	60%
Präzisionsteile Oberkochen GmbH	Oberkochen DE	100%
Ugine Savoie Italia S.r.l	Peschiera Borromeo IT	100%
Ugine Savoie Rostfrei	Renningen DE	100%
Ugine Stainless & Alloys Inc. (US)	Doylestown, PA US	100%
Ugitech Asia Ltd	Wanchai HK	100%
Ugitech Iberica S.A.	Viladecans ES	100%
Ugitech Suisse S.A.	Bevilard CH	100%
Ugitech UK Ltd.	Birmingham GB	100%
Ramrod Welding Products	Edinburgh GB	100%
RSB Rationelle Stahlbearbeitung GmbH & Co.KG	Merkers DE	24%
<b>Holdings/Other</b>		
Schramm Beteiligungsgesellschaft mbH	Oberkochen DE	100%
RSB Verwaltungs GmbH	Merkers DE	24%

To allow the planned transfer of assets to be executed, the Board of Directors of Swiss Steel AG will propose to an Extraordinary General Meeting of its shareholders on September 20, 2006, that the share capital be increased by CHF 111,308,610 to CHF 300,000,000 under exclusion of the subscription rights of the existing shareholders.

The 11,130,861 bearer shares of Swiss Steel AG, each with a nominal value of CHF 10.00, that will be created for this ordinary increase in capital, will be used to compensate SCHMOLZ+BICKENBACH KG and SCHMOLZ+BICKENBACH Finanz AG for the transfer of the companies listed above. The Board of Directors of Swiss Steel AG requested Bank Sarasin & Cie AG to conduct a Fairness Opinion in which the financial appropriateness of the capital increase by way of a fixed assets transfer was evaluated. Bank Sarasin & Cie AG concluded that the number of shares that the Board of Directors of Swiss Steel AG proposes to issue is financially appropriate. As from August 30, 2006, the Fairness Opinion is available on the company's website at [www.swiss-steel.com](http://www.swiss-steel.com) and can also be obtained directly from Swiss Steel AG as from the same date. In addition, the Fairness Opinion will be distributed to shareholders at the Extraordinary General Meeting on September 20, 2006.

#### **Creation of authorized capital**

At the same Extraordinary General Meeting on September 20, 2006, the Board of Directors will propose the creation of an authorized capital of maximum CHF 30,000,000 by the issue of not more than 3,000,000 fully payable bearer or registered shares each with a nominal value of CHF 10.00. The Board of Directors can withdraw shareholders' subscription rights when companies or parts of companies are being acquired. The authorized capital will serve to provide a certain amount of flexibility in the rapidly changing markets.

#### **Conversion of bearer shares into registered shares**

Also at the Extraordinary General Meeting of Swiss Steel AG on September 20, 2006, the Board of Directors of Swiss Steel AG will propose conversion of all outstanding bearer shares into registered shares at a date after completion of the ordinary capital increase but no later than November 30, 2006. The registered shares will subsequently be listed on the SWX Swiss Exchange.

#### **Change of name from Swiss Steel AG to SCHMOLZ+BICKENBACH AG**

A further proposal by the Board of Directors of Swiss Steel AG to the Extraordinary General Meeting of September 20, 2006, is to change the name of the company from the present Swiss Steel AG to SCHMOLZ+BICKENBACH AG. This will express the international alignment of the group. The change of name will make it possible to use the same umbrella brand worldwide, which will strengthen confidence among customers even further at the same time as documenting a global alignment. The individual production companies will continue to use their present names. This will ensure that brands that are very well anchored in the market are preserved. On the other hand, in line with the new distribution concept, the distribution companies worldwide will be renamed SCHMOLZ+BICKENBACH. The

realignment will be underscored with a new logo and the accompanying claim "Providing special steel solutions".

Implementation will begin as soon as the change of name has been approved by the Extraordinary General Meeting.

### **Management structure**

The new group will have a board of directors consisting of the former board members of Swiss Steel. The designated future Chairman of the Board of Directors is Michael Storm, personally liable partner in SCHMOLZ+BICKENBACH KG. Benedikt Niemeyer (formerly Chairman of the Board of Directors of Swiss Steel AG) will act as "Delegierter des Verwaltungsrates" and as Chief Executive Officer (CEO), Marcel Imhof (former Chief Executive Officer of Swiss Steel AG) Chief Operating Officer (COO), and Axel Euchner will continue as Chief Financial Officer (CFO). The Division Managers will be Walter Hess (Von Moos Stahl AG), Karl Haase (Edelstahlwerke Südwestfalen GmbH and Edelstahl Witten-Krefeld GmbH), Victor Polard (Ugitech S.A.), Gerd Münch (Steeltec), Peter Schubert (SCHMOLZ+BICKENBACH Blankstahl GmbH), and Peter Schwarze (SCHMOLZ+BICKENBACH Distribution Germany). Benedikt Niemeyer will hold additional responsibilities as Head of Distribution Europe and Overseas as well as some other group management functions, while Marcel Imhof will hold additional responsibilities as Head of Distribution China and of Group Communications.

The complete SCHMOLZ+BICKENBACH Group, which besides the majority shareholding in SCHMOLZ+BICKENBACH AG also has further activities such as, for example, SCHMOLZ+BICKENBACH Guss, SCHMOLZ+BICKENBACH Hydroform, FSG Automotive, etc. will continue to be managed by Benedikt Niemeyer as CEO and Axel Euchner as CFO. These companies that will remain with SCHMOLZ+BICKENBACH KG have only limited potential for synergy with the newly created SCHMOLZ+BICKENBACH AG.

The former Chief Controlling Officer/Chief Risk Officer of Swiss Steel AG, Joseph Koller, will leave the company on September 30, 2006. We would like to take this opportunity of thanking him most warmly for his outstanding service to the company. He will continue to hold an advisory function to the new SCHMOLZ+BICKENBACH AG in the future.

### **Very good first-half result for Swiss Steel AG in 2006**

Our results for the first half of 2006 are very pleasing. All steel-producing and steel-processing plants in Switzerland and Germany, as well as the distribution companies, operated very successfully in their respective markets and contributed to the record figures. The companies that were acquired in 2004 and 2005 are now fully reflected in the half-yearly results. By comparison with last year's first half, Edelstahl Witten-Krefeld GmbH, which was consolidated for the first time on April 1, 2005, is this year included for six months. We successfully used the favourable market climate in the steel industry to further strengthen our focus on the long products sector. Thanks to raw material cost and market developments, as well as improvements in the product mix, average margins increased in most business segments in

the first half-year. On the other hand, there was a negative impact from sharp increases in energy costs. Capacity utilization of the plants was very good.

Net sales revenue of the Swiss Steel Group rose to CHF 1,614.9 million (2005: CHF 1,272.0 million). Operating profit before depreciation and amortisation (EBITDA) grew to CHF 171.5 million (2005: CHF 140.7 million). This represents an EBITDA margin of 10.6% of net sales revenue (2005: 11.1%). Organic growth and acquisitions together produced growth in total revenue of CHF 360.0 million or 27.8%, and operating profit (EBIT) increased by CHF 20.3 million or 18.2% to CHF 131.8 million (EBIT margin 8.2%; 2005 8.8%).

In the first half-year, we earned a record profit after tax (EAT) of CHF 86.0 million (2005: CHF 63.9 million) and free cash flow before acquisition of subsidiaries of CHF 47.0 million (2005: CHF -6.1 million).

In the first half-year, total assets increased by CHF 176.7 million to CHF 1,831.3 million (31.12.2005: CHF 1,654.6 million). The increase is derived mainly from acquisitions of fixed assets as well as increases in inventories and trade receivables. The increase in fixed assets reflects investment programmes at the individual plants to secure their future. Net financial debt now stands at CHF 356.8 million (31.12.2005 CHF 367.2), which is far below the credit lines at our disposal. A syndicated credit with a life of several years is available to the Group to finance its operating business. The liquidity position is good.

The price of the Swiss Steel share also developed especially well in the first half of 2006. At one stage, the price rose to 97% above the start of the year and on June 30, 2006, closed at 56% above. Earnings per registered and bearer share rose by CHF 1.17 to CHF 4.56 (2005: CHF 3.39). The annualized return on equity (ROE) was 32.6% (2005: 37.3%).

### **Sale of 65% of the holding in Stahl Gerlafingen AG**

As already communicated on May 22, 2006, Swiss Steel plans to sell 65% of its holding in Stahl Gerlafingen AG to the Italian steel group AFV Acciaierie Beltrame, Vicenza. Since the announcement was made, the purchase contracts have been signed. Subject to receipt of approval from the competition authorities, closing of the contracts is planned to take place in mid-September 2006.

### **Merger of Edelstahlwerke Südwestfalen GmbH (EWS) and Edelstahl Witten-Krefeld GmbH (EWK)**

It is planned to merge the two German special steel plants into one company on January 1, 2007. This will allow significant potentials for synergy to be realized. The company will be renamed in "Deutsche Edelstahlwerke GmbH".

### **Acquisition of majority shareholdings in China and Turkey**

Edelstahl Witten-Krefeld GmbH has increased its former unconsolidated 49% holding in German Steels B.V.I. to 90%. It also increased its former 80% holding in Edelstahl Witten-Krefeld (Hong Kong) Ltd. to 100%. These companies supply customers in China and Hong Kong as well as in other Asian markets. The companies have four steelmaking and heat-

treatment plants in China and a workforce of approximately 1,300 employees. Their activities are focused on sales and processing of tool steels.

Edelstahl Witten-Krefeld GmbH has also acquired an additional holding of 51% in SCHMOLZ+BICKENBACH & Tanay Celik A.S., Turkey, from its former owner and now owns all of the shares in this production and sales organisation for bright steel. This company will be merged with SCHMOLZ+BICKENBACH Asal Celik Tic A.S. to form one single company.

In these growing markets, we therefore have strong production and distribution companies which we intend to expand rapidly in step with all the plants of the new group.

### **Outlook**

The global economic climate is still favourable. Demand for our products continues at a high level. Capacity utilization of our plants is good. We can largely absorb the high costs of raw materials and alloys into our prices. On the other hand, the higher energy prices for electricity and natural gas present us with considerable challenges.

The planned merger of the former Swiss Steel AG with the companies of the SCHMOLZ+BICKENBACH Group mentioned above under the new name of SCHMOLZ+BICKENBACH AG, will create a new, strategically well-positioned group focused on special steels with outstanding prospects. In the three business segments of Production, Processing, and Distribution and Services, we are one of the world's largest suppliers of long products in the engineering steel category. We are also the world's Number 1 producer of stainless steel long products and Number 2 for tool steels. We occupy additional very strong positions in other business segments. This strategic thrust is being supported by an extensive investment programme. We want to expand our leadership role and competences still further and thereby secure our employees' jobs. The combination of a production chain that is adapted to the product assortment, with four steelworks, a wide range of processing, and a strong global sales and distribution structure, as well as a high proportion of complete solutions in the special steels segment, is world-unique. We are in a position to follow our customers with our products to their most important production plants worldwide to perform the desired services.

In view of the market situation as well as our strategic thrust, we remain optimistic for the second half-year. The annual plant shutdowns for maintenance will, however, take place in this period.

In the future, SCHMOLZ+BICKENBACH AG will comprise the following companies:

<b>Company</b>	<b>Location</b>	<b>Holding</b>
<b>Production</b>		
Von Moos Stahl AG	Emmenbrücke CH	100%
Edelstahl Witten-Krefeld GmbH	Witten DE	100%
Edelstahlwerke Südwestfalen GmbH	Siegen DE	100%
Ugitech S.A.	Ugine FR	100%
Stahl Gerlafingen AG	Gerlafingen CH	35%
<b>Finishing</b>		
Steeltec AG	Littau CH	100%
SCHMOLZ+BICKENBACH A/S	Norresundby DK	100%
SCHMOLZ+BICKENBACH Blankstahl GmbH	Düsseldorf DE	100%
SCHMOLZ+BICKENBACH Celik A.S.	Istanbul TR	100%
Edelstahlwerke Witten-Krefeld Härtereitechnik GmbH	Witten DE	100%
Sprint Metal Edelstahlziehereien GmbH	Hemer DE	100%
Trafilerie Bedini S.r.l	Peschiera Borromeo IT	100%
Dongguan Dong De Hardware Manufacturing Co. Ltd.	Dongguan CN	90%
Dongguan German-Steels Products Co. Ltd.	Dongguan CN	90%
Dongguan Tasson Hardware Manufacturing Co. Ltd.	Dongguan CN	90%
German Steels (China) Ltd.	Fo Tan Shatin HK	90%
German-Steels B.V.I. British Virgin Islands	Tortola VG	90%
Jiangsu Tasson Metal Products Co. Ltd.	Jiangsu CN	90%
Zhejiang Tasson Metal Products Co. Ltd.	Zhejiang CN	90%
<b>Distribution and Services</b>		
SCHMOLZ+BICKENBACH Distributions-GmbH	Düsseldorf DE	100%
SCHMOLZ+BICKENBACH AG	Vienna AT	100%
SCHMOLZ+BICKENBACH B.V.	Zwijndrecht NL	100%
SCHMOLZ+BICKENBACH Romania SRL	Bucharest RO	100%
SCHMOLZ+BICKENBACH S.A.S.	Chambly FR	100%
SCHMOLZ+BICKENBACH Sp.z o.o.	Myslowice PL	100%
SCHMOLZ+BICKENBACH UK Ltd.	Derbyshire GB	100%
SCHMOLZ+BICKENBACH Asal Celik. Tic. A. S.	Istanbul TR	100%
SCHMOLZ BICKENBACH Iberica S.A.	Madrid ES	76%
SCHMOLZ+BICKENBACH Oy	Espoo FI	60%
Günther + Schramm GmbH & Co. KG	Oberkochen DE	100%
G+S Metal Acelkereskedelmi Kft.	Budapest HU	100%
G+S Metal s.r.o.	Trencin SK	70%
G+S Metal s.r.o.	Kladno CZ	60%
Präzisionsteile Oberkochen GmbH	Oberkochen DE	100%
Steeltec FIC S.A.R.L.	Cluses FR	100%
Steeltec Praezisa GmbH	Niedereschach DE	100%
Steeltec Toselli S.r.L.	Cassina Nuova di Bollate IT	100%
EWK (Hong Kong) Co. Ltd.	Fo Tan Shatin HK	100%

Swiss Steel International (S.A.) (Proprietary) Ltd.	Johannesburg ZA	100%
Swiss Steel International Australia Pty. Ltd.	Springvale, Victoria AU	100%
Swiss Steel International Canada Inc.	Mississauga CA	100%
Swiss Steel International do Brasil Ltda.	Sao Paulo BR	100%
Swiss Steel International Malaysia S.D.N. BHD.	Port Klang MY	100%
Swiss Steel International Mexico, S.A. de C.V.	Tlalnepantla MX	100%
Swiss Steel International Singapore Pte. Ltd.	Singapore SG	100%
Swiss Steel International USA Inc.	Carol Stream, Illinois US	100%
Ugine Savoie Rostfrei	Renningen DE	100%
Ugine Savoie Italia S.r.l	Peschiera Borromeo IT	100%
Ugine Stainless & Alloys Inc. (US)	Doylestown, PA US	100%
Ugitech Asia Ltd	Wanchai HK	100%
Ugitech Iberica S.A.	Viladecans ES	100%
Ugitech Suisse S.A.	Bevilard CH	100%
Ugitech UK Ltd.	Birmingham GB	100%
Alimex Northamerica LLC	Mount Clements, Michigan US	49%
Ardenacier S.A.R.L.	Charleville-Mézières FR	75%
Ramrod Welding Products	Edinburgh GB	100%
RSB Rationelle Stahlbearbeitung GmbH & Co.KG	Merkers DE	24%

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**Holdings/Other**


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Swiss Steel Finance AG	Zug CH	100%
SCHMOLZ+BICKENBACH Edelstahl GmbH	Düsseldorf DE	100%
Edelstahlwerke Witten-Krefeld		
Vermögensverwaltungsgesellschaft mbH	Witten DE	100%
Panlog AG	Emmenbrücke CH	100%
Schramm Beteiligungsgesellschaft mbH	Oberkochen DE	100%
RSB Verwaltungs GmbH	Merkers DE	24%

Contacts:

**Swiss Steel AG**

Marcel Imhof, CEO, Phone 0041 41 209 51 82

[www.swiss-steel.com](http://www.swiss-steel.com)

**SCHMOLZ+BICKENBACH**

Benedikt Niemeyer, CEO, Phone 0049 211 509 2403

[www.schmolz-bickenbach.com](http://www.schmolz-bickenbach.com)

**Investor Relations**

Axel Euchner, CFO, Phone 0049 211 509 2430

[www.schmolz-bickenbach.com](http://www.schmolz-bickenbach.com)

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