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PRESS RELEASE

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Machine and plant builder SMS group boosts order intake, sales and profit

Metallurgical plant construction under “SMS metallurgy” brand soars – revenue doubled – focus on core business by offloading more plastics technology companies – trainee quota well above average at 8 % – 150 vacancies for qualified engineers – profit sharing for employees – 2007 expected to bring even better order intake, sales and profit

The SMS group, comprising leading companies in metallurgical plant and rolling mill technology, tube, long product and forging technology as well as plastics technology, significantly increased its order intake in business year 2006 to EUR 3,235 million (previous year: EUR 2,811 million) and its sales to EUR 2,826 million (previous year: EUR 2,334 million).

There was a total of 8,999 employees (previous year: 9,223) working for the group around the world. The 2006 business year closed with a group result of EUR 85 million (previous year: EUR 42 million).

Prospects

“The global economy that is still on a stable course, the ongoing three-year specific boom in metallurgical plant construction, and the SMS group’s steady expansion of its Electrics and Automation as well as Service Divisions will ensure another surge in our order intake, sales and profit in the current business year,” said Dr. Heinrich Weiss, Chairman of the SMS group.

Upward trend continues

The upward trend in the steel industry continued unchecked in 2006 and positively impacted on the metallurgical machinery and plant business. Demand from China weakened slightly, yet the region remains the strongest in terms of orders placed. There is vigorous growth on the Russian market. The formerly state-owned steel industry has been privatized over the past ten years and is now upgrading substantially, also erecting new works. Industrialization in India is accelerating, with the country’s steel industry expanding dynamically. Furthermore, many emerging economies, e. g. in Latin America and south-east Asia, are starting to build up their own powerful steel industries, driving demand there.

Dr. Heinrich Weiss stated: “These countries are increasingly equipped with cutting-edge technology. That puts pressure on the steel industry in the industrialized countries of Western Europe, North America and Japan to upgrade its machinery, because it is on average 20 to 30 years old. That’s why we expect increasing demand from these regions in the medium term.”

Focus on core business with “SMS metallurgy”

The Business Areas SMS Demag and SMS Meer supply a broad range of plants, covering the metallurgical process chain from steel-making to the finished product, including electrics and automation as well as service – all united under the “SMS metallurgy” brand.

The Business Area SMS Demag achieved an order intake of EUR 1,978 million (previous year: EUR 1,782 million), making it the world leader in the flat-products sector. Here; the SMS group range covers the entire sheet and plate production chain – from steelworks to continuous casting plants and rolling mills to strip processing lines, including equipment for nonferrous metals. This Business Area once again considerably increased its order intake, sales and profit in 2006.

The Business Area SMS Meer, with an order intake of EUR 857 million (previous year: EUR 572 million), is the leading supplier of tube rolling mills, long-product rolling mills, extrusion and forging presses as well as inductive hardening plants for the steel and nonferrous metal industry. Here again, order intake and sales rose to generate improved profit.

Plastics machinery companies offloaded

The Business Area SMS Plastics Technology booked an order intake of EUR 400 million (previous year: EUR 457 million). However, the extrusion technology companies were able to increase their order intake on the previous year. Their profits also improved. As part of a long-term strategy, SMS sold the companies that operate in this area, Battenfeld Extrusionstechnik and Cincinnati Extrusion, to independent European investor Triton at the beginning of 2007. This follows the 2006 sale of Battenfeld Spritzgießtechnik.

US company Battenfeld Gloucester, a market leader in plants for the film and foil technology sector, remains at SMS for the foreseeable future.

These sales represent a further step in the SMS group strategy of focusing on its core business of metallurgical plant construction.

“30 years ago,” as Dr. Heinrich Weiss explained, “we branched out into plastics machinery construction to make our company less dependent on the steel industry. At that time, plastic was on the rise – also as an alternative to steel. Now we have such a broad base in metallurgical machinery and plant construction that we can easily weather any cyclical fluctuations in order intake in individual Business Areas. Given that we were not nearly as successful in plastics machine construction as we have been in metallurgical machinery and plant construction, we decided some time ago to pull out of plastics technology.”

(86 lines with max. 55 letters)

SMS GmbH is the holding for a group of companies internationally active in plant construction and mechanical engineering relating to the processing of steel, nonferrous metals and plastics. The group is divided on the one hand into the Business Areas SMS Demag and SMS Meer under SMS metallurgy and, on the other hand, into the Business Area SMS Plastics Technology. In the year 2006 some 9,000 employees worldwide generated a turnover of about EUR 2.8 bn.