

## Steel Partners Holdings L.P. Reports First Quarter Financial Results

May 15, 2012 at 5:32 PM EDT

NEW YORK, May 15, 2012 /PRNewswire/ -- Steel Partners Holdings L.P. (NYSE: SPLP) ("SPH" or the "Company") reported revenue of \$186.0 million for the period ending March 31, 2012 as compared to \$175.1 million for the same period of 2011. Net income attributable to the Company's common unitholders for the first quarter of 2012 was \$46.0 million, or \$1.83 per diluted common unit, as compared to \$12.5 million, or \$0.43 per diluted common unit, for the same period of 2011.

Warren Lichtenstein, Chairman & Chief Executive Officer of Steel Partners Holdings GP Inc., SPH's general partner, stated, "The first quarter saw solid revenue growth in our diversified industrial segment and a strong rise in revenue in the financial services segment. It was also an important quarter for the Company as we completed the process of registering our units with the SEC, and in April listed our units on the NYSE."

### Financial Summary (\$000s)

	Three Months Ended March 31,					
	2012			2011		
<b>Revenues</b>	\$	186,022		\$	175,100	
<b>Costs and Expenses</b>		186,143			159,713	
(Loss) income before taxes and equity method investments		(121)			15,387	
Income tax (provision) benefit		(1,872)			5,607	
Income from associated companies		50,540			1,858	
Loss from other investments - related party		(10,800)			(8,284)	
Income (loss) from investments held at fair value		8,638			(1,564)	
<b>Income from continuing operations</b>		46,385			13,004	
Income from discontinued operations		3,753			2,127	
<b>Net income</b>		50,138			15,131	
Income attributable to noncontrolling interests		(4,168)			(2,640)	
<b>Net income attributable to common unit holders</b>	\$	45,970		\$	12,491	
<b>Net income per common unit – basic</b>	\$	1.83		\$	0.49	
<b>Net income per common unit – diluted</b>	\$	1.83		\$	0.43	

## **Performance Overview**

The Diversified Industrial segment saw revenue of \$179.5 million, as compared to \$158.4 million in the prior year period, a 13.3% increase. Handy & Harman Ltd. ("HNH") saw increased sales volume in most of its segments, driven by higher demand for its products, resulting in 7.0% sales growth over the prior year.

Revenues for the first quarter of 2012 include \$4.0 million for the Financial Services segment, a 23.8% increase over the 2011 period, due primarily to a new lending program at WebBank.

In addition, the 2012 period reflects a full three months of operations for SWH, Inc. ("SWH"), which was acquired by BNS Holding, Inc. on February 2, 2011 and DGT Holdings Corp., which was acquired on July 5, 2011.

Income from continuing operations of \$46.4 million includes income from equity method investments in associated companies of \$50.5 million, which primarily relates to net changes in the market value of the investments held by the Company.

Meanwhile, income from investments held at fair value was \$8.6 million in the quarter, compared with a loss of \$1.6 million in the same period of 2011.

Loss from other investments - related party totaled \$10.8 million, compared with a loss of \$8.3 million in the same period of 2011. The figure primarily represents changes in the market value of the investments held by the SPII Liquidating Series Trust during the period. The Company has a 43.75% interest in the SPII Liquidating Series Trust.

Non-controlling interests primarily represent the minority ownership's share of the net income relating to HNH. As of March 31, 2012, the Company owned 53.7% of HNH.

## **Liquidity**

In addition to cash and cash equivalents, SPH, excluding its operating subsidiaries (the "Holding Company") considers investments at fair value included in its consolidated balance sheet as being generally available to meet its liquidity needs. Investments at fair value are not as liquid as cash and cash equivalents, but they are generally convertible into cash within a reasonable period of time. As of March 31, 2012, the Holding Company had cash and cash equivalents of \$27.1 million and investments at fair value of \$110.8 million.

## **Our Company**

SPH is a global diversified holding company that engages in multiple businesses through consolidated subsidiaries, associated companies and other interests. We own and operate businesses and have significant interests in leading companies in various industries, including diversified industrial products, energy, defense, banking, insurance, food products and services, oilfield services, sports, training, education, and the entertainment and lifestyle industries.

## **Forward-Looking Statements**

This press release contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that reflect SPH's current expectations and projections about its future results, performance, prospects and opportunities. SPH has tried to identify these forward-looking statements by using words such as "may", "should", "expect", "hope", "anticipate", "believe", "intend", "plan", "estimate" and similar expressions. These forward-looking statements are based on information currently available to the Company and are subject to a

number of risks, uncertainties and other factors that could cause its actual results, performance, prospects or opportunities in 2012 and beyond to differ materially from those expressed in, or implied by, these forward-looking statements. These factors include, without limitation, SPH's need for additional financing and the terms and conditions of any financing that is consummated, customers' acceptance of its new and existing products, the risk that the Company will not be able to compete successfully, and the possible volatility of the Company's stock price and the potential fluctuation in its operating results. Although SPH believes that the expectations reflected in these forward-looking statements are reasonable and achievable, such statements involve significant risks and uncertainties and no assurance can be given that the actual results will be consistent with these forward-looking statements. Investors should read carefully the factors described in the "Risk Factors" section of the Company's filings with the SEC, including the Company's Form 10-K for the year ended December 31, 2011 for information regarding risk factors that could affect the Company's results. Except as otherwise required by Federal securities laws, SPH undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

Investor contact: Steel Partners Holdings GP Inc. James F. McCabe, Jr., Chief Financial Officer 212-520-2300

**STEEL PARTNERS HOLDINGS L.P. Consolidated Balance Sheets**  
(in thousands except common units)

	<b>March 31, 2012</b>			<b>December 31, 2011</b>		
<b>ASSETS</b>	<b>(unaudited)</b>					
Current assets:						
Cash and cash equivalents	\$	171,042		\$	127,027	
Restricted cash		26,736			23,736	
Trade and other receivables (net of allowance for doubtful accounts of \$2,555 in 2012 and \$2,504 in 2011)		106,553			90,239	
Receivable from related parties		3,479			116	
Loans receivable, net		26,060			34,820	
Inventories		58,317			53,776	
Deferred income taxes		20,147			20,038	
Prepaid and other current assets		16,144			16,123	
Assets of discontinued operations		—			35,387	
Total current assets		428,478			401,262	
Long-term loans receivable, net		8,855			8,942	
Goodwill		42,806			42,797	
Other intangibles, net		133,147			135,341	

Deferred income taxes	67,913			70,625	
Other non-current assets	19,615			22,143	
Investments at fair value	146,327			150,020	
Property, plant and equipment, net	130,294			127,842	
Investments in associated companies	189,683			128,218	
Other investments at fair value - related party	31,853			42,653	
<b>Total Assets</b>	<b>\$ 1,198,971</b>			<b>\$ 1,129,843</b>	

**STEEL PARTNERS HOLDINGS L.P. Consolidated Balance Sheets**  
**(in thousands except common units) (continued)**

	<b>March 31, 2012</b>			<b>December 31, 2011</b>		
<b>LIABILITIES AND CAPITAL</b>	<b>(unaudited)</b>					
Current liabilities:						
Accounts payable	\$	49,620		\$	37,843	
Accrued liabilities		39,528			40,944	
Financial instruments		24,314			23,736	
Deposits		40,985			38,293	
Payable to related parties		5,912			4,930	
Current portion of deferred fee liability to related party		—			1,107	
Short-term debt		37,824			24,168	
Current portion of long-term debt		8,531			8,531	
Deferred income taxes		943			736	
Other current liabilities		3,631			3,239	
Liabilities of discontinued operations		—			15,310	
Total current liabilities		211,288			198,837	
Long-term deposits		49,981			56,589	
Deferred fee liability to related party		70,508			57,640	

Long-term debt	129,965			130,955	
Accrued pension liability	182,546			186,212	
Deferred income taxes	4,061			6,231	
Other liabilities	16,282			12,959	
<b>Total Liabilities</b>	664,631			649,423	
<b>Commitments and Contingencies</b>	—			—	
<b>Capital:</b>					
Partners' capital (common units: 25,183,039 issued and outstanding after deducting 2,808,725 held in treasury, at cost of \$48,099 at March 31, 2012 and December 31, 2011).	471,555			427,534	
Accumulated other comprehensive loss	(6,870)			(11,737)	
Total Partners' Capital	464,685			415,797	
Noncontrolling interests in consolidated entities	69,655			64,623	
<b>Total Capital</b>	534,340			480,420	
<b>Total Liabilities and Capital</b>	\$ 1,198,971			\$ 1,129,843	

**STEEL PARTNERS HOLDINGS L.P. Consolidated Statements of Operations**  
(unaudited) (in thousands except units and per unit data)

	Three Months Ended				
	March 31,				
	2012			2011	
<b>Revenue</b>					
Diversified industrial net sales	\$	179,531		\$	158,407
Financial services revenue		4,036			3,261
Investment and other income		116			374
Net investment gains		2,339			13,058
<b>Total revenue</b>		186,022			175,100
<b>Costs and expenses</b>					

Diversified industrial cost of goods sold	128,811			117,360	
Selling, general and administrative expenses	41,506			32,482	
Finance interest expense	320			346	
(Recovery of) provision for loan losses	(145)			116	
Interest expense	3,308			3,215	
Realized and unrealized (gain) loss on derivatives	(571)			3,538	
Management fees - related party	1,559			2,167	
Increase in deferred fee liability to related party	11,762			489	
Other income	(407)			—	
<b>Total costs and expenses</b>	186,143			159,713	
<b>(Loss) Income from continuing operations before income taxes and equity method income (loss)</b>	(121)			15,387	
Income tax (provision) benefit	(1,872)			5,607	
<b>Income (loss) from equity method investments and investments held at fair value:</b>					
Income of associated companies, net of taxes	50,540			1,858	
Loss from other investments - related party	(10,800)			(8,284)	
Income (loss) from investments held at fair value	8,638			(1,564)	
<b>Net income from continuing operations</b>	46,385			13,004	
<b>Discontinued operations:</b>					
Income (Loss) from discontinued operations, net of taxes	601			(607)	
Gain on sale of discontinued operations, net of taxes	3,152			2,734	
Income from discontinued operations	3,753			2,127	
<b>Net income</b>	50,138			15,131	
<b>Net (income) loss attributable to noncontrolling interests in consolidated entities:</b>					
Continuing operations	(2,347)			(1,619)	
Discontinued operations	(1,821)			(1,021)	
	(4,168)			(2,640)	
<b>Net income attributable to common unitholders</b>	\$	45,970		\$	12,491

<b>Net income per common unit – basic</b>					
Net income from continuing operations	\$	1.75		\$	0.45
Net income from discontinued operations		0.08			0.04
Net income attributable to common unitholders	\$	1.83		\$	0.49
<b>Net income per common unit – diluted</b>					
Net income from continuing operations	\$	1.75		\$	0.39
Net income from discontinued operations		0.08			0.04
Net income attributable to common unitholders	\$	1.83		\$	0.43
Weighted average number of common units outstanding - basic		25,183,039			25,253,287
Weighted average number of common units outstanding - diluted		25,210,214			30,492,331

**STEEL PARTNERS HOLDINGS L.P. Consolidated Statements of Cash Flows**  
(unaudited) (in thousands)

	<b>Three Months Ended</b>				
	<b>March 31,</b>				
	<b>2012</b>			<b>2011</b>	
<b>Cash flows from operating activities:</b>					
Net income	\$	50,138		\$	15,131
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Net investment gains		(2,339)			(13,058)
(Recovery of) Provision for loan losses		(145)			116
Income of associated companies		(50,540)			(1,858)
Loss from other investments - related party		10,800			8,284
(Income) Loss from investments held at fair value		(8,638)			1,564
Gain on sale of discontinued operations		(3,152)			(2,734)
Depreciation and amortization		6,392			6,191
Reclassification of net cash settlements on derivative instruments		(22)			2,794

Stock based compensation	1,775		929	
Unrealized loss on derivatives	—		808	
Income tax benefit from release of deferred tax valuation allowance	—		(7,957)	
Other	(406)		1,466	
Net change in operating assets and liabilities:				
Receivables	(15,646)		(21,324)	
Receivables from related parties	(2,889)		—	
Inventories	(4,453)		(7,599)	
Prepaid and other assets	(799)		267	
Accounts payable, accrued and other liabilities	10,823		(1,137)	
Payable to related parties	314		781	
Increase in deferred fee liability to related party	11,762		489	
Net decrease (increase) in loans held for sale	8,539		(7,630)	
Net cash provided by (used in) operating activities of discontinued operations	610		(2,654)	
Net cash provided by (used in) operating activities	12,124		(27,131)	
<b>Cash flows from investing activities:</b>				
Purchases of investments	(6,656)		(62,761)	
Proceeds from sales of investments	29,829		83,117	
Net decrease (increase) in loans receivable	452		(690)	
Purchases of property and equipment	(6,554)		(3,911)	
Reclassification of restricted cash	(578)		(5,692)	
Net cash settlements on derivative instruments	22		(2,794)	
Acquisitions, net of cash acquired	488		(57,414)	
Purchase of subsidiary shares from noncontrolling interests	(414)		(628)	
Investments in associated companies	(10,923)		(207)	
Proceeds from sales of discontinued operations	22,761		26,543	
Other	577		85	

Net cash provided by (used in) investing activities	29,004		(24,352)	
---	--------	--	----------	--

**STEEL PARTNERS HOLDINGS L.P. Consolidated Statements of Cash Flows**  
**(continued) (unaudited) (in thousands)**

	Three Months Ended			
	March 31,			
	2012		2011	
<b>Cash flows from financing activities:</b>				
Net revolver borrowings	13,473		3,727	
Net borrowings of term loans - foreign	548		758	
Repayments of term loans - domestic	(1,134)		(1,460)	
Deferred finance charges	—		(204)	
Net change in overdrafts	(2,808)		2,804	
Net decrease in deposits	(4,031)		(3,180)	
Other	(3,329)		1,141	
Net cash provided by financing activities	2,719		3,586	
Net change for the period	43,847		(47,897)	
Effect of exchange rate changes on cash and cash equivalents	168		178	
Cash and cash equivalents at beginning of period	127,027		180,684	
Cash and cash equivalents at end of period	\$ 171,042		\$ 132,965	
<b>Cash paid during the period for:</b>				
Interest	\$ 3,920		\$ 2,661	
Taxes	\$ 728		\$ 1,154	
<b>Non-cash investing activities:</b>				
Net (increase) decrease in restricted cash from purchase of foreign currency financial instruments	\$ (578)		\$ 31,451	
<b>Non-cash financing activities:</b>				
Common units issued for directors compensation	\$ —		\$ 275	

SOURCE Steel Partners Holdings L.P.