SCHMOLZ + BICKENBACH AG

Providing special steel solutions

OF STEEL

HALF-YEAR REPORT 2009

OF STEEL?

Hardly anyone realises: Almost everything we take in our hands or use every day, that helps us or delights us, has been made with the use of steel. Wherever products are manufactured from any kind of material, at least some of the important parts of the production equipment are made of steel. This applies, for example, to many textile processing machines all over the world.

This is a strength of SCHMOLZ + BICKENBACH: Based on our knowledge of the requirements in the entire supply chain of the processors, we develop steel solutions that guarantee a high quality of production at each step of the way to end-products. For the benefit of our customers and the people who use the products every day.

KEY FIGURES AT A GLANCE

		1.1.-30.6.2009	1.1.-30.6.2008
SCHMOLZ + BICKENBACH Group			
Revenue	EUR mil.	1 054.2	2 278.8
Operating profit/loss before depreciation and amortisation (EBITDA)	EUR mil.	-115.2	231.9
Operating profit/loss (EBIT)	EUR mil.	-166.5	184.8
Earnings before taxes (EBT)	EUR mil.	-198.4	162.6
Net income (EAT)	EUR mil.	-149.0	108.6
Investments	EUR mil.	59.0	99.7
Cash flow before acquisition of Group companies/minority interests	EUR mil.	118.7	-69.3
Shareholders‘ equity	EUR mil.	646.6	813.4
Equity ratio	%	29.2	26.7
Net financial liabilities	EUR mil.	907.9	1 089.6
Employees	Positions	9 953	11 201
SCHMOLZ + BICKENBACH share			
Earnings per share	EUR/CHF	-5.17/-7.78	3.60/5.78
Shareholders‘ equity per share	EUR/CHF	18.78/28.30	26.96/43.32
Highest/lowest share price	CHF	32/11	97/60

Dear Shareholder,

The developments that began in September of last year continued in the first half of 2009 with a further erosion of margins. The economic downturn that resulted from the international financial crisis hit many of our markets, and hence also our company, with full force. Besides a demand-related decline in their production volumes, our customers additionally responded to the market weakening with a massive run-down of inventories along the entire value chain. This was particularly marked in the automobile and automobile components supply industries. Here we were confronted with order reductions of around 50% and more. However, with something of a time delay, the falls in sales also significantly affected the machine, hydraulic, and apparatus industries. There were somewhat less pronounced effects of the drop in orders in the energy extraction and generation segments, the chemical and food industries, and the medical field.

The measures that we already initiated in the fourth quarter of last year were continued or extended. After overtime and flexible work-time balances and holiday entitlements had been used up, a significant amount of short-time working was introduced in virtually all areas. The numbers of loaned and temporary employees were almost entirely eliminated. In individual companies of our Group we could also not avoid personnel reductions. These included Ugitech S.A., which was subjected to a fundamental restructuring programme, and our activities in China, which were repositioned with a resulting decrease of 427 positions. The consequence of all these measures was production and shipment volumes that were markedly reduced relative to the same period last year. Since the small volumes that were being ordered in the market became the focus of intensive competition on price and liquidity, the average revenue per tonne also came under pressure, causing margins to fall substantially. In consequence, we too have to report negative earnings for the first half of 2009.

Due to the lower shipment volumes and reduced prices, revenue fell to EUR 1 054.2 million (first half 2008: EUR 2 278.8 million). Operating profit/loss before depreciation and amortisation (EBITDA) amounted to EUR -115.2 million (first half 2008: 231.9 million). Operating profit (EBIT) was negative at EUR -166.5 million (first half 2008: EUR 184.8 million). Earnings before taxes (EBT) were EUR -198.4 million (first half 2008: EUR 162.6 million), earnings after taxes (EAT) EUR -149.0 million (first half 2008: EUR 108.6 million).

Cash flow before acquisition of Group companies was EUR 118.7 million (first half 2008: EUR -69.3 million). Thanks to systematic reduction of operating working capital, the negative cash flow from operations could be more than compensated. In the first half-year, total assets declined to EUR 2 213.7 million (31.12.08: EUR 2 670.2 million). This was mainly attributable to lower accounts receivable and accounts payable as a result of decreased revenues, and to reduced inventories.

The equity ratio was 29.2% (31.12.2008: 30.7%). Net financial liabilities could be reduced to EUR 907.9 million (31.12.2008: EUR 988.0 million).

The SCHMOLZ + BICKENBACH share price developed positively. On June 30, 2009, it stood at CHF 30.00 per share, as compared with CHF 16.00 per share at the end of 2008.

In view of the difficult market environment, and thanks to the expenditures made in the previous years, we substantially reduced our investment volume to EUR 59.0 million (first half 2008: EUR 99.7 million). The investment projects that are still being implemented will be completed. With these projects we want to be prepared for a market upswing when it occurs. This applies particularly to our currently most important investment project, construction of the new steel works at A. Finkl & Sons Co. in Chicago.

PRODUCTION DIVISION

		1.1.-30.6.2009	1.1.-30.6.2008
Revenue	EUR mil.	694.8	1 604.1
EBITDA	EUR mil.	-81.4	166.2
EBITDA margin	%	-11.7	10.3
Capital employed	EUR mil.	1 152.9	1 521.8
ROCE	%	-14.1	21.8
Investments	EUR mil.	45.2	70.7
Employees	Positions	6 405	6 906

The Production Division comprises the steelworks and rolling mills of Swiss Steel AG, Deutsche Edelstahlwerke GmbH, Ugitech S.A., A. Finkl & Sons Co. and Sorel Forge Co. All of our European works were affected by the market turbulences to more or less the same extent. The demand in the for them important automobile and machinery construction segments of the market slumped to an unprecedented degree. Consequently, at all locations we were obliged to implement measures to reduce capacity to the level of the lower demand. After compensation of all overtime and flexible work-time balances, the adaptation was achieved mainly by massive short-time working and the reduction of loaned employees. In individual cases, the number of employees had to be adapted to the changed situation. The progress of business at our American and Canadian works was less unfavourable. Although order bookings at those plants were also lower, they did not fall as dramatically as in Europe. This is mainly a consequence of their somewhat different product and customer portfolios. They also have greater flexibility for adapting costs to the changed level of utilisation.

PROCESSING DIVISION

		1.1.-30.6.2009	1.1.-30.6.2008
Revenue	EUR mil.	111.6	267.4
EBITDA	EUR mil.	-11.4	26.8
EBITDA margin	%	-10.2	10.0
Capital employed	EUR mil.	180.6	200.4
ROCE	%	-12.6	26.7
Investments	EUR mil.	6.3	9.9
Employees	Positions	1 025	1 138

The Processing Division comprises SCHMOLZ + BICKENBACH Blankstahl GmbH, Steeltec AG, Boxholm AB, and our other bright steel wire and special steel wire plants in Germany, Italy, Denmark and Turkey. The companies in this division were also drawn into the maelstrom of the global economic downturn. Their heavy dependence on the particularly affected automobile and machine construction industries became clearly apparent. They, too, had to implement significant adaptations of their capacities to the reduced demand. This was achieved by short-time working and individual targeted personnel reductions, as well as by merging activities in Scandinavia. In addition, it was decided to close the Brumby site of Sprint Metal Edelstahlziehereien GmbH as from September 30, 2009.

DISTRIBUTION AND SERVICES DIVISION

		1.1.-30.6.2009	1.1.-30.6.2008
Revenue	EUR mil.	382.6	751.1
EBITDA	EUR mil.	-18.2	39.2
EBITDA margin	%	-4.7	5.2
Capital employed	EUR mil.	447.4	533.0
ROCE	%	-8.1	14.7
Investments	EUR mil.	5.2	17.1
Employees	Positions	2 354	2 997

The Distribution and Services Division comprises our distribution organisations Germany, Europe, and International. This division could also not escape the general pressure on prices and the trend to liquidity before profitability. The division largely depends on the same market segments as the other two divisions. In many cases, our works also carry out the final processing of the material as well as the fine distribution to the various customer groups. The works mainly experienced that the customers ordered smaller batches. This is because, in view of the uncertain forecasts, the customers only order what they urgently need, and are hence depleting their inventories as far as possible.

OUTLOOK

The economic downturn is much worse, and lasting much longer, than most forecasters predicted. Also for us, a precise analysis of the situation, and a statement regarding the future development, is difficult at this time. We observed that the start of the downturn occurred later depending on the industry. It first affected the manufacturers of textile machinery, after which the automobile industry began to suffer. Next, as a result of the cutbacks on investment, virtually the entire mechanical engineering industry felt the impact of the reduced demand. Almost at the same time, the apparatus and hydraulic industries suffered the same fate. Because of budget cutbacks, the energy and mining industries were also not spared. The chemical and food industries were the only ones that displayed a more or less normal pattern. Because the downturn took place in phases, we expect the upturn also to be phased. Since, for example, orders received by us from the automobile and automobile components industries fell much further than the number of vehicles sold, we conclude that our customers‘ excess inventories are starting to run out. We therefore expect that after the summer break these customers will increasingly order from us again. Although those orders will be at a lower level than in the previous years, they will still be above the very low values of the first half-year 2009. In the last few months we have given intensive thought to our cost structure. Comprehensive programmes for reduction of cost items to further increase efficiency and additionally reduce working capital have been implemented at all locations. Since we assume that the production and sales volumes that were achieved in the last few years will not be achieved again very rapidly, we are doing everything possible to adapt the cost structure and working capital to the changed circumstances. Ultimately, the aim is to set the level so that in the future we can generate respectable earnings despite lower tonnages and revenues. To safeguard the long-term financing of the Group, in the spring of 2009 we entered into dialogue with our financing partners. Our goal is to fix the present credit facilities for a total of EUR 1 367 million up to the end of 2012, and thus to have sufficient financing flexibility for a clear recovery of the markets when it occurs. We currently expect that these discussions can be successfully concluded in the next few months.

Michael Storm
Chairman of the Board of Directors

Benedikt Niemeyer
Chief Executive Officer

August 27, 2009

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS OF SCHMOLZ + BICKENBACH AG AS OF 30 JUNE 2009

CONSOLIDATED INCOME STATEMENT

(in EUR millions)		1.1.-30.6.2009	1.1.-30.6.2008
Revenue		1 054.2	2 278.8
Change in semi-finished and finished goods		-164.3	72.0
Cost of materials		-649.8	-1 654.4
Gross margin		**240.1**	**696.4**
Other operating income		25.8	23.9
Personnel costs		-242.9	-295.8
Other operating expenses		-135.7	-203.1
Share of the profit or loss of associates		-2.5	10.5
Operating profit/loss before depreciation and amortisation		**-115.2**	**231.9**
Depreciation/amortisation and impairments		-51.3	-47.1
Operating profit/loss		**-166.5**	**184.8**
Financial income		5.8	11.8
Financial expense		-37.7	-34.0
Financial result		**-31.9**	**-22.2**
Earnings before taxes		**-198.4**	**162.6**
Income taxes		49.4	-54.0
Net income/loss for the period		**-149.0**	**108.6**
of which attributable to			
- holders of registered shares of SCHMOLZ + BICKENBACH AG		-155.0	107.9
- interests of the contributors of hybrid capital		6.2	0.0
Total attributable to shareholders of SCHMOLZ + BICKENBACH AG[1)]		-148.8	107.9
- Minority interests		-0.2	0.7
Earnings per share (basic/diluted)	**EUR**	**-5.17**	**3.60**

[1)] including contributors of hybrid capital

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in EUR millions)	1.1.-30.6.2009	1.1.-30.6.2008
Net income/loss for the period	**-149.0**	**108.6**
Change in unrealised gains/losses	-0.4	-8.3
Unrealised gains/losses from currency translation	**-0.4**	**-8.3**
Change in unrealised gains/losses	-8.3	-1.5
Realised gains/losses	0.1	1.8
Unrealised gains/losses from cash flow hedges	**-8.2**	**0.3**
Change in actuarial gains/losses from pension-related and similar obligations and effects due to an asset ceiling	**1.5**	**12.0**
Tax effect	0.5	-6.1
Other comprehensive income/loss	**-6.6**	**-2.1**
Total comprehensive income/loss	**-155.6**	**106.5**
of which attributable to		
- holders of registered shares of SCHMOLZ + BICKENBACH AG	-161.7	105.5
- interests of the contributors of hybrid capital	6.2	0.0
Total attributable to shareholders of SCHMOLZ + BICKENBACH AG[1]	-155.5	105.5
- Minority interests	-0.1	1.0

[1] including contributors of hybrid capital

CONSOLIDATED BALANCE SHEET

(in EUR millions)	30.6.2009	%	31.12.2008	%	30.6.2008	%
Intangible assets	40.3		41.5		43.8	
Property, plant and equipment	834.1		830.1		745.3	
Investments in associates	42.3		50.2		44.4	
Other financial assets	22.0		19.9		34.6	
Other non-current assets	0.8		2.4		8.9	
Deferred tax assets	39.9		24.8		31.2	
Total non-current assets	**979.4**	44.2	**968.9**	36.3	**908.2**	29.8
Inventories	791.8		1 054.3		1 230.7	
Trade accounts receivable	317.7		504.0		768.4	
Financial receivables and other financial assets	5.1		4.4		7.2	
Income tax assets	39.4		42.7		8.9	
Other current assets	37.6		49.0		76.6	
Cash and cash equivalents	42.7		46.9		44.2	
Total current assets	**1 234.3**	55.8	**1 701.3**	63.7	**2 136.0**	70.2
Total assets	**2 213.7**	100.0	**2 670.2**	100.0	**3 044.2**	100.0
Share capital	192.6		192.6		192.6	
Capital reserves	499.7		499.7		499.7	
Hybrid capital	79.3		79.3		0.0	
Retained earnings	-79.3		85.7		131.3	
Accumulated income and expense recognised directly in equity	-49.5		-42.8		-14.7	
Attributable to shareholders of SCHMOLZ + BICKENBACH AG[1)]	**642.8**		**814.5**		**808.9**	
Minority interests	3.8		4.0		4.5	
Total shareholders' equity	**646.6**	29.2	**818.5**	30.7	**813.4**	26.7
Provisions for pensions and similar obligations	144.4		147.7		146.3	
Other non-current provisions	37.0		37.7		42.7	
Deferred tax liabilities	10.5		47.5		81.7	
Non-current financial liabilities	77.6		706.4		697.9	
Other non-current liabilities	49.4		37.5		1.1	
Total non-current liabilities	**318.9**	14.4	**976.8**	36.6	**969.7**	31.9
Current provisions	42.6		37.4		41.7	
Trade accounts payable	190.9		355.0		538.8	
Current financial liabilities	873.0		328.5		435.9	
Income tax liabilities	30.6		41.1		76.7	
Other current liabilities	111.1		112.9		168.0	
Total current liabilities	**1 248.2**	56.4	**874.9**	32.7	**1 261.1**	41.5
Total liabilities	**1 567.1**	70.8	**1 851.7**	69.3	**2 230.8**	73.3
Total shareholders' equity and liabilities	**2 213.7**	100.0	**2 670.2**	100.0	**3 044.2**	100.0

[1)] including contributors of hybrid capital

CONSOLIDATED CASH FLOW STATEMENT

(in EUR millions)	**1.1.-30.6.2009**	**1.1.-30.6.2008**
Earnings before taxes	-198.4	162.6
Depreciation and amortisation and impairments	51.3	47.1
Share of the profit or loss of associates	2.5	-10.5
Gain/loss from disposal of intangible assets and property, plant and equipment	0.7	-1.2
Increase/decrease in other assets and liabilities	7.1	4.6
Financial income	-5.8	-11.8
Financial expense	37.7	34.0
Income taxes paid	-8.1	-38.4
Cash flow before changes in net working capital	-113.0	186.4
Increase/decrease in inventories	267.3	-118.1
Increase/decrease in trade accounts receivable	188.7	-166.2
Increase/decrease in trade accounts payable	-168.8	126.9
Cash flow from operations	**174.2**	**29.0**
Investments in property, plant and equipment	-56.3	-96.6
Proceeds from disposal of property, plant and equipment	2.0	4.0
Investments in intangible assets	-2.4	-3.1
Investments in financial assets	-4.7	-3.9
Proceeds from disposal of financial assets	0.8	0.2
Interest received	0.9	1.1
Dividends received	4.2	0.0
Cash flow from investing activities before acquisition of Group companies/ minority interests	**-55.5**	**-98.3**
Cash flow before acquisition of Group companies/minority interests	**118.7**	**-69.3**
Acquisition of subsidiaries, net of cash acquired	-0.6	-6.9
Acquisition of minority interests	0.0	-1.0
Cash flow from acquisition of subsidiaries/minority interests	**-0.6**	**-7.9**
Cash flow from investing activities	**-56.1**	**-106.2**
Free cash flow	**118.1**	**-77.2**
Proceeds from issuance/repayment of financial liabilities	-87.6	130.7
Dividends paid to shareholders of SCHMOLZ + BICKENBACH AG	-10.0	-23.5
Dividends paid to minority shareholders	-0.1	0.0
Interest paid	-24.4	-25.2
Cash flow from financing activities	**-122.1**	**82.0**
Change in cash and cash equivalents due to cash flow	-4.0	4.8
Effect of foreign exchange differences on cash	-0.2	-0.9
Change in cash and cash equivalents	**-4.2**	**3.9**
Cash and cash equivalents as at 1.1.	46.9	40.3
Cash and cash equivalents as at 30.6.	42.7	44.2
Change in cash and cash equivalents	**-4.2**	**3.9**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in EUR millions)	Share capital	Capital reserves	Hybrid capital	Retained earnings	Accumulated income and expense recognised directly in equity	Attributable to the shareholders of S+B AG[1]	Minority interests	Total shareholders' equity
Balance as at 1.1.2008	**192.6**	**499.7**	**0.0**	**46.9**	**-12.3**	**726.9**	**3.1**	**730.0**
Capital transactions with the contributors of equity								
Dividends	0.0	0.0	0.0	-23.5	0.0	**-23.5**	0.0	**-23.5**
Minority interests from acquisitions	0.0	0.0	0.0	0.0	0.0	**0.0**	0.4	**0.4**
Total comprehensive income/loss								
Net income/loss for the period	0.0	0.0	0.0	107.9	0.0	**107.9**	0.7	**108.6**
Other comprehensive income/loss	0.0	0.0	0.0	0.0	-2.4	**-2.4**	0.3	**-2.1**
Balance as at 30.6.2008	**192.6**	**499.7**	**0.0**	**131.3**	**-14.7**	**808.9**	**4.5**	**813.4**
Balance as at 1.1.2009	**192.6**	**499.7**	**79.3**	**85.7**	**-42.8**	**814.5**	**4.0**	**818.5**
Capital transactions with the contributors of equity								
Dividends	0.0	0.0	0.0	-10.0	0.0	**-10.0**	-0.1	**-10.1**
Distributions to the contributors of hybrid capital	0.0	0.0	0.0	-6.2	0.0	**-6.2**	0.0	**-6.2**
Total comprehensive income/loss								
Net income/loss for the period	0.0	0.0	0.0	-148.8	0.0	**-148.8**	-0.2	**-149.0**
Other comprehensive income/loss	0.0	0.0	0.0	0.0	-6.7	**-6.7**	0.1	**-6.6**
Balance as at 30.6.2009	**192.6**	**499.7**	**79.3**	**-79.3**	**-49.5**	**642.8**	**3.8**	**646.6**

[1] including contributors of hybrid capital

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

1. INFORMATION ABOUT THE COMPANY

SCHMOLZ + BICKENBACH AG (SCHMOLZ + BICKENBACH) is a Swiss public limited company which is listed on the SIX (Swiss Exchange) and has its registered office at Emmenweidstrasse 90 in Emmen.

The majority of its shares are held indirectly by SCHMOLZ + BICKENBACH KG, in Germany, with registered office at Eupener Strasse 70 in Düsseldorf. SCHMOLZ + BICKENBACH KG is thus the ultimate parent of the entire Group.

These condensed consolidated half-year financial statements were authorised for issue by the Board of Directors on 27 August 2009.

2. ACCOUNTING POLICIES

With these condensed consolidated half-year financial statements of SCHMOLZ + BICKENBACH AG for the first half-year of 2009, the Group presents interim financial statements in accordance with IAS 34 “Interim Financial Reporting”. The condensed consolidated half-year financial statements are based on the standards and interpretations that were mandatory as at 30 June 2009 and contain all information which is required under IFRS for condensed interim financial statements. More extensive information regarding the recognition and valuation methods can be found in the consolidated financial statements for the year ended 31 December 2008.

The half-year financial report is presented in Euro. Unless otherwise indicated, the numbers are denominated in millions of Euro.

In preparing these condensed consolidated half-year financial statements in accordance with IAS 34, assumptions and estimates have been made which affect the amounts and presentation of the assets and liabilities recognised in the balance sheet, of the income and expenses, and of the contingent liabilities. The actual values may differ from these estimates.

The significant accounting policies and valuation methods applied in the condensed consolidated half-year financial statements are consistent to a very large extent with those of the last consolidated financial statements as of the end of the business year 2008. Exceptions are the amended and new standards, the application of which was mandatory as at 01 January 2009.

Through the application of IAS 1 “Presentation of Financial Statements” (revised), the consolidated financial statements receive a consolidated statement of comprehensive income with disclosure of the components of other comprehensive income. The Group has adopted the option to present the statement of comprehensive income in two separate statements (two-statement approach).

The amended Standard IFRS 7 “Financial Instruments: Disclosures” requires additional disclosures as to the determination of the fair values of financial instruments and to the liquidity risk. The changes in respect of the determination of the fair values relate to a quantitative analysis on the basis of a three-stage fair value hierarchy for each class of financial instruments.

IAS 23 “Borrowing Costs” now requires the mandatory capitalisation of borrowing costs for qualifying assets. The SCHMOLZ + BICKENBACH Group has adapted its accounting principles accordingly. The Standard requires a prospective adoption of the new rules, so that borrowing costs for qualifying assets, the acquisition, construction or manufacture of which is commenced on or after 01 January 2009, are to be capitalized. Borrowing costs in the amount of EUR 0.2 million were capitalized in the first half-year of 2009. All borrowing costs treated as an expense up to 31 December 2008 are not affected by the change in this Standard.

Amendments to the following Standards and Interpretations, and new Interpretations, also have to be adopted mandatorily as of 01 January 2009, but have no or no material effect on the consolidated financial statements of SCHMOLZ + BICKENBACH AG:

- IFRS 2 “Share-based Payment”
- IAS 32 “Financial Instruments: Presentation”
- IAS 39 “Financial Instruments: Recognition and Measurement”
- IFRIC 9 “Reassessment of Embedded Derivatives”
- IFRIC 13 “Customer Loyalty Programmes”
- IFRIC 15 “Agreements for the Construction of Real Estate”
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”

Apart from the amendments or new publications of individual Standards, the IASB published in May 2008 its first omnibus of amendments to IFRS, with the objective to eliminate inconsistencies and clarify individual rules. There are separate transition rules for each of the Standards affected. These amendments do not have any direct effect on the uniform accounting policies of the Group.

3. SCOPE OF THE CONSOLIDATION AND BUSINESS COMBINATIONS

The scope of the consolidation has not changed significantly in the first half-year 2009 as compared with 31 December 2008.

4. IMPAIRMENT TEST

Goodwill resulting from business combinations and intangible assets with indefinite useful lives are tested for impairment annually (as of 30 November). The basic assumptions for the impairment test were explained in the consolidated financial statements as at 31 December 2008. At each balance sheet date, SCHMOLZ + BICKENBACH evaluates whether there are internal or external indications that an asset may be impaired. The worldwide economic downturn since the beginning of the second half-year 2008 has resulted in a heavy drop in the demand for steel products in the customer groups which are important for SCHMOLZ + BICKENBACH, automobile and machine construction. This led to a heavy decrease in revenues, with significant margin deterioration and the under-utilisation of the Group’s production and processing facilities. Due to these factors, an update of the Group’s medium term plan was necessary, on the basis of which an extraordinary impairment test was performed. No necessity for write-downs of the values of goodwill and of the intangible assets with indefinite useful lives arose in the reporting period. An impairment loss in the amount of EUR 0.4 million was recognised on the intangible assets with finite useful lives and the property, plant and equipment, resulting from the planned closure of the wire drawing plant at the Brumby location of the Group company Sprint Metal Edelstahlziehereien GmbH (DE).

5. SEGMENT REPORTING

The Group presents itself according to its internal reporting and organisational structure by its three operating divisions – hereafter referred to as operating segments – "Production", "Processing" and "Distribution and Services". The separation into operating segments corresponds with the corporate strategy of SCHMOLZ + BICKENBACH, which foresees vertical integration along the value chain for special steel applications. For the half-year, the individual divisions are presented as follows:

in EUR millions)	Production	Processing	Distribution and Services	Total operating segments	Reconciliation	Total
1.1.-30.6.2009						
Revenues	590.8	71.8	381.2	**1 043.8**	10.4	**1 054.2**
Intersegment revenues	104.0	39.8	1.4	**145.2**	-145.2	**0.0**
Total revenue	**694.8**	**111.6**	**382.6**	**1 189.0**	**-134.8**	**1 054.2**
Segment result (EBITDA)	**-81.4**	**-11.4**	**-18.2**	**-111.0**	**-4.2**	**-115.2**
Earnings before tax (EBT)	**-134.4**	**-19.9**	**-31.2**	**-185.5**	**-12.9**	**-198.4**
Segment assets[1]	1 304.1	203.8	534.5	**2 042.4**	171.3	**2 213.7**
Segment liabilities[2]	151.2	23.2	87.1	**261.5**	1 305.6	**1 567.1**
Segment assets less segment liabilities (capital employed)	**1 152.9**	**180.6**	**447.4**	**1 780.9**		
Segment investments[3]	45.2	6.3	5.2	**56.7**	2.3	**59.0**
Employees	6 405	1 025	2 354	**9 784**	169	**9 953**
1.1.-30.6.2008						
Revenues	1 346.2	171.3	744.9	**2 262.4**	16.4	**2 278.8**
Intersegment revenues	257.9	96.1	6.2	**360.2**	-360.2	**0.0**
Total revenue	**1 604.1**	**267.4**	**751.1**	**2 622.6**	**-343.8**	**2 278.8**
Segment result (EBITDA)	**166.2**	**26.8**	**39.2**	**232.2**	**-0.3**	**231.9**
Earnings before tax (EBT)	**117.2**	**18.3**	**26.8**	**162.3**	**0.3**	**162.6**
Segment assets[1]	1 962.1	285.5	697.7	**2 945.3**	98.9	**3 044.2**
Segment liabilities[2]	440.3	85.1	164.7	**690.1**	1 540.7	**2 230.8**
Segment assets less segment liabilities (capital employed)	**1 521.8**	**200.4**	**533.0**	**2 255.2**		
Segment investments[3]	70.7	9.9	17.1	**97.7**	2.0	**99.7**
Employees	6 906	1 138	2 997	**11 041**	160	**11 201**

[1] Segment assets: Intangible assets (excluding goodwill) + property, plant and equipment + inventories + trade accounts receivable (total value agrees to total assets in the balance sheet)

[2] Segment liabilities: Trade accounts payable (total value agrees to total liabilities in the balance sheet)

[3] Segment investments: Additions to intangible assets (excluding goodwill) + additions to property, plant and equipment

6. NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1 OTHER OPERATING INCOME

(in EUR millions)	1.1.-30.6.2009	1.1.-30.6.2008
Net exchange gains/losses	4.3	4.3
Income from the reversal of provisions	4.5	2.9
Gains from the disposal of non-current assets	0.3	2.4
Commission income	0.2	1.1
Miscellaneous income	16.5	13.2
Total	**25.8**	**23.9**

Exchange gains and losses are reported net in the income statement and, depending on their net amount, as either other operating income or other operating expense. The composition of the net amounts is as follows:

(in EUR millions)	1.1.-30.6.2009	1.1.-30.6.2008
Exchange gains	55.8	38.4
Exchange losses	51.5	34.1
Net exchange gains/(losses)	**4.3**	**4.3**

Miscellaneous income is composed of several items which are each in themselves immaterial and cannot be assigned to any other category.

6.2 OTHER OPERATING EXPENSES

(in EUR millions)	1.1.-30.6.2009	1.1.-30.6.2008
Freight, commissions	35.3	58.1
Maintenance, repairs	18.3	44.3
Rentals, tenancy and leasing	14.5	12.2
Non-income taxes	4.8	8.2
Insurance fees	5.9	7.9
Losses on the disposal of non-current assets	0.9	1.2
Miscellaneous expense	56.0	71.2
Total	**135.7**	**203.1**

Miscellaneous expense is composed of several items which are each in themselves immaterial and cannot be assigned to any other category.

6.3 INCOME TAXES

(in EUR millions)	1.1.-30.6.2009	1.1.-30.6.2008
Current taxes	2.7	44.2
Deferred taxes	-52.1	9.8
Income tax expense/(income)	**-49.4**	**54.0**

The high income amount from deferred taxes resulted primarily from the capitalisation of deferred tax assets on tax loss carry-forwards of the current period, which have been recognised to the extent that their future utilisation is probable.

6.4 FINANCIAL RESULT

(in EUR millions)	1.1.-30.6.2009	1.1.-30.6.2008
Expected return on plan assets	5.0	5.2
Interest income	0.8	2.4
Other financial income	0.0	4.2
Financial income	**5.8**	**11.8**
Interest expense on financial liabilities	-24.8	-26.4
Interest expense on pension provisions	-7.8	-7.1
Other financial expense	-5.1	-0.5
Financial expense	**-37.7**	**-34.0**
Financial result	**-31.9**	**-22.2**

The other financial income/expense consists mainly of fair value changes of those interest derivatives which are not designated as part of a hedge relationship.

7. NOTES TO THE CONSOLIDATED BALANCE SHEET

7.1 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The overall investment volume of EUR 59.0 million comprises investments in intangible assets of EUR 2.4 million and investments in property, plant and equipment of EUR 56.6 million. The investments in property, plant and equipment relate principally to the construction of new steelworks at A. Finkl & Sons Co. (US) and at Deutsche Edelstahlwerke GmbH (DE).

7.2 INVENTORIES

(in EUR millions)	**30.6.2009**	**31.12.2008**	**30.6.2008**
Raw materials and supplies	105.0	129.5	168.3
Semi-finished products and work in progress	186.6	293.6	422.6
Finished products and merchandise	500.2	631.2	639.8
Total	**791.8**	**1 054.3**	**1 230.7**

Inventories were heavily reduced in the first half-year 2009 and thus adapted to the reduced sales volume. Allowances on inventories in the amount of EUR 26.6 million had to be charged to cost of materials in the first half-year 2009 because of the further decreased scrap and alloy prices together with the significant decline in margins.

7.3 FINANCIAL LIABILITIES

In addition to local bank loans of individual subsidiaries, the Group finances itself primarily through a syndicated loan running until December 2012 in the amount of EUR 525.0 million, a promissory note bond for a total of EUR 250.0 million arranged in May 2008 and repayable in three tranches until 2015, plus an asset-backed security financing programme, which was adjusted from EUR 250.0 million to EUR 200.0 million in March 2009 based on the lower volume of receivables due to the reduced prices and quantities.

Through the occurrence of the financial crisis and its effects on the real economy, the basic conditions for business financing have, however, changed significantly. The steel industry, and thus also SCHMOLZ + BICKENBACH, is particularly heavily affected by the consequences of the world economic crisis. In view of the expected deterioration in the results, we sought discussions with our financing partners in Spring 2009 in order to assure the long-term financing of the Group. It is the objective of management to secure the current credit facilities of EUR 1367 million in total until 2012, in order to assure adequate financial flexibility during the recovery of the markets. In this connection, the Group's subsidiary SCHMOLZ + BICKENBACH Edelstahl GmbH has applied for financial support within the framework of the "Konjunkturpaket II" of the Federal Republic of Germany.

In consequence of the significant deterioration in the results, the financial covenants defined in the credit agreements could no longer be met as of 30 June 2009. Thus, in accordance with IAS 1.74, financial liabilities in the amount of EUR 600.6 million are classified as current at balance sheet date although the credit agreements stipulate in principle a significantly longer period to maturity and SCHMOLZ + BICKENBACH received a waiver from the banks of the verification of the financial covenants in August 2009. Based on the discussions to date with the banks and the government bodies, the Management anticipates achieving a successful rearrangement of the financing structure for the Group within the near future.

8. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Some changes in the presentation of the cash flow statement have been made in comparison to the Annual Report 2008, in that headings were in part grouped together to achieve improved clarity and that the designations of individual items were adapted to the terminology of the respective items in the balance sheet and income statement. Further, the subtotal "Cash flow before changes in net working capital" is now consistent with the Group's internal definition of the net working capital as cash flow from operations is presented before changes in inventories, trade accounts receivable and trade accounts payable.

9. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

As a result of the general decrease in the investment volume, and because of the building progress of the new construction of the steelworks of A. Finkl & Sons Co. (US), the purchase commitments, and thus the total amount of the obligations, have decreased to EUR 61.1 million (31.12.2008: EUR 88.1 million).

10. TRANSACTIONS WITH RELATED PARTIES

No significant changes in the nature of the transactions with related parties have arisen since 31 December 2008. However, the volume of the sale and purchase transactions with related parties has decreased significantly as compared to the similar period in the prior year as a result of the general decline in sales.

11. EVENTS AFTER THE BALANCE SHEET DATE

As part of adapting the capacities of the wire drawing plants to the reduced demand, SCHMOLZ + BICKENBACH has decided to terminate the activities of the subsidiary company Sprint Metal Edelstahlziehereien GmbH (DE) at the Brumby location as of 30 September 2009. It is anticipated that restructuring costs in the amount of EUR 0.3 million will arise, which are not provided for in these financial statements since the conditions for the recognition of a restructuring provision according to IAS 37.72 were not met as at 30 June 2009.

The rearrangement of the financing structure, with the objective of assuring the long-term financing flexibility of the Group, was already discussed in detail under Note 7.3. As explained, the banking syndicate has in August 2009 waived the verification of the financial covenants as of 30 June 2009 and has thus created the prerequisites for the financing facilities to continue to be available to the Group with adequate flexibility. The Management currently assumes that the discussions regarding the application for financial support from the state and the rearrangement of the financing structure can be brought to a successful conclusion.

GOVERNING BODIES

BOARD OF DIRECTORS

Michael Storm (1951, elected until 2012)
Chairman of the Board of Directors

Dr. Hans-Peter Zehnder (1954, elected until 2010)
Vice Chairman

Benedikt Niemeyer (1958, elected until 2012)
Delegate to the Board of Directors

Dr. Helmut J. Burmester (1939, elected until 2012)
Member

Dr. Gerold Büttiker (1946, elected until 2012)
Member

Manfred Breuer (1951, elected until 2012)
Member

Benoît D. Ludwig (1945, elected until 2012)
Member

Dr. Alexander von Tippelskirch (1941, elected until 2012)
Member

HEADS OF THE BUSINESS SEGMENTS

Walter J. Hess (1946)
Swiss Steel AG

Karl Haase (1951)
Deutsche Edelstahlwerke GmbH

Patrick Lamarque d'Arrouzat (1965)
Ugitech S.A.

Bruce Liimatainen (1956)
A. Finkl & Sons Co.

Peter Schubert (1958)
SCHMOLZ + BICKENBACH Blankstahl GmbH

Gerd Münch (1962)
Steeltec AG

Peter Schwarze (1966)
SCHMOLZ + BICKENBACH Distributions GmbH
(until 30 June 2009)

Bernd Grotenburg (1964)
SCHMOLZ + BICKENBACH Distributions GmbH
(from 1 July 2009)

EXECUTIVE MANAGEMENT COMMITTEE

Benedikt Niemeyer (1958)
Chief Executive Officer

Dr. Marcel Imhof (1948)
Chief Operating Officer

Axel Euchner (1961)
Chief Financial Officer

AUDITORS

Ernst & Young Ltd, Zurich

SCHMOLZ + BICKENBACH AG
Providing special steel solutions