SCHMOLZ + BICKENBACH AG

Providing special steel solutions

2010 Half-Year Report

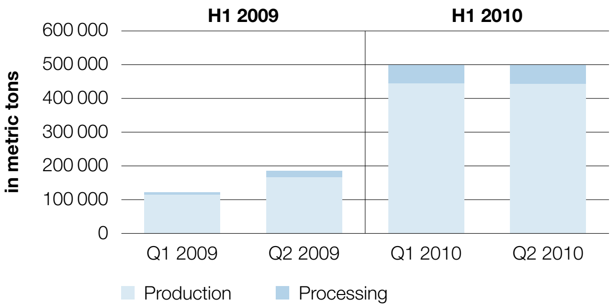
KEY FIGURES AT A GLANCE

		1.1.-30.6.2010	1.1.-30.6.2009
SCHMOLZ + BICKENBACH Group			
Revenue	EUR mil.	1 477.4	1 054.2
Operating profit (loss) before depreciation and amortisation (EBITDA)	EUR mil.	102.3	-115.2
Operating profit (loss) (EBIT)	EUR mil.	49.2	-166.5
Earnings before taxes (EBT)	EUR mil.	8.7	-198.4
Net income (EAT)	EUR mil.	4.4	-149.0
Investments	EUR mil.	41.3	59.0
Cash flow before acquisition of Group companies	EUR mil.	-135.9	118.7
Shareholders' equity	EUR mil.	559.4	646.6
Equity ratio	%	21.4	29.2
Net financial liabilities	EUR mil.	1 086.4	907.9
Employees	Positions	9 933	9 953
SCHMOLZ + BICKENBACH share			
Earnings per share	EUR/CHF	-0.07/-0.10	-5.17/-7.78
Shareholders' equity per share	EUR/CHF	15.88/20.94	18.78/28.30
Highest/lowest share price	CHF	38/24	32/11

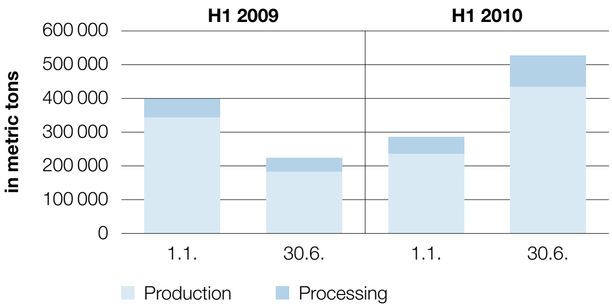
Dear Shareholder,

The expectations that arose from the irregular market developments of 2009 were fulfilled in the first half of 2010 (H1 2010): relative to the comparable period last year, orders received at all of our companies, and the capacity utilisation of our plants, rose markedly. The rundown in inventories along the entire value chain of our customers that took place in 2009 finally resulted in supply shortages in some areas. Since material consumption had previously fallen by much less than material purchases, in the first half-year customers were compelled to massively increase their order volumes, which in some cases caused delays in delivery. This development was particularly marked in the automobile and automobile components supply industries. The brighter demand situation was also felt in the mechanical engineering, hydraulic, energy-extraction and energy-generation market segments. As a result of the higher order intake, the capacity reduction measures that were implemented last year could be successively withdrawn and short-time working discontinued by mid-year.

DEVELOPMENT OF ORDERS RECEIVED



DEVELOPMENT OF THE ORDER BACKLOG



The income-improvement measures that were introduced last year were rigorously continued and are being monitored by corresponding controlling measures. This relates to the cost-reduction programme as well as to optimisation of the working capital. We shall continue to keep these two projects under close observation.

Following the approval in April 2010 of the application of SCHMOLZ + BICKENBACH Edelstahl GmbH (DE) under the "Konjunkturpaket II" for a guarantee from the Federal Republic of Germany and from the State of North Rhine-Westphalia plus a participation by the state-owned KfW Bank in the form of a direct loan, the restructuring of the financing with continuation of the former financing volume of the Group totalling EUR 1 367 million is now almost complete. The credit contracts are in the finalisation phase.

The legal validity of the foreseen state aid – as also in other cases – is now being evaluated by the European Commission. As far as we are aware, the negotiating parties on the German side assume that the state aid that has been approved is also legally valid.

CLEAR INCREASE IN INCOME		1.1.-30.6. 2010	1.1.-30.6. 2009	Change Absolute	Change In %
Revenue	EUR mil.	1 477.4	1 054.2	423.2	40.1%
Gross margin	EUR mil.	506.4	240.1	266.3	110.9%
Operating profit (loss) before depreciation and amortisation (EBITDA)	EUR mil.	102.3	-115.2	217.5	188.8%
EBITDA margin	%	6.9	-10.9	17.8	163.3%
Operating profit (loss) (EBIT)	EUR mil.	49.2	-166.5	215.7	129.5%
Earnings before taxes (EBT)	EUR mil.	8.7	-198.4	207.1	104.4%
Net income (EAT)	EUR mil.	4.4	-149.0	153.4	103.0%
ROCE	%	10.6	-14.2	24.8	174.6%

Since the start of the year, the revenues from our products could be increased in stages. This was thanks to the improved market environment as well as the increased raw material prices. Relative to the previous year, revenue climbed steeply by 40.1% to EUR 1 477.4 million (H1 2009: EUR 1 054.2 million). As a consequence of the higher raw material prices and increased volumes, the cost of materials rose by 67.7% to EUR 1 089.5 million (H1 2009: EUR 649.8 million). After correction for the change in semi-finished and finished products, the increase relative to last year‘s amount was 19.3%. With some delay, we were able to pass on the higher raw material prices to our customers. As a result of the successive increases in the price level and optimisation of the sales structure, in the first half of 2010 the gross profit margin could be increased from month to month. Relative to the previous year, the gross margin increased by a total of 110.9% to EUR 506.4 million (H1 2009: EUR 240.1 million). The increased gross margin is also reflected in the significantly improved utilisation of the production and processing capacities of the Group relative to the previous year.

Other operating income has fallen slightly in the reporting year by 5.4% to EUR 24.4 million (H1 2009: EUR 25.8 million). This includes the gain of EUR 6.7 million from sale of the remaining 35% holding in Stahl Gerlafingen AG (CH) in April 2010.

Relative to the previous year, personnel costs increased by 11.2% to EUR 270.2 million (H1 2009: EUR 242.9 million), thereby reflecting the increasing full employment in all of our companies. In the second quarter of 2010, it was even necessary to reintroduce overtime working and special shifts to satisfy the increased demand. Our decision made last year to retain the permanent workforce as far as possible also in the face of weaker demand paid off, since we thereby avoided any loss of know-how. The localised structural adaptations that were implemented in the previous year contributed to reducing personnel costs relative to revenue from 23.0% to 18.3%.

As a result of the implemented cost-reduction measures and the higher level of capacity utilisation, other operating expenses relative to revenue also declined from 12.9% to 10.7%. On the other hand, the rapidly increasing level of utilisation caused higher shipping costs as well as higher maintenance and repair expenses so that in total, other operating expenses increased slightly by 16.6% from the previous year to EUR 158.2 million (H1 2009: EUR 135.7 million).

Operating profit (loss) before depreciation and amortisation (EBITDA) rose by EUR 217.5 million, or 188.8%, to EUR 102.3 million (H1 2009: EUR -115.2 million) and, in contrast to the same period of the previous year, was distinctly positive again. The cost-reduction measures showed their effect in a marked improvement in the EBITDA margin to 6.9% (H1 2009: -10.9%). This represents a return on capital employed of 10.6% as compared with -14.2% in the comparable period last year.

On account of the reduced investment budget, depreciation and impairments rose only slightly by 3.5% from the previous year. Operating profit (loss) (EBIT) in the first half of 2010 hence attained EUR 49.2 million (H1 2009: EUR -166.5 million), thereby exceeding the previous year's value by 129.5%.

The financial result rose relative to the same period last year by 27.0% to EUR -40.5 million (H1 2009: EUR -31.9 million), which reflects higher net debt and higher financing costs by comparison with the previous year's period.

Earnings before taxes (EBT) were EUR 8.7 million (H1 2009: EUR -198.4 million), which was a significant improvement of 104.4% on the comparable period last year. Income taxes amounted to EUR -4.3 million compared with EUR 49.4 million in the same period last year. Group net income (EAT) amounted to EUR 4.4 million (H1 2009: EUR -149.0 million), an improvement of 103.0%.

GROWTH IN TOTAL ASSETS		**30.6. 2010**	**31.12. 2009**	**Change Absolute**	**Change In %**
Working capital	EUR mil.	1 014.3	746.7	267.6	35.8%
Capital employed	EUR mil.	1 923.5	1 617.9	305.6	18.9%
Total assets	EUR mil.	2 608.0	2 222.0	386.0	17.4%
Shareholders' equity	EUR mil.	559.4	527.4	32.0	6.1%
Equity ratio	%	21.4	23.7	-2.3	-9.7%
Net financial liabilities	EUR mil.	1 086.4	917.2	169.2	18.4%

As a result of the restraint that was exercised last year in the release of investment projects, the investment volume fell by a further 30% to EUR 41.3 million (H1 2009: EUR 59.0 million.). The most important project is still construction of the new steelworks of A. Finkl & Sons Co. (US) in Chicago. The project should be finalised during 2010. In addition, various projects were implemented in the areas of product and process improvement, environment, distribution and logistics. Taking into account the divestment of the holding in Stahl Gerlafingen, non-current assets increased only slightly by a total of 0.9%.

A stronger impact on total assets resulted from the current assets, which increased by 31.5% due to the positive business development. The production plants again seasonally increased their inventories of semi-finished products in advance of the plant closures in summer, so as to be able to resume production in response to the high demand immediately after the works holidays. Relative to 31 December 2009, total assets rose distinctly by 17.4% to EUR 2 608.0 million (31.12.2009: EUR 2 222.0 million), which resulted mainly from the increase in working capital of 35.8%. This increase in the value of the balance sheet was partly offset by a reduction of EUR 51.4 million in the liquidity reserve.

Net liabilities increased by 18.4% to EUR 1 086.4 million (31.12.2009: EUR 917.2 million), attributable mainly to the increase in working capital. A positive change in the provision for currency translation caused shareholders' equity to rise by 6.1% to EUR 559.4 million (H1 2009: EUR 527.4 million). However, because of the higher total assets, the equity ratio fell to 21.4% (31.12.2009: 23.7%).

NEGATIVE FREE CASH FLOW CAUSED BY THE NECESSARY INCREASE IN INVENTORIES

		1.1.-30.6.	1.1.-30.6.	Change	
		2010	2009	Absolute	In %
Cash flow before changes in net working capital	EUR mil.	117.1	-113.0	230.1	203.6%
Cash flow from operations	EUR mil.	-122.4	174.2	-296.6	-170.3%
Cash flow from investing activities	EUR mil.	-13.5	-56.1	42.6	75.9%
Cash flow before acquisition of Group companies	EUR mil.	-135.9	118.7	-254.6	-214.5%
Free cash flow	EUR mil.	-135.9	118.1	-254.0	-215.1%

The improved capacity utilisation and margin situation caused cash flow before changes in net working capital to increase to EUR 117.1 million, which represents an improvement of EUR 230.1 million, or 203.6%, relative to the equivalent period last year. The recovery in demand caused a strong increase in working capital, whereas in the same period last year there was a clear decrease in inventories. On account of the price- and volume-related increases in working capital, cash flow from operating activities fell by 170.3% relative to the previous year to EUR -122.4 million (H1 2009: EUR 174.2 million).

In the first half of 2010, cash flow from investing activities dropped by 75.9% to EUR -13.5 million (H1 2009: EUR -56.1 million). The decrease is attributable to the lower investments as well as to positive cash flows from the divestment of the remaining holding in Stahl Gerlafingen.

At EUR -135.9 million, cash flow before acquisition of Group companies was 214.5% below the comparable value in the previous year (H1 2009: EUR 118.7 million). Free cash flow in the first half-year 2010 was EUR -135.9 million (H1 2009: EUR 118.1 million), representing a decrease of 215.1%.

SHARE DEVELOPMENT

In a difficult environment, the price of the SCHMOLZ + BICKENBACH share developed positively. On 30 June 2010, it stood at CHF 28.90 per share, as compared with CHF 24.50 per share at the end of 2009.

DIVISIONS

The results for the individual divisions were as follows:

PRODUCTION DIVISION		1.1.-30.6. 2010	1.1.-30.6. 2009	Change Absolute	Change In %
Revenue	EUR mil.	1 044.6	694.8	349.8	50.3%
EBITDA	EUR mil.	70.5	-81.4	151.9	186.6%
EBITDA margin	%	6.7	-11.7	18.4	157.3%
Capital employed	EUR mil.	1 358.8	1 152.9	205.9	17.9%
ROCE	%	10.4	-14.1	24.5	173.8%
Investments	EUR mil.	31.1	45.2	-14.1	-31.2%
Employees	Positions	6 501	6 405	96	1.5%

The Production Division comprises the steel plants and rolling mills of Swiss Steel AG, Deutsche Edelstahlwerke GmbH, Ugitech S.A., A. Finkl & Sons Co. and Sorel Forge Co. Orders received at all works rose distinctly. In consequence, revenue and order backlogs also increased. In the European plants, short-time working could be largely discontinued during the first quarter. During the start-up phase there were delivery delays in some cases. Only the Canadian plant was slightly below the good value of the previous year, due to the currency situation. The prices for our raw materials of scrap and alloying elements fluctuated sharply with an upward trend. The prices for our steel products could therefore also be increased.

PROCESSING DIVISION		1.1.-30.6. 2010	1.1.-30.6. 2009	Change Absolute	Change In %
Revenue	EUR mil.	187.1	111.6	75.5	67.7%
EBITDA	EUR mil.	13.1	-11.4	24.5	214.9%
EBITDA margin	%	7.0	-10.2	17.2	168.6%
Capital employed	EUR mil.	165.8	180.6	-14.8	-8.2%
ROCE	%	15.8	-12.6	28.4	225.4%
Investments	EUR mil.	2.4	6.3	-3.9	-61.9%
Employees	Positions	930	1 025	-95	-9.3%

The Processing Division comprises SCHMOLZ + BICKENBACH Blankstahl GmbH, Steeltec AG, Boxholm AB and our other bright bar and special steel wire plants in Germany, Italy, France, Denmark and Turkey. Also in these companies, a significant improvement in the demand situation was experienced. In individual cases, this caused delivery bottlenecks due to missing raw materials or finished products or reduced production capacity. In the meantime, the necessary measures were implemented to largely assure reliable supplies to the customers.

DISTRIBUTION AND SERVICES DIVISION		1.1.-30.6.	1.1.-30.6.	Change	
		2010	2009	Absolute	In %
Revenue	EUR mil.	526.7	382.6	144.1	37.7%
EBITDA	EUR mil.	14.6	-18.2	32.8	180.2%
EBITDA margin	%	2.8	-4.7	7.5	159.6%
Capital employed	EUR mil.	387.6	447.4	-59.8	-13.4%
ROCE	%	7.5	-8.1	15.6	192.6%
Investments	EUR mil.	4.5	5.2	-0.7	-13.5%
Employees	Positions	2 235	2 354	-119	-5.1%

The Distribution and Services Division comprises our distribution organisations Germany, Europe, and International. Also in these units, orders received have distinctly increased and the outlook has greatly improved. The pressure on margins that was still perceptible in the first quarter 2010 was relieved as from the second quarter.

OUTLOOK

As was to be expected, the dramatic reductions in orders received in the last year did not continue in the first half of 2010. On the contrary, there was a clear upswing. Many of our customers returned to a normal ordering cycle, partly because they had massively reduced their inventories in 2009. Some sectors, such as automobile, experienced a significant revival of demand that was greater than anticipated. The export-oriented machinery construction sector also experienced a clear recovery, and our customers foresee a positive development in the next few months, supported by a strong US dollar. All of this resulted in significantly higher order backlogs and markedly improved capacity utilisation at all of our companies. This allowed us to return to normal production processes. Short-time working could be discontinued, and in some cases temporary personnel were already employed again. Also as we had forecast, this return to the normal situation again proceeds in phases. Those industries that had been the first to respond with order reductions, such as the automobile industry, are now performing satisfactorily again. In sectors where the slump occurred later, such as the machinery and hydraulic industries, the return to normality is taking longer. Some uncertainties regarding the future development of the global economy still remain. The saving measures in various countries will affect the investment volume, particularly in the infrastructure sector. There is a high probability that this will somewhat slow the recovery, especially in Europe. For the Asian and South American areas our optimism continues. North America also appears to be recovering faster than expected. With regard to the Swiss works, the development of the EUR-CHF exchange rate causes us concern. We are continuing to rigorously pursue and monitor the income improvement measures that we implemented in 2009 as well as the programme for optimisation of working capital. We assume that the overproportional orders received in the first months of the current year will weaken somewhat in the second half-year, since some of the material supplied flowed into our customers‘ inventories. On a stable volume-development in combination with the other hand, the current increases in inventories are not excessive. On the whole in the second half-year we expect a stable, or improved, margin situation. The improvement in income relative to the comparable period last year that was already achieved in the first half of 2010 will therefore continue also in the second half of 2010.

Michael Storm
Chairman of the Board of Directors

Benedikt Niemeyer
Chief Executive Officer

2 September 2010

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF SCHMOLZ + BICKENBACH AG AS OF 30 JUNE 2010

CONSOLIDATED INCOME STATEMENT

(million EUR)		1.1.-30.6.2010	1.1.-30.6.2009
Revenue		1 477.4	1 054.2
Change in semi-finished and finished goods		118.5	-164.3
Cost of materials		-1 089.5	-649.8
Gross margin		**506.4**	**240.1**
Other operating income		24.4	25.8
Personnel costs		-270.2	-242.9
Other operating expenses		-158.2	-135.7
Income/loss from investments accounted for using the equity method		-0.1	-2.5
Operating profit (loss) before depreciation and amortisation		**102.3**	**-115.2**
Depreciation, amortisation and impairments		-53.1	-51.3
Operating profit (loss)		**49.2**	**-166.5**
Financial income		6.1	5.8
Financial expense		-46.6	-37.7
Financial result		**-40.5**	**-31.9**
Earnings before taxes		**8.7**	**-198.4**
Income taxes		-4.3	49.4
Net income (loss)		**4.4**	**-149.0**
of which attributable to			
- shareholders of SCHMOLZ + BICKENBACH AG		-2.0	-155.0
- providers of hybrid capital[2]		6.0	6.2
Total attributable to the shareholders of SCHMOLZ + BICKENBACH AG[1]		4.0	-148.8
- non-controlling interests		0.4	-0.2
Earnings per share (basic/diluted)	**EUR**	**-0.07**	**-5.17**

[1] Including providers of hybrid capital
[2] See disclosures concerning “distributions to providers of hybrid capital”

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(million EUR)	1.1.-30.6.2010	1.1.-30.6.2009
Net income (loss)	**4.4**	**-149.0**
Change in unrealised gains/losses	51.0	-0.4
Realised gains/losses	-3.9	0.0
Gains/losses from currency translation	**47.1**	**-0.4**
Change in unrealised gains/losses	0.6	-8.3
Realised gains/losses	-0.5	0.1
Gains/losses from cash flow hedges	**0.1**	**-8.2**
Actuarial gains/losses from pension-related and similar obligations and effects due to an asset ceiling	**-26.1**	**1.5**
Tax effect	6.5	0.5
Other comprehensive income	**27.6**	**-6.6**
Total comprehensive income[1]	**32.0**	**-155.6**
of which attributable to		
- shareholders of SCHMOLZ + BICKENBACH AG	25.6	-161.7
- providers of hybrid capital[2]	6.0	6.2
Total attributable to the shareholders of SCHMOLZ + BICKENBACH AG[3]	31.6	-155.5
- non-controlling interests	0.4	-0.1

[1] The comprehensive income includes in the first half-year 2010 EUR -0.1 million (2009: EUR -3.9 million) which relate to investments accounted for using the equity method.
[2] See disclosures concerning “distributions to providers of hybrid capital”
[3] Including providers of hybrid capital

CONSOLIDATED BALANCE SHEET

(million EUR)	**30.6.2010**	%	**31.12.2009**	%	**30.6.2009**	%
Intangible assets	46.2		40.2		40.3	
Property, plant and equipment	868.6		836.2		834.1	
Investments accounted for using the equity method	0.7		41.4		42.3	
Other non-current financial assets	24.0		21.1		22.0	
Non-current income tax assets	12.5		12.5		0.0	
Other non-current assets	0.5		0.4		0.8	
Deferred tax assets	79.1		71.1		39.9	
Total non-current assets	**1 031.6**	39.6	**1 022.9**	46.0	**979.4**	44.2
Inventories	845.6		654.8		791.8	
Trade accounts receivable	545.5		314.2		317.7	
Current financial assets	4.2		6.1		5.1	
Current income tax assets	9.2		11.7		39.4	
Other current assets	45.9		35.2		37.6	
Cash and cash equivalents	122.2		173.6		42.7	
Non-current assets held for sale	3.8		3.5		0.0	
Total current assets	**1 576.4**	60.4	**1 199.1**	54.0	**1 234.3**	55.8
Total assets	**2 608.0**	100.0	**2 222.0**	100.0	**2 213.7**	100.0
Share capital	192.6		192.6		192.6	
Capital reserves	499.7		499.7		499.7	
Hybrid capital	79.3		79.3		79.3	
Retained earnings (accumulated losses)	-207.8		-211.8		-79.3	
Accumulated income and expense recognised directly in equity	-8.1		-35.7		-49.5	
Attributable to shareholders of SCHMOLZ + BICKENBACH AG[1)]	**555.7**		**524.1**		**642.8**	
Non-controlling interests	3.7		3.3		3.8	
Total shareholders' equity	**559.4**	21.4	**527.4**	23.7	**646.6**	29.2
Provisions for pensions and similar obligations	191.2		160.6		144.4	
Other non-current provisions	34.4		33.0		37.0	
Deferred tax liabilities	7.0		8.5		10.5	
Non-current financial liabilities	61.3		57.0		77.6	
Other non-current liabilities	51.7		54.3		49.4	
Total non-current liabilities	**345.6**	13.3	**313.4**	14.1	**318.9**	14.4
Current provisions	45.5		46.7		42.6	
Trade accounts payable	376.8		222.3		190.9	
Current financial liabilities	1 147.3		1 033.8		873.0	
Income tax liabilities	10.5		6.8		30.6	
Other current liabilities	122.9		71.6		111.1	
Total current liabilities	**1 703.0**	65.3	**1 381.2**	62.1	**1 248.2**	56.4
Total liabilities	**2 048.6**	78.6	**1 694.6**	76.3	**1 567.1**	70.8
Total shareholders' equity and liabilities	**2 608.0**	100.0	**2 222.0**	100.0	**2 213.7**	100.0

[1)] Including providers of hybrid capital

CONSOLIDATED CASH FLOW STATEMENT

(million EUR)	1.1.-30.6.2010	1.1.-30.6.2009
Earnings before taxes	8.7	-198.4
Depreciation, amortisation and impairments	53.1	51.3
Gain/loss from investments accounted for using the equity method	0.1	2.5
Gain/loss from disposal of intangible assets, property, plant and equipment, and financial assets	-6.1	0.7
Increase/decrease in other assets and liabilities	19.6	7.1
Financial income	-6.1	-5.8
Financial expense	46.6	37.7
Income taxes paid/received	1.2	-8.1
Cash flow before changes in net working capital	117.1	-113.0
Change in inventories	-165.8	267.3
Change in trade accounts receivable	-208.5	188.7
Change in trade accounts payable	134.8	-168.8
Cash flow from operations	**-122.4**	**174.2**
Investments in property, plant and equipment	-38.2	-56.3
Proceeds from disposal of property, plant and equipment	1.3	2.0
Investments in intangible assets	-2.4	-2.4
Investments in financial assets	-2.5	-4.7
Proceeds from disposal of financial assets	27.7	0.8
Interest received	0.6	0.9
Dividends received	0.0	4.2
Cash flow from investing activities before acquisition of Group companies	**-13.5**	**-55.5**
Cash flow before acquisition of Group companies	**-135.9**	**118.7**
Investments in consolidated Group companies (less cash and cash equivalents acquired)	0.0	-0.6
Cash flow from investing activities	**-13.5**	**-56.1**
Free cash flow	**-135.9**	**118.1**
Changes in financial liabilities	111.4	-87.6
Dividend payments to shareholders of SCHMOLZ + BICKENBACH AG	0.0	-10.0
Dividend payments to non-controlling shareholders	0.0	-0.1
Interest paid	-32.8	-24.4
Cash flow from financing activities	**78.6**	**-122.1**
Change in cash and cash equivalents due to cash flow	-57.3	-4.0
Effect of foreign currency translation	5.9	-0.2
Change in cash and cash equivalents	**-51.4**	**-4.2**
Cash and cash equivalents as at 1.1.	173.6	46.9
Cash and cash equivalents as at 30.6.	122.2	42.7
Change in cash and cash equivalents	**-51.4**	**-4.2**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(million EUR)	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]	Non-controlling interests	Total shareholders' equity
As at 1.1.2009	**192.6**	**499.7**	**79.3**	**85.7**	**-42.8**	**814.5**	**4.0**	**818.5**
Capital transactions with shareholders								
Dividends	0.0	0.0	0.0	-10.0	0.0	**-10.0**	-0.1	**-10.1**
Distributions to providers of hybrid capital	0.0	0.0	0.0	-6.2	0.0	**-6.2**	0.0	**-6.2**
Total comprehensive income								
Net income	0.0	0.0	0.0	-148.8	0.0	**-148.8**	-0.2	**-149.0**
Other comprehensive income	0.0	0.0	0.0	0.0	-6.7	**-6.7**	0.1	**-6.6**
As at 30.6.2009	**192.6**	**499.7**	**79.3**	**-79.3**	**-49.5**	**642.8**	**3.8**	**646.6**
As at 1.1.2010	**192.6**	**499.7**	**79.3**	**-211.8**	**-35.7**	**524.1**	**3.3**	**527.4**
Total comprehensive income								
Net income	0.0	0.0	0.0	4.0	0.0	**4.0**	0.4	**4.4**
Other comprehensive income	0.0	0.0	0.0	0.0	27.6	**27.6**	0.0	**27.6**
As at 30.6.2010	**192.6**	**499.7**	**79.3**	**-207.8[2]**	**-8.1**	**555.7**	**3.7**	**559.4**

[1] Including providers of hybrid capital
[2] See disclosures concerning "distributions to providers of hybrid capital"

NOTES TO THE CONDENSED INTERIM CONSOLIDATED 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. SCHMOLZ + BICKENBACH is a global steel company in the special steel and engineering steel sector of the long-products business and is subdivided along its value chain into the divisions “Production”, “Processing” and “Distribution and Services”.

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

These condensed interim consolidated financial statements were released for publication by the Board of Directors on 1 September 2010.

2. ACCOUNTING POLICIES

With these condensed interim consolidated financial statements of SCHMOLZ + BICKENBACH AG for the first half of 2010, the Group presents interim financial statements in accordance with IAS 34 “Interim Financial Reporting”. The condensed interim consolidated financial statements are based on the mandatorily applicable standards and interpretations as at 30 June 2010, and contain all information that is required for condensed interim financial statements according to IFRS. Further information about the accounting policies is contained in the consolidated annual financial statements as at 31 December 2009.

The interim financial report is presented in Euro. Unless otherwise stated, monetary amounts are denominated in millions of Euro.

In preparing these condensed interim consolidated financial statements according to 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 revenue and expenses, and of the contingent liabilities. The actual amounts may differ from these estimates.

The principle accounting policies applied in these condensed interim consolidated financial statements are essentially identical to those of the last consolidated financial statements as at the end of financial year 2009. Exceptions are those amended and new IFRSs that became mandatorily applicable from 1 January 2010. The specific standards are as follows:

- IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements”
- IAS 39 “Financial Instruments: Recognition and Measurement” – amendments to “Eligible Hedged Items”
- IFRIC 17 “Distribution of Non-cash Assets to Owners”.

In addition to the new and amended standards, in April 2009 the IASB published the second collective standard, “Improvements to IFRSs”. This contains a total of fifteen relatively minor amendments to ten existing standards and two existing interpretations.

The changes to the standards had no material effects on the accounting policies which apply consistently throughout the Group, or on these condensed interim consolidated financial statements of SCHMOLZ + BICKENBACH AG.

CONTINUATION OF THE OPERATIONS OF THE GROUP/RESTRUCTURING OF THE FINANCING

In preparing the condensed interim consolidated financial statements, the continuation of the Group as a going concern was assessed to be positive by the Board of Directors and the Executive Board even though the restructuring of the Group financing has not yet been finalised. Their evaluation is based on the following situation analysis:

Since spring 2009, discussions have taken place with the lenders with the objective of restructuring the financing of the Group. In this connection, under the "Konjunkturpaket II", the Group applied via SCHMOLZ + BICKENBACH Edelstahl GmbH (DE) for a guarantee from the Federal Republic of Germany and from the State of North Rhine-Westphalia, plus a participation by the state-owned KfW Bank in the form of a direct loan. These applications were approved in mid-April 2010. The Board of Directors and the Executive Board consider that the conditions related to this guarantee can be fulfilled. Based on these considerations, the lenders have already given their consent for the continuation of the current financing of the Group to the extent of EUR 1 367 million.

The new financing structure is as follows:

- The existing consortial loan in the amount of EUR 525.0 million will continue unchanged until December 2012.
- The existing ABS programme in the amount of EUR 200.0 million will continue and be guaranteed until December 2012.
- Loans and bilateral credit lines of SCHMOLZ + BICKENBACH AG and its subsidiaries in the amount of EUR 142.0 million will continue unchanged.
- The promissory note loan in the amount of EUR 250.0 million plus loans and bilateral credit lines of SCHMOLZ + BICKENBACH AG and its subsidiaries in the amount of EUR 250.0 million will be replaced by two Club Deals.
- Under a Club Deal, a consortium will grant a credit volume of EUR 300.0 million available until December 2012, half of which will be secured by the guarantee of the Federal Republic of Germany and half by that of the State of North-Rhine Westphalia.
- Under another Club Deal, a consortium will grant a credit volume of EUR 200.0 million available until December 2012, in which the the state-owned KfW Bank will participate with EUR 100.0 million.

The interest on the individual tranches will be based on the EURIBOR/LIBOR rate, plus a margin dependent on the relationship of the net financial liabilities to the EBITDA. Additional one-time payments are to be made on the signature and at the maturity of the credit agreements. Interest at a market rate is to be paid for the state guarantee. The financial covenants have been adapted to the changed circumstances and anticipate the quarterly examination of the key figures.

The credit volume is sufficient to cover the financial requirements of the Group according to its current medium-term plan, which has been adapted to take account of the increased factor prices.

The credit agreements are almost finalised. Signing of the credit agreements shall take place following the completion of a final state-aid audit and the approval by the European Commission. With finalisation of the new financing structure, the respective financial liabilities will again be reported in the consolidated financial statements as non-current.

Should the new credit agreements not be finalized in spite of the existing undertakings, the continuation of the business activities of the SCHMOLZ + BICKENBACH Group as a going concern would be endangered, and these condensed interim consolidated financial statements would have had to have been prepared on the basis of realizable values. However, the Board of Directors and the Executive Board expect finalisation of the new financing structure to take place in the next few weeks.

3. SCOPE OF CONSOLIDATION AND ACQUIRED COMPANIES

Relative to 31 December 2009, in the first half of 2010 there were no material changes in the scope of the consolidation with regard to companies requiring full consolidation. In view of their increasing significance, the formerly unconsolidated Group companies Deutsche Edelstahlwerke Karrierewerkstatt GmbH (DE) and SCHMOLZ + BICKENBACH India Pvt. Ltd (IN) were included in the consolidation from 1 January 2010.

Following the sale of the remaining shareholding of 35% in Stahl Gerlafingen AG (CH) to its former joint owner, AFV Acciaierie Beltrame S.p.A. (IT), the former associated company was removed from the scope of the consolidation from April 2010. For the first half of 2010, income from companies valued at equity no longer includes Stahl Gerlafingen AG (CH) since, from the date of commencement of the sales negotiations in January 2010, the investment was classified as “assets held for sale”.

4. SEGMENT REPORTING

The Group presents itself according to its internal reporting and organisational structure by its three operating divisions – hereafter also referred to as operating segments – of “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:

1.1.-30.6.2010

					Reconciliation		
(million EUR)	**Production**	**Processing**	**Distribution and Services**	**Total operating segments**	**Other activities**	**Eliminations/adjustments**	**Total**
Third-party revenue	825.8	122.2	522.2	**1 470.2**	7.2	0.0	**1 477.4**
Inter-segment revenue	218.8	64.9	4.5	**288.2**	15.1	-303.3	**0.0**
Total revenue	**1 044.6**	**187.1**	**526.7**	**1 758.4**	**22.3**	**-303.3**	**1 477.4**
Segment result (EBITDA)	**70.5**	**13.1**	**14.6**	**98.2**	**7.2**	**-3.1**	**102.3**
Depreciation and amortisation on property, plant and equipment and intangible assets							**-53.1**
Impairment of property, plant and equipment and intangible assets							**0.0**
Financial income							**6.1**
Financial expense							**-46.6**
Earnings before taxes (EBT)	**18.7**	**5.6**	**4.3**	**28.6**	**-16.8**	**-3.1**	**8.7**
Segment assets[1]	1 670.2	231.0	548.7	**2 449.9**	27.7	130.4	**2 608.0**
Segment liabilities[2]	311.4	65.2	161.1	**537.7**	8.8	1 502.1	**2 048.6**
Segment assets less segment liabilities (capital employed)	**1 358.8**	**165.8**	**387.6**	**1 912.2**			
Segment investments[3]	31.1	2.4	4.5	**38.0**	3.3	0.0	**41.3**
Employees	6 501	930	2 235	**9 666**	267[4]	0	**9 933**

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

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

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

[4] The increase results from inclusion of the formerly unconsolidated Group company DEW Karrierewerkstatt GmbH (DE) from 1 January 2010

1.1.-30.6.2009

(million EUR)	Production	Processing	Distribution and Services	Total operating segments	Reconciliation: Other activities	Reconciliation: Eliminations/adjustments	Total
Third-party revenue	590.8	71.8	381.2	**1 043.8**	10.4	0.0	**1 054.2**
Inter-segment revenue	104.0	39.8	1.4	**145.2**	7.2	-152.4	**0.0**
Total revenue	**694.8**	**111.6**	**382.6**	**1 189.0**	**17.6**	**-152.4**	**1 054.2**
Segment result (EBITDA)	**-81.4**	**-11.4**	**-18.2**	**-111.0**	**-10.8**	**6.6**	**-115.2**
Depreciation and amortisation on property, plant and equipment and intangible assets							**-50.9**
Impairment of property, plant and equipment and intangible assets							**-0.4**
Financial income							**5.8**
Financial expense							**-37.7**
Earnings before taxes (EBT)	**-134.4**	**-19.9**	**-31.2**	**-185.5**	**-19.5**	**6.6**	**-198.4**
Segment assets[1]	1 304.1	203.8	534.5	**2 042.4**	17.5	153.8	**2 213.7**
Segment liabilities[2]	151.2	23.2	87.1	**261.5**	6.9	1 298.7	**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	0.0	**59.0**
Employees	6 405	1 025	2 354	**9 784**	169	0	**9 953**

31.12.2009

(million EUR)	Production	Processing	Distribution and Services	Total operating segments	Reconciliation: Other activities	Reconciliation: Eliminations/adjustments	Total
Segment assets[1]	1 277.7	188.1	450.6	**1 916.4**	16.8	288.8	**2 222.0**
Segment liabilities[2]	178.9	42.8	89.5	**311.2**	7.1	1 376.3	**1 694.6**
Segment assets less segment liabilities (capital employed)	**1 098.8**	**145.3**	**361.1**	**1 605.2**			
Employees	6 559	952	2 219	**9 730**	174	0	**9 904**

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

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

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

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1 OTHER OPERATING INCOME

(million EUR)	1.1.-30.6.2010	1.1.-30.6.2009
Gains from disposal of intangible assets, property, plant and equipment, and financial assets	7.1	0.3
Income from reversal of provisions	1.8	4.5
Rent and lease income	0.9	1.2
Commission income	0.3	0.2
Net exchange gains/losses	0.0	4.3
Miscellaneous income	14.3	15.3
Total	**24.4**	**25.8**

The gains from disposal of intangible assets, property, plant and equipment, and financial assets include a gain of EUR 6.7 million from the sale of the remaining 35% shareholding in Stahl Gerlafingen AG (CH).

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

(million EUR)	1.1.-30.6.2010	1.1.-30.6.2009
Exchange gains	44.0	55.8
Exchange losses	44.4	51.5
Net exchange gains/losses	**-0.4**	**4.3**

The miscellaneous income comprises a number of individually immaterial items which cannot be allocated to another line item.

5.2 OTHER OPERATING EXPENSE

(million EUR)	1.1.-30.6.2010	1.1.-30.6.2009
Freight, commissions	51.2	35.3
Maintenance, repairs	21.6	18.3
Advisory, audit and IT services	14.8	15.7
Rent and lease expenses	14.7	14.5
Insurance fees	5.5	5.9
Non-income taxes	4.4	4.8
Losses from disposal of intangible assets, property, plant and equipment, and financial assets	0.9	0.9
Net exchange gains/losses	0.4	0.0
Miscellaneous expense	44.7	40.3
Total	**158.2**	**135.7**

Miscellaneous expense comprises a number of individually immaterial items which cannot be allocated to another line item.

5.3 FINANCIAL RESULT

(million EUR)	1.1.-30.6.2010	1.1.-30.6.2009
Expected return on plan assets	5.5	5.0
Interest income	0.6	0.8
Financial income	**6.1**	**5.8**
Interest expense on financial liabilities	-35.7	-24.8
Interest expense on pension provisions	-7.8	-7.8
Capitalised borrowing costs	0.7	0.2
Other financial expense	-3.8	-5.3
Financial expense	**-46.6**	**-37.7**
Financial result	**-40.5**	**-31.9**

Other financial expense mainly comprises losses resulting from the market valuation of interest derivatives that do not form part of a hedging relationship.

5.4 INCOME TAXES

(million EUR)	1.1.-30.6.2010	1.1.-30.6.2009
Current taxes	6.9	2.7
Deferred taxes	-2.6	-52.1
Income taxes	**4.3**	**-49.4**

Except for the reduction of cantonal taxes in Switzerland, the local tax rates for measuring current taxes are largely unchanged relative to the previous year. This notwithstanding, the resulting effective group tax rate for the first half of 2010 changed from the previous year to 49.4% (1.1-31.12.2009: 24.4%; 1.1.-30.6.2009: 24.9%). This is because the group tax rate, due to the low pre-tax earnings, is materially affected by the combination of positive and negative contributions to earnings from the companies in the individual countries.

The change in the net amount of the deferred tax assets and deferred tax liabilities is explained as follows:

(million EUR)	2010	2009
As at 1.1.	**62.6**	**-22.7**
Changes recognised through profit and loss	2.6	52.1
Changes recognised directly in equity	6.4	0.5
Change in scope of consolidation	0.1	0.0
Foreign currency effects	0.4	-0.5
As at 30.6.	**72.1**	**29.4**

The changed net amount of the deferred tax assets on tax-loss carry-forwards and tax credits caused effects on earnings of EUR 10.4 million (2009: EUR 45.8 million), which apply mainly to the capitalization of deferred tax assets on current losses in Germany.

6. NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The investments for the total amount of EUR 41.3 million (2009: EUR 59.0 million) are composed of investments of EUR 2.4 million (2009: EUR 2.4 million) in intangible assets, and investments of EUR 38.9 million (2009: EUR 56.6 million) in property, plant and equipment. The investments in property, plant and equipment arose mainly in the Production Division and relate to the construction of the new steel plant of A. Finkl & Sons Co. (US).

6.2 INVENTORIES

(million EUR)	30.6.2010	31.12.2009	30.6.2009
Raw materials and supplies	124.0	94.6	105.0
Semi-finished products and work in progress	305.6	190.6	186.6
Finished products and merchandise	416.0	369.6	500.2
Total	**845.6**	**654.8**	**791.8**

In the first half of 2010, inventories increased relative to the previous year as a result of the significantly improved demand situation and the increase in raw material prices. In addition, at the date of the half-year balance sheet, the inventories of semi-finished and finished products had been seasonally further increased to assure supplies to customers after the end of the plant holidays.

6.3 DISTRIBUTIONS TO PROVIDERS OF HYBRID CAPITAL

Interest of 15% p.a. is payable on the hybrid capital with a nominal value of EUR 80.0 million that was issued in 2008. Since the General Meeting in 2010 decided to pay no dividend, at the date of the balance sheet there is no obligation to pay interest to the providers of the hybrid capital. As at 30 June 2010, the accumulated interest on the hybrid capital that was not deducted from shareholders‘ equity, and not recognised as a financial liability amounted to EUR 6.2 million. A liability will arise when the General Meeting decides to pay a dividend.

Independent of the handling in the balance sheet described above, in accordance with IAS 33.14 (b) the calculation of the earnings per share includes as correction amount the interest for the reporting period of EUR 6.0 million that is due to the providers of the hybrid capital.

6.4 PROVISIONS

For the measurement of pension obligations the following updated discount rates, which differ from those of 31 December 2009, were applied:

	30.6.2010				31.12.2009			
(in %)	Switzerland	Euro area	USA	Canada	Switzerland	Euro area	USA	Canada
Discount rate	2.6	4.6	5.2	5.5	2.9	5.2	5.8	6.0

The actuarial losses that result from the general reduction in the discount rates, as well as actuarial gains and losses occurring on the plan assets, amounting in total to EUR -26.1 million before taxes, are recognised in other comprehensive income.

Relative to 31 December 2009, it was necessary to make additions totalling EUR 3.6 million to the provisions for restructuring measures, mainly to take account of plan adjustments at Ugitech S.A. (FR) and formation of a corresponding new provision at SCHMOLZ + BICKENBACH Canada Inc. (CA) resulting from relocation of heat-treatment capacities to SCHMOLZ + BICKENBACH USA Inc. (US).

6.5 FINANCIAL LIABILITIES

As a consequence of the negative development of earnings in the previous year, since mid-2009 the financial covenants could not be fulfilled, in view of which the liabilities arising from the syndicated loan agreement and the promissory note loan were reported as current liabilities since the interim financial statements of 2009. The credit conditions were also not fulfilled at 30 June 2010. At balance sheet date, the carrying amount of the financial liabilities that are reported as current on account of the non-fulfillment of the credit conditions was EUR 796.1 million (31.12.2009: EUR 768.8 million; 30.6.2009: EUR 600.6 million).

Following the approval in April 2010 of the application of SCHMOLZ + BICKENBACH Edelstahl GmbH (DE) under the "Konjunkturpaket II" for a guarantee from the Federal Republic of Germany and from the State of North Rhine-Westphalia plus a participation by the state-owned KfW Bank in the form of a direct loan, the restructuring of the financing with continuation of the former financing volume of the Group totalling EUR 1 367 million (at the exchange rates applicable on 30 June 2009) is now almost complete. The credit agreements are almost finalised. Signing of the credit agreements shall take place following the completion of a final state-aid audit and the approval by the European Commission.

On finalisation of the new financing structure, the respective financial liabilities will again be reported in the consolidated financial statements as non-current. The stipulations of the lenders that are associated with the restructuring of the financing include a requirement for the provision of collaterals.

Further details of the new financing structure are presented in paragraph 2 of the notes to the condensed interim consolidated financial statements.

7. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

The increase in the total amount of the contingencies to EUR 76.5 million (31.12.2009: EUR 70.7 million) is mainly attributable to exchange effects associated with guarantees given in US dollars to raw material suppliers.

8. RELATIONSHIPS WITH RELATED PARTIES

Relative to 31 December 2009, no material changes have taken place in the type of the relationships with related parties of SCHMOLZ + BICKENBACH KG. As a consequence of the general market recovery, the volume of sale and purchase transactions has increased again relative to the comparable period of the previous year.

With the loss of significant influence over Stahl Gerlafingen AG (CH), since the date of its sale, transactions with this company are no longer recognised under relationships with related parties. With the sale of the remaining shareholding, the financial liability of EUR 8.8 million to Stahl Gerlafingen AG (CH) that existed at 31 December 2009, was also discharged.

For information concerning the distributions to the providers of hybrid capital, which include SCHMOLZ + BICKENBACH Holding AG (CH), controlled by SCHMOLZ + BICKENBACH KG (DE), and GEBUKA AG (CH), controlled by Dr. Gerold Büttiker, who is a member of the Board of Directors, reference is made to the remarks under 6.3.

9. EVENTS AFTER THE BALANCE SHEET DATE

To further expand the European distribution network, in August 2010 the Belgian distribution company Aciers Sidero Staal SA (BE) was acquired for the purchase price of EUR 5.4 million. A purchase price allocation has not yet been performed.

GOVERNING BODIES

BOARD OF DIRECTORS

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

Dr. Hans-Peter Zehnder (1954, gewählt bis 2013)
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

Peter Schubert (1958)
SCHMOLZ + BICKENBACH Blankstahl GmbH

Gerd Münch (1962)
Steeltec AG

Bernd Grotenburg (1964)
SCHMOLZ + BICKENBACH Distributions GmbH

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

1846 Edelstahlwerke Südwestfalen

1879 A. Finkl & Sons

1919 SCHMOLZ + BICKENBACH

1842 von Moos Stahl

1854 Edelstahl Witten-Krefeld

1908 Ugitech

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