

2008

HALF-YEAR REPORT

SCHMOLZ + BICKENBACH AG

Providing special steel solutions



Dear Shareholder,

As a result of the strong market demand, in the first half of 2008 all of our production and processing works were operating at full capacity. Relative to the previous year, we again produced increased quantities and a better product mix. The European and international distribution organisations of our group also displayed a pleasing development. There were, however, dramatic developments in raw material prices, especially in the price for scrap. Since the start of the year, prices have almost doubled from a level that was already historically high. They could be largely passed on as higher product prices, but in many cases only with delay. Prices for various alloying elements such as chromium have also increased sharply. A contrary development was displayed by the alloying element nickel, which is mainly required for the production of our stainless steels. In the first half of 2007 its price rose steeply, which in the financial statements for the corresponding period last year had a perceptibly positive impact on the result. This was compensated again by the marked price decline in the second half of 2007, with corresponding effects on our income statement for that period. In the first half of 2008, the nickel price oscillated in a narrow range at a lower level than last year. This contrary price development was the main reason for the drop in earnings in the first half of 2008 as compared with the same period in 2007.

Revenue was EUR 2,278.2 million (2007: EUR 2,286.6 million). Operating profit before depreciation and amortisation (EBITDA) amounted to EUR 236.1 million (2007: EUR 271.3 million). This yielded an EBITDA margin of 10.4% (2007: 11.9%) for the total Group with the three divisions Production, Processing, and Distribution and Services. Operating profit (EBIT) was EUR 189.9 million (2007: EUR 230.6 million). Consolidated earnings before taxes (EBT) were EUR 163.3 million (2007: EUR 205.0 million), while net income (EAT) was EUR 106.3 million (2007: EUR 130.2 million).

Cash flow before changes in net working capital was EUR 140.7 million (2007: EUR 212.1 million). In the first half-year, total assets increased to EUR 2,845.0 million (31.12.2007: 2,465.6 million). The increase was caused mainly by the increase in receivables and inventories that resulted from the development in raw material prices.

The equity ratio was 27.7% (31.12.2007: 29.0%). Net debt was EUR 844.5 million (31.12.2007: EUR 706.7 million).

In May, we successfully placed a promissory note for EUR 250 million with tranches of three, five and seven years to secure our long-term financing. At the same time, and according to contract, we repaid EUR 100 million of the existing consortial credit. Our financial flexibility has thus been further improved.

In difficult stock exchange conditions, the SCHMOLZ + BICKENBACH share price developed relatively well. On June 30, 2008, it was CHF 80.95 per share, as compared with CHF 91.50 per share at the end of 2007.

As already in the previous years, in the first half of 2008 we again invested significant sums in implementing and safeguarding our strategy. The corresponding sum in the first half of 2008 was EUR 99.7 million (2007: EUR 69.2 million).

Key figures for the entire Group

		1.1.-30.6.2008	1.1.-30.6.2007
Revenue	EUR mil.	2,278.2	2,286.6
Operating profit before depreciation and amortisation (EBITDA)	EUR mil.	236.1	271.3
EBITDA margin	%	10.4	11.9
Earnings before taxes (EBT)	EUR mil.	163.3	205.0
Net income (EAT)	EUR mil.	106.3	130.2
Investments	EUR mil.	99.7	69.2
Cash flow before acquisition of Group companies	EUR mil.	-105.8	57.3
Employees	Positions	11,201	10,843
		30.6.2008	31.12.2007
Total assets	EUR mil.	2,845.0	2,465.6
Shareholders' equity	EUR mil.	786.8	713.8
Equity ratio	%	27.7	29.0
Net borrowing	EUR mil.	844.5	706.7

Key figures for the divisions

			Production	Processing	Distribution and Services	Other/ consolidation	Total
Revenue	EUR mil.	1.1.-30.6.2008	1,604.1	267.4	749.5	-342.8	2,278.2
	EUR mil.	1.1.-30.6.2007	1,605.6	247.8	768.4	-335.2	2,286.6
EBITDA	EUR mil.	1.1.-30.6.2008	170.0	26.1	39.4	0.6	236.1
	EUR mil.	1.1.-30.6.2007	202.9	26.8	49.3	-7.7	271.3
EBITDA margin	%	1.1.-30.6.2008	10.6	9.8	5.3	-	10.4
	%	1.1.-30.6.2007	12.6	10.8	6.4	-	11.9
Capital employed	EUR mil.	1.1.-30.6.2008	1,338.2	200.3	487.0	-9.8	2,015.7
	EUR mil.	1.1.-30.6.2007	1,229.6	161.0	432.7	-10.4	1,812.9
ROCE	%	1.1.-30.6.2008	25.4	26.1	16.2	-	23.4
	%	1.1.-30.6.2007	33.0	33.3	22.8	-	29.9
Investments	EUR mil.	1.1.-30.6.2008	70.7	9.9	17.1	2.0	99.7
	EUR mil.	1.1.-30.6.2007	48.2	6.8	11.0	3.2	69.2
Employees	Positions	1.1.-30.6.2008	6,906	1,138	2,997	160	11,201
	Positions	1.1.-30.6.2007	6,676	987	3,020	160	10,843

Production Division

In the first half-year the Production Division, which comprises our steelworks and rolling mills in Switzerland, Germany, France, the USA and Canada, generated EBITDA of EUR 170.0 million (2007: EUR 202.9 million). The division attained this good result, despite substantially reduced income from sales of stainless steels, through a better product mix. Revenue of EUR 1,604.1 million (2007: EUR 1,605.6 million) was at the same level in the comparable period last year. In the first half-year, total investments of EUR 70.7 million (2007: EUR 48.2 million) were made.

The development of the individual production companies is described below.

Swiss Steel AG

The demand for our products developed positively in the first half-year. The production capacities of the steelworks and rolling mills were fully utilised. We could again produce and sell higher quantities than in the previous year. Partly, this was made possible by introducing additional production shifts in the rolling mill.

There were dramatic developments in prices for scrap, our raw material. In the course of the first half-year, they almost doubled. Since we could only add the increased raw material prices to the selling prices of our products with delay, we had to accept a temporary contraction of our margins, which we expect to be able to compensate in the second half-year. Prices for energy also increased sharply. The EUR/CHF exchange rate that is important for our business deteriorated slightly relative to the same period last year.

We also continued the significant investment programme in the first-half year. The main focus was on the construction of a logistics centre for bar steel in the rolling mill. We are thus responding to the increasing significance of these products in our assortment. Further items were improvements to the steelworks hall and the replacement of various cranes. The extensive measures for flood protection were completed in mid-2008.

We still regard the market outlook as favourable. The demand for free-cutting and engineering steels is

good. The price increases to cover the increased raw-material costs will have a positive impact in the second half-year.

Deutsche Edelstahlwerke GmbH

Despite a weakening of the global economy, the international steel market has expanded further. We too were able to benefit from this positive environment. The demand from our customers in the automobile, energy, offshore and food sectors developed very pleasingly. We could again sell higher quantities than in the same period last year.

Conditions in the energy and raw materials markets continued tight. In both cases, we were confronted with massively higher costs. The higher prices for scrap and alloying elements could be largely passed on to our products through surcharge mechanisms. A certain risk is presented by the weakening of the US dollar relative to the euro.

The intensive investment programme will be continued also in 2008. The focus of the investments is on eliminating bottlenecks in production and on the purchase of additional finishing machinery. With the investments we want to further increase the proportion of sales consisting of product qualities with intensive value creation.

Based on the full order books in all of the important customer industries, we view the market for special-steel long products positively also in the second half of 2008. In view of the still high order backlog and orders on hand for up to 18 months for special products, we expect the pleasing development of revenue and earnings to continue.

Ugitech S.A.

The market for stainless bar steel and rolled wire was in a healthy condition. This was particularly the case for our focal markets in the process, aeronautical and automobile industries. We experienced a weakening in stainless drawn wires. An additional factor here are the increased volumes imported from China and India. The unfavourable EUR/USD exchange rate also had a negative impact on our business activities.

Production		1.1.-30.6.2008	1.1.-30.6.2007
Revenue	EUR mil.	1,604.1	1,605.6
EBITDA	EUR mil.	170.0	202.9
EBITDA margin	%	10.6	12.6
Capital employed	EUR mil.	1,338.2	1,229.6
ROCE	%	25.4	33.0
Investments	EUR mil.	70.7	48.2
Employees	Positions	6,906	6,676

Prices for nickel, which is an important alloying element for us, fell sharply relative to the corresponding period last year. On the other hand, prices for scrap and some alloying elements such as chromium clearly increased. Because of the very high nickel prices that prevailed a short time ago, some customers switched to less expensive stainless steels, of which we sold significantly more than in the equivalent period last year.

Also in the first half of 2008, important investment projects were implemented or begun. These included commissioning of a further electroslag remelting furnace, provision of additional heat-treatment furnaces, new drawing machines, and a billet grinding machine.

We expect the second half year to develop similar to the first half year. The revenue and earnings situation will be significantly affected by the development of alloy prices and the course of events in individual market segments.

A. Finkl & Sons Co./Sorel Forge Co.

Despite the turbulences on the financial markets and signs of recessionary developments in the American economy, the market segments served by our works are progressing positively. In view of a weakening in the automobile industry, other customer segments were penetrated. Especially the demand for forged products continued at a high level. Our capacities were therefore fully utilised.

Dramatic price increases for scrap, alloying elements and natural gas forced us to make corresponding adjustments in our selling prices, which in many cases we could only do with delay.

The programme of renewal at our Canadian works, Sorel Forge Co., is in the course of implementation. Three new heat treatment furnaces have been installed. In the second half-year we shall increase the capacity of the electric furnace and add a vacuum degassing system. Rebuilding of the works at A. Finkl & Sons Co. in Chicago is progressing according to plan.

The outlook in the market segments of power generation, mining, aviation, gear construction, and special applications remains positive. The expectations of our customers in these segments make us optimistic for the development of the second half-year. We have a significant order backlog.

Processing Division

The Processing Division comprises our bright steel wire and special steel wire plants in Germany, Switzerland, Italy, Sweden, Denmark and Turkey. Revenue was EUR 267.4 million (2007: EUR 247.8 million). EBITDA attained EUR 26.1 million (2007: EUR 26.8 million). Total investments of EUR 9.9 million (2007: EUR 6.8 million) were made.

The development of the individual companies in the Processing Division is described below.

SCHMOLZ+BICKENBACH Blankstahl

The economic backdrop in the first half-year continued positive. Capacity utilisation in the segments of the automobile, machinery construction, and energy systems industries that are important for our business is very good.

Processing		1.1.-30.6.2008	1.1.-30.6.2007
Revenue	EUR mil.	267.4	247.8
EBITDA	EUR mil.	26.1	26.8
EBITDA margin	%	9.8	10.8
Capital employed	EUR mil.	200.3	161.0
ROCE	%	26.1	33.3
Investments	EUR mil.	9.9	6.8
Employees	Positions	1,138	987

Difficulty was experienced with obtaining raw materials. In some cases, suppliers were late with their deliveries, which caused problems in production or delays in shipments to the customers. The sharply increased raw material prices also forced us to pass on corresponding price increases to our customers, which did not always meet with understanding.

To increase productivity and improve product quality, various investments were made. These included purchase of an ultrasonic testing system, a bevelling machine and a shear.

Capacity utilisation of our works for the coming months is still pleasing. The development of raw material prices is causing us concern, and will require corresponding adjustments to selling prices in the second half-year.

Steeltec AG

The situation in the main markets of Germany, France, Italy and Switzerland was extremely robust in the first half-year. The demand from our chief customer groups in the automobile, machinery and hydraulics industries stayed at a constantly high level. This enabled us to again increase our shipped quantities relative to the same period last year. The development in our high-strength special steels was particularly pleasing.

We, too, were affected by the dramatic price increase for raw materials. We were obliged to pass this on to our customers in the form of corresponding price increases. Further increases are planned in the second half-year.

Significant investment projects include the installation of two new grinding systems as well as the purchase of a testing line with integrated CNC saw and end-processing system. With these investments we want to increase productivity as well as expand the capacity for safety parts for the automobile industry. A major project is replacement of the pickling plant by an environmentally friendly mechanical descaler.

Based on the forecasts of our customers, we expect business to continue well in the second half year. There may be a slight weakening in some sub-segments. This will depend very much on the development of the raw material prices.

Boxholm Stal AB

Our main customers include suppliers to the car and truck industries. The strong flow of orders at the beginning of the year has weakened slightly in recent weeks. Our shipped quantities are at approximately the same level as last year.

The most important investment project is the construction of a new management and warehouse building. This will enable us to increase efficiency. Other projects relate to various replacement and rationalisation investments such as control and surface testing instruments.

Despite a slight weakening of the market, we expect a further positive development of our company. An additional opportunity resulted from utilisation of the sales channels of the SCHMOLZ + BICKENBACH distribution companies.

Trafilerie Bedini S.r.l.

This drawing plant for stainless bars, which belongs to Ugitech S.A, looks back on a very successful first half year. Capacity utilisation and earnings were at a very high level. We have decided to rename the company Ugitech s.r.l.

Sprint Metal Edelstahl Ziehereien GmbH

The perceptible weakening in stainless fine and finest wires since the first half of 2007 also affected the first half of 2008. The new drawing plant at Brumby (Germany) went into operation at the end of the first half-year.

Distribution and Services Division

The Distribution and Services Division comprises our distribution organisations Germany, Europe and International. EBITDA in the first half-year was EUR 39.4 million (2007: EUR 49.3 million). Revenue was EUR 749.5 million (2007: EUR 768.4 million). Investments of EUR 17.1 million (2007: EUR 11.0 million) were made.

The development of the individual companies is described below.

SCHMOLZ+BICKENBACH

Distribution Germany

The general market situation in the first half-year was good, although in the last few weeks a slight tendency to weakness became apparent. Within the different product groups that we distribute, developments were varied. While the demand for standard products is falling slightly, order bookings and order backlogs for special products continue high.

The sharply increased raw material prices are making themselves clearly felt in our purchase prices, which forces us to make corresponding adjustments in our customer prices.

At the Trossingen site, we have constructed a new warehouse building. This will allow us to offer our customers an even better service. For the same purpose, we have built a new high-bay warehouse in Hamburg. We also added various sawing systems at several sites. On January 22, 2008, we acquired the distribution

company Dr. Wilhelm Mertens GmbH in Berlin.

Despite a slight weakening in demand, we expect a further favourable development in the ordering activity of our customers. A major challenge is presented by the price adjustments made necessary by the increased purchase prices.

SCHMOLZ+BICKENBACH

Distribution Europe

Essentially, we can look back on a pleasing first half-year with good demand from our key customers in the automobile and engineering industries. While in the Western European markets there was slightly weaker growth, development in the Eastern European markets was stronger than average.

Thanks to the synergy effects with the works of the Group, we could further expand our position in all European countries, particularly in the bright steel, special engineering steel, and stainless steel product segments. Due to the global procurement possibilities, we were also able to expand our product assortment and thereby supply our customers with the desired products. The steep price increases resulting from the development in raw material prices were also problematic for us, since we had to continuously pass on the higher purchase prices to the selling prices.

In the first half-year we established new sales subsidiaries in Latvia and Portugal. In France, we acquired a small distribution organization. Also in France, we opened a new warehouse at Lyons, and integrated the distribution by a third party of the high-strength special steels of Steeltec AG into our own organisation. New warehouse buildings were occupied in Austria and Poland.

We anticipate a slight weakening in Western Europe, while Eastern Europe should maintain more or less unchanged dynamism. The continuous expansion of our sales organisation, and expansion of our services, will be systematically pursued.

SCHMOLZ+BICKENBACH

Distribution International

We still rate the market situation in the markets we serve as good. The demand for tool steel, the main

Distribution + Services		1.1.-30.6.2008	1.1.-30.6.2007
Revenue	EUR mil.	749.5	768.4
EBITDA	EUR mil.	39.4	49.3
EBITDA margin	%	5.3	6.4
Capital employed	EUR mil.	487.0	432.7
ROCE	%	16.2	22.8
Investments	EUR mil.	17.1	11.0
Employees	Positions	2,997	3,020

product of our sales companies, continues stable at a high level. For forged products, the long delivery periods from our works have not changed. We have started to use A. Finkl & Sons Co. and Sorel Forge Co. as the Group's own sources of supply for tool steels and engineering steels.

Distribution International is also confronted with massive price increases for steel products. In some cases, these can only be passed on to the customers with delay.

In all international distribution companies, besides our traditional business in tool steels we now also offer the market stainless steels from our French and German works. A newly established company for the Middle East will begin activities in Dubai in mid-2008. Also in Russia, as continuation of the former sales office we have registered a company that will enable us to serve this market of the future even better. In China, we have acquired the remaining 10% of the shares from our former partner, so we are now the sole owner of all these companies in China. In our subsidiary in Mexico we have installed a hardening plant. The bright steel plant for stainless steels in the USA, which formerly belonged to Ugitech S.A., has been merged with SCHMOLZ + BICKENBACH USA.

In our assessment, the market is still positive and at a high level. In China, there is continuing progress on the realignment to high-grade steel goods. In North America, following the merger between the distribution companies of SCHMOLZ + BICKENBACH and Ugitech, we can now offer all of our products from a single source and location.

Outlook

Despite slight tendencies towards weakening in a few market segments and geographical regions, we still expect the steel market and related areas to remain robust. The capacity utilization of our production and processing works remains high. An uncertain factor is the further development of prices for scrap and alloying elements. The steep rises in these prices in the last few months have massively increased our receivables and payables, as well as our inventories. The sharp price increases also present a challenge to our customers, since they in turn have to add them to the selling prices of their products.

Networking of our three divisions of Production, Processing, and Distribution and Services is well advanced. This allows us to utilise the synergies that are present in our Group. Further steps to expand the links between the various companies are being implemented. We are still looking for potential acquisitions in the sales area to close any gaps in the market coverage of specific geographical areas.

The high investment volume of the Group will be continued to prepare us for the future challenges of the markets. The Group's currently largest investment project, reconstruction of the works of A. Finkl & Sons Co. in Chicago, is progressing according to plan. The structures for various buildings are complete. The equipment has been ordered. Completion of the project is scheduled for the end of 2009. This will enable us to markedly expand our production volumes and further processing capacities for tool steels, as well as other steel categories if necessary.

Despite the uncertainties with regard to the development of raw material prices mentioned above, attainment in 2008 of a result similar to last year does not appear to us to be unrealistic.



Michael Storm
Chairman of the Board of Directors



Benedikt Niemeyer
Chief Executive Officer

August 11, 2008

Consolidated financial statements of SCHMOLZ+BICKENBACH AG for the first half of 2008

Consolidated income statement (in EUR millions)	1.1.-30.6.2008	1.1.-30.6.2007
Revenue	2,278.2	2,286.6
Freight out, commissions	-58.1	-52.6
Net income from sales	2,220.1	2,234.0
Change in semi-finished and finished products	72.2	93.0
Total revenues	2,292.3	2,327.0
Material expenses	-1,382.5	-1,422.0
Energy expenses	-104.9	-94.9
Gross profit	804.9	810.1
Auxiliary supplies and operating materials	-101.9	-91.9
Personnel expenses	-295.2	-271.4
Other operating and administrative expenses	-240.0	-215.6
Other operating income	57.8	31.7
Income from associates	10.5	8.4
Operating profit before depreciation and amortisation ^{*)}	236.1	271.3
Depreciation of property, plant and equipment	-43.2	-38.2
Amortisation of intangible assets	-3.0	-2.5
Operating profit	189.9	230.6
Financial result	-26.6	-25.6
Earnings before taxes	163.3	205.0
Income taxes	-57.0	-74.8
Net income	106.3	130.2
Minority interests	-0.7	-0.3
Net income after minority interests	105.6	129.9

*) Of which profit on sale of fixed assets EUR 1.2 million (2006: EUR -0.6 million)

SCHMOLZ + BICKENBACH share (in CHF)	First half 2008	First half 2007	2007
Consolidated earnings per share	5.69	7.08	10.09
Group shareholders' equity per share	42.14	37.11	39.39
Highest/lowest share price	97 / 60	116 / 87	124 / 85

Consolidated balance sheet (in EUR millions)	30.6.2008	%	31.12.2007	%	30.6.2007	%
Intangible assets	36.5		35.5		38.7	
Property, plant and equipment	740.3		693.1		572.3	
Financial assets	116.0		101.6		81.8	
Total non-current assets	892.8	31.4	830.2	33.7	692.8	27.1
Inventories	1,231.4		1,109.3		1,164.7	
Trade accounts receivable	546.2		382.2		560.4	
Other receivables	121.5		98.0		85.9	
Accrued income and prepaid expenses	9.7		7.7		9.3	
Cash and cash equivalents	43.4		38.2		44.0	
Total current assets	1,952.2	68.6	1,635.4	66.3	1,864.3	72.9
Total assets	2,845.0	100.0	2,465.6	100.0	2,557.1	100.0
Share capital	192.6		192.6		192.6	
Capital reserves	499.7		499.7		499.7	
Revaluation reserves	0.3		0.3		0.3	
Retained earnings	124.3		43.9		-10.0	
Accumulated foreign currency differences	-34.3		-25.5		-13.0	
Total shareholders' equity excluding minority interests	782.6		711.0		669.6	
Minority interests	4.2		2.8		2.8	
Total shareholders' equity	786.8	27.7	713.8	29.0	672.4	26.3
Liabilities from long-term debt	697.9		589.8		559.8	
Long-term provisions	284.7		272.2		290.5	
Other long-term liabilities	1.1		0.0		0.0	
Total long-term liabilities	983.7	34.6	862.0	35.0	850.3	33.3
Liabilities from short-term debt	190.0		155.1		165.9	
Trade accounts payable	538.7		410.9		523.2	
Short-term provisions	67.4		77.5		79.0	
Other short-term liabilities	245.1		216.7		223.5	
Accrued liabilities	33.3		29.6		42.8	
Total short-term liabilities	1,074.5	37.7	889.8	36.0	1,034.4	40.4
Total liabilities	2,058.2	72.3	1,751.8	71.0	1,884.7	73.7
Total liabilities and shareholders' equity	2,845.0	100.0	2,465.6	100.0	2,557.1	100.0

Consolidated cash flow statement (in EUR millions)	1.1.-30.6.2008	1.1.-30.6.2007
Net income	106.3	130.2
Depreciation and amortisation on non-current assets	46.2	40.7
Change in provisions	-0.1	49.0
Gain/loss from participations measured at equity	-10.5	-8.4
Gain/loss from disposal of non-current assets	-1.2	0.6
Cash flow before changes in net working capital	140.7	212.1
Change in inventories	-118.6	-212.2
Change in trade accounts receivable	-163.0	-30.3
Change in other receivables	-25.0	-5.8
Change in trade accounts payable	127.2	113.4
Change in other short-term liabilities	32.0	49.3
Cash flow from operations	-6.7	126.5
Investments in property, plant and equipment	-96.6	-68.1
Proceeds from disposal of property, plant and equipment	4.1	0.4
Investments in intangible assets	-3.1	-1.1
Investments in financial assets	-3.7	-0.5
Proceeds from disposal of financial assets	0.2	0.1
Cash flow from investing activities before acquisition of Group companies	-99.1	-69.2
Cash flow before acquisition of Group companies	-105.8	57.3
Investments in consolidated Group companies (less cash and cash equivalents acquired)	-7.9	-126.9
Net cash flow from acquisition/sale of Group companies	-7.9	-126.9
Cash flow from investing activities	-107.0	-196.1
Free cash flow	-113.7	-69.6
Changes in liabilities from long-term debt	108.2	13.1
Changes in liabilities from short-term debt	34.8	62.5
Dividends paid to shareholders of SCHMOLZ + BICKENBACH AG	-23.5	-22.8
Change in minority interests	0.3	0.1
Cash flow from financing activities	119.8	52.9
Effects of foreign currency translation	-0.9	2.2
Change in cash and cash equivalents	5.2	-14.5
Cash and cash equivalents as at 1.1.	38.2	58.5
Cash and cash equivalents as at 30.6.	43.4	44.0
Change in cash and cash equivalents	5.2	-14.5

Segment information

The distribution of net income from sales, investments in fixed assets, and headcount between the main sales regions was as follows:

(in EUR millions)		Net income from sales 1.1.-30.6.		Investments in property, plant, and equipment 1.1.-30.6.	Headcount (positions) 30.6.	
Switzerland	2008	48.8	2.2%	10.7	839	7.5%
	2007	53.6	2.4%	9.8	785	7.3%
Germany	2008	1,125.6	50.7%	52.9	5,513	49.2%
	2007	1,119.5	50.1%	41.8	5,177	47.7%
France	2008	177.7	8.0%	8.2	1,821	16.3%
	2007	196.2	8.8%	6.3	1,799	16.6%
Italy	2008	224.2	10.1%	0.2	181	1.6%
	2007	210.7	9.4%	0.4	177	1.6%
Other Europe	2008	388.5	17.5%	4.5	609	5.4%
	2007	394.5	17.7%	5.5	433	4.0%
America	2008	195.3	8.8%	19.8	1,074	9.6%
	2007	197.9	8.9%	3.6	1,106	10.2%
Asia/Australia	2008	51.1	2.3%	0.2	1,115	10.0%
	2007	51.8	2.3%	0.7	1,315	12.1%
Africa	2008	8.9	0.4%	0.1	49	0.4%
	2007	9.8	0.4%	0.0	51	0.5%
Total	2008	2,220.1	100.0%	96.6	11,201	100.0%
	2007	2,234.0	100.0%	68.1	10,843	100.0%

The distribution of net income from sales between the business segments was as follows:

(in EUR millions)		Net income from sales 1.1.-30.6.
Production	2008	1,547.5
	2007	1,554.4
Processing	2008	259.4
	2007	240.8
Distribution/Services	2008	735.4
	2007	753.8
Other/consolidation	2008	-322.2
	2007	-315.0
Total	2008	2,220.1
	2007	2,234.0

Notes to the consolidated financial statements according to SWISS GAAP FER

Accounting standard

This unaudited half-year report was prepared in accordance with Swiss GAAP FER 12 and is based on the accounting policies that were described in the Annual Report for 2007.

Consistency of presentation and disclosure

The changes in presentation and disclosure that were made in the Annual Report 2007 because of the first-time application of newly revised Swiss GAAP FER, or to improve transparency, have resulted in changes in the comparative figures for the previous year in the half-year report. Specifically, the following changes were made:

- Cost of materials, auxiliary supplies and operating materials

As already disclosed in the Annual Report 2007, expenses of EUR 23.0 million were reclassified from cost of materials into auxiliary supplies and operating materials.

- Bank credits

As already presented in the Annual Report 2007, bank credits that were drawn down as short-term tranches of the consortial credit contract are reported as non-current financial liabilities, and no longer as current financial liabilities, because of their revolving financing nature and the granting of the respective credit line up to 2012. The figures presented for June 30, 2007, have been correspondingly adjusted.

- Current tax liabilities

In the Annual Report 2007, in accordance with Swiss GAAP FER (2007) 11.4, current tax liabilities are shown for the first time under other current liabilities. The previous year's values as at June 30, 2007, have been adjusted to increase current liabilities and reduce short-term provisions by the same amount.

Changes in the scope of consolidation

To expand the geographical market coverage of the distribution business, two smaller, regionally focused steel distribution companies were acquired in 2008.

Dr. Wilhelm Mertens GmbH, Berlin (Germany), a company with a long tradition of activity in the Berlin market, was acquired on January 22, 2008. Operationally, the company is integrated into Distribution Germany. On May 20, 2008, the shares of the French company Polymet-Aciers Fins-Alliages SARL, Pechbonnieu (France) were acquired, which serves the market around Toulouse. It is planned to merge this company with the existing French distribution company, SCHMOLZ + BICKENBACH France S.A.S. Both newly acquired companies were fully consolidated in these financial statements as from their respective dates of acquisition.

Effects of the first-time consolidation of the newly acquired companies on the capital, financial and earnings situation

Under the purchase method, as of the date of the acquisition the purchase price must be allocated to the identifiable acquired assets and liabilities at fair value.

Any goodwill that arises must be immediately offset against retained earnings.

As of the date of the first-time consolidation of the newly acquired companies the following net assets were taken over at fair value:

(in EUR millions)	Fair value
Intangible assets	2.0
Property, plant and equipment	1.2
Non-current assets	3.2
Inventories	3.6
Receivables and other assets	1.3
Current assets	4.9
Long-term liabilities	1.6
Short-term liabilities	2.7
Liabilities	4.3
Net assets acquired	3.8

Based on this tentative purchase price allocation, the newly acquired companies were included in the consolidated financial statements for the first half of 2008. Up to June 30, 2008, the newly acquired companies contributed EUR 4.8 million to the Group's revenue, and a break even result before depreciation and amortisation (EBITDA).

The consolidation of the newly acquired companies and the acquisition of the remaining 10% of the shares of SCHMOLZ – BICKENBACH (B.V.I) Ltd. (British Virgin Islands), which holds the participations of the companies in China, result in a tentative goodwill of EUR 1.7 million, which is deducted from retained earnings.

Governing bodies

Board of Directors

Michael Storm, Chairman
Dr Hans-Peter Zehnder, Vice Chairman
Benedikt Niemeyer, Chief Executive Officer
Dr Helmut Burmester
Dr Gerold Büttiker
Benoît D. Ludwig
Dr Alexander von Tippelskirch

Executive Management Committee

Benedikt Niemeyer, Chief Executive Officer
Dr Marcel Imhof, Chief Operating Officer
Axel Euchner, Chief Financial Officer

Divisional Management

Walter J. Hess, Swiss Steel AG
Karl Haase, Deutsche Edelstahlwerke GmbH
Victor Polard, Ugitech S.A.
Gerd Münch, Steeltec AG
Peter Schubert, SCHMOLZ + BICKENBACH Blankstahl GmbH
Peter Schwarze, SCHMOLZ + BICKENBACH Distributions GmbH

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