



2007

HALF-YEAR REPORT

SCHMOLZ + BICKENBACH AG

Providing special steel solutions



Dear Shareholder,

Steel markets still positive

The positive climate in the steel markets that has been sustained for a good three years continued in the first half of 2007. Through having its roots in the favourable progress of the global economy, the steel industry remained buoyant. This applied particularly to the high-grade steel categories that we produce and distribute. We could already exploit many of the strengths of the outstanding international position of our Group that has resulted from mergers between a number of companies. Through targeted investments we are securing the strategic future development of the Group. Networking of the production works with the processing plants and worldwide distribution organisation was pursued further according to plan. Today, we are in a position to follow our customers to their most important global production plants and offer them locally the service they require and to which they have become accustomed. There were further sharp increases in the procurement costs for raw materials and especially for alloying elements. Between the start of the year and May, the price of nickel positively exploded. Since then, however, it has stabilised at a lower level. Although natural gas prices remain high, there were some signs of softening, while electricity prices are being held at a high level by an imbalance between supply and demand.

First-half earnings set new record

The market situation just described, as well as the strategic and investment measures that have been implemented in our Group in the last few years, allowed us to produce another record result. The focus on high-grade categories of steel, the massive investments in our factories for manufacturing high-value niche products, as well as in a global distribution organisation, along with the international alignment, are proving to be correct.

We present below the figures of the Group for the first half of 2007. For better comparability, the previous year's figures are additionally presented on the basis of pro forma financial statements in which the contribution to earnings of the processing and distribution activities of SCHMOLZ + BICKENBACH KG that were transferred last year, as well as of the Ugitech Group, have been included already as from January 1, 2006.

Because of the changes in the scope of the consolidation, the comparability of the pro forma financial statements with the previous year is limited. On the one hand, the newly acquired American group, A. Finkl & Sons Co., has been fully consolidated as from February 1, 2007. On the other hand, and in contrast to the previous year, Stahl Gerlafingen AG, 65% of which was sold to AFV Acciaierie Beltrame in mid-2006, is only included in the consolidated financial statements at equity.

Revenue increased relative to the same period last year by 26.9% to EUR 2,286.6 million (2006: EUR 1,802.0 million). Operating profit before depreciation and amortization (EBITDA) rose to EUR 271.3 million (2006: EUR 165.0 million). This represents an EBITDA margin of 11.9% (2006: 9.2%) on revenue, which rose substantially on account of the high nickel price. Operating profit (EBIT) was EUR 230.6 million (2006: EUR 134.2 million). Consolidated profit before taxes (EBT) was EUR 205.0 million (2006: EUR 126.8 million), while consolidated earnings after taxes (EAT) were EUR 130.2 million (2006: EUR 90.2 million). The stated comparison figures relate to the pro forma financial statements.

Cash flow before changes in net working capital was EUR 212.1 million (2006: EUR 110.4 million), and before acquisitions of subsidiaries EUR 57.3 million (2006: EUR 30.1 million).

In the first half-year, total assets increased by EUR 468.7 million to EUR 2,557.1 million (31.12.2006: EUR 2,088.4 million). The increase resulted mainly from the first-time consolidation of A. Finkl & Sons Group, the additions to non-current assets associated with investments, and increased trade receivables and inventories caused by price increases for raw materials and alloying elements. When valuing the inventories as at June 30, 2007, sufficient account was taken of the fall that had occurred then, and is still continuing, in prices for alloying elements. In view of this price development, we expect the financing requirements to decline in the second half-year. The equity ratio was 26.3% (31.12.2006: 27.2%). Net borrowing was EUR 681.7 million (31.12.06: EUR 568.7), which is substantially below the credit limits at our disposal, which we again

increased for the acquisition of the A. Finkl & Sons Group by expanding the ABS program by EUR 100 million as well as through bilateral lines at the level of SCHMOLZ + BICKENBACH AG. Our Group is therefore solidly financed.

The SCHMOLZ + BICKENBACH AG share price continued to develop favourably. From CHF 92.05 at the end of 2006 it rose by 16.8% to CHF 107.50 at the end of June 2007. This continued the positive development of the share price that was achieved in the last few years.

Group key figures

		1.1.-30.6.2007	1.1.-30.6.2006	
			Pro forma figures ¹⁾	Legal figures ²⁾
Revenue	EUR million	2,286.6	1,802.0	1,058.6
EBITDA	EUR million	271.3	165.0	109.9
EBITDA margin	%	11.9	9.2	10.4
EBT	EUR million	205.0	126.8	78.9
Earnings after taxes (EAT)	EUR million	130.2	90.2	55.1
Investments	EUR million	69.2	60.7	46.1
Cash flow before acquisition of Group companies	EUR million	57.3	-	30.1
Headcount	Positions	10,843	9,168	5,687

¹⁾ The column headed „Pro forma figures“ presents the figures from the previous year based on the information contained on page F-71 of the SWX Swiss Exchange prospectus of SCHMOLZ + BICKENBACH AG of December 31, 2006, or the company's own estimates.

²⁾ The column headed „Legal figures“ presents the figures that were originally published in the half-year report for 2006.

		30.06.2007	31.12.2006
Total assets	EUR million	2,557.1	2,088.4
Shareholders' equity	EUR million	672.4	568.8
Equity ratio	%	26.3	27.2
Net financial liabilities	EUR million	681.7	568.7

Key figures of the divisions

1.1.-30.6.2007		Production	Processing	Distribution and Services	Other/consolidation	Total
Revenue	EUR million	1,605.6	247.8	768.4	-335.2	2,286.6
EBITDA	EUR million	202.9	26.8	49.3	-7.7	271.3
EBITDA margin	%	12.6	10.8	6.4	-	11.9
Capital employed	EUR million	1,229.6	161.0	432.7	-10.4	1,812.9
ROCE	%	33.0	33.3	22.8	-	29.9
Investments	EUR million	48.2	6.8	11.0	3.2	69.2
Headcount	Positions	6,676	987	3,020	160	10,843

Production Division

Thanks to the high level of capacity utilisation as well as the first-time consolidation of the A. Finkl & Sons Group, in the first half-year the Production Division generated EBITDA of EUR 202.9 million. Relative to the pro forma figures of June 30, 2006, this represents an increase of EUR 92.4 million or 83.6%.

The sharply higher prices for raw materials, particularly nickel, caused an overproportional increase in revenue from EUR 986.2 million to EUR 1'605.6 million.

In the period up to June 30, 2007, investments amounting in total to EUR 48.2 million were made. Investments in the second half-year will be almost double this amount and contribute to the further strategic expansion of the Group.

The development of the individual production companies is described below.

Swiss Steel AG

The change of name from von Moos Stahl AG to Swiss Steel AG at the start of February 2007 was well accepted by our customers. The strong demand for our products that has been sustained since last year continues without interruption. Orders received in the first half-year clearly exceeded the targets and brought full capacity utilisation to our steelworks and rolling mills.

The situation in the procurement markets for raw materials and energy remains highly volatile. The sharp increases in prices for scrap and alloying elements relative to the previous year were largely accepted by the market. This allowed the margins to be maintained overall. At present, we are again confronted with rapidly increasing scrap prices. The EUR/CHF exchange rate that is important for our business benefited from the weak Swiss franc.

In the current year, an important program of investments amounting to approximately EUR 25.0 million is being implemented. The energy management system for optimised utilisation of electrical energy has already proved itself. Implementation of the projects to increase the coil weight to 2 tonnes, modification of the

furnace to allow billet dimensions of 150/150 mm, and Material Flow Tracking Level 2 in the rolling mill, are proceeding according to plan. In the steelworks, the fourth strand of the continuous casting plant and the new scrap logistics centre will be able to go into operation in the second half of the current year.

In view of the present good market situation and the ongoing high level of demand for our free-cutting and engineering steels, we continue to view the outlook for the second half of the year positively. Depending on the product segment, we expect stable or slightly rising prices.

Deutsche Edelstahlwerke GmbH

The positive development of the global economy continued in the first half of 2007. Centres of growth were the developing economies in Asia and Latin America as well as Central and Eastern Europe. In Europe, support was derived not only from robust domestic demand but particularly from investment demand. There was no letup in the economic dynamism of the new member states of the European Union or Russia. Growth was therefore driven by the continuing high level of exports. The exchange rate of the euro relative to the US dollar was mostly stable. By contrast, prices for energy and raw materials, especially nickel, rose sharply on average.

In the first half of 2007 we made further progress on our path to growth. An important factor was that solid demand from all significant key markets and customer industries exerted a positive stimulus on development of the business. Volumes particularly increased in engineering steels as well as in stainless, acid-resistant and heat-resistant special steel long products. The market situation in engineering steel remains stable. Capacity utilisation is particularly high in the automobile industry as well as at component suppliers such as forges and rolling-contact bearing manufacturers. The exploration, wind power, and aircraft industries have full order books. Order bookings and sales therefore attained record levels. Thanks to the good market situation, further increases in base prices were achieved. It was also possible to largely compensate the high material costs for alloying elements and scrap by way of price increases.

Production		Pro forma	
		1.1.-30.6.2007	1.1.-30.6.2006
Revenue	EUR million	1,605.6	986.2
EBITDA	EUR million	202.9	110.5
EBITDA margin	%	12.6	11.2
Capital employed	EUR million	1,229.6	832.6
ROCE	%	33.0	26.5
Headcount	Positions	6,676	5,753

An extensive investment program is currently being carried out to modernize and improve the efficiency of the production plants and logistics as well as increase the added value of our products. The investments include increasing the production of special materials, expansion of the remelting steel works and heat capacities at the Krefeld site, optimisation of short-length production at Siegen, and enlargement of the processing operations at Witten and Krefeld. In addition to expansion of the Steelliner transportation capacity, optimisation of the loading capacity in the straighteners is an essential precondition for handling the additional transportation volumes.

We do not expect the current state of the tool and stainless steel market to change significantly in the next few months.

Ugitech S.A.

In the first half of 2007 we experienced a good market situation for our stainless long products. It is based firstly on a high demand for investment goods in response to the positive economic situation in Europe. Added to this is the strong market growth in the Asian area, and particularly in China. Consequently, Ugitech was producing at the limits of its capacity with shortages of employees and plant.

Prices of alloying elements developed dramatically. Particularly those for nickel climbed astronomically. In consequence, alloying surcharges have risen to record levels, although prices have fallen back considerably in the meantime.

In the first half of 2007, various investment projects were implemented. The most important of these include construction of a bar-drawing production plant

for stainless steels in Chicago. The plant will allow us to penetrate further into the North American market. At Ugine, construction of an electro-slag remelting works was started. This will be used to produce high-purity steels, for which demand is developing very positively, and which will assure us of growth in niche markets with a highly promising future. At Brumby, in Germany, we began construction of a drawing mill for stainless wires. From Brumby we aim to supply mainly the Central and Eastern European markets.

Based on the current order backlog, we regard the outlook for the second half of 2007 as positive. An element of uncertainty is caused by developments in the price of nickel, which is difficult to forecast. In recent weeks prices were trending down, but still at a high level compared with earlier years. As a result, some customers increasingly prefer products with a lower nickel content.

A. Finkl & Sons Co.

We can look back on a very pleasing development in the first half of 2007. Although individual market segments were confronted with a slight weakening, we could again increase sales in all business sectors. There are risks associated with the volatility of demand as well as the high price level. Our successes are derived especially from our strengths in geographical market flexibility, a convincing brand policy, customer proximity, and short delivery lead times by comparison with competitors. These factors, together with the high competence of our employees, will bring us ongoing success even in an increasingly competitive environment. The A. Finkl & Sons Group is well positioned in the high-volume customers market. With our activities in the segments of mould production for plastics, tool steel, and forging, we also possess great

potential for the future. The aviation, automobile, mining, energy production, and construction market segments that are important to us are currently very strong and their prospects for the foreseeable future still positive. First successes of synergy projects with the SCHMOLZ + BICKENBACH Group have contributed to the positive situation and already resulted in orders.

The major project for relocating our production plants from Chicago North to Chicago South is progressing according to plan. With external support we are now making plans for the new works. Construction of the new plants will take place continuously and be completed by mid-2009. This will allow us to guarantee uninterrupted supplies to our customers.

Processing Division

The Processing Division also benefited from the positive development of the markets and succeeded in increasing its net sales from the previous year's EUR 24.9 million to EUR 247.8 million. EBITDA increased from EUR 18.1 million in the same period last year to EUR 26.8 million. For the remainder of the current year we expect this division to remain stable and produce strong results.

The development of the most important companies in this division is described below.

SCHMOLZ + BICKENBACH Blankstahl

The economic situation is currently extremely positive. In our industry this can be deduced very clearly from a sustained high demand for high-quality bright steel. In consequence, tonnage in the first half-year developed very favourably. This applied to the works in Germany as well as Denmark and Turkey. Margins in the market

for bright steel are also developing positively. Our segment is benefiting especially from the boom in the commercial vehicles and machine construction industries.

Investments at the three works in the production of steel bars, heat treatment, and information technology are proceeding according to plan, and in some cases will become effective this year. The investments will allow us to expand our strategic segments further and supply the market with the products it needs.

The outlook for the rest of the year for production in Germany is positive, since the high order intake in the first half-year has already ensured good utilisation of the machines in the second half-year. In individual areas such as grinding, heat treatment, rough turning, and short product production, capacity is already fully utilised up to the end of the year. This confirms the correctness of our strategy of producing high-value products and having a corresponding distribution concept to deliver them to the market. Production capacity utilisation is also high at the other bright steel works of the Group. Mutual exchange of products is being pushed further to utilise all capacities.

Steeltec

Last year's positive development of the business continued in the first half of 2007. We could continue to operate at the same level that already prevailed at the end of 2006. In the following months, order intake and shipments remained constant or trended upwards.

Especially in the Italian and German markets, volume increases were attained in special steels. In Switzerland, the high level was maintained. In France, there were some shortfalls on volume in the first quarter which are now being successively made up. In all markets, base

Processing		1.1.-30.6.2007	Pro forma 1.1.-30.6.2006
		Revenue	EUR million
EBITDA	EUR million	26.8	18.1
EBITDA margin	%	10.8	8.1
Capital employed	EUR million	161.0	124.9
ROCE	%	33.3	29.0
Headcount	Positions	987	925

prices remained stable at a high level which was above that of the previous year. Rising prices for scrap as well as alloying elements and other additives caused sharp increases in the variable price component which resulted in further increases in overall prices.

Stability and reliability of supplies to our customers were guaranteed by drop shipments as well as the established warehouse service. Production capacities and warehouse availability were closely matched to customer requirements.

By comparison with our competitors, Steeltec continues to occupy an excellent position. Our prices for all product groups are in the upper segment. Thanks to close collaboration and technically oriented project work combined with a good warehouse service, we can largely stay out of the standard products market and define our own pricing policy. In pursuit of this goal we can also report successful sales from the market introduction of HSX and Swiss Cut.

Order bookings to date, as well as our customers' volume forecasts and capacity reservations, lead us to expect business to continue positively at the same high level in the second half of 2007.

Distribution and Services Division

The companies of the Distribution and Services Division also developed very positively relative to the previous year. Sharply higher prices as well as further increases in sales volumes caused net sales to increase from EUR 173.5 million in the comparable period last year to EUR 768.4 million. EBITDA followed the general upward trend and rose to EUR 49.3 million. Reflecting the systematic expansion of our global distribution activities, the number of employees in this division increased by 183 to 3,020.

The economic development of the most important markets by region and company is described below.

SCHMOLZ + BICKENBACH Distribution Germany

The economic environment reflects the positive development of the German economy. This results in stable

demand from our customers. The automobile, machine construction, energy production, and toolmaking industries were especially strong. For Distributions GmbH the start to business year 2007 was a continuation of the positive development in 2006. In all product segments and branches, the results were a further improvement on the previous year.

As a further building block towards distribution in close proximity to the customer, in April 2007 the Munich branch moved into its new premises at Maisach. By doing so, it has intensified its presence in southern Germany.

Investments in expansion of finishing capacity, especially sawing, proved to be an important component of the development in 2007. The new capacities are already being fully utilised.

Günter & Schramm can also look back on a successful first half of 2007. Our strategic focus as service partner to our customers has had a highly positive effect in the toughly contested market for bright steel as well as special and engineering steel. Net sales revenue from services in the first half of 2007 increased by more than 30% relative to the previous year. Further growth can be expected from investments in service and sawing capacities.

Overall, the product segments and the various branches are in top form. We therefore expect the positive trend to continue in 2007. There is uncertainty about development of the nickel price, which could affect the stainless business in the second half of 2007.

SCHMOLZ + BICKENBACH Distribution Europe

In the first half of 2007, the SCHMOLZ + BICKENBACH distribution companies in Europe experienced good demand at a high level that was balanced across all product groups. In 15 European countries, we are present with one or more warehouse locations. This allows us to offer our customers a high level of availability of materials. Everywhere, there was substantial growth in sales and earnings relative to comparison with the previous year. For the full year, we are optimistic.

Distribution and Services		Pro forma	
		1.1.-30.6.2007	1.1.-30.6.2006
Revenue	EUR million	768.4	594.9
EBITDA	EUR million	49.3	27.1
EBITDA margin	%	6.4	4.6
Capital employed	EUR million	432.7	306.8
ROCE	%	22.8	17.7
Headcount	Positions	3,020	2,837

SCHMOLZ + BICKENBACH

Distribution Overseas

The former global sales organisation of Deutsche Edelstahlwerke GmbH is being successively repositioned as the distribution organisation for all SCHMOLZ + BICKENBACH companies. The repositioning will permit us to make the sales network that is established on all continents accessible to the entire Group and particularly to all production companies. Besides the resulting faster market penetration, we shall also obtain cost advantages. This work is at an advanced stage. First successes are already being achieved.

Outlook

The currently favourable global economic climate will continue. Demand for products made from steel, and particularly those made from high-grade steel, is at a high level. Our production plants are operating at full capacity. With our three divisions of Production, Processing and Distribution, and Services, in the international market, especially for high-quality and engineering steels, stainless, acid-resistant and heat-resistant steels, as well as tool steels, we occupy an important position. Networking between the individual divisions is at a very advanced stage, and further optimisations are planned or being implemented. The American manufacturer of tool steels, A. Finkl & Sons Co., which was integrated into the Group as from February 1, 2007, augments our range of offerings outstandingly well. Thanks to a major investment programme at all of the Group's sites, we have created the conditions needed for further increases in efficiency, expansion of the production quantities of high-grade steels, and additional improvements in quality.

In combination with the SCHMOLZ + BICKENBACH distribution companies already existing in northern Europe, the retrospective acquisition on January 1, 2007, of the Swedish bright steel manufacturer Boxholm Stal AB, which is the market leader for bright steel in the Scandinavian market, will enable us to expand our position further.

Due to changes in the scope of the consolidation, in 2007 the year-end sales and profit amounts as well as the balance sheet values will again increase substantially relative to the legal financial statements of 2006. The processing and distribution activities of SCHMOLZ + BICKENBACH KG, and Ugitech S.A., which were integrated as from July 1 last year, are included in the financial statements for 2007 for the full year.

A. Finkl & Sons Co. is consolidated as from February 1, 2007. Boxholm Stal AB will also be included in the consolidation in the second half-year. On the other hand, Stahl Gerlafingen AG, 65% of which was sold to the Beltrame Group on July 1, 2006, is only included in the consolidated financial statements at equity. 2007 will be another record year for SCHMOLZ + BICKENBACH AG.



Michael Storm
Chairman of the Board
of Directors



Benedikt Niemeyer
Chief Executive Officer

August 15, 2007

Consolidated financial statements of SCHMOLZ + BICKENBACH for the first half-year 2007

Consolidated Income Statement (in EUR million)	1.1.-30.6.2007	1.1.-30.6.06	
		Pro forma financial statements ¹⁾	Legal financial statements ²⁾
Revenue	2,286.6	1,802.1	1,058.6
Freight out, commissions	-52.6	-39.8	-23.4
Net income from sales	2,234.0	1,762.3	1,035.2
Change in semi-finished and finished products	93.0	41.7	24.3
Total revenue	2,327.0	1,804.0	1,059.5
Material expense	-1,445.0	-1,075.5	-555.4
Energy expense	-94.9	-89.2	-78.6
Gross profit	787.1	639.3	425.5
Auxiliary supplies and operating materials	-68.9	-65.4	-61.0
Personnel expenses	-271.4	-245.9	-154.6
Other operating and administrative expenses	-215.6	-180.2	-104.6
Other operating income	31.7	17.2	4.5
Income from associates	8.4	0.0	0.1
Operating profit before depreciation and amortization (EBITDA) ³⁾	271.3	165.0	109.9
Depreciation and amortization	-40.7	-30.8	-25.4
Operating profit (EBIT)	230.6	134.2	84.5
Financial result	-25.6	-7.4	-5.6
Earnings before taxes (EBT)	205.0	126.8	78.9
Income taxes	-74.8	-36.6	-23.8
Earnings after taxes (EAT)	130.2	90.2	55.1
Minority interest share of earnings	-0.3	-0.2	0.0
Earnings after minority interests	129.9	90.0	55.1

¹⁾ In the column headed „Pro forma figures“ the figures for last year are presented based on the information contained on page F-71 of the SWX Swiss Exchange Prospectus of SCHMOLZ + BICKENBACH AG of December 13, 2006. In the interest of better comparability, in the Prospectus the contribution to the result of the transferred processing and distribution activities of SCHMOLZ + BICKENBACH AG, as well as the Ugitech Group, are included already as from January 1, 2006.

²⁾ In the column headed „Legal Figures“ the figures originally published in the half-year financial statements for 2006 are presented. These figures do not include the contributions to earnings derived from the transferred companies, since these companies were only legally included in the consolidated financial statements of the Group as from July 1, 2006.

³⁾ Of which profit on sale of property, plant and equipment EUR -0.6 million (2006: EUR -1.0 million)
Of which exceptional profit EUR 0.0 million (2006: EUR 0.0 million).

SCHMOLZ + BICKENBACH share		1st half 2007	1st half 2006	2006
Consolidated earnings per share	CHF	7.08	4.69 ⁵⁾ /4.56 ⁶⁾	9.67 ⁵⁾
Consolidated shareholders' equity per share ⁴⁾	CHF	37.11	29.73 ⁶⁾	30.52
Share price high/low	CHF	116/87	75/38	98/38

⁴⁾ Before appropriation of earnings

⁵⁾ Calculation based on the pro forma figures and taking into account that the shares that were newly issued in the second half of 2006 were already included in the weighted average number of shares as from January 1, 2006.

⁶⁾ Calculation base on the legal figures

Consolidated balance sheet (in EUR million)	30.6.2007	%	31.12.2006	%	30.6.2006	%
Intangible assets	38.7		9.0		2.1	
Property, plant and equipment	572.3		463.4		318.6	
Financial assets	81.8		77.9		21.1	
Total non-current assets	692.8	27.1	550.3	26.4	341.8	29.2
Inventories	1,164.7		896.6		466.9	
Trade accounts receivable	560.4		498.2		301.5	
Other receivables	85.9		79.7		37.3	
Accrued income and prepaid expenses	9.3		5.1		5.2	
Cash and cash equivalents	44.0		58.5		15.9	
Total current assets	1,864.3	72.9	1,538.1	73.6	826.8	70.8
Total assets	2,557.1	100.0	2,088.4	100.0	1,168.6	100.0
Share capital	192.6		192.6		120.4	
Capital reserves	499.7		499.7		60.2	
Treasury shares	0.0		0.0		0.0	
Revaluation reserves	0.3		0.3		0.3	
Retained earnings ¹⁾	-10.0		-116.8		173.4	
Cumulative foreign currency translation differences	-13.0		-8.5		3.7	
Total shareholders' equity excluding minority interests	669.6		567.3		358.0	
Minority interests	2.8		1.5		0.0	
Total shareholders' equity ²⁾	672.4	26.3	568.8	27.2	358.0	30.6
Liabilities from long-term borrowing	194.3		180.6		22.0	
Long-term provisions	290.5		247.1		187.6	
Total long-term liabilities	484.8	19.0	427.7	20.5	209.6	18.0
Liabilities from short-term borrowing	531.4		446.6		221.6	
Trade accounts payable	523.2		392.5		235.3	
Short-term provisions	135.1		95.8		91.8	
Other short-term liabilities	167.4		128.7		25.7	
Accrued liabilities	42.8		28.3		26.6	
Total short-term liabilities	1,399.9	54.7	1,091.9	52.3	601.0	51.4
Total liabilities	1,884.7	73.7	1,519.6	72.8	810.6	69.4
Total liabilities and shareholders' equity	2,557.1	100.0	2,088.4	100.0	1,168.6	100.0

¹⁾ After offsetting the goodwill resulting from the capital consolidation. In the second half of 2006, goodwill of EUR 379.9 million arose from the transfer of assets of the processing and distribution activities of SCHMOLZ + BICKENBACH KG, and of the Ugitech Group. This goodwill was offset against retained earnings.

²⁾ Before appropriation of retained earnings

Consolidated cash flow statement (in EUR million)	1.1.–30.6.2007	1.1.–30.6.2006
Net income	130.2	55.1
Depreciation and amortization	40.7	25.4
Change in provisions	49.0	27.1
Other non-cash positions	0.0	1.9
Share in profits of investments valued at equity	-8.4	-0.1
(Profit)/loss from the sale of property, plant and equipment	0.6	1.0
Cash flow before changes in net working capital	212.1	110.4
Changes in inventories	-212.2	-24.8
Change in trade accounts receivable	-30.3	-67.9
Change in other accounts receivable	-5.8	-3.6
Change in trade accounts payable	113.4	60.7
Change in other short-term liabilities	49.3	1.8
Cash flow from operations	126.5	76.6
Investments in property, plant and equipment	-69.2	-46.1
Proceeds from the sale of property, plant and equipment	0.4	1.5
Investments in financial assets	-0.5	-1.9
Proceeds from the sale of financial assets	0.1	0.0
Cash flow from investing activities before acquisition of Group companies	-69.2	-46.5
Cash flow before acquisition of Group companies	57.3	30.1
Net cash effects from acquisition of Group companies	-126.9	0.4
Cash flow from investing activities	-196.1	-46.1
Free cash flow	-69.6	30.5
Changes in liabilities from long-term borrowing	13.1	-1.0
Changes in liabilities from short-term borrowing	62.5	-17.6
Dividends	-22.8	-12.1
Changes in minority interests	0.1	0.0
Cash flow from financing activities	52.9	-30.7
Currency translation effects	2.2	-2.5
Net change in cash and cash equivalents	-14.5	-2.7
Cash and cash equivalents as at 1.1.	58.5	18.7
Cash and cash equivalents as at 30.6.	44.0	16.0
Net change in cash and cash equivalents	-14.5	-2.7

Segment information

The distribution of net income from sales, investments in property, plant and equipment, and headcount between the main sales regions was as follows: ¹⁾

(in EUR million)		Net income from sales 1.1.-30.6.		Investments in property, plant, and equipment 1.1.-30.6.		Headcount 1.1.-30.6.	
Switzerland	2007	53.6	2.4%	9.8	785	7.3%	
	2006	147.4	14.2%	11.1	1,267	22.3%	
Germany	2007	1,119.5	50.1%	41.8	5,177	47.7%	
	2006	456.2	44.1%	34.2	3,951	69.5%	
France	2007	196.2	8.8%	6.3	1,799	16.6%	
	2006	93.8	9.1%	0.0	15	0.2%	
Italy	2007	210.7	9.4%	0.4	177	1.6%	
	2006	88.7	8.6%	0.0	8	0.1%	
Other Europe	2007	394.5	17.7%	5.5	433	4.0%	
	2006	119.6	11.6%	0.2	18	0.3%	
America	2007	197.9	8.9%	3.6	1,106	10.2%	
	2006	96.7	9.3%	0.4	271	4.8%	
Asia/Australia	2007	51.8	2.3%	0.7	1,315	12.1%	
	2006	28.2	2.7%	0.1	108	1.9%	
Africa	2007	9.8	0.4%	0.0	51	0.5%	
	2006	4.6	0.4%	0.1	49	0.9%	
Total	2007	2,234.0	100.0%	68.1	10,843	100.0%	
	2006	1,035.2	100.0%	46.1	5,687	100.0%	

The distribution of net income from sales between the divisions was as follows: ²⁾

(in EUR million)		Net sales revenue 1.1.-30.6.	
Production	2007	1,554.4	
	2006	907.4	
Processing	2007	240.8	
	2006	65.0	
Distribution and Services	2007	753.8	
	2006	90.4	
Other/consolidation	2007	-315.0	
	2006	-27.6	
Total	2007	2,234.0	
	2006	1,035.2	

¹⁾ The previous year's figures are based on the figures contained in the half-year report for 2006.

²⁾ The previous year's figures are based on the information shown on page 30 of the SWX Swiss Exchange prospectus of SCHMOLZ + BICKENBACH AG of December 13, 2006.

Notes

Accounting policies

This unaudited half-year report was prepared in accordance with Swiss GAAP FER and is based on the accounting policies that were described in the Financial Report for 2006.

Consistency of presentation and disclosure

The changes in presentation that were made to improve transparency in the Financial Report for 2006 have resulted in changes in the comparison figures for the previous year in the Half-Year Report. The following changes were made:

1) Group currency EUR

Since the reporting currency for the consolidated financial statements was changed to the euro at the end of 2006, the previous year's figures were translated from CHF to EUR at the respective historical exchange rates.

2) Financial assets

As from the end of 2006, in accordance with Swiss GAAP FER 11.9 (2007), deferred taxes are reported under Financial Assets. The previous year's figures as of June 30, 2006, had to be adjusted so that Financial Assets were increased by the amount of the Deferred Taxes, and Prepaid Expenses were reduced by the same amount.

3) Exchange effects

As from the end of 2006, income resulting from exchange effects is recognised in Other Operating Income, and expenses resulting from exchange effects are recognised in Other Operating and Administrative Expense, as a result of which in the first half of 2007 there was a sharp increase in Other Operating Income. The previous year's figures have been adjusted accordingly.

4) Share in profits of associates

In accordance with FER 30.13 (2007), the former „Income from non-consolidated participations“ has been redesignated „Share in profits of associates“. The income reported in the first half-year results mainly

from the at-equity valuation of the shares in Stahl Gerlafingen AG which as at June 30, 2006, was not yet included in the consolidated financial statements.

Changes in the scope of consolidation

As a result of the acquisition of 100% of the shares of A. Finkl & Sons Co. (US) as parent company of the Finkl Group on February 1, 2007, the scope of the consolidation was expanded to include the following fully consolidated companies:

- A. Finkl & Sons Co. (US)
- Composite Forgings, L.P. (US)
- Canucks (US)
- Finkl Holdings Co. (US)
- Finkl Outdoor Services (US)
- Finkl Sales Co. (US)
- Finkl U.K. (UK)
- Finkl Mexico (MX)
- Finkl Thai (TH)
- Sorel Forge Co. (CA)
- 93rd Street LLC (US).

On January 1, 2007, 100% of the shares of an Estonian distribution company were acquired which is now named SCHMOLZ + BICKENBACH AG Baltic OÜ (EE). On February 8, 2007, ESK Schleif- und Kantentechnik GmbH was acquired by SCHMOLZ + BICKENBACH KG as a shell company. Both companies are fully consolidated in these consolidated financial statements. In view of its increasing significance, the company G+S Metal s.r.o. (SK), which had not previously been consolidated but which is held to approximately 54%, was fully consolidated as from January 1, 2007. SCHMOLZ + BICKENBACH USA Holding Inc. (US) as new holding company of the Finkl Group, and von Moos Stahl AG (CH), which was established for the purpose of safeguarding branding rights, both of which companies were established at the start of the year, were included in the scope of the consolidation.

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 cost must be allocated to the identifiable acquired assets and liabilities at fair value. Any difference 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 included in the consolidated financial statements at their fair value:

(In EUR million)	Fair value at the acquisition date
Non-current assets	117.2
Inventories	92.6
Receivables and other assets	27.3
Provisions	48.6
Payables and other liabilities	133.8

A. Finkl & Sons Group was consolidated based on the provisional allocation of the purchase costs that was available on that date.

The newly acquired non-current assets include intangible assets of approximately EUR 30.0 million which mainly relate to branding rights and customer databases that were acquired with the A. Finkl & Sons Group. The partially provisional allocation of the purchase costs of the individual new acquisitions did not result in any significant goodwill.

Between the date of the acquisition and June 30, 2007, the newly acquired subsidiaries contributed

EUR 91.5 million to the consolidated net sales revenue and EUR 7.6 million to consolidated operating profit (EBIT).

Significant events after the date of the half-year balance sheet

SCHMOLZ + BICKENBACH AG has entered into a purchase contract for the retrospective acquisition on January 1, 2007, of the Swedish bright steel manufacturer Boxholm Stal AB, Boxholm (SE). In addition, on January 1, 2008, SCHMOLZ + BICKENBACH AG will acquire the shares of Steeltec Especial S.L., Barcelona (ES), which for many years has been active as a distribution company of high-strength special steels for Steeltec AG.

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



SCHMOLZ+ BICKENBACH AG

PO Box
CH-6021 Emmenbrücke
Phone: +41 41 209 50 00
Fax: +41 41 209 51 04
www.schmolz-bickenbach.com

Eupener Str. 70
D-40549 Düsseldorf
Phone: +49 211 509 0
Fax: +49 211 509 2594
www.schmolz-bickenbach.com