FORGING THE FUTURE

HALF-YEAR REPORT 2012

SCHMOLZ + BICKENBACH AG
Providing special steel solutions

OUR KEY FIGURES

	Unit	01.01.–30.06.2012	01.01.–30.06.2011	Change
SCHMOLZ + BICKENBACH Group				
Sales volume	kilotonnes	1 134	1 213	-6.5%
Revenue	million EUR	1 974.9	2 087.3	-5.4%
Operating profit before depreciation and amortisation (EBITDA)	million EUR	126.5	199.0	-36.4%
EBITDA margin	%	6.4	9.5	-32.6%
Operating profit (EBIT)	million EUR	66.3	142.9	-53.6%
Earnings before taxes (EBT)	million EUR	35.4	96.9	-63.5%
Net income (EAT)	million EUR	18.0	69.8	-74.2%
Investments	million EUR	46.9	38.1	23.1%
Cash flow before changes in net working capital	million EUR	124.2	231.6	-46.4%
Capital employed	million EUR	2 088.6	2 103.3	-0.7%
ROCE	%	12.1	18.9	-36.0%
Shareholders' equity [1]	million EUR	845.6	862.2	-1.9%
Equity ratio	%	30.2	30.7	-1.6%
Net debt	million EUR	912.1	956.5	-4.6%
Gearing	%	107.9	110.9	-2.7%
Net debt/EBITDA	factor	3.61	2.40	50.4%
Employees per closing date	positions	10 447	10 198	2.4%
SCHMOLZ + BICKENBACH share				
Earnings per share [1]	EUR/CHF	0.15/0.18	0.60/0.76	–
Shareholders' equity per share	EUR/CHF	7.11/8.54	7.26/8.85	–
Highest/lowest share price	CHF	8/4	12/8	–

[1] The earnings per share are based on the net income of the Group after deduction of the portions allocable to the non-controlling interests and the providers of hybrid capital.

VALUE-RELATED CONTROL PARAMETERS

- **EBITDA margin 6.4%** (H1 2011: 9.5%)
- **ROCE 12.1%** (H1 2011: 18.9%)
- **Equity ratio 30.2%** (31.12.2011: 30.9%)
- **Gearing 107.9%** (31.12.2011: 101.9%)

EBITDA DECREASED DISPROPORTIONATELY

in million EUR	H1 2012	H1 2011	
Revenue	1 974.9	2 087.3	-5.4%
EBITDA	126.5	199.0	-36.4%

OUR CORPORATE PROFILE

SCHMOLZ+BICKENBACH is a globally active steel group and offers high-quality special steel long products. We are leaders in all important market segments for special steel. In the special steel segment we are active along the entire value chain – production, processing, distribution + services.

Providing special steel solutions

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FOREWORD

Strategic goals continued unchanged and financing basis broadened

Dear shareholders,

The first half-year progressed only moderately satisfactorily for us. Although all of our markets for special steel were still stable when the year began, during the half-year we suffered losses of revenue and sales volume. The cause was increasing uncertainty in the markets as a result of the economic weakening and the euro crisis. This caused companies' planning horizons to shorten noticeably, which was reflected by short-term orders and delivery deadlines. This situation demands a high level of flexibility – also from our employees. The pressure on prices resulting from the market weakening was particularly noticeable in southern Europe, but affected the entire price level throughout Europe. The raw material prices for scrap and alloys, such as nickel for example, which were still stable in the first months of the year, fell thereafter and exerted pressure on the margin. The development of the automotive industry, which is one of our core markets, was very varied. Whereas the market in the south European countries and France slumped, Germany displayed a robust development. The premium segment of the German automotive industry developed particularly positively with exports to the USA and Asia. Other markets that are important for us, such as machinery and plant engineering, are also grappling with declining export business.

New forging and steelmaking plant commissioned on schedule

The new forging and steelmaking plant of A. Finkl & Sons Co. in Chicago (US) is one of the most modern in the world. Thanks to additional production capacities and the installation of state-of-the-art technologies, in the future we can also supply forging ingots to third-party suppliers in North America as well as offer our customers worldwide completely new and high-grade special steel products. This contributed substantially to the fact that, in the first half of 2012, we could increase our revenue in the North American market by 35.8% compared with the previous year and thus substantially expand the share of our North American business in our total revenue. In addition, because all of our systems and technologies have been designed for energy-efficient production, the new plant has an excellent cost structure. In the first half-year, further steps for relocation from the old to the new production site in Chicago were taken, which included transfer of equipment such as the heat-treatment furnaces and processing machines to the new facility. By the end of this year, the main activities will be completely transferred to the new plant.

Further important investments – but for comparably much smaller investment amounts than at A. Finkl & Sons Co. – are the secondary metallurgical centre in the steel plant of Deutsche Edelstahlwerke GmbH at Witten (DE), expansion of the cooling bed at Swiss Steel AG (CH), and the mechanical and chemical descaling systems at Ugitech S.A. (FR).

Countermeasures on the costs side initiated

The clouding of the economic environment in the last several months and the associated falls in order bookings have prompted us to implement an extensive programme of measures. Various organisational units will undergo comprehensive restructuring to lower the break-even in view of the new market conditions. Our endeavours to reduce our net borrowings will also be further intensified.

Corporate financing broadened

In May 2012, SCHMOLZ + BICKENBACH issued a corporate bond for the amount of EUR 258 million, due on 15 May 2019 and bearing interest at 9.875%, at 96.957% of nominal value. The net proceeds were used together with other funds for partial repayment of the existing syndicated loan with a term until May 2015. With the issue of the corporate bond, SCHMOLZ + BICKENBACH achieves a broadening of the financial basis and a substantial lengthening of the maturity structure.

Dr Hans-Peter Zehnder
Chairman of the Board of Directors

Dr Marcel Imhof
CEO ad interim

Improvement of the corporate governance

Following a change in management at the top level of the Board of Directors at the end of 2011, in the last few months further changes have been made to improve the corporate government and to realign the management organisation and corporate culture. The General Meeting elected two new members, Roland Eberle and Dr Marc Feiler, to the Board of Directors. The contracts of Benedikt Niemeyer (CEO) and Axel Euchner (CFO) were not extended, both of them left the company in June and their employment contracts running until 30 September 2014 were terminated. Provisions were recognised at 30 June 2012 for the related financial payments. Until successors are appointed, Dr Marcel Imhof, formerly COO of the company, has taken over the function of CEO ad interim (a.i.), and Oliver Karst, former Head of Group Accounting + Controlling, the position of CFO ad interim (a.i). Together with the Board of Directors, they secure continuity in the corporate management and will continue to pursue the strategy unchanged. Overall, the requirements for transparency and participation of today's shareholders, who are mainly public shareholders, are thereby taken into account.

Thanks to shareholders, employees and customers

The Board of Directors and the Executive Board thank the shareholders, employees and customers for the continuing trust that they place in SCHMOLZ+BICKENBACH. The loyalty and support of our shareholders in the past years, and the motivation and high personal commitment of our valued employees, deserve our great thanks. We also wish to express cordial thanks to our customers who value us as long-term business partner, place their trust in our core competences and – wherever they may be – look to us for support worldwide.

Dr Hans-Peter Zehnder
Chairman of the Board of Directors

Dr Marcel Imhof
Chief Executive Officer ad interim

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MANAGEMENT REPORT

MANAGEMENT REPORT

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BUSINESS ENVIRONMENT AND STRATEGY

Business model

SCHMOLZ + BICKENBACH is an independent and globally active steel group. In special long steel, SCHMOLZ + BICKENBACH is an international leader. The business segments, comprising the Production, Processing, and Distribution + Services Divisions, cover the entire value chain of special long steel. The range of offerings is completed with supply chain services as well as the procurement of special steel products from third-party suppliers. The Group possesses a very wide and diversified customer portfolio.

Our Divisions

Production – nine specialised steelmaking, forging and rolling plants in Europe and North America

SCHMOLZ + BICKENBACH operates a total of nine production plants in Germany, France, Switzerland, the USA and Canada. Of these, six have their own melting furnaces and three operate without local melting facilities. With regard to steel formats and grades, the configuration of the steel plants is complementary and covers the entire production spectrum for special long steel. This is composed of the three main groups tool steel, engineering/free-cutting steel, and stainless steel, plus some special steel products. The plants sell their products directly to external customers as well as to the Processing and Distribution + Services divisions.

Production companies

Swiss Steel, Switzerland | Deutsche Edelstahlwerke, Germany | Ugitech, France | A. Finkl & Sons, USA | Composite Forgings, USA | Sorel Forge, Canada

Processing – precision in high-grade steel solutions

SCHMOLZ + BICKENBACH is present with its own processing plants in Germany, Switzerland, Sweden, Italy, France, Denmark and Turkey. Through the further processing of high-grade steel, bright steel products are produced which, as individual and special customer solutions, are supplied with exactly the desired depth of manufacturing. Characteristics such as close dimensional tolerances, strength and roughness are precisely matched to the specifications of the customer's solution. The Division obtains the steel it needs from Group-own plants as well as from suppliers outside the Group. When the steel is obtained internally, the in some cases extensive further processing capacities of the production plants can also be used for important synergies. In the sales markets, the Processing Division has direct contact with the end-customers as well as supplying the Distribution + Services Division.

Main Processing companies

Steeltec, Switzerland | SCHMOLZ + BICKENBACH Blankstahl, Germany, Denmark, Turkey | Boxholm Stål, Sweden | Ugitech, Italy | Sprint Metal Edelstahlziehereien, Germany

Distribution + Services – complete solutions for special long steel

Through its 86 own Distribution + Services branches, SCHMOLZ + BICKENBACH guarantees the consistent and reliable supply of special steel and complete customer solutions in 35 countries worldwide. These include technical consulting and downstream processes such as sawing, milling and hardening, as well as just-in-time delivery. The product range includes special long steel products from our own Production and Processing divisions as well as externally purchased third-party products.

Distribution + Services business units

SCHMOLZ + BICKENBACH Distribution Germany | SCHMOLZ + BICKENBACH Distribution Europe |
SCHMOLZ + BICKENBACH Distribution International

Providing special steel solutions

Characteristics of the special long steel market niche

The special long steel market segment is characterised by products with specific properties which strongly differentiate it from the rest of the global commodity-steel market for standard qualities.

Special long steel products are not subject to the substitution pressure of other materials, because they combine several of the material properties that are required in the respective application.

In view of the further increase in the population and prosperity, coupled with the growing trend towards higher-performance materials for increasingly efficient and complex applications, fundamental and solid market growth can be expected.

Special long steel can be adapted to the requirements of the customer and the specific application characteristics. The manufacture of these customised products requires a close relationship with the customer and extensive know-how of the individual application areas of the products.

Our customised solutions

In accordance with our strategy of supplying our customers with customised solutions, each of our special long steel products fulfils very specific requirements. In addition to pure production, we define customised service as also guaranteeing the punctual availability of our products in identical quality worldwide.

Tool steel – technical application consulting as key to success

As world market leader in the tool steel segment, SCHMOLZ + BICKENBACH possesses many years of extensive know-how in relation to the customers' steel applications. This expertise makes it possible to give the customer technical advice for the manufacture of their products and thereby, together with the customer, to find optimal special steel solutions for their individual requirements. In an integrated process, the steel properties can be adapted by the Group to optimally match the specific customer requirements along the entire production chain: production, further processing and finishing with heat and surface treatment. This all-round service from a single supplier satisfies many customers worldwide and strengthens the respective relationships.

www.schmolz-bickenbach.com/business-segments/production

Stainless steel – immune to corrosion, acids and heat

In the automotive, machinery and plant engineering and chemical industries, as well as in aviation and aerospace, steel is subjected to special effects of acids, heat and corrosion. The food, energy, medical and traffic systems industries also have their highly specific requirements. In this segment, SCHMOLZ + BICKENBACH possesses proven competence in the manufacture of austenitic, ferritic and martensitic standard grades and special steel qualities.

Engineering and free-cutting steel – special materials for high stresses

The automotive and machinery construction industries, as well as, for example, the manufacturers of wind turbines, place their trust in our ultimate quality for their gearboxes, engines and machines. For the automatic machining of steel by turning and milling, the steel must not only possess high strength but also outstanding machining behaviour as well as dimensionally precise and smooth surface qualities. Only then can the precision parts reliably fulfil their purpose for many years and be inexpensively manufactured. An example of such a customer is the automotive industry, which uses special steel for applications that include the hydraulic and braking systems as well as fuel injection and common rail systems.

Special steel – unique properties for extreme applications

It need not always be Ultrafort – one of the world's best bullet-proof steel – for an armoured limousine. Characteristics such as non-magnetic behaviour, high purity, and other special specifications are important requirements that must be fulfilled by steel applications in the offshore industry as well as the medical, aviation and aerospace industries. In many cases, the specific properties of ETG® special steel make it the right choice: it eliminates the need for cost-intensive additional operations such as hardening and straightening, and therefore becomes an inexpensive material despite its high-quality characteristics.

Strategy and corporate management

Our long-term goal is to create a stable, robust and globally positioned corporate group for special steel. Our strategy is aligned to the generation of sustainable income growth and thereby determines the tactical measures of the corporate development: **Providing special steel solutions.**

In the last few years, through a successful buy-and-build investment strategy, SCHMOLZ + BICKENBACH has developed into a fully integrated supplier of special steel, and is today a global leader. The Group is active along the entire value chain – Production, Processing, Distribution + Services – and has a wide product range which extends over the entire application range of special long steel. This unique positioning qualifies us as a dependable and quality-conscious partner for our globally active customers from highly diverse industries. These include automotive manufacturers and components suppliers as well as companies from the mechanical engineering, energy and mining sectors. We understand ourselves as solution providers and technology drivers, who true to our claim – Providing special steel solutions – offer intelligent customised and individual steel products for every specific application. With this solid basis, SCHMOLZ + BICKENBACH is well positioned to benefit in the future from the potential of certain global megatrends such as urbanisation, mobility, resource scarcity and resource efficiency and secure long-term growth. In 2011, the Group was global market leader in the tool steel segment, ranked second place in stainless steel, and in engineering and free-cutting steel was among the top five in Europe and the top ten worldwide.

Important milestones of the successful buy-and-build investment strategy

Securing the production base
through the acquisition of Swiss Steel

2003

Focussing the product portfolio
through the acquisition of EWK and KEP (2004/2005), Ugitech (2006), A. Finkl & Sons Co., Sorel Forge (2007) and the majority sale of Stahl Gerlafingen

2004–2007

Attainment of industrial and operational excellence
through our global presence, customer management system, and value-adding investments in our steel plants as well as customer-specific developments in new products

2008–today

Its clear positioning in the market for special steels provides SCHMOLZ + BICKENBACH with clear-cut benefits in terms of competition and differentiation:

_ Technological expertise and many years of management experience
_ Solid positioning as a fully integrated and globally relevant supplier across the entire product range of special long steel
_ Low substitution pressure, since only special long steel can provide the required combination of material characteristics
_ Excellent potential for product differentiation and customer-specific solutions
_ Good customer retention through technical application consulting and high service quality as well as operating and functional safety
_ Flexible cost structures

We thereby secure our leading position in the three main product segments – engineering steel and free-cutting steel, stainless steel, and tool steel.

Strategic growth potential
SCHMOLZ + BICKENBACH essentially strives for organic growth and sees three main sources of global potential to achieve this and to guarantee the assurance of a sustainable yield for the shareholders:

_ A global increase in revenue by continuously augmenting and optimising the product portfolio, as well as exploiting the capacities of the new forging and steelmaking plant of A. Finkl & Sons Co. (US), both qualitatively and quantitatively, with increasing importance being placed on the emerging markets.
_ Further deepening of our application know-how in our most important sales markets, thereby strengthening customer loyalty and our technological leadership.
_ Maximisation of the synergies of the integrated business model, which assures optimal response speeds to new customer requirements, demand-based optimisation of the product mix, and allows the use of flexible cost structures.

Key control figures
In line with the sustainable direction of our strategy, business control focuses on long-term key figures such as:

_ EBITDA margin
_ ROCE
_ Equity ratio
_ Gearing

Market and industry development

The uncertainties in the financial markets and the sovereign debt crisis of some European countries retarded growth in the first half-year. Development of the global demand for steel varied. While steel production in North America and Asia climbed, in some European countries there were clear contractions. However, because of its product characteristics, the niche market for special steel has different customer industries than the general steel market.

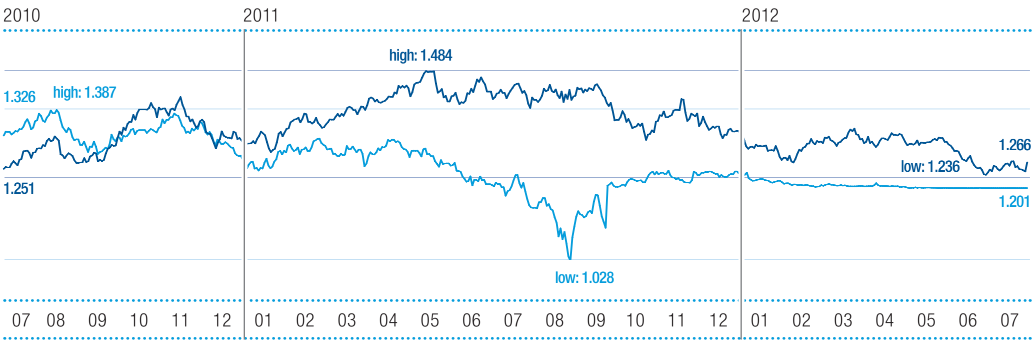
General economic conditions cloudy

At the start of the year, the global economy in the developing as well as the industrial nations staged a recovery. After a weak fourth quarter of 2011, in the first months of the year industrial production, distribution, and the investment goods sector returned to positive territory. From May, this development was clouded by rekindled discussion of a potential disintegration of the euro zone. The resulting uncertainties in the financial markets and the high debt of some European nations are the causes of a still prevailing high volatility. With the sharpening of the euro crisis the economic indicators in the euro zone deteriorated again. Several years of concerted political and economic effort as well as drastic saving measures will be required to bring the high level of debt of the USA, Japan and some countries in the euro zone down to a stable level and to reduce the high domestic deficits. In addition, the latest data on the economic situation in the USA indicate a less robust recovery. The rate of growth in the emerging markets – especially Brazil, China and India – also slackened. The International Monetary Fund (IMF) sees the greatest risks for global growth in Europe and the USA.

Exchange effects: lower margins due to strong Swiss franc

Due to the great uncertainty in the international financial markets combined with a general risk aversion of investors, the Swiss franc continues to attract high investor interest. Thanks to massive interventions by the Swiss National Bank, the Swiss franc maintained a position slightly above the defined minimum level of CHF 1.20 per euro and is clearly overvalued as measured by its purchasing power parity. Also in the first half-year, the strong Swiss franc exerted an unfavourable effect on the Swiss group companies, although the extensive natural hedging measures were continued. Export sales from the Swiss production plants remained particularly susceptible to contracting margins. Conversely, the lower level of the euro relative to the US dollar by comparison with the previous year benefited exports from our European plants to the USA.

Development of exchange rates 2010–2012 I EUR/CHF and EUR/USD



Source: IDC

Moderate growth prospects for 2012

In the period following the financial crisis, the developing and emerging nations were important drivers for growth in the global economy. They generated around 50% of global import demand and GDP growth. Although the level of debt in the developing countries is comparatively lower, various nations are compelled to reduce their debt in relation to their gross domestic product or to prevent the debt ratio from rising further. This restricts the options for financial policy in the event of a serious crisis.

In its report of July 2012 the IMF anticipates weaker global economic growth. In the current year in the euro area, negative economic growth of -0.3 is expected, after the IMF in April still expected stagnation. A moderate increase in the growth prospects is expected for 2013 (+0.7%) and 2014 (+1.4%). The experts predict that reduced capital flows and increasing uncertainty of the markets, as well as consolidation of the financial markets and in the banking sector, will hinder the prospects for growth in 2012.

It is expected that the gross domestic product of the developing and emerging nations will grow by approximately 5.6% in 2012. Growth will be hindered by the low demand of the industrial countries and high oil prices. The reasons for the subdued economic prospects are the continuing uncertainty, the deleveraging of the banking sector and the essential reduction of the domestic deficits. In total, the IMF expects global growth of 3.5% in 2012 and only a slight increase to 3.9% in 2013.

Mixed economic picture in the steel industry

In the first half of 2012, crude steel production in 62 countries amounted to 766.9 million tonnes. This is a slight increase of 0.9% relative to the same period last year. In China, production rose by 1.8% to reach 357 million tonnes. There were also positive growth rates in North America. In the euro zone, first reductions became noticeable, especially in the second quarter. There were also declining trends in Germany; in the first six months, total steel production fell by 5.7% to 21.8 million tonnes. In total, the EU countries experienced a fall of 4.6% compared to the previous year.

The global automotive industry remains a growth market. This is mainly attributable to the demand in China, other Asian countries, India and Russia, as well as growth of the markets in America and Eastern Europe. For China, the German Association of the Automotive Industry (VDA) forecasts growth in new registrations of around 8% to more than 13.1 million cars. The demand for cars is also increasing in Mexico, Japan, India and Russia. Car sales in Japan rose by 54% in the first half-year relative to the previous year thanks to a state promotion programme. The US car market also developed positively. For 2012, the VDA expects global sales in the industry to grow by 4% to 68 million units.

However, after the crisis years of 2008 and 2009, the automotive industry in Western Europe is threatened by a further decline in the market this year and next. Uncertainty in Europe is increasing because of the debt crisis. In the first six months of the year, car sales in Western Europe fell by almost 7% to 6.5 million vehicles, as the VDA has announced. Because of the high unemployment in many countries, fewer and fewer cars are being sold. Demand in Italy slumped by 19%, in Spain by 7%. In France the minus was 17%, but demand at the beginning of the previous year was higher due to a continuing scrappage premium. This means that these markets are at the level of the 1980s. After sales of 14.4 million vehicles in 2011, in the current year in Western Europe only 13.5 million new vehicles are expected to be sold.

Companies in the processing industry have substantially reduced their forecasts for export business. According to the German Engineering Federation (VDMA), order books in the German mechanical engineering and equipment construction industry in the first half-year were 7% below compared to the same period last year. Demand from non-euro countries appears to have crossed its lowest point. Main contributors were the USA as well as some Latin American, Asian and East European countries.

Alternative energy sources such as wind power and unconventional drilling and production technologies, such as the exploitation of shale gas, have caused a boom in the energy sector in the USA. Gas is a sought-after energy carrier, which is increasingly replacing coal and nuclear power stations for electricity generation. Releasing less CO_2, gas is regarded as an inexpensive bridge technology. SCHMOLZ+BICKENBACH is one of the beneficiaries of this development. However, against the backdrop of falling gas prices in the USA, it remains to be seen whether this development continues in this intensity.

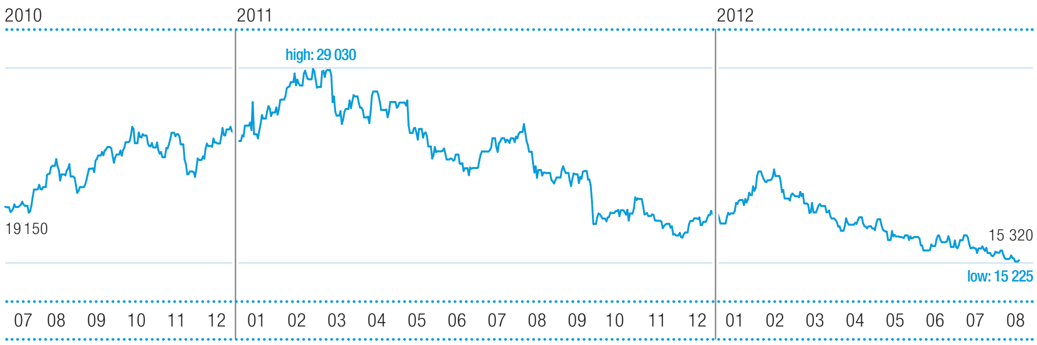
Retreating raw material prices

Raw material prices were generally in retreat, particularly the prices for scrap and alloys. At the end of June, scrap prices were around 8% under the average level of the previous year. Although in the first quarter of 2012 scrap prices increased by more than 5%, in the second quarter they fell substantially and at the end of June 2012 were around 5% under the level of year-end 2011. A short-term reversal of the trend is not to be expected.

Nickel is a significant cost driver for the production of stainless steel. At the end of June, the price for nickel on the London Metal Exchange (LME) was USD 16 775 per ton, and hence 40% below the highest value of the first quarter of 2011. In the first half of 2012, the nickel price fell by a total of 9%. For 2012 and 2013, a supply surplus is expected. Furthermore, growth will be slowed by the industry consolidation that is currently taking place – as, for example, the merger of Outokumpu and Inoxum.

Energy prices – especially electricity prices – have a decisive impact on our cost structure. In most countries, electricity prices have very largely stabilised. In the medium term, the energy policies of various countries that include Switzerland and Germany are pursuing power supply certainty without nuclear energy. The effects of the new situation on the future development of the price for electricity are currently unforeseeable. In the USA, gas prices have fallen due to the shale-gas boom and the gas surplus. Since the peak of summer 2008, the price for gas has fallen by more than 80% to its lowest level for ten years. By contrast, gas prices in Europe remain at a high level, although in the first half-year, gas prices in Switzerland also fell.

Development of the nickel price 01.07.2011 until 13.08.2012 I in USD/ton



Source: LME

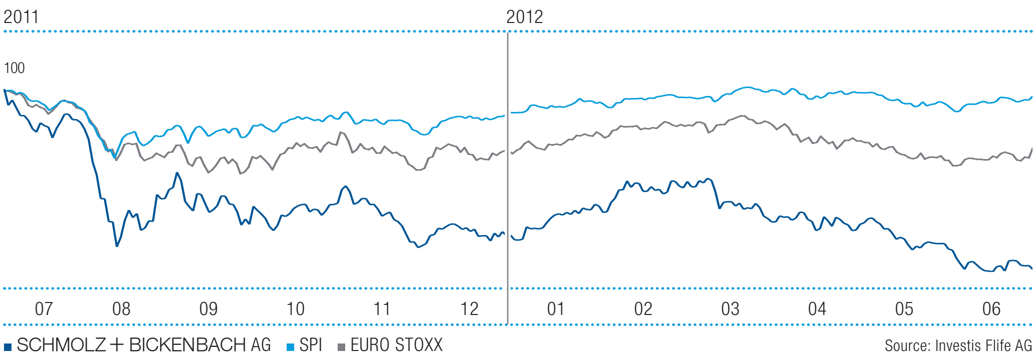
CAPITAL MARKET

SCHMOLZ+BICKENBACH share

The shares of SCHMOLZ+BICKENBACH are listed on the SIX Swiss Exchange. The company's development is regularly analysed by various banks and financial institutions and the performance prospects for the share are evaluated accordingly.

Price development of the SCHMOLZ+BICKENBACH share in the first half of 2012
In the first quarter of 2012 the shares of SCHMOLZ+BICKENBACH developed positively and gained around 6%. The price development was thus similar to the development of the comparison indices, EURO STOXX and SPI. Since the second quarter, the economic weakening has weighed on the price development. In the first half-year the share, which is classified by analysts and investors as a cyclical share, lost around 25% in value. Compared with one year previously, the share price fell from CHF 10.55 to CHF 4.34. During the same period, the SPI remained relatively stable, while the EURO STOXX index lost around 20% of its value.

Share price development from 01.07.2011 to 30.06.2012 I SCHMOLZ+BICKENBACH share (indexed) relative to Swiss Performance Index (indexed) and EURO STOXX (indexed)



Source: Investis Flife AG

Share information

Listed on:	SIX Swiss Exchange	ISIN:	CH0005795668
Ticker symbol:	STLN	Bloomberg:	STLN SE
Security number:	579 566	Reuters:	STLN.S

Dividend policy
In accordance with the long-term alignment of the corporate strategy, SCHMOLZ+BICKENBACH will also in the future use the profit it generates primarily to strengthen its statement of financial position and repay its debt. This will gradually and sustainably increase the intrinsic value of the company. At the same time, however, 15–20% of the net income will be distributed to the shareholders in the form of a dividend. The specific dividend proposal will be formulated by the Board of Directors each year, taking into account the goals stated above, the current income and financial situation, and the corresponding outlook. For the first time since 2008 a dividend was paid in April 2012, of CHF 0.10 per share.

Analyst coverage and recommendations

The ongoing development of our company and the performance of the SCHMOLZ+BICKENBACH share is regularly covered by various analysts. More detailed information about the individual reports is available on our Group website. Our share is currently covered by the following analysts:

Bank Vontobel (CH)	Patrick Rafaisz
Commerzbank (DE)	Ingo-Martin Schachel
Helvea (CH)	Michael Heider
MainFirst (CH)	Alexander Hauenstein
WestLB (DE)	Ralf Dörper
Zürcher Kantonalbank (CH)	Dr Martin Schreiber

Continuous dialogue with the capital market

Our investor relations activities mainly took the form of road shows in various financial centres such as, for example, London, Frankfurt and Zurich, to place our corporate bonds. Also this year we organised an investor day again. The full-day event took place in May with the theme "Focusing on Sustainable Performance". The various management presentations were rounded off with a tour of the Swiss Steel steel plant at Emmenbrücke, near Lucerne.

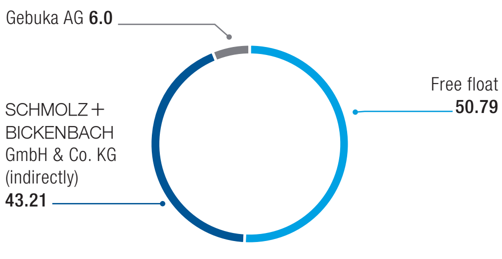
In the future, SCHMOLZ+BICKENBACH will report quarterly. A quarterly report will be published for the first time for the third quarter of 2012. This is a further step towards greater transparency in the reporting of developments in the business and results during the year. Specific seasonal aspects of the third quarter are discussed on page 36.

See "Outlook", p. 36

Shareholder structure

As at 30 June 2012, the share capital was composed of 118 125 000 fully paid-up registered shares with a nominal value of CHF 3.50 per share. Relative to 31 December 2011, the shareholder structure of SCHMOLZ+BICKENBACH AG was essentially unchanged.

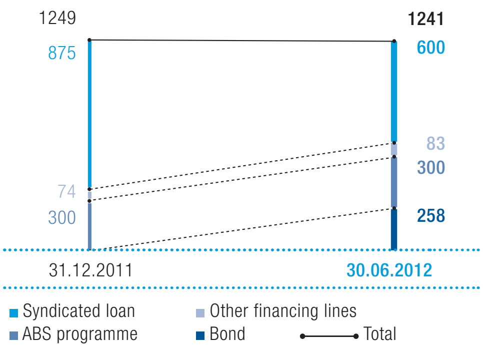
Overview shareholder structure as at 30.06.2012 I
in %



Financing

In May 2012, SCHMOLZ+BICKENBACH issued a bond for EUR 258 million. The term is seven years. The financing basis has thereby been broadened and the maturity structure was further optimised. The total amount of the financing lines is EUR 1 241 million. The company therefore has sufficient funds available.

Financing structure as at 30.06.2012 |
in million EUR



Corporate bond 2012–2019 of SCHMOLZ+BICKENBACH Luxembourg S.A.
On 11 May 2012 SCHMOLZ+BICKENBACH determined the terms of its EUR 258 million corporate bond which matures on 15 May 2019. The senior secured notes were issued by our subsidiary SCHMOLZ+BICKENBACH Luxembourg S.A. at 96.957% of their nominal value and bear interest at 9.875% p.a. Interest will be paid semi-annually on 15 May and 15 November, beginning on 15 November 2012. The net proceeds of the issue have been used for partial repayment of the outstanding secured credit facilities. The existing syndicated loan which runs until May 2015 was thereby reduced by EUR 275 million to EUR 600 million. With the issue of the corporate bond, SCHMOLZ+BICKENBACH AG achieves a broadening of its financial basis and a substantial extension of its maturity profile. The senior secured notes have been listed on the Luxembourg Stock Exchange and are traded on the Euro MTF market.

In addition, in January 2012, SCHMOLZ+BICKENBACH received financing approval for a repayable loan of KfW promotional funds for the amount of EUR 48.0 million to finance the Secondary Metallurgical Centre of Deutsche Edelstahlwerke GmbH (DE), of which partial amounts had been paid out by 30 June 2012.

Key parameters of the corporate bond:

Issuer:	SCHMOLZ+BICKENBACH Luxembourg SA., an indirect 100% subsidiary of SCHMOLZ+BICKENBACH AG
Issue:	Senior secured notes
Amount:	EUR 258 million
Nominal value:	EUR 100 000 minimum
Issue price:	96.957%
Issue date:	16 May 2012
Maturity date:	15 May 2019
Rating:	Moody's rating: B1, outlook stable
	Standard & Poor's rating: B+, outlook stable
Interest:	9.875% p.a.
Interest payment:	Semi-annually on 15 May and 15 November, first payment on 15 November 2012

Information about the corporate bond

Listed on:	Luxembourg Stock Exchange and Euro MTF market
WKN:	A1G4PS
ISIN:	DE000A1G4PS9
Bloomberg no.:	EJ1572506
Bloomberg:	STLNSW 9.875 05/19
Reuters:	STLNS

Financial calender

22 August 2012	Presentation of Half-Year Report 2012 and analyst conference
16 November 2012	Presentation of Quarterly Report Q3 2012
14 March 2013	Presentation of Annual Report 2012 and analyst conference
18 April 2013	Annual General Meeting

Further information for investors

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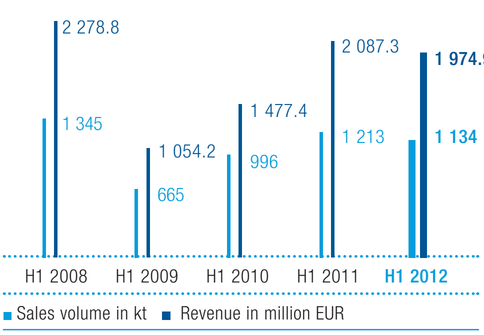
BUSINESS DEVELOPMENT OF THE GROUP

The business development of the Group differed greatly within the individual regions and product groups. However, overall the effects of the international financial and economic crisis made themselves clearly noticeable on revenue and earnings.

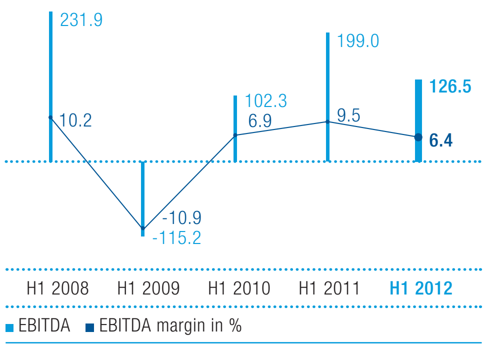
Key figures on results of operations

million EUR	H1 2008	H1 2009	H1 2010	H1 2011	**H1 2012**	Change to previous year (%)
Sales volume (kilotonnes)	1 345	665	996	1 213	1 134	-6.5
Revenue	2 278.8	1 054.2	1 477.4	2 087.3	1 974.9	-5.4
Operating profit (loss) before depreciation and amortisation (EBITDA)	231.9	-115.2	102.3	199.0	126.5	-36.4
Operating profit (loss) (EBIT)	184.8	-166.5	49.2	142.9	66.3	-53.6
Earnings before taxes (EBT)	162.6	-198.4	8.7	96.9	35.4	-63.5
Net income (loss) (EAT)	108.6	-149.0	4.4	69.8	18.0	-74.2
EBITDA margin (%)	10.2	-10.9	6.9	9.5	6.4	-32.6
ROCE (%)	20.7	-12.9	10.6	18.9	12.1	-36.0

Sales volume and revenue H1 2008–H1 2012 |
in kt and in million EUR



EBITDA and EBITDA margin H1 2008–H1 2012 |
in million EUR and in %



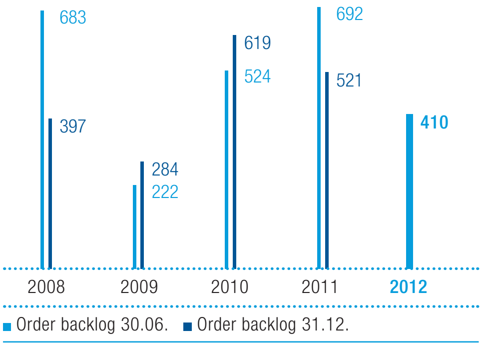
General economic situation

Because of the unfavourable overall situation for part of the time and the increasing uncertainty of the customers, overall in the first half of 2012 SCHMOLZ + BICKENBACH could only achieve a moderately satisfactory result. Whereas in the first quarter of 2012 demand for our products developed positively in line with the recovering global economy, from May the business climate became cloudy as a result of the rekindled discussion of a possible disintegration of the euro zone. There is continuing uncertainty in the markets as a consequence of the financial and economic crisis. Especially in the European markets, the lower demand combined with the higher competitive pressure is causing shrinking volumes and loss of margins. By contrast, business in the North American market continued to develop positively.

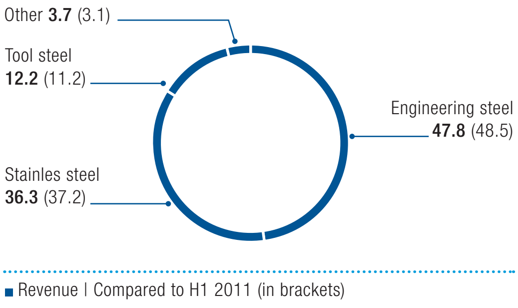
Short-term ordering and lower order backlog

At 30 June 2012, the order backlog stood at 410 kilotonnes (31 December 2011: 521 kilotonnes). Overall, relative to the previous year, this results in a lower capacity utilisation for all plants, but which varies in length depending on the product portfolio that is manufactured and the respective throughput times. At 1 011 kilotonnes, the volume of crude steel produced in our plants was at virtually the same level as in the previous year (H1 2011: 1 077 kilotonnes), to which commissioning of the new forging and steelmaking plant of A. Finkl & Sons Co. (US) also contributed.

Order backlog first half-year and full-year 2008–2012 I in kt



Revenue by product groups H1 2012 I in %



Revenue development variable

In the first half of 2012, the sales volume fell by 79 kilotonnes, or 6.5%, relative to the same period last year to 1 134 kilotonnes (H1 2011: 1 213 kilotonnes). In total, this caused a decline in revenue of 5.4% to EUR 1 974.9 million (H1 2011: EUR 2 087.3 million). The development of revenue in the individual regions and product groups varied greatly. Whereas revenue in Europe fell by 10.4%, in North America a substantial increase in revenue of 35.8% was achieved. Also, in the other regions, with 14.7%, a high growth in revenue was achieved. There was an equally variable development of revenue in the individual product groups.

At -1.1%, the volume of stainless steel could be held almost stable by comparison with the first half of 2011. This is mainly attributable to the export-driven good order situation of the German car manufacturers, who could almost absorb the downward trend of the Spanish, Italian and French car industries. As a result of the fall in the prices of the alloying elements, especially nickel, revenue from stainless steel declined by 7.6%.

In tool steel, despite the increased volume associated with commissioning of the new plant of A. Finkl & Sons Co. (US), demand fell by a total of 4.8% due to the restrained demand from mechanical engineering in Europe. On the other hand, relative to the comparable period last year, revenue from tool steel increased by as much as 2.3% as a result of the improved product mix.

In engineering steel, both revenue (-6.7%) and sales volume (-7.9%) declined relative to the first half of 2011. As a result of the stronger competition from South European steel manufacturers, also our main sales market in Germany suffered increasing losses of volume and margin during the first half year. Free-cutting steel was particularly strongly affected.

Lower raw material prices

After remaining stable in the first months of the year, raw material prices subsequently declined, causing margins to shrink in the second quarter. The cost of materials – net of changes in semi-finished and finished products – fell relative to the same period last year more or less in proportion to revenue by 5.0%. Energy costs fell disproportionately by 10.4%, which was attributable to the increasing investments in more energy-efficient equipment and newly concluded supply contracts of the German plants. The gross margin fell by EUR 41.2 million to EUR 624.7 million (H1 2011: EUR 665.9 million), which represents a decline of 6.2%.

Measures initiated to reduce personnel costs

Other operating income fell slightly by EUR 0.9 million, or 4.0%, to EUR 21.5 million (H1 2011: EUR 22.4 million). Higher income from the reversal of provisions was offset by lower gains on the disposal of non-current assets and the reversal of net exchange gains into net exchange losses.

An increase in the average number of employees, particularly in North America, as well as non-recurring effects of severence payments to the former members of the Executive Board, caused personnel costs to increase by 5.1%. Total personnel expenses in the reporting period increased by EUR 15.6 million relative to the same period last year to EUR 321.7 million (H1 2011: 306.1 million). Against the backdrop of downwardly adjusted sales forecasts, particularly at the German group companies programmes of measures to substantially reduce personnel costs have now been initiated.

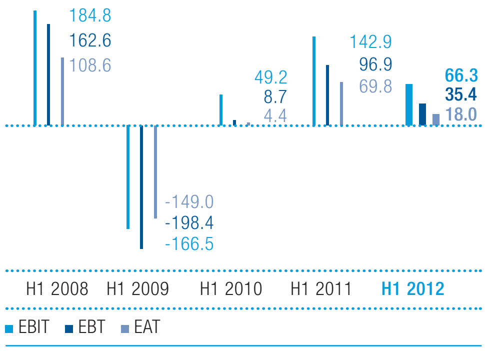
Other operating expenses increased by 8.0%, or EUR 14.7 million, to EUR 197.8 million (H1 2011: EUR 183.1 million). The increase resulted mainly from higher freight and maintenance and repair costs.

EBITDA substantially lower

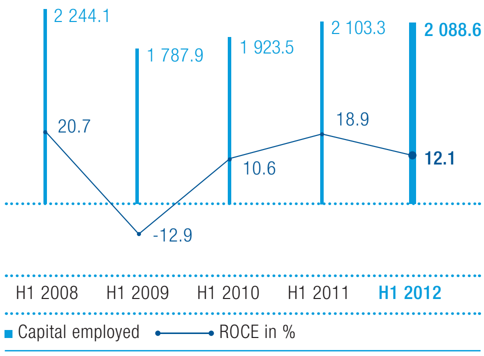
Operating profit before depreciation and amortisation (EBITDA) fell substantially relative to the same period last year by 36.4%, or EUR 72.5 million, to EUR 126.5 million (H1 2011: 199.0 million). This caused the EBITDA margin to fall compared to the very good first half of 2011 to 6.4% (H1 2011: 9.5%). This is attributable to the regionally variable business development. Whereas the EBITDA of our North American activities rose by around one third, the performance of our European activities suffered under the ever growing reduction in volumes and margins during the first half-year. In addition, the continuing strength of the Swiss franc prevented a better development of the margins of our Swiss companies. Despite a slight reduction in the net working capital relative to 30 June 2011, the return on capital employed (ROCE) fell to 12.1% (H1 2011: 18.9%). In view of this unsatisfactory earnings situation, at individual companies the new management has initiated additional restructuring measures besides continuing the existing cost-reduction programme. In SCHMOLZ + BICKENBACH Distributions GmbH (DE), permanent cost savings of around EUR 13 million per annum will be striven for by site optimisations, reduction of personnel numbers, and further efficiency increases. In the Processing Division, parts of bright-steel production will be transferred from Denmark to Germany. For these already implemented measures, restructuring costs of around EUR 12 million are expected in the second half-year. At Deutsche Edelstahlwerke GmbH (DE), we are striving for annual savings of around EUR 20 million per annum, which will be achieved in the short-term by reducing temporary employees and shortening working hours from 35 to 31.5, as well as permanently through reductions in jobs and further measures. Some of these measures will only have positive effects in the following year.

Commissioning of the new steel plant of A. Fink Sons & Co. (US) in the second half of 2011 caused depreciation, amortisation and impairments to rise by 7.3%, or EUR 4.1 million, to EUR 60.2 million in the reporting period (H1 2011: EUR 56.1 million). Operating profit fell by more than half to EUR 66.3 million (H1 2011: EUR 142.9 million).

EBIT, EBT and EAT H1 2008–H1 2012 |
in million EUR



Capital employed and ROCE H1 2008– H1 2012 |
in million EUR and in %



Financial result considerably improved relative to previous year

Relative to the same period in the previous year, net financial expenses declined by 32.8%, or EUR 15.1 million, to EUR 30.9 million (H1 2011: EUR 46.0 million). The decline is attributable to the substantial reduction in external financing costs resulting from conclusion of the new syndicated loan contract in December 2011, as a result of which the interest expense on financial liabilities declined by 29.1% relative to the previous year to EUR 33.3 million (H1 2011: EUR 47.0 million).

Net income lower compared to strong first half of 2011

Earnings before taxes (EBT) fell by 63.5%, or EUR 61.5 million, to EUR 35.4 million (H1 2011: EUR 96.9 million). The absolute tax expense declined by EUR 9.7 million from the previous year to EUR 17.4 million (H1 2011: EUR 27.1 million). However, as a percentage of earnings before tax, the Group tax rate increased to 49.2% (H1 2011: 28.0%). The main reason for this is the change in the earnings mix returned by the individual countries in which we are active. In the first half of 2012, the contributions to earnings of the relatively more highly taxed North American and French activities to Group EBT increased particularly strongly. On the other hand, the contribution of the relatively lowly taxed Swiss companies fell, and in Germany there were losses. At EUR 18.0 million, net income (EAT) was 74.2% below the previous year's amount (H1 2011: EUR 69.8 million). This caused earnings per share to deteriorate to EUR 0.15 (H1 2011: EUR 0.60).

BUSINESS DEVELOPMENT OF THE DIVISIONS

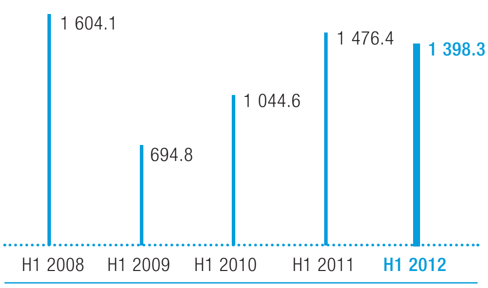
Production Division

Higher earnings in North America cannot compensate lower volumes and margins in Europe

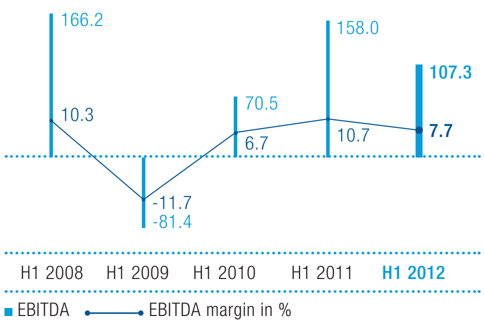
Key figures of the Production Division

million EUR	H1 2008	H1 2009	H1 2010	H1 2011	**H1 2012**	Change to previous year %
Revenue	1 604.1	694.8	1 044.6	1 476.4	1 398.3	-5.3
EBITDA	166.2	-81.4	70.5	158.0	107.3	-32.1
EBITDA margin (%)	10.3	-11.7	6.7	10.7	7.7	-28.0
Capital employed	1 521.8	1 152.9	1 358.8	1 456.7	1 491.9	2.4
ROCE (%)	21.8	-14.1	10.4	21.7	14.4	-33.6
Investments	70.7	45.2	31.1	29.1	38.7	33.0
Employees per closing date	6 906	6 405	6 501	6 566	6 818	3.8

Revenue Production Division H1 2008–H1 2012 I in million EUR



EBITDA and EBITDA margin Production H1 2008–H1 2012 I in million EUR and in %



The Production Division comprises the steelmaking plants, forges and rolling mills of Swiss Steel AG (CH), Deutsche Edelstahlwerke GmbH (DE), Ugitech S.A. (FR), A. Finkl & Sons Co. (US), Composite Forgings L.P. (US) and Sorel Forge Co. (CA). Within the Production Division, the development of revenue in the individual regions varied greatly.

The fall in revenue of 11.4% in Europe could not be fully compensated by the revenue increases of 34.5% in North America and 23.6% in other regions. This led to revenue of EUR 1 398.3 million, a decrease of EUR 78.1 million or 5.3% on the previous year (H1 2011: EUR 1476.4 million).

Operating profit before depreciation and amortisation (EBITDA) fell by as much as 32.1% from the same period last year to EUR 107.3 million (H1 2011: EUR 158.0 million), which resulted in an EBITDA margin of 7.7% (H1 2011: 10.7%). This substantial deterioration resulted from the partial underutilisation of capacities at individual production sites. Most of the increase in employee numbers occurred at the North American plants.

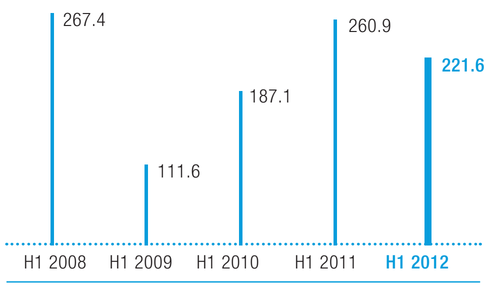
Processing Division

Revenue and income influenced by the unfavourable market environment in Europe

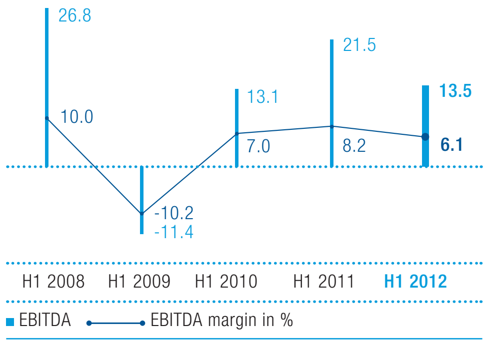
Key figures of the Processing Division

million EUR	H1 2008	H1 2009	H1 2010	H1 2011	**H1 2012**	Change to previous year %
Revenue	267.4	111.6	187.1	260.9	221.6	-15.1
EBITDA	26.8	-11.4	13.1	21.5	13.5	-37.2
EBITDA margin (%)	10.0	-10.2	7.0	8.2	6.1	-25.6
Capital employed	200.4	180.6	165.8	184.2	185.4	0.7
ROCE (%)	26.7	-12.6	15.8	23.3	14.6	-37.3
Investments	9.9	6.3	2.4	3.7	2.6	-29.7
Employees per closing date	1 138	1 025	930	995	980	-1.5

Revenue Processing Division H1 2008–H1 2012 | in million EUR



EBITDA and EBITDA margin Processing H1 2008–H1 2012 | in million EUR and in %



Through its regional focus on Europe, the Processing Division, which comprises Steeltec AG (CH) in Switzerland, SCHMOLZ + BICKENBACH Blankstahl GmbH (DE) in Germany, Boxholm Stål AB (SE) in Sweden, and the other bright-steel and special-steel wire-drawing mills in Germany, Italy, Denmark and Turkey, was particularly strongly affected by the weakening development of the European market environment as compared with the other divisions.
The difficult situation caused revenue of the division to fall substantially by 15.1%, or EUR 39.9 million, to EUR 221.6 million (H1 2011: EUR 260.9 million). At EUR 13.5 million, operating profit before depreciation and amortisation (EBITDA) was 37.2% lower than in the same period last year (H1 2011: EUR 21.5 million), yielding an EBITDA margin of 6.1% (H1 2011: 8.2%).

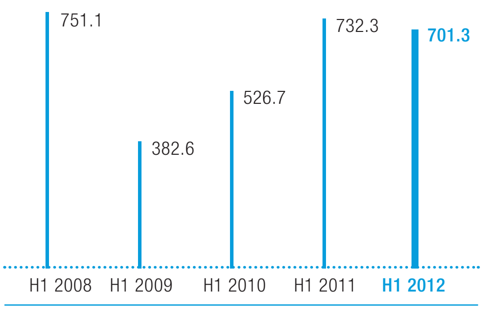
Distribution + Services Division

Regional variation in business development

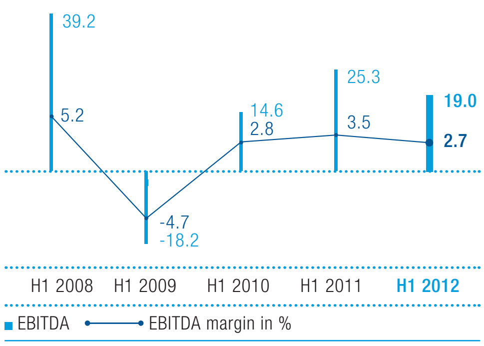
Key figures of the Distribution + Services Division

million EUR	H1 2008	H1 2009	H1 2010	H1 2011	H1 2012	Change to previous year %
Revenue	751.1	382.6	526.7	732.3	701.3	-4.2
EBITDA	39.2	-18.2	14.6	25.3	19.0	-24.9
EBITDA margin (%)	5.2	-4.7	2.8	3.5	2.7	-22.9
Capital employed	533.0	447.4	387.6	448.7	405.7	-9.6
ROCE (%)	14.7	-8.1	7.5	11.3	9.4	-16.8
Investments	17.1	5.2	4.5	4.2	4.3	2.4
Employees per closing date	2 997	2 354	2 235	2 354	2 377	1.0

Revenue Distribution + Services Division
H1 2008–H1 2012 | in million EUR



EBITDA and EBITDA margin Distribution + Services
H1 2008–H1 2012 | in million EUR and in %



In the first half of 2012, revenue in the Distribution + Services Division, which comprises the German, European and International distribution organisations, fell by EUR 31.0 million, or 4.2%, to EUR 701.3 million (H1 2011: EUR 732.3 million). The development of revenue was similarly to that of the Production Division. Outside Europe, revenue increased by 17.7%, with revenue in North America alone increasing by 22.6%. In Europe, however, revenue decreased by 8.2%. Operating profit before depreciation and amortisation (EBITDA) fell by 24.9% to EUR 19.0 million (H1 2011: EUR 25.3 million), which produced an EBITDA margin of 2.7% (H1 2011: 3.5%). The slight increase in the number of employees results from inclusion of the former unconsolidated smaller distribution companies which were not included in the previous year.

FINANCIAL POSITION AND NET ASSETS

The overriding objective of financial management is to create an adequate capital basis for the long-term growth of the Group to enable added value to be created for the shareholders and to maintain the solvency of the Group at all times. The necessary liquidity is predominantly assured through the central syndicated loan, some local credit facilities, the corporate bond and the ABS financing programme. A central cash-pooling system is used to provide the Group companies worldwide with the necessary liquidity.

Key figures of the financial position and net assets

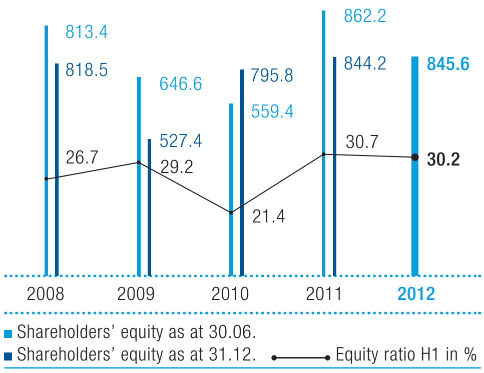
	Unit	H1 2008	H1 2009	H1 2010	H1 2011	**H1 2012**	Change to previous year %
Shareholders' equity	million EUR	813.4	646.6	559.4	862.2	845.6	-1.9
Equity ratio	%	26.7	29.2	21.4	30.7	30.2	-1.6
Net debt	million EUR	1 089.6	907.9	1 086.4	956.5	912.1	-4.6
Gearing	%	134.0	140.4	194.2	110.9	107.9	-2.7
Net debt/EBITDA	factor	2.35	-3.94	5.31	2.40	3.61	50.4
Cash flow before changes in net working capital	million EUR	186.4	-113.0	117.1	231.6	124.2	-46.4
Cash flow from operations	million EUR	29.0	174.2	-122.4	46.0	35.9	-22.0
Cash flow from investing activities	million EUR	-106.2	-56.1	-13.5	-32.9	-41.5	26.1
Free cash flow	million EUR	-77.2	118.1	-135.9	13.1	-5.6	-142.7
Depreciation, amortisation and impairment	million EUR	47.1	51.3	53.1	56.1	60.2	7.3
Investments	million EUR	99.7	59.0	41.3	38.1	46.9	23.1
Net working capital	million EUR	1 460.3	918.6	1 014.3	1 210.4	1 159.4	-4.2
Total assets	million EUR	3 044.2	2 213.7	2 608.0	2 807.9	2 794.8	-0.5

Financial position

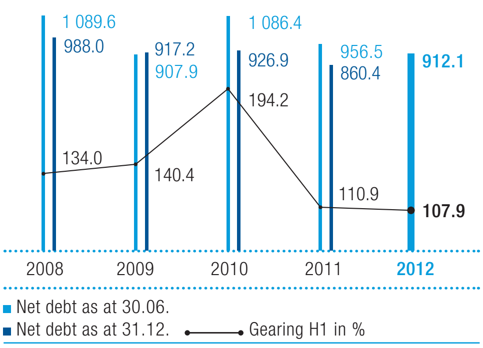
Shareholders' equity stable
As a result of the positive net income as well as positive exchange effects from the increase in value of the US and Canadian dollars relative to the euro, and despite actuarial losses on the valuation of pensions as well as the dividend payments of EUR 9.8 million in the first half of 2012, shareholders' equity increased by a total of EUR 1.4 million to EUR 845.6 million (31 December 2011: EUR 844.2 million). As a result of the seasonally higher total assets, the equity ratio fell slightly to 30.2% (31 December 2011: 30.9%).

Increase in net debt
At EUR 912.1 million (31 December 2011: EUR 860.4 million), net debt, comprising current and non-current financial liabilities less cash and cash equivalents, was 6.0% above the value of 31 December 2011. Although the increase in net debt caused the gearing, which expresses the ratio of net debt to equity, to increase from 101.9% at 31 December 2011 to 107.9%, gearing fell compared to the mid-year value of 2011 of 110.9%, which is better comparable due to the seasonal effects.

Shareholders' equity and equity ratio first half-year and full-year 2008–2012 | in million EUR and in %



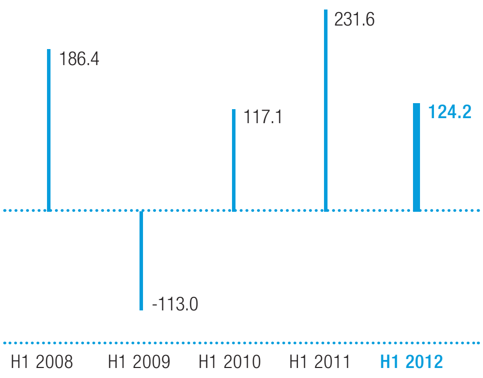
Net debt and gearing first half-year and full-year 2008–2012 | in million EUR and in %



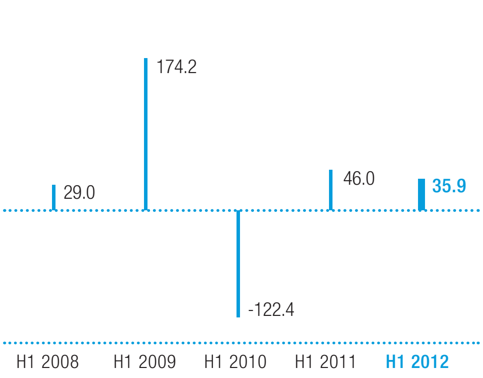
Cash flow from operations remains positive

As a result of the lower net income, cash flow before changes in net working capital fell by 46.4%, or EUR 107.4 million, to EUR 124.2 million (H1 2011: EUR 231.6 million). After the changes in net working capital, the cash flow from operations was EUR 35.9 million (H1 2011: EUR 46.0 million), a decrease of 22.0%. As a result of the increased investment volume relative to the comparable period last year, cash flow from investing activities increased by 26.1% to EUR 41.5 million (H1 2011: EUR 32.9 million). In total, the free cash flow fell by EUR 18.7 million to EUR -5.6 million (H1 2011: EUR 13.1 million). The net proceeds of the bond issue of May 2012, which after deduction of the discount and transaction costs amounted to EUR 240.4 million, as well as further funds, were used to repay EUR 275.0 million of Tranche B of the outstanding synidicated loan. At EUR 18.3 million, the net new additions to other financial liabilities were only slightly higher than in the previous year (H1 2011: EUR 16.9 million). In April 2012, a dividend of CHF 0.10 per share was paid, resulting in dividend payments of EUR 9.8 million. Through completion of the new syndicated loan contract in December 2011 and the lower average level of financial liabilities compared with the previous year, interest payments were reduced by 30.8% to EUR 26.1 million (H1 2011: EUR 37.7 million). The cash flow from financing activities thus increased in total by EUR 36.6 million to EUR 52.2 million (H1 2011: EUR 15.6 million).

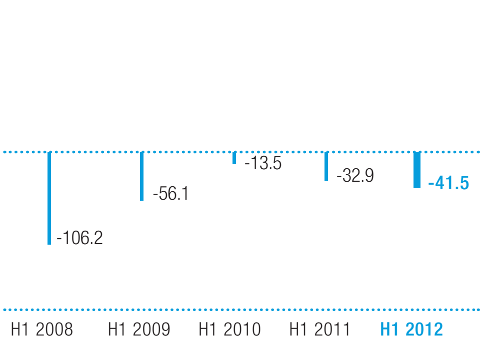
Cash flow before changes in net working capital
H1 2008–H1 2012 | in million EUR



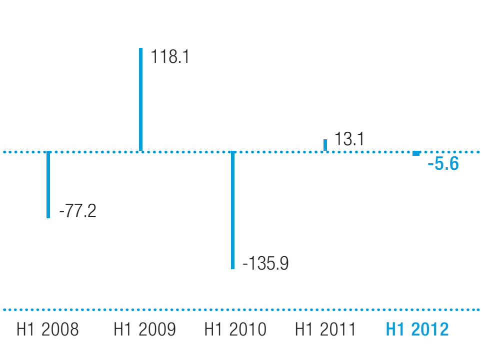
Cash flow from operations
H1 2008–H1 2012 | in million EUR



Cash flow from investing activities
H1 2008–H1 2012 | in million EUR



Free cash flow
H1 2008–H1 2012 | in million EUR



Net assets

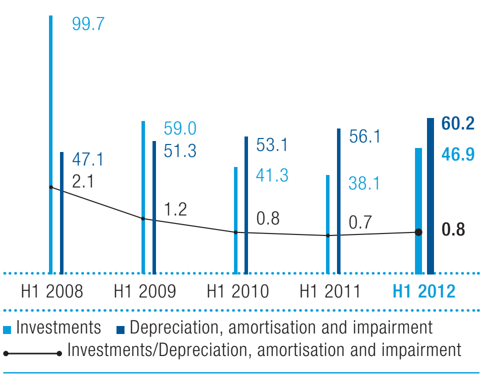
Total assets increased due to seasonal effects

Relative to 31 December 2011, total assets increased by EUR 64.2 million, or 2.4%, to EUR 2 794.8 million (31 December 2011: EUR 2 730.6 million). This was mainly due to the increase in trade accounts receivable and inventories, since stocks of semi-finished and finished products are regularly seasonally increased before the start of the plant holidays in the production and processing plants to guarantee supplies after the end of the holidays.

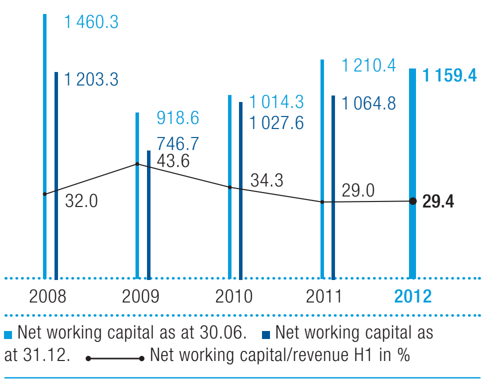
Slight decrease in non-current asset ratio

Relative to 31 December 2011, non-current assets declined slightly by 0.1% to EUR 1 043.3 million (31 December 2011: EUR 1 054.3 million). The non-current asset ratio consequently fell to EUR 37.3% (31 December 2011: 38.6%).
This is mainly a result of the reduction in intangible assets by EUR 2.4 million, and property, plant and equipment by EUR 6.3 million. Relative to the same period in the previous year, investments increased by 23.1% to EUR 46.9 million (H1 2011: EUR 38.1 million), resulting in an investment ratio of 0.8 (H1 2011: 0.7) which is nevertheless still below the amortisation, depreciation and impairment.

Investments/Depreciation, amortisation and impairment H1 2008–H1 2012 | in million EUR and in ratio



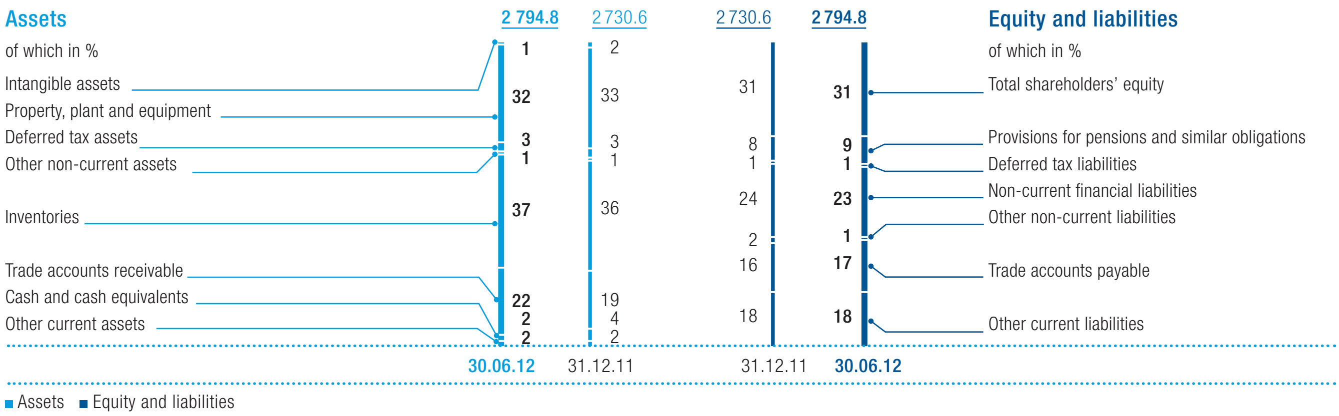
Net working capital first half-year and full-year 2008–2012 | in million EUR and in relation to revenue



Higher net working capital increases current assets

The ratio of current assets to total assets rose from 61.4% to 62.7%, corresponding to an increase of 4.5% to EUR 1 751.5 million (31 December 2011: EUR 1 676.3 million). This was mainly due to the already mentioned seasonal increase in inventories as well as the trade accounts receivable, which rose by EUR 137.4 million to EUR 1 648.1 million as at 30 June 2012 (31 December 2011: EUR 1 510.7 million). After the deduction of trade accounts payable, net working capital increased by 8.9% to EUR 1 159.4 million (31 December 2011: EUR 1 064.8 million). At 29.4%, the ratio of net working capital to revenue remained almost stable relative to the first half of 2011 (H1 2011: 29.0%).
The clear reduction in cash and cash equivalents is because the value as at 31 December 2011 included temporarily increased bank balances due to the changeover from the former to the new Group financing.

Structure of consolidated statement of financial position | in million EUR and in %



Slight increase in non-current liabilities

As at the reporting date, non-current liabilities amounted to EUR 957.5 million (31 December 2011: EUR 954.2 million), which is 0.3% more than at 31 December 2011. The ratio of non-current liabilities to total assets thereby declined on balance from 35.0% at 31 December 2011 to 34.3%.

Increase in current liabilities

Current liabilities increased by 6.4% to EUR 991.7 million (31 December 2011: EUR 932.2 million), which was mainly attributable to the increase of EUR 42.8 million in trade accounts payable. The ratio of current liabilities to total assets consequently rose from 34.1% as at 31 December 2011 to 35.5% as at 30 June 2012.

OPPORTUNITIES AND RISKS

By means of risk management SCHMOLZ+BICKENBACH wants to systematically minimise risks (raw material prices, currencies, changes in the sales markets, etc.), or completely eliminate them by suitable measures. However, to grasp opportunities as well as possible, certain risks must be taken in a controlled manner.

Risk management

Risk management in the corporate Group is aimed at the prompt recognition and control of opportunities and risks so that the planned corporate goals are achieved and the company value is continuously increased. Risks that are appropriate, estimatable and controllable are taken. If certain risks become too great, it is assessed whether and how the risks can be transferred to third parties. Speculative, or other, transactions with high risk potential are not permitted. Our conduct towards suppliers, customers and Group companies is fair and responsible.

Under the leadership of SCHMOLZ+BICKENBACH AG, a Groupwide standardised Enterprise Risk Management (ERM) system is deployed to ensure a cohesive framework within which risks can be managed systematically and efficiently. The ERM that has been implemented for comprehensive risk analysis, with probability of occurrence and potential damage assessment as well as corresponding damage minimisation measures, is employed as part of the annual strategy process, so that managers are continuously sensitised. The procedures for risk management are defined and explained in our Corporate Policy Manual and are illustrated with examples. The aim of the ERM is to ensure that risk positions are assessed and optimised and that opportunities are exploited. Direct responsibility for the early identification, monitoring and communication of risks lies with operational management, while responsibility for controls lies with the Executive Board and ultimately the Board of Directors.

By means of insurance contracts, the majority of the risks – to the extent that they are insurable and it makes commercial sense – are covered by insurers. Necessary preventive measures to avert and avoid losses have been implemented by the operating units.

Internal Audit

Internal Audit is an independent monitoring and advisory body. Administratively, it belongs to the department of the Chief Financial Officer and receives audit tasks from the Executive Board and the Audit Committee. Within the framework of the measures to improve the Corporate Governance the central personnel area has been strengthened and expanded with responsibilty for Compliance. Internal Audit produces risk analyses and assesses the effectiveness and efficiency of the internal control systems; Internal Audit represents an important component of the ERM. The Board of Directors and the Audit Committee are periodically informed about the findings of the ERM. In the reporting period, Internal Audit conducted several audits and analyses, which were discussed by the Audit Committee. To the extent required, the Audit Committee authorised the requisite measures and is monitoring their implementation in conjunction with the responsible Group and Business Area heads.

Internal Control System for preparing the consolidated and separate financial statements of SCHMOLZ+BICKENBACH AG

The creation, implementation and maintenance of an internal control system to assist the preparation of the consolidated and separate financial statements of SCHMOLZ+BICKENBACH AG ensures that the presented information is free from misstatements.

The preparation of the consolidated and separate financial statements of SCHMOLZ+BICKENBACH AG is centrally coordinated by Group Accounting + Controlling, which is administratively assigned to the department of the Chief Financial Officer. Group Accounting + Controlling specifies the requirements for the contents of the reports of the local Group companies by means of uniform Group reporting guidelines, which are regularly updated and made available to the relevant employees via an intranet platform. In addition, Group Accounting + Controlling defines the time schedules and processes for preparation of the consolidated financial statements of the Group, and monitors their observance. For IT support of the consolidation and reporting process, SCHMOLZ+BICKENBACH uses a standard software product. Important changes in IFRS, as well as modifications to the reporting process or the IT application that is used, are communicated promptly, and in some cases explained in greater depth in training events with the affected employees, so as to assure a seamlessly high quality of reporting.

Financial reporting at all levels is subdivided into separately identifiable subprocesses. Clear responsibilities, which include the principle of separation of functions as well as the four-eyes principle, reduce the risk of possible misstatements in the financial reports. Before further processing of the financial figures reported by the local companies takes place, they are technically validated and, by means of comparisons between the actual, previous year's and budget figures, tested by Group Accounting + Controlling for completeness and plausibility.

The Internal Control System, comprising processes, systems and checks, whose effectiveness is regularly evaluated by Internal Auditing, ensures that the consolidated and separate financial statements of SCHMOLZ+BICKENBACH AG are prepared in accordance with IFRS, the Swiss Code of Obligations (CO), and other rules and laws pertinent to accounting.

Risk factors – risk categories and individual risks

Political and regulatory risks

Some of the business activities of the Group depend heavily on legal and regulatory frameworks at national and international level. Adaptations to submarkets may therefore be associated with risks, and cause high costs or other disadvantages. Via industrial associations the company observes national legislation and exploits the opportunity to counteract possible competitive imbalances in hearings.

The EU emissions trading in the third trading period (2013–2020) is expected to result in substantial costs for electricity and gas suppliers which will be reflected in price increases for consumers. For us as an energy-intensive industrial and trading group, there are risks for our results of operations if the costs cannot be completely passed on to the customers. The discussion process is being actively followed by SCHMOLZ+BICKENBACH through the respective associations (e.g. International Stainless Steel Forum, World Steel Association).

Risks of the future economic development

See "Outlook", p. 36

The entrepreneurial activity of SCHMOLZ+BICKENBACH depends on the one hand on the economic development of the international markets, and on the other hand also on individual industries. A risk of this nature can arise from a change in the overall economic situation which causes fluctuations in prices and sales volumes. SCHMOLZ+BICKENBACH counters this risk with various measures. Through our global structure we can respond robustly to local crises. Our broad, fragmented industry mix and our uniquely wide product range result in the risk being broadly spread. In crisis situations, this broad base along with our flexible and lean organisation allows a rapid and effective response. The Group's economic dependency on the automobile and mechanical engineering industries exerts a substantial influence on the Group's business performance. The Group balances risks on the one hand by continually developing its broad product portfolio and on the other hand by internationalising its sales focus as well as spreading the business portfolio, focussing on niche products and optimising the value chain. Despite these measures, the decline in demand caused by the sovereign debt crisis in Europe could not be fully compensated. Furthermore, prices in the sales and purchasing markets, as well as energy prices, are of fundamental importance to SCHMOLZ+BICKENBACH. We reduce price fluctuations by means of a price surcharge system for scrap and alloys. To secure long-term gas and electricity prices, we have long-term contracts with the suppliers in these segments.

Environmental and health risks

See Annual Report 2011 "Sustainability as corporate philosophy", p. 39

The production processes in our industrial plants present process-related risks which can cause environmental pollution. For SCHMOLZ+BICKENBACH, responsible protection of the environment and the atmosphere is therefore of major significance and an important corporate goal. Fundamental principles of our environmental behaviour are the efficient use of resources and energy, the recyclability of our products, minimisation of the environmental impact of our activities, and open dialogue with neighbours, authorities and interested parties.
Further information about the environment and climate protection can be found in the Annual Report 2011 in the section "Sustainability as corporate philosophy".

Risks from information technology/security and internal processes

To ensure that IT-supported business processes within the Group and with customers, suppliers and business partners are operated professionally, the underlying information technologies are regularly reviewed and adapted. Existing information security measures are continually updated so as to eliminate, or at least minimise, the risks associated with IT processes.

Risks from the human resources area

See Annual Report 2011 "Sustainability as corporate philosophy", p. 40

The success of SCHMOLZ+BICKENBACH is significantly influenced by the competence and commitment of its employees. The most significant challenge is therefore to recruit and retain qualified specialist employees. SCHMOLZ+BICKENBACH therefore also emphasises internal further education and training. Further information about continuing employee education and training can be found in the Annual Report 2011 in the chapters "New training places created for young people" and "Continuous education and training as philosophy".
Moreover, demographic developments as well as the increased working life in many countries resulting from legal changes will increase the importance of a demographically aligned human resources policy in the years that lie ahead. Existing structures must be analysed in this context and requirements for action identified. An age structure analysis has been partly agreed within collective wage agreements; a further example is the "Analysis of stressors in the workplace". In this process, the analysis of individual stressors at the workplace is used to derive measures for the ergonomic design of physical working conditions, employee motivation, etc. Ultimately, work safety and health, age-appropriate workplaces, employee retention, and the maintenance of a motivating corporate culture are the main challenges that we face in the years ahead.

Risks from the personnel change in management

The company, and the future development of SCHMOLZ+BICKENBACH AG, are particularly dependent on the commitment and performance of the senior management as well as of further leading individuals in key positions. SCHMOLZ+BICKENBACH AG relies on a highly qualified Executive Committee and senior management with extensive industry know-how, sustainable customer relationships and many years of experience in the steel industry. The unavailability or resignation of leading individuals in important positions must be regarded as a risk, since qualified and experienced employees cannot usually be found very quickly. Within the framework of a sustainable improvement in the Corporate Governance and Corporate Culture, in June 2012 the Board of Directors decided to part ways with two members of the former Executive Board and, until these positions are permanently refilled, to hand over to Dr Marcel Imhof, former COO of the company, the function of CEO ad interim, and to Oliver Karst, former Head of Group Accounting + Controlling, the position of CFO ad interim. The company is dependent on the highly qualified employees with their experience of the industry and will endeavour to retain them in the stated positions. Every failure to appoint or retain qualified employees in the key positions can negatively impact the operational development of the business as well as the financial situation and profitability of the Group.

Financial risks

Currency risk

Currency risks arise mainly on trade accounts receivable and payable, on planned future revenue in foreign currency, and on existing and planned future contracts for the supply of goods where the purchase price is in a foreign currency. Currency management is country-specific, foreign currency amounts being regularly transformed into the respective functional currency mainly by means of forward exchange contracts.

See "Market and industry development", p. 11

Interest risk

Interest risks arise mainly on interest-bearing liabilities that are denominated in euros. The Executive Board stipulates an appropriate target ratio of fixed-interest and variable-interest liabilities, and constantly monitors its compliance. Interest management is mainly by means of interest swaps.

Commodity price risk

Commodity price risks result from fluctuations in the prices of the raw materials and energy required for steel production. Fluctuations in the raw material prices can usually be passed on to customers in the form of alloy surcharges. If this is not possible, in some cases hedging is undertaken with marketable instruments. Currently, these consist mainly of futures contracts for nickel, from which SCHMOLZ+BICKENBACH receives payments that depend on the development of the nickel price, and is thereby protected against further price increases.

See graph "Development of the nickel price", p. 13

Credit risk

Credit risks arise mainly on trade accounts receivable, bank balances and derivative financial instruments. In view of the broad customer base, which extends over various regions and industries, the credit risk on trade accounts receivable is limited. In addition, the trade accounts receivable are partly credit insured with varying excesses.

To minimise credit risks from the operating activities, transactions with external business partners are only entered into after an internal creditworthiness test and a credit approval process. Based on the internal creditworthiness test, a limit for a maximum credit risk per contract partner is set. In principle, the process of setting and monitoring the limits is undertaken by each subsidiary independently, but there are different approval processes depending on the level of the credit limit. The credit and collections policy of the local companies is also subject to the internal controlling system, and is hence periodically audited by Internal Audit.

All banks with which SCHMOLZ+BICKENBACH does business have good credit ratings in line with the market and generally participate in deposit guarantee funds. Derivative financial instruments are only entered into with these financial institutions.

Liquidity risk

Solvency at all times is ensured by a largely centralised cash management system. Liquidity plans are prepared in which the actually expected cash receipts and payments for a specified time period are balanced against each other. In addition, liquidity reserves are maintained in the form of bank balances and irrevocable bank overdraft facilities.

A liquidity risk could result, among other things, from the financial covenants to which our financing is subject and compliance with which is examined at the end of each quarter. Although compliance with the covenants is continuously monitored, they are dependent on a large number of exogenous factors, particularly the general economic development, and therefore only partly controllable. Depending on the respective financing agreement, non-fulfilment of the covenants can result in a substantial increase in the financing costs as well as partial or complete repayment of the relevant financial liabilities.

Opportunity management

In the last eight years, the Group has increasingly grown together from numerous complementary companies. Its market success is not least attributable to a consistent, systematic strategy process.

The process is controlled and supported by the Executive Board and the central Business Development Department. Information about the markets, production, and R&D is centrally collected and evaluated by our divisions as well as the Group. This information forms the basis for the strategic decision-making process. Strategic decisions at Group level are therefore taken on the basis of solid information and operationally implemented in collaboration with the heads of the Business Units.

See "Strategy and corporate management", p. 9

Opportunities and potential for increasing the value of the company

In the years ahead, there will be many strategic and operational opportunities for SCHMOLZ+BICKENBACH in the fields of global growth such as increasing urbanisation and mobility. For these markets we already offer the appropriate products. On the other hand, resource efficiency will take on increasing importance. This creates a demand for increasingly technically demanding materials. Lower weight and increasingly high stresses in the applications mean that our high-tech materials must be permanently adapted and optimised.

In the last few years, SCHMOLZ+BICKENBACH has developed from a medium-sized company into an internationally leading Group in the special long steel segment. The identification of opportunities from market and technological trends, and the development therefrom of operational strategies, is an important element of the Groupwide strategic dialogue and the basis for our economic success.

Within this process, three directions are being pursued: long-term systematic market observation and analysis; further development of the industrial production basis; and a consistent, application-related alignment of product development.

As a unique full-range supplier with a broad, technologically highly sophisticated product portfolio, we consider ourselves well prepared to serve not only the growth markets but also technically demanding segments. Our business model is aligned to responding to the constantly increasing requirements of the applications. Through our application-driven strategy, we can identify trends promptly and offer tailored solutions.

See Annual Report 2011 "Technological progress as guarantee for the future", p. 43

For this purpose we undertake long-term, systematic analysis of the developments in our sales industries. In close collaboration with R&D, production processes and the product portfolio are permanently optimised and adapted to the future challenges.

OUTLOOK

Also in the second half of 2012 the market environment for SCHMOLZ+BICKENBACH remains difficult because of the economic weakening. For the full fiscal year, a slightly lower revenue development is expected. The development of EBITDA will be substantially below the previous year's level.

Uncertain and difficult economic development

Further weakening of the global economy is anticipated. Particularly the development in Europe is dominated by the sovereign debt crisis and the associated growing political and economic uncertainties. The development is resulting in drastic savings measures in public expenditure, and will also affect the investment activity of companies. This particularly applies to the south European countries. The growth prospects for individual countries in the euro area – such as Italy (-1.9%) and Spain (-1.5%) – are negative, and some nations are already in a recession. The recovery in the USA is also expected to be less strong. Furthermore, some developing countries – especially Brazil, China and India – are now also experiencing perceptibly weaker growth. Although SCHMOLZ+BICKENBACH does not expect a global crisis like that of 2008/2009, it must be prepared for highly variable developments according to region.

Outlook for the relevant industries and markets

The long-term positive growth prospects for our products are fuelled by important megatrends such as population growth, energy production, mobility, corrosion resistance and hygiene. These still apply. After the financial and economic crisis of 2008/2009, industrial and steel production recovered rapidly in 2010 and 2011, in some cases with double-digit growth rates. However, in this fiscal year and possibly next, this development will not continue, and – particularly in the euro area – substantially weaker, or even negative, growth rates are foreseeable. We even expect the so far positive development of the premium brands in the automotive segment to weaken slightly. In the short and medium term, we also do not expect a recovery in the mass car market. In the next few months in the European mechanical engineering industry, we expect a continuingly weakened demand situation. Furthermore, in the energy sector, we foresee a slight cooling of exploration activity in the shale-gas industry. For as long as no solution to the European debt crisis is in sight, we do not expect a substantial economic improvement to occur.

Development of the SCHMOLZ+BICKENBACH Group

The clouding of the market environment has caused many of our customers to adopt a cautious stance and we are confronted with order postponements and delayed shipments to our customers. In the coming months, this will continue to call for a high level of flexibility in production and from our employees. On the positive side, we have not been able to detect any excessive inventory levels at our customers. In view of the increased difficulty of the overall situation, besides the permanently ongoing cost-optimisation measures, we have initiated additional restructuring measures as already described on page 20. The goal of these measures is to permanently lower the break-even of the affected companies in view of the changed order situation. The measures will only show their full effects in the following year.

See "Business development of the Group", p. 20

For seasonal reasons, in the third quarter the development of revenue and earnings is generally weaker than in the other quarters. Because of the plant holidays, we expect lower sales volumes and revenues than in the first two quarters. In conjunction with simultaneously higher costs for maintenance and repairs caused by the general overhaul of some plants during the summer shutdown, this results in a lower operating profit than in the two preceding quarters. For the third quarter of 2012 we therefore expect only a neutral operating profit (EBIT).

In fiscal year 2012, by comparison with the previous year, total sales volumes and revenue will develop negatively. Against the backdrop of the economic development that has occurred in the last few months, we shall not be able to meet our original forecast of matching, or even slightly surpassing, the operating profit and margins that were achieved in 2011. On the other hand, through the short-term cost reductions that will become effective in the second half-year, involving the release of temporary employees, reduction of shifts and running down of worktime balances, we expect to be able to compensate the effects of the lower demand better than in the first half-year. However, because of the special seasonal effects, EBITDA for the second half-year will be lower than for the first half-year, so that for the full year 2012 relative to the previous year there will be a substantial reduction in EBITDA. As a consequence, the EBITDA margin and ROCE margin will be below our medium-term financial target ranges, and again moderately lower than in the first half of 2012. However, in view of the difficult market environment we expect for the full year a slightly positive EBT.

Value-related control parameters and financial targets

in %	Status 30.06.2012	Mid-term targets
EBITDA margin	6.4	8–12
ROCE	12.1	12–18
Equity ratio	30.2	35–40
Gearing	107.9	80–100

2 FINANCIAL REPORTING

FINANCIAL REPORTING

40–55

CONSOLIDATED INCOME STATEMENT

million EUR	Note	01.01.–30.06.2012	01.01.–30.06.2011
Revenue		1 974.9	2 087.3
Change in semi-finished and finished goods		39.7	61.7
Cost of materials		-1 389.9	-1 483.1
Gross margin		**624.7**	**665.9**
Other operating income	6.1	21.5	22.4
Personnel costs		-321.7	-306.1
Other operating expenses	6.2	-197.8	-183.1
Income/loss on investments accounted for using the equity method		-0.2	-0.1
Operating profit before depreciation and amortisation		**126.5**	**199.0**
Depreciation/amortisation and impairment		-60.2	-56.1
Operating profit		**66.3**	**142.9**
Financial income		10.3	8.6
Financial expense		-41.2	-54.6
Financial result	6.3	**-30.9**	**-46.0**
Earnings before taxes		**35.4**	**96.9**
Income taxes	6.4	-17.4	-27.1
NET INCOME		**18.0**	**69.8**
of which attributable to			
- registered shareholders of SCHMOLZ+BICKENBACH AG		17.4	65.3
- providers of hybrid capital		0.0	4.0
TOTAL ATTRIBUTABLE TO THE SHAREHOLDERS OF SCHMOLZ+BICKENBACH AG [1)]		**17.4**	**69.3**
Non-controlling interests		0.6	0.5
Earnings per share in EUR (basic/diluted)		**0.15**	**0.60**

[1)] Including providers of hybrid capital.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

million EUR	01.01.–30.06.2012	01.01.–30.06.2011
Net income	**18.0**	**69.8**
Change in unrealised gains/losses	10.3	-14.3
Gains/losses from currency translation	**10.3**	**-14.3**
Change in unrealised gains/losses	-0.4	3.8
Realised gains/losses	0.1	0.9
Gains/losses from cash flow hedges	**-0.3**	**4.7**
Actuarial gains/losses from pension-related and similar obligations and effects due to asset ceiling	**-22.8**	**3.9**
Tax effect	6.1	-3.2
Other comprehensive income	**-6.7**	**-8.9**
TOTAL COMPREHENSIVE INCOME [1]	**11.3**	**60.9**
of which attributable to		
- registered shareholders of SCHMOLZ+BICKENBACH AG	10.7	56.4
- providers of hybrid capital	0.0	4.0
TOTAL ATTRIBUTABLE TO THE SHAREHOLDERS OF SCHMOLZ+BICKENBACH AG [2]	**10.7**	**60.4**
Non-controlling interests	0.6	0.5

[1] Total comprehensive income in H1 2012 includes EUR -0.2 million (H1 2011: EUR -0.1 million) which relates to investments accounted for using the equity method.
[2] Including providers of hybrid capital.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30.06.2012 million EUR	%	31.12.2011 million EUR	%	30.06.2011 million EUR	%
Assets							
Intangible assets	7.1	40.9		43.3		43.1	
Property, plant and equipment	7.1	894.2		900.5		855.3	
Investments accounted for using the equity method		0.6		0.9		1.8	
Other non-current financial assets		3.3		3.6		15.9	
Non-current income tax assets		14.2		13.9		13.5	
Other non-current assets		1.9		2.0		0.8	
Deferred tax assets	6.4	88.2		90.1		73.8	
Total non-current assets		**1 043.3**	**37.3**	**1 054.3**	**38.6**	**1 004.2**	**35.8**
Inventories	7.2	1 034.1		991.9		1 047.6	
Trade accounts receivable		614.0		518.8		636.2	
Current financial assets		5.4		11.9		15.5	
Current income tax assets		12.9		12.2		2.6	
Other current assets		41.7		39.3		50.3	
Cash and cash equivalents		43.4		100.6		49.9	
Non-current assets held for sale	7.3	0.0		1.6		1.6	
Total current assets		**1 751.5**	**62.7**	**1 676.3**	**61.4**	**1 803.7**	**64.2**
TOTAL ASSETS		**2 794.8**	**100.0**	**2 730.6**	**100.0**	**2 807.9**	**100.0**
Equity and liabilities							
Share capital		297.6		297.6		297.6	
Capital reserves		703.7		703.7		703.7	
Retained earnings (accumulated losses)	7.4	-140.4		-148.0		-120.7	
Accumulated income and expense recognised directly in equity		-21.1		-14.4		-23.3	
Attributable to shareholders of SCHMOLZ+BICKENBACH AG		**839.8**		**838.9**		**857.3**	
Non-controlling interests		5.8		5.3		4.9	
Total shareholders' equity		**845.6**	**30.2**	**844.2**	**30.9**	**862.2**	**30.7**
Provisions for pensions and similar obligations	7.5	245.1		221.8		191.1	
Other non-current provisions	7.5	33.7		37.0		35.9	
Deferred tax liabilities	6.4	27.5		28.8		10.0	
Non-current financial liabilities	7.6	638.6		648.2		746.4	
Other non-current liabilities		12.6		18.4		19.6	
Total non-current liabilities		**957.5**	**34.3**	**954.2**	**35.0**	**1 003.0**	**35.7**
Current provisions	7.5	33.9		27.1		35.8	
Trade accounts payable		488.7		445.9		473.4	
Current financial liabilities	7.6	316.9		312.8		260.0	
Current income tax liabilities		12.4		15.8		15.5	
Other current liabilities		139.8		130.6		158.0	
Total current liabilities		**991.7**	**35.5**	**932.2**	**34.1**	**942.7**	**33.6**
Total liabilities		**1 949.2**	**69.8**	**1 886.4**	**69.1**	**1 945.7**	**69.3**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2 794.8**	**100.0**	**2 730.6**	**100.0**	**2 807.9**	**100.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

million EUR	Note	01.01.–30.06.2012	01.01.–30.06.2011
Earnings before taxes		35.4	96.9
Depreciation, amortisation and impairment		60.2	56.1
Income/loss on investments accounted for using the equity method		0.2	0.1
Gain/loss on disposal of intangible assets, property, plant and equipment, and financial assets		2.3	0.7
Increase/decrease in other assets and liabilities		10.1	35.8
Financial income		-10.3	-8.6
Financial expense		41.2	54.6
Income taxes paid		-14.9	-4.0
Cash flow before changes in net working capital		**124.2**	**231.6**
Change in inventories		-37.2	-151.7
Change in trade accounts receivable		-90.3	-152.1
Change in trade accounts payable		39.2	118.2
CASH FLOW FROM OPERATIONS		**35.9**	**46.0**
Investments in property, plant and equipment		-45.1	-34.8
Proceeds from disposal of property, plant and equipment		3.8	2.0
Investments in intangible assets		-1.0	-1.1
Investments in financial assets		0.0	-0.1
Proceeds from disposal of financial assets		0.0	0.3
Interest received		0.8	0.8
CASH FLOW FROM INVESTING ACTIVITIES		**-41.5**	**-32.9**
Free cash flow		**-5.6**	**13.1**
Proceeds from issuance of bond	7.6	240.4	0.0
Repayment of syndicated loan	7.6	-275.0	0.0
Increase in financial liabilities		37.0	53.4
Repayment of financial liabilities		-18.7	-36.5
Proceeds from capital increase		0.0	30.5
Repayment of the unconverted hybrid capital		0.0	-9.1
Distributions to providers of hybrid capital		0.0	-16.2
Dividend payment	7.4	-9.8	0.0
Interest paid		-26.1	-37.7
CASH FLOW FROM FINANCING ACTIVITIES		**-52.2**	**-15.6**
Change in cash and cash equivalents		-57.8	-2.5
Effect of foreign currency translation		0.6	-1.4
Change in cash and cash equivalents		**-57.2**	**-3.9**
Cash and cash equivalents as at 1.1.		100.6	53.8
Cash and cash equivalents as at 30.06.		43.4	49.9
Change in cash and cash equivalents		**-57.2**	**-3.9**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

million EUR	Share capital	Capital reserves	Hybrid capital	Retained earnings (accumulated losses)	Accumulated income and expense recognised directly in equity	Attributable to shareholders of SCHMOLZ + BICKENBACH AG [1]	Non-controlling interests	Total shareholders' equity
As at 01.01.2011	261.7	638.9	79.3	-173.8	-14.4	**791.7**	4.1	**795.8**
Capital transactions with shareholders [1]								
Distributions to providers of hybrid capital	0.0	0.0	0.0	-16.2	0.0	**-16.2**	0.0	**-16.2**
Capital increase including conversion of hybrid capital	35.9	64.8	-70.2	0.0	0.0	**30.5**	0.0	**30.5**
Replacement of the unconverted hybrid capital	0.0	0.0	-9.1	0.0	0.0	**-9.1**	0.0	**-9.1**
Total comprehensive income								
Net income	0.0	0.0	0.0	69.3	0.0	**69.3**	0.5	**69.8**
Other comprehensive income	0.0	0.0	0.0	0.0	-8.9	**-8.9**	0.0	**-8.9**
Change in scope of consolidation	0.0	0.0	0.0	0.0	0.0	**0.0**	0.3	**0.3**
As at 30.06.2011	**297.6**	**703.7**	**0.0**	**-120.7**	**-23.3**	**857.3**	**4.9**	**862.2**
As at 01.01.2012	297.6	703.7	0.0	-148.0	-14.4	**838.9**	5.3	**844.2**
Capital transactions with shareholders								
Dividend payment	0.0	0.0	0.0	-9.8	0.0	**-9.8**	-0.1	**-9.9**
Total comprehensive income								
Net income	0.0	0.0	0.0	17.4	0.0	**17.4**	0.6	**18.0**
Other comprehensive income	0.0	0.0	0.0	0.0	-6.7	**-6.7**	0.0	**-6.7**
AS AT 30.06.2012	**297.6**	**703.7**	**0.0**	**-140.4**	**-21.1**	**839.8**	**5.8**	**845.6**

[1] Including 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 + Services. The ultimate parent company of the entire Group is SCHMOLZ + BICKENBACH GmbH & Co. KG, with headquarters at Eupener Strasse 70 in Düsseldorf (DE).
These condensed interim consolidated financial statements were released for publication by the Board of Directors on 21 August 2012.

2 Accounting policies

With these condensed interim consolidated financial statements of SCHMOLZ + BICKENBACH AG for the first half of 2012, 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 2012 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 2011.
The interim financial report is presented in euro. Unless stated otherwise, monetary amounts are denominated in millions of euro.
In preparing these condensed interim consolidated interim 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 statement of financial position, of the revenue and expenses, and of the contingent liabilities. The actual amounts may differ from these estimates.
The accounting policies applied in these condensed interim consolidated financial statements are almost entirely identical to those of the last consolidated financial statements as at the end of financial year 2011. Exceptions are those amended and new IFRS standards and interpretations that became mandatorily applicable from 1 January 2012.
One of these is the amendment "Disclosures – Transfers of Financial Assets" to IFRS 7 "Financial instruments: Disclosures", which specifies expanded disclosure obligations when transferring financial assets. Another is an amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" with the title "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters". There was also an amendment with the title "Deferred Tax: Recovery of Underlying Assets" to IAS 12 "Income Taxes", which contains a partial clarification of the handling of temporary tax differences associated with application of the fair value model of IAS 40. Within the scope of this amendment the former provisions contained in SIC 21 for the fair value model of IAS 40 are cancelled, other SIC 21 provisions are taken into IAS 12, and SIC 21 as a special interpretation is cancelled.
The changes to the standards and interpretations had no material effects on the accounting policies that apply consistently throughout the Group, or on these condensed interim consolidated financial statements of SCHMOLZ + BICKENBACH AG.

3 Scope of consolidation and acquired companies

In the first half of 2012 the scope of the consolidation was unchanged relative to 31 December 2011.

4 Impairment test

Goodwill acquired through business combinations and intangible assets with indefinite useful lives are tested for impairment annually as at 30 November. The basic assumptions for performing the impairment test were explained in the annual consolidated financial statements of 31 December 2011. At every reporting date, SCHMOLZ + BICKENBACH evaluates whether there are internal or external indications that an asset could be impaired. The weakening of the economy at the end of the first half of 2012, which was particularly noticeable in Europe, caused demand for steel products from the automotive and mechanical engineering industries, customer groups which are important to SCHMOLZ + BICKENBACH, to slump. Because of the increased competition, this decline in sales results in increased pressure on margins and the lower volumes cause reduced capacity utilisation at the production and processing plants of the Group. In view of the changed expectations for the fiscal year 2012, an extra-ordinary impairment test was performed as at 30 June 2012. The test did not indicate any need to recognise an impairment loss on goodwill or on intangible assets with finite or indefinite useful lives.

5 Segment reporting

The Group is presented itself according to its internal reporting and organisational structure by its three divisions – hereafter referred to as operating segments – of Production, Processing, and Distribution + Services. The separation into operating segments corresponds with the corporate strategy of SCHMOLZ + BICKENBACH, which provides for vertical integration along the value chain for special steel applications.

The half-yearly segment reporting is as follows:

million EUR	Production		Processing	
	01.01.–30.06.2012	01.01.–30.06.2011	**01.01.–30.06.2012**	01.01.–30.06.2011
Third-party revenue	1 129.5	1 187.6	146.7	169.9
Intersegment revenue	268.8	288.8	74.9	91.0
Total revenue	**1 398.3**	1 476.4	**221.6**	260.9
Segment result (operating profit before depreciation and amortisation - EBITDA)	**107.3**	158.0	**13.5**	21.5
Depreciation and amortisation of property, plant and equipment and intangible assets	-45.4	-41.7	-7.3	-7.4
Financial income	5.0	6.6	1.5	1.5
Financial expense	-19.1	-24.7	-3.1	-4.1
EARNINGS BEFORE TAXES (EBT)	**47.8**	98.2	**4.6**	11.5
Segment assets [1]	1 862.2	1 818.0	255.5	268.8
Segment liabilities [2]	370.3	361.3	70.1	84.6
Segment assets less segment liabilities (capital employed)	**1 491.9**	1 456.7	**185.4**	184.2
Segment investments [3]	38.7	29.1	2.6	3.7
Employees	6 818	6 566	980	995

[1] Segment assets: Intangible assets (excluding goodwill) + property, plant and equipment + inventories + trade accounts receivable (total matches total assets in the statement of financial position).
[2] Segment liabilities: Trade accounts payable (total matches total liabilities in the statement of financial position).
[3] Segment investments: Additions to intangible assets (without goodwill) + additions to property, plant and equipment (without reclassification from assets held for sale).

Distribution + Services		Total operating segments		Reconciliation: Other activities		Reconciliation: Eliminations/adjustments		Total	
01.01.–30.06.2012	01.01.–30.06.2011	**01.01.–30.06.2012**	01.01.–30.06.2011	**01.01.–30.06.2012**	01.01.–30.06.2011	**01.01.–30.06.2012**	01.01.–30.06.2011	**01.01.–30.06.2012**	01.01.–30.06.2011
697.2	728.4	1 973.4	2 085.9	1.5	1.4	0.0	0.0	1 974.9	2 087.3
4.1	3.9	347.8	383.7	17.2	18.5	-365.0	-402.2	0.0	0.0
701.3	732.3	**2 321.2**	2 469.6	**18.7**	19.9	**-365.0**	-402.2	**1 974.9**	2 087.3
19.0	25.3	**139.8**	204.8	**-11.7**	-5.3	**-1.6**	-0.5	**126.5**	199.0
-5.8	-5.6	-58.5	-54.7	-1.7	-1.4	0.0	0.0	-60.2	-56.1
0.8	1.2	7.3	9.3	26.2	36.0	-23.2	-36.7	10.3	8.6
-6.8	-10.9	-29.0	-39.7	-35.4	-51.6	23.2	36.7	-41.2	-54.6
7.2	10.0	**59.6**	119.7	**-22.6**	-22.3	**-1.6**	-0.5	**35.4**	96.9
635.9	651.3	2 753.6	2 738.1	29.5	31.2	11.7	38.6	2 794.8	2 807.9
230.2	202.6	670.6	648.5	9.3	8.2	1 269.3	1 289.0	1 949.2	1 945.7
405.7	448.7	**2 083.0**	2 089.6						
4.3	4.2	45.6	37.0	1.3	1.1	0.0	0.0	46.9	38.1
2 377	2 354	10 175	9 915	272	283	0	0	10 447	10 198

6 Notes to the consolidated income statement

6.1 Other operating income

million EUR	01.01.–30.06.2012	01.01.–30.06.2011
Income from reversal of provisions	3.5	1.9
Income from recovery of previously written off receivables and reversal of allowances on receivables	0.5	1.6
Gains on disposal of intangible assets, property, plant and equipment, and financial assets	0.2	1.6
Rent and lease income	1.1	1.0
Own work capitalised	0.2	0.9
Commission income	0.3	0.2
Net exchange gains/losses	0.0	2.1
Miscellaneous income	15.7	13.1
Total	**21.5**	**22.4**

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	01.01.–30.06.2012	01.01.–30.06.2011
Exchange gains	24.0	44.7
Exchange losses	26.8	42.6
Net exchange gains/losses	**-2.8**	**2.1**

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

6.2 Other operating expenses

million EUR	01.01.–30.06.2012	01.01.–30.06.2011
Freight	56.6	54.6
Maintenance, repairs	32.4	30.6
Rent and lease expenses	16.6	14.9
Advisory, audit and IT services	14.1	14.2
Insurance fees	7.2	6.5
Commission expense	6.7	5.9
Non-income taxes	5.9	5.0
Net exchange gains/losses	2.8	0.0
Losses on disposal of intangible assets, property, plant and equipment, and financial assets	2.4	2.3
Miscellaneous expense	53.1	49.1
Total	**197.8**	**183.1**

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

6.3 Financial result

million EUR	01.01.–30.06.2012	01.01.–30.06.2011
Expected return on plan assets	5.7	5.8
Interest income	0.8	0.9
Other financial income	3.8	1.9
Financial income	**10.3**	**8.6**
Interest expense on financial liabilities	-33.3	-47.0
Interest expense on pension provisions	-7.7	-7.8
Capitalised borrowing costs	0.8	2.0
Other financial expense	-1.0	-1.8
Financial expense	**-41.2**	**-54.6**
FINANCIAL RESULT	**-30.9**	**-46.0**

Other financial income and other financial expense contain gains and losses from the marking of interest derivatives to market.

6.4 Income taxes

million EUR	01.01.– 30.06.2012	01.01.– 30.06.2011
Current taxes	11.2	12.3
Deferred taxes	6.2	14.8
Income taxes	**17.4**	**27.1**

The local tax rates for the measurement of current and deferred taxes have not materially changed by comparison with the previous year. For the first half of 2012 the effective Group tax rate was 49.2%, which is composed of the tax rates of the countries in which the Group is active weighted for their pre-tax earnings.

The main reason for the increase in the effective Group tax rate is the changed earnings mix returned by the individual countries in which the Group is active. In the first half of 2012, the contributions to earnings of the relatively more highly taxed North American and French activities to Group EBT increased particularly strongly. On the other hand, the contribution of the relatively lowly taxed Swiss companies fell, and in Germany there were even losses.

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

million EUR	2012	2011
Balance as at 01.01.	61.3	82.5
Changes recognised in profit and loss	-6.2	-14.8
Changes recognised in other comprehensive income	6.1	-3.4
Change in scope of consolidation	0.0	-0.1
Foreign currency effects	-0.5	-0.4
Balance as at 30.06.	**60.7**	**63.8**

7 Notes to the consolidated statement of financial position

7.1 Intangible assets and property, plant and equipment

The investments totalling EUR 46.9 million (H1 2011: EUR 38.1 million) are composed of investments of EUR 1.0 million (H1 2011: EUR 1.1 million) in intangible assets, and investments of EUR 45.9 million (H1 2011: EUR 37.0 million) in property, plant and equipment. The investments in property, plant and equipment relate mainly to the Production Division.

7.2 Inventories

million EUR	30.06.2012	31.12.2011
Raw materials, consumables and supplies	125.6	124.5
Semi-finished goods and work in progress	368.8	346.2
Finished products and merchandise	539.7	521.2
Total	**1 034.1**	**991.9**

The inventories of semi-finished and finished products at 30 June 2012 were increased for seasonal reasons to safeguard supplies to customers after the end of the plant holidays in the production and processing plants.

7.3 Assets held for sale

Since, contrary to expectations, the sale of the land and buildings of the site at Brumby (DE), which was closed in 2009, did not take place, its sale within the next twelve months can no longer be regarded as highly probable. The land and buildings have therefore been reclassified to non-current assets at the carrying amount, which had already been written down to the realisable amount in previous years.

7.4 Shareholders' equity

In April 2012, a dividend of CHF 0.10 per share was paid, resulting in dividend payments of EUR 9.8 million.

7.5 Provisions

For the measurement of pension obligations the following updated discount rates, which differ from those of 31 December 2011, were applied:

	30.06.2012			
in %	Switzer-land	Euro area	USA	Canada
Discount rate	2.2	4.1	3.8	4.0
	31.12.2011			
in %				
Discount rate	2.3	4.7	4.5	4.3

The actuarial losses of EUR 22.8 million (H1 2011: EUR -3.9 million) before taxes which resulted from the reduction in the discounting rates and the poorer performance of the plan assets were recognised in other comprehensive income.

Other provisions have not changed materially overall since 31 December 2011.

7.6 Financial liabilities

In May 2012 SCHMOLZ + BICKENBACH issued a bond with a nominal value of EUR 258 000 000 at a price of 96.957%, which bears interest at 9.875% p.a. The interest will be paid semi-annually on 15 May and 15 November, beginning on 15 November 2012. The net proceeds of EUR 240.4 million remaining from the bond issue after deduction of the discount and transaction costs were used together with other funds to repay a total of EUR 275.0 million of Tranche B of the outstanding syndicated loan. The bond has a term of seven years until 15 May 2019. In the event that the financial covenants that were agreed in connection with the bond, which must be reviewed annually, are not fulfilled, they provide for defined baskets for further borrowings.

As at 30 June 2012, the financial liabilities were as follows:

million EUR	30.06.2012	31.12.2011
Bank loans	388.0	637.5
Bond	240.7	0.0
Liabilities from finance leases	7.6	8.1
Other financial liabilities	2.3	2.6
Total non-current	**638.6**	**648.2**
Bank loans	30.5	21.9
ABS financing programme	280.4	287.1
Liabilities from finance leases	2.0	2.2
Other financial liabilities	4.0	1.6
Total current	**316.9**	**312.8**

8 Contingencies and other financial commitments

The increase in the total amount of the contingencies from guarantees and purchase commitments to EUR 129.4 million (31 December 2011: EUR 115.0 million) is primarily attributable to the increase of EUR 12.5 million in the purchase commitments for outstanding investments.

9 Transactions with related parties

Relative to 31 December 2011, no material changes have taken place in the type of the relationships with related parties. As a result of the generally weaker market development, relative to the comparable period last year the volume of sales and purchase transactions in steel products with companies of SCHMOLZ + BICKENBACH GmbH & Co. KG has declined.

The investigation that was ordered by the Board of Directors into the circumstances relating to improper separation of private and company expenses that resulted in the immediate resignation of the former Chairman of the Board of Directors in December 2011 has been completed. The results have been sent to the former Chairman of the Board of Directors for comment.

Following the change at the top level of the Board of Directors at the end of 2011, in the last few months further changes have been made to improve corporate government and to realign the management organisation and corporate culture. In this connection, the contracts of Benedikt Niemeyer (CEO) and Axel Euchner (CFO) were not extended and both of them left the company with immediate effect in June. Until successors are appointed, Dr Marcel Imhof, formerly COO of the company, has taken over the function of CEO ad interim and Oliver Karst, former Head of Group Accounting + Controlling, the position of CFO ad interim. In the half-yearly financial statements, corresponding provisions were recognised for the payments associated with termination of the contracts of the former members of the Group Executive Board, Benedikt Niemeyer and Axel Euchner.

10 Events after the reporting period

In view of the clouding of the economic situation and the associated fall in order bookings since the end of the first half-year, in August a comprehensive programme of measures was decided. Among other things, various organisational units will undergo comprehensive restructuring. For the measures that have already been initiated at SCHMOLZ + BICKENBACH Distributions GmbH (DE) and SCHMOLZ + BICKENBACH A/S (DK), in the second half-year restructuring costs amounting to around EUR 12 million are expected.

FIVE-YEAR OVERVIEW FIRST HALF-YEAR

	Unit	H1 2008	H1 2009	H1 2010	H1 2011	**H1 2012**
Operational key figures						
Sales volume	kilotonnes	1 345	665	996	1 213	1 134
Order backlog	kilotonnes	683	222	524	692	410
Income statement						
Revenue	million EUR	2 278.8	1 054.2	1 477.4	2 087.3	1 974.9
Operating profit (loss) before depreciation and amortisation (EBITDA)	million EUR	231.9	-115.2	102.3	199.0	126.5
Operating profit (loss) (EBIT)	million EUR	184.8	-166.5	49.2	142.9	66.3
Earnings before taxes (EBT)	million EUR	162.6	-198.4	8.7	96.9	35.4
Net income (loss) (EAT)	million EUR	108.6	-149.0	4.4	69.8	18.0
Cash flow/investments/depreciation/amortisation						
Cash flow before changes in net working capital	million EUR	186.4	-113.0	117.1	231.6	124.2
Cash flow from operations	million EUR	29.0	174.2	-122.4	46.0	35.9
Cash flow from investing activities	million EUR	-106.2	-56.1	-13.5	-32.9	-41.5
Free cash flow	million EUR	-77.2	118.1	-135.9	13.1	-5.6
Investments	million EUR	99.7	59.0	41.3	38.1	46.9
Depreciation, amortisation and impairment	million EUR	47.1	51.3	53.1	56.1	60.2
Net assets and capital structure						
Non-current assets	million EUR	908.2	979.4	1 031.6	1 004.2	1 043.3
Current assets	million EUR	2 136.0	1 234.3	1 576.4	1 803.7	1 751.5
Net working capital	million EUR	1 460.3	918.6	1 014.3	1 210.4	1 159.4
Total assets	million EUR	3 044.2	2 213.7	2 608.0	2 807.9	2 794.8
Shareholders' equity	million EUR	813.4	646.6	559.4	862.2	845.6
Non-current liabilities	million EUR	969.7	318.9	345.6	1 003.0	957.5
Current liabilities	million EUR	1 261.1	1 248.2	1 703.0	942.7	991.7
Net debt	million EUR	1 089.6	907.9	1 086.4	956.5	912.1
Employees						
Employees per closing date	positions	11 201	9 953	9 933	10 198	10 447
Value management						
Capital employed	million EUR	2 244.1	1 787.9	1 923.5	2 103.3	2 088.6
Return on capital employed (ROCE)	%	20.7	-12.9	10.6	18.9	12.1
Key figures profit/net assets and capital structure						
EBITDA margin	%	10.2	-10.9	6.9	9.5	6.4
EBIT margin	%	8.1	-15.8	3.3	6.8	3.4
EBT margin	%	7.1	-18.8	0.6	4.6	1.8
Equity ratio	%	26.7	29.2	21.4	30.7	30.2
Gearing	%	134.0	140.4	194.2	110.9	107.9
Net debt/EBITDA	factor	2.35	-3.94	5.31	2.40	3.61
Key share figures						
Number of registered shares	shares	30 000 000	30 000 000	30 000 000	118 125 000	118 125 000
Share capital	million EUR	192.6	192.6	192.6	297.6	297.6
Earnings per share	EUR/CHF	3.60/5.78	-5.17/-7.78	-0.07/-0.10	0.60/0.76	0.15/0.18
Shareholders' equity per share	EUR/CHF	26.96/43.32	18.78/28.30	15.88/20.94	7.26/8.85	7.11/8.54
Dividend per share	CHF	0.50	0.00	0.00	0.00	0.10
Share price, highest	CHF	97	32	38	12	8
Share price, lowest	CHF	60	11	24	8	4
Share price per closing date	CHF	81	30	29	10	4

FIVE-YEAR OVERVIEW FULL-YEAR

	Unit	2007	2008	2009	2010	**2011**
Operational key figures						
Sales volume	kilotonnes	–	2 306	1 375	2 001	2 274
Order backlog	kilotonnes	–	397	284	619	521
Income statement						
Revenue	million EUR	4 247.3	4 091.9	2 052.1	3 119.3	3 942.9
Operating profit (loss) before depreciation and amortisation (EBITDA)	million EUR	416.8	233.9	-181.1	232.9	296.2
Operating profit (loss) (EBIT)	million EUR	326.0	138.4	-288.2	121.9	179.6
Earnings before taxes (EBT)	million EUR	279.8	72.2	-365.4	33.3	67.6
Net income (loss) (EAT)	million EUR	188.5	62.8	-276.0	38.6	42.7
Cash flow/investments/depreciation/amortisation						
Cash flow before changes in net working capital	million EUR	301.3	154.7	-199.8	206.6	330.6
Cash flow from operations	million EUR	162.3	250.0	261.7	-46.2	305.9
Cash flow from investing activities	million EUR	-350.5	-217.5	-104.7	-90.4	-114.3
Free cash flow	million EUR	-188.2	32.5	157.0	-136.6	191.6
Investments	million EUR	243.4	221.4	116.4	120.6	125.6
Depreciation, amortisation and impairment	million EUR	90.8	95.5	107.1	111.0	116.6
Net assets and capital structure						
Non-current assets	million EUR	837.8	968.9	1 022.9	1 056.6	1 054.3
Current assets	million EUR	1 823.2	1 701.3	1 199.1	1 501.2	1 676.3
Net working capital	million EUR	1 299.3	1 203.3	746.7	1 027.6	1 064.8
Total assets	million EUR	2 661.0	2 670.2	2 222.0	2 557.8	2 730.6
Shareholders' equity	million EUR	730.0	818.5	527.4	795.8	844.2
Non-current liabilities	million EUR	854.1	976.8	313.4	1 026.1	954.2
Current liabilities	million EUR	1 076.9	874.9	1 381.2	735.9	932.2
Net debt	million EUR	950.7	988.0	917.2	926.9	860.4
Employees						
Employees per closing date	positions	11 272	11 148	9 904	10 000	10 332
Value management						
Capital employed	million EUR	2 034.8	2 069.8	1 617.9	1 953.0	2 002.8
Return on capital employed (ROCE)	%	20.5	11.3	-11.2	11.9	14.8
Key figures profit/net assets and capital structure						
EBITDA margin	%	9.8	5.7	-8.8	7.5	7.5
EBIT margin	%	7.7	3.4	-14.0	3.9	4.6
EBT margin	%	6.6	1.8	-17.8	1.1	1.7
Equity ratio	%	27.4	30.7	23.7	31.1	30.9
Gearing	%	130.2	120.7	173.9	116.5	101.9
Net debt/EBITDA	factor	2.28	4.22	n.a.	3.98	2.90
Key share figures						
Number of registered shares	shares	30 000 000	30 000 000	30 000 000	105 000 000	118 125 000
Share capital	million EUR	192.6	192.6	192.6	261.7	297.6
Earnings per share	EUR/CHF	6.27/10.30	2.08/3.30	-9.58/-14.47	0.63/0.87	0.33/0.41
Shareholders' equity per share	EUR/CHF	24.23/40.11	27.15/40.17	14.82/21.99	6.78/8.48	7.10/8.62
Dividend per share	CHF	1.25	0.50	0.00	0.00	0.10
Share price, highest	CHF	124	97	42	17	12
Share price, lowest	CHF	85	12	11	7	5
Share price per closing date	CHF	92	16	25	9	5

MEMBERS OF THE BOARD OF DIRECTORS

As at 30 June 2012, the composition of the Board of Directors was as follows.

Board of Directors

Dr Hans-Peter Zehnder (CH)
Date of Birth 1954,
Chairman, Member of the Nomination and Compensation Committee
Member since 1992
Elected until 2013

Dr Alexander von Tippelskirch (DE)
Date of Birth 1941,
Deputy Chairman,
Chairman of the Audit Committee and Member of the Nomination and Compensation Committee
Member since 2006
Elected until 2013

Manfred Breuer (DE)
Date of Birth 1951,
Member of the Board,
Member since 2009
Elected until 2013

Dr Gerold Büttiker (CH)
Date of Birth 1946,
Member of the Board, of the Audit Committee, and of the Nomination and Compensation Committee
Member since 2003
Elected until 2015

Dr Helmut Burmester (DE)
Date of Birth 1939,
Member of the Board, of the Audit Committee, and of the Nomination and Compensation Committee
Member since 2006
Elected until 2013

Roland Eberle (CH)
Date of Birth 1953,
Member of the Board,
Member since 2012
Elected until 2015

Dr Marc Feiler (DE)
Date of Birth 1971,
Member of the Board,
Member since 2012
Elected until 2015

Benoît D. Ludwig (CH)
Date of Birth 1945,
Member of the Board, of the Audit Committee,
Chairman of the Nomination and Compensation Committee
Member since 2003
Elected until 2015

All members of the Board of Directors are non-executive.

MEMBERS OF THE EXECUTIVE COMMITTEE

The Executive Committee consists of the Executive Board and Business Unit Management.

Executive Board

Dr Marcel Imhof (CH)
Year of Birth 1948
Chief Executive Officer a.i.
Joined: 1977

Oliver Karst (DE)
Year of Birth 1971
Chief Financial Officer a.i.
Joined: 2005

Business Unit Management

Carlo Mischler (CH)
Year of Birth 1958
Business Unit Head
Swiss Steel AG
Joined: 1998

Jürgen Horsthofer (DE)
Year of Birth 1958
Business Unit Head
Deutsche Edelstahlwerke GmbH
Joined: 1986

Patrick Lamarque d'Arrouzat (FR)
Year of Birth 1965
Business Unit Head
Ugitech S.A.
Joined: 1990

Bruce C. Liimatainen (US)
Year of Birth 1956
Business Unit Head
A. Finkl & Sons Co.
Joined: 1977

Gerd Münch (DE)
Year of Birth 1962
Business Unit Head
Steeltec AG
Joined: 1991

Peter Schubert (DE)
Year of Birth 1958
Business Unit Head
SCHMOLZ+BICKENBACH *Blankstahl*
Joined: 1991

Bernd Grotenburg (DE)
Year of Birth 1964
Business Unit Head
SCHMOLZ+BICKENBACH *Distribution Germany*
Joined: 1985

Susanne Peiricks (DE)
Year of Birth 1968
Business Unit Head
SCHMOLZ+BICKENBACH *Distribution Europe*
Joined: 2002

Thiery Crémailh (FR)
Year of Birth 1961
Business Unit Head
SCHMOLZ+BICKENBACH *Distribution International*
Joined: 2007

OUR WORLDWIDE PRESENCE

1_ A. Finkl & Sons Co., USA
Tool steel

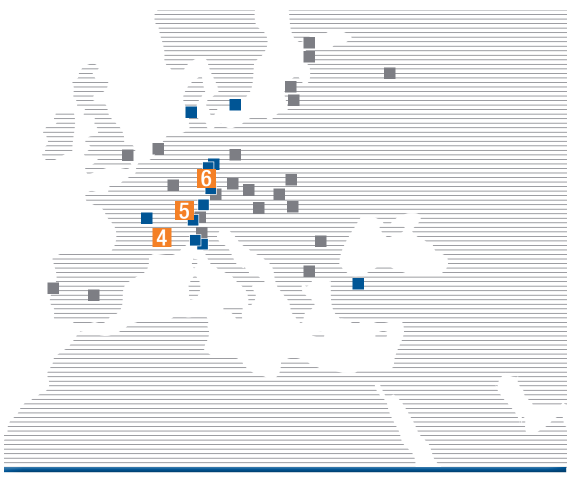
2_ Composite Forgings, L.P., USA
Tool steel

3_ Sorel Forge Co., Canada
Tool steel

4_ Ugitech S.A., France
Stainless long steel

5_ Swiss Steel AG, Switzerland
Engineering steel
Free cutting steel

6_ Deutsche Edelstahlwerke GmbH, Germany
Engineering steel
Stainless long steel
Tool steel



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This Half-Year Report is also available in German.
The German version is binding.