# ON TRACK.
## To a successful future.

INTERIM REPORT 3RD QUARTER 2015

SCHMOLZ + BICKENBACH AG
Providing special steel solutions

# Our key figures

| | Unit | 1.1.–30.9.2015 | 1.1.–30.9.2014 | Change on prior year % | Q3 2015 | Q3 2014 | Change on prior year % |
|---|---|---|---|---|---|---|---|
| **SCHMOLZ + BICKENBACH GROUP** | | | | | | | |
| Sales volume [1] | kilotonnes | 1 362 | 1 411 | −3.5 | 410 | 431 | −4.9 |
| Revenue [1] | million EUR | 2 108.6 | 2 191.5 | −3.8 | 619.7 | 704.0 | −12.0 |
| Adjusted EBITDA [1] | million EUR | 129.0 | 192.0 | −32.8 | 11.5 | 58.2 | −80.2 |
| Operating profit before depreciation and amortisation (EBITDA) [1] | million EUR | 122.8 | 186.3 | −34.1 | 10.3 | 55.5 | −81.4 |
| Adjusted EBITDA margin (%) [1] | % | 6.1 | 8.8 | −30.7 | 1.9 | 8.3 | −77.1 |
| EBITDA margin (%) [1] | % | 5.8 | 8.5 | −31.8 | 1.7 | 7.9 | −78.5 |
| Operating profit (EBIT) [1] | million EUR | 29.5 | 98.9 | −70.2 | −19.6 | 25.1 | < −100 |
| Earnings before taxes (EBT) [1] | million EUR | −6.0 | 65.1 | < −100 | −32.4 | 15.5 | < −100 |
| Net income (loss) (EAT) | million EUR | −151.7 | 45.8 | < −100 | −34.1 | 10.6 | < −100 |
| Investments [1] | million EUR | 101.6 | 57.8 | 75.8 | 24.1 | 27.1 | −11.1 |
| Free cash flow from continuing operations [1] | million EUR | 102.8 | 10.5 | > 100 | 110.7 | 11.3 | > 100 |
| Net debt [2] | million EUR | 543.7 | 627.4 | −13.3 | – | – | – |
| Gearing [2] | % | 71.0 | 68.9 | 3.0 | – | – | – |
| Employees as at reporting date [1] | positions | 8 927 | 9 000 | −0.8 | – | – | – |
| Total assets | million EUR | 2 193.5 | 2 553.0 | −14.1 | – | – | – |
| Shareholders' equity | million EUR | 765.7 | 910.9 | −15.9 | – | – | – |
| Equity ratio | % | 34.9 | 35.7 | −2.2 | – | – | – |
| **SCHMOLZ + BICKENBACH SHARE** | | | | | | | |
| Earnings per share from continuing operations [3] | EUR/CHF | −0.02/−0.02 | 0.05/0.06 | – | −0.02/−0.02 | 0.03/0.03 | – |
| Earnings per share [3] | EUR/CHF | −0.16/−0.17 | 0.05/0.06 | – | −0.3/−0.4 | 0.03/0.03 | – |
| Shareholders' equity per share | EUR/CHF | 0.80/0.87 | 0.95/1.15 | – | – | – | – |
| Highest/lowest share price | CHF | 1.08/0.62 | 1.51/1.10 | – | 0.85/0.62 | 1.51/1.19 | – |

1) Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the entities concerned as at 22.7.2015, the figures for the reporting period now refer only to the continuing operations remaining in the Group. The prior-year figures were restated accordingly.

2) Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the entities concerned as at 22.7.2015, the figures for the reporting period now refer only to the continuing operations remaining in the Group. The prior-year figures were not restated and continue to include all operations.

3) The earnings per share are based on the net income (loss) after deduction of the portions allocable to the non-controlling interests.

# Our profile

SCHMOLZ + BICKENBACH is one of the leading producers of premium special steel long products, operating with a global sales and service network. We focus on meeting our customers' specific needs and delivering high-quality products.

## Providing special steel solutions.

# Contents

# Dear shareholders,

The first nine months of the current year 2015 were very turbulent ones for SCHMOLZ + BICKENBACH. At the end of March, we announced that we had signed a sales agreement for the selected distribution entities in Germany, Belgium, the Netherlands and Austria. In July of this year, we successfully concluded this transaction, and we have already received EUR 48.6 million of the purchase price of EUR 56.6 million. Mr. Wellhausen, an experienced CFO and steel manager, took up his post in April.

All of these internal changes took place against the backdrop of the market environment in the first half of the year, which, while challenging, still inspired cautious confidence. In the third quarter of 2015, however, the economic environment became increasingly clouded. Commodity prices, in particular for alloying elements, saw a significant downturn, which resulted in growing pressure on base prices. The news regarding an economic slowdown in China put commodity prices under even more pressure in the third quarter of 2015. The oil and gas business came to an almost complete standstill on account of the low oil prices. Hopes of a recovery in the second half of 2015 were disappointed. The weaker euro against the Swiss franc and the US dollar placed an additional burden on our earnings.

In October 2015, these developments forced us to reduce our guidance range for EBITDA from between EUR 190 million and EUR 230 million to between EUR 160 million and EUR 180 million. Order intake and sales volumes failed to pick up as hoped following the seasonally weak summer quarter. We will therefore be devoting all of our efforts to achieving our earnings targets for 2015.

### Order situation down

In the first nine months of the fiscal year, there was a decrease in order intake compared to the prior-year figure. As a result, the order backlog of 395 kilotonnes as at 30 September 2015 was down on the levels as at 30 September 2014 (498 kilotonnes) and as at 31 December 2014 (497 kilotonnes).

### Sales and revenue down

Due to the weak market environment, we had to contend with a decrease in sales at the continuing operations of 49 kilotonnes or 3.5% compared to the first nine months of the prior year to 1 362 kilotonnes and a decrease of 21 kilotonnes or 4.9% compared to the prior-year quarter to 410 kilotonnes.

### Percentage gross margin below the prior-year level, EBITDA margin down

At 33.1% in the third quarter and 36.3% in the first nine months of the year, the percentage gross margin was down on the prior-year figures. The EBITDA margin fell to 1.7% in the third quarter of 2015 and to 5.8% in the first nine months of the year, reflecting the decreasing commodity prices.

### Earnings after taxes from continuing operations negative

Earnings after taxes from continuing operations saw a total decrease of EUR 64.6 million to EUR – 20.5 million in the first nine months of the fiscal year.

### Thanks to our shareholders, employees and customers

On behalf of the Board of Directors and Executive Board, allow me to thank our shareholders for their confidence and support in these difficult times and beyond. I would also like to thank our employees, who work tirelessly for SCHMOLZ + BICKENBACH each and every day. Allow me also to thank our customers and business partners for the good, long-standing and trust-based working relationships.

Clemens Iller
CEO

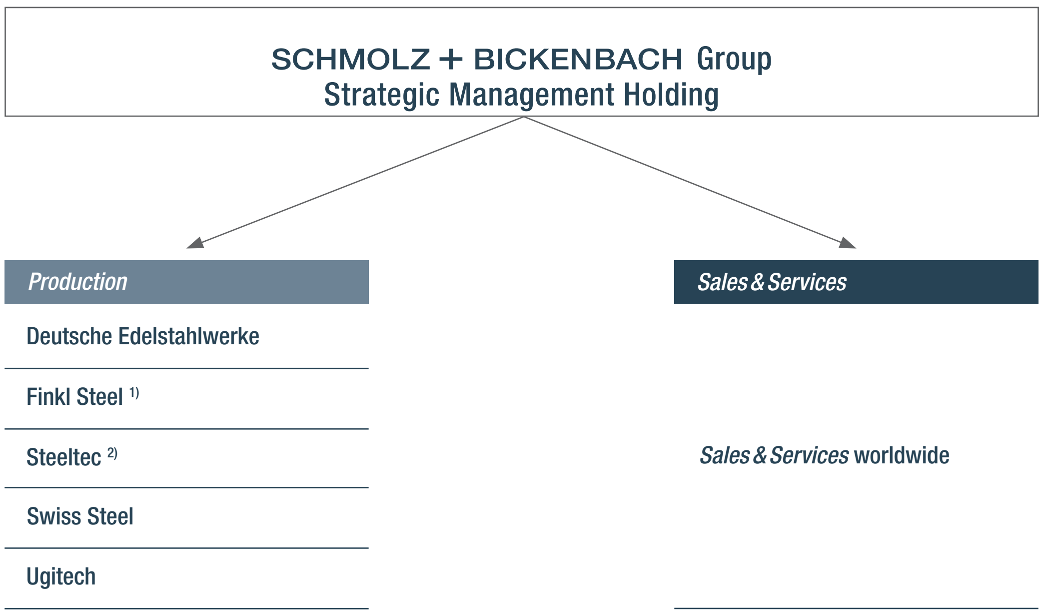
# Management report



# BUSINESS ENVIRONMENT AND STRATEGY

SCHMOLZ + BICKENBACH is an independent and fully integrated steel group with operations around the world. One of the leading global producers of special long steel, SCHMOLZ + BICKENBACH has an integrated business model built around the divisions *Production* and *Sales & Services* which allow SCHMOLZ + BICKENBACH to leverage strategic and operational synergies. With a premium product portfolio and a focus on research and development, we are able to enter strategic growth markets.

**Business model**




1) formerly: Finkl/Sorel
2) formerly: S+B Bright Bar

## Our divisions

***Production* – specialised steelmaking, forging and rolling plants in Europe and North America; drawing mills, bright steel production and heat treatment in northern and western Europe and Turkey**

SCHMOLZ + BICKENBACH operates a total of nine steelmaking plants in Canada, France, Germany, Switzerland and the USA. Of these, six have their own melting furnaces, while three operate without on-site melting facilities. The steel plants complement each other in terms of formats and qualities, covering the entire spectrum for special long steel. Besides the three main product groups – engineering steel, stainless steel and tool steel – the range includes special steel products. The mills sell their products via *Sales & Services* or directly to external customers.

SCHMOLZ + BICKENBACH is represented in Denmark, France, Germany, Italy, Sweden, Switzerland and Turkey, where it operates its own processing plants. These include bar and wire-drawing mills, bright-steel production plants, and heat-treatment facilities, where high-grade steel is processed to produce bespoke long steel products to the customer's exact specifications. Characteristics such as close dimensional tolerance, strength and surface quality are precisely matched to the customer's brief.

The *Production* division encompasses the business units Deutsche Edelstahlwerke (DE), Finkl Steel (CA, US), Steeltec (CH, DE, DK, SE, TR), Swiss Steel (CH) and Ugitech (DE, FR, IT).

Since April 2015, the Group's North American subsidiaries Finkl & Sons, Composite Forgings and Sorel Forge have come closer together and cooperate as the Finkl Steel group.

Since March 2015, we have pooled the production and sales activities of the bright steel entities in Germany at the Dusseldorf and Niedereschach locations, in Switzerland, Denmark, Sweden and Turkey. Under the Steeltec name (formerly: S+B Bright Bar), we are now trading as a unified organisation and bringing together our expertise in the areas of materials, production and service, as well as applications.

***Sales & Services***

We combine our global sales activities within *Sales & Services.* The aim of this organisation is to offer our customers global access to our products in the high quality they expect and when they need them. With around 69 distribution and service branches in more than 30 countries, the *Sales & Services* organisation guarantees the consistent and reliable supply of special steel and end-to-end customer solutions worldwide. These include technical consulting and downstream processes such as sawing, milling and hardening as well as supply chain management. The product range is dominated by special steel long products from our own *Production* division, supplemented by a selection of products purchased externally from third-party providers.

We consciously and continuously extend our sales network. As part of this expansion strategy, we opened a new location in the emerging Indian market in 2014 and are planning to open new sites in the coming years SCHMOLZ + BICKENBACH integrated and complementary structure helps us realise important synergies across the Group.

**Our market**

We operate in the niche market for special long steel, i.e. long steel with specific properties resulting from the chemical composition of the steel, a defined crystalline structure (achieved through heat treatment), or a combination of the two. The special long steel niche market accounts for around 7% of total steel production worldwide. It differs significantly in a number of respects from the rest of the steel market, which tends to have standard grades and flat products: special long steel can be tailored to customers' exact needs and specific application properties, enabling considerable product differentiation. The production of tailored products calls for extensive know-how in the individual application industries. We often work closely with our customers at the development stage, which results in a high degree of loyalty to us as a supplier. Substitution pressure is less severe than for other materials as special steel solutions combine a number of properties for a given application. Megatrends such as population growth, urbanisation

and increased mobility go hand in hand with a shortage of resources. This development is forcing more sustainable behaviour, which will in turn drive demand for special steel solutions in terms of both volume and value.
Our special long steel is produced from scrap with the addition of alloys. Prices are determined using base prices plus an industry-standard surcharge system for scrap and alloys. This system enables commodity price fluctuations to be passed on to customers without the need for renegotiation. Compared to conventional steel, special long steel is therefore considerably less exposed to the volatility of commodity prices.

**Products**
SCHMOLZ + BICKENBACH has a broad product range covering the entire application spectrum of special long steel. With our comprehensive range of steel grades, dimensions and surface treatments, we offer our partners solutions tailored to their needs.

**Engineering steel – special materials for extreme loads**
Engineering steel is used in a multitude of applications. However, it is especially called for in applications with high mechanical loads and when components need to be both reliable and durable. Examples include drive, engine and chassis components for the automotive industry, turbine parts for power generation and gear components for wind energy systems.

**Stainless steel – resistant to corrosion, acids and heat**
Stainless steel is resistant to corrosion, acids and extreme thermal stresses. It is strong but ductile. These characteristics, paired with aesthetic design options, make stainless long steel an attractive material for many specialised applications. Key application areas include the automotive, mechanical engineering, food and chemical industries as well as medical engineering, the oil and gas industry and aviation.

**Tool steel – technical application consulting as the key to success**
SCHMOLZ + BICKENBACH is a global leader in producing tool steel. The product range spans cold-work steel, hot-work steel, highspeed steel and plastic mould steel, which is used in the automotive or the food packaging industry, for example. SCHMOLZ + BICKENBACH has many years of extensive know-how in customers' specific application areas. It is this expertise that enables us to advise customers on the technical aspects of their products. We work closely with them to find the best special steel solutions for their individual requirements.

## Strategy

Our long-term goal is to create a robust, profitable, innovative and global group for special long steel. Our strategy, geared towards sustainable earnings growth, dictates the tactical moves in our corporate development, including realising the market and structural synergy potential of an integrated group.

Thanks to a successful buy-and-build investment strategy launched back in 2003, SCHMOLZ + BICKENBACH has developed into a fully integrated supplier of special long steel and is today a global leader. Our core competence – and the focus of our corporate strategy – is production. With the sale of the distribution entities in Germany, Belgium, the Netherlands and Austria to JACQUET METAL SERVICE at the end of July 2015, SCHMOLZ + BICKENBACH has taken another major step forward in its strategic realignment. The distribution entities concerned were part of the *Sales & Services* division. Their business models are not consistent with that of the Group in general and they mainly sell third-party products. These entities therefore no longer reflected the SCHMOLZ + BICKENBACH Group's strategic focus on production and sale of mill-own products. The strategically important area of tool steel will remain at SCHMOLZ + BICKENBACH.

SCHMOLZ + BICKENBACH is clearly positioned in the market for high-grade special long steel – a considerable advantage in terms of competition and differentiation:

- As a fully integrated and leading global supplier for the entire special long steel products range
- Excellent potential for differentiation in products and customised solutions
- Strong customer loyalty through technical application consulting, high quality of service as well as operating and functional reliability
- Low substitution pressure, since often only special long steel can embody all of the required properties
- Technological expertise and many years of management experience

These qualities secure our leading position in the three main product segments – engineering steel, stainless steel and tool steel.

In 2013, the Executive Board launched an extensive programme across all business units to boost growth and earnings and improve operational earning power and the capital structure in a sustainable manner. This was expected to increase the operating profit (EBITDA) by around EUR 230 million in the medium term (based on the 2012 earnings level). Just over EUR 100 million of this relates to cost-cutting and efficiency measures alone. This overall effect included the disposed-of selected distribution entities in an amount of around EUR 20 million, with the result that the expected overall effect now comes to EUR 210 million. The earnings contribution from the growth and earnings improvement programme met the target in 2014, demonstrating the considerable impact of this initiative on the positive development of key financial performance indicators within the SCHMOLZ + BICKENBACH Group.

**Strategic growth potential**

We strive to extend our leading position in our core business and have identified key potential to do so as follows:

- Enhance and optimise the product portfolio continuously (focusing on technical products) and expand sales activities by strengthening our international sales network
- Continue to deepen know-how in application industries and expand operations in new application areas as a way to strengthen customer loyalty and safeguard our position as technology leader
- Strengthen our innovative capacity through internal measures and targeted collaboration with customers and other external partners such as universities and trade associations
- Position and strengthen SCHMOLZ + BICKENBACH as an attractive brand in the sales, capital and employment markets
- Exploit synergies and complementary strengths within the Group to the fullest extent
- Take M&A opportunities as they arise with a focus on growth regions and consolidation opportunities

# CAPITAL MARKET

The SCHMOLZ + BICKENBACH share is listed on the SIX Swiss Exchange in accordance with the International Reporting Standard and traded daily on a liquid market.

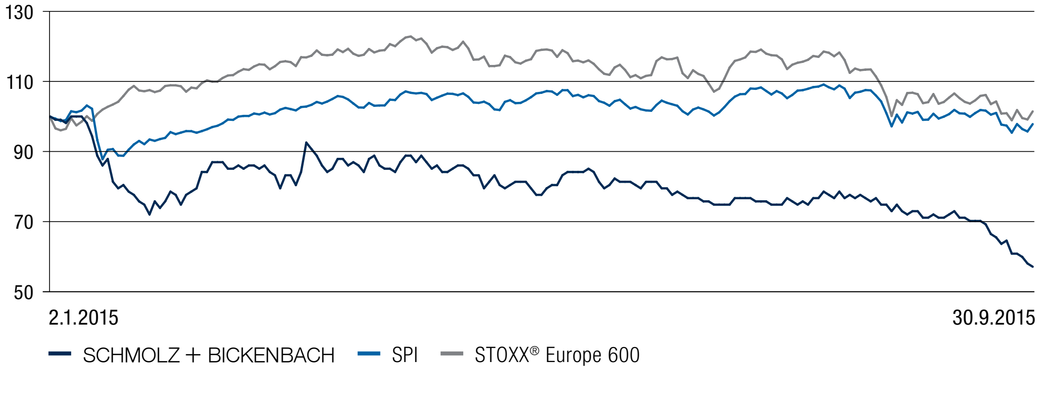
**SCHMOLZ + BICKENBACH share price development**

The continued low prevailing interest rates due to the central banks' expansive monetary policy meant that shares remained one of the few forms of investment that promised a yield. After major European share indices reached new record levels over the course of the first half of 2015, the mood on the stock markets was increasingly clouded in the third quarter. Indices fell across the board due to concerns surrounding continued low economic growth despite low interest rates, low inflation, in some cases with deflationary tendencies, and the reserved attitude regarding the upcoming interest rate increase expected in the USA.

The first positive effects of lower energy prices and the weak euro for the economy in the Eurozone were seen in the first nine months of 2015. According to the ifo business climate indicator, sentiment at companies in the Eurozone rose continuously in the first nine months of the year. The slight economic weakness seen in the USA at the beginning of the year was mainly due to temporary effects such as the harsh winter. The continuing fall in the oil price as well as the stronger dollar against the euro led to a slight deterioration in economic prospects. However, the signs for the steel sector have taken a considerable turn for the worse, particularly in the second half of the year. For example, the German Steel Federation (Wirtschaftsvereinigung Stahl) not only significantly lowered its forecast for the market as a whole and for the most important steel consumers, but now anticipates a decrease in 2015.

The SCHMOLZ + BICKENBACH share, which had to contend with falling prices over the course of the year, was not immune to the general downward trend on the stock exchanges. First, the substantial appreciation of the Swiss franc at the beginning of the year had a negative impact. Uncertainties concerning the steel industry, oil and gas business, the weakening economy in China, the continuing decline in commodity prices as well as an expected decrease in income are an additional burden, particularly in the third quarter of 2015. After opening the quarter at CHF 0.83, the share closed at CHF 0.62 as at 30 September 2015 – a loss of 25.3%. The SPI, which includes the SCHMOLZ + BICKENBACH share, fell by 4.0% in the same period, while the STOXX® Europe 600 was down 10.2%.

**Development of share price from 2.1.2015 to 30.9.2015** I SCHMOLZ + BICKENBACH share compared to Swiss Performance Index (indexed) and to STOXX® Europe 600 (indexed)

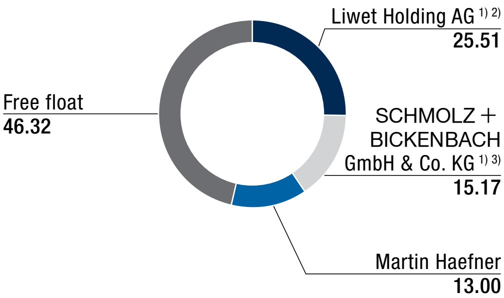


| Facts and figures on the share | |
|---|---|
| ISIN | CH0005795668 |
| Securities number | 579566 |
| Ticker symbol | STLN |
| Bloomberg | STLN SE |
| Reuters | STLN.S |
| Type of security | Registered share |
| Trading currency | CHF |
| Listed on | SIX Swiss Exchange |
| Indices | SPI, SPI Extra, SPI ex SLI, Swiss All Share Index |
| Number of shares outstanding | 945 000 000 |
| Nominal value in CHF | 0.50 |

In the first nine months of 2015, an average of 2.0 million SCHMOLZ + BICKENBACH shares were traded each day compared to around 3.2 million shares in 2014.

Overview shareholder structure as at 30.9.2015

in %




1) Form a group according to SESTA.

2) Renova group company; the shares held by Venetos Holding AG were transferred to Liwet Holding AG in Zurich as the result of a merger.

3) Indirectly via the subsidiaries SCHMOLZ + BICKENBACH Beteiligungs GmbH and SCHMOLZ + BICKENBACH Holding AG.

### Shareholder structure

Share capital as at 30 September 2015 comprised 945 000 000 fully paid-up registered shares with a nominal value of CHF 0.50 each. There were no major changes to the shareholder structure in the reporting period. In addition to the long-term anchor shareholder Liwet Holding AG (the shares held by Venetos Holding AG were transferred to Liwet Holding AG in Zurich as a result of a merger), a Renova group company, and SCHMOLZ + BICKENBACH GmbH & Co. KG, which bundles the interests of the former founding families, Martin Haefner holds 13.0% of the voting rights as at the reporting date.

### Annual General Meeting

The Annual General Meeting was held in Emmenbrücke on 15 April 2015. It approved the annual report for the fiscal year 2014, the annual and consolidated financial statements for the fiscal year 2014, the proposal not to distribute a dividend, as well as the compensation report, on the basis of a consultative vote. Ernst & Young was confirmed as auditor for a further year. The law firm Burger & Müller from Lucerne was elected as independent proxy. The following members of the Board of Directors were re-elected: Edwin Eichler (Chairman), Michael Büchter, Marco Musetti, Dr Heinz Schumacher, Dr Oliver Thum and Hans Ziegler. Johan Van de Steen was elected as a new member of the Board of Directors. In addition, Marco Musetti, Dr Heinz Schumacher and Hans Ziegler were elected members of the Compensation Committee.

The Annual General Meeting also approved the Board of Directors' proposal for total compensation of the members of the Board of Directors and of the members of the Executive Committee.

## Financing

SCHMOLZ + BICKENBACH's financing structure is built on three main pillars: a syndicated loan, an ABCP financing programme and a corporate bond.

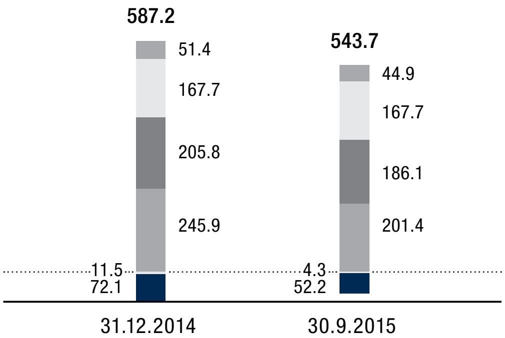
SCHMOLZ + BICKENBACH successfully refinanced the syndicated loan and ABCP financing programme in June 2014. The new revolving loan facility – once again a syndicated loan – and the ABCP financing programme replace or extend the previous financing, which was due to expire in April 2015.

SCHMOLZ + BICKENBACH was able to extend the maturity dates considerably by a term of five years ending April 2019. The Company also secured better structural conditions for both financing lines.

Unused financing lines and freely disposable funds come to around EUR 415 million as at 30 September 2015, ensuring the Company has sufficient financial resources.

Net debt as at 30.9.2015 [1)]

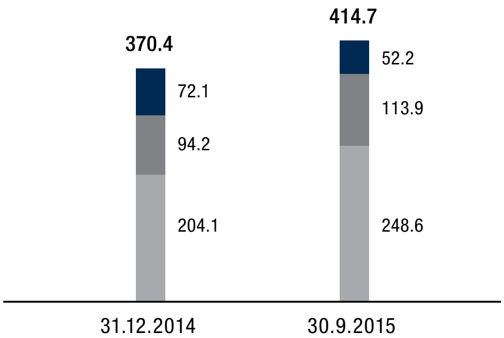
in million EUR




- Other financial liabilities
- Bond
- ABCP financing programme
- Syndicated loan
- One-off financing expenses/accrued interest
- Cash and cash and cash equivalents

Financial headroom as at 30.9.2015 [1)]

in million EUR




- Cash and cash equivalents
- ABCP financing programme
- Syndicated loan

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**Corporate bond 2012–2019 of SCHMOLZ + BICKENBACH Luxembourg S.A. (LU)**

SCHMOLZ + BICKENBACH issued a corporate bond with a final maturity date of 15 May 2019. The senior secured notes were issued by our indirect subsidiary SCHMOLZ + BICKENBACH Luxembourg S.A. (LU) at 96.957% of the nominal value and with a coupon of 9.875% p.a. Interest is payable semi-annually on 15 May and 15 November. The senior secured notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market.

SCHMOLZ + BICKENBACH carried out a capital increase with a volume of around CHF 438 million in October 2013. This transaction considerably strengthened the Company's capital basis. Proceeds from the capital increase were used to repay some of the syndicated loan still current at that time and to redeem a portion of the corporate bond in December 2013.

As at 30 September 2015, the bond was priced at 104.00%, giving an effective yield of 7.3%.

| Key bond facts and figures | |
|---|---|
| Issuer | SCHMOLZ + BICKENBACH Luxembourg S.A. |
| Listed on | Luxembourg Stock Exchange |
| ISIN | DE000A1G4PS9/DE000A1G4PT7 |
| Type of security | Fixed-interest notes |
| Trading currency | EUR |
| Nominal volume | EUR 258.0 million |
| Outstanding volume | EUR 167.7 million |
| Pool factor | 0.65253 |
| Issue price | 96.957% |
| Issue date | 16 May 2012 |
| Coupon | 9.875% |
| Interest payable | 15 May and 15 November |
| Maturity | 15 May 2019 |
| Next term of notice | 15 May 2015 |
| Denomination | 1 000 |
| Minimum trading volume | 100 000 |

| Rating agency | Rating | Outlook | Latest rating |
|---|---|---|---|
| Moody's | B2 | stable | 24 November 2014 |
| Standard & Poor's | B+ | negative | 19 October 2015 |

| Financial calendar | |
|---|---|
| 24 March 2016 | Annual Report 2015, Media Conference, Investor Conference |
| 3 May 2016 | Annual General Meeting |
| 19 May 2016 | Interim Report Q1 2016, Media Call, Investor Call |
| 11 August 2016 | Interim Report Q2 2016, Media Call, Investor Call |
| 15 November 2016 | Interim Report Q3 2016, Media Call, Investor Call |

**Contact**

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Email: u.steiner@schmolz-bickenbach.com | www.schmolz-bickenbach.com

# BUSINESS DEVELOPMENT OF THE GROUP

| Key figures on results of operations | 1.1.–30.9.2015 | 1.1.–30.9.2014 | Change on prior year % | Q3 2015 | Q3 2014 | Change on prior year % |
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| in million EUR | | | | | | |
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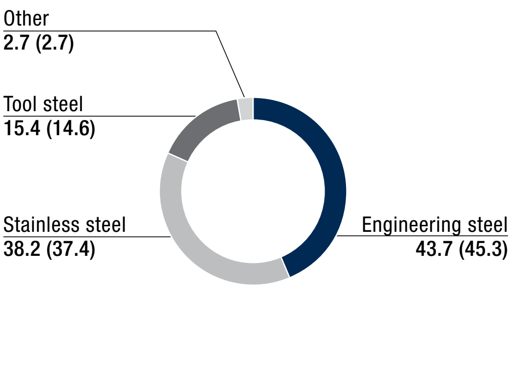
| Earnings after taxes from continuing operations [1] | –20.5 | 44.1 | < –100 | –32.7 | 10.6 | < –100 |
| Net income (loss) (EAT) | –151.7 | 45.8 | < –100 | –34.1 | 10.6 | < –100 |

Revenue by product group 1.1.–30.9.2015 [1]

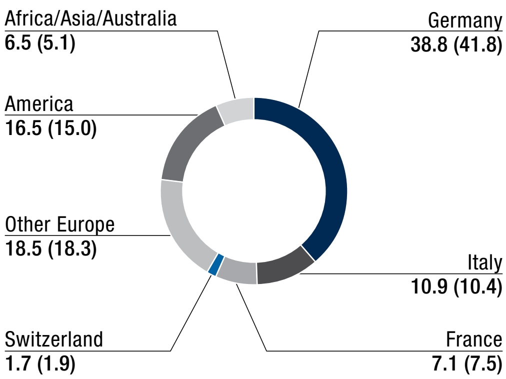
in %




Revenue | Compared to 1.1.–30.9.2014 (in brackets)

Revenue by region 1.1.–30.9.2015 [1]

in %




Revenue | Compared to 1.1.–30.9.2014 (in brackets)

[1] Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the entities concerned as at 22.7.2015, the figures for the reporting period now refer only to the continuing operations remaining in the Group. The prior-year figures were restated accordingly.

#### Discontinued operations deconsolidated as at 22 July 2015

With the conclusion of the agreement on the disposal of selected distribution entities in Germany, Belgium, the Netherlands and Austria, these entities were classified as discontinued operations as at 31 March 2015 and have been disclosed separately as such since then. Following closing of the disposal process, the selected entities were deconsolidated as at 22 July 2015 and their assets and liabilities derecognised from the consolidated statement of financial position. The profit or loss of the discontinued operations of EUR –3.1 million generated up to 22 July 2015 plus the loss on disposal of EUR 128.1 million will continue to be disclosed separately in the income statement. The prior-year figures were restated accordingly. In the statement of cash flows, the cash flows of the discontinued operations generated up to 22 July 2015 are disclosed separately from the cash flows of the continuing operations, and the presentation of the prior period was restated accordingly. The following information on the business development of the Group relates to the continuing operations, unless stated otherwise.

#### Order situation down

In the first nine months of the fiscal year, there was a decrease in order intake compared to the prior-year figure. As a result, the order backlog of 395 kilotonnes as at 30 September 2015 was down on the levels as at 30 September 2014 (498 kilotonnes) and as at 31 December 2014 (497 kilotonnes).

The volume of crude steel produced at our plants in the first nine months of the fiscal year saw a decrease of 6.8% compared to the prior-year period to 1 444 kilotonnes (1.1.–30.9.2014: 1 549 kilotonnes).

#### Sales and revenue down

Due to the weak market environment, we had to contend with a decrease in sales of 49 kilotonnes or 3.5% to 1 362 kilotonnes in the first nine months of the year (1.1.–30.9.2014: 1 411 kilotonnes) and a decrease of 21 kilotonnes or 4.9% to 410 kilotonnes in the third quarter (Q3 2014: 431 kilotonnes).

In addition, low prices for scrap and alloying elements in particular continued to increase the pressure on base prices and resulted in lower revenue in the third quarter. Compared to the first nine months of the prior year, revenue decreased by EUR 82.9 million or 3.8% to EUR 2 108.6 million (1.1.–30.9.2014: EUR 2 191.5 million) and by EUR 84.3 million or 12.0% to EUR 619.7 million compared to the prior-year quarter (Q3 2014: EUR 704.0 million).

There was some variation in the performance of sales volume and revenue in the individual regions and product groups. While revenue in Europe decreased by 7.2% in comparison to the first nine months of the prior year, we achieved revenue growth in North America and the rest of the world of 6.9% and 16.1%, respectively, due to exchange rate effects.

Although the sales volume decreased in all three product groups (tool steel –5.0%, stainless steel –3.7%, engineering steel –3.3%), we achieved revenue growth with tool steel of 1.5%. Engineering steel and stainless steel recorded revenue decreases of 7.3% and 1.9%, respectively.

#### Gross margin down on the prior-year level

Cost of materials – adjusted for the change in semi-finished and finished goods – decreased by EUR 33.1 million or 7.4% to EUR 414.8 million compared to the prior-year quarter (Q3 2014: EUR 447.9 million) and by EUR 43.1 million or 3.1% to EUR 1 342.7 million compared to the first nine months of the prior year (1.1.–30.9.2014: EUR 1 385.8 million). The gross margin fell by EUR 51.2 million or 20.0% to EUR 204.9 million in the third quarter (Q3 2014: EUR 256.1 million) and by EUR 39.8 million or 4.9% to EUR 765.9 million in the first nine months of the year (1.1.–30.9.2014: EUR 805.7 million). At 33.1% in the third quarter (Q3 2014: 36.4%), the percentage gross margin was well below the figure in the prior-year quarter and shows the margin erosion that has occurred. The gross margin came to 36.3% in the first nine months of the year (1.1.–30.9.2014: 36.8%).

### Other operating income and expenses up on the prior year

At EUR 9.6 million (Q3 2014: EUR 5.2 million), other operating income in the third quarter of 2015 was EUR 4.4 million or 84.6% higher than the prior-year figure. Compared to the first nine months of the prior year, other operating income increased by EUR 5.5 million or 26.4% to EUR 26.3 million (1.1. – 30.9.2014: EUR 20.8 million).

At EUR 131.1 million in the third quarter, personnel costs remained at the prior-year level (Q3 2014: EUR 131.2 million) and rose by EUR 17.4 million or 4.2% compared to the first nine months of the prior year to EUR 430.0 million (1.1. – 30.9.2014: EUR 412.6 million). This is largely due to collectively bargained pay rises and higher costs in the USA and Switzerland due to exchange rates. At the same time, the number of employees decreased by 73 employees compared to 30 September 2014 and by 74 employees compared to 31 December 2014.

In connection with the sudden appreciation of the Swiss franc against the euro as a result of the Swiss National Bank's discontinuation of the minimum exchange rate of CHF 1.20/EUR in mid-January, and the appreciation of the US dollar against the euro, there were net exchange losses totalling EUR 9.4 million (1.1. – 30.9.2014: EUR 0.2 million) in the first nine months of fiscal year 2015. Driven by these exchange losses and higher consulting fees, other operating expenses increased to EUR 239.4 million (1.1. – 30.9.2014: EUR 227.6 million) in the first nine months of the year, a rise of EUR 11.8 million or 5.2% compared to the prior-year figure. In the third quarter of 2015, other operating expenses were down by EUR 1.5 million or 2.0% on the prior-year quarter to EUR 73.1 million (Q3 2014: EUR 74.6 million) as the exchange losses were mainly recorded in the first quarter of the year.

### EBITDA and EBIT down on the prior year

With significantly lower gross margin and virtually unchanged cost level compared to the prior year, EBITDA came to EUR 10.3 million in the third quarter of 2015 (Q3 2014: EUR 55.5 million), falling considerably short of the figure for the prior-year quarter and our own expectations for the third quarter. We were therefore forced to adjust our earnings forecast at the beginning of October. There was therefore a decrease in EBITDA of EUR 63.5 million or 34.1% to EUR 122.8 million compared to the first nine months of the prior year (1.1. – 30.9.2014: EUR 186.3 million). The EBITDA margin fell to 1.7% in the third quarter of 2015 (Q3 2014: 7.9%) and to 5.8% in the first nine months of the year (1.1. – 30.9.2014: 8.5%), reflecting the decreasing commodity prices.

Individual restructuring measures, the implementation of our new strategy and other special projects resulted in net non-recurring expenses of EUR 6.2 million in the first nine months of the fiscal year (1.1. – 30.9.2014: EUR 5.7 million), which were deducted to give adjusted EBITDA. At EUR 129.0 million (1.1. – 30.9.2014: EUR 192.0 million), adjusted EBITDA was down EUR 63.0 million or 32.8% compared to the prior year. The adjusted EBITDA margin decreased to 6.1% (1.1. – 30.9.2014: 8.8%). In the third quarter, the adjusted EBITDA came to EUR 11.5 million (Q3 2014: EUR 58.2 million), representing a decrease of EUR 46.7 million or 80.2% on the same period of the prior year. The adjusted EBITDA margin fell to 1.9% (Q3 2014: 8.3%) in the third quarter of 2015.

While depreciation, amortisation and impairment decreased slightly by EUR 0.5 million or 1.6% to EUR 29.9 million in the third quarter (Q3 2014: EUR 30.4 million), this figure rose by EUR 5.9 million or 6.8% to EUR 93.3 million in the first nine months of the year (1.1. – 30.9.2014: EUR 87.4 million). This figure for the first nine months of the year includes impairment losses on trademarks of EUR 2.2 million, which were necessitated by the pooling of the production and sales activities of the bright steel entities under the Steeltec umbrella brand in the first quarter of 2015. With a negative figure of EUR – 19.6 million in the third quarter (Q3 2014: EUR 25.1 million), EBIT fell by EUR 69.4 million or 70.2% to EUR 29.5 million in the first nine months of the year (1.1. – 30.9.2014: EUR 98.9 million).

### Interest expenses on financial liabilities continue to fall

The improved interest terms for the refinancing concluded in June 2014 are reflected in interest expenses on financial liabilities, which decreased by EUR 8.1 million or 22.0% compared to the same period of the prior year to EUR 28.8 million (1.1.–30.9.2014: EUR 36.9 million). Nevertheless, negative effects from marking interest and embedded derivatives to market resulted in a slightly higher net financial expense of the continuing operations of EUR 35.5 million (1.1.–30.9.2014: EUR 33.8 million), a rise of EUR 1.7 million or 5.0% compared to the prior-year figure.

### Profit/loss from continuing operations negative

As a consequence of the matters presented above, earnings before taxes (EBT) decreased in comparison to the prior year by EUR 47.9 million to EUR –32.5 million in the third quarter of 2015 (Q3 2014: EUR 15.5 million) and by EUR 71.1 million to EUR –6.0 million in the first nine months of the year (1.1.–30.9.2014: EUR 65.1 million). At EUR 14.5 million (1.1.–30.9.2014: EUR 21.0 million), the tax expense in the first nine months of the fiscal year was EUR 6.5 million or 31.0% down on the prior-year figure, corresponding to a Group tax rate of –241.7% (1.1.–30.9.2014: 32.3%). The sharp increase in the Group tax rate is primarily to be explained in terms of a change in composition of the profits or losses of the individual countries and the non-recognition of deferred tax assets on the losses of the German entities. As a result, earnings after taxes from continuing operations saw a total decrease of EUR 64.6 million to EUR –20.5 million in the first nine months of the fiscal year (1.1.–30.9.2014: EUR 44.1 million).

### Profit/loss from discontinued operations affected by loss on disposal

At EUR –3.1 million (1.1.–30.9.2014: EUR 1.7 million), earnings after taxes from ordinary activities of the discontinued operations generated prior to deconsolidation were EUR 4.8 million down on the figure for the same period of the prior year. As part of the first-time classification as discontinued operations, the disposal group was measured in its entirety at fair value less costs to sell as at 31 March 2015 and thereafter as at 30 June 2015. In both cases, this measurement was performed on the basis of provisional purchase price calculations and costs to sell, and as at 30 June 2015 resulted in a provisional impairment loss of EUR 126.7 million, for which no tax effects were taken into account as the loss on disposal is not tax deductible. The loss on disposal resulting from deconsolidation came to EUR 128.1 million as at 30 September 2015. As a result, overall earnings after taxes from discontinued operations came to EUR –131.2 million (1.1.–30.9.2014: EUR 1.7 million).

### Negative earnings after taxes

Due to the loss from the discontinued operations and the loss generated by the continuing operations in the third quarter of 2015, the Group's net income (loss) (EAT) was down by EUR 197.5 million on the prior-year figure at EUR –151.7 million (1.1.–30.9.2014: EUR 45.8 million). As a result, earnings per share decreased to EUR –0.16 (1.1.–30.9.2014: EUR 0.05).

# BUSINESS DEVELOPMENT OF THE DIVISIONS

| Key figures of the divisions | 1.1.–30.9.2015 | 1.1.–30.9.2014 | Change on prior year % | Q3 2015 | Q3 2014 | Change on prior year % |
|---|---|---|---|---|---|---|
| in million EUR | | | | | | |
| **Production** | | | | | | |
| Revenue | 1 938.0 | 2 040.2 | –5.0 | 555.6 | 651.5 | –14.7 |
| Adjusted EBITDA | 118.7 | 176.3 | –32.7 | 7.1 | 50.0 | –85.8 |
| Operating profit before depreciation and amortisation (EBITDA) | 118.9 | 173.8 | –31.6 | 7.6 | 49.4 | –84.6 |
| Adjusted EBITDA margin (%) | 6.1 | 8.6 | –29.1 | 1.3 | 7.7 | –83.1 |
| EBITDA margin (%) | 6.1 | 8.5 | –28.2 | 1.4 | 7.6 | –81.6 |
| Investments | 59.0 | 54.5 | 8.3 | 23.4 | 25.3 | –7.5 |
| Operating free cash flow | 104.4 | –0.1 | > 100 | 85.8 | 18.1 | > 100 |
| Employees as at reporting date (positions) | 7 561 | 7 743 | –2.4 | – | – | – |
| | | | | | | |
| **Sales & Services** [1] | | | | | | |
| Revenue | 426.2 | 372.9 | 14.3 | 133.2 | 126.8 | 5.0 |
| Adjusted EBITDA | 16.6 | 20.2 | –17.8 | 5.5 | 6.9 | –20.3 |
| Operating profit before depreciation and amortisation (EBITDA) | 15.4 | 19.0 | –18.9 | 4.3 | 6.5 | –33.8 |
| Adjusted EBITDA margin (%) | 3.9 | 5.4 | –27.8 | 4.1 | 5.4 | –24.1 |
| EBITDA margin (%) | 3.6 | 5.1 | –29.4 | 3.2 | 5.1 | –37.3 |
| Investments | 2.0 | 1.9 | 5.3 | 0.3 | 0.7 | –57.1 |
| Operating free cash flow | –18.1 | 11.9 | < –100 | –3.9 | –0.3 | < –100 |
| Employees as at reporting date (positions) | 1 261 | 1 161 | 8.6 | – | – | – |

[1] Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the entities concerned as at 22.7.2015, the figures for the reporting period now refer only to the continuing operations remaining in the Group. The prior-year figures were restated accordingly.

As a result of the classification of selected distribution entities as discontinued operations, segment reporting was limited to the continuing operations. The presentation of the prior period for the relevant segment, *Sales & Services,* was restated accordingly.

**Earnings in the *Production* division down on prior-year level**

In the *Production* division, revenue decreased by EUR 102.2 million or 5.0% in comparison to the first nine months of the prior year to EUR 1 938.0 million (1.1.–30.9.2014: EUR 2 040.2 million). At EUR 118.7 million (1.1.–30.9.2014: EUR 176.3 million), adjusted EBITDA was down EUR 57.6 million or 32.7% on the figure for the prior-year period, meaning that the adjusted EBITDA margin also decreased to 6.1% (1.1.–30.9.2014: 8.6%). With the investment volume up slightly, the decrease in net working capital resulted in positive operating free cash flow of EUR 104.4 million (1.1.–30.9.2014: EUR –0.1 million).

**Revenue increase in the *Sales & Services* division, EBITDA down**

In the *Sales & Services* division, we achieved revenue growth of EUR 53.3 million or 14.3% to EUR 426.2 million (1.1.–30.9.2014: EUR 372.9 million). At EUR 16.6 million, however, adjusted EBITDA decreased slightly by EUR 3.6 million or 17.8% on the same period of the prior year (1.1.–30.9.2014: EUR 20.2 million). The adjusted EBITDA margin thus decreased from 5.4% to 3.9%. In contrast to the first nine months of the prior year, operating free cash flow was negative at EUR –18.1 million (1.1.–30.9.2014: EUR 11.9 million).

# FINANCIAL POSITION AND NET ASSETS

| Key figures on the financial position and net assets | Unit | 30.9.2015 | 31.12.2014 | Change on 31.12.2014 in % | | | |
|---|---|---|---|---|---|---|---|
| Shareholders' equity | million EUR | 765.7 | 900.9 | –15.0 | | | |
| Equity ratio | % | 34.9 | 35.9 | –2.8 | | | |
| Net debt [2] | million EUR | 543.7 | 587.2 | –7.4 | | | |
| Gearing [2] | % | 71.0 | 65.2 | 8.9 | | | |
| Net working capital [2] | million EUR | 843.8 | 992.3 | –15.0 | | | |
| Total assets | million EUR | 2 193.5 | 2 509.6 | –12.6 | | | |
| | Unit | 1.1.–30.9.2015 | 1.1.–30.9.2014 | Change on prior year % | Q3 2015 | Q3 2014 | Change on prior year % |
| Cash flow before changes in net working capital from continuing operations [1] | million EUR | 122.3 | 173.9 | –29.7 | –1.3 | 46.4 | < –100 |
| Cash flow from operating activities of continuing operations [1] | million EUR | 155.0 | 65.7 | > 100 | 86.4 | 37.4 | > 100 |
| Cash flow from investing activities of continuing operations [1] | million EUR | –52.2 | –55.2 | –5.4 | 24.3 | –26.1 | > 100 |
| Free cash flow from continuing operations [1] | million EUR | 102.8 | 10.5 | > 100 | 110.7 | 11.3 | > 100 |
| Depreciation and amortisation [1] | million EUR | –91.1 | –87.4 | 4.2 | –29.9 | –30.4 | –1.6 |
| Investments [1] | million EUR | 101.6 | 57.8 | 75.8 | 24.1 | 27.1 | –11.1 |

[1] Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the entities concerned as at 22.7.2015, the figures for the reporting period now refer only to the continuing operations remaining in the Group. The prior-year figures were restated accordingly.

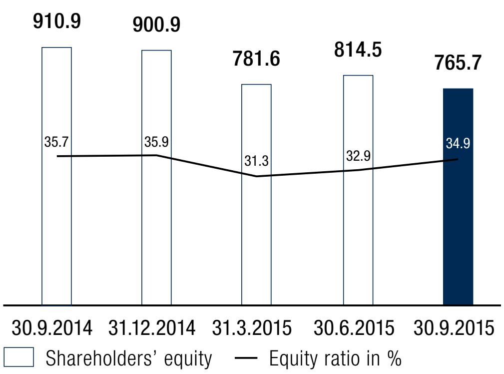
[2] Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the entities concerned as at 22.7.2015, the figure for the reporting period now refers only to the continuing operations remaining in the Group. The prior-year figure was not restated and continues to include all operations.

## Financial position

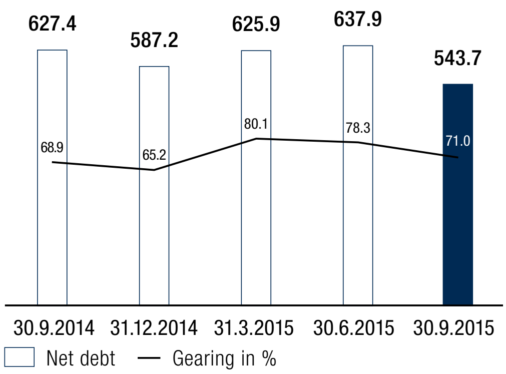
**Shareholders' equity and equity ratio below figures as at year-end 2014**

Due to the negative impact of the loss on disposal recognised on the discontinued operations on net income (loss), shareholders' equity has decreased by EUR 135.2 million to EUR 765.7 million (31.12.2014: EUR 900.9 million) since 31 December 2014. The equity ratio fell to 34.9% (31.12.2014: 35.9%) while total assets decreased significantly. The equity ratio nevertheless improved on the figure of 32.9% as at 30 June 2015 as a result of the deconsolidation of the discontinued operations as at 22 July 2015 and the associated decrease in total assets.

Shareholders' equity and equity ratio
Q3 2014 – Q3 2015
in million EUR | in %




Net debt and gearing
Q3 2014 – Q3 2015
in million EUR | in %




**Decrease in net debt**

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 543.7 million (31.12.2014: EUR 587.2 million), a decrease of EUR 43.5 million or 7.4% on the figure as at 31 December 2014. The decrease is mainly attributable to the significant reduction of net working capital as at 30 September 2015. The gearing, which expresses the relationship between the net debt to shareholders' equity, increased from 65.2% as at 31 December 2014 to 71.0%.

**Marked increase in free cash flow due to reduction of net working capital**

The cash flow before changes in net working capital from continuing operations decreased by EUR 51.6 million or 29.7% compared to the first nine months of the prior year to EUR 122.3 million (1.1. – 30.9.2014: EUR 173.9 million) as a result of the negative earnings before taxes. Taking into account the significantly lower net working capital, this led to cash flow from operating activities of continuing operations of EUR 155.0 million (1.1. – 30.9.2014: EUR 65.7 million), EUR 89.3 million higher than in the prior year. Cash flow from operating activities of the discontinued operations until deconsolidation came to EUR –1.1 million (1.1. – 30.9.2014: EUR 13.1 million), a decrease of EUR 14.2 million on the prior-year figure.

The significant increase in cash flow from investing activities in property, plant and equipment of the continuing operations compared to the prior-year period was more than compensated for by the proceeds from the sale of the discontinued operations. The increase in investments is primarily attributable to the purchase in January 2015 of a slag disposal site at Deutsche Edelstahlwerke GmbH's (DE) Siegen plant and to the acquisition in April 2015 of the already rented real estate at Eupener Strasse in Dusseldorf. Net cash outflow from investing activities of the continuing operations saw a slight overall decrease of EUR 3.0 million or 5.4% to EUR 52.2 million (1.1.–30.9.2014: EUR 55.2 million). At EUR 1.4 million (1.1.–30.9.2014: EUR 1.7 million), the negative cash flow from investing activities of the discontinued operations was slightly down on the prior-year level.

For the first nine months of the fiscal year, this resulted in free cash flow from continuing operations that was up by EUR 92.3 million to EUR 102.8 million (1.1.–30.9.2014: EUR 10.5 million). Of this amount, EUR 110.7 million relates exclusively to the third quarter (Q3 2014: EUR 11.3 million). At EUR −2.5 million, the free cash flow from discontinued operations fell short of the prior-year figure (EUR 11.4 million).

In the first nine months of fiscal year 2015, financial liabilities of the continuing operations amounting to EUR 58.3 million (net) were repaid, while this figure increased by a net amount of EUR 26.2 million in the prior-year period. Thanks to improved interest terms, we were able once again to reduce the amount of interest paid (EUR 21.6 million) compared to the prior-year period (1.1.–30.9.2014: EUR 34.7 million). Net cash outflow from financing activities of the continuing operations thus saw an increase of EUR 72.0 million to EUR 80.9 million (1.1.–30.9.2014: EUR 8.9 million). The discontinued operations recorded negative cash flow from financing activities of EUR 37.7 million until deconsolidation (1.1.–30.9.2014: EUR −12.4 million).

## Net assets

### Total assets down

After deconsolidation of the selected distribution entities, total assets came to EUR 2 195.3 million as at 30 September 2015 (31.12.2014: EUR 2 509.6 million); a decrease of EUR 314.3 million or 12.6% compared to the figure as at 31 December 2014.

### Share of non-current assets increased slightly, investments up significantly

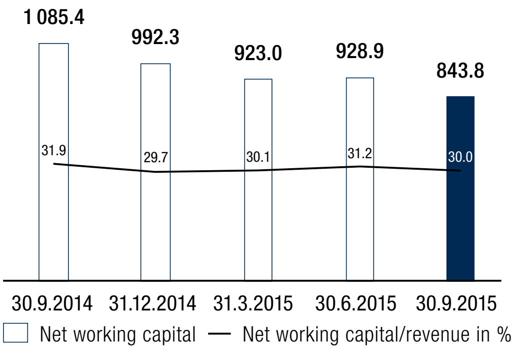
Compared to 31 December 2014, non-current assets decreased by a modest EUR 35.5 million or 3.5% to EUR 970.8 million (31.12.2014: EUR 1 006.3 million). The decrease was mainly due to the deconsolidation of non-current assets of EUR 52.0 million (before IFRS 5 impairment) allocable to the discontinued operations. This amount was partially offset by an increase in non-current assets of continuing operations. At 44.3% (31.12.2014: 40.1%), the share of non-current assets rose compared to 31 December 2014 while total assets were lower.

### Net working capital down

Compared to the figure as at 31 December 2014, the share of current assets in total assets decreased slightly to 55.7% (31.12.2014: 59.9%). Overall, this figure was down EUR 280.6 million or 18.7% to EUR 1 222.7 million (31.12.2014: EUR 1 503.3 million), which primarily stems from the deconsolidation of the current assets of the discontinued operations of EUR 207.1 million (before IFRS 5 impairment).

At EUR 843.8 million (31.12.2014: EUR 992.3 million), net working capital was EUR 148.5 million or 15.0% below the figure as at 31 December 2014, of which EUR 165.3 million (before IFRS 5 impairment) pertains to the disposal from deconsolidation. Net working capital as a percentage of revenue increased slightly to 30.0% compared to year-end 2014 (29.7%). A sustainable improvement in this figure is to be expected following the launch of a programme in 2015 to reduce net working capital permanently, which has already had the effect of improving on the figure as at 30 June 2015 of 31.2% and on the prior-year figure as at 30 September 2014 of 31.9%.

Net working capital and net working capital/revenue [1)]
Q3 2014 – Q3 2015
in million EUR | in %




1) Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the entities concerned as at 22.7.2015, the figures for the reporting period now refer only to the continuing operations remaining in the Group. The prior-year figures were not restated and continue to include all operations.

### Decrease in current and non-current liabilities

Non-current liabilities totalled EUR 775.7 million as at the reporting date (31.12.2014: EUR 847.7 million) and were therefore down by EUR 72.0 million or 8.5% on the figure as at 31 December 2014. This development is mainly attributable to the deconsolidation of the discontinued operations. While total assets were also lower, the share of non-current liabilities in total shareholders' equity and liabilities increased from 33.8% as at 31 December 2014 to 35.4%.

Current liabilities decreased, also primarily due to the deconsolidation, by EUR 108.9 million or 14.3% to EUR 652.1 million (31.12.2014: EUR 761.0 million). The share of current liabilities in total shareholders' equity and liabilities thus fell from 30.3% as at 31 December 2014 to 29.7% as at 30 September 2015.

# RISK FACTORS – RISK CATEGORIES AND INDIVIDUAL RISKS

**Political and regulatory risks**

Some of the Group's business activities depend heavily on the legal and regulatory environment both nationally and internationally. Changes in submarkets can therefore be associated with risks, leading to higher costs or other disadvantages. The Company monitors national and European legislative processes via industrial associations and is a proactive voice in consultation procedures, drawing attention to potential competitive imbalances.

The third EU emissions 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. As an energy-intensive industrial and trading group, we risk damage to our results of operations if the costs cannot be completely passed on to customers. SCHMOLZ + BICKENBACH is actively following the discussion process via the respective associations (e.g. International Stainless Steel Forum (ISSF) and World Steel Association (WSA)).

SCHMOLZ + BICKENBACH operates in an industry that is deemed energy intensive. Several of its German entities have been entitled to a reduction on the surcharge in accordance with the German Renewable Energies Act (EEG). In December 2013, the EU Commission launched an in-depth investigation into the Federal Republic of Germany's EEG for compatibility with EU state aid rules. Proceedings have since been concluded. The Commission approved the applicable German laws with certain amendments. We do not expect additional payment obligations. At the same time, a revised version of the EEG was issued in Germany, with new provisions governing the period from 1 January 2015. Our production companies meet the requirements contained therein and have therefore received the relevant exemption.

**Risks relating to the future economic development**

The entrepreneurial activity of SCHMOLZ + BICKENBACH depends on the economic development not only of international markets but also of individual industries. A change in the overall economic situation is linked to a risk that prices and sales volumes will fluctuate more. SCHMOLZ + BICKENBACH employs various measures to counter this risk. Our global structure allows us to launch a robust response to local crises, while our broad, fragmented industry mix and our uniquely wide product range ensure wide risk diversification. In crisis situations, this diversified base, coupled with a lean and flexible organisation, allows us to react quickly and effectively. Our business performance is strongly influenced by the Group's economic dependency on the automotive and mechanical engineering industries. We aim to balance risks by continuously developing our broad product portfolio as well as maintaining an international sales focus, diversifying the business portfolio, focusing on niche products and optimising the supply chain. Prices on the sales and procurement markets, as well as energy prices, are also of fundamental importance to SCHMOLZ + BICKENBACH. We operate a price surcharge system for scrap and alloys to reduce price fluctuations and have entered into long-term contracts with the suppliers to secure gas and electricity prices over time.

### Environmental and health risks

The production processes in our industrial plants are associated with intrinsic risks of potential environmental pollution. Taking responsibility for protecting the environment and climate is therefore of major significance and an important corporate goal for SCHMOLZ + BICKENBACH. Efficient use of resources and energy, recyclable products, minimum environmental impact of activities, and open dialogue with neighbours, authorities and stakeholders are the principles that underpin our environmental behaviour. For further information about environmental and climate protection, please refer to "Environmental protection and energy management" in the annual report for 2014.

### Risks from IT/security and internal processes

The IT landscape is regularly reviewed and adjusted to ensure the professional operation of computer-assisted business processes within the Group and with customers, suppliers and business partners. Existing data security measures are continually refined to eliminate, or at least minimise, the risks associated with IT processes.

### Personnel risks

SCHMOLZ + BICKENBACH's success hinges on the expertise and commitment of its employees. The major challenge is therefore to recruit and retain qualified specialists. SCHMOLZ + BICKENBACH emphasises further education and training as one way to achieve this. For further information about ongoing employee training and development, please refer to "Non-financial performance indicators" in our annual report for 2014.

Furthermore, in connection with the relocation of functions formerly performed by SCHMOLZ + BICKENBACH Edelstahl GmbH to Switzerland, loss of expertise due to unplanned departure of employees cannot be ruled out.

In view of demographic developments and the later statutory retirement age in many countries, it will be increasingly important to have a human resources policy that is aligned to these trends. Existing structures need to be analysed in this context in order to identify any required action. Besides the age structure analysis agreed within some collectively bargained wage agreements, one example is the workplace stress analysis. This process examines individual stressors in the workplace so that measures can be determined to support ergonomic standards for physical working conditions, employee motivation, etc. Ultimately, the key challenges that we face in the years ahead will be occupational health and safety, age-appropriate workplaces, employee retention, and maintaining a motivating corporate culture.

### Financial risks

#### Foreign currency risk

Foreign currency risks arise mainly when trade accounts receivable and payable are settled in foreign currencies, future revenue is planned in a foreign currency, or existing or planned fixed-price commodity supply contracts are in a foreign currency. Currency management is country specific, with foreign currency amounts being translated regularly into the respective functional currency, mainly by means of forward exchange contracts.

### Interest rate risk

Interest rate risks arise mainly on interest-bearing liabilities that are denominated in euro. The Executive Board stipulates an appropriate target ratio of fixed and floating-rate liabilities and monitors compliance with the target on an ongoing basis. Interest rates are primarily managed using interest rate swaps.

### Commodity price risk

Commodity price risks result from fluctuations in the prices of raw materials and energy required for steel production. Fluctuations in commodity prices can usually be passed on to customers in the form of alloy surcharges. SCHMOLZ + BICKENBACH receives payments depending on the nickel price development, and is therefore protected against price hikes. Where this is not possible, commodity derivative instruments are used to hedge some of the risk. Currently, these mainly comprise forward exchange contracts for nickel.

### Credit risk

Credit risks are mainly linked to trade accounts receivable, bank balances and derivative financial instruments. In view of the broadly diversified customer base, which spans a variety of regions and industries, the credit risk on trade accounts receivable is limited. Moreover, some of the trade accounts receivable are covered by credit insurance with varying deductibles.

Credit risks from operating activities are mitigated by selecting external business partners based on internal credit checks and a credit approval process. A credit risk limit is set for each contractual partner based on the internal credit check. Each subsidiary is essentially responsible for setting and monitoring its own limits, with various approval processes applicable depending on the credit limit. In addition, the credit and collection policies of the local entities are captured by the internal control system and are therefore audited periodically by Internal Audit.

All of the banks with which SCHMOLZ + BICKENBACH maintains business relationships have good credit ratings considering the prevailing market conditions and are in most cases members of deposit guarantee funds. Derivative financial instruments are only entered into with these banks.

### Liquidity risk

The Group ensures solvency at all times through a largely centralised cash management system. This involves preparing liquidity plans comparing all the anticipated cash receipts and payments for a specified time period. In addition, balances and irrevocable credit facilities are held with banks as liquidity reserves. Financial covenants in most of our financing agreements are one potential source of liquidity risk and are tested for compliance at the end of each quarter. Although compliance with the covenants is monitored on an ongoing basis, they depend on a large number of external factors, including the general economic development. Depending on the financing agreement in question, failure to comply with the covenants can lead to a substantial increase in financing costs or trigger an obligation to settle all or part of the relevant financial liabilities.

# OUTLOOK

SCHMOLZ + BICKENBACH is devoting all of its efforts to achieve earnings targets following the difficult third quarter of 2015. We continue to expect EBITDA to come in at between EUR 160 million and EUR 180 million in 2015 despite the considerable uncertainty stemming from the weaker economic development and the worldwide fall in demand for steel.

*This section contains forward-looking statements, including presentations of developments, plans, intentions, assumptions, expectations, beliefs and potential impacts or descriptions of future events, income, results, situations or outlook. They are based on the Company's current expectations, beliefs and assumptions, which are subject to uncertainty and may differ materially from the current facts, situation, impact or developments.*

**Economic development**

Expectations regarding global economic development in 2015 have continued to fall. The World Bank, OECD and IMF anticipate growth of between 2.8% and 3.1% (previously: 2.8% to 3.5%). It is still assumed that the regional picture will be quite mixed in 2015. Expectations for the USA have improved somewhat. It is expected that the USA will grow by between 2.4% and 2.7% (previously: 2.0% to 3.1%). Although the economy in the Eurozone is likely to recover significantly more slowly, with expected growth of 1.5% to 1.9%, estimates were again raised slightly (previously: 1.4% to 1.5%). Within the Eurozone, the major economies are expected to see only modest growth. For example, OECD and IMF forecast that Germany will achieve growth rates of 1.5% to 1.6%. The estimates for France range from 1.0% to 1.2%.

**Development of steel demand**

In contrast to the improved expectations for the general economic situation, the outlook for steel demand has deteriorated significantly. After the World Steel Association (WSA) considerably reduced the expected average growth rate from 2.0% to 0.5% in its April forecast for steel consumption for 2015, the WSA now estimates a decrease of 1.7% in its October forecast. Closer inspection reveals that particularly in the important Asian market, which accounts for by far the highest steel consumption in terms of tonnes (2014: 1 016 million tonnes), demand is not only flagging, but is now expected to decline by 2.1% (previously: an increase of 0.6%) for 2015. Consumption in the European Union (EU) is expected to grow by just 1.3% in 2015 instead of the 2.1% expected to date. The second-largest steel consumer is the EU, with around 150 million tonnes. In the third-largest market, NAFTA, a more pronounced decrease of 2.7% (previously: 0.9%) is expected for 2015.

**Development of relevant sectors**

The global automotive industry is currently expected to grow only slightly by around 1% in 2015. Momentum on the largest markets such as the USA (2%) and China (6%) is dampening growth slightly. The markets in South America, Russia and Japan are proving particularly weak. However, the significantly lower oil price compared to recent years could stoke demand.

The mechanical engineering sector has revised its initially optimistic estimates for 2015. In the meantime, the VDMA (German Engineering Association) expects stagnation, i.e., growth of 0% in real terms (previously: 2.0%). Due to the high level of exports, the association expects to benefit if the euro remains weak and to reverse the decrease in sales volumes recorded in the first half of the year.

The situation remains very difficult in the oil and gas sector, which is important for SCHMOLZ + BICKENBACH, above all in the fracking industry. The number of active wells has already decreased significantly throughout 2015 following the sharp fall in the oil price from mid-2014 onwards. Only the most efficient fracking firms with sound financing are expected to survive the current crisis. As a result, demand for our products fell to virtually zero in the third quarter. We expect the situation to recover in 2016 at the earliest.

**Development of commodity prices and currencies**

For 2015, commodity analysts do not now expect the nickel price to reach the prior-year closing price of USD 14 855/tonne. Experts now put the average nickel price at USD 12 500/tonne. The nickel price was at the level mentioned above in the first nine months of 2015, averaging USD 12 646/tonne.

The oil price, which was squeezed massively in 2014, is unlikely to recover to its previous level of over USD 100/barrel in 2015. Experts have further lowered their expectations for 2015, putting the average price per barrel of North Sea Brent at around USD 50. At the same time, it is assumed that the general economy will benefit from lower price levels due to falling consumer prices for petrol and heating oil.

After several years where the Swiss National Bank defended a CHF/EUR exchange rate of at least 1.20, the certainty no longer applies in 2015. The policy was abandoned on 15 January 2015 and the exchange rate hovered in a corridor of CHF 1.04/EUR to CHF 1.10/EUR in the third quarter. There are currently no indications that the trend for the CHF/EUR exchange rate will deviate from this corridor.

**Development of SCHMOLZ + BICKENBACH Group**

Our expectations for the fiscal year 2015 as a whole remain cautious on account of the challenging economic situation and the associated fall in demand for steel.

As a result of the reclassification of the selected distribution entities as discontinued operations, we have reduced our estimates for the sales volumes by the amounts these entities generated with third-party products. In addition, due to the economic conditions mentioned above, significant improvement is unlikely in the fourth quarter. We therefore anticipate sales volumes in 2015 to be slightly lower than 2014 levels.

The news regarding an economic slowdown in China has put commodity prices under even more pressure than anticipated. Low prices for scrap and alloying elements increased the pressure on base prices and resulted in lower revenue due to lower alloy surcharges. In addition, the oil and gas business came to an almost complete standstill temporarily on account of the low oil prices. Although the situation recently stabilised, the continued weakness of crude oil prices means the recovery of the oil and gas business expected for the second half of 2015 is now unlikely.

Nevertheless, SCHMOLZ + BICKENBACH still expects EBITDA to come in at between EUR 160 million and EUR 180 million for the 2015 reporting year. This target is based on the assumption that commodity prices remain stable and that no other unexpected events occur that impact negatively on our business activities. We will respond to the challenges posed by exchange rates and uncertainties in the oil and gas business by systematically implementing and expanding our measures to improve efficiency.

We plan to invest more heavily in 2015, with a total volume of around EUR 150 million. This is due to the acquisition of real property at the Dusseldorf site in April 2015, which is used by several Group companies of SCHMOLZ + BICKENBACH AG, as well as the purchase in January 2015 of a slag disposal site at Deutsche Edelstahlwerke's Siegen plant.

Following its launch in 2013, our comprehensive earnings improvement programme is progressing successfully. In response to the challenges posed by exchange rates and to the uncertainties in the oil and gas business, we will step up our efforts in 2015 and expand the programme to include additional measures. A project has already been launched to reduce net working capital.

# Financial reporting



With the conclusion of the agreement on the disposal of selected distribution entities in Germany, Belgium, the Netherlands and Austria, these entities were classified as discontinued operations as at 31 March 2015 and have been disclosed separately as such since then. With the closing of the disposal process, the selected entities were deconsolidated as at 22 July 2015 and their assets and liabilities derecognised from the consolidated statement of financial position. The profit or loss of the discontinued operations generated up to 22 July 2015 will continue to be disclosed separately in the income statement. The prior-year figures were restated accordingly. In the statement of cash flows, the cash flows of the discontinued operations generated up to 22 July 2015 are disclosed separately from the cash flows of the continuing operations, and the presentation of the prior period was restated accordingly. The following information relates to the continuing operations, unless stated otherwise.

# CONSOLIDATED INCOME STATEMENT

| in million EUR | Note | 1.1.–30.9.2015 | 1.1.–30.9.2014 [1)] | Q3 2015 | Q3 2014 [1)] |
|---|---|---|---|---|---|
| | | | | | |
| Revenue | | 2108.6 | 2191.5 | 619.7 | 704.0 |
| Change in semi-finished and finished goods | | −65.0 | 27.3 | −55.5 | −5.4 |
| Cost of materials | | −1277.7 | −1413.1 | −359.3 | −442.5 |
| **Gross margin** | | **765.9** | **805.7** | **204.9** | **256.1** |
| | | | | | |
| Other operating income | 8.1 | 26.3 | 20.8 | 9.6 | 5.2 |
| Personnel costs | | −430.0 | −412.6 | −131.1 | −131.2 |
| Other operating expenses | 8.2 | −239.4 | −227.6 | −73.1 | −74.6 |
| **Operating profit before depreciation and amortisation** | | **122.8** | **186.3** | **10.3** | **55.5** |
| | | | | | |
| Depreciation/amortisation and impairment | | −93.3 | −87.4 | −29.9 | −30.4 |
| **Operating profit** | | **29.5** | **98.9** | **−19.6** | **25.1** |
| | | | | | |
| Financial income | | 1.0 | 8.3 | 0.6 | 2.9 |
| Financial expense | | −36.5 | −42.1 | −13.4 | −12.5 |
| **Financial result** | 8.3 | **−35.5** | **−33.8** | **−12.8** | **−9.6** |
| | | | | | |
| **Earnings before taxes** | | **−6.0** | **65.1** | **−32.4** | **15.5** |
| Income taxes | 8.4 | −14.5 | −21.0 | −0.3 | −4.9 |
| **Earnings after taxes from continuing operations** | | **−20.5** | **44.1** | **−32.7** | **10.6** |
| Earnings after taxes from discontinued operations | 7 | −131.2 | 1.7 | −1.4 | 0.0 |
| | | | | | |
| **Net income (loss)** | | **−151.7** | **45.8** | **−34.1** | **10.6** |
| of which attributable to | | | | | |
| – shareholders of SCHMOLZ + BICKENBACH AG | | −153.2 | 44.1 | −34.4 | 10.1 |
| of which from continuing operations | | −22.0 | 42.4 | −33.0 | 10.1 |
| of which from discontinued operations | | −131.2 | 1.7 | −1.4 | 0.0 |
| – non-controlling interests | | 1.5 | 1.7 | 0.3 | 0.5 |
| | | | | | |
| **Earnings per share from continuing operations** | | **−0.02** | **0.05** | **−0.03** | **0.01** |
| Earnings per share from discontinued operations | | −0.14 | 0.00 | 0.00 | 0.00 |
| **Earnings per share in EUR (basic/diluted)** | | **−0.16** | **0.05** | **−0.03** | **0.01** |

1) Restated due to the classification of the discontinued operations as at 31.3.2015, which were deconsolidated as at 22.7.2015.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| in million EUR | Note | 1.1.–30.9.2015 | 1.1.–30.9.2014 | Q3 2015 | Q3 2014 |
|---|---|---|---|---|---|
| **Net income (loss)** | | **–151.7** | **45.8** | **–34.1** | **10.6** |
| Gains/losses from currency translation | | 12.7 | 18.1 | –11.8 | 15.8 |
| Change in unrealised gains/losses from cash flow hedges | | –0.4 | 0.6 | 0.2 | –0.1 |
| Realised gains/losses from cash flow hedges | | 0.0 | 0.1 | 0.0 | 0.0 |
| Tax effect from cash flow hedges | | 0.2 | –0.3 | –0.1 | 0.0 |
| **Items that may be reclassified subsequently to profit or loss** | | **12.5** | **18.5** | **–11.7** | **15.7** |
| Actuarial gains/losses from pension-related and similar obligations and effects due to asset ceiling | 9.3 | 10.4 | –57.9 | –3.6 | –21.6 |
| Tax effect from pensions and similar obligations | | –6.3 | 14.9 | 0.5 | 5.5 |
| **Items that will not be reclassified subsequently to profit or loss** | | **4.1** | **–43.0** | **–3.1** | **–16.1** |
| **Other comprehensive income (loss)** | | **16.6** | **–24.5** | **–14.8** | **–0.4** |
| **Total comprehensive income (loss)** | | **–135.1** | **21.3** | **–48.9** | **10.2** |
| of which attributable to | | | | | |
| – shareholders of SCHMOLZ + BICKENBACH AG | | –136.7 | 19.6 | –49.3 | 9.7 |
| of which from continuing operations | | –5.5 | 17.9 | –47.9 | 9.7 |
| of which from discontinued operations | | –131.2 | 1.7 | –1.4 | 0.0 |
| – non-controlling interests | | 1.6 | 1.7 | 0.4 | 0.5 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 30.9.2015 | | 31.12.2014 | | 30.9.2014 | |
|---|---|---|---|---|---|---|---|
| | Note | million EUR | % | million EUR | % | million EUR | % |
| **Assets** | | | | | | | |
| Intangible assets | 9.1 | 25.7 | | 32.9 | | 33.2 | |
| Property, plant and equipment | 9.1 | 872.6 | | 869.1 | | 850.1 | |
| Other non-current financial assets | | 1.5 | | 3.2 | | 3.2 | |
| Non-current income tax assets | | 6.0 | | 15.8 | | 13.9 | |
| Other non-current assets | | 0.4 | | 0.4 | | 0.4 | |
| Deferred tax assets | | 64.6 | | 84.9 | | 74.5 | |
| **Total non-current assets** | | **970.8** | **44.3** | **1 006.3** | **40.1** | **975.3** | **38.2** |
| Inventories | 9.2 | 702.9 | | 918.5 | | 919.4 | |
| Trade accounts receivable | | 413.7 | | 440.2 | | 526.2 | |
| Current financial assets | | 0.1 | | 1.6 | | 1.6 | |
| Current income tax assets | | 5.3 | | 3.7 | | 4.2 | |
| Other current assets | | 48.5 | | 67.2 | | 54.2 | |
| Cash and cash equivalents | | 52.2 | | 72.1 | | 72.1 | |
| **Total current assets** | | **1 222.7** | **55.7** | **1 503.3** | **59.9** | **1 577.7** | **61.8** |
| **Total assets** | | **2 193.5** | **100.0** | **2 509.6** | **100.0** | **2 553.0** | **100.0** |
| **Shareholders' equity and liabilities** | | | | | | | |
| Share capital | | 378.6 | | 378.6 | | 378.6 | |
| Capital reserves | | 952.8 | | 952.8 | | 952.8 | |
| Retained earnings (accumulated losses) | | –511.3 | | –358.3 | | –363.0 | |
| Accumulated income and expense recognised in other comprehensive income (loss) | | –66.8 | | –83.3 | | –68.4 | |
| Treasury shares | | –0.1 | | 0.0 | | 0.0 | |
| **Attributable to shareholders of SCHMOLZ + BICKENBACH AG** | | **753.2** | | **889.8** | | **900.0** | |
| Non-controlling interests | | 12.5 | | 11.1 | | 10.9 | |
| **Total shareholders' equity** | | **765.7** | **34.9** | **900.9** | **35.9** | **910.9** | **35.7** |
| Provisions for pensions and similar obligations | 9.3 | 310.2 | | 332.9 | | 304.5 | |
| Other non-current provisions | | 33.3 | | 33.6 | | 36.8 | |
| Deferred tax liabilities | | 39.4 | | 39.9 | | 35.7 | |
| Non-current financial liabilities | 9.4 | 391.1 | | 440.2 | | 476.3 | |
| Other non-current liabilities | | 1.7 | | 1.1 | | 2.5 | |
| **Total non-current liabilities** | | **775.7** | **35.4** | **847.7** | **33.8** | **855.8** | **33.5** |
| Current provisions | | 30.5 | | 39.4 | | 46.4 | |
| Trade accounts payable | | 272.8 | | 366.4 | | 360.2 | |
| Current financial liabilities | 9.4 | 204.8 | | 219.1 | | 223.2 | |
| Current income tax liabilities | | 8.4 | | 12.9 | | 9.7 | |
| Other current liabilities | | 135.6 | | 123.2 | | 146.8 | |
| **Total current liabilities** | | **652.1** | **29.7** | **761.0** | **30.3** | **786.3** | **30.8** |
| **Total liabilities** | | **1 427.8** | **65.1** | **1 608.7** | **64.1** | **1 642.1** | **64.3** |
| **Total shareholders' equity and liabilities** | | **2 193.5** | **100.0** | **2 509.6** | **100.0** | **2 553.0** | **100.0** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| in million EUR | Note | 1.1.–30.9.2015 | 1.1.–30.9.2014 [1] |
|---|---|---|---|
| | | | |
| Earnings before taxes | | –6.0 | 65.1 |
| Depreciation, amortisation and impairment | | 93.3 | 87.4 |
| Gain/loss on disposal of intangible assets, property, plant and equipment and financial assets | | –0.2 | –0.1 |
| Increase/decrease in other assets and liabilities | | 7.6 | –10.0 |
| Financial income | | –1.0 | –8.3 |
| Financial expense | | 36.5 | 42.1 |
| Income taxes paid | 10 | –7.9 | –2.3 |
| **Cash flow before changes in net working capital from continuing operations** | | **122.3** | **173.9** |
| Increase/decrease in inventories | | 77.2 | –80.6 |
| Increase/decrease in trade accounts receivable | | –7.0 | –55.0 |
| Increase/decrease in trade accounts payable | | –37.5 | 27.4 |
| **Cash flow from operating activities of continuing operations** | | **155.0** | **65.7** |
| Cash flow from operating activities of discontinued operations | | –1.1 | 13.1 |
| **Cash flow from operating activities – Total** | | **153.9** | **78.8** |
| | | | |
| Investments in property, plant and equipment | | –99.0 | –54.9 |
| Proceeds from disposal of property, plant and equipment | | 0.9 | 0.6 |
| Investments in intangible assets | | –0.8 | –1.7 |
| Proceeds from disposal of financial assets | | 0.0 | 0.1 |
| Proceeds from disposal of discontinued operations | 10 | 46.2 | 0.0 |
| Interest received | | 0.5 | 0.7 |
| **Cash flow from investing activities of continuing operations** | | **–52.2** | **–55.2** |
| Cash flow from investing activities of discontinued operations | | –1.4 | –1.7 |
| **Cash flow from investing activities – Total** | | **–53.6** | **–56.9** |
| | | | |
| **Free cash flow from continuing operations** | | **102.8** | **10.5** |
| Free cash flow from discontinued operations | | –2.5 | 11.4 |
| **Free cash flow – Total** | | **100.3** | **21.9** |
| | | | |
| Proceeds from the new syndicated loan | | 0.0 | 280.6 |
| Repayment of the syndicated loan | | 0.0 | –221.4 |
| Increase in financial liabilities | | 14.3 | 0.8 |
| Repayment of financial liabilities | | –72.6 | –33.8 |
| Investment in treasury shares | 10 | –0.8 | –0.4 |
| Dividends to non-controlling interests | | –0.2 | 0.0 |
| Interest paid | | –21.6 | –34.7 |
| **Cash flow from financing activities of continuing operations** | | **–80.9** | **–8.9** |
| Cash flow from financing activities of discontinued operations | | –37.7 | –12.4 |
| **Cash flow from financing activities – Total** | | **–118.6** | **–21.3** |
| | | | |
| **Change in cash and cash equivalents due to cash flow – Total** | | **–18.3** | **0.6** |
| Change in scope | | –1.3 | 0.0 |
| Effect of foreign currency translation – Total | | –0.3 | 3.1 |
| **Change in cash and cash equivalents – Total** | | **–19.9** | **3.7** |
| Cash and cash equivalents as at 1.1. – Total | | 72.1 | 68.4 |
| Cash and cash equivalents as at 30.9. – Total | | 52.2 | 72.1 |
| **Change in cash and cash equivalents – Total** | | **–19.9** | **3.7** |

[1] Restated due to the classification of the discontinued operations as at 31.3.2015, which were deconsolidated as at 22.7.2015.

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| in million EUR | Share capital | Capital reserves | Retained earnings (accumulated losses) | Accumulated income and expense recognised in other comprehensive income | Treasury shares | Attributable to shareholders of SCHMOLZ + BICKENBACH AG | Non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|
| **As at 1.1.2014** | **378.6** | **952.8** | **−406.9** | **−43.9** | **0.0** | **880.6** | **9.3** | **889.9** |
| Purchase of treasury shares | 0.0 | 0.0 | 0.0 | 0.0 | −0.4 | **−0.4** | 0.0 | **−0.4** |
| Expenses from share-based payments | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | **0.2** | 0.0 | **0.2** |
| Definitive allocation of share-based payments for the prior year | 0.0 | 0.0 | −0.4 | 0.0 | 0.4 | **0.0** | 0.0 | **0.0** |
| Dividends | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** | −0.1 | **−0.1** |
| **Capital transactions with shareholders** | **0.0** | **0.0** | **−0.2** | **0.0** | **0.0** | **−0.2** | **−0.1** | **−0.3** |
| Net income (loss) | 0.0 | 0.0 | 44.1 | 0.0 | 0.0 | **44.1** | 1.7 | **45.8** |
| Other comprehensive income (loss) | 0.0 | 0.0 | 0.0 | −24.5 | 0.0 | **−24.5** | 0.0 | **−24.5** |
| **Total comprehensive income (loss)** | **0.0** | **0.0** | **44.1** | **−24.5** | **0.0** | **19.6** | **1.7** | **21.3** |
| **As at 30.9.2014** | **378.6** | **952.8** | **−363.0** | **−68.4** | **0.0** | **900.0** | **10.9** | **910.9** |
| | | | | | | | | |
| **As at 1.1.2015** | **378.6** | **952.8** | **−358.3** | **−83.3** | **0.0** | **889.8** | **11.1** | **900.9** |
| Purchase of treasury shares | 0.0 | 0.0 | 0.0 | 0.0 | −0.8 | **−0.8** | 0.0 | **−0.8** |
| Expenses from share-based payments | 0.0 | 0.0 | 0.9 | 0.0 | 0.0 | **0.9** | 0.0 | **0.9** |
| Definitive allocation of share-based payments for the prior year | 0.0 | 0.0 | −0.7 | 0.0 | 0.7 | **0.0** | 0.0 | **0.0** |
| Dividends | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** | −0.2 | **−0.2** |
| **Capital transactions with shareholders** | **0.0** | **0.0** | **0.2** | **0.0** | **−0.1** | **0.1** | **−0.2** | **−0.1** |
| Net income (loss) | 0.0 | 0.0 | −153.2 | 0.0 | 0.0 | **−153.2** | 1.5 | **−151.7** |
| Other comprehensive income (loss) | 0.0 | 0.0 | 0.0 | 16.5 | 0.0 | **16.5** | 0.1 | **16.6** |
| **Total comprehensive income (loss)** | **0.0** | **0.0** | **−153.2** | **16.5** | **0.0** | **−136.7** | **1.6** | **−135.1** |
| **As at 30.9.2015** | **378.6** | **952.8** | **−511.3** | **−66.8** | **−0.1** | **753.2** | **12.5** | **765.7** |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1__ About the Company

SCHMOLZ + BICKENBACH AG (SCHMOLZ + BICKENBACH) is a Swiss company limited by shares which is listed on the SIX Swiss Exchange (SIX) and has its registered office at Landenbergstrasse 11 in Lucerne. SCHMOLZ + BICKENBACH is a global producing company operating in the special long steel business. Its activities are divided into two divisions: *Production* and *Sales & Services*.

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 11 November 2015.

## 2__ Accounting policies

The Group prepared these interim condensed consolidated financial statements of SCHMOLZ + BICKENBACH AG for the first nine months of the fiscal year 2015 in accordance with IAS 34 "Interim Financial Reporting". They contain all the information required of interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs). More detailed disclosures on accounting policies can be found in the consolidated financial statements as at 31 December 2014. For the purposes of preparing this quarterly report, the Board of Directors and Executive Board assess the Group as being in a position to continue as a going concern.

This quarterly report is presented in euro. Unless otherwise stated, monetary amounts are denominated in millions of euro.

## 3__ Significant accounting judgements, estimates and assumptions

In preparing these interim condensed consolidated financial statements in accordance with IAS 34, assumptions and estimates have been made which affect the carrying amounts and disclosure of the recognised assets and liabilities, income and expenses, and contingent liabilities. Actual amounts may differ from the estimates.

## 4__ Standards and interpretations applied

The relevant accounting policies applied in the interim condensed consolidated financial statements are consistent with those used for the most recent consolidated financial statements prepared as at the end of the fiscal year 2014.

The new and revised standards and interpretations whose adoption is mandatory as at 1 January 2015 are an exception. These include minor amendments to the standard IAS 19 "Employee Benefits" as well as the two omnibus standards of the 2010 – 2012 and 2011 – 2013 annual improvement cycles. None of the above had any material impact on this quarterly report.

Regarding the restatement of exchange gains and losses, please refer to section 8.2.

## 5__ Seasonal effects

There are slight seasonal effects affecting sales and revenue in both segments of the Group. These effects are attributable to the number of working days in the second half of the year, which is regularly lower due to our customers' vacation periods in July and August as well as the second half of December. These periods are associated with plant downtime in some cases. The effects are particularly pronounced in the third quarter, which is affected by the summer vacation period. Fixed costs are distributed fairly equally over all four quarters, however. Furthermore, the majority of general overhaul work on production and processing plants is carried out over the summer during plant downtime. As a result, expenses for servicing and maintenance as well as capital expenditures are usually at their highest in the third quarter. Inventories of semi-finished and finished goods are usually increased before the summer vacation period starts, i.e. towards the end of the second quarter. This safeguards the supply of customers after the end of the vacation period and has the effect that net working capital usually peaks around this time. In contrast, trade accounts receivable and payable, and with them net working capital, tend to reach their lowest level at year-end due to the reduction in inventories typically seen at the end of the year. Furthermore, the amount of net working capital is significantly affected by commodity prices.

The (cyclical) economic development has a much more pronounced impact than seasonal effects on the development of the Group's sales, revenue and earnings, however.

## 6__ Scope of consolidation and business combinations

In order to further simplify the structure of the Group, the two Group entities Ardenacier S.A.R.L. (FR) and Steeltec FIC S.A.R.L. (FR) were merged into SCHMOLZ + BICKENBACH France S.A.S. (FR) in the first quarter of 2015.

As part of the expansion of the existing ABCP financing programme to include our entities in the US in the third quarter of 2015, the companies A. Finkl Steel ABS SPV, LLC (US) and SCHMOLZ + BICKENBACH ABS SPV, LLC (US) were founded and, as wholly-owned subsidiaries, fully consolidated.

In addition, the selected distribution entities, which were classified as discontinued operations for the first time as at 31 March 2015, were deconsolidated as at 22 July 2015 with the closing of the disposal process. Specifically, this pertains to the companies Dr. Wilhelm Mertens GmbH (DE), Günther + Schramm GmbH (DE), SCHMOLZ + BICKENBACH Austria GmbH (AT), SCHMOLZ + BICKENBACH Belgium SA (BE), SCHMOLZ + BICKENBACH B.V. (NL) and SCHMOLZ + BICKENBACH Distributions GmbH (DE).

## 7__ Discontinued operations

With the conclusion at the end of March 2015 of a purchase agreement on selected distribution entities in Germany, Belgium, the Netherlands and Austria with JACQUET METAL SERVICE, a leading European distributor of special steel listed on the Euronext Paris Exchange (EPA: JCQ), the sales process was closed in July. The distribution entities concerned were part of the *Sales & Services* division. Their business models were not consistent with that of the Group in general and they mainly sold third-party products. Following the realignment agreed in 2013, these entities no longer reflected the SCHMOLZ + BICKENBACH Group's strategic focus on production and sale of internally produced goods.

As at 31 March 2015, the criteria of IFRS 5 for classifying these entities as discontinued operations were fulfilled for the first time, and the assets and liabilities of the discontinued operations have been disclosed separately in the statement of financial position since then. With the closing of the disposal process in July, the net assets of these entities of EUR 49.6 million were derecognised from the consolidated statement of financial position as part of the deconsolidation, after these had been impaired by EUR 126.7 million in connection with the recognition as discontinued operations as at 30 June 2015. The loss of the discontinued operations of EUR 3.1 million generated prior to deconsolidation plus the loss on disposal of EUR 128.1 million will continue to be disclosed separately in the income statement. The income statement of the prior period was restated accordingly. In the statement of cash flows, the cash flows of the discontinued operations generated prior to deconsolidation are disclosed separately from the cash flows of the continuing operations, and the presentation of the prior period was restated accordingly.

The following table shows the composition of the profit or loss of the discontinued operations:

| in million EUR | 1.1.–30.9.2015 | 1.1.–30.9.2014 |
|---|---|---|
| Revenue | 272.1 | 361.6 |
| Other income | 1.7 | 2.3 |
| Expenses | –275.8 | –360.7 |
| Loss recognised on the measurement at fair value less costs to sell | –128.1 | 0.0 |
| **Earnings before taxes from discontinued operations** | **–130.1** | **3.2** |
| Income taxes from ordinary activities | –1.1 | –1.5 |
| **Earnings after taxes from discontinued operations** | **–131.2** | **1.7** |
| – from ordinary activites | –3.1 | 1.7 |
| – from measurement at fair value less costs to sell | –128.1 | 0.0 |

The enterprise value agreed for the distribution entities comes to EUR 88.6 million. The purchase price (equity value) was calculated on the basis of the statements of financial position of the relevant distribution entities as at the closing date 30 April 2015 and amounts to EUR 56.6 million, EUR 48.6 million of which JACQUET METAL SERVICE paid in July 2015. By letter dated 29 September 2015, JACQUET METAL SERVICE asserted a claim for a purchase price reduction of EUR 14.2 million. The parties are currently working to reach an agreement regarding this matter. If the parties are unable to reach an agreement, any amount to be deducted will be determined by a neutral arbitrator. If the outcome of such arbitration proceedings were to be wholly in favour of the buyer, an amount of EUR 6.2 million would have to be repaid to JACQUET METAL SERVICE, taking into account the currently outstanding purchase price payment of EUR 8.0 million. The Board of Directors and Executive Board believe the purchase price reduction to be without merit and consider the risk of a claim being granted to be low.

As part of the classification as discontinued operations, measurement of these operations at fair value less costs to sell was performed on the basis of the provisional purchase price less costs to sell. As at 30 June 2015, there was a provisional need to recognise impairment losses and provisions of EUR 126.7 million. The loss on disposal resulting from deconsolidation based on a purchase price of EUR 56.6 million came to EUR 128.1 million as at 30 September 2015 and is not tax deductible.

## 8__ Notes to the consolidated income statement

### 8.1 Other operating income

| in million EUR | 1.1.–30.9.2015 | 1.1.–30.9.2014 [1] |
|---|---|---|
| Rent and lease income | 2.9 | 2.2 |
| Income from recovery of previously written off receivables and reversal of allowances on receivables | 2.2 | 0.3 |
| Insurance reimbursement | 1.3 | 0.9 |
| Grants and allowances | 1.2 | 1.2 |
| Income from reversal of provisions | 1.2 | 1.9 |
| Commission income | 0.7 | 0.7 |
| Gains on disposal of intangible assets, property, plant and equipment, and financial assets | 0.5 | 0.2 |
| Miscellaneous income | 16.3 | 13.4 |
| **Total** | **26.3** | **20.8** |

[1] Restated due to the classification of the discontinued operations as at 31.3.2015, which were deconsolidated as at 22.7.2015.

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

### 8.2 Other operating expenses

| in million EUR | 1.1.– 30.9.2015 | 1.1.– 30.9.2014 [1)] |
|---|---|---|
| | | |
| Freight | 63.1 | 64.5 |
| Maintenance, repairs | 49.1 | 48.2 |
| Advisory, audit and IT services | 23.0 | 18.0 |
| Rent and lease expenses | 15.1 | 18.2 |
| Travel, advertisement and distribution costs | 12.7 | 11.8 |
| Net exchange gains/losses | 9.4 | 0.2 |
| Insurance fees | 8.6 | 9.4 |
| Commission expense | 6.9 | 6.8 |
| Non-income taxes | 5.2 | 5.1 |
| Cost of allowances on receivables and bad debts | 3.8 | 1.6 |
| Cost for environmental protection measures | 2.6 | 2.9 |
| Energy costs | 2.4 | 1.3 |
| Vehicle fleet | 1.4 | 1.5 |
| Licenses and patents | 1.3 | 1.4 |
| Voluntary social security contributions | 1.2 | 1.4 |
| Guarantee expenses | 0.7 | 1.6 |
| Miscellaneous expense | 32.9 | 33.7 |
| **Total** | **239.4** | **227.6** |

1) Restated due to the classification of the discontinued operations as at 31.3.2015, which were deconsolidated as at 22.7.2015.

As the foreign currency risk from operating receivables and liabilities within the SCHMOLZ + BICKENBACH Group is increasingly hedged using financial receivables and liabilities, a distinction has not been drawn between operating and financial receivables and liabilities in the presentation of exchange gains and losses since the beginning of 2015. All exchange gains and losses on receivables and liabilities or derivative currency contracts concluded to hedge these are stated net and presented as other operating expenses or income as well, depending on whether the net figure is negative or positive. The exchange gains and losses item for the prior period was restated by EUR – 2.5 million; the financial result was restated accordingly by EUR + 2.5 million.

The net figures break down as follows:

| in million EUR | 1.1.– 30.9.2015 | 1.1.– 30.9.2014 [1)] |
|---|---|---|
| | | |
| Exchange gains | 76.7 | 34.8 |
| Exchange losses | 86.1 | 35.0 |
| **Net exchange gains/losses** | **– 9.4** | **– 0.2** |

1) Restated due to the classification of the discontinued operations as at 31.3.2015, which were deconsolidated as at 22.7.2015.

The amount of the exchange gains and losses in the first nine months of fiscal year 2015 primarily results from the change in the exchange rate between the euro and the Swiss franc following the discontinuation of the minimum exchange rate of CHF 1.20/EUR by the Swiss National Bank in mid-January 2015, as well as from the appreciation of the US dollar against the euro.

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

### 8.3 Financial result

| in million EUR | 1.1.– 30.9.2015 | 1.1.– 30.9.2014 [1)] |
|---|---|---|
| | | |
| Interest income | 1.0 | 0.8 |
| Other financial income | 0.0 | 7.5 |
| **Financial income** | **1.0** | **8.3** |
| Interest expense on financial liabilities | – 28.8 | – 36.9 |
| Net interest expense on pension provisions and plan assets | – 4.1 | – 5.6 |
| Capitalised borrowing costs | 0.4 | 0.9 |
| Other financial expense | – 4.0 | – 0.5 |
| **Financial expense** | **– 36.5** | **– 42.1** |
| **Financial result** | **– 35.5** | **– 33.8** |

1) Restated due to the classification of the discontinued operations as at 31.3.2015, which were deconsolidated as at 22.7.2015.

Interest expense on financial liabilities includes transaction costs of EUR 3.4 million (1.1.– 30.9.2014: EUR 7.0 million) that are recognised through profit or loss over the term of the respective financial liability.

Other financial expense, and in the prior year also other financial income, mainly contains gains and losses from marking embedded derivatives and interest rate derivatives to market.

### 8.4 Income taxes

| in million EUR | 1.1.–30.9.2015 | 1.1.–30.9.2014 [1] |
|---|---|---|
| Current taxes | 13.3 | 15.7 |
| Deferred taxes | 1.2 | 5.3 |
| **Income tax expense** | **14.5** | **21.0** |

[1] Restated due to the classification of the discontinued operations as at 31.3.2015, which were deconsolidated as at 22.7.2015.

The local tax rates used to determine current and deferred taxes have not changed materially in comparison to the prior year. The effective Group tax rate for the first nine months of fiscal year 2015 was – 241.7% (1.1. – 30.9.2014: 32.3%). This rate considers the tax rates of the individual countries in which the Group operates, weighted for earnings before taxes. The increase in the tax rate is mainly attributable to a change in composition of the profits or losses of the individual countries and the non-recognition of deferred tax assets on the losses of the German entities.

The following table presents the net change in deferred tax assets and liabilities.

| in million EUR | 1.1.–30.9.2015 | 1.1.–30.9.2014 [1] |
|---|---|---|
| Balance as at 1.1. | 45.0 | 32.5 |
| Changes from continuing operations recognised in profit or loss | – 1.2 | – 5.3 |
| Changes from discontinued operations recognised in profit or loss | – 1.4 | – 0.9 |
| Changes recognised in other comprehensive income | – 6.1 | 14.6 |
| Change in scope of consolidation | – 8.7 | 0.0 |
| Foreign currency effects | – 2.4 | – 2.1 |
| **Balance as at 30.9.** | **25.2** | **38.8** |

[1] Restated due to the classification of the discontinued operations as at 31.3.2015, which were deconsolidated as at 22.7.2015.

## 9__ Notes to the consolidated statement of financial position

### 9.1 Intangible assets and property, plant and equipment

Investments of the continuing operations totalling EUR 101.6 million (1.1. – 30.9.2014: EUR 57.8 million) break down into additions to intangible assets of EUR 0.7 million (1.1. – 30.9.2014: EUR 4.3 million) and additions to property, plant and equipment of EUR 100.9 million (1.1. – 30.9.2014: EUR 53.5 million). Most of the additions relate to the *Production* division and Other.

As part of the deconsolidation of discontinued operations as at 22 July 2015, intangible assets and property, plant and equipment of the discontinued operations amounting to EUR 41.5 million were derecognised. These had already been reclassified and written off in full in connection with the classification as discontinued operations as at 30 June 2015.

In addition, a trademark allocated to Boxholm Stål AB (SE) amounting to EUR 2.2 million was written off in full in the first quarter after all bright steel entities were legally pooled under Steeltec AG (CH) and are now traded under the Steeltec umbrella brand.

### 9.2 Inventories

| in million EUR | 30.9.2015 | 31.12.2014 |
|---|---|---|
| Raw materials, consumables and supplies | 107.9 | 125.1 |
| Semi-finished goods and work in progress | 273.4 | 313.7 |
| Finished goods and merchandise | 321.6 | 479.7 |
| **Total** | **702.9** | **918.5** |

Inventories of the discontinued operations of EUR 142.9 million, which had been written down by EUR 85.2 million in connection with the reclassification as discontinued operations as at 30 June 2015, were derecognised as part of the deconsolidation of discontinued operations as at 22 July 2015.

### 9.3 Provisions

The discount rates used to remeasure pension obligations were updated as follows compared to 31 December 2014:

| | Switzerland | | Eurozone | | USA | | Canada | |
|---|---|---|---|---|---|---|---|---|
| in % | 30.9.2015 | 31.12.2014 | 30.9.2015 | 31.12.2014 | 30.9.2015 | 31.12.2014 | 30.9.2015 | 31.12.2014 |
| Discount rate | 0.8 | 1.1 | 2.4 | 1.9 | 4.1 | 3.8 | 3.9 | 3.9 |

Actuarial gains of EUR 10.3 million (1.1.–30.9.2014: losses of EUR 57.9 million) before tax were recorded in other comprehensive income. These gains primarily reflect the significant increase in discount rates in the Eurozone and the USA in the second quarter of 2015.

Provisions of the discontinued operations of EUR 22.9 million were derecognised as part of deconsolidation as at 22 July 2015.

### 9.4 Financial liabilities

The Group's financial liabilities break down as follows as at 30 September 2015:

| in million EUR | 30.9.2015 | 31.12.2014 |
|---|---|---|
| Syndicated loan | 195.8 | 238.7 |
| Other bank loans | 28.6 | 33.3 |
| Bond | 162.0 | 160.7 |
| Liabilities from finance leases | 3.7 | 6.1 |
| Other financial liabilities | 1.0 | 1.4 |
| **Total non-current** | **391.1** | **440.2** |
| Other bank loans | 9.6 | 7.6 |
| ABCP financing programme | 186.1 | 205.7 |
| Liabilities from finance leases | 1.2 | 2.3 |
| Other financial liabilities | 7.9 | 3.5 |
| **Total current** | **204.8** | **219.1** |

Financial liabilities of the discontinued operations of EUR 5.6 million were derecognised as part of deconsolidation as at 22 July 2015.

Other current financial liabilities include accrued interest for the bond of EUR 6.2 million (31.12.2014: EUR 2.1 million).

SCHMOLZ + BICKENBACH had available liquidity and credit lines of around EUR 415 million as at 30 September 2015.

## 10 Notes to the consolidated statement of cash flows

Treasury shares worth EUR 0.8 million (1.1.–30.6.2014: EUR 0.4 million) were acquired in the first quarter of 2015 for definitive allocation in the second quarter under the share-based payment plans for the fiscal year 2014 (also see note 14).

The total amount of the income taxes paid contains a tax refund of EUR 9.9 million. This refund was granted to the subsidiary Ugitech SA (FR) for prior years.

The sale of discontinued operations resulted in net purchase price proceeds less transaction costs of EUR 46.2 million.

## 11__Contingent liabilities and other financial obligations

Contingent liabilities from guarantees, warranties and purchase commitments amounted to EUR 48.7 million in total as at 30 September 2015 (31.12.2014: EUR 65.2 million).
Please refer to section 7 regarding the purchase price reduction of EUR 14.2 million claimed by JACQUET METAL SERVICE by letter dated 29 September 2015.

## 12__Fair value measurement considerations

In accordance with the requirements of IFRS 13, items which are recognised at fair value in the statement of financial position, or whose fair value is disclosed in the notes, are allocated to one of the following three levels of the fair value hierarchy. The table below only presents the financial instruments of relevance for the SCHMOLZ + BICKENBACH Group.

The fair value hierarchy distinguishes between the following levels:

**Level 1:**
Quoted prices (unadjusted) in active markets for identical assets or liabilities.
**Level 2:**
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
**Level 3:**
Unobservable inputs for the asset or liability that affect the fair value.

SCHMOLZ + BICKENBACH regularly reviews the procedure for measuring items at fair value. If the material input parameters change, the Group assesses whether an item needs to be transferred between the levels. There were no transfers between the individual levels during the reporting period.

The fair value of the bond was EUR 174.4 million as at 30 September 2015 (31.12.2014: EUR 180.3 million) (Level 1 of the fair value hierarchy), while the carrying amount was EUR 162.0 million (31.12.2014: EUR 160.7 million).

As at the respective reporting dates, financial instruments measured at fair value were categorised as follows:

| | Level 1 | | Level 2 | | Level 3 | | **Fair value as at** | |
|---|---|---|---|---|---|---|---|---|
| in million EUR | 30.9.2015 | 31.12.2014 | 30.9.2015 | 31.12.2014 | 30.9.2015 | 31.12.2014 | **30.9.2015** | **31.12.2014** |
| **Financial assets** | | | | | | | | |
| Positive market values of derivative financial instruments | | | | | | | | |
| – Derivatives without hedging relationship (no hedge accounting) | 0.0 | 0.0 | 1.6 | 6.7 | 0.0 | 0.0 | **1.6** | **6.7** |
| **Financial liabilities** | | | | | | | | |
| Negative market values of derivative financial instruments | | | | | | | | |
| – Derivatives with hedging relationship (hedge accounting) | 0.0 | 0.0 | 0.8 | 0.4 | 0.0 | 0.0 | **0.8** | **0.4** |
| – Derivatives without hedging relationship (no hedge accounting) | 0.0 | 0.0 | 3.2 | 10.5 | 0.0 | 0.0 | **3.2** | **10.5** |

## 13__Segment reporting

The Group is presented in accordance with its internal reporting and organisational structure, comprising the two divisions (hereafter also referred to as operating segments): *Production* and *Sales & Services*.

The table below shows the segment reporting for the continuing operations as at 30 September 2015. The presentation of the prior period for the *Sales & Services* segment was restated to eliminate the discontinued operations.

| | Production | | Sales & Services | |
|---|---|---|---|---|
| in million EUR | 1.1.–30.9.2015 | 1.1.–30.9.2014 | 1.1.–30.9.2015 | 1.1.–30.9.2014 |
| Third-party revenue | 1 682.4 | 1 818.7 | 426.2 | 372.8 |
| Intersegment revenue | 255.6 | 221.5 | 0.0 | 0.1 |
| **Total revenue** | **1 938.0** | **2 040.2** | **426.2** | **372.9** |
| **Segment result (= adjusted EBITDA) [2]** | **118.7** | **176.3** | **16.6** | **20.2** |
| Adjustment | 0.2 | −2.5 | −1.2 | −1.2 |
| **Operating profit before depreciation and amortisation (EBITDA)** | **118.9** | **173.8** | **15.4** | **19.0** |
| Depreciation and amortisation of intangible assets, property, plant and equipment | −85.1 | −82.6 | −3.5 | −3.1 |
| Impairment of intangible assets, property, plant and equipment and assets held for sale | −2.2 | 0.0 | 0.0 | 0.0 |
| **Operating profit (loss) (EBIT)** | **31.6** | **91.2** | **11.9** | **15.9** |
| Financial income | 1.2 | 0.9 | 2.8 | 2.9 |
| Financial expense | −28.8 | −35.1 | −7.3 | −9.6 |
| **Earnings before taxes (EBT)** | **4.0** | **57.0** | **7.4** | **9.2** |
| Segment assets [3] | 1 787.1 | 1 927.7 | 277.0 | 262.7 |
| Segment liabilities [4] | 254.4 | 311.9 | 97.7 | 107.2 |
| **Segment assets less segment liabilities (capital employed)** | **1 532.7** | **1 615.8** | **179.3** | **155.5** |
| Segment investments [5] | 59.0 | 54.5 | 2.0 | 1.9 |
| Operating free cash flow [6] | 104.4 | −0.1 | −18.1 | 11.9 |
| Employees | 7 561 | 7 743 | 1 261 | 1 161 |

1) Thereof revenue with discontinued operations in the amount of EUR 65.4 million (1.1.–30.9.2014: EUR 113.2 million).
2) Adjusted EBITDA: Operating profit before depreciation, amortisation and non-recurring effects.
3) Segment assets: Intangible assets (without goodwill) + property, plant and equipment + inventories + trade accounts receivable (total matches total assets of the continuing operations).
4) Segment liabilities: Trade accounts payable (total matches total liabilities of the continuing operations).
5) Segment investments: Additions to intangible assets (without goodwill) + additions to property, plant and equipment (without reclassification from assets held for sale).
6) Operating free cash flow: Adjusted EBITDA +/– change in inventories, trade accounts receivable less trade accounts payable less segment investments less capitalised borrowing costs.
7) Including discontinued operations the number of employees amounted to 10 036.

| | | Reconciliation | | | | | |
|---|---|---|---|---|---|---|---|
| Total operating segments | | Other | | Eliminations/adjustments | | Total continuing operations | |
| 1.1.– 30.9.2015 | 1.1.– 30.9.2014 | 1.1.– 30.9.2015 | 1.1.– 30.9.2014 | 1.1.– 30.9.2015 | 1.1.– 30.9.2014 | 1.1.– 30.9.2015 | 1.1.– 30.9.2014 |
| | | | | | | | |
| 2 108.6 | 2 191.5 | 0.0 | 0.0 | 0.0 | 0.0 | 2 108.6 [1] | 2 191.5 [1] |
| 255.6 | 221.6 | 0.0 | 0.0 | –255.6 | –221.6 | 0.0 | 0.0 |
| **2 364.2** | **2 413.1** | **0.0** | **0.0** | **–255.6** | **–221.6** | **2 108.6** | **2 191.5** |
| **135.3** | **196.5** | **–3.4** | **–2.4** | **–2.9** | **–2.1** | **129.0** | **192.0** |
| –1.0 | –3.7 | –5.2 | –2.0 | 0.0 | 0.0 | –6.2 | –5.7 |
| **134.3** | **192.8** | **–8.6** | **–4.4** | **–2.9** | **–2.1** | **122.8** | **186.3** |
| –88.6 | –85.7 | –2.5 | –1.7 | 0.0 | 0.0 | –91.1 | –87.4 |
| –2.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | –2.2 | 0.0 |
| **43.5** | **107.1** | **–11.1** | **–6.1** | **–2.9** | **–2.1** | **29.5** | **98.9** |
| 4.0 | 3.8 | 30.9 | 46.9 | –33.9 | –42.4 | 1.0 | 8.3 |
| –36.1 | –44.7 | –34.3 | –39.8 | 33.9 | 42.4 | –36.5 | –42.1 |
| **11.4** | **66.2** | **–14.5** | **1.0** | **–2.9** | **–2.1** | **–6.0** | **65.1** |
| 2 064.1 | 2 190.4 | 46.2 | 9.6 | 83.2 | 81.9 | 2 193.5 | 2 281.9 |
| 352.1 | 419.1 | 3.3 | 0.6 | 1 072.4 | 1 127.3 | 1 427.8 | 1 547.0 |
| **1 712.0** | **1 771.3** | | | | | | |
| 61.0 | 56.4 | 40.6 | 1.4 | 0.0 | 0.0 | 101.6 | 57.8 |
| 86.3 | 11.8 | –42.9 | –5.0 | 0.0 | –1.2 | 43.4 | 5.6 |
| 8 822 | 8 904 | 105 | 96 | 0 | 0 | 8 927 | 9 000 [7] |

## 14__Related party disclosures

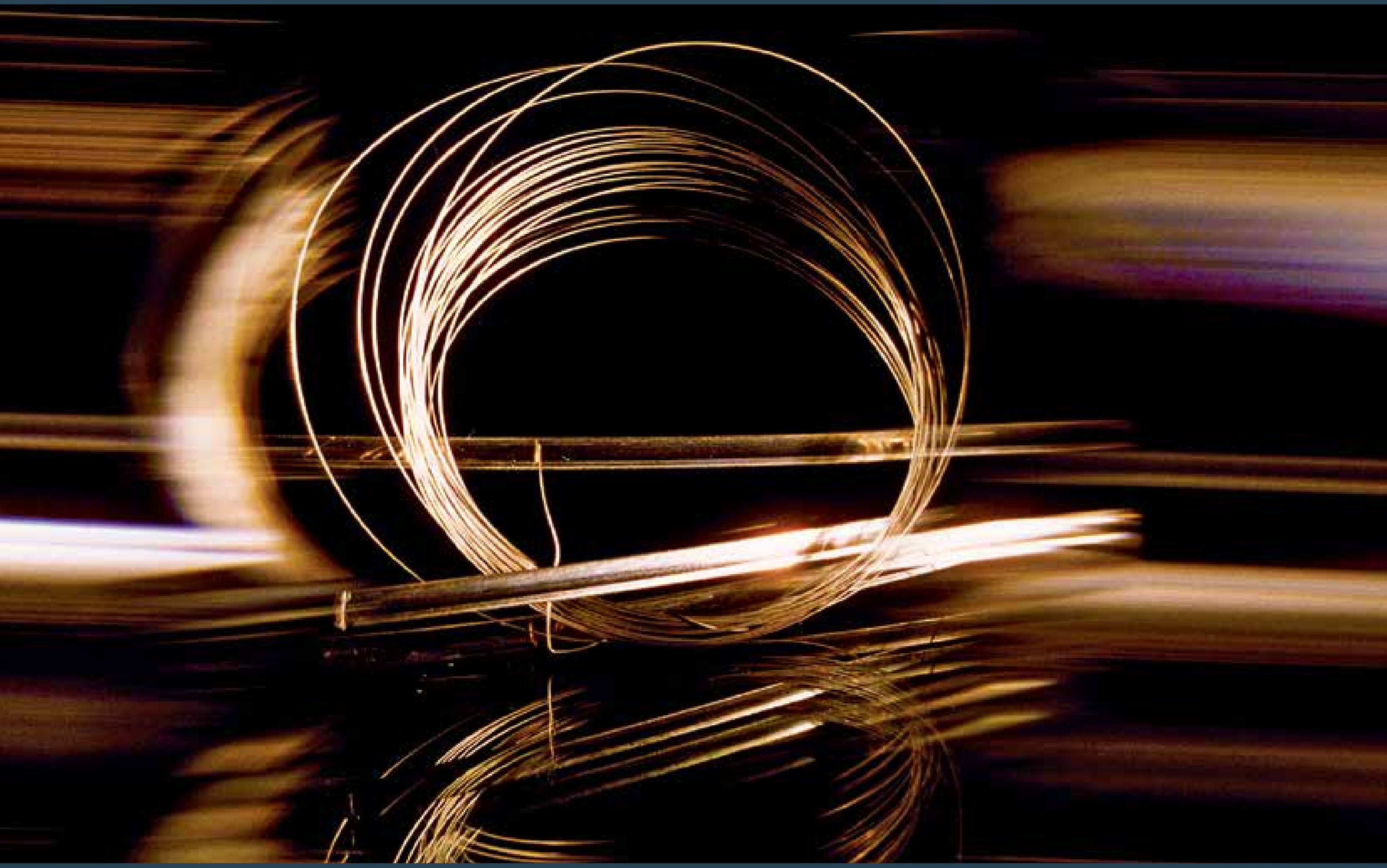
There were no significant changes in the nature of transactions with related parties compared to 31 December 2014.

As at 30 September 2015, equity instruments of EUR 0.9 million (1.1.–30.9.2014: EUR 0.2 million) were granted within the scope of the share-based payment plan and recorded as an expense in the consolidated income statement, with a counter-entry under retained earnings (accumulated losses). Shares worth EUR 0.7 million were allocated for the fiscal year 2014 and reclassified within shareholders' equity from treasury shares to retained earnings (accumulated losses).

With effect as at 1 April 2015, SCHMOLZ + BICKENBACH Edelstahl GmbH acquired for a purchase price of EUR 36.9 million the already rented real estate at Eupener Strasse in Dusseldorf from Mietverwaltungsgesellschaft SCHMOLZ + BICKENBACH mbH & Co. KG, a company owned by SCHMOLZ + BICKENBACH GmbH & Co. KG.

# Additional information





# MEMBERS OF THE BOARD OF DIRECTORS

The following overview provides details of the composition of the Board of Directors as at 30 September 2015.

## SCHMOLZ + BICKENBACH Board of Directors

**Edwin Eichler (DE) [1]**

Year of birth 1958
Chairman
Chairman of the Strategy Committee
Member since 2013
Elected until 2016

**Marco Musetti (CH) [2]**

Year of birth 1969
Vice Chairman
Chairman of the Compensation Committee
Member of the Strategy Committee
Member since 2013
Elected until 2016

**Michael Büchter (DE) [1]**

Year of birth 1949
Member
Member of the Audit Committee
Member since 2013
Elected until 2016

**Dr Heinz Schumacher (DE) [1]**

Year of birth 1948
Member
Member of the Compensation Committee
Member since 2013
Elected until 2016

**Dr Oliver Thum (DE) [3]**

Year of birth 1971
Member
Member of the Strategy Committee
Member since 2013
Elected until 2016

**Johan Van de Steen (BE) [2]**

Year of birth 1965
Member
Member of the Audit Committee
Member of the Strategy Committee
Member since 2015
Elected until 2016

**Hans Ziegler (CH) [1]**

Year of birth 1952
Member
Member of the Audit Committee
Member of the Compensation Committee
Member since 2013
Elected until 2016

[1] Independent member.
[2] Representative of Renova.
[3] Representative of SCHMOLZ + BICKENBACH GmbH & Co. KG.

The Annual General Meeting was held in Emmenbrücke on 15 April 2015. The following members of the Board of Directors were re-elected: Edwin Eichler (Chairman), Michael Büchter, Marco Musetti, Dr Heinz Schumacher, Dr Oliver Thum and Hans Ziegler. Johan Van de Steen was elected as a new member of the Board of Directors. In addition, Marco Musetti, Dr Heinz Schumacher and Hans Ziegler were elected members of the Compensation Committee.

# MEMBERS OF THE EXECUTIVE BOARD

The following overview provides details of the Executive Board as at 30 September 2015.

| Name | Function | Period |
|---|---|---|
| Clemens Iller | CEO | Since 1.4.2014 |
| | CFO ad interim | 1.3.2015 – 31.3.2015 |
| Matthias Wellhausen | CFO | Since 1.4.2015 |

The previous CFO Hans-Jürgen Wiecha left the Company as at 28 February 2015. Matthias Wellhausen took up his post as new CFO on 1 April 2015.

# GLOSSARY

## A_

**Adjusted EBITDA** Operating profit before depreciation, amortisation and non-recurring effects

**Adjusted EBITDA margin (%)** Ratio of adjusted EBITDA to revenue

## C_

**Capital employed** Net working capital plus intangible assets (excl. goodwill) plus property, plant and equipment

**Cash flow before changes in net working capital** Cash flow from operating activities without changes in net working capital

## E_

**EAT** Earnings after taxes

**EBIT** Earnings before interest and taxes

**EBITDA** Earnings before interest, taxes, depreciation, and amortisation

**EBITDA leverage** Ratio of net debt to adjusted EBITDA

**EBITDA margin (%)** Ratio of EBITDA to revenue

**EBT** Earnings before taxes

**Equity ratio** Ratio of shareholders' equity to total assets

## F_

**Free cash flow** Cash flow from operating activities plus cash flow from investing activities

## G_

**Gearing** Ratio of net debt to shareholders' equity

**Gross margin** Revenue plus change in semi-finished and finished goods less cost of materials

**Gross margin (%)** Ratio of gross margin to revenue

## I_

**Investment ratio** Ratio investments to depreciation/amortisation

## N_

**Net debt** Current and non-current financial liabilities less cash and cash equivalents

**Net financial expense** Financial expense less financial income

**Net working capital** Inventories plus trade accounts receivable less trade accounts payable

## O_

**Operating free cash flow** Adjusted EBITDA plus/less change in inventories, trade accounts receivable less trade accounts payable less segment investments less capitalised borrowing costs.

# ABBREVIATIONS

**ABCP** Asset Backed Commercial Paper

**CEO** Chief Executive Officer

**CFO** Chief Financial Officer

**CGU** Cash Generating Unit

**CHF** Swiss franc

**CO** Swiss Code of Obligations

**EEG** German Renewable Energies Act

**e.g.** for example

**EUR** euro

**IAS** International Accounting Standards

**IASB** International Accounting Standards Board

**i.e.** which means

**IFRIC** International Financial Reporting Interpretations Committee

**IFRS** International Financial Reporting Standards

**KfW** Kreditanstalt für Wiederaufbau (Development Loan Corporation)

**Kt** kilotonne

**M&A** Mergers & Acquisitions

**p.a.** per year

**R&D** Research & Development

**SPI** Swiss Performance Index

**t** tonne

**USD** US dollar

**VDMA** Verband Deutscher Maschinen- und Anlagenbauer (German Engineering Federation)

**VegüV** Swiss Ordinance against Excessive Compensation in listed stock corporations

# LEGAL NOTICE

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Every care has been taken to ensure that we do not exclude either gender in this report.

This report contains forward-looking statements, including presentations of developments, plans, intentions, assumptions, expectations, beliefs and potential impacts as well as descriptions of future events, income, results, situations or outlook. They are based on the Company's current expectations, beliefs and assumptions, which are subject to uncertainty and may differ materially from the current facts, situation, impact or developments.

This company brochure is also available in German. The German version is binding.

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