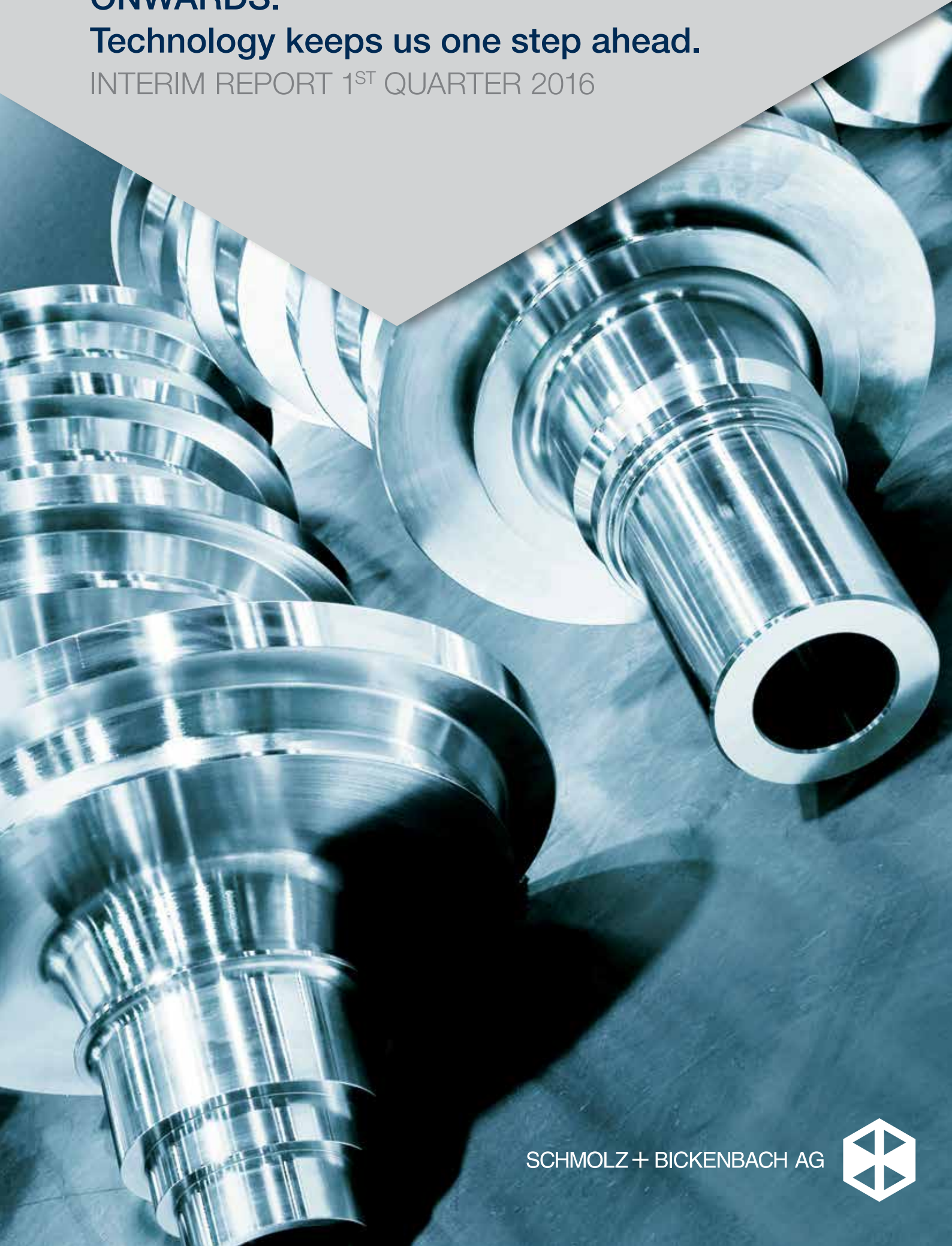


ONWARDS.

Technology keeps us one step ahead.

INTERIM REPORT 1ST QUARTER 2016



Our key figures

For the three months from 1.1. to 31.3., unless otherwise stated		Unit	2016	2015	Change on prior year %
SCHMOLZ + BICKENBACH GROUP					
Sales volume		kilotonnes	461	483	-4.6
Revenue		million EUR	603.6	765.7	-21.2
Adjusted Operating profit before depreciation and amortisation (Adjusted EBITDA)		million EUR	25.0	56.4	-55.7
Operating profit before depreciation and amortisation (EBITDA)		million EUR	21.9	54.5	-59.8
Adjusted EBITDA margin		%	4.1	7.4	-3.3
EBITDA margin		%	3.6	7.1	-3.5
Operating profit (loss) (EBIT)		million EUR	-8.3	21.5	nm
Earnings before taxes (EBT)		million EUR	-19.6	9.0	nm
Net income (loss) (EAT)		million EUR	-24.4	-122.4	nm
Investments		million EUR	17.4	19.2	-9.4
Free cash flow from continuing operations		million EUR	-13.3	2.3	nm
Net debt ¹⁾		million EUR	488.5	471.1	3.7
Gearing ¹⁾		%	71.0	62.8	8.2
Employees as at balance sheet date ¹⁾		positions	8928	8910	0.2
Total assets ¹⁾		million EUR	2 110.5	2 109.0	0.1
Shareholders' equity ¹⁾		million EUR	687.7	750.6	-8.4
Equity ratio ¹⁾		%	32.6	35.6	-3.0
SCHMOLZ + BICKENBACH SHARE					
Earnings per share from continuing operations ²⁾		EUR/CHF	-0.03/-0.03	0.00/0.00	-
Earnings per share ²⁾		EUR/CHF	-0.03/-0.03	-0.13/-0.14	-
Shareholders' equity per share		EUR/CHF	0.71/0.78	0.81/0.85	-
Highest/lowest share price		CHF	0.71/0.45	1.08/0.78	-

¹⁾ As of 31 March 2016 and 31 December 2015, respectively.

²⁾ The earnings per share are based on the net income (loss) of the Group after deduction of the portions allocable to the non-controlling interests.

Five-quarter overview

	Unit	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Key operational figures						
Sales volume	kilotonnes	483	469	410	401	461
Order backlog	kilotonnes	569	476	395	395	444
Income statement						
Revenue	million EUR	765.7	723.2	619.7	571.3	603.6
Gross profit	million EUR	284.4	276.6	204.9	205.9	230.2
Adjusted Operating profit before depreciation and amortization (Adjusted EBITDA)	million EUR	56.4	61.1	11.5	40.6	25.0
Operating profit before depreciation and amortisation (EBITDA)	million EUR	54.5	58.0	10.3	36.2	21.9
Operating profit (loss) (EBIT)	million EUR	21.5	27.6	-19.6	5.4	-8.3
Earnings before taxes (EBT)	million EUR	9.0	17.4	-32.4	-5.0	-19.6
Earnings after taxes from continuing operations	million EUR	1.9	10.3	-32.7	-14.9	-24.0
Net income (loss) (EAT)	million EUR	-122.4	4.8	-34.1	-15.1	-24.4
Cash flow/investments/depreciation/amortisation						
Cash flow before changes in net working capital	million EUR	64.5	59.1	-1.3	-8.6	22.7
Cash flow from operating activities of continuing operations	million EUR	21.1	47.5	86.4	133.2	3.2
Cash flow from investing activities of continuing operations	million EUR	-18.8	-57.7	24.3	-57.0	-16.5
Free cash flow from continuing operations	million EUR	2.3	-10.2	110.7	76.2	-13.3
Investments	million EUR	19.2	58.3	24.1	60.3	17.4
Depreciation	million EUR	30.8	30.4	29.9	30.8	30.2
Amortisation	million EUR	2.2	0.0	0.0	0.0	0.0
Net assets and financial structure						
Non-current assets	million EUR	996.9	990.8	970.8	1 010.0	994.7
Current assets	million EUR	1 496.7	1 485.5	1 222.7	1 099.0	1 115.8
Net working capital	million EUR	923.0	928.9	843.8	690.8	704.4
Total assets	million EUR	2 493.6	2 476.3	2 193.5	2 109.0	2 110.5
Shareholders' equity	million EUR	781.6	814.5	765.7	750.6	687.7
Non-current liabilities	million EUR	872.1	857.9	775.7	715.2	762.9
Current liabilities	million EUR	923.9	803.9	652.1	643.2	659.9
Net debt	million EUR	625.9	637.9	543.7	471.1	488.5
Employees						
Employees as at closing date	positions	9 022	8 900	8 927	8 910	8 928
Value management						
Capital employed	million EUR	1 817.1	1 841.2	1 739.0	1 622.1	1 612.2
Key figures on profit/net assets and financial structure						
Gross margin/revenue	%	37.1	38.2	33.1	36.0	38.1
EBITDA margin before restructuring costs	%	7.4	8.4	1.9	7.1	4.1
EBITDA margin	%	7.1	8.0	1.7	6.3	3.6
EBIT margin	%	2.8	3.8	-3.2	0.9	-1.4
EBT margin	%	1.2	2.4	-5.2	-0.9	-3.2
Equity ratio	%	31.3	32.9	34.9	35.6	32.6
Gearing	%	80.1	78.3	71.0	62.8	71.0

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.

We are the benchmark for special steel solutions.



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Dear shareholders,

As we expected, the new fiscal year has got off to a challenging start. On the one hand, we started 2016 from a very low basis; on the other, the market environment in the first quarter proved to be even more difficult than in the final three months of the prior year. The issues that accelerated the crisis in the steel industry in the second half of last year are still very much on the agenda. This remains the case despite developments such as the recent increase in oil and commodity prices, punitive tariffs on steel imports, or production decreases announced in China. However, we also believe that the first quarter marks the low point in this fiscal year.

In the financial market, the factors mentioned above, supported by rumours of consolidation, nevertheless resulted in a more positive assessment of the steel industry in the first quarter. Our share price also benefited from the brighter mood, increasing by 42% in the first three months.

We will not allow the continued unfavourable conditions to drive us off course. Indeed, the weak market environment has shown us where there is further potential for improvement within our Company. This is why we are focusing on internal improvements in order to achieve the targets for 2016. We have identified measures for further enhancing our efficiency. We informed the public of these plans when the 2015 annual results were published on 24 March.

In 2016, we will chiefly focus on four topics. First, adapting the Deutsche Edelstahlwerke business unit to the market environment. This includes increasing productivity and reducing production costs. Second, we must increase the efficiency of our procurement. Third, we aim to achieve profitable growth: for example, by reducing the dependence of our US American subsidiary Finkl Steel on customers in the oil and gas industry. And fourth, we aim to introduce general measures geared to optimally leveraging the synergies available to a global group like SCHMOLZ + BICKENBACH. Measures include not only reducing freight costs, closing warehouses, optimising sales, but also reducing general and administrative costs. Systematically tackling these tasks in conjunction with investments in technology and innovation will help us to overcome the major challenges of today.

Quarterly figures reflect challenging environment

Compared to the prior year, sales volumes as at 31 March 2016 decreased by 4.6% from 483 kilotonnes to 461 kilotonnes. Owing to lower prices for scrap and alloy elements, as well as continuing pressure on the base prices, revenue fell by 21.2% compared to a very strong prior-year quarter, from EUR 765.7 million in the first quarter of 2015 to EUR 603.6 million. Adjusted EBITDA fell by 55.7% and the adjusted EBITDA margin dropped to 4.1% from 7.4% in the prior-year period.

Thanks to our shareholders, employees and customers

On behalf of the Board of Directors and Executive Board, I would like to thank our shareholders for the confidence they have shown in our Company. I would also like to thank our employees, who work tirelessly each and every day to shape SCHMOLZ + BICKENBACH's future. Allow me also to thank our customers and business partners for the good and long-standing working relationship and the trust they have placed in us.



Clemens Iller
CEO

Management report

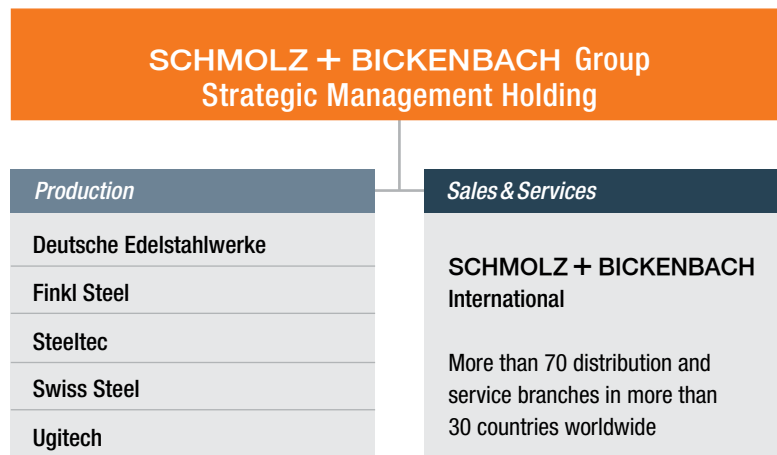
- 4 Business environment and strategy
 - 6 Capital market
 - 10 Business development of the Group
 - 13 Business development of the divisions
 - 14 Financial position and net assets
 - 17 Opportunities and risks
 - 18 Outlook
-



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 *Production* and *Sales & Services* divisions, which allows SCHMOLZ + BICKENBACH to leverage strategic and operational synergies. With a premium product portfolio and a focus on research and development, we tap into strategic growth markets, build on our leading position and expand our presence.

Business model



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**

The *Production* division encompasses the business units Deutsche Edelstahlwerke, Finkl Steel, Steeltec, Swiss Steel and Ugitech. 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.

SCHMOLZ + BICKENBACH is represented in Denmark, Germany, 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 operations in the *Production* division sell their products via the *Sales & Services* division or directly to external customers.

Sales & Services – a reliable global partner in steel consulting, processing and supply

We combine our sales activities within our *Sales & Services* division, and guarantee the consistent and reliable supply of special steel and end-to-end customer solutions worldwide with around 70 distribution and service branches in more than 30 countries. These include technical consulting and downstream processes such as sawing, milling and hardening, heat treatment as well as supply chain management. The product range is dominated by special long steel from our own *Production* division, supplemented by a selection of products from third-party providers. We pursue the goal of offering our customers global access to our products and services – with excellent quality standards and first-class service. To this end, we consciously and continuously extend our distribution network and focus on attractive growth regions that will continue to ensure the sustainable growth of the SCHMOLZ + BICKENBACH Group in the future.

Strategy and corporate management

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. The SCHMOLZ + BICKENBACH Group has developed into an internationally leading supplier of special long steel as a result of a successful buy and build investment strategy launched in 2003. Our core competency – and the focus of our corporate strategy – is ensuring our production companies are ideally placed. We align our entire internal supply chain to support our *Production* division and focus on the processing and sale of mill-own products.

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 (with a focus 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

For further information on the environment and strategy, see the 2015 annual report, pages 26–35.

CAPITAL MARKET

SCHMOLZ + BICKENBACH share price development

Following a sharp increase in 2015, the world's most important share indices consolidated in the first quarter of 2016. Significant price losses in the period up to mid-February had not been offset by the end of the quarter. Although the economic conditions have not changed significantly, the continued expansive monetary policy of the central banks in Europe and Japan as well as the US Federal Reserve's decision to halt the cycle of interest rate increases have caused an additional influx of cash into the stock markets since then. To date, the lack of investment alternatives has outweighed investors' scepticism concerning the economic slowdown in China and high stock market valuations.

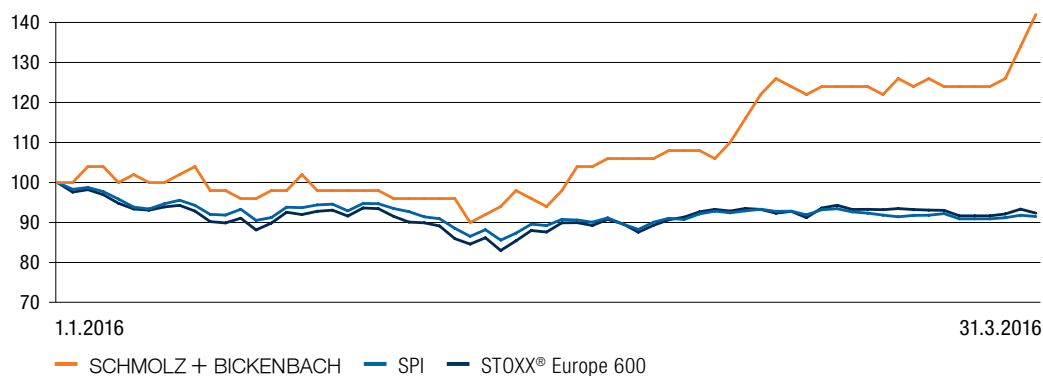
The economy in the eurozone proved robust in the first quarter, not least thanks to the positive effect of low oil prices. In the USA, doubts regarding the continued recovery of the US American economy are growing. Likewise, China reported a rise of just 6.7% in the first quarter, its lowest economic growth rate for years.

In contrast to last year, when the Swiss franc appreciated significantly following the discontinuation of de facto pegging to the euro, the currency pair EUR/CHF fluctuated in a narrow band around the EUR/CHF 1.10 mark.

The steel sector has not returned to growth following a challenging year. In the first three months, global steel production fell by a further 3.6% compared to the prior-year quarter, with March at least showing signs of stabilisation combined with an increase in capacity utilisation.

The SCHMOLZ + BICKENBACH share benefited from the generally more positive sentiment in the financial market with regard to the steel industry as a whole. Increasing scrap and commodity prices, import duties on steel from Asia, the valuation of steel shares, which was perceived favourable, and rumours concerning consolidation measures within the industry led to a price hike in the steel sector. After opening the quarter at CHF 0.50, the share closed at CHF 0.71 as at 31 March 2016 – a gain of 42.0%. The SPI, which includes the SCHMOLZ + BICKENBACH share, fell by 8.6% in the same period, while the STOXX® Europe 600 was down 7.7%.

Development of the share price from 1.1.2016 to 31.3.2016 | SCHMOLZ + BICKENBACH share compared to Swiss Performance Index (indexed) and to STOXX® Europe 600 (indexed)

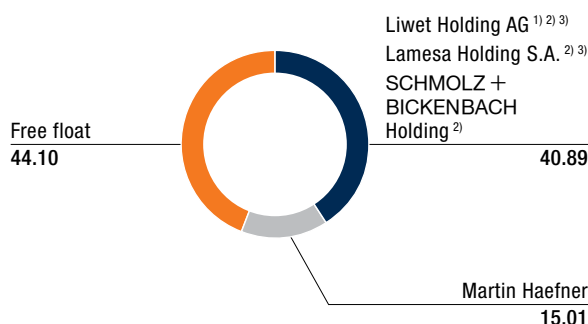


Facts and figures on the share	
ISIN	CH0005795668
Securities number	579566
Ticker symbol	STLN
Bloomberg	STLN SE
Reuters	STLN.S
Type of security	Registered share
Trading currency	CHF
Listed on	SIX Swiss Exchange
Indices	SPI, SPI Extra, SPI ex SLI, Swiss All Share Index
Number of shares outstanding	945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

The average daily trading volume was 0.83 million SCHMOLZ + BICKENBACH shares in the first quarter of 2016, compared to around 1.97 million shares in 2015 as a whole.

Overview shareholder structure as at 31.3.2016

in %



¹⁾ Acquisition of assets and liabilities of Venetos Holding AG, in Zurich (CHE-114.533.183), pursuant to the merger agreement dated 18.2.2015 and statement of financial position as at 29.12.2014.

²⁾ The Group also holds 11 168 772 purchase options, corresponding to an underlying holding of 1.18%.

³⁾ As at 31.12.2014, Venetos Holding AG, Switzerland, and Renova Industries Ltd., Bahamas, were direct shareholders. The beneficial owners did not change.

Share capital as at 31 March 2016 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.

Mr Viktor Vekselberg holds 40.89% of the shares in the Company and 1.18% of purchase rights indirectly via Liwet Holding AG and Lamesa Holding S.A., together with SCHMOLZ + BICKENBACH Holding AG. Liwet Holding AG, Lamesa Holding S.A. and SCHMOLZ + BICKENBACH GmbH & Co. KG, which bundles the interests of the former founding families, are parties to a shareholder agreement and are therefore treated as a group by SIX Swiss Exchange.

Financing

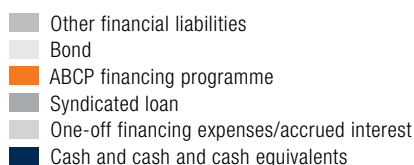
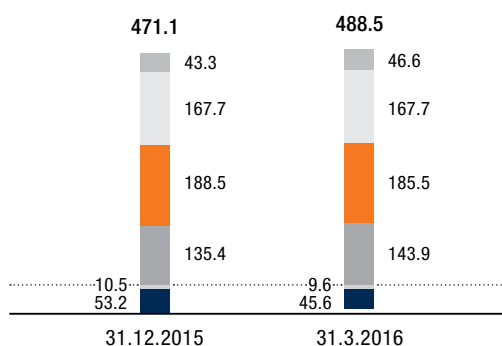
SCHMOLZ + BICKENBACH's financing structure is built on three main pillars: a syndicated loan, an ABCP financing programme and a corporate bond.

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 mature 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.

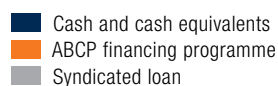
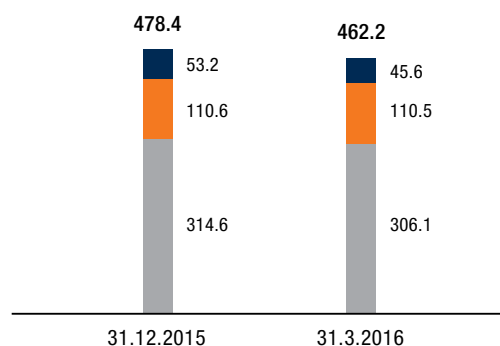
Net debt as at 31.3.2016

in million EUR



Financial headroom as at 31.3.2016

in million EUR



Unused financing lines and freely disposable funds come to around EUR 462 million as at 31 March 2016, ensuring the Company has sufficient financial resources.

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

On 16 May 2012, 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.

As at 31 March 2016, the bond was priced at 96.66%, giving an effective yield of 11.2%.

Key details of the corporate bond	
Issuer	SCHMOLZ + BICKENBACH Luxembourg S.A. (Luxembourg)
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	16 May 2012
Coupon	9.875%
Interest payable	15 May and 15 November
Maturity	15 May 2019
Denomination	1 000
Minimum trading volume	100 000

Rating agency	Rating	Outlook	Latest rating
Moody's	B2	stable	18 November 2015
Standard & Poor's	B+	stable	19 October 2015

Financial calendar	
11 August 2016	Q2 Report 2016, Investor Call
15 November 2016	Q3 Report 2016, Investor Call

Contact

Dr. Ulrich Steiner | Head of Investor Relations and Corporate Communications

Phone: +41 41 581 4120

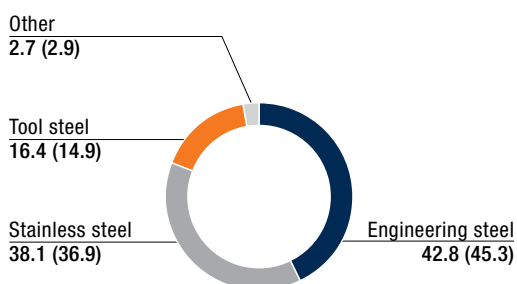
Fax: +41 41 581 4281

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

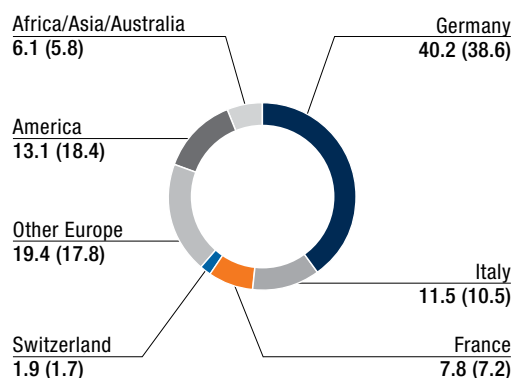
BUSINESS DEVELOPMENT OF THE GROUP

Key figures on results in million EUR	1.1.– 31.3.2016	1.1.– 31.3.2015	Change on prior year %
Sales volume (kilotonnes)	461	483	–4.6
Revenue	603.6	765.7	–21.2
Adjusted operating profit before depreciation and amortisation (Adjusted EBITDA)	25.0	56.4	–55.7
Operating profit before depreciation and amortisation (EBITDA)	21.9	54.5	–59.8
Adjusted EBITDA margin (%)	4.1	7.4	–3.3
EBITDA margin (%)	3.6	7.1	–3.5
Operating profit (EBIT)	–8.3	21.5	nm
Earnings before taxes (EBT)	–19.6	9.0	nm
Earnings after taxes from continuing operations	–24.0	1.9	nm
Net income (loss) (EAT)	–24.4	–122.4	nm

Comparison of revenue by product group
Q1 2016 (Q1 2015)¹⁾
in %



Comparison of revenue by region
Q1 2016 (Q1 2015)¹⁾
in %



¹⁾ Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the respective entities as at 22.7.2015, the figures for the prior year now refer only to the continuing operations remaining in the Group.

Start of year characterised by challenging market environment

As we expected, the new fiscal year has got off to a challenging start. On the one hand, we started 2016 from a very low basis; on the other, the market environment in the first quarter proved to be even more difficult than in the final three months of the prior year.

Order situation in decline

In the first quarter of 2016, there was a decrease in order intake compared to 2015. The order backlog as at 31 March 2016 of 444 kilotonnes (2015: 569 kilotonnes) reflects the difficult market environment. The volume of crude steel produced in the first quarter of the fiscal year of 474 kilotonnes was down 58 kilotonnes or 10.9% compared to the prior year (2015: 532 kilotonnes).

Sales and revenue down as expected

Due to the difficult market environment, we saw a decrease in sales of 22 kilotonnes or 4.6% to 461 kilotonnes in the first three months (2015: 483 kilotonnes).

Moreover, continued low prices for scrap and alloying elements sustained the pressure on base prices as well as on the alloy and scrap surcharges. The fact that commodity prices began to rise only towards the end of the first quarter meant that they have not yet had an effect on our books, and revenue is lower as a result. Compared to the prior year, revenue decreased by EUR 162.1 million or 21.2% to EUR 603.6 million (2015: EUR 765.7 million). Sales and revenue in all regions and product groups correspondingly fell short of our expectations. Revenue in Europe decreased by 15.9% in comparison to the first quarter of the prior year, and revenue decreases of 45.5% and 18.5% were reported in North America and the rest of the world, respectively.

The sales volume similarly decreased in all three product groups (tool steel –3.7%, stainless steel –1.9%, engineering steel –5.4%). In terms of revenue, this development manifests itself in decreases for tool steel of 12.8%, and of 18.7% and 25.5% for stainless steel and engineering steel, respectively.

Gross margin up on prior year thanks to improved product mix

Cost of materials – adjusted for the change in semi-finished and finished products – fell compared to the prior-year quarter by EUR 107.9 million or 22.4% to EUR 373.4 million (2015: EUR 481.3 million). This development is in line with the decrease on the revenue side. As a result of this, the gross profit for the first three months came to EUR 230.2 million, 19.1% lower than in the comparative period (2015: EUR 284.4 million). The product mix was optimised in line with the strategy of producing and selling more products with higher value added, enabling the gross profit margin to be increased from 37.1% to 38.1%.

Other expenses and earnings

At EUR 142.7 million (2015: EUR 152.5 million), personnel costs decreased in the first quarter compared to the prior-year period. This was chiefly attributable to the reduction in headcount at our larger business units in France, the USA and in Canada. The negative impact of exchange losses on the results for the quarter was significantly lower. In the first three months of the reporting year, these came to EUR 0.1 million (2015: EUR 7.4 million). In addition, there were significantly lower expenses in the area of maintenance and repairs in the first three months (EUR 13.5 million compared to EUR 18.1 million in the prior year). This brings other operating expenses to a total of EUR 73.7 million, 15.8% lower than in the prior year (2015: EUR 87.5 million). At EUR 8.1 million in the first quarter of 2016, other operating income was slightly below the prior-year level of EUR 10.1 million, but had no significant effect on other operating profit.

Adjusted EBITDA and EBIT down on the prior year

As presented above and as expected due to the increasingly difficult market situation, adjusted EBITDA came to EUR 25.0 million in the first quarter of 2016, considerably lower than the prior-year figure of EUR 56.4 million, with a lower gross profit of EUR 230.2 million than in the strong first quarter of the prior year (2015: EUR 284.4 million). The adjusted EBITDA margin fell from 7.4% to 4.1% in the first quarter of 2016, also as a result of the decreasing commodity prices already mentioned.

Depreciation, amortisation and impairments stood at EUR 30.2 million, 8.5% lower than in the prior year (2015: EUR 33.0 million). This reduction is chiefly attributable to the impairment losses of EUR 2.2 million recorded on trademarks in Q1 2015, which were necessitated by the pooling of the production sales activities under the Steeltec umbrella brand.

Overall, this resulted in negative EBIT of EUR –8.3 million, compared to positive EBIT of EUR 21.5 million in the prior-year quarter.

Interest expenses on financial liabilities continue to fall

At EUR 11.6 million, expenses on financial liabilities were slightly lower than in the prior-year period (2015: EUR 12.7 million). This is chiefly attributable to the loss of EUR 1.4 million from the measurement of an interest derivative in the prior-year quarter. This was partially compensated for by slightly higher expenses of EUR 0.4 million in connection with the provision of loans.

Expenses on financial liabilities include interest expense of EUR 10.3 million, which is slightly higher than in the first three months of the prior year (2015: EUR 9.8 million).

Profit/loss from continuing operations negative

As a consequence of the matters presented above, earnings after taxes (EAT) from continuing operations, after accounting for income taxes of EUR 4.4 million (2015: EUR 7.1 million), were negative in the first quarter of 2016 at EUR –24.0 million (2015: EUR 1.9 million). At –22.4%, the Group tax rate was in line with expectations. The Group tax rate for the comparative period of 78.9% was characterised by a change in the composition of the profits or losses of the individual countries, as well as the non-recognition of deferred tax assets on losses of the German Group entities.

Profit/loss from discontinued operations and earnings after taxes

The earnings after taxes for the comparative period were significantly influenced by the classification of the discontinued operations as assets held for sale and the completion of their deconsolidation in 2015. In the first three months of the current fiscal year, the sale of the discontinued operations resulted in expenses of EUR 0.4 million, following the loss of EUR 124.3 million resulting from the discontinued operations still reported in the prior year.

Due to the negative operating result in the first quarter as a result of the weak earnings of the continuing operations, earnings after taxes were negative at EUR –24.4 million (2015: EUR –122.4 million) for the first three months of the current fiscal year.

Sale of the discontinued operations already concluded in 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 for the first time as at 31 March 2015 and have been completely deconsolidated since the disposal process was closed as at 22 July 2015. The information in this interim report relates to the continuing operations, unless stated otherwise.

BUSINESS DEVELOPMENT OF THE DIVISIONS

Key figures of the divisions for the three months from 1.1. to 31.3., unless otherwise stated in million EUR	2016	2015	Change on prior year %
Production			
Revenue	548.6	715.9	-23.4
Adjusted Operating profit before depreciation and amortisation (Adjusted EBITDA)	20.6	52.0	-60.4
Operating profit before depreciation and amortisation (EBITDA)	20.6	51.4	-59.9
Adjusted EBITDA margin (%)	3.8	7.3	-3.5
EBITDA margin (%)	3.8	7.2	-3.4
Investments	16.7	18.7	-10.7
Segment operating free cash flow	-9.5	-23.8	-60.1
Employees as at balance sheet date ¹⁾	7 575	7 546	0.4
Sales & Services			
Revenue	119.3	147.3	-19.0
Adjusted Operating profit before depreciation and amortisation (Adjusted EBITDA)	4.0	5.4	-25.9
Operating profit before depreciation and amortisation (EBITDA)	4.0	5.4	-25.9
Adjusted EBITDA margin (%)	3.4	3.7	-0.3
EBITDA margin (%)	3.4	3.7	-0.3
Investments	0.6	0.5	20.0
Segment operating free cash flow	6.8	-16.0	nm
Employees as at balance sheet date ¹⁾	1 243	1 252	-0.7

¹⁾ As of 31 March 2016 and 31 December 2015, respectively.

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

Revenue and EBITDA in the *Production* division below prior-year level

In the *Production* division, revenue decreased in comparison to the first three months of the prior year by EUR 167.3 million or 23.4% to EUR 548.6 million (2015: EUR 715.9 million). At EUR 20.6 million, adjusted EBITDA was down EUR 31.4 million or 60.4% on the figure for the prior year period (Q1 2015: EUR 52.0 million), meaning that the adjusted EBITDA margin also decreased to 3.8% (2015: 7.3%). Despite lower investments than in the comparative period, segment operating free cash flow was negative at EUR -9.5 million as a result of the difficult market environment, but was not as negative as in the prior year (2015: EUR -23.8 million).

Revenue and EBITDA down in the *Sales & Services* division

The *Sales & Services* division saw a fall in revenue of EUR 28.0 million or 19.0% to EUR 119.3 million (2015: EUR 147.3 million). At EUR 4.0 million, adjusted EBITDA was down EUR 1.4 million or 25.9% on the same period of the prior year (2015: EUR 5.4 million). The adjusted EBITDA margin thus decreased slightly from 3.7% to 3.4%. However, a positive segment operating free cash flow of EUR 6.8 million was again generated. In the prior year, this figure was negative at EUR -16.0 million.

FINANCIAL POSITION AND NET ASSETS

Key figures on the financial position and net assets	Unit	31.3.2016	31.12.2015	Change on prior year %
Shareholders' equity	million EUR	687.7	750.6	-8.4
Equity ratio	%	32.6	35.6	-3.0
Net debt	million EUR	488.5	471.1	3.7
Gearing	%	71.0	62.8	8.2
Net working capital	million EUR	704.4	690.8	2.0
Total assets	million EUR	2 110.5	2 109.0	0.1
	Unit	1.1.- 31.3.2016	1.1.- 31.3.2015	Change on prior year %
Cash flow before changes in net working capital from continuing operations	million EUR	22.7	64.5	-64.8
Cash flow from continuing operations	million EUR	3.2	21.1	-84.8
Cash flow from investing activities of continuing operations	million EUR	-16.5	-18.8	-12.2
Free cash flow from continuing operations	million EUR	-13.3	2.3	nm
Depreciation and amortisation	million EUR	-30.2	-30.8	-1.9
Investments	million EUR	17.4	19.2	-9.4

Financial situation

Equity and equity ratio down since year-end 2015

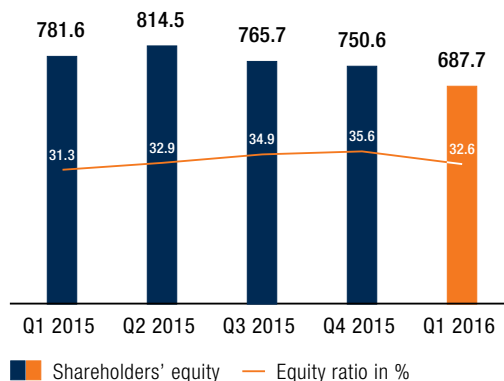
Since 31 December 2015, equity decreased by EUR 62.9 million to EUR 687.7 million (31.12.2015: EUR 750.6 million). This decrease was mainly due to the negative quarterly result of EUR -24.4 million, which was fueled by the difficult market environment, and also due to the actuarial losses on pension plans of EUR -31.8 million (net) reflected in the statement of comprehensive income. The equity ratio fell by three percentage points to 32.6% (31.12.2015: 35.6%) while total assets remained steady.

Slight increase in net debt

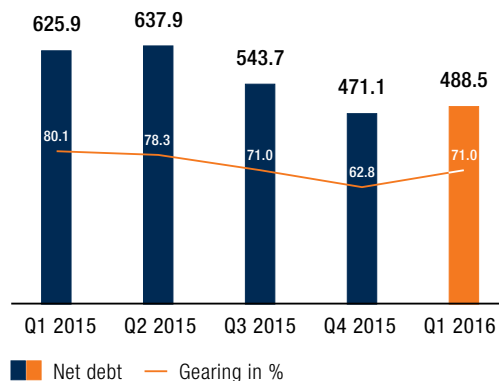
As a result of the negative free cash flow, net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 488.5 million, an increase of EUR 17.4 million (31.12.2015: EUR 471.1 million) or 3.7% on the figure as at 31 December 2015. The gearing, which expresses the relationship between the net debt to shareholders' equity, increased as a result from 62.8% as at 31 December 2015 to 71.0%. Net debt increases for seasonal reasons at the beginning of each year, but has continuously decreased quarter-on-quarter since Q1 2015.

Shareholders' equity and equity ratio
Q1 2015 – Q1 2016

in million EUR | in %

Net debt and gearing
Q1 2015 – Q1 2016

in million EUR | in %

**Decrease in free cash flow due to negative earnings before taxes**

The cash flow before changes in net working capital from continuing operations decreased to EUR 22.7 million (2015: EUR 64.5 million), mainly due to the negative earnings before taxes of EUR –19.6 million (2015: EUR 9.0 million) and as a result of the lower amount of new liabilities than in the prior year. Taking into account the higher net working capital, mainly due to a change in inventories that was EUR 22.1 million higher than in Q1 2015, this resulted in a cash flow from operating activities of continuing operations of EUR 3.2 million (2015: EUR 21.1 million), EUR 17.9 million lower than in the prior-year quarter.

At EUR –16.5 million the negative cash flow from investing activities of the continuing operations was roughly at the prior-year level of EUR –18.8 million.

Free cash flow from continuing operations for the first three months of the fiscal year was therefore EUR 15.6 million lower in total at EUR –13.3 million (2015: EUR 2.3 million). In the prior year, an additional EUR 6.6 million related to the discontinued operations, reducing the Group's free cash flow to EUR –4.3 million. The free cash flow for the first three months of the fiscal year was therefore EUR 9.0 million lower than in the comparative period.

The financial liabilities of the continuing operations increased by EUR 12.5 million (net), following repayments of EUR 29.0 million in the same period of the prior year. At EUR 5.5 million (2015: EUR 4.3 million), interest paid is therefore higher than in the prior year, and the cash flow from financing activities of the continuing operations increased by EUR 40.6 million to EUR 6.5 million following the cash outflow of EUR 34.1 million still reported in the prior-year period.

Net assets**Total assets remain stable**

Following the completion of the deconsolidation of the selected distribution entities in 2015, with a corresponding reduction in assets and liabilities, total assets decreased significantly as at year-end. Since year-end, total assets have remained stable and, at EUR 2 110.5 million as at 31 March 2016, practically unchanged compared to the figure as at year-end (31.12.2015: EUR 2 109.0 million).

Share of non-current assets down on prior-year level due to depreciation

Compared to the comparative date, non-current assets decreased only slightly by EUR 15.3 million or 1.5% to EUR 994.7 million (31.12.2015: EUR 1 010.0 million). The decrease was mainly driven by depreciation of property, plant and equipment. The share of non-current assets in total assets remained relatively stable at 47.1% (31.12.2015: 47.9%).

Net working capital stable

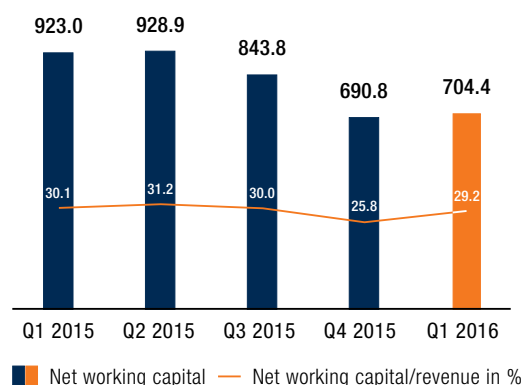
Compared to the figure as at 31 December 2015, the share of current assets in total assets likewise remained relatively constant at 52.9% (31.12.2015: 52.1%). Overall, non-current assets increased by EUR 16.8 million to EUR 1 115.8 million, mainly as a result of higher receivables (EUR 51.7 million higher than as at 31.12.2015). This was partially compensated for by lower inventories (EUR 31.7 million lower than as at 31.12.2015).

Net working capital therefore came to EUR 704.4 million (31.12.2015: EUR 690.8 million), EUR 13.6 million or 2.0% up on the figure as at 31 December 2015. Net working capital as a percentage of revenue increased to 29.2% compared to year-end 2015 (25.8%).

Net working capital and net working capital/revenue ¹⁾

Q1 2015–Q1 2016

in million EUR | in %



¹⁾ Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the respective entities as at 22.7.2015, the figures for the prior year now refer only to the continuing operations remaining in the Group.

Increase in current and non-current liabilities

Non-current liabilities totalled EUR 762.9 million as at the reporting date (31.12.2015: EUR 715.2 million), up EUR 47.7 million or 6.7% on the figure as at 31 December 2015. This increase is primarily attributable to the higher provisions for pension plans, which were recalculated using updated discount rates in Q1 2016. The share of non-current liabilities in the stable total assets increased compared to 31 December 2015 from 33.9% to 36.1%. Current liabilities also increased compared to year-end 2015 from EUR 643.2 million to EUR 659.9 million. This development was mainly attributable to increased financial liabilities as well as higher VAT liabilities. The share of current liabilities in total shareholders' equity and liabilities rose from 30.5% as at 31 December 2015 to 31.3% as at 31 March 2016.

OPPORTUNITIES AND RISKS

Risk management

SCHMOLZ + BICKENBACH's central risk management system is intended to systematically minimise or completely eliminate risks (commodity prices, currencies, changes in the sales markets, etc.) through appropriate measures. As all business activities are associated with an element of risk, and in order to best exploit the opportunities that arise from these, we enter into risks as necessary in a controlled manner.

The Group's risk management objective is to detect opportunities and risks at an early stage and respond in a way that is conducive to achieving corporate goals and continuously increasing the value of the Company. As part of the evaluation process, the Group consciously enters into appropriate, transparent and manageable risks. If certain risks become too significant, the Group explores options for transferring them to third parties. The Group does not permit speculation or other high-risk transactions. Our conduct towards suppliers, customers, other business partners, employees and Group companies is fair and responsible.

Risk categories

The risks to which the SCHMOLZ + BICKENBACH Group is exposed can be categorised as follows:

- > Political and regulatory risks
- > Risks relating to the future economic development
- > Environmental and health risks
- > Risks from IT/security and internal processes
- > Personnel risks
- > Financial risks
- > Commodity price risk
- > Credit risk
- > Liquidity risk

Opportunity management

From its starting point as a collection of complementary companies, the Group became increasingly cohesive between 2003 and 2015. The Group's market success is attributable in no small way to its consistent and systematic strategy process which is managed and supported by the Board of Directors, Executive Board and Group Business Development. We collect and analyse information about the market, production and research and development both at division level and centrally from a Group perspective as the basis for strategic decision-making. This allows well-informed strategic decisions to be taken at Group level and then implemented in cooperation with the Business Unit Heads. Our approach allows us to derive opportunities for our Company from the risks inherent in all business activities.

For further information on opportunities and risks, see the 2015 annual report, pages 63–68.

OUTLOOK

Expectations of global economic growth were adjusted downward in the first months of 2016. For example, the International Monetary Fund (IMF) reduced its forecast from 3.7% to 3.2%. A tailwind for our business from the economy is therefore not expected for this year.

Consequently, the entire steel industry is facing another challenging year. The issues that led to the crisis in the industry in 2015 are still very much on the agenda. Subdued economic development, global overcapacities and corresponding pressure on base prices from imports to Europe, low commodity and oil prices, and the associated crisis in the oil and gas industry are likely to remain decisive topics in 2016. Although the prices for commodities such as scrap and nickel, as well as oil prices, have recently risen, it remains to be seen whether this trend can be sustained. In view of the continued global excess supply of these commodities, setbacks must be expected at any time.

Forecasts relating to economic development, the steel industry, commodity prices and the development of exchange rates are subject to great uncertainty in light of the many and varied influencing factors. SCHMOLZ + BICKENBACH expects the economic environment to remain challenging and characterised by high volatility, which will again put the Company severely to the test. Our expectations for the fiscal year 2016 therefore remain cautious.

Irrespective of the unfavourable development of external factors beyond our control, we will continue to vigorously pursue our present course when it comes to implementing our strategy. In 2016, we will focus on the rigorous implementation of our measures aimed at improving earnings. Determined implementation of the strategy will help us leverage the full potential of the SCHMOLZ + BICKENBACH Group. The core elements of this strategy are:

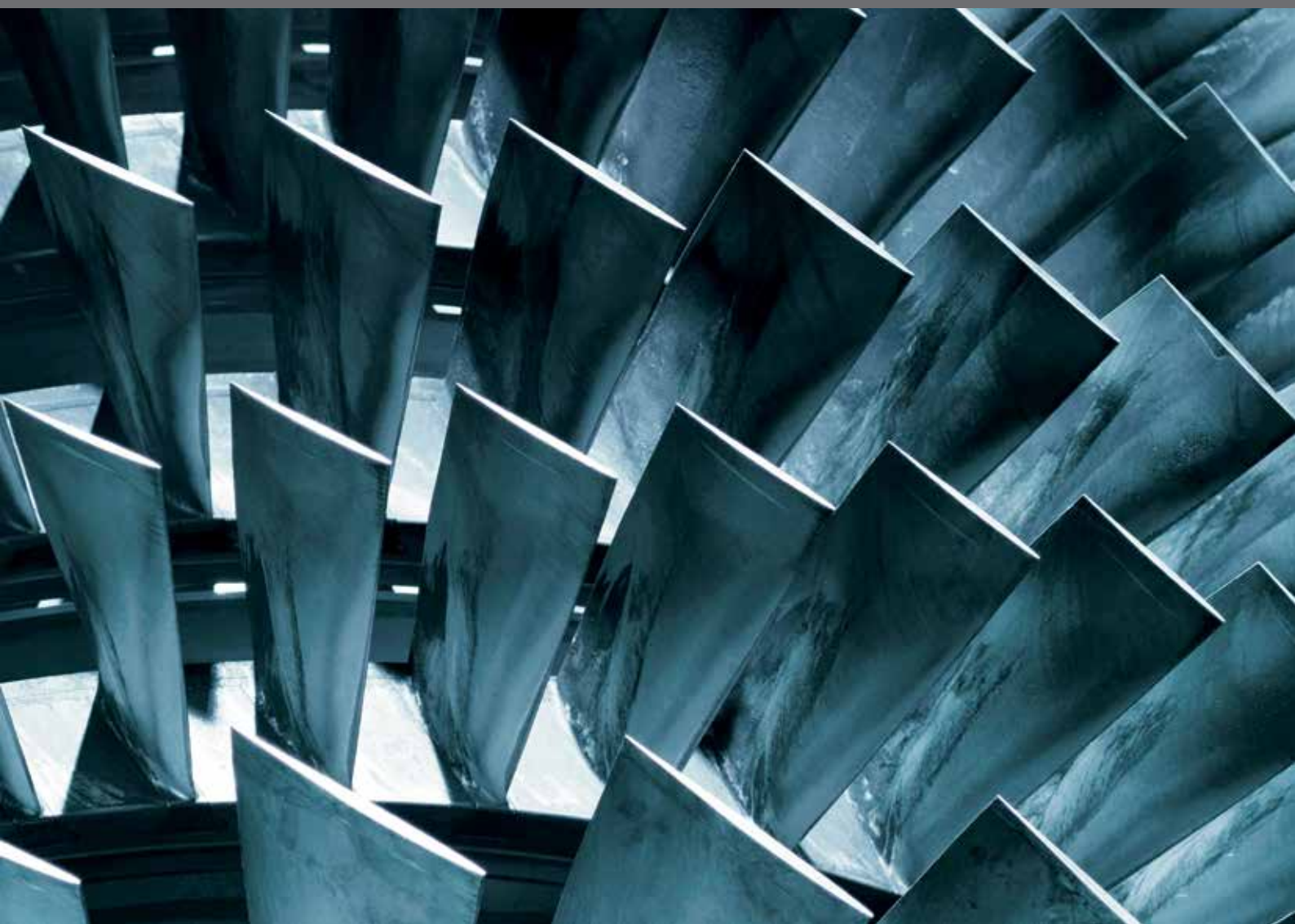
- > Restructuring Deutsche Edelstahlwerke
- > Strengthening the statement of financial position by reducing working capital
- > Tighter integration of business units, optimisation of commodities procurement and logistics
- > Driving innovation forward
- > Strengthening the global sales and service network

We anticipate that sales volumes will remain stable in 2016. Price changes for alloying elements, such as nickel and scrap, are largely passed on to our customers via a surcharge system. This means that revenue fluctuates – sometimes significantly – due to external factors. Consequently, we continue to refrain from making revenue forecasts for the Group. In total, we anticipate adjusted EBITDA of between EUR 150 and 190 million for 2016. Compared to 2015, the weaker first half of the year is expected to be followed by a stronger second half. These expectations reflect the positive effects from our restructuring measures, which will become apparent over the course of 2016, as well as successes from our investments in innovation and technology. The planned investment volume is projected to be around EUR 100 million for 2016.

In the medium term, we aim to develop SCHMOLZ + BICKENBACH as an innovative, sustainably profitable company with a high share of special long steel products, which is widely diversified across all relevant geographic areas and end markets and offers its customers high-quality standard products as well as made-to-measure solutions. Our medium-term financial goals include an adjusted EBITDA margin of > 8% on average over an economic cycle as well as adjusted EBITDA leverage of < 2.5.

Financial reporting

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CONSOLIDATED INCOME STATEMENT

in million EUR	Note	1.1.– 31.3.2016	1.1.– 31.3.2015
Revenue		603.6	765.7
Change in semi-finished and finished goods		–20.5	–16.1
Cost of materials		–352.9	–465.2
Gross profit		230.2	284.4
Other operating income	6	8.1	10.1
Personnel costs		–142.7	–152.5
Other operating expenses	6	–73.7	–87.5
Operating profit before depreciation and amortisation		21.9	54.5
Depreciation/amortisation and impairments	9	–30.2	–33.0
Operating profit (loss)		–8.3	21.5
Financial income	7	0.3	0.2
Financial expense	7	–11.6	–12.7
Financial result		–11.3	–12.5
Earnings before taxes		–19.6	9.0
Income taxes	8	–4.4	–7.1
Earnings after taxes from continuing operations		–24.0	1.9
Earnings after taxes from discontinued operations	5, 6	–0.4	–124.3
Net income (loss)		–24.4	–122.4
of which attributable to			
– shareholders of SCHMOLZ + BICKENBACH AG		–25.0	–122.9
of which from continuing operations		–24.6	1.4
of which from discontinued operations		–0.4	–124.3
– non-controlling interests		0.6	0.5
Earnings per share in EUR (basic/diluted)		–0.03	–0.13
Earnings per share in EUR (basic/diluted) from continuing operations		–0.03	0.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	Note	1.1.– 31.3.2016	1.1.– 31.3.2015
Net income (loss)		-24.4	-122.4
Gains/losses from currency translation		-6.2	32.6
Change in unrealised gains/losses from cash flow hedges		0.0	-1.0
Tax effect from cash flow hedges		0.0	0.4
Items that may be reclassified subsequently to profit or loss		-6.2	32.0
Actuarial gains/losses from pension-related and similar obligations		-42.4	-37.2
Tax effect from pensions and similar obligations		10.6	8.7
Items that will not be reclassified subsequently to profit or loss		-31.8	-28.5
Other comprehensive income (loss)		-38.0	3.5
Total comprehensive loss		-62.4	-118.9
of which attributable to			
– shareholders of SCHMOLZ + BICKENBACH AG		-63.0	-119.4
of which from continuing operations		-62.6	4.9
of which from discontinued operations		-0.4	-124.3
– non-controlling interests		0.6	0.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31.3.2016		31.12.2015	
		in million EUR	%	in million EUR	%
Assets					
Intangible assets	9	26.9		28.0	
Property, plant and equipment	9	883.9		906.4	
Other non-current assets		2.3		2.1	
Non-current income tax assets		9.6		9.6	
Deferred tax assets		72.0		63.9	
Total non-current assets		994.7	47.1	1 010.0	47.9
Inventories	10	632.3		664.0	
Trade accounts receivable		383.2		331.5	
Current financial assets		0.3		0.2	
Current income tax assets		5.4		7.2	
Other current assets		49.0		42.9	
Cash and cash equivalents		45.6		53.2	
Total current assets		1 115.8	52.9	1 099.0	52.1
Total assets		2 110.5	100.0	2 109.0	100.0
Shareholders' equity and liabilities					
Share capital		378.6		378.6	
Capital reserves		952.8		952.8	
Retained earnings (accumulated losses)		-551.5		-526.5	
Accumulated income and expense recognised in other comprehensive income (loss)		-105.2		-67.2	
Treasury shares		-0.6		-0.1	
Attributable to shareholders of SCHMOLZ + BICKENBACH AG		674.1		737.6	
Non-controlling interests		13.6		13.0	
Total shareholders' equity		687.7	32.6	750.6	35.6
Provisions for pensions and similar obligations	11	360.2		318.6	
Other non-current provisions		29.1		28.5	
Deferred tax liabilities		42.2		44.2	
Non-current financial liabilities	12	331.4		323.3	
Other non-current liabilities		0.0		0.6	
Total non-current liabilities		762.9	36.1	715.2	33.9
Current provisions		25.7		28.6	
Trade accounts payable		311.1		304.7	
Current financial liabilities	12	202.7		201.0	
Current income tax liabilities		4.3		6.1	
Other current liabilities		116.1		102.8	
Total current liabilities		659.9	31.3	643.2	30.5
Total liabilities		1 422.8	67.4	1 358.4	64.4
Total shareholders' equity and liabilities		2 110.5	100.0	2 109.0	100.0

CONSOLIDATED STATEMENT OF CASH FLOWS

in million EUR	Note	1.1.– 31.3.2016	1.1.– 31.3.2015
Earnings before taxes		-19.6	9.0
Depreciation, amortisation and impairments		30.2	33.0
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		2.9	17.2
Financial income		-0.3	-0.2
Financial expense		11.6	12.7
Income taxes paid		-1.9	-7.1
Cash flow before changes in net working capital from continuing operations		22.7	64.5
Change in inventories		27.6	5.5
Change in trade accounts receivable		-54.4	-50.0
Change in trade accounts payable		7.3	1.1
Cash flow from operating activities of continuing operations		3.2	21.1
Cash flow from operating activities of discontinued operations		0.0	-5.7
Cash flow from operating activities – total		3.2	15.4
Investments in property, plant and equipment		-16.6	-19.0
Proceeds from disposal of property, plant and equipment		0.3	0.2
Investments in intangible assets		-0.5	-0.1
Interest received		0.3	0.1
Cash flow from investing activities of continuing operations		-16.5	-18.8
Cash flow from investing activities of discontinued operations		0.0	-0.9
Cash flow from investing activities – total		-16.5	-19.7
Increase/decrease of financial liabilities		12.5	-29.0
Investment in treasury shares		-0.5	-0.8
Interest paid		-5.5	-4.3
Cash flow from financing activities of continuing operations		6.5	-34.1
Cash flow from financing activities of discontinued operations		0.0	6.4
Cash flow from financing activities – total		6.5	-27.7
Change in cash and cash equivalents due to cash flow – total		-6.8	-32.0
Effect of foreign currency translation – total		-0.8	2.3
Change in cash and cash equivalents - total		-7.6	-29.7
Cash and cash equivalents as at 1.1. – total		53.2	72.1
Cash and cash equivalents as at 31.3. – total		45.6	42.4
Change in cash and cash equivalents – total		-7.6	-29.7
Free cash flow from continuing operations		-13.3	2.3
Free cash flow from discontinued operations		0.0	-6.6
Free cash flow – total		-13.3	-4.3

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 1.1.2015	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	0.4	0.0	0.0	0.4	0.0	0.4
Capital transactions with shareholders	0.0	0.0	0.4	0.0	-0.8	-0.4	0.0	-0.4
Net income (loss)	0.0	0.0	-122.9	0.0	0.0	-122.9	0.5	-122.4
Other comprehensive income (loss)	0.0	0.0	0.0	3.5	0.0	3.5	0.0	3.5
Total comprehensive income (loss)	0.0	0.0	-122.9	3.5	0.0	-119.4	0.5	-118.9
As at 31.3.2015	378.6	952.8	-480.8	-79.8	-0.8	770.0	11.6	781.6
As at 1.1.2016	378.6	952.8	-526.5	-67.2	-0.1	737.6	13.0	750.6
Purchase of treasury shares	0.0	0.0	0.0	0.0	-0.5	-0.5	0.0	-0.5
Capital transactions with shareholders	0.0	0.0	0.0	0.0	-0.5	-0.5	0.0	-0.5
Net income (loss)	0.0	0.0	-25.0	0.0	0.0	-25.0	0.6	-24.4
Other comprehensive income (loss)	0.0	0.0	0.0	-38.0	0.0	-38.0	0.0	-38.0
Total comprehensive income (loss)	0.0	0.0	-25.0	-38.0	0.0	-63.0	0.6	-62.4
As at 31.3.2016	378.6	952.8	-551.5	-105.2	-0.6	674.1	13.6	687.7

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 steel company operating in the special and 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 19 May 2016.

1__ Accounting policies

The Group prepared these interim condensed consolidated financial statements of SCHMOLZ+BICKENBACH AG for the first three months of the fiscal year 2016 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 2015. This quarterly report is presented in euro. Unless otherwise stated, monetary amounts are denominated in millions of euro.

2__ 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.

3__ 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 2015. The new or revised standards that are mandatory for fiscal years as of 1 January 2016 have no effects on these interim financial statements.

4__ Seasonal effects

There are slight seasonal effects on 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.

Cyclical economic developments have a much more pronounced impact than seasonal effects on the development of the Group's sales, revenue and earnings, however.

5__ Scope of consolidation and business combinations

During the first three months of 2016, the entities Chongqing SCHMOLZ + BICKENBACH Co. Ltd. (CN) and SCHMOLZ + BICKENBACH (Thailand) Ltd. were established and allocated to the *Sales & Services* segment.

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. Moreover, efforts to sell the distribution entities in Germany, Belgium, the Netherlands and Austria were stepped up in the first quarter of 2015. These have therefore been presented separately since 31 March 2015.

6__ Other operating income and expenses

Other operating income of EUR 8.1 million (2015: EUR 10.1 million) comprises a number of items which are immaterial both individually and when aggregated that have no significant influence on the consolidated financial statements and are therefore not presented separately.

Other operating expenses can be broken down as follows:

in million EUR	1.1.– 31.3.2016	1.1.– 31.3.2015
Freight, commission	21.0	23.6
Maintenance, repairs	13.5	18.1
Holding and administration expenses	10.9	9.0
Fees and charges	5.4	5.6
Rent and lease expenses	4.7	5.7
Consultancy and audit services	6.2	3.6
IT expenses	3.9	3.7
Net exchange gains/losses	0.1	7.4
Miscellaneous expense	8.0	10.8
Total from continuing operations	73.7	87.5
Total from discontinued operations	0.4	0.0
Total	74.1	87.5

Miscellaneous expense of EUR 8.0 million (2015: EUR 10.8 million) comprises a number of individually immaterial items which cannot be allocated to another category.

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, depending on whether the net figure is negative or positive.

The net figures break down as follows:

in million EUR	1.1.– 31.3.2016	1.1.– 31.3.2015
Exchange gains	15.0	64.1
Exchange losses	15.1	71.5
Net exchange gains/losses	-0.1	-7.4

7__ Financial result

in million EUR	1.1.– 31.3.2016	1.1.– 31.3.2015
Interest income	0.2	0.2
Other financial income	0.1	0.0
Financial income	0.3	0.2
Interest expense on financial liabilities	–10.3	–9.8
Other financial expense	–1.3	–2.9
Financial expense	–11.6	–12.7
Financial result	–11.3	–12.5

Other financial income/expense mainly contains gains and losses from marking embedded derivatives and interest rate derivatives to market.

8__ Income taxes

in million EUR	1.1.– 31.3.2016	1.1.– 31.3.2015
Current taxes	2.4	7.0
Deferred taxes	2.0	0.1
Income tax expense	4.4	7.1

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 three months of fiscal year 2016 was –22.4% (2015: 78.9%). This rate derives from the tax rates of the individual countries in which the Group operates, weighted for earnings before taxes. The decrease 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 group entities.

The following table presents the net change in deferred tax assets and liabilities. As at the reporting dates 31 March 2016 and 31 December 2015, only the figures for the continuing operations are presented.

in million EUR	1.1.– 31.3.2016	1.1.– 31.12.2015	1.1.– 31.3.2015
Opening balance at the beginning of the period	19.7	45.0	45.0
Changes from continuing operations recognised in profit and loss	–2.0	–8.4	–0.1
Changes from discontinued operations recognised in profit and loss	0.0	–1.4	–0.8
Changes recognised in other comprehensive income	10.6	–3.6	9.1
Foreign currency effects	1.5	–3.3	–3.4
Reclassification of discontinued operations	0.0	–8.6	–10.7
Closing balance at the end of the period	29.8	19.7	39.1

9__ Intangible assets and property, plant and equipment

Intangible assets have not changed significantly in the first three months. The figures as at 31 March 2016 are presented below.

In the prior-year period a trademark allocated to Boxholm Stål AB (SE) – now “Steeltec Boxholm AB” – amounting to EUR 2.2 million was written off in full after all bright steel entities were legally pooled under the umbrella of Steeltec AG (CH).

in million EUR	Concessions, licences and similar rights	Purchased brands and customer lists	Prepayments on intangible assets	Goodwill	Total
Cost as at 1.1.2015	85.6	26.1	0.6	5.7	118.0
Reclassification to discontinued operations	-8.0	-2.5	0.0	0.0	-10.5
Additions	3.3	0.0	0.7	0.0	4.0
Disposals	-4.4	0.0	0.0	0.0	-4.4
Reclassifications	0.2	0.0	-0.2	0.0	0.0
Foreign currency effects	2.0	1.6	0.0	0.3	3.9
Cost as at 31.12.2015	78.7	25.2	1.1	6.0	111.0
Additions	0.1	0.0	0.4	0.0	0.5
Foreign currency effects	-0.5	-0.7	0.0	-0.1	-1.3
Cost as at 31.3.2016	78.3	24.5	1.5	5.9	110.2
Accumulated amortisation and impairments as at 1.1.2015	-75.6	-6.8	0.0	-2.7	-85.1
Reclassification to discontinued operations	6.9	1.6	0.0	0.0	8.5
Amortisation	-4.1	-0.7	0.0	0.0	-4.8
Impairments	0.0	-2.2	0.0	0.0	-2.2
Disposals	3.1	0.0	0.0	0.0	3.1
Foreign currency effects	-1.9	-0.4	0.0	-0.2	-2.5
Accumulated amortisation and impairments as at 31.12.2015	-71.6	-8.5	0.0	-2.9	-83.0
Amortisation	-0.9	-0.1	0.0	0.0	-1.0
Foreign currency effects	0.5	0.2	0.0	0.0	0.7
Accumulated amortisation and impairments as at 31.3.2016	-72.0	-8.4	0.0	-2.9	-83.3
Net carrying amount as at 31.12.2015	7.1	16.7	1.1	3.1	28.0
Net carrying amount as at 31.3.2016	6.3	16.1	1.5	3.0	26.9

The breakdown of property, plant and equipment into its subcategories can be seen below. A significant portion of the additions is attributable to the *Production* division.

in million EUR	Land and buildings	Plant and equipment	Prepayments/plant under construction	Total
Cost as at 1.1.2015	695.9	2233.8	42.1	2971.8
Reclassification to discontinued operations	-57.6	-72.8	-1.2	-131.6
Additions	51.6	53.5	54.6	159.7
Disposals	-5.0	-25.2	-0.1	-30.3
Reclassifications	3.6	22.3	-25.9	0.0
Foreign currency effects	28.7	63.6	0.7	93.0
Cost as at 31.12.2015	717.2	2275.2	70.2	3062.6
Additions	0.1	4.1	12.7	16.9
Disposals	-0.1	-2.5	0.0	-2.6
Reclassifications	0.8	4.7	-5.5	0.0
Foreign currency effects	-5.3	-11.6	-0.3	-17.2
Cost as at 31.3.2016	712.7	2269.9	77.1	3059.7
Accumulated depreciation and impairments as at 1.1.2015	-404.2	-1 698.5	0.0	-2 102.7
Reclassification to discontinued operations	32.2	59.8	0.0	92.0
Depreciation	-16.9	-101.5	0.0	-118.4
Impairments	0.0	-0.1	0.0	-0.1
Reversal of impairments	0.5	0.7	0.0	1.2
Disposals	3.8	26.0	0.0	29.8
Foreign currency effects	-17.3	-40.7	0.0	-58.0
Accumulated depreciation and impairments as at 31.12.2015	-401.9	-1 754.3	0.0	-2 156.2
Depreciation	-4.3	-24.9	0.0	-29.2
Disposals	0.1	2.5	0.0	2.6
Foreign currency effects	1.7	5.3	0.0	7.0
Accumulated depreciation and impairments as at 31.3.2016	-404.4	-1 771.4	0.0	-2 175.8
Net carrying amount as at 31.12.2015	315.3	520.9	70.2	906.4
Net carrying amount as at 31.3.2016	308.3	498.5	77.1	883.9

10__ Inventories

Inventories as at 31 March 2016 as well as as at 31 December 2015 break down as follows:

in million EUR	31.3.2016	31.12.2015
Raw materials, consumables and supplies	92.8	93.8
Semi-finished goods and work in progress	244.2	251.4
Finished products and merchandise	295.3	318.8
Total	632.3	664.0

11__ Pensions

Some of the post-employment benefit plans in the Group are simple defined contribution plans where a company has an obligation to transfer a contractually defined amount to an external pension institution. Beyond the payment of these contributions, the Company does not enter into any obligations in relation to post-employment benefits. However, most of the Group's occupational pension schemes are defined benefit plans in which the employer undertakes to deliver the agreed pension benefits.

Since the beginning of the year, the following significant changes occurred:

in million EUR	Defined benefit obligation		Fair value of plan assets		Net liability	
	1.1.–31.3.2016	1.1.–31.12.2015	1.1.–31.3.2016	1.1.–31.12.2015	1.1.–31.3.2016	1.1.–31.12.2015
Present value of defined benefit obligations/ Fair value of plan assets at the beginning of the period	611.1	609.7	294.1	276.8	317.0	332.9
Current service cost	3.0	11.4	0.0	0.0	3.0	11.4
Administration expenses	0.0	0.0	-0.2	-0.5	0.2	0.5
Interest cost/income	2.3	10.1	0.8	4.3	1.5	5.8
Past service costs	-0.5	-5.5	0.0	0.0	-0.5	-5.5
Net pension expenses/income	4.8	16.0	0.6	3.8	4.2	12.2
Actuarial gains (losses) from change in demographic assumptions	0.0	0.7	0.0	0.0	0.0	0.7
Actuarial gains (losses) from change in financial assumptions	42.4	-8.7	0.0	-6.0	42.4	-2.7
Actuarial gains (losses) from experience adjustments	0.0	-0.3	0.0	0.0	0.0	-0.3
Remeasurement effects included in other comprehensive income	42.4	-8.3	0.0	-6.0	42.4	-2.3
Employer contributions	0.0	0.0	3.9	15.7	-3.9	-15.7
Employee contributions	1.2	4.4	1.2	4.4	0.0	0.0
Change in scope of consolidation	0.0	-25.2	0.0	-8.8	0.0	-16.4
Benefit payments	-6.6	-18.6	-6.6	-18.6	0.0	0.0
Foreign currency effects	-3.5	33.1	-2.7	26.8	-0.8	6.3
Present value of defined benefit obligations/ Fair value of plan assets at the end of the period	649.4	611.1	290.5	294.1	358.9	317.0
Provisions from obligations similar to pensions	1.3	1.6	0.0	0.0	1.3	1.6
Total provisions for pensions and obligations similar to pensions	650.7	612.7	290.5	294.1	360.2	318.6

In the first quarter of 2016, a further reduction in the pension conversion rates was announced in Switzerland. As a result of the recalculation of the present value of the defined benefit obligations, this resulted in a non-recurring gain of EUR 0.5 million. This gain was posted in full to profit and loss in the first quarter.

The actuarial losses chiefly result from the lower discount rates in Switzerland and the eurozone as at 31 March 2016 compared to the prior year as at 31 December 2015. As at the reporting date, the main driver of the measurement of the pension obligations, the discount rates, were adjusted and the pension obligations recalculated. The following measurement assumptions were used.

in %	Switzerland		Euro area		USA		Canada	
	31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015
Discount rate	0.4	0.8	1.6	2.3	3.8	4.0	3.9	3.9
Salary trend	2.0	2.0	2.5–3.0	2.5–3.0	–	–	3.0	3.0

12__ Financial liabilities

The Group's financial liabilities break down as follows as at 31 March 2016:

in million EUR	31.3.2016	31.12.2015
Syndicated loan	139.4	130.4
Other bank loans	25.4	26.8
Bond	163.0	162.5
Liabilities from finance leases	3.6	3.6
Total non-current	331.4	323.3
Other bank loans	9.1	8.6
ABCP financing programme	185.1	188.1
Liabilities from finance leases	1.2	1.2
Other financial liabilities	7.3	3.1
Total current	202.7	201.0

Other current financial liabilities include accrued interest for the bond of EUR 6.2 million (31.12.2015: EUR 2.1 million).

13__ Contingent liabilities and other financial obligations

Contingent liabilities from guarantees, warranties and purchase commitments totalled EUR 26.5 million as at 31 March 2016 (31.12.2015: EUR 31.1 million).

The reduction in financial liabilities is primarily attributable to lower purchase commitments as at 31 March 2016 in connection with investments by the *Production* division.

14__ Fair value measurement considerations

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.

As at 31 March 2016, the bond had a fair value of EUR 161 million (31.12.2015: EUR 140.9 million) while the carrying amount of the bond as at 31 March 2016 was EUR 163 million (31.12.2015: EUR 162.5 million).

15__ 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 31 March 2016.

in million EUR	Production		Sales & Services	
	1.1.– 31.3.2016	1.1.– 31.3.2015	1.1.– 31.3.2016	1.1.– 31.3.2015
Third-party revenue	484.3	618.4	119.3	147.3
Intersegment revenue	64.3	97.5	0.0	0.0
Total revenue	548.6	715.9	119.3	147.3
Operating profit before depreciation and amortisation (EBITDA)	20.6	51.4	4.0	5.4
Depreciation and amortisation of intangible assets, property, plant and equipment	-28.0	-29.0	-1.1	-1.2
Impairment of intangible assets, property, plant and equipment and assets held for sale	0.0	-2.2	0.0	0.0
Operating profit (loss) (EBIT)	-7.4	20.2	2.9	4.2
Financial income	1.4	0.3	0.7	1.1
Financial expense	-9.5	-10.4	-1.9	-2.7
Earnings before taxes (EBT) from continuing operations	-15.5	10.1	1.7	2.6
Earnings before taxes (EBT) from discontinued operations	0.0	0.0	0.0	0.0
Segment investments ¹⁾	16.7	18.7	0.6	0.5
Segment operating free cash flow ²⁾	-9.5	-23.8	6.8	-16.0
in million EUR	31.3.2016	31.12.2015	31.3.2016	31.12.2015
Segment assets ³⁾	1 719.6	1 718.9	247.3	251.9
Segment liabilities ⁴⁾	294.4	285.9	92.7	92.7
Segment assets less segment liabilities (capital employed)	1 425.2	1 433.0	154.6	159.2
Employees as at balance sheet date	7 575	7 546	1 243	1 252

¹⁾ Segment investments: Additions to intangible assets (without goodwill) + additions to property, plant and equipment (without reclassification from assets held for sale).

²⁾ Segment operating free cash flow: Adjusted EBITDA +/- change in inventories, trade accounts receivable less trade accounts payable less segment investments less capitalised borrowing costs.

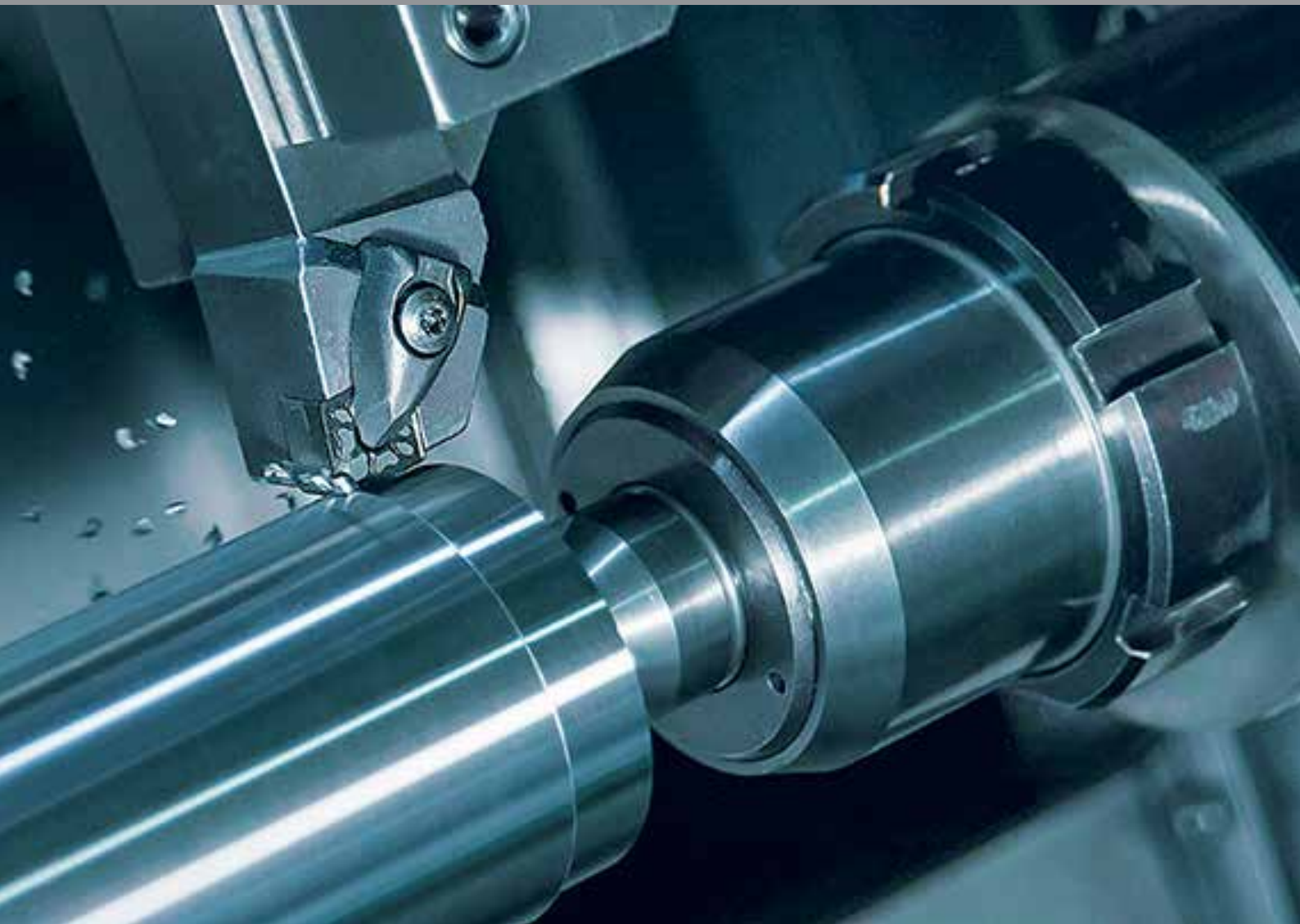
³⁾ Segment assets: Intangible assets (without goodwill) + property, plant and equipment + inventories + trade accounts receivable (total matches total assets of the continuing operations in the statement of financial position).

⁴⁾ Segment liabilities: Trade accounts payable (total matches total liabilities in the statement of financial position).

Reconciliation								
Total operating segments			Other		Eliminations/adjustments		Total	
1.1.– 31.3.2016	1.1.– 31.3.2015	1.1.– 31.3.2016	1.1.– 31.3.2015	1.1.– 31.3.2016	1.1.– 31.3.2015	1.1.– 31.3.2016	1.1.– 31.3.2015	1.1.– 31.3.2015
603.6	765.7	0.0	0.0	0.0	0.0	603.6	765.7	765.7
64.3	97.5	0.0	0.0	-64.3	-97.5	0.0	0.0	0.0
667.9	863.2	0.0	0.0	-64.3	-97.5	603.6	765.7	765.7
24.6	56.8	-5.5	-1.3	2.8	-1.0	21.9	54.5	54.5
-29.1	-30.2	-0.9	-0.6	-0.2	0.0	-30.2	-30.8	-30.8
0.0	-2.2	0.0	0.0	0.0	0.0	0.0	-2.2	-2.2
-4.5	24.4	-6.4	-1.9	2.6	-1.0	-8.3	21.5	21.5
2.1	1.4	9.4	11.7	-11.2	-12.9	0.3	0.2	0.2
-11.4	-13.1	-11.4	-12.5	11.2	12.9	-11.6	-12.7	-12.7
-13.8	12.7	-8.4	-2.7	2.6	-1.0	-19.6	9.0	9.0
0.0	0.0	-0.4	0.0	0.0	0.0	-0.4	0.0	0.0
17.3	19.2	0.1	0.0	0.0	0.0	17.4	19.2	19.2
-2.7	-39.8	-3.4	-3.3	0.4	-0.3	-5.7	-43.4	-43.4
31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.12.2015
1966.9	1970.8	46.0	46.7	97.6	91.5	2110.5	2109.0	2109.0
387.1	378.6	2.1	2.9	1033.6	976.9	1422.8	1358.4	1358.4
1579.8	1592.2					687.7	750.6	750.6
8818	8798	110	112	0	0	8928	8910	8910

Additional information

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MEMBERS OF THE BOARD OF DIRECTORS

The following overview provides details of the composition of the Board of Directors as at 31 March 2016.

SCHMOLZ + BICKENBACH Board of Directors

Edwin Eichler (DE) ¹⁾

Year of birth 1958
Chairman
Member since 2013
Elected until 2016

Marco Musetti (CH) ²⁾

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

Michael Büchter (DE) ¹⁾

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

Dr Heinz Schumacher (DE) ¹⁾

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

Johan Van de Steen ²⁾

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

Dr Oliver Thum (DE) ³⁾

Year of birth 1971
Member since 2013
Elected until 2016

Hans Ziegler (CH) ¹⁾

Year of birth 1952
Chairman 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 Lucerne on 3 May 2016. 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 did not seek re-election. Martin Haefner and Vladimir Polienko were elected as new members of the Board of Directors. In addition, Marco Musetti and Dr Heinz Schumacher were re-elected as members of the Compensation Committee and Edwin Eichler was elected as its new Chairman.

MEMBERS OF THE EXECUTIVE BOARD

The following overview provides details of the Executive Board as at 31 March 2016.

Name	Function	Period
Clemens Iller	CEO	Since 1.4.2014
Matthias Wellhausen	CFO	Since 1.4.2015

LEGAL NOTICE

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

This quarterly 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 interim report is also available in German. The German version is binding.

Photos

SCHMOLZ + BICKENBACH

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