ANNUAL REPORT 2015

ONWARDS.
Technology keeps us one step ahead.

SCHMOLZ + BICKENBACH AG

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.

CONTENTS

ONWARDS

We are on course to ensuring our Group is well positioned for the years to come. Our cost-cutting and efficiency programme is taking effect. In the medium term, this will also be reflected in better key financial performance indicators.

The difficult economic environment at present is proof that our strategy of banking on high-quality products and meeting specific customer needs is paying off. These are the cornerstones of our long-term business success. This requires staying power. Our aim goes beyond short-term effects – we embrace technology leadership and a culture of innovation as a solid foundation for future growth.

Technology keeps us one step ahead.

OUR KEY FIGURES

	Unit	2015	2014	Change on prior year %	Q4 2015	Q4 2014	Change on prior year %
SCHMOLZ + BICKENBACH GROUP							
Sales volume [1]	kilotonnes	1 763	1 829	–3.6	401	418	–4.1
Revenue [1]	million EUR	2 679.9	2 869.0	–6.6	571.3	677.5	–15.7
Adjusted EBITDA [1]	million EUR	169.6	256.6	–33.9	40.6	64.6	–37.2
Operating profit before depreciation and amortisation (EBITDA) [1]	million EUR	159.0	246.6	–35.5	36.2	60.3	–40.0
Adjusted EBITDA margin [1]	%	6.3	8.9	–29.2	7.1	9.5	–25.3
EBITDA margin [1]	%	5.9	8.6	–31.4	6.3	8.9	–29.2
Operating profit (EBIT) [1]	million EUR	34.9	130.2	–73.2	5.4	31.3	–82.7
Earnings before taxes (EBT) [1]	million EUR	–11.0	79.6	<–100	–5.0	14.5	<–100
Earnings after taxes from continuing operations [1]	million EUR	–35.4	52.0	<–100	–14.9	7.9	<–100
Net income (loss) (EAT)	million EUR	–166.8	50.0	<–100	–15.1	4.2	<–100
Investments [1]	million EUR	161.9	97.3	66.4	60.3	39.5	52.7
Free cash flow from continuing operations [1]	million EUR	179.0	65.2	174.5	76.2	54.7	39.3
Capital employed [2]	million EUR	1 622.1	1 589.8	2.0	–	–	–
Total assets	million EUR	2 109.0	2 509.6	–16.0	–	–	–
Shareholders' equity	million EUR	750.6	900.9	–16.7	–	–	–
Equity ratio	%	35.6	35.9	–0.8	–	–	–
Net debt [2]	million EUR	471.1	587.2	–19.8	–	–	–
Gearing [2]	%	62.8	65.2	–3.7	–	–	–
Employees as at closing date [1]	positions	8 910	9 001	–1.0	–	–	–
SCHMOLZ + BICKENBACH AG							
Net income	million CHF	–34.1	10.1	–437.6	–	–	–
Share capital	million CHF	472.5	472.5	0.0	–	–	–
Shareholders' equity	million CHF	1 467.4	1 501.5	–2.3	–	–	–
Total dividend	million CHF	0.0	0.0	–	–	–	–
SCHMOLZ + BICKENBACH SHARE							
Earnings per share from continuing operations [3]	EUR/CHF	–0.04/–0.04	0.05/0.06	–	–	–	–
Earnings per share [3]	EUR/CHF	–0.18/–0.19	0.05/0.06	–	–	–	–
Shareholders' equity per share	EUR/CHF	0.78/0.85	0.94/1.13	–	–	–	–
Highest/lowest share price	CHF	1.08/0.49	1.51/1.00	–	–	–	–
Dividend per share	CHF	0.0	0.0	–	–	–	–
Payout ratio of net income	%	0.0	0.0	–	–	–	–

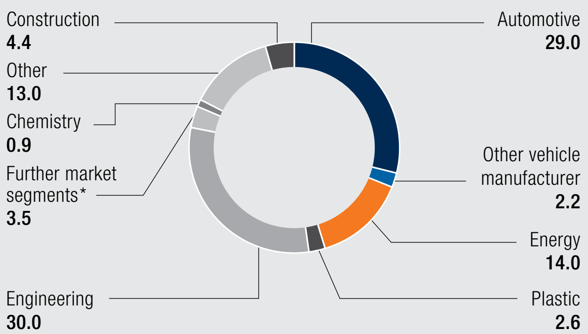
[1] Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the respective entities as at 22.7.2015, the figures for the reporting period now refer only to continuing operations. The prior-year figures were restated accordingly.

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

[3] 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.

REVENUE BY MARKET SEGMENT 2015

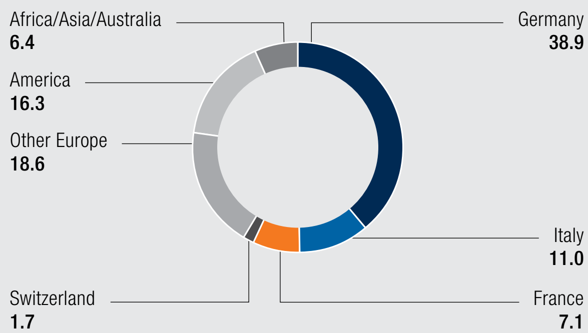
End-user in %



* Aerospace 0.6%, Mining 1.1%, Food and Beverage 1.8%

REVENUE BY REGION 2015

in %



OUR BUSINESS MODEL

INTEGRATED PROVIDER OF SPECIAL LONG STEEL FOCUSING ON CORE COMPETENCES IN THE SUPPLY CHAIN

Upstream integration › PRODUCTION › PROCESSING › DISTRIBUTION › Downstream integration

DIVISIONS

PRODUCTION

- SCHMOLZ + BICKENBACH has nine steelworks of its own as well as ten processing plants in Europe and North America
- The Group stands out from the competition thanks to its know-how and expertise, coupled with state-of-the-art facilities
- Our own steelworks cover the entire special long steel product portfolio
- Products in the portfolio range from the finest 0.013 mm wire to 54 t ingots
- Energy-efficient steelworks

SALES & SERVICES

- Consistent and reliable supply of special steel and end-to-end solutions to around 70 sales and service branches in over 30 countries around the world
- Finely meshed network of global distribution channels in our key markets and continuous information exchange between *Production* and *Sales & Services* guarantee customised solutions from a single source
- Technical advice around customer product requirements
- Downstream mechanical preprocessing, thermal treatment and supply chain management services

KEY FIGURES
PRODUCTION

	1.1.–31.12.2015	Change on prior year %
in million EUR		
Revenue	2 452.8	– 8.1
Adjusted EBITDA	156.9	– 34.8

KEY FIGURES
SALES & SERVICES

	1.1.–31.12.2015	Change on prior year %
in million EUR		
Revenue	543.5	9.4
Adjusted EBITDA	19.6	–17.3

SPECIAL LONG STEEL PRODUCT LINES

1› Tool steel

The product range spans cold-work steel, hot-work tool steel, highspeed steel and mould steel. Examples of applications for our tool steel include the automotive and food packaging industries.

16% share in revenue
No. 2 worldwide

2› Stainless steel

Resistant to corrosion, acids and heat, this steel is an attractive material for numerous industry applications, including automotive and machine construction, food and chemicals, oil and gas and aviation.

38% share in revenue
No. 2 worldwide

3› Engineering steel

Engineering steel can withstand permanent high mechanical loads and is used in components that need to combine reliability and durability. Some examples of engineering steel applications include the automotive industry, power generation facilities or wind turbines.

44% share in revenue
No. 2 in Europe

TECHNOLOGY SECURES COMPETITIVE EDGE

- Combination of central and local research and development (R&D) ensures market relevance and pooled resources.
- Highly skilled: 40 of our 400 engineers work at innovation centres, supported by technical specialists.
- Effective innovation management from market monitoring through to market introduction.
- More than 150 R&D projects completed at our R&D centres each year.
- Close-knit research network with leading technical universities.
- Participation in publicly funded projects in cooperation with customers and competitors.

Plastic mould made of tool steel by DEW.

400

With over 400 engineers at its subsidiaries, SCHMOLZ + BICKENBACH is one of the drivers of innovation in the steel industry.

Our competitive edge is built on technical expertise, a capacity for innovation and excellent service for the benefit of our customers. This is the foundation for our long-term business success. We have been pooling and concentrating our development activities within the Group for quite some time now. Coordinated throughout the Group, our Research & Development strategy (R&D) enables us to systematically fill our innovation pipeline.

Our business units have market-driven R&D facilities that put our customers' needs first. We work hand-in-hand with our customers to develop materials that are even lighter and tougher as well as high-strength and easier to process for use in highly efficient, innovative production processes, for example. As a consequence, our new products and services make a major contribution to the revenue of our business units. This sets us apart from other companies in a market that is characterised by price competition.

› AMBITIOUS GOALS
› CLEAR STRATEGY

Central coordination: structured R&D management

Innovation is not an art – it is a process. This is the principle by which our centralised Technical Development department, established in 2014, systematically drives SCHMOLZ + BICKENBACH's research and development activities. We have established a multilevel coordination process to make sure that innovation efforts within the Group are concerted rather than fragmented. New projects within the Group are identified and collected in the business units. In a further step, they are assessed in detail to determine their strategic importance. Promising projects are then fleshed out in workshops.

This approach allows us to successfully leverage synergies within the Group. For example, we now have effective processes for coordinating R&D activities, transferring best practices and performing technical benchmarking. More than 150 completed R&D projects each year are testament to the success of this approach.

Efficient processes and systematic R&D efforts set us apart in a dynamic competitive environment.

Simulations increase the efficiency in product development

Stainless steel is a high-end product that calls for the highest standards throughout the development and production process. Its purity has to be checked constantly – it is the single most important element in the quality of the material. Remelting stainless steel increases both its purity and quality, allowing it to meet highly specific requirements, e.g. in terms of strength and toughness. This is a key criterion for our close cooperation with customers.

As the requirements and fields of application change, so too do the handling and processing of the material. While product development used to involve performing a large number of time-consuming and therefore costly melting experiments, today's industry is increasingly embracing the use of simulations to predict product characteristics. This has resulted in significant gains in time and economic efficiency.

Clemens Iller
CEO

"Our capacity for innovation and cutting-edge technology will secure our future."

Why are innovation and technology so important for your company?

"All around the globe, our sector is becoming more and more competitive, and factors such as overcapacity and strict energy and environmental regulations present us with additional challenges. SCHMOLZ + BICKENBACH's great capacity for innovation provides us with an all-important competitive edge. This, combined with our flexibility, means we are well placed in an environment which is seeing dynamic changes in the market segments and decreasing product development times in the industries that use our products."

What are the key elements of your approach?

"Special long steel allows for considerable product differentiation and requires constant adaptation of the product portfolio. This calls for extensive know-how and the continuous development of new, application-oriented solutions. At the level of processes, we are aiming to further improve material and investment efficiency as well as volume flexibility. To optimise process chains, we are aligning our company structure in order to focus even more firmly on innovation: in 2015, we combined relevant activities to facilitate direct knowledge transfer and streamline decision-making. Another key element is expanding our partnerships with customers and research institutions. One of our corporate goals is to renew approximately 16% of our product portfolio every six years."

What goals did you achieve in 2015?

"We continued to strengthen the centralised Technical Development department by further streamlining R&D processes. This contributed to the fact that more than 15% of today's revenue is achieved through product innovations. New products include steel types for use in tool and mould-making at Finkl or Steeltec's new material HSX® Z10. We also invested approximately EUR 20 million in building a new production line for quenching after hot rolling. This is a strategic investment relating to the lightweight automotive construction market of the future."

Where do you see SCHMOLZ + BICKENBACH with regard to future innovations?

"We make major contributions to innovation-driven industries such as the automotive industry, for example in the area of bainitic steels, which offer various advantages, including weight reduction and greater strength. Other process optimisation measures focus on the production and further processing stages, for instance with regard to machinability for cost-efficient production of precision parts."

The mechanical properties of our products are determined in tensile tests.

› MARKET-DRIVEN DEVELOPMENT
› POOLING WITHIN THE GROUP

We leverage synergies and potential within the Group

Our strategy of focusing firmly on the production of special long steel and sales within our Group network means that we systematically pool our strengths and locations. This results in higher levels of competency and service quality. What's more, our investment and innovation activities are closely aligned and centrally coordinated, allowing us to maintain and further strengthen our technology leadership in the global market.

Since May 2015, SCHMOLZ + BICKENBACH has been operating its entire bright steel business through the Steeltec Group, which has positioned itself as one of Europe's leading producers of bright steel as a result.

To achieve this, we have combined and centralised relevant activities to ensure the best-possible knowledge transfer and efficient decision-making processes.

Furthermore, we have been able to achieve synergies in production and sales in our North American operations by combining the Group companies Finkl & Sons, Sorel Forge and Composite Forgings, which now jointly operate under the Finkl Steel umbrella brand.

We also consolidated the sales activities of the Group's steelworks in France, resulting in efficiency gains for our customers, who now have one-stop access to the entire product range.

Completed projects at R&D centres each year

>150

Revenue share from product innovations 2015

>15%

We define R&D projects relevant for the Group as well as strategic investments for business units in a centrally coordinated process.

How Ugitech systematically fills its innovation pipeline

Renewing 16% of our product portfolio every six years – this is part of our corporate strategy. But how can such an ambitious goal be achieved in our business operations? To this end, SCHMOLZ + BICKENBACH's subsidiary Ugitech has established an innovation pipeline aimed at maintaining a steady stream of innovation.

In our sector, new products are not launched on the market overnight. In the run-up, a large number of development steps and tests have to be performed, at our own production companies as well as on the customer side. Depending on the complexity of the product, the process can take between six months and three years from conception to launch – with the average being two years.

And of course, not all ideas for products ultimately make it onto the market, with projects regularly having to be abandoned for industrial or economic reasons. This is why maintaining a full innovation pipeline is all the more important. A pipeline of this kind is like a garden hose: you have to open the tap far enough for the pressure to push the water out the other end. We apply strict selection criteria for our projects to make sure they meet our customers' high standards – we want to deliver nothing but first-class innovation.

Wire drawing at Sprint Metal, a subsidiary of Ugitech.

TECHNOLOGY BOOSTS EFFICIENCY

- Modified rolling line enables energy-efficient and eco-friendly production of rolled products with enhanced characteristics.
- XT facility for producing high-strength, high-ductile steels.
- Newly developed steel-drawing procedures and processes to optimise costs and energy use.
- Simulations for optimising processes and products.
- Secondary Metallurgy Centre at DEW for finishing stainless steel.

Processing of UGIMA® stainless steel with excellent machinability.

Ideas

SCHMOLZ + BICKENBACH boasts extensive experience in complex production processes. We develop this knowledge to lower production costs and increase efficiency.

SCHMOLZ + BICKENBACH draws on a total of several centuries of experience in highly complex production processes from global steel producers.

Thanks to the creativity and wealth of experience of our highly qualified employees, we are able to develop this production expertise further in order to reduce costs and use resources more efficiently.

It is these employees who come up with the ideas that increase plant availability and reduce costs. They are the ones who help identifying power guzzlers in production, saving energy costs and improving health and safety standards.

› EXPERIENCE AND EXPERTISE
› COMMITMENT AND CREATIVITY

Idea management: innovation is developed by bright minds

It is often said that a machine is only as smart as the person operating it. Indeed, our employees regularly see potential for improvement in their daily work, for example with regard to workflows or the use of energy and material. Their suggestions are especially important for our company, since they are based on first-hand practical experience.

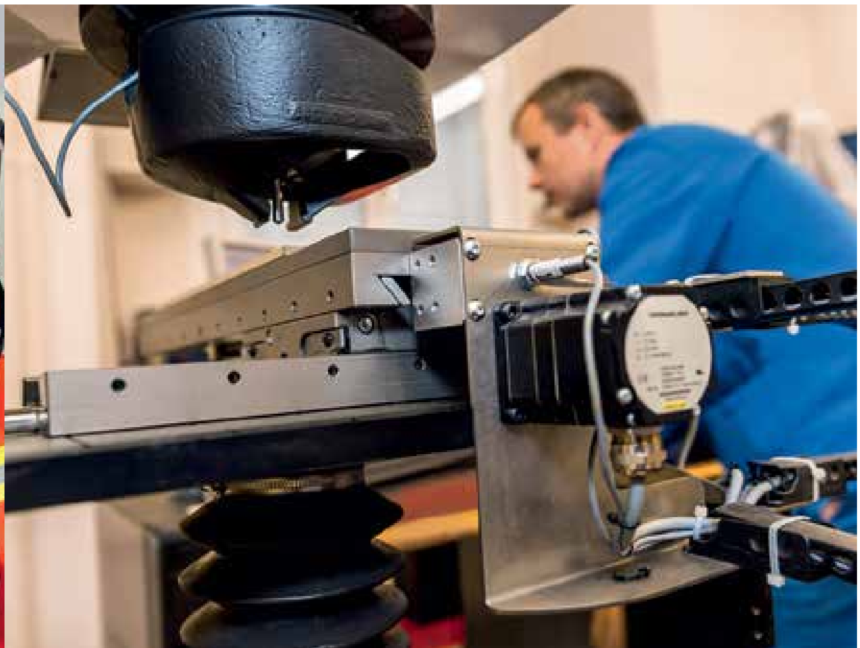
These ideas are pooled in the various business units, and we are also planning to introduce a Group-wide idea management programme. Two recent examples from our subsidiary Deutsche Edelstahlwerke illustrate how active idea management (literally) pays off:

- The swages of a forging machine in the Krefeld plant were subject to very high levels of wear and tear from processing materials. To increase the lifespan of the machine and reduce repair costs, two employees submitted an idea for simplifying swage maintenance. This new approach allows us to save approximately EUR 60 000 per year.

- In the Siegen plant, there were repeated disruptions to the folding pulleys in the casting bow of the continuous casting machine due to scaled or leaky cooling ducts and blocked bearings. With the help of a range of suggestions from our employees, we were able to significantly increase the lifetime of the pulleys. This saves the company more than EUR 18 000 each year.

Committed colleagues of corporate fire brigade at Ugitech.

Hardness testing on steel specimens.



“Our high degree of vertical integration gives us a competitive edge.”

Olivier Bletton
Chief Operations Officer
at Ugitech

What does a high degree of vertical integration mean for SCHMOLZ + BICKENBACH?

“It is essential for SCHMOLZ + BICKENBACH for three reasons. Firstly, we can provide our customers with made-to-measure products, even in small quantities. Secondly, it allows us to significantly reduce delivery times for our standard products, and finally, we are able to meet our customers’ needs for consistently highest levels of quality thanks to our highly reliable in-house processes.”

How do you determine the “right” degree of vertical integration?

“We use meaningful key performance indicators. These can be focused on profitability, but also on the number of new products or customer requests that we’re able to deliver on top of our standard products.”

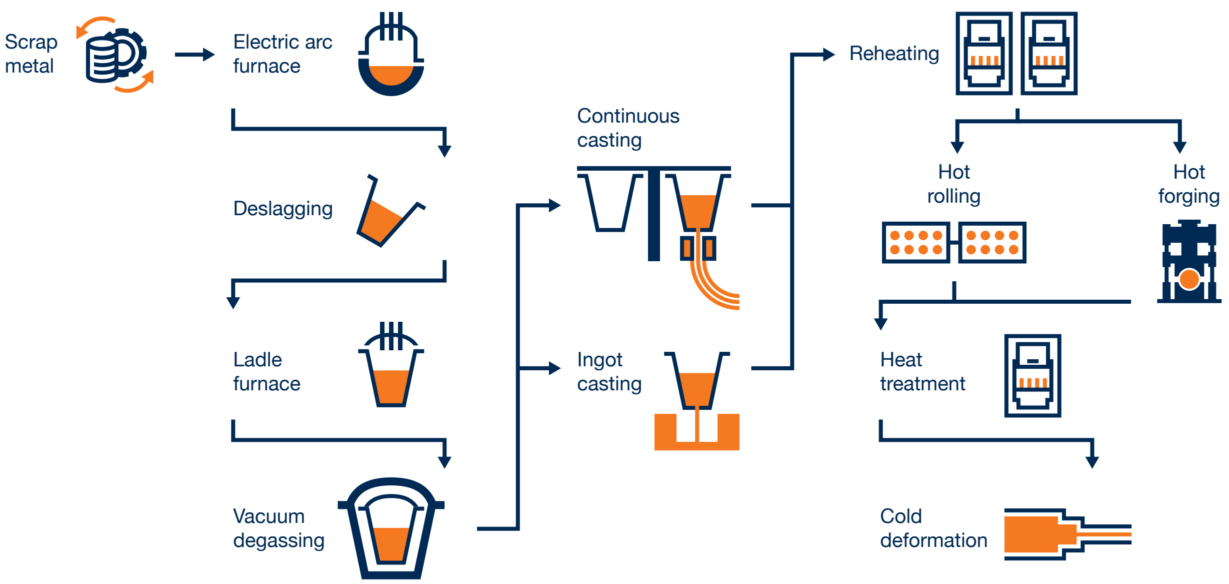
Does a high degree of vertical integration therefore also give you a strong foothold in innovation and technology?

“Absolutely! Customers often come to us with very specific requests regarding a product’s specifications. We then turn to our R&D department and work out solutions tailored to our customers’ specific needs. Innovation, quality and short delivery times – which are all features of well-managed integration – give us a competitive edge. Thanks to the continuous development of our technologies, we also achieve great cost and resource efficiency in our processes.”

What trends do you see in your sector?

“Increasingly, our customers are demanding end-to-end solutions, for instance with regard to logistics. Of course, as a global Group with a global *Sales & Services* network, we are in an excellent position to respond to this need.”

Production process of stainless steel



Polished bright bars of Steeltec.

› COST BENEFITS
› RESOURCE EFFICIENCY

Systematic energy conservation

In Germany, it is accepted practice for large energy-intensive companies to be ISO 50001 certified, mainly for cost reasons. Companies seeking exemption from the German Renewable Energies Act (EEG) surcharge must provide evidence of a certified energy management system (EnMS). In Switzerland, however, exemption from the surcharge is not linked to having an EnMS.

Nevertheless, Swiss Steel opted to seek certification, since a certified EnMS provides the basis for systematically implementing objectives and measures relating to energy efficiency. Moreover, it is a clear signal to our customers and partners of our commitment to sustainability. One year along, initial results and experience have confirmed that systematically conserving energy pays off.

Our investments at Deutsche Edelstahlwerke are also having a positive impact. Our modernised cool bed at the Siegen rolling plant has increased process reliability as well as throughput. At the Witten rolling plant, a new quenching line allows us to save around 30 000 megawatt hours of natural gas per year – this means that 6 000 fewer tonnes of CO_2 are emitted. The facility is designed in such a way that the use of resources is automatically adapted in line with the material and dimensions.

All European plants are certified to ISO

50001

SCHMOLZ + BICKENBACH products are recyclable –

100%

We use state-of-the-art technologies to minimise the environmental impact of our production and logistics operations.

More precise, more efficient, more secure – large investment in secondary metallurgy at the Witten steelworks provides various benefits

Secondary metallurgy involves adjusting the chemical composition of steel. This area has always been one of the specialities of the Witten plant. Thanks to comprehensive investments of EUR 50 million, DEW has been operating one of the world's most advanced facilities of this kind at its location since autumn 2014.

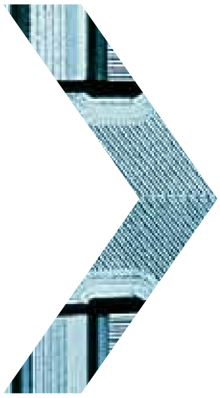
Secondary metallurgy was revamped over a three-year period while operations continued, which presented a real challenge. The new production line is now running in three-shift operation. The results after just over a year are very encouraging: for instance, the special design of the plant has made it possible to boost quality across all product groups, e.g. duplex and superduplex grades for offshore application in wind energy, premium gear steel or mould steel. This provides us with the means to meet growing customer demands for increasingly bespoke solutions.

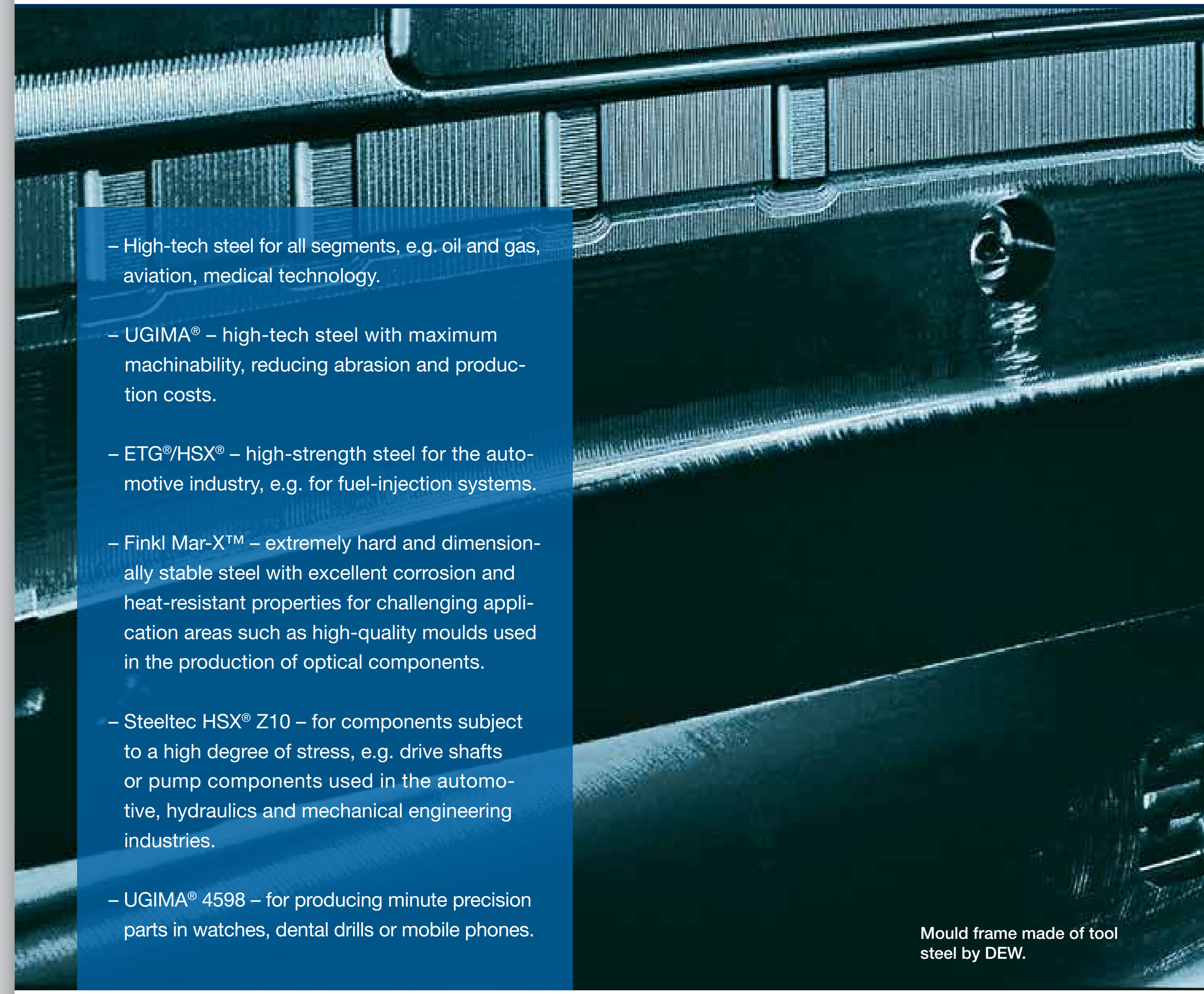
We were able to streamline several logistics and organisational processes, and the new technology has also improved our energy efficiency, for example through significantly reduced energy consumption. Moreover, our newly implemented approach to dust extraction enables us to push our dust emissions even further below the legal thresholds.

Our employees received extensive training aimed at familiarising them with the functions of the new approach. Besides simplified workflows, they especially benefit from increased safety in the workplace and improved ergonomics.

Sampling at the ladle furnace of the modernised Secondary Metallurgical Centre in Witten.

TECHNOLOGY ENABLES GROWTH





- High-tech steel for all segments, e.g. oil and gas, aviation, medical technology.
- UGIMA® – high-tech steel with maximum machinability, reducing abrasion and production costs.
- ETG®/HSX® – high-strength steel for the automotive industry, e.g. for fuel-injection systems.
- Finkl Mar-X™ – extremely hard and dimensionally stable steel with excellent corrosion and heat-resistant properties for challenging application areas such as high-quality moulds used in the production of optical components.
- Steeltec HSX® Z10 – for components subject to a high degree of stress, e.g. drive shafts or pump components used in the automotive, hydraulics and mechanical engineering industries.
- UGIMA® 4598 – for producing minute precision parts in watches, dental drills or mobile phones.

Mould frame made of tool steel by DEW.

Success

SCHMOLZ + BICKENBACH develops and co-develops technological solutions for and with its customers that safeguard the business success for both parties.

The development potential of steel is far from exhausted. Modern stainless steel and special steel solutions involve cutting-edge technology.

Special steel offers innovative approaches for application in the context of significant megatrends such as mobility, energy generation, sustainable transport construction and urban development – and holds up well compared to other materials, e.g. aluminium.

Together with our customers and partners, our business units work on made-to-measure solutions for state-of-the-art products that leverage various production methods and alloys to deliver distinct material properties which meet a variety of challenging requirements. Innovation partnerships, which are in place between SCHMOLZ + BICKENBACH and some of its customers or are based on sector-level initiatives, establish the foundation for future growth and secure jobs.

“The future belongs to smart steel.”

Ulrich Urlau
Director Technical Development

“Strong, formable, weldable, cost-efficient, heat- or acid-resistant – industrial materials are expected to meet very high standards. And each application has its own highly specific requirements. Steel will continue to be needed for most solutions, as no other material can offer as many characteristics at an affordable price.

At the same time, more and more is asked of the material, for example in the automotive or aviation industries. For steel producers, remaining competitive is a question of expertise regarding the application-related behaviour of steel, high-tech production and structured processes for an efficient supply chain.

SCHMOLZ + BICKENBACH is fully dedicated to developing new materials. At Ugitech, we operate one of the sector’s most advanced research facilities. We are constantly working to improve existing steel grades. At our production facilities, we embrace innovative technologies – some of which we developed in-house – such as quenching after hot rolling at DEW or Steeltec’s new XT procedure. These innovative processes enable us to create new product properties while also improving ecological and economic factors.”

› HIGH-LEVEL PERFORMANCE
› REUSABILITY

Developing new special steel products to keep pace with market trends

Having an open ear for our customers’ specific requirements is the first step in developing any new product. In the automotive industry, the trend is towards efficiency. Our response has been to introduce innovative special steels, e.g. for reducing vehicle weight or increasing engine efficiency. There is strong evidence that the percentage of special steel in vehicles is likely to increase going forward. Particularly with regard to safety-related components, there is no alternative to steel. The new HSX® steels developed by Steeltec offer high strength combined with good toughness right out of the box. The steels also feature excellent machinability.

Ugitech is constantly developing its UGIMA® stainless steel to respond to growing demands in the medical, automotive or watch-making industries, among others. Again, one of the key features of these stainless steels is good machinability.

High-tech steel: solutions for the requirements of a global society

Steel will remain a popular structural material in the future. Thinking about our lives in the future reveals several trends and applications where steel will continue to play a major role, especially in the area of **mobility.** The aviation and automotive industries require innovations that meet rising demands, e.g. in terms of lightweight construction and energy efficiency.

The megatrend towards **urbanisation** will also affect our business activities. If more and more people live in large cities, this requires smart concepts for infrastructure that is sustainable, functional as well as attractive. None of this is conceivable without steel.

Our made-to-measure solutions for specific industries unlock the potential of stainless steel.

The same goes for **renewable energy:** steel is the material that underpins the entire process, from production to transport and distribution. In light of the world's increasingly scarce resources, the fact that steel is 100% recyclable is also a particularly valuable characteristic.

Megatrend mobility.

Megatrend renewable energy.

Megatrend urbanisation.

Drawing unit at Steeltec.

› COOPERATIVE
› FORWARD-LOOKING

A focus on bespoke customer solutions

For SCHMOLZ + BICKENBACH, an ideal solution for our customers' specific requirements is cost-efficient, reliable and always top quality. This is why we maintain a global production and sales network that provides first-rate services.

We increasingly develop innovations and achieve excellent results that meet even the most specific and specialised requirements in direct cooperation with our customers.

We contribute our expertise to these development partnerships from a very early stage, allowing our customers to reach their target sooner and gain an invaluable competitive edge.

In each of the materials categories, the technical customer service within the SCHMOLZ + BICKENBACH Group works closely with key areas, such as grade assurance, materials testing and inspection/approval. This also provides excellent opportunities for in-depth knowledge transfer with our product and process development area, which is devoted to continuously optimising materials and workflows.

Cooperations with renowned international universities

25

Investments in strategic growth projects

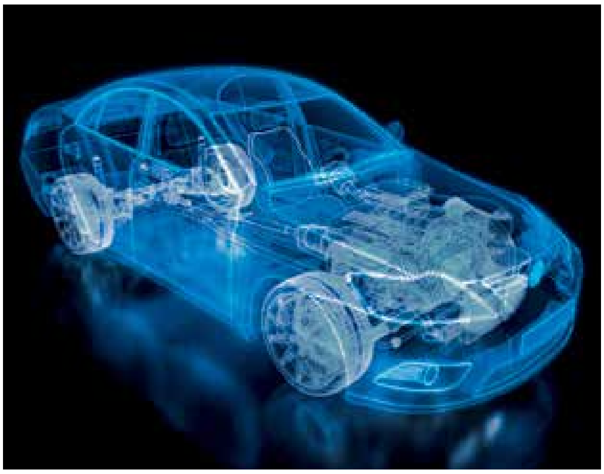
40 m

Development partnerships with customers or at sector level are a key to success.

The car of the future is based on lightweight construction

Less weight, less fuel consumption, lower CO_2 emissions – the automotive industry is putting its vehicles on a strict diet. However, this trend towards reduction should not be allowed to impact performance and safety. Striking this balance is something that directly affects us, as a producer and supplier of steel, the core element of any vehicle. As a consequence, our research and development activities for developing future-proof materials are considerable – for example, in the context of our "Lightweight Forging" research initiative.

Deutsche Edelstahlwerke and Swiss Steel joined this syndicate of companies from the steel and forging industries. Both industries share the goal of identifying potential for using lightweight powertrain and chassis components. The first phase of the project was devoted to passenger cars, and through a series of sub-projects in 2015, the initiative came up with potential weight savings of 99 kilogrammes in light commercial vehicles up to 3.5 tonnes. Now we are working together with automotive suppliers to evaluate which ideas can be implemented.



Special steel solutions enable high efficiency levels and security in automotive lightweight construction.

SCHMOLZ + BICKENBACH's Group-wide research activities are focused on energy efficiency and reducing CO_2 emissions.

We aim to generate sustainable profit as an innovative, global and diversified special steel group.

- Our product portfolio strategy is focused on high-quality products made of tool steel, stainless steel and engineering steel.
- We strive for further geographical diversification by leveraging our Group-wide know-how and culture of knowledge transfer.
- It is our express wish to continue growing with our customers in the future; working with them to tap into new markets and develop innovative products.
- Our medium-term target is an adjusted EBITDA margin of > 8% on average over an economic cycle.
- Our medium-term goals also include reducing our adjusted EBITDA leverage to < 2.5.

Edwin Eichler
Chairman of the
Board of Directors

Clemens Iller
CEO

Onwards

The fiscal year 2015 presented us with great challenges. The Board of Directors and Executive Board continued along the course set in spite of adverse conditions.

Dear shareholders,

In 2015, the Board of Directors continued to focus on consistently implementing the strategy of the SCHMOLZ + BICKENBACH Group. However, the headway we made was overshadowed by an increasingly difficult economic situation and is not reflected in the financial figures. This should not belie the fact that your company is in a significantly better position today than it was twelve months ago. The Group's strategic realignment has been completed, organisational structures have been adapted and processes have been optimised and – where necessary – redefined. We have successfully cleared these hurdles.

In-depth dialogue between Board of Directors and Executive Board

In the past fiscal year, we again stepped up dialogue between the Board of Directors and the Executive Board. This enables us to respond to changes in a complex and volatile business environment effectively and in good time. This responsiveness is essential if we are to succeed in positioning the SCHMOLZ + BICKENBACH Group as a leading provider of premium special long steel solutions and in closing the performance gap between us and our competitors in the medium and long term.

Invest in the future, strengthen innovation

We will continue to face challenges in 2016, but this does not affect just us. If we look beyond our Group, we can see that all steel companies the world over are struggling with the difficult market conditions. As a European producer, we will hardly ever be able to compete on price alone; instead, we can remain competitive only if we continue to be a leader in technology and innovation. This will allow us to maintain our position among the global market leaders in the high-tech steel niche in the long run. We described how we will tackle these challenges earlier in this report.

Thanks to our shareholders, employees, customers and business partners

The reporting year showed that we are capable of holding our own in a challenging environment. However, our shares were still affected by the uncertainty in the financial markets. Unfortunately, this resulted in losses on your investment. But you can rest assured that we are doing our utmost to sustainably improve our operating results and pave the way for rising share and bond prices. Allow me to thank you on behalf of the entire Board of Directors for your loyalty to our company, even in uncertain and volatile times. Thanks also to our employees, who put their heart and soul into helping your company achieve success. Last but not least, we have our customers and business partners to thank for our strong market position. We look forward to continuing these strong working relationships based on trust.

Edwin Eichler, Chairman of the Board of Directors

Technology keeps us one step ahead

Technology leadership and innovation are the cornerstones of our long-term success – and must be strengthened to meet the demands of today's challenging environment. We are working to achieve this, without neglecting to develop our operational strengths.

Dear shareholders,

2015 was an eventful year with many challenges. We made headway in spite of difficult conditions: we have a clear strategy, positioning ourselves as a production company and adapting our structures accordingly. Moreover, a number of initiatives and projects have been initiated to improve our internal processes, reduce costs and, as a result, secure our future.

Technology and innovation as drivers of sustainable growth

Despite the extremely challenging environment, your company is relatively well positioned in the international market. One of the main reasons for this is the Group's outstanding technological expertise and capacity for innovation. As a result of the extremely high technical demands placed on the materials, many customers place their trust in our special steels. This is why innovation is one of the key factors when it comes to keeping us at the forefront of our industry going forward.

Realignment largely completed

By selling a number of distribution entities, we have taken the final step towards becoming a provider of special steel solutions with an integrated sales and service network. In autumn, we completed the relocation of our headquarters to Lucerne, a process which included pooling our Group's functions. Unfortunately, some of our employees did not want to make the move to Lucerne, and I would once again like to thank them for their valuable work. On a more positive note, many new highly motivated employees have joined us, providing your company with continued forward impetus.

Process under way to define mission statement – vision, mission, values

Launched in 2015, the process to define our mission statement is a joint effort aimed at mastering the challenges of change in the global steel industry. The ONE GROUP – ONE GOAL initiative aims to establish a shared corporate culture across borders and business units. This includes harmonising and consolidating the vision and aims of the entire Group.

Steel industry facing troubled waters, business still marked by volatility

Revenue decreased by 6.6%, which resulted in adjusted EBITDA of EUR 169.6 million. Depreciation and amortisation in connection with the sale of the distribution entities led to a loss of EUR 166.8 million for the year. We will continue to face adverse conditions in 2016; however, last year we laid the foundation for sustainable future success. We will not let the current storm throw us off course.

Looking to the future together

To our esteemed shareholders: let me thank you for your long-standing support, even in such an extraordinarily difficult year as 2015. To our valued employees: let us continue to work together towards achieving our shared goals. And to our cherished customers and business partners: please keep trusting in us as your preferred supplier.

Glückauf!

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 tap into strategic growth markets, build on our leading position and expand our presence.

Business model

SCHMOLZ + BICKENBACH Group
Strategic Management Holding

Production

- Deutsche Edelstahlwerke
- Finkl Steel
- Steeltec
- Swiss Steel
- Ugitech

Sales & Services

SCHMOLZ + BICKENBACH International

More than 70 distribution and service branches in more than 30 countries

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 – tool steel, engineering steel and stainless 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. In 2015, our activities as part of this expansion strategy included opening a new distribution branch in Japan and stepping up our activities in China by opening a new storage location. Furthermore, we are planning to open further facilities in the coming year.

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 10% 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 partner. 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 is expected in turn to drive demand for special steel solutions in terms of both volume and value in the long term.
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.

www1.schmolz-bickenbach.com/en/group/group-structure/production/

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 as well as comprehensive pre-processing options, we offer our partners solutions tailored to their needs.
With our three materials groups engineering steel, tool steel and stainless steel, SCHMOLZ + BICKENBACH provides its international customers with a unique variety of dimensions – from drawn ultrafine wire with a diameter of 0.13 mm to open-die forgings weighing more than 54 tonnes, from semi-finished materials to customised prefabricated forms.

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
SCHMOLZ + BICKENBACH is a global leader in producing stainless steel. Stainless steel is resistant to corrosion, acids and extreme thermal stresses. It is strong but stretchable. 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.

Special materials
As an expert technical partner, SCHMOLZ + BICKENBACH develops innovative and customised special steel solutions for complex high-tech applications. The product range includes powder metallurgically produced, highly-alloyed metal-matrix composites and steels, special alloys for the dental sector as well as metal powder and continuous cast rods for deposition welding, coatings and 3-D printing. The fields of application for our special materials are diverse and constantly growing.

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.

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 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.

Concentrating on the core *Production* business

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 successfully implemented the planned streamlining of the portfolio with a view to concentrating on the core *Production* business. 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 a part of the *Sales & Services* division 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
> Outstanding expertise in products and applications, to offer our customers the best solutions
> Strong customer loyalty through technical application consulting, high quality of service as well as operating and functional reliability
> Global distribution network and the ability to offer our customers global supply chain solutions
> Low substitution pressure, since often only special long steel can incorporate 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.

Exploiting synergies and strengthening our market position

Our goal is to strengthen our market position by leveraging our internal potential. In addition to continuously improving our operating performance in the business units, we aim to fully exploit our strengths as a Group. This means consistently realising synergies and operate as a Group, both inside and out.

One component for achieving this strategic goal in the long term is a uniform Group-wide corporate identity. We developed a new corporate philosophy for the SCHMOLZ + BICKENBACH Group in 2015. A joint vision, mission and values were established, taking into account all business units, specialist departments and levels of the hierarchy. Our strategy is firmly anchored in our vision "We are the benchmark for special steel solutions", with our mission and values serving to point the way. The creation of a shared identity is an important step for the future and lays the foundation for a shared market presence and exploitation of potential synergies. We will use the coming year to firmly embed the new corporate identity in the organisation by means of specific projects and key performance indicators, and leverage the existing strengths in the business units for the Group.

In order to strengthen our market presence and our market position, we combined the North American subsidiaries Finkl & Sons, Composite Forgings and Sorel Forge and have been managing them as an integrated entity under the Finkl Steel name since April 2015. This means we are in an even better position to meet the needs of our customers in North America and ensure a more comprehensive product portfolio, better quality and service, and shorter delivery times.

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

Furthermore, expert teams are working on identifying and realising additional synergies as part of Group-wide initiatives. These initiatives mainly relate to procurement, energy efficiency, logistics, innovation management and R&D, personnel planning, and health and safety. Moreover, we implemented a new compliance management system for the entire SCHMOLZ + BICKENBACH Group and trained employees accordingly in the reporting period.

In addition, we implemented a new management information system based on the latest SAP HANA technology for the whole SCHMOLZ + BICKENBACH Group in mid-2015 in order to have faster central access to key financial indicators of the business units. Additional branches in the *Sales & Services* organisation were also integrated into our central SAP system.

At the same time, we pooled holding functions at our new Group headquarters in Lucerne in the second half of 2015. This makes for more straightforward information transfer between the individual functions and contributes to efficiently exploiting potential synergies.

We are confident that the measures mentioned above will allow us to realise cost savings, while expanding our market position.

Continuous operational improvements and cost cutting

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 related to cost-cutting and efficiency measures alone. The planned measures continued to be implemented in 2015 and were complemented by additional measures aimed at cutting costs with short-term effect in 2015.

The programme for optimising net working capital was relaunched for the SCHMOLZ + BICKENBACH Group in 2015. The project has got off to a successful start and the first measures have already been implemented.

In addition to systematically pursuing these programmes, we are constantly working on defining additional improvement measures and ideas to strengthen our position in the long term.

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

Management KPIs

In keeping with our sustainable strategic alignment, our corporate management focuses on key performance indicators that include:

> Absolute EBITDA contribution
> EBITDA margin
> Equity ratio
> Adjusted EBITDA leverage (ratio of net debt to adjusted EBITDA)
> ROCE

Economic situation and development of the key markets

2015 was a difficult year for the steel industry generally and also for SCHMOLZ + BICKENBACH. At least since the second half of 2015, the global steel industry has been in crisis. Crude steel production fell for the first time since 2009 by 2.6% and global demand for steel also dropped for the first time by 1.7% to 1513 million tonnes in 2015 following steady growth rates since 2009 according to the German Steel Federation (Wirtschaftsvereinigung Stahl) and the World Steel Association. One important cause of the negative development is the collapse of the Chinese steel market. Demand for steel there fell by more than 5% for the second consecutive year. Some of the resulting excess capacity was exported abroad and directly affected the market environment in our core markets in Europe and the USA. While import pressure increased, particularly in the segment of standard grade steel, the focus on special long steel and high-quality grades helped SCHMOLZ + BICKENBACH in this environment.

In addition to the difficult market situation, our business was also negatively impacted by further structural market developments in 2015.

> Commodity prices in 2015 experienced a substantial drop. Triggered by the excess supply on markets, prices for nickel fell by 42%, for molybdenum by 43%, for ferrochrome by 19% and for scrap by 34% over the course of the year. As a result, inventories had to be written down. On the sales side, pressure on prices increased, negatively impacting the gross margin.
> In North America, the key oil and gas sales segment experienced a dramatic collapse. The number of active wells in the USA/Canada fell by around 60%, triggered by the drop in the price of oil. While prior-year orders were still being processed at the beginning of the year, a serious decline in orders from the oil and gas sector was seen in the second half of the year.
> Due to our activities in Switzerland – Swiss Steel and Steeltec – SCHMOLZ + BICKENBACH was hit hard by the unpegging of the minimum EUR/CHF exchange rate by the Swiss National Bank in January 2015. Within a day, the exchange rate had collapsed from EUR/CHF 1.20 to EUR/CHF 0.99, with corresponding effects on the competitiveness of Swiss companies. We were able to counter this effect thanks to concessions made by employees and key customers as well as accompanying cost-cutting measures.

It is worth highlighting that the automotive sector, an important segment for SCHMOLZ + BICKENBACH, developed well in 2015. Global automotive production grew by 1%, with the key regions Europe and North America seeing considerably higher growth of 3%. The second segment of relevance, mechanical engineering, was stable in 2015 and remained at the high 2014 level.

Moderate growth in the eurozone, stagnation in the USA

The global economy lost momentum in 2015 and, with growth of 3.1%, fell short of the prior-year figure. While developed markets grew at a higher rate, the situation in emerging countries deteriorated. Economic growth in the sales markets in industrial nations, which are of particular economic importance to SCHMOLZ + BICKENBACH, stagnated year-on-year in 2015 (1.9% in 2015 vs. 1.8% in 2014).

The eurozone recorded growth of 1.5% in the reporting period, up 0.6 percentage points compared to the prior year. While GDP in Germany stagnated at the prior-year level at 1.5%, the other large economies saw considerable growth (France: 1.1% (prior year: 0.2%), Italy: 0.8% (prior year: –0.4%) and Spain: 3.2% (prior year: 1.4%)). The positive overall development in the eurozone was underpinned by the depreciation of the euro, the fall in oil prices and low interest rates.

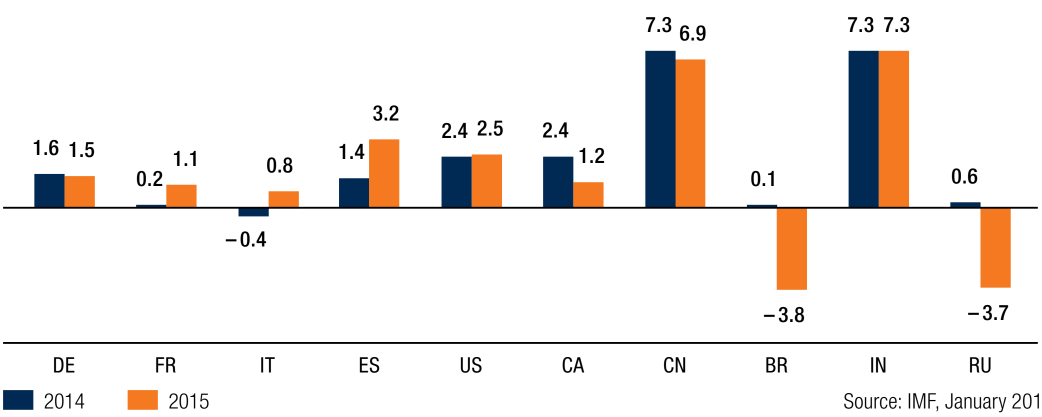
The economic output of the USA grew at a similar rate to the prior year and was up 2.5% (prior year: 2.4%). Growth was primarily driven by private consumption as a result of low unemployment. This compensated for unfavourable influencing factors such as the harsh winter and the collapse in the oil and gas industry.

Recession in emerging and developing countries

Global growth amounted to 4.0% in the emerging and developing countries in the reporting period. This represents a decrease of 0.6 percentage points on the prior year. In this context, emerging countries particularly struggled with the impact of declining commodity prices and the depreciation of their currencies. Development in the BRIC countries varied: In China, economic growth saw a further decline of 0.4 percentage points and, at 6.9%, growth fell below 7% for the first time since 1990. Russia's economy experienced a collapse and saw negative growth of –3.7%, mainly due to the sharp fall in the oil price, the depreciation of the rouble and sanctions imposed by the West (prior year: growth of 0.6%). Brazil also suffered a recession with a 3.8% decline in economic growth in 2015. With growth of 7.3%, India was the only country that was on par with the prior-year level, outperforming China for the first time.

GDP development in selected markets I 2014/2015

in %



Source: IMF, January 2016

Development of the steel market

The steel industry slid into crisis in the second half of 2015. Both crude steel production and demand for steel fell in 2015.

In the largest market, China, demand dropped by 5%. The resulting excess capacity was to a great extent exported, with some of it being offered at dumping prices. In total, China increased its steel exports by 20% in 2015. This means China's exports have doubled since 2012.

Demand was clearly negative not only in China, but also in the second-largest market, USA (–3%), Brazil (–12.8%), Russia (–10.4%) and Japan (–5.4%). By contrast, positive development was seen in the EU-28 with growth of 1.3%. The German market, an important market for SCHMOLZ+BICKENBACH, was no more than stable.

Stable development in both key customers' industries; oil and gas market under pressure

Our two main customers' industries, automotive and mechanical engineering, can look back on a stable year. The automotive sector again saw growth in the key markets in China, the USA and Europe compared to the already strong year 2014. Mechanical engineering continued to remain stable at the level of 2014. By contrast, the oil and gas industry suffered from the dramatic drop in the oil price, primarily in the second half of the year.

Automotive: slight increase in automotive production

Global automotive production grew by 1% in 2015. From a regional perspective, automotive production rose in Europe, China, North America and Southeast Asia by 3% in each case, and by 5% in the Middle East/Africa. By contrast, there was a sharp decline in Japan/Korea (–3%) and South America (–20%).

On the sales side, the global passenger car market developed very positively in 2015. Registrations of new vehicles in the two largest sales markets, China and the USA, set new records (up 9.1% and 5.8%, respectively); sales in the EU-28 also developed surprisingly well with growth of 9.3%.

Mechanical and plant engineering: stable market situation

The market proved stable in the four key mechanical engineering markets (China, the USA, Germany and Japan), which together account for around 70% of the global market. Adjusted for inflation, growth for each country amounted to between 0% and 2%. The German market, which is important for SCHMOLZ+BICKENBACH, remained at a high level, but was not able to gain further growth compared to 2014.

Fall in oil price reduces investment volume in oil and gas industry

The drop in oil prices has caused the oil and gas industry to significantly reduce its investments. Accordingly, the volume of steel deliveries in this sector suffered and decreased considerably.

Commodity prices – dramatic drop in 2015

Prices for key commodities needed by SCHMOLZ + BICKENBACH – mainly nickel, molybdenum and ferrochrome – were characterised by a sharp decline in 2015. Scrap prices also fell significantly over the course of the year. A primary cause of this was the prevailing excess supply, which is triggered by factors including the slowing economic growth in China and the associated lower demand for commodities.

Nickel is especially important for special steel production from both an economic and technical perspective. As an alloy element, nickel is required to increase corrosion protection and the strength of corrosion-resistant steel. After molybdenum, nickel is the next most expensive industrial metal. In 2015, the nickel price fell almost continuously from USD 14 880/tonne at the beginning of year, closing the year at USD 8 663 /tonne. This represents a decrease of around 42%. The nickel price thus reached its lowest level in ten years closing the year even lower than the figure seen in the crisis year 2009.

Molybdenum also experienced a drastic drop in prices. At the start of January, the price was still USD 20 500/tonne, and then fell constantly, with major price collapses in February, July and October, to a level of USD 10 250/tonne at the start of December. The price rallied slightly in December and closed the year at USD 11 750/tonne, its lowest level in more than ten years and around 43% below the figure at the beginning of the year.

The scrap price opened the year at EUR 255/tonne and remained largely stable until the start of June. The price fell steadily from the start of June and stood at just EUR 160/tonne at the start of November. Scrap prices recovered slightly from November onwards and closed the year at EUR 168/tonne, representing a decrease of 34%. This corresponds to an annual average of EUR 218/tonne and a decrease of around EUR 48/tonne on the average for 2014.

At USD 1 460/tonne at the end of 2015, the price for ferrochrome was also around 19% lower than at the beginning of the year. The alloys was at the level of 2009 at USD 1 800/tonne.

Development of the nickel price 2015

in 1 000 USD/tonne

Energy: drop of the oil and gas market with significant effects

The erosion of the price for oil, which already had begun in mid-2014, continued in 2015. At the start of the year, Brent crude cost USD 56 a barrel. Following a decline in January, the oil price rose at the start of May to the annual peak of USD 68/barrel, after which it fell continuously to close the year at USD 36/barrel. As a result, the oil price fell to one-third since mid-2014.

This drop in prices was driven by the excess supply on the crude oil market. The trigger was the increase in OPEC production, with the aim of regaining lost market shares. In addition, the appreciation of the US dollar negatively impacted the price of oil.

In 2015, the price erosion had a major impact on the oil and gas sector in North America, one of our key markets. The number of active wells in the USA/Canada fell by around 60% between the beginning and the end of the year. The negative development significantly impacted order volumes at suppliers, to such an extent that virtually no new orders were placed in the second half of the year.

Exchange rates – considerable depreciation of the euro against the Swiss franc and the US dollar

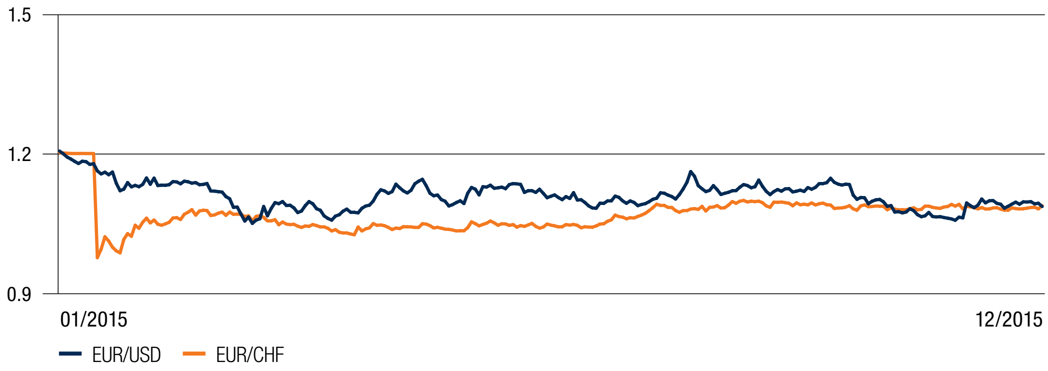
The currencies of relevance for the SCHMOLZ + BICKENBACH Group – the euro, Swiss franc and US dollar – fluctuated considerably in 2015.

On 15 January 2015 the Swiss National Bank discontinued the fixed exchange rate of EUR/CHF 1.20. Subsequently, the exchange rate collapsed within a day to EUR/CHF 0.99. The exchange rate recovered gradually over the course of the year and was EUR/CHF 1.09 at year-end.

The euro also lost considerable ground against the US dollar. Starting at EUR/USD 1.21, the exchange rate fell by around 7% in January and stood at just EUR/USD 1.13 at the start of February. The downward trend continued in February and March. The exchange rate reached its annual low of EUR/USD 1.04 in mid-March. After this, the exchange rate ranged between EUR/USD 1.06–1.13 and closed the year at EUR/USD 1.09, around 10% below the figure at the beginning of the year. The main reason for this is the varying monetary policies in the currency zones. While a stricter monetary policy was considered in the USA and the base interest was increased for the first time by 0.25% in December, the European Central Bank kept interest rates low with a view to stimulating growth in the eurozone.

Development of exchange rates 2015

in EUR/USD and EUR/CHF



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. Various leading banks and other financial institutions regularly observe, analyse and comment on the Company's development.

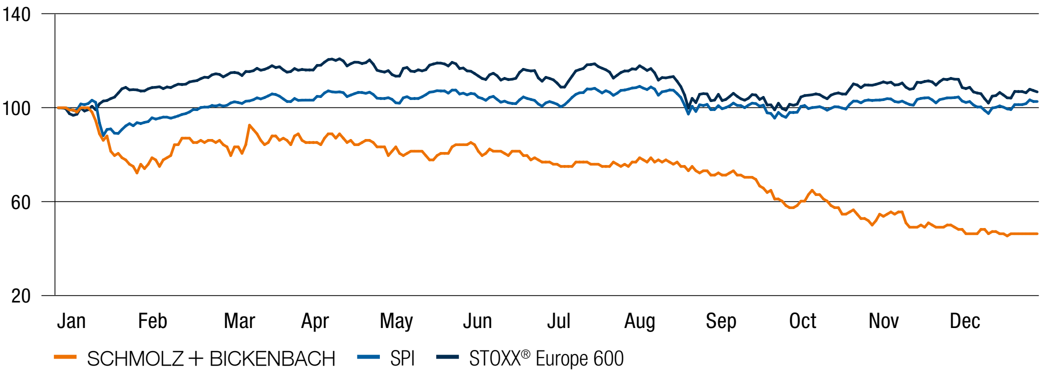
SCHMOLZ + BICKENBACH share price development in 2015

2015 was a year of high volatility on the stock markets. In the first half of the year, the expansive monetary policy worldwide, the robust economy in the industrial nations and lower energy prices led to an increase on stock markets, despite concerns regarding Greece and the escalating situation in the Middle East. One exception to this trend was the Swiss market, which came under enormous pressure in the wake of the discontinuation of the euro exchange rate floor, although it improved significantly over the first six months. Towards the middle of the year, the focus shifted to fears surrounding interest rates, the economy in China and doubts concerning the sustainability of the economic recovery in the USA. As a result, stock markets were lower well into the autumn, but recovered towards the end of the year, not least for seasonal reasons.

SCHMOLZ + BICKENBACH entered the year with a cautious outlook, as initial indications of a slowdown of the steel industry and unfavourable effects from the strength of the Swiss franc were already evident at the beginning of the year. This was influenced by an economic slowdown and growing uncertainty surrounding the further development of global economic growth. This cautious stance proved correct as the year continued. Forecasts for global steel consumption were also revised downward by industry associations on a regular basis. Dark clouds cast a shadow on the steel industry in the third and fourth quarters in particular.

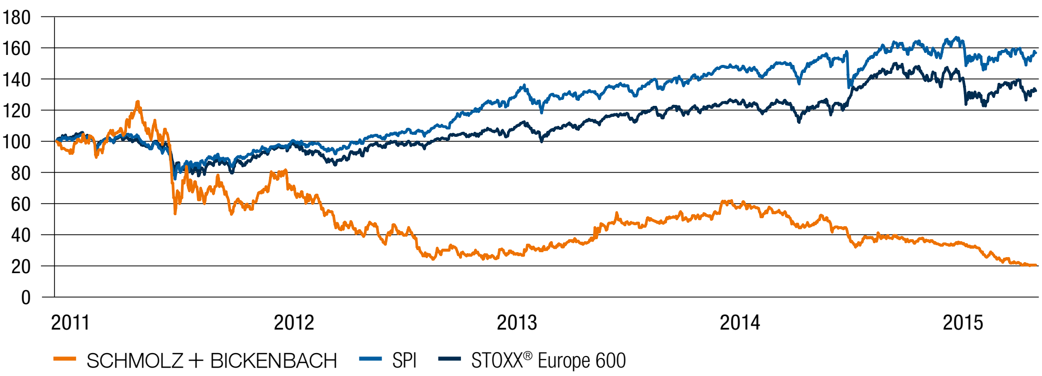
The SCHMOLZ + BICKENBACH share reached its annual peak of CHF 1.08 soon after the beginning of the year, but was then pushed down by more than 25% due to the unpegging of the minimum EUR/CHF exchange rate. The sale of distribution entities to JACQUET METAL SERVICE, which was well received by the capital market, helped the share price temporarily recover to CHF 1.00 in March. The extent of the drop over the remainder of the year, which ended with a closing price of CHF 0.50, was similar to that seen by our competitors. The sizeable price losses were mainly attributable to the unfavourable economic development, eroding commodity prices as well as the pressure on prices stemming from increasingly fierce competition and steel imports from outside Europe. As a result, the price slipped by around 53% in 2015. By comparison, the SPI rose by 2.7% and the STOXX® Europe 600 saw growth of 7.8%.

Development of share price from 1.1.2015 to 31.12.2015 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

Development of share price from 2011 to 2015 I SCHMOLZ + BICKENBACH share compared to Swiss Performance Index (indexed) and to STOXX® Europe 600 (indexed)



www1.schmolz-bickenbach.com/en/investor-relations/share/share-price-and-chart/

Key share figures	Unit	2011	2012	2013	2014	2015
Share capital	million CHF	413.4	413.4	472.5	472.5	472.5
Number of registered shares	shares	118 125 000	118 125 000	945 000 000	945 000 000	945 000 000
Market capitalisation, year-end	million CHF	633.0	338.0	1 040.0	1 021.0	472.5
Share price as at closing date	CHF	5.36	2.86	1.10	1.08	0.50
Share price, highest	CHF	12.00	7.80	1.34	1.51	1.08
Share price, lowest	CHF	4.81	2.28	0.58	1.00	0.49
Dividend per share	CHF	0.1	0.0	0.0	0.0	0.0
Total dividend	million CHF	11.8	0.0	0.0	0.0	0.0
Earnings per share	EUR/CHF	0.33/0.41	1.38/–1.66	–0.26/–0.32	0.05/0.06	–0.18/–0.19
Shareholders' equity per share	EUR/CHF	7.10/8.62	5.29/6.35	0.93/1.14	0.94/1.13	0.78/0.85

Dividend policy

In line with the long-term focus of the corporate strategy, SCHMOLZ + BICKENBACH will for the foreseeable future continue to use profits primarily to strengthen its balance sheet and repay debt. This approach will gradually increase the sustainable value of the Company. The dividend policy is subject to continuous review by the Board of Directors and may change in future. Generally, the Board of Directors makes an annual dividend proposal at the Annual General Meeting, taking into account the Company's goals, its current financial position and results of operations, any covenants in the financing agreements and future prospects. For 2015, the Board of Directors' proposal is not to distribute a dividend.

Analyst coverage

There are currently five analysts that regularly cover the SCHMOLZ + BICKENBACH share (as at March 2016), providing potential investors with independent views on SCHMOLZ + BICKENBACH present situation and future outlook. The following analysts regularly cover the share:

Financial institution	Analyst
Commerzbank	Ingo-Martin Schachel
Kepler Cheuvreux	Rochus Brauneiser
RBC Capital Markets	Ioannis Masvoulas
UBS	André Rudolf von Rohr
Zürcher Kantonalbank	Dr Martin Schreiber

Development of share price from 1.1.2015 to 31.12.2015 I SCHMOLZ + BICKENBACH share

in EUR

Investor Relations

Our Investor Relations activities in 2015 were once again dominated by road shows in the financial centres of Europe. The road shows took us to Frankfurt a.M., London and Zurich. We provided information about SCHMOLZ + BICKENBACH to almost 100 investors over around 15 road show days. In addition, we took we took part in six capital market conferences. Road show activities were complemented by numerous telephone calls with existing and potential investors as well as analysts. Coordinating preparation and publication activities for the interim reports and annual reports is another important aspect of our Investor Relations work. The key dates in our financial calendar are accompanied by press releases, presentations and conference calls, together with events for investors and analysts.

Financial calendar

24 March 2016	Annual Report 2016, Media and Analyst Conference
3 May 2016	2016 Annual General Meeting
20 May 2016	Q1 Report 2016, Investor Call
11 August 2016	Q2 Report 2016, Investor Call
15 November 2016	Q3 Report 2016, Investor Call

Contact

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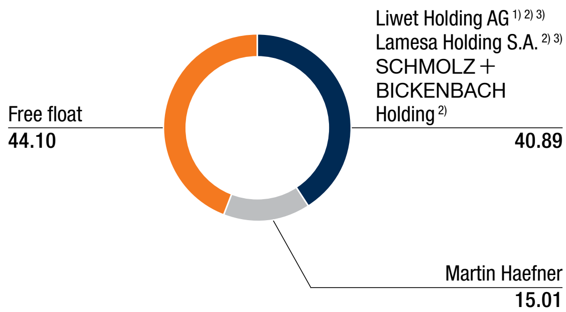
Shareholder structure

Share capital as at 31 December 2015 comprised 945 000 000 fully paid-up registered shares with a nominal value of CHF 0.50 each. In the reporting period, Mr. Martin Haefner increased his investment in the Group from 6.80% at the end of 2014 to 15.01% at the end of 2015. Together with SCHMOLZ + BICKENBACH GmbH & Co. KG, Mr Viktor F. 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. The shares and purchase rights held by SCHMOLZ + BICKENBACH GmbH & Co. KG are held indirectly via SCHMOLZ + BICKENBACH Holding. These are held indirectly via 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.

Overview shareholder structure as at 31.12.2015

in %



See p. 75

[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 balance sheet as at 29.12.2014.

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

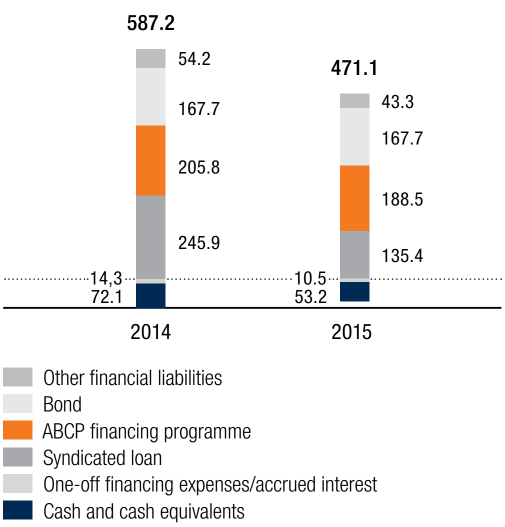
[3] As at 31.12.2014, Venetos Holding AG, Switzerland, and Renova Industries Ltd., Bahamas, were direct shareholdings. The beneficial owners do not change.

Financing

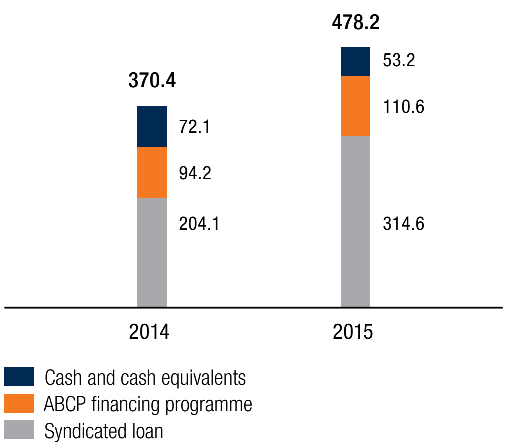
SCHMOLZ + BICKENBACH financing structure is built on three main pillars: a syndicated loan, an ABCP financing programme and a corporate bond.
SCHMOLZ + BICKENBACH successfully refinanced the syndicated loan and ABCP financing programme in June 2014. The new revolving loan facility of EUR 450 million – once again a syndicated loan – and the EUR 300 million 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 significantly by a term of five years ending April 2019. The Company also secured better structural conditions for both financing lines.

In the course of the sale of distribution entities, one company left the ABCP financing programme in the third quarter of 2015. Two US entities joined the agreement during the same period. At EUR 230 million and USD 75 million, the amounts of the current programme remain virtually unchanged.

Net debt as at 31.12.2015
in million EUR



Financial headroom as at 31.12.2015
in million EUR



Unused financing lines and freely disposable funds come to around EUR 478 million as at 31 December 2015, 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.

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 31 December 2015, the bond was priced at 85.50%, giving an effective yield of 15.6%.

Key bond facts and figures

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 date	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+	negative	19 October 2015

BUSINESS DEVELOPMENT OF THE GROUP

Sales volumes in 2015 were lower than in the prior year on account of considerable declines in the oil and gas business; revenue decreased more than sales volumes due to the sharply falling commodity prices. Measures aimed at improving earnings were continued and expanded.

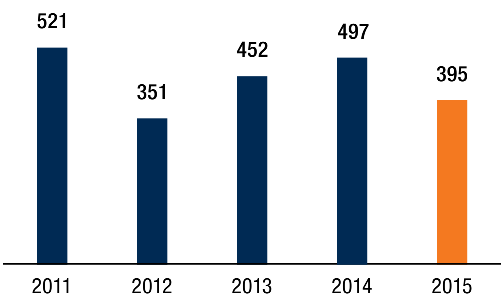
Key figures on results of operations	2015	2014	Change on prior year %	Q4 2015	Q4 2014	Change on prior year %
in million EUR						
Sales volume (kilotonnes) [1]	1 763	1 829	–3.6	401	418	–4.1
Revenue [1]	2 679.9	2 869.0	–6.6	571.3	677.5	–15.7
Adjusted EBITDA [1]	169.6	256.6	–33.9	40.6	64.6	–37.2
Operating profit before depreciation and amortisation (EBITDA) [1]	159.0	246.6	–35.5	36.2	60.3	–40.0
Adjusted EBITDA margin (%) [1]	6.3	8.9	–29.2	7.1	9.5	–25.3
EBITDA margin (%) [1]	5.9	8.6	–31.4	6.3	8.9	–29.2
Operating profit (EBIT) [1]	34.9	130.2	–73.2	5.4	31.3	–82.7
Earnings before taxes (EBT) [1]	–11.0	79.6	<–100	–5.0	14.5	<–100
Earnings after taxes [1]	–35.4	52.0	<–100	–14.9	7.9	<–100
Net income (loss) (EAT)	–166.8	50.0	<–100	–15.1	4.2	<–100

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

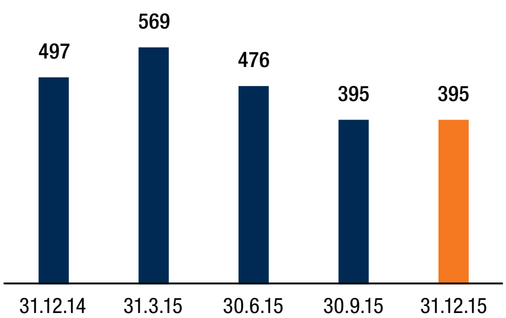
General economic situation

Business development in 2015 was characterised by continually declining commodity prices, in particular for scrap and nickel. This resulted in significantly lower revenue. In addition, a drastic decline in the oil price led to considerable decreases in our business with special steels for the oil and gas industry. Increasing competitive pressure from China and India also caused pressure on margins. As a result, earnings after taxes decreased from EUR 50.0 million to EUR –166.8 million, taking deconsolidation effects of EUR 128.3 million into account.

Order backlog 2011–2015
in kt



Order backlog 31.12.2014–31.12.2015
in kt



Discontinued operations deconsolidated as at 22 July 2015

With the conclusion of the agreement with JACQUET METAL SERVICE 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 128.3 million will continue to be disclosed separately in the income statement. The prior-year figures were restated accordingly. Similarly, 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.

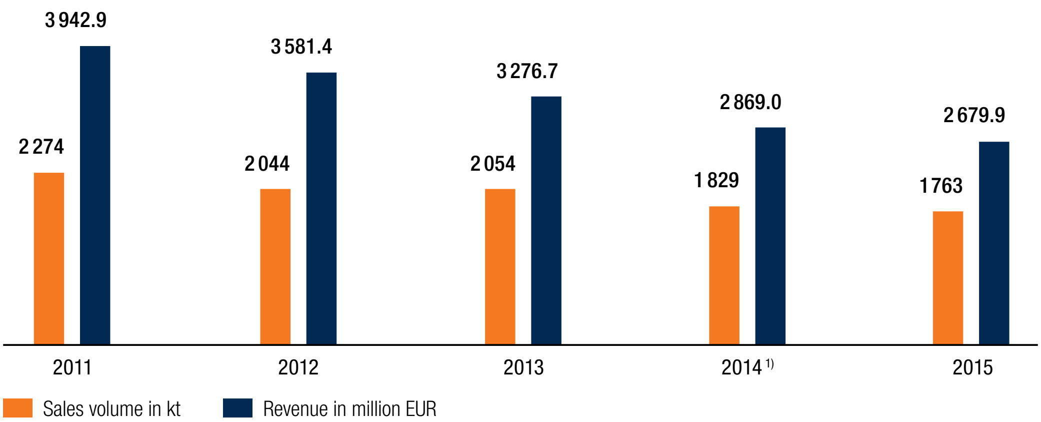
Order situation in decline

The fall in order intake, which became apparent as early as the beginning of the year, continued in the fourth quarter, albeit at a slower pace. Overall, order intake fell 15.7% short of the prior-year figure in fiscal year 2015. The order backlog decreased correspondingly over the course of the year and came to 395 kilotonnes as at 31 December 2015 (2014: 497 kilotonnes). It was thus 20.5% down on the prior-year figure.

The volume of crude steel produced at our plants was therefore adjusted to the lower demand and amounted to 1 907 kilotonnes for the year as a whole (2014: 2 014 kilotonnes).

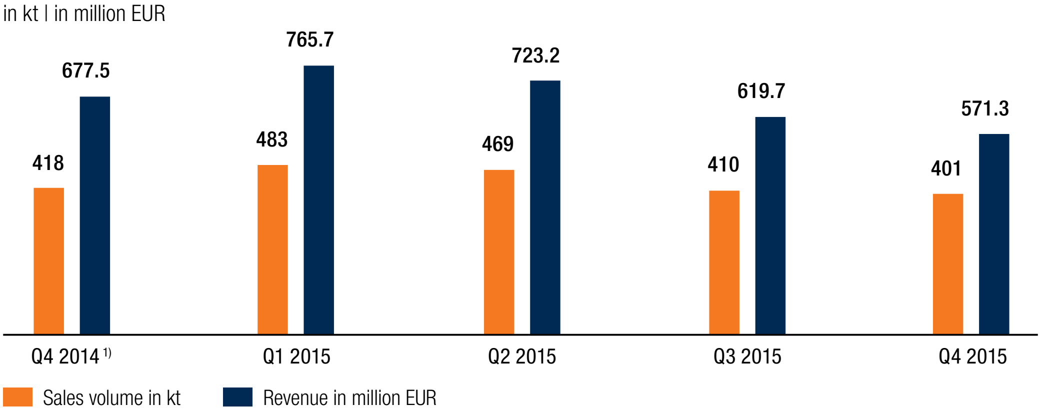
Sales volume and revenue 2011 – 2015

in kt I in million EUR



Sales volume and revenue Q4 2014 – Q4 2015

in kt I in million EUR



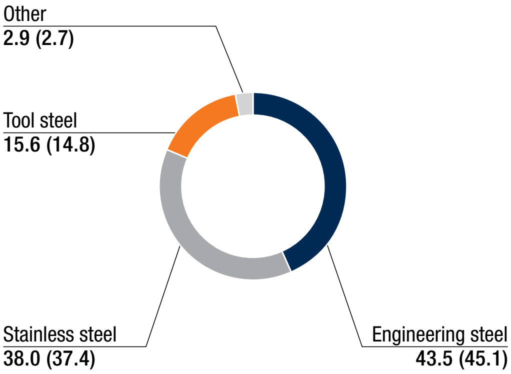
1) Restated due to the classification (as at 31.3.2015) and deconsolidation (as at 22.7.2015) of the discontinued operations.

Sales volume and revenue down

Due to the weak market environment, that became even more pronounced in the second half of the year, we had to contend with a decrease in sales of 66 kilotonnes or 3.6% to 1 763 kilotonnes in fiscal year 2015 (2014: 1 829 kilotonnes) and a decrease of 17 kilotonnes or 4.1% to 401 kilotonnes in the fourth quarter (Q4 2014: 418 kilotonnes). In addition, the continuing fall in prices for scrap and alloying elements, particularly in the second half of the year, and further pressure on base prices resulted in lower revenue. Compared to the prior year, revenue decreased by EUR 189.1 million or 6.6% to EUR 2 679.9 million (2014: EUR 2 869.0 million) and by EUR 106.2 million or 15.7% to EUR 571.3 million compared to the prior-year quarter (Q4 2014: EUR 677.5 million).

Revenue by product group 2015

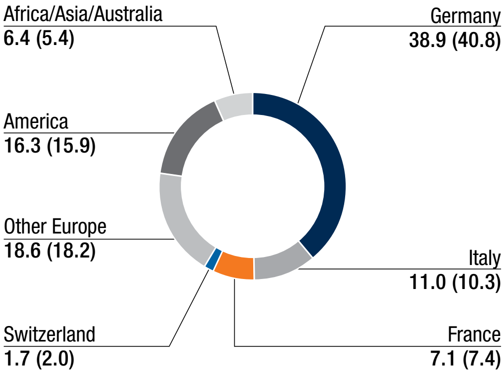
in %



Revenue | Compared to 2014 [1] (in brackets)

Revenue by region 2015

in %



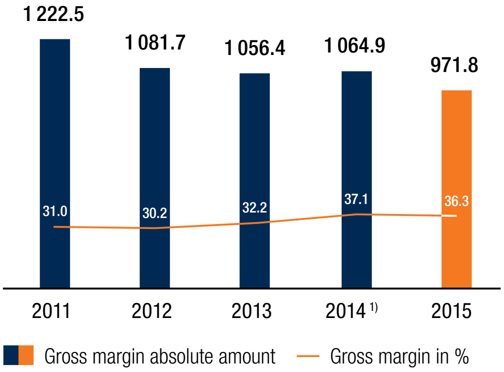
Revenue | Compared to 2014 [1] (in brackets)

[1] Restated due to the classification (as at 31.3.2015) and deconsolidation (as at 22.7.2015) of the discontinued operations.

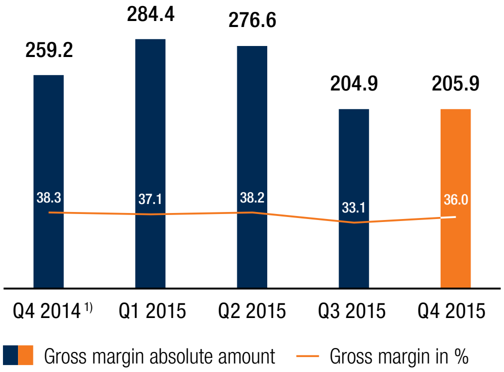
The development of revenue was characterised by declines in nearly all regions. In 2015 as a whole, we had to contend with a year-on-year decrease in revenue of 8.2% in Europe, while revenue in the Americas region saw a decline of just 4.0%, partly due to exchange rates. In Asia/Africa/Australia, by contrast, revenue growth of 9.0% was achieved from a comparatively low level, although this revenue increase primarily stemmed from South Korea and India.

Although both sales and revenue decreased in all significant product groups, there was a slight overall shift towards higher-margin products such as tool steel and stainless steel. As a result, tool steel accounted for around 15.6% of total revenue in 2015 (2014: 14.8%) and stainless steel accounted for 38.0% (2014: 37.4%). Correspondingly, the share in revenue of engineering steel products with slightly lower margins decreased from 45.1% to 43.5%.

Gross margin absolute amount and in %
2011–2015
in million EUR | in %



Gross margin absolute amount and in %
Q4 2014–Q4 2015
in million EUR | in %



[1)] Restated due to the classification (as at 31.3.2015) and deconsolidation (as at 22.7.2015) of the discontinued operations.

Absolute and percentage gross margin down

Adjusted for the change in semi-finished and finished products, cost of materials came to EUR 365.4 million in the fourth quarter – a decrease on the prior-year level (Q4 2014: EUR 418.3 million). Compared to the prior year as a whole, cost of materials fell by EUR 96.0 million or 5.3% to EUR 1 708.1 million (2014: EUR 1 804.1 million). This is due to declining margins and lower commodity prices.

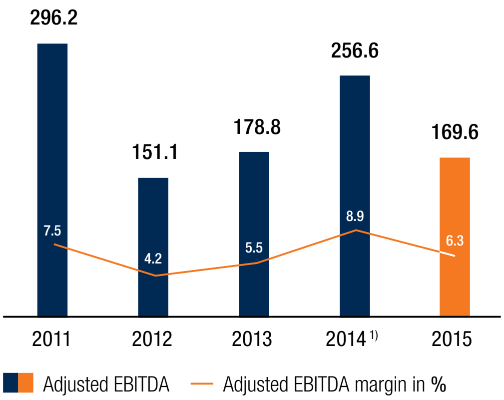
The resulting absolute gross margin decreased by EUR 53.3 million or 20.6% to EUR 205.9 million in the fourth quarter (Q4 2014: EUR 259.2 million) and by EUR 93.1 million or 8.7% to EUR 971.8 million (2014: EUR 1 064.9 million) for the year as a whole. Despite the slightly improved revenue structure, the growing pressure on base prices resulted in a decline in the percentage gross margin, which came to 36.0% in the fourth quarter (Q4 2014: 38.3%) and 36.3% for the year as a whole (2014: 37.1%).

At EUR 18.7 million in the fourth quarter, other operating income increased by EUR 3.5 million or 23.0% on the figure for the prior-year quarter (Q4 2014: EUR 15.2 million). Other operating income for the year as a whole rose by EUR 9.0 million or 25.0% on the prior year (2014: EUR 36.0 million) to EUR 45.0 million. This is mainly attributable to higher rental income and own work capitalised.

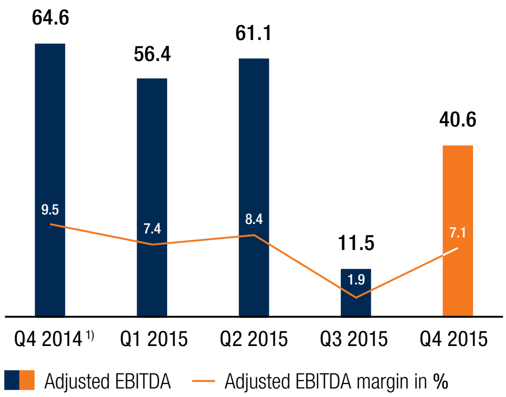
Personnel costs increased by EUR 11.2 million or 8.4% to EUR 121.9 million in the fourth quarter (Q4 2014: EUR 133.1 million) and by EUR 6.2 million or 1.1% to EUR 551.9 million for the year as a whole (2014: EUR 545.7 million). The increase in personnel costs in the reporting period is largely attributable 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 91 to 8 910 (2014: 9 001).

At EUR 66.5 million in the fourth quarter of 2015 (Q4 2014: EUR 81.0 million), other operating expenses were EUR 14.5 million or 17.9% down on the figure for the prior-year quarter. For the year as a whole, the figure decreased by EUR 2.7 million or 0.9% to EUR 305.9 million (2014: EUR 308.6 million).

EBITDA and EBITDA margin (both adjusted) 2011 – 2015
in million EUR | in %



EBITDA and EBITDA margin (adjusted respectively) Q4 2014 – Q4 2015
in million EUR | in %



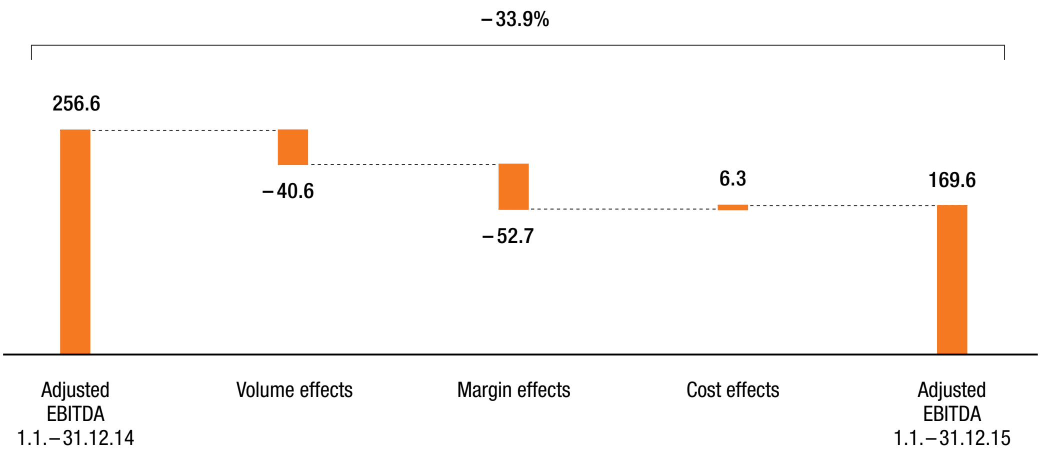
1) Restated due to the classification (as at 31.3.2015) and deconsolidation (as at 22.7.2015) of the discontinued operations.

EBITDA and EBITDA margin down on the prior year

The operating profit before depreciation and amortisation (EBITDA) decreased by EUR 87.6 million or 35.5% to EUR 159.0 million in 2015 as a whole (2014: EUR 246.6 million) and by EUR 24.1 million or 40.0% to EUR 36.2 million in the fourth quarter (Q4 2014: EUR 60.3 million). The EBITDA margin fell to 5.9% for the year as a whole (2014: 8.6%) and to 6.3% in the fourth quarter (Q4 2014: 8.9%).

Individual restructuring measures, the implementation of our new strategy and other special effects resulted in net non-recurring expenses of EUR 10.6 million (2014: EUR 10.0 million), which were deducted to give adjusted EBITDA. This resulted in adjusted EBITDA of EUR 169.6 million (2014: EUR 256.6 million), down EUR 87.0 million or 33.9% compared to the prior year. The adjusted EBITDA margin decreased 6.3% (2014: 8.9%). Adjusted EBITDA came to EUR 40.6 million in the fourth quarter (Q4 2014: EUR 64.6 million), representing a decrease of EUR 24.0 million or 37.2% on the prior year figure. The adjusted EBITDA margin fell to 7.1% in the fourth quarter of 2015 (Q4 2014: 9.5%).

EBITDA bridge
in million EUR



The table below provides a breakdown by division and expense category of the net special effect recorded in 2015:

in million EUR	Cost of materials	Personnel costs	Other operating expenses	Other operating income	Total adjustment
Production	0.0	2.7	0.1	–0.9	1.9
Sales & Services	0.2	1.6	0.5	0.0	2.3
Other	0.0	0.6	5.8	0.0	6.4
Total	**0.2**	**4.9**	**6.4**	**–0.9**	**10.6**

Depreciation, amortisation and impairment up slightly

Depreciation, amortisation and impairment slightly exceeded the prior-year level with EUR 30.8 million in the fourth quarter (Q4 2014: EUR 29.0 million) and EUR 124.1 million for the year as a whole (2014: EUR 116.4 million). This development is mainly attributable to high investments. This item includes non-recurring impairment losses on trademarks of EUR 2.2 million. This resulted in lower earnings before interest and taxes (EBIT) of EUR 5.4 million in the fourth quarter (Q4 2014: EUR 31.3 million) and of EUR 34.9 million for the year as a whole (2014: EUR 130.2 million).

Interest expense on financial liabilities in decline

The improved interest terms for the refinancing concluded in June 2014 are reflected in interest expenses on financial liabilities, which decreased by EUR 8.8 million or 18.8% compared to the same period of the prior year to EUR 38.0 million (2014: EUR 46.8 million). As a result, it was possible to compensate for the negative effects from marking embedded derivatives to market and reduce the net financial expense by EUR 4.7 million or 9.3% to EUR 45.9 million (2014: EUR 50.6 million)

Loss from continuing operations

As a consequence of the matters presented above, earnings before taxes (EBT) decreased in comparison to the prior year by EUR 19.5 million to EUR –5.0 million (Q4 2014: EUR 14.5 million) and by EUR 90.6 million to EUR –11.0 million (2014: EUR 79.6 million). At EUR 24.4 million tax expense was EUR 3.2 million or 11.6% down on the prior-year figure of EUR 27.6 million. As a result, earnings after taxes from continuing operations saw a total decrease of EUR 87.4 million to EUR –35.4 million in 2015 (2014: EUR 52.0 million).

Profit/loss from discontinued operations affected by loss on disposal

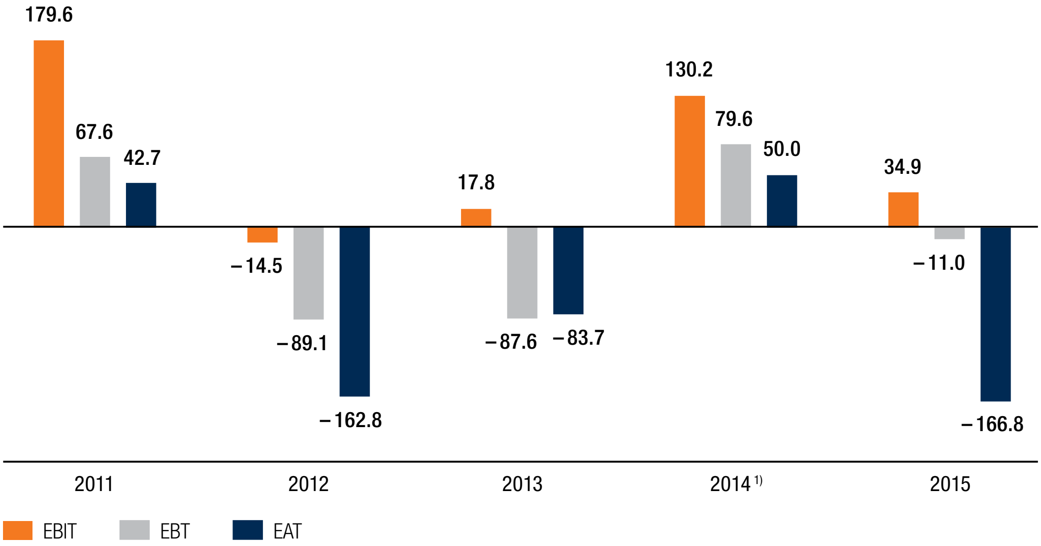
At EUR –3.1 million (2014: EUR –2.0 million), earnings after taxes from ordinary activities of the discontinued operations generated prior to deconsolidation were EUR 1.1 million down on the figure for the same period of the prior year. As part of the first-time classification as discontinued operations, 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. The loss on disposal resulting from deconsolidation came to EUR 128.3 million as at 31 December 2015. As a result, overall earnings after taxes from discontinued operations came to EUR –131.4 million (2014: EUR –2.0 million).

Negative earnings after taxes

Due to the loss from the discontinued operations and the low income of the continuing operations from the third quarter of 2015 onwards, the Group's net income (loss) (EAT) was down on the prior-year figure of EUR 50.0 million at EUR – 166.8 million. Earnings per share decreased to EUR – 0.18 (2014: EUR 0.05).

EBIT, EBT and EAT 2011 – 2015

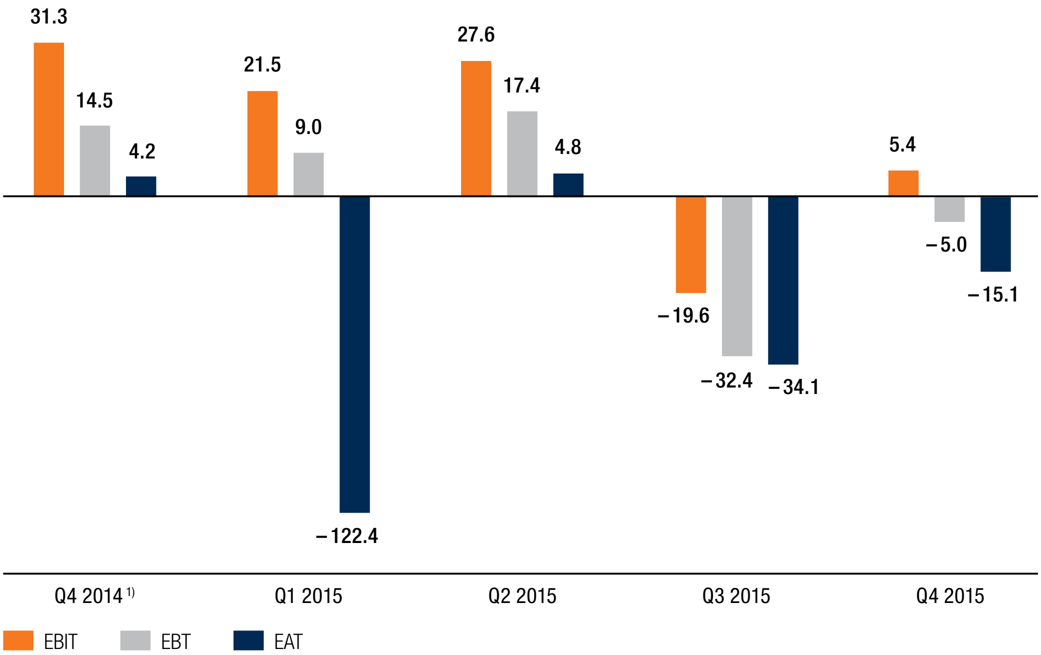
in million EUR



1) Restated due to the classification (as at 31.3.2015) and deconsolidation (as at 22.7.2015) of the discontinued operations.

EBIT, EBT and EAT Q4 2014 – Q4 2015

in million EUR



1) Restated due to the classification (as at 31.3.2015) and deconsolidation (as at 22.7.2015) of the discontinued operations.

BUSINESS DEVELOPMENT OF THE DIVISIONS

Production Division

Revenue decline and lower earnings in a difficult market environment

Key figures of the Production Division	2015	2014	Change on prior year %	Q4 2015	Q4 2014	Change on prior year %
in million EUR						
Revenue	2 452.8	2 668.6	–8.1	514.8	628.4	–18.1
Adjusted EBITDA	156.9	240.5	–34.8	38.2	64.2	–40.5
Operating profit before depreciation and amortisation (EBITDA)	155.0	236.7	–34.5	36.1	62.9	–42.6
Adjusted EBITDA margin (%)	6.4	9.0	–28.9	7.4	10.2	–27.5
EBITDA margin (%)	6.3	8.9	–29.2	7.0	10.0	–30.0
Operating profit (EBIT)	39.2	126.9	–69.1	7.6	35.7	–78.7
Capital employed	1 433.0	1 577.5	–9.2	–	–	–
Investments	115.5	93.0	24.2	56.5	38.5	46.8
Operating free cash flow	220.2	84.1	161.8	115.8	84.2	37.5
Employees as at closing date (positions)	7 546	7 720	–2.3	–	–	–

The *Production* Division encompasses the business units Deutsche Edelstahlwerke, Finkl Steel, Steeltec, Swiss Steel and Ugitech. These companies produce tool steel, stainless steel, engineering steel and special materials for sale to third parties directly or to the *Sales & Services* Division of the SCHMOLZ + BICKENBACH Group.

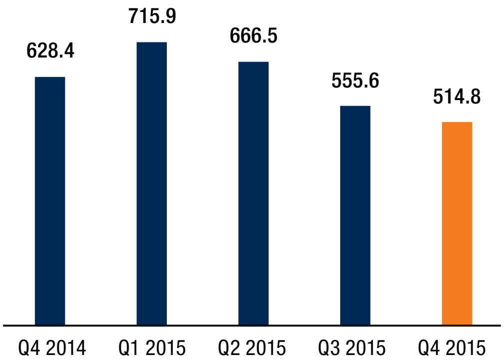
With a 3.9% decline in sales, the *Production* Division faced a decrease in revenue of EUR 215.8 million or 8.1% decrease in revenue to EUR 2 452.8 million (2014: EUR 2 668.6 million). Revenue decreased similarly in the Europe and Americas regions (–8.7% and –9.5%, respectively). The main drivers of this development were the declining prices for scrap and nickel as well as decreases in the oil and gas business on account of the sharp drop in crude oil prices, which adversely affected our business in North America after a very good prior year.

10.3% of this decline pertains mainly to engineering steel, while tool steel decreased by just 4.2% and stainless steel by 7.2%. The fall in scrap and alloy prices naturally caused a disproportionately large decrease in revenue from the lower-priced engineering steel products.

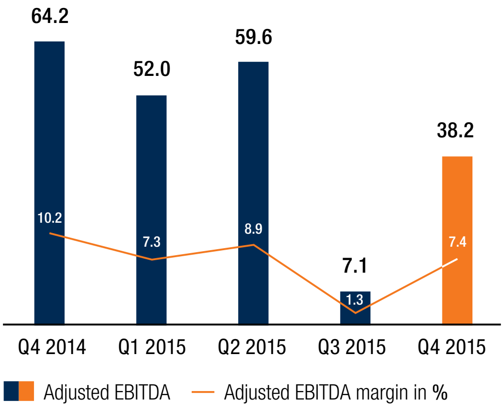
Compared to the prior year, adjusted EBITDA in the *Production* Division decreased by EUR 83.6 million or 34.8% to EUR 156.9 million (2014: EUR 240.5 million). The adjusted EBITDA margin thus decreased 6.4% (2014: 9.0%). The adjustment effects stem mainly from restructuring provisions and consulting fees, leading to net extraordinary expenses in the *Production* Division of EUR 1.9 million (2014: EUR 3.8 million), which were deducted to give adjusted EBITDA. Including these special effects, operating profit before depreciation and amortisation (EBITDA) stood at EUR 155.0 million, down EUR 81.7 million or 34.5% on the prior-year figure (2014: EUR 236.7 million). The EBITDA margin decreased accordingly compared to the prior year to 6.3% (2014: 8.9%).

The significant deterioration of earnings stems from decreases in volumes, in particular in the high-margin oil and gas business, as well as the increasing pressure on prices, especially due to the influx of Chinese and Indian products on the European market, and the development of commodity prices.

Revenue *Production*
Q4 2014 – Q4 2015
in million EUR



EBITDA and EBITDA margin (adjusted respectively)
Production Q4 2014 – Q4 2015
in million EUR | in %



Continuation of existing investments in state-of-the-art technology and industrial safety

Investment activity focused on maintaining and modernising existing production capacity in 2015. A significant portion of the *Production* Division's EUR 115.5 million investment budget (2014: EUR 93.0 million) was spent on replacing existing plant and machinery as part of ongoing efforts to improve efficiency and at the same time meet higher requirements regarding environmental protection and safety in the workplace.

At Deutsche Edelstahlwerke GmbH, further investments were made to build a new cool bed for our combi mill in Siegen and to expand production of stainless valve steel. In addition, a slag disposal site was acquired in Siegen. Initial investments were made in the "Quenching from the rolling heat" project, which will significantly increase product quality and energy efficiency. At Steeltec GmbH in Düsseldorf, the expansion of the XT plant has largely been completed. This will enable production of bright steel with new, sophisticated product attributes in future.

Sales & Services Division

Implementation of the new sales strategy in Italy and France

Key figures of the Sales & Services Division [1]	2015	2014	Change on prior year %	Q4 2015	Q4 2014	Change on prior year %
in million EUR						
Revenue	543.5	496.9	9.4	117.3	124.0	–5.4
Adjusted EBITDA	19.6	23.7	–17.3	3.0	3.5	–14.3
Operating profit (loss) before depreciation and amortisation (EBITDA)	17.4	22.2	–21.6	2.0	3.2	–37.5
Adjusted EBITDA margin (%)	3.6	4.8	–25.0	2.6	2.8	–7.1
EBITDA margin (%)	3.2	4.5	–28.9	1.7	2.6	–34.6
Operating profit (loss) (EBIT)	12.8	18.0	–28.9	0.9	2.1	–57.1
Capital employed	159.2	145.3	9.6	–	–	–
Investments	3.5	2.8	25.0	1.5	0.9	66.7
Operating free cash flow	4.2	23.7	–82.3	22.3	11.8	89.0
Employees as at closing date (positions)	1 252	1 179	6.2	–	–	–

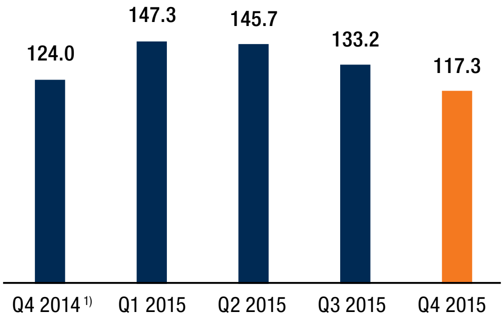
[1] Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the respective entities as at 22.7.2015, the figures for the reporting period now refer only to continuing operations. The prior-year figures were restated accordingly (except capital employed).

Revenue in the *Sales & Services* Divisions, which is generated from trading and service activities in Germany, other European countries and the rest of the world, fell by EUR 46.6 million or 9.4% to EUR 543.5 million in 2015 compared to the prior year (2014: EUR 496.9 million). This includes revenue growth of EUR 25.8 million resulting from the implementation of the *Sales & Services* strategy from the reclassification of business activities from the *Production* Division to the *Sales & Services* Division. This was especially visible in the increase in revenue in France and Italy. Furthermore, it was possible to increase revenue in particular in China and India as well as in Arab countries.

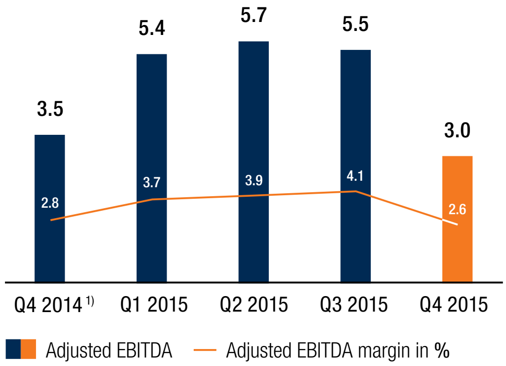
The *Sales & Services* Division increased its sales volumes and revenue (partly due to exchange rates) in all significant product groups, with the product mix shifting slightly towards engineering steel compared to the prior year due to the distribution activities transferred from the *Production* Division.

By contrast, adjusted EBITDA decreased by EUR 4.1 million or 17.3% to EUR 19.6 million (2014: EUR 23.7 million) compared to the prior year. This is partly due to exchange rate losses realised, which place a burden on our operating result. Moreover, lower replacement costs had a negative impact on the result. Initiated cost-cutting programmes were unable to fully compensate for these special effects. The adjusted EBITDA margin declined from 4.8% in the prior year to 3.6%. Including the net special effect for restructuring measures and other special projects totalling EUR 2.2 million (2014: EUR 1.5 million) relating to the *Sales & Services* Division, operating profit before depreciation and amortisation (EBITDA) came to EUR 17.4 million (2014: EUR 22.2 million), a decrease of EUR 4.8 million or 21.6% on the prior year. The EBITDA margin thus also decreased to 3.2% (2014: 4.5%). Due to seasonal effects, revenue and earnings in the fourth quarter fell short of the preceding quarters, as expected.

Revenues *Sales & Services*
Q4 2014 – Q4 2015
in million EUR



EBITDA and EBITDA margin (both adjusted)
Sales & Services Q4 2014 – Q4 2015
in million EUR | in %



[1] Restated due to the classification (as at 31.3.2015) and deconsolidation (as at 22.7.2015) of the discontinued operations.

Continued investment in the new organisational structure

Investments increased slightly on the prior year to EUR 3.5 million (2014: EUR 2.8 million) and relate mainly to the replacement and expansion of pre-processing capacities at local companies. Ongoing implementation of the new organisational structure continued with pooling of our existing trade activities in France and Italy. *Sales & Services* combines all the distribution activities under central management and concentrates more on the sale of the Group's own products.

FINANCIAL POSITION AND NET ASSETS

The primary financial management goal is to create an adequate capital base to support the Group's sustainable growth. Liquidity requirements are primarily assured through the central syndicated loan, the corporate bond and the ABCP financing programme. A central cash pool is used to provide Group companies with the liquidity they need worldwide.

Key figures on the financial position and net assets	Unit	2011	2012	2013	2014	2015	Change on prior year %
Shareholders' equity	million EUR	844.2	633.0	889.9	900.9	750.6	–16.7
Equity ratio	%	30.9	26.2	37.4	35.9	35.6	–0.8
Net debt [2]	million EUR	860.4	902.8	610.1	587.2	471.1	–19.8
Gearing [2]	%	101.9	142.6	68.6	65.2	62.8	–3.7
Net working capital [2]	million EUR	1 064.8	1 006.0	949.5	992.3	690.8	–30.4
Total assets	million EUR	2 730.6	2 417.1	2 377.5	2 509.6	2 109.0	–16.0
Cash flow before changes in net working capital [1]	million EUR	330.6	103.6	123.3	198.9	116.2	–42.8
Cash flow from operating activities of continuing operations [1]	million EUR	305.9	168.8	167.8	157.6	290.7	82.9
Cash flow from investing activities of continuing operations [1]	million EUR	–114.3	–124.8	–94.1	–92.4	–111.7	–18.2
Free cash flow from continuing operations [1]	million EUR	191.6	44.0	73.7	65.2	179.0	174.5
Depreciation and amortisation [1]	million EUR	116.6	122.2	121.5	116.4	121.9	4.7
Investments [1]	million EUR	125.6	141.0	105.7	97.3	161.9	66.4

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

[2] Following reclassification of the discontinued operations as at 31.3.2015 and deconsolidation of the respective entities as at 22.7.2015, the figure for the reporting period now refers only to continuing operations. The prior-year figures were not restated and continue to include all operations.

Financial situation

Shareholders' equity down due to negative earnings after taxes

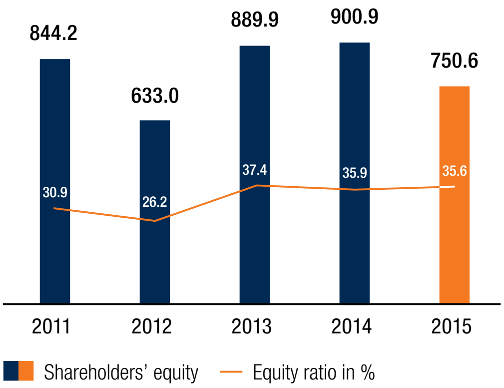
The negative earnings after taxes caused shareholders' equity to fall by EUR 150.3 million or 16.7% to EUR 750.6 million in the reporting period (2014: EUR 900.9 million). With the fall in total assets to EUR 2 109.0 million (2014: EUR 2 509.6 million), the equity ratio decreased to 35.6% (2014: 35.9%).

Decrease in net debt

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 471.1 million, a fall of EUR 116.1 million or 19.8% on the prior-year figure of EUR 587.2 million. The decrease is mainly attributable to the significant reduction of net working capital. Although shareholders' equity is also down, there was a slight decrease in the gearing, which expresses the ratio of net debt to shareholders' equity, from 65.2% in the prior year to 62.8%.

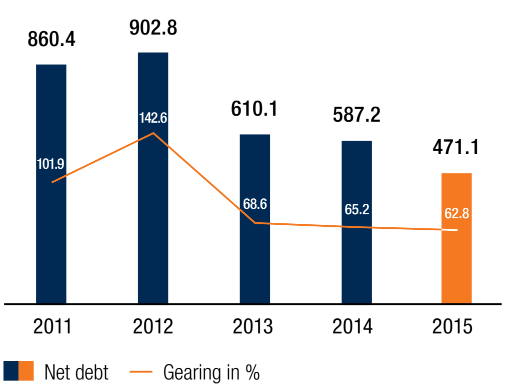
Shareholders' equity and equity ratio 2011 – 2015

in million EUR I in %



Net debt and gearing 2011 – 2015

in million EUR I in %



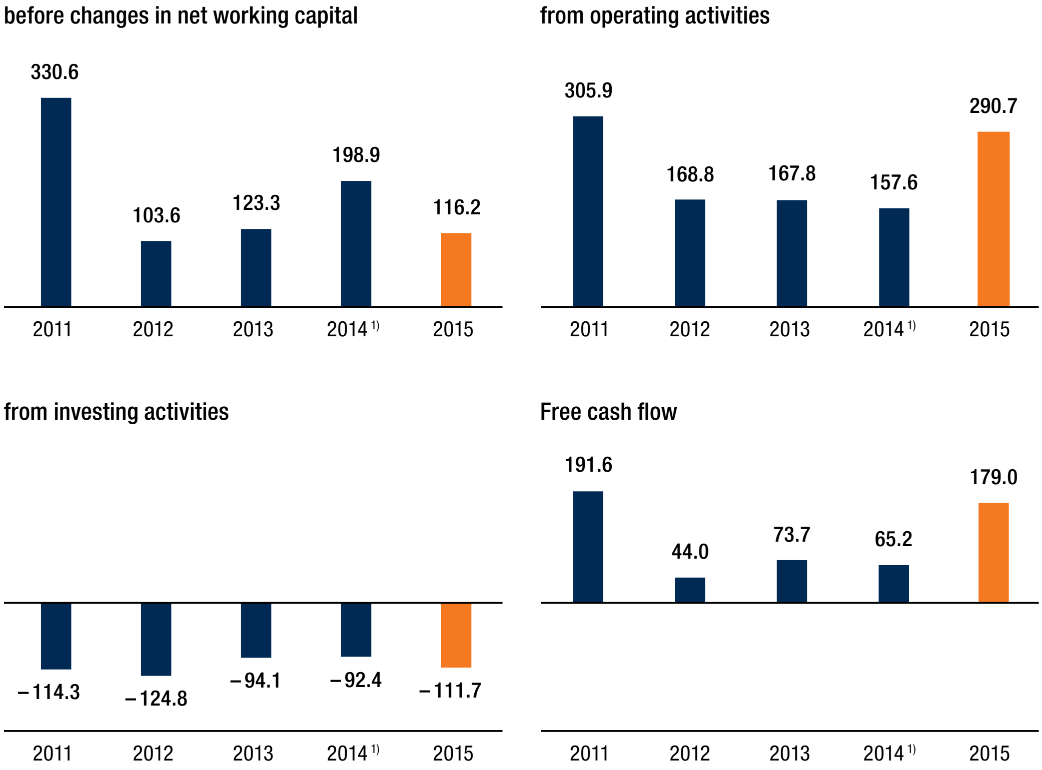
Marked increase in free cash flow due to reduction of net working capital and increased investing activities

The cash flow before changes in net working capital from continuing operations decreased by EUR 82.7 million compared to the prior year to EUR 116.2 million as a result of the negative earnings before taxes. Taking into account the significantly lower net working capital compared to the prior year, this led to cash flow from operating activities of continuing operations of EUR 290.7 million, EUR 133.1 million higher than in the prior year.

The significant increase in cash flow from investments in property, plant and equipment of the continuing operations compared to the prior-year period was partly compensated for by the proceeds of EUR 46.2 million 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 Düsseldorf. Net cash outflow from investing activities of the continuing operations saw an overall decrease of EUR 19.3 million to EUR 111.7 million. On aggregate, this resulted in a free cash flow from continuing operations of EUR 179.0 million, an increase of EUR 113.8 million compared to the prior year.

In fiscal year 2015, financial liabilities of the continuing operations amounting to EUR 158.4 million (net) were repaid, EUR 93.5 million more than in the prior year. Thanks to improved interest terms, the amount of interest paid (EUR 34.7 million) could be reduced compared to the prior year. The discontinued operations recorded negative cash flow of EUR 41.6 million prior to deconsolidation.

Cash flow from continuing operations 2011 – 2015
in million EUR



[1] Restated due to the classification (as at 31.3.2015) and deconsolidation (as at 22.7.2015) of the discontinued operations.

Net assets

Total assets down

After deconsolidation of the selected distribution entities, total assets came to EUR 2 109.0 million as at 31 December 2015 (2014: EUR 2 509.6 million); a decrease of EUR 400.6 million or 16.0% compared to the prior-year figure. The effects of the deconsolidation were seen most clearly in lower inventories (EUR 57.7 million) and trade accounts receivable (EUR 59.2 million).

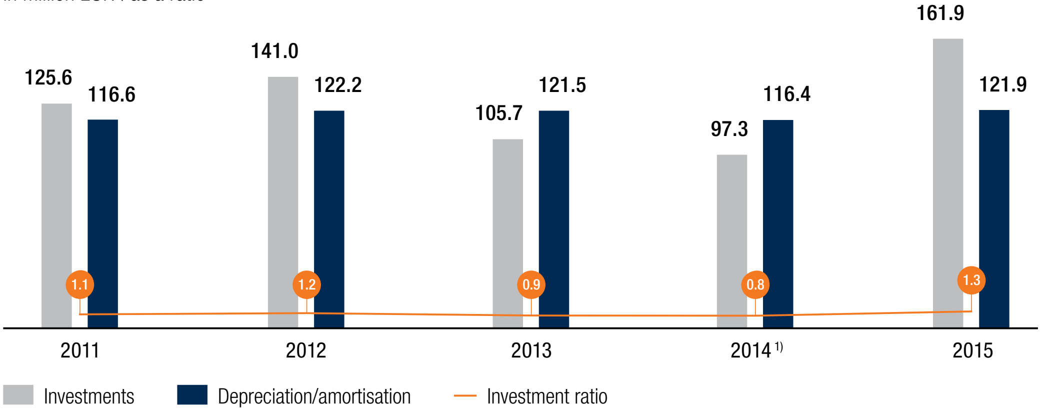
Share of non-current assets slightly above prior-year level, investments up significantly

Compared to the prior year, non-current assets increased slightly by EUR 3.7 million or 0.4% to EUR 1 010.0 million (2014: EUR 1 006.3 million). The increase in non-current assets of continuing operations was partially offset by the deconsolidation of non-current assets of EUR 10.5 million allocable to the discontinued operations. The share of non-current assets in total assets increased from 40.1% to 47.9%.

At EUR 161.9 million (2014: EUR 97.3 million), investments were EUR 64.6 million or 66.4% higher than the prior-year figure. As a result, the ratio of investments to depreciation and amortisation increased significantly to 1.3 (2014: 0.8). 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 Düsseldorf. Due to seasonal effects, investments in the fourth quarter increased compared to prior quarters to EUR 60.3 million (Q4 2014: EUR 39.5 million). This is because certain investment measures were only possible during the winter plant downtime.

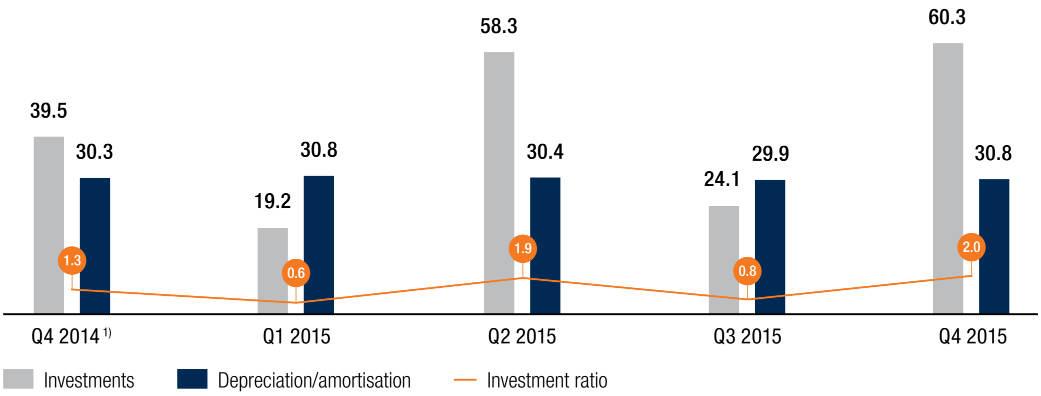
Investments, depreciation/amortisation and investment ratio 2011 – 2015

in million EUR | as a ratio



Investments, depreciation/amortisation and investment ratio Q4 2014 – Q4 2015

in million EUR | as a ratio



1) Restated due to the classification (as at 31.3.2015) and deconsolidation (as at 22.7.2015) of the discontinued operations.

Successful launch of programme to reduce net working capital permanently

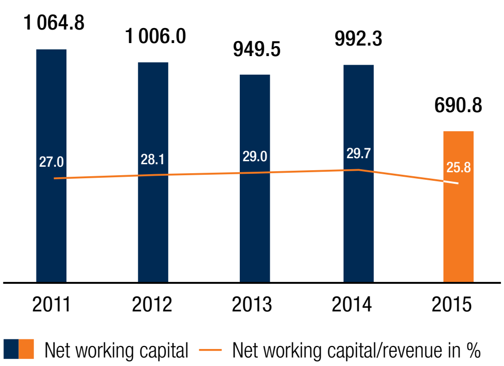
Compared to the prior year, the share of current assets in total assets decreased from 59.9% to 52.1%. Overall, this figure was down EUR 404.3 million or 26.9% to EUR 1 099.0 million (2014: EUR 1 503.3 million), which stems from factors including the deconsolidation of the current assets of the discontinued operations of EUR 121.9 million. Furthermore, a programme to reduce net working capital permanently was launched in 2015. At EUR 690.8 million (2014: EUR 992.3 million), net working capital as at 31 December 2015 was EUR 301.5 million or 30.4% below the prior-year figure with EUR 80.1 million pertaining to the disposal from deconsolidation. Net working capital as a percentage of revenue improved considerably year on year to 25.8% (2014: 34.6%).

Decrease in current and non-current liabilities

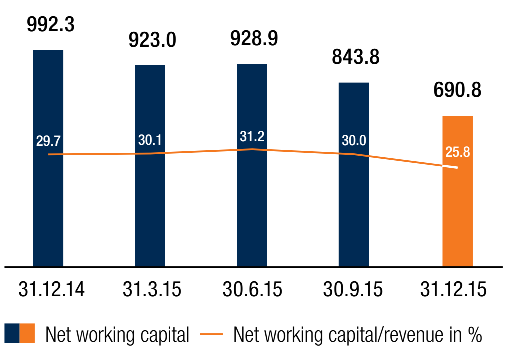
Non-current liabilities decreased by EUR 132.5 million or 15.6% to EUR 715.2 million (2014: EUR 847.7 million). This development is mainly attributable to the deconsolidation of the discontinued operations. While total assets were also lower, the share of non-current liabilities in total shareholders' equity and liabilities remained relatively stable at 33.9% (2014: 33.8%).

At EUR 643.2 million (2014: EUR 761.0 million), current liabilities decreased, also primarily due to the deconsolidation, by EUR 117.8 million or 15.5% compared to the prior-year figure. The share of current liabilities in total shareholders' equity and liabilities remained virtually unchanged at 30.5% (2014: 30.3%).

Net working capital and net working capital/revenue [1]
2011 – 2015
in million EUR | in %



Net working capital and net working capital/revenue [1]
31.12.2014 – 31.12.2015
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.

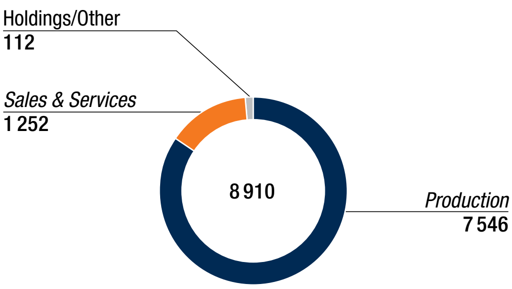
NON-FINANCIAL PERFORMANCE INDICATORS

Together for a sustainable future: SCHMOLZ + BICKENBACH is committed to responsible conduct in its dealings with people and the natural world. For us, sustainability is about safeguarding social, environmental and economic balance, and being willing to accept responsibility in all of these areas. After all, the long-term success and continuation of our Company hinges on striking the right balance in our economic activities today.

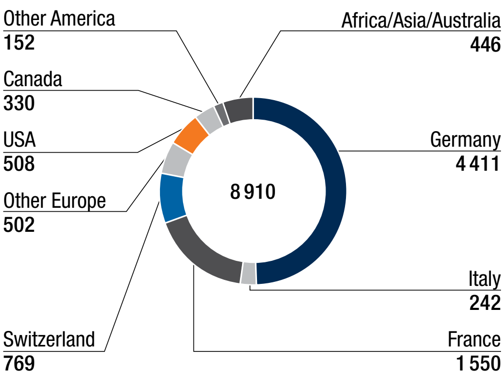
Deliberate reduction in headcount

The SCHMOLZ + BICKENBACH Group had 8 910 employees worldwide as at 31 December 2015 (31 December 2014: 10 000). This decrease in the number of employees stems largely from the sale of SCHMOLZ + BICKENBACH Distributions GmbH, which was set in motion in 2014 and concluded in 2015. With this step, we completed the consolidation of the Group and the associated concentration on the production and sale of our own engineering steel products. Furthermore, sites responded to the incipient decline in demand by adjusting production capacities and headcount.

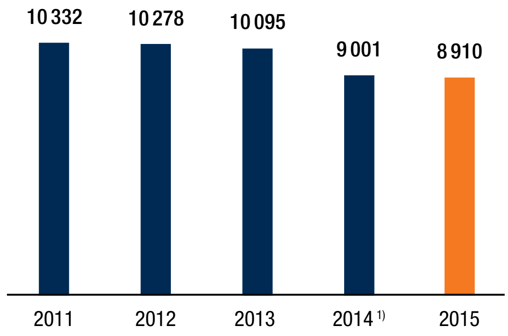
Employees by division 2015
positions



Employees by region 2015
positions



Employees as at closing date 2011 – 2015
positions



1) Restated due to the classification (as at 31.3.2015) and deconsolidation (as at 22.7.2015) of the discontinued operations.

Thanks to open cooperation with the co-determination bodies, socially responsible packages and a high degree of transparency, notable conflicts were avoided and the restructuring plan was quickly implemented. A continued focus on flexibility, productivity and activities will be required in the coming year due to changes in the market conditions, including, but not limited to, those affecting the EU Emissions Trading System. These efforts will once again be underpinned by the requisite transparency and fairness that we pledge to deliver as an employer.
The relationship between employee representatives and the Company is subject to particular strain when restructuring measures become inevitable. We managed to maintain a fair and constructive working relationship nonetheless.

SCHMOLZ + BICKENBACH is currently going through a process of change, with the aim of tackling existing and future challenges and realigning the Group for the future. In the course of relocating the management holding and the strategic realignment, the new Corporate Human Resources function was established. The first measure as part of implementing uniform Group-wide HR processes is the Human Resources Planning Process (HRP), which was launched in 2015. This process includes a global analysis of the management functions in the business units in connection with talent and performance management, and succession planning. These results enabled targeted development and advancement programmes to be designed.

As an international company, the SCHMOLZ + BICKENBACH Group offers an exciting working environment that combines tradition and innovation. Talent management ensures that we identify highly qualified and ambitious leaders and high potentials, support them with development programmes and prepare them for challenging tasks within the Group. In this context, SCHMOLZ + BICKENBACH attaches great importance to transparent career and development opportunities.

For instance, Karrierewerkstatt DEW's training programme in Germany offers a variety of customised learning and development opportunities, which are designed to reflect the requirements of operational specialists and leaders as well as business issues. Furthermore, the realignment of the Group is supported by training focusing on cultural topics, as well as workshops designed to help put the newly-defined values into practice. Overall, the educational design of the individual measures gives particular attention to effectively transferring training content into operational practice. We capture specific training needs with the respective persons responsible and design training measures that go beyond the standard offerings. These measures promote the ongoing development of the individual specialists and leaders and of the organisation of SCHMOLZ + BICKENBACH, creating transparency regarding the talent situation and future demand.

Health and industrial safety

The safety and health of employees is the top priority in the SCHMOLZ + BICKENBACH Group. The medium-term goal is therefore to halve the accident rate (accidents per one million working hours) by 2018. Thanks to health and safety initiatives in all business units, improvements in the accident trend have already been seen. In the long term, we will continue to work with leaders and employees to achieve our goal of "ZERO ACCIDENTS".

For instance, model areas have been set up at the Emmenbrücke site of Swiss Steel AG in Switzerland. The aim of these areas is to equip steel and rolling mills in a way that is exemplary and fully in line with health and safety standards. Uneven floors were levelled and the labelling of walkways optimised. We have also improved orderliness and cleanliness, as well as making the marking of vehicle parking areas clearer. Plant safety is also taken into account. This concept is being gradually realised in all plant areas and further improves safety in the workplace. No accidents have occurred in the model areas since they were completed.

The Global Head of Health & Safety position was created in the reporting period. The goal here includes developing uniform and exacting safety standards and introducing them at all SCHMOLZ + BICKENBACH sites. Global collaboration and the exchange of best practice examples were on the agenda of the first Global Health & Safety workshop held by safety experts in the SCHMOLZ + BICKENBACH Group. We will make significant further developments to the safety culture by learning from one another.

Various initiatives at Deutsche Edelstahlwerke (DEW) illustrate just how multifaceted health safety at SCHMOLZ + BICKENBACH is.

For example, a health day, which 300 employees actively took part in, was held in cooperation with the occupational health and safety agency, health insurance companies and various health-care providers in addition to annual health campaigns such as flu shots and skin screening. By the end of 2015, 800 employees had participated in the leadership and health/addiction prevention training programme launched in 2014. Eight additional training sessions are planned for 2016. The "Azubifit" health programme, which allows young trainees to actively engage with topics including addiction prevention, nutrition and exercise, demonstrates how important it is to give employees a grounding in health topics at an early stage. Health-related information is collected and evaluated using the newly developed "Health map". In the past, this information had been stored in many different places. The map provides leaders with an overview of health and safety issues in their area of responsibility. A new programme launched in January 2015 offers all DEW employees professional external mentoring in personal, professional or family emergencies with the Employee Assistance Program (EAP).

Environmental protection and energy management

The SCHMOLZ + BICKENBACH Group is committed to the continuous and sustainable development of our environmental and climate protection activities as one of our corporate goals. That is why all of our companies use environmental management systems, most of which are certified to the internationally recognised standard ISO 14001. These days, an energy management system is an economic necessity for all production and service processes. The main Group entities, especially those with particularly energy-intensive processes already use energy management systems certified to ISO 50001.

In 2015, as in earlier years, a variety of comprehensive environmental and climate protection measures were implemented, alongside energy efficiency and energy conservation initiatives within the SCHMOLZ + BICKENBACH Group. We are pleased to provide some examples of these from the Group entities:

Environmental protection:

> Deutsche Edelstahlwerke (DEW) started construction work on a new quenching line at the Witten rolling mill with an investment volume of around EUR 17 million. By the summer of 2016, DEW plans to install and integrate a heat-treatment line and quenching line into the rolling line. This investment will enable rolled products in the dimensional range up to 250 mm diameter to be produced not only to higher quality standards, but also in a more energy-efficient and climate-friendly manner.

> A new slag water spraying system was installed at Finkl Steel in Chicago, USA. The more efficient spraying system with a higher spray volume reduces dust emissions, while increasing the slag cooling rate.

> Sorel Forge in Canada, part of Finkl Steel, has met those requirements of the Québec cap-and-trade system for greenhouse gas emissions that had to be met by the first deadline.

> At the Steeltec Group's Düsseldorf site, all environmentally relevant aspects were taken into account in the approval process for the new production line for manufacturing bright steel with superfine microstructures. These include noise-reduction measures in the cooling tower, selection and optimised consumption of operating materials used in cooling water treatment, as well as measures for protecting land from risks related to hazardous substances (operating materials for cooling water treatment) as well as fire prevention.

> At Swiss Steel AG, the extraction system for the ladle furnace was optimised. The new unit that routes exhaust gas into the filter system is now operated using two frequency-controlled fans. A new ladle heating cover enables emissions in the hall to be reduced significantly. By adjusting valve control in the primary extraction system of the electric furnace, PCB emissions can be reduced by a factor of three. An investigation of contaminated sites at the plant has begun.

> Ugitech in Ugine introduced a new monitoring process in the pickling baths in order to measure effluent entering the water. At the same time, the project to regenerate spent acid baths from the pickling process was driven forward with the objective of regenerating fluorine and nitrogen. The amount of nitrogen discharged into the water has been reduced by 50% since 2011. Construction also began on a collector for spring water from the mountains to minimise the risk of sludge building up in the drains that feed into the plants' cooling water system. To improve air quality, the dust collection system in the AOD system at the plant was expanded, reducing dust emissions by around 27%.

> New phosphorus-free products are being used in degreasing at the Ugitech plant in Bourg-en-Bresse. As a result, waste water contamination with phosphorus has been reduced from 20 – 25 mg/l to 10 mg/l.

Energy management

- In 2015, as in prior years, the SCHMOLZ + BICKENBACH Group companies pressed ahead with the energy saving initiative launched in 2007.
- Various projects were also implemented at Deutsche Edelstahlwerke GmbH in 2015. The most significant individual project related to the walking-beam furnace at the Siegen rolling mill. The new insulation of the walking-beam system significantly reduces cooling requirements. The existing hall heating system at the Krefeld site was converted to direct gas heating, which is significantly more efficient. Where possible, transportation of steel products to the international port of Rotterdam has been shifted from lorries to more energy-efficient inland barges.
- Finkl Steel/Sorel received an award for "innovation and sustainable development" for their efforts to modify processes and plants so as to reduce energy consumption and the production of greenhouse gases.
- In Chicago, Finkl Steel has installed a frequency converter on the circulation pump of its largest quench tank to reduce energy consumption.
- Construction of heat-treatment furnaces equipped with ceramic fibre insulation and high-speed burners has begun at Finkl Steel Chicago and Sorel. This combination reduces energy consumption by around 50% compared to a conventional furnace. In addition, sub-meters were installed in systems with high energy consumption, such as the cooling water system of the melting plant or in the pump room for the hydraulic presses.
- Energy-efficient LED lighting was installed at the Düsseldorf site as part of the project for the new production line for manufacturing bright steel with superfine microstructures. This is a pilot project for the renewal of the entire hall lighting system. To determine the SCHMOLZ + BICKENBACH Group's joint strategy on energy resources, the Düsseldorf site represents the Steeltec Group in the SCHMOLZ + BICKENBACH Group's energy efficiency working group.
- As part of the energy management action plan, Swiss Steel AG implemented a number of measures that led to energy savings in 2015. In the steel plant, horizontal ladle heaters in the ladle furnace were equipped with radiation recuperators. In the melting furnaces, the steel-copper plating of the electrode support arms was replaced by solid copper plating. Energy can also be saved in the continuous casting machine by deactivating the hydraulic pumps in the billet shears between cuts. In the rolling mill, two old compressors in the water and compressed air system were replaced. Moreover, the mode of operation was optimised. The above measures result in total annual energy savings of around 1 100 MWh.

Ongoing product and process development guarantees special steel solutions for the future

It is difficult to imagine a life without steel today. Sectors such as the automotive, medical technology, power engineering, construction and oil and gas industries – to name but a few – simply could not work without this material. Although more than 2 300 different steel types are registered, e.g. in DIN EN 10020:2000, all with their own use and processing properties, experts agree that there is still considerable potential for development of steel as a material.
SCHMOLZ + BICKENBACH has successfully modernised its production plant through targeted investment in recent years. Thanks to this investment, which is enhanced by decentralised and market-relevant R&D facilities, the Group is well equipped to meet customers' future needs for materials that are lighter, tougher, higher tensile or easier to process. And to do so using highly efficient, innovative production processes. The new Technical Development department created in 2014 was further strengthened with the aim of boosting the Group's innovative power even further. The department ensures that investment is ideally targeted from a product and process perspective and is responsible for a coordinated and focused approach to using the Group companies' R&D resources.

OPPORTUNITIES AND RISKS

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.

Risk management

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.

Led by SCHMOLZ + BICKENBACH AG, the Group employs a standardised Enterprise Risk Management (ERM) system across the Group which ensures systematic and efficient risk management by means of consistent guidelines. The ERM is an integral component of the annual strategy process, enabling a comprehensive risk analysis, including probability of occurrence, potential damages and corresponding damage limitation measures. This approach helps maintain a high level of awareness among managers. The risk management duties are defined and explained in our Corporate Policy Manual and are illustrated with examples. According to the policy, the objective of the ERM is to ensure that risks are identified and optimised and that opportunities are exploited. Operational management is directly responsible for the early detection, monitoring and communication of risks, while responsibility for control lies with the Executive Board and ultimately the Board of Directors.

Insurance policies have been taken out for the majority of insurable risks, when this makes commercial sense. As a result, the corresponding risks have been transferred to the insurance companies. Where necessary, preventive measures to avert and avoid loss have been implemented by the operating entities. Aspects covered by the ERM include currency, interest-rate and credit risk management. For details of the instruments available for this purpose, please refer to the information on financial instruments in the notes to the consolidated financial statements.

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The IT landscape is regularly reviewed and adjusted to ensure the professional operation of computer-aided 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.

Our business performance is strongly influenced by the volatility of commodity and steel prices and the Group's economic dependency on the automotive, mechanical engineering, and oil and gas industries. The Group strives to balance risks by continually developing its broad product portfolio, adopting an international sales focus, diversifying the business portfolio, focusing on niche products and optimising the supply chain.

Internal Audit

Internal Audit is an independent auditing and advisory body. For administrative purposes it is allocated to the portfolio of the Chief Financial Officer (CFO) and receives audit engagements from the Executive Board and the Audit Committee. An important component of the ERM, Internal Audit produces risk analyses and assesses the effectiveness and efficiency of the internal control systems. The Board of Directors and the Audit Committee request periodic reports on ERM results. In accordance with the audit plan approved by the Executive Board and Audit Committee, Internal Audit conducted several audits and analyses in the reporting period. These were then discussed by the Audit Committee, which passed resolutions on any necessary measures and monitored the implementation of these in cooperation with the responsible Group and Business Unit Heads.

Compliance

Led by the Head of Internal Audit + Compliance, the Group Compliance function is primarily responsible for ensuring compliance with legal requirements and internal corporate guidelines. For administrative purposes, it is allocated to the portfolio of the CFO. The programme to develop and implement a Group-wide Compliance Management System progressed according to plan in 2015. Numerous industry-specific classroom training sessions were held at the production plants and *Sales & Services* entities, with a significant year-on-year increase in the number of employees trained at classroom events. This training has significantly raised employees' understanding and awareness of compliance. Training was complemented by the Code of Conduct reissued in 2014 as a printed brochure, together with a letter from the Executive Board, which was distributed to all employees globally. In addition, the SCHMOLZ + BICKENBACH Group began to gradually introduce a Group-wide online compliance e-learning system and a whistleblower system comprising the "S+B SpeakUp Line" and an ombudsperson in 2015. We designed a Group-wide Compliance Risk Assessment (CRA) in collaboration with an external audit firm at the end of the fiscal year 2015. The first CRA workshops have already been held and evaluated. As in the prior years, targeted compliance audits were performed in 2015.

Internal control system related to preparing the consolidated and separate financial statements

The internal control system related to the preparation of the consolidated and separate financial statements is designed, implemented and maintained with the aim of ensuring that these are free from misstatements.

Allocated to the portfolio of the CFO for administrative purposes, Group Accounting is responsible for centrally coordinating the process of preparing the separate and consolidated financial statements of SCHMOLZ + BICKENBACH. It issues uniform Group reporting guidelines setting out requirements for the local entities. These are regularly updated and made available to the relevant employees on the intranet. In addition, Group Accounting + Controlling defines schedules and processes for preparing the consolidated financial statements, and monitors their observance. employs a standard software product for the IT side of consolidation and reporting SCHMOLZ + BICKENBACH. Material developments in IFRS, as well as changes to the reporting process or IT application, are communicated promptly. Where necessary, the relevant employees receive classroom training. This approach ensures that reporting is of a consistent high quality.

Financial reporting is subdivided into separately identifiable sub-processes at each level. Segregation of functions, dual control and clearly defined responsibilities reduce the risk of possible misstatements in financial reporting. The financial figures supplied by local entities undergo technical validation before being processed further. Furthermore, Group Accounting tests them for completeness and plausibility by comparing the prior-year, actual and budget figures.

The internal control system, consisting of processes, systems and controls, is regularly assessed for effectiveness by Internal Audit, and ensures that the separate and consolidated financial statements are prepared in accordance with IFRS, the Swiss Code of Obligations (CO), and other accounting-related laws and regulations.

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 energy intensive industry. Several of its German entities were 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 diversified product range ensure good risk diversification. In crisis situations, this diversified base, coupled with a lean and flexible organisation, allows us to respond 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 counteract price fluctuations and have entered into long-term contracts with the suppliers to secure gas and electricity prices over time.

Environmental and health risks

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The production processes in our industrial plants are associated with 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”.

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 information security measures are continually refined to eliminate, or at least minimise, the risks associated with IT processes.

Personnel risks

SCHMOLZ + BICKENBACH 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”.

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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. 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. SCHMOLZ + BICKENBACH receives payments depending on the nickel price development, and is therefore protected against price increases.

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.

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.

Opportunities and potential for increasing the value of the Company

With global growth driven by factors such as increasing urbanisation and mobility, SCHMOLZ + BICKENBACH can expect to many strategic and operational opportunities in the coming years. We already offer the appropriate products for these markets. At the same time, efficient use of resources will move up corporate agendas, creating demand for materials with increasingly sophisticated technical qualities. The process of adapting and optimising our high-tech materials is an ongoing one as customers' applications demand lighter and more stress-resilient products. In the last few years, SCHMOLZ + BICKENBACH has evolved from a medium-sized company into an international leader in the special long steel segment. The Group's economic success is founded on its ability to identify opportunities in market and technological trends, and develop operational strategies based on these. This approach is a key component of the Group-wide strategic dialogue and consists of three strategic moves: long-term systematic market observation and analysis; refinement of the industrial production basis and employee development; consistent application-relevant alignment of our product development activities.

As a unique full-range supplier with a broad portfolio of highly sophisticated products, we consider ourselves well positioned to serve both growth markets and technically demanding segments. Our business model is aligned to the constantly evolving demands of the applications. With such an application-driven strategy, we detect trends as they emerge, offering tailored solutions in response. We track these trends through long-term and systematic analysis of developments in our sales industries. We work closely with Research & Development teams to constantly optimise production processes and the product portfolio, ensuring they are adapted to meet future challenges at all times.

OUTLOOK

Our long-term goal is to create a robust, profitable, innovative and global group for special long 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

The outlook for global economic growth became significantly bleaker towards the end of 2015. This trend continued in the first weeks of 2016 and already resulted in forecasts for global economic growth being adjusted downward in January. As a result, the World Bank, OECD and the International Monetary Fund now anticipate growth rates between 2.9% and 3.4% for 2016, although growth is expected to differ greatly between regions. Emerging markets are expected to see considerably higher growth than industrial countries – with the exception of Brazil, which is to remain in recession. According to expert opinions, growth of 2.5% to 2.7% is forecast for the USA, and growth of 1.7% to 1.8% for the eurozone. Economic output in Germany is likely to grow compared to the eurozone average. However, these assumptions are subject to great uncertainty and considerable downside risks.

Development of steel demand

As a supplier of high-grade special long steel products, the business of SCHMOLZ + BICKENBACH follows the economic development of the steel industry in general to only a limited extent. Nevertheless, it can be assumed that 2016 will be another challenging year for SCHMOLZ + BICKENBACH as well as the steel industry as a whole. The world's largest industry association, the World Steel Association expects demand to grow by 0.7% for 2016 and only a weak recovery compared to the prior year, in which global demand for steel fell by around 1.7%, and steel production by 2.6%, according to estimates. Neither the declining gas and oil prices nor the marked weakness in investments in assets will be able to fuel investments in this industry. The situation is particularly difficult in Asia, where demand is expected to decrease in 2016 for the third consecutive year. The anticipated recovery of North and South America and a slight acceleration of growth in Europe will not be able to compensate for this unfavourable development at the world's largest steel consumer by far.

Development of relevant sectors

2015 was a good year for the global automotive industry, with a 2% increase in passenger cars sold. Growth is also expected in the three largest automotive markets western Europe, the USA and China for 2016, albeit to a lesser extent than in 2015. By contrast, the oil and gas market is struggling with a rapid erosion of oil and gas prices and therefore has to drastically cut investments. The number of active wells dropped by more than 60% since the start of the past year. For 2016, it is anticipated that investments will decrease by an addition approximate USD 70 billion or around 15% in the sector. German mechanical engineering expects another year of zero growth in 2016, following the already disappointing development in 2015.

Development of commodity prices and currencies

The forecasts concerning higher commodity prices made at the beginning of 2015 did not materialise, as illustrated by the prestigious, broad-based Thomson Reuters/Jefferies CRB Index, which fell by around 30%. The key commodity needed by SCHMOLZ + BICKENBACH lost around 42% over the course of 2015, reaching its lowest level in more than ten years. Scrap prices fell by more than a third. Experts are divided regarding the further development of commodity markets. Due to sharply falling investments, optimists anticipate a future decrease in supply and therefore an inevitable increase in prices. Pessimists expect prices to remain low for a prolonged period or even to continue to fall, mainly due to the slowing economy in China and the stricter monetary policy already introduced in the USA.
After the EUR/CHF was unpegged, the Swiss franc initially appreciated by around 20%, but has since remained mainly in a corridor between 1.05 and 1.10. The market expects the Swiss franc exchange rate to the euro to settle between 1.10 and 1.11 at the end of 2016. For the EUR/USD exchange rate, the average year-end target for 2016 is roughly the same as the current rate, i.e. around EUR/USD 1.11. Currencies in emerging markets are likely to remain under pressure. The forecasts do not include any events that might result in considerable volatility on foreign exchange markets, such as adverse economic or political developments, an escalation of the war in the Middle East or the constant latent terrorist threat.

Development of the SCHMOLZ + BICKENBACH Group

As discussed above, forecasts relating to economic development, the steel industry, commodity prices and the development of exchange rates are subject to greater uncertainty than ever before in light of the many and varied influencing factors. SCHMOLZ + BICKENBACH expects the environment to remain challenging and characterised by high volatility, which will again put the Company severely to the test. We are therefore starting the fiscal year 2016 with cautious expectations.

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. The comprehensive earnings improvement programme introduced in 2013 is making progress. We achieved savings of around EUR 50 million in 2015, although this was not fully apparent due to the fall in the operating result. Nevertheless, SCHMOLZ + BICKENBACH will rigorously implement the strategy in this challenging environment in order to realise the full potential of the Group. Core elements include:

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

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. We therefore continue to refrain from making revenue forecasts for the Group. In total, we anticipate an adjusted EBITDA between EUR 150 million and EUR 190 million in 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.

Corporate governance

CORPORATE GOVERNANCE

The Group attaches great importance to corporate governance. A requirement analysis revealed that the established policies and practices meet high standards. The Board of Directors will nevertheless continue to constantly evaluate corporate governance and implement further improvements where possible.

1__ Group structure and shareholders

1.1 Group structure

SCHMOLZ + BICKENBACH AG is a company organised under Swiss law. Headquartered in Emmen, the Company was first entered in the commercial register of the canton of Lucerne on 20 September 1887 under the name "Aktiengesellschaft der Von Moosschen Eisenwerke". The registry code is CH-100.3.010.656-7.

1.1.1 Group operating structure

The operating organisation is described in the segment reporting on pages 156 to 159 of this annual report. Management and supervision of the SCHMOLZ + BICKENBACH Group are based on the Company's articles of incorporation, organisational regulations, organisational charts, mission statement and other documents that set out the corporate policy and business principles.

The management structure is aligned to the Group's business strategy. As a global leader in special long steel, the Group's organisation reflects the supply chain, with two Divisions: *Production* and *Sales & Services*. This structure leverages global synergies, enabling the Group to secure a stable business basis even in a difficult market environment. In doing so, SCHMOLZ + BICKENBACH achieves its goal of defending and expanding on its position as a global market leader. Please refer to pages 162 to 164 of this annual report for a breakdown of companies by Division.

1.1.2 Listed company

Name	SCHMOLZ + BICKENBACH AG
Registered office	Emmenweidstrasse 90, Emmen
Listed on	SIX Swiss Exchange, International Reporting Standard[1)]
Market capitalisation	CHF 472.5 million (closing price on 30 December 2015: CHF 0.50)
Symbol	STLN
Securities number	579 566
ISIN	CH000 579 566 8

1) Since 3 August 2015 as a result of restructuring of regulatory standards for equity securities on the SIX Swiss Exchange. Formerly: SIX Swiss Exchange, Main Standard

1.1.3 Unlisted companies

All Group companies are unlisted companies. The list of shareholdings on pages 162 to 164 of this annual report gives details of these along with information about the registered office, share capital and interest held.

1.2 Significant shareholders

As at 31 December 2015, the Company was aware of the following shareholders with an interest in voting rights above the 3% threshold:

	31.12.2015		31.12.2014	
	Shares	in % [1]	Shares	in % [1]
Liwet Holding AG [2] [3] [4]				
Lamesa Holding S.A. [3] [4]				
SCHMOLZ + BICKENBACH Holding AG [3]				
Total Group	386 471 920	40.89	384 471 920	40.68
Martin Haefner	141 844 500	15.01	64 260 000	6.80

1) Percentage of shares issued as at 31 December.

2) Assets and liabilities of Venetos Holding AG, Zürich (CHE -111,533,183) pursuant to the merger agreement of 18.2.2015 and the balance sheet as at 29.12.2014.

3) Additionally the Group holds 11 168 772 share options, according an underlying share amount of 1.18%.

4) As of 31.12.2014 Venetos Holding AG, Switzerland, and Renova Industries Ltd., Bahamas, were directly related. The economic holdings haven't changed.

Viktor F. 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 GmbH & Co. KG. These are held indirectly via SCHMOLZ + BICKENBACH Holding AG. Liwet Holding AG, Lamesa Holding S.A. and SCHMOLZ + BICKENBACH GmbH & Co. KG are parties to a shareholder agreement and are therefore treated as a group by SIX Swiss Exchange.

There were changes in the significant shareholders during the fiscal year. These were reported to the Company and the Disclosure Office of SIX Swiss Exchange Ltd and can be viewed on the Internet at: (www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

1.3 Cross-shareholdings

The Company has no cross-shareholdings with significant shareholders or other related parties.

2__ Capital structure

2.1 Capital

Share capital

As at 31 December 2015, the ordinary share capital of SCHMOLZ + BICKENBACH AG amounted to CHF 472 500 000, divided into 945 000 000 registered shares with a par value of CHF 0.50 per share. All registered shares are fully paid up and there are no further capital contribution obligations on the part of shareholders.

Under the terms of the articles of incorporation, the Annual General Meeting may at any time convert existing registered shares into bearer shares.

The Company also has authorised and conditional capital as described in section 2.2.

2.2 Authorised and conditional capital in particular

The Company has authorised capital in accordance with Art. 3d of the articles of incorporation. The Board of Directors is authorised until 17 April 2016 to increase the share capital by a maximum of CHF 236 250 000 through the issue of no more than 472 500 000 fully paid-up registered shares with a par value of CHF 0.50 each. The capital increase may be staggered and/or carried out through underwriting. The Board of Directors defines the specific issue amount, date of dividend entitlement, conditions for exercising subscription rights and type of capital contribution. The statutory restrictions on transferability apply to these registered shares as well. The Board of Directors is also authorised to exclude shareholders' subscription rights in favour of third parties if such new shares are intended to be used for company acquisitions by way of share swap or to finance acquisitions of companies, parts of companies or shareholdings, or new investment undertakings of the Company. Shares for which subscription rights have been issued, but not exercised, are available for use by the Board of Directors in the interests of the Company.

The Company has conditional capital in accordance with Art. 3e of the articles of incorporation. Share capital may conditionally be increased by a maximum of CHF 110 000 000 through the issue of no more than 220 000 000 fully paid-up registered shares with a par value of CHF 0.50 each. Of this, up to CHF 94 500 000 can be exercised in the form of options and/or conversion rights granted in connection with bonds or similar debt instruments of the Company or a Group company. Also exercisable are up to CHF 15 500 000 of options granted to employees, members of the Board of Directors and executive management of the Company or its Group companies, Shareholders' subscription rights are precluded. The statutory restrictions on transferability apply to the purchase of registered shares through exercise of options or conversion rights and onward transfer of registered shares. If options and/or conversion rights are granted to finance the acquisition of companies, parts of companies, shareholdings or new investment undertakings and/or the placement of options and/or conversion rights or similar capital instruments on international markets, the Board of Directors may pass a resolution to exclude preferential subscription rights. If preferential subscription rights are granted, the Board of Directors may use any preferential subscription rights not exercised by the shareholders in the interests of the Company. In the case of convertible bonds, options or similar capital instruments not offered for preferential subscription, the new shares are issued in accordance with the conversion or option conditions. Convertible bonds and options or other capital instruments should be issued at customary market conditions. The exercise period should be set at no more than 10 years from the date of issue for options and no more than 20 years from the date of issue for conversion rights. The conversion or option price for the new registered shares must be in line with the market conditions prevailing on the issue date. Preferential subscription rights are excluded for options granted to employees, members of the Board of Directors and executives of the Company or its Group companies. Rather, the Board of Directors creates specific plans for the issue of such options.

2.3 Changes in capital

As agreed by resolution on 26 September 2013, the share capital was reduced and simultaneously increased in 2013. The par value of the 118 125 000 old shares was reduced in a first step from CHF 3.50 to CHF 0.50 per share. Simultaneously, the share capital was increased by the issue of 826 875 000 shares with a par value of CHF 0.50 per share. As a result, the share capital of the Company as at 31 December 2013 comprised 945 000 000 registered shares with a par value of CHF 0.50 per share.

There were no changes in the share capital in 2014 and 2015.

Neither the approved nor the conditional capital as described in section 2.2 had been exercised as at the end of the reporting period.

2.4 Shares and participation certificates

Share capital comprised 945 000 000 registered shares with a par value of CHF 0.50 per share as at 31 December 2015. The Company held 117 152 treasury shares as at year-end; these ensure that it is in a position to meet its obligations from the management participation programmes. Each share entitles the holder to one vote. Voting rights may only be exercised if the shareholder has been registered in the Company's share register as a shareholder with voting rights in time for a given vote. Certificates are not issued for registered shares; rather, they are recorded by book entry in the central depository system of areg.ch AG. Shareholders are not entitled to request a printed copy or delivery of share certificates. All shareholders can, however, request from the Company at any time a document confirming the shares in their ownership.

SCHMOLZ + BICKENBACH AG has not issued any participation certificates.

2.5 Dividend-right certificates

SCHMOLZ + BICKENBACH AG has not issued any dividend-right certificates.

2.6 Limitations on transferability and nominee registrations

Certificated shares can be physically deposited with a depositary; paperless shares can be entered in the principal register of a depositary and credited to a securities account (creation of intermediated securities). Intermediated securities can only be disposed of, or pledged as collateral, in accordance with the provisions of the Swiss Federal Act on Intermediated Securities. Paperless securities that do not qualify as intermediated securities can only be transferred by assignment. The Company must be notified of such assignment for it to be valid. In accordance with the articles of incorporation, nominees of registered shares may upon request be entered without restriction in the share register as a shareholder with voting rights if they expressly declare that they acquired the registered shares in their own name and for their own account. If no such declaration is made, nominees are registered with voting rights up to a maximum of 2% of the share capital. Beyond this limit, nominees with registered shares are registered with voting rights only if they provide a written declaration that they are prepared to disclose the addresses and shareholdings of persons for whose account they hold 0.5% or more of the outstanding share capital. Except for the nominee clause there are no restrictions on transferability, nor are any privileges granted under the articles of incorporation; therefore, no exceptions had to be granted in 2015. Revocation or amendment of these stipulations requires the agreement of at least two thirds of the represented votes and the absolute majority of the represented nominal share values.

2.7 Convertible bonds and options

The Company had no convertible bonds or options outstanding as at 31 December 2015.

3__ Board of Directors

3.1 Members of the Board of Directors

The following overview provides details of the composition of the Board of Directors as at 31 December 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 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 (BE) [2]

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

Dr Oliver Thum (DE) [3]

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

Hans Ziegler (CH) [1)]

Year of birth 1952
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.

See p. 160

Unless otherwise stated, the members of the Board have no significant business relationships with Group companies. For details of business relationships with certain companies represented by members of the Board of Directors, including, but not limited to, the Renova Group and associates of SCHMOLZ + BICKENBACH GmbH & Co. KG, see the notes to the consolidated financial statements, note 14, Related party disclosures, on pages 160 to 161 of this annual report.

Edwin Eichler (DE) _ Chairman _ non-executive member

Edwin Eichler has a degree (Diplom) in computer science from the University of the German Federal Armed Forces in Munich (Germany). He was first elected to the Board of Directors on 26 September 2013. Alongside his German Federal Armed Forces obligations, Edwin Eichler took care of the family-owned business, the church bell foundry Perner GmbH & Co KG, Passau (Germany), from 1978 to 1990. From 1990 to 2002, Mr Eichler worked for Bertelsmann AG, Gütersloh (Germany), serving on the Executive Committee of Bertelsmann Arvato AG from 1996 to 2002. Between 2002 and 2012, Edwin Eichler occupied various positions on the Executive Board of ThyssenKrupp AG, Essen (Germany): CEO of TK Material Services AG (2002 to 2009), CEO of TK Elevator AG (2005 to 2009), CEO of TK Stainless AG (2009), Chairman of the Supervisory Board of TK Stainless AG (2009 to 2012), CEO of TK Steel Americas (2009 to 2012), CEO of Thyssen Krupp Steel Europe AG (2009 to 2012) and Chairman of the Supervisory Board of TK Material Services AG. Edwin Eichler has been a member of the Supervisory Boards of SGL Carbon SE, Wiesbaden (Germany) since 2009, Heidelberg Druck AG, Heidelberg (Germany) since 2005, and SMS Siemag GmbH, Düsseldorf (Germany) since 2013. Edwin Eichler is also a member of the University Council of the University of Dortmund (Germany). He has been CEO of the Sapinda Group since January 2014.

Marco Musetti (CH) _ Vice Chairman _ non-executive member

Marco Musetti has a master's degree in economics from the University of Lausanne (Switzerland) and a Master of Science in accounting and finance from the London School of Economics and Political Science (United Kingdom). He was first elected to the Board of Directors on 26 September 2013. Marco Musetti served as Deputy Head of Metals Desk for Banque Bruxelles Lambert (Suisse) S.A., Geneva (Switzerland), from 1992 to 1998, and he worked for Banque Cantonale Vaudoise in Lausanne as Head of Metals and Structured Finance Desk from 1998 to 2000. Mr Musetti was COO and deputy CEO of Aluminium Silicon Marketing GmbH, Zug (Switzerland), from 2000 to 2007. Since 2007, he has been a member of the upper management of Renova Management AG in Zurich (Switzerland). From 2007 to 2014, he held management positions at various Renova group companies (deputy CEO of Venetos Holding AG, Zurich; CEO of Avelar Energy Ltd, Zurich, and CEO of Energetic Source Spa, Milan (Italy)). Marco Musetti has been a member of the Board of Directors of Sulzer AG, Winterthur (Switzerland), since 2011 and a member of the Board of Directors of CIFC Corp., New York (USA), since 2014.

Michael Büchter (DE) _ non-executive member

Michael Büchter completed an apprenticeship in international trade at H.K. Westendorff, Düsseldorf, in 1970. He was first elected to the Board of Directors on 26 September 2013. From 1970 to 1972, Michael Büchter worked for Stalco International Inc., New York (USA) and from 1972 to 1986 for Brandeis Goldschmidt & Co. Ltd., London (United Kingdom), in roles ranging from junior trader in New York, General Manager Far East in Tokyo (Japan) and director in London. Brandeis Goldschmidt & Co. Ltd. is a founding member of the London Metal Exchange and International Metal Merchants. Between 1986 and 1991, Michael Büchter was director and Global Head of Metal Trading for Hoffling House & Co. Ltd., London. From 1991 to 2014, Mr Büchter headed up the Metal Desk and served as a member of the branch Executive Committee of ING Belgium in Geneva (Switzerland). He has been a member of the Board of Directors of Traxys Sarl (Luxembourg) since 2014, and a non-executive member of the Board of Directors of F.W. Hempel Intermétaux SA in Geneva since June 2015.

Dr Heinz Schumacher (DE) _ non-executive member

Dr Heinz Schumacher, lawyer, was elected as a member of the Board of Directors for the first time on 26 September 2013. Since 1977 he has been practising law in his own firm and since 1984 he has also been managing director at Arenbergische Gesellschaften (Germany), a group of corporations for property and investment management. In addition, his posts include Honorary President of the Board of Directors of Bergbahnen Disentis AG (Switzerland), Chairman of the Management Board of Stiftung Prosper-Hospital (Germany), Chairman of the Supervisory Board of KVVR Klinik Verbund Vest Recklinghausen gGmbH (Germany), VKKD Verbund Katholischer Kliniken Düsseldorf gGmbH (Germany), Arenberg Consult GmbH (Germany), Chairman of the Advisory Committee of Eggert KG (Germany) and member of the Supervisory Board of Town-Talker Media AG (Germany).

Johan Van de Steen (BE) _ non-executive member

Johan Van de Steen graduated from Katholieke Universiteit Leuven, Belgium, with a Master in Electronics Engineering. In addition, he has an MBA from INSEAD, Fontainebleau, France. He launched his career in the Public Communications Division at Siemens in 1990 and held a number of global positions within the company. After his MBA in 1996, he started as a strategic advisor at McKinsey & Company in London. Since 2002, he has served as Operating Partner and Head of Portfolio for Private Equity in London: Seven years at Kohlberg Kravis Roberts & Co. Ltd (London), four years at Vision Capital LLP (London) and one year at Strategic Value Partners LLP. Johan Van de Steen has been the Head of Portfolio for Renova Management AG since 2014.

Dr Oliver Thum (DE) _ non-executive member

Dr Oliver Thum holds a PhD and a M.Sc. in Engineering-Economic Systems from Stanford University, Stanford (USA). He was first elected to the Board of Directors on 26 September 2013. From 1990 to 1992, Dr Oliver Thum worked for BHF Bank, Stuttgart (Germany). From 1998 to 2000, he was a consultant at Bain & Company, San Francisco (USA). From 2000 to 2001, Mr Thum was a principal of Earlybird Venture Capital, Munich (Germany) and from 2001 to 2009, managing director of General Atlantic, Düsseldorf (Germany) and London (United Kingdom). He has been managing partner of the private equity firm Elvaston Partners, London since 2009 and Elvaston Capital Management GmbH, Berlin (Germany) since 2013. Since 2013, he has been managing director at SCHMOLZ + BICKENBACH GmbH & Co. KG, Düsseldorf (Germany).

Hans Ziegler (CH) _ non-executive member

Hans Ziegler has a degree as a business economist ("KSZ") and completed a post-graduate course in business administration and information technology at TCU in Dallas, Fort Worth (USA). He was first elected to the Board of Directors on 26 September 2013. After holding a number of positions at SBG and Ericsson, he joined Alcon Pharmaceuticals Cham, Fort Worth as CFO/controller. From 1988 to 1991, Hans Ziegler was CFO at the Usego Trimerco Group. Between 1991 and 1995, he held the position of CFO at the Globus Group. In 1996, he founded a consultancy firm, operating in Switzerland and abroad and specialising in corporate restructuring, turnaround management and repositioning. He was Chairman of the Board of Directors of Elma Electronic AG, Wetzikon (Switzerland) from 2001 to 2009 and of Schlatter Holding AG from 2006 to 2010, Schlieren (Switzerland). In addition, he was Chairman of the Board of Directors of Swisslog Holding AG, Buchs (Switzerland) from 2004 to 2014 as well as Chairman of the Board of Directors of Charles Vögele Holding AG in Pfäffikon (Switzerland). Furthermore, he has served on the Board of Directors of OC Oerlikon Corporation, Pfäffikon since 2008. He has also been a member of the Supervisory Board of KUKA AG, Augsburg (Germany) since 2014.

3.2 Other activities and vested interests

The above profiles of members of the Board of Directors provide information on their activities and commitments in addition to their functions at SCHMOLZ + BICKENBACH AG.

3.3 Elections and term of office

The Board of Directors consists of between five and nine members. At the Annual General Meeting of 15 April 2015, all members of the Board of Directors were re-elected until the 2016 Annual General Meeting. The members of the Board of Directors are elected individually. The Chairman of the Board of Directors is elected by the Annual General Meeting.
In accordance with the articles of incorporation and organisational regulations, the Board appoints from among its members a Vice Chairman for each term of office, and designates a Secretary, who need not be a member of the Board.
At the latest, the term of office of each member and the Chairman of the Board of Directors expires at the end of the Annual General Meeting following their election. Reelection is possible.

3.4 Internal organisational structure

The organisational regulations provide that the Board of Directors meet as often as business requires, usually once per quarter. The Board of Directors convened on eleven occasions in fiscal 2015 to discuss current business. These meetings usually lasted between one and ten hours and are normally attended by the members of the Executive Board. In the reporting period, external consultants were called upon for assistance with various legal and financial issues. The Board of Directors requests regular reports about the Compliance organisation and current compliance issues within the SCHMOLZ + BICKENBACH Group. The Board of Directors is quorate when at least half of its members are present. For the notarisation of resolutions related to capital increases, only one member needs to be present (Art. 651a, 652g, 653g Swiss Code of Obligations (CO)). Resolutions and elections require a simple majority of the votes cast. Abstentions do not count as votes cast. In the event of a tie, the Chairman has the casting vote. In urgent cases, the Board of Directors can also pass resolutions by correspondence for inclusion in the minutes of the next meeting, provided that no member requests their verbal discussion.

The Board of Directors has set up three committees from its midst:

Audit Committee

The members of this committee are Hans Ziegler (Chairman), Johan Van de Steen (member; since the 2015 Annual General Meeting) and Marco Musetti (member; until the 2015 Annual General Meeting) as well as Michael Büchter (member). The Audit Committee regulations provide that the Audit Committee meet as often as business requires, usually at least twice per fiscal year. The Audit Committee met nine times in fiscal 2015. The external auditor, the Head of Group Accounting, the Head of Group Controlling, the Head of Internal Audit + Compliance and the Group Risk Manager attended the relevant meetings as required. The members of the Executive Board also participated. Generally, such meetings lasted between two and three hours. There are separate regulations governing the tasks and responsibilities of the Audit Committee in greater detail. These stipulate that the Audit Committee should consist of at least three members of the Board of Directors who are not actively involved in the Company's business activities. The main tasks of the Audit Committee are as follows:

Financial reporting

> Assessing and monitoring the efficiency of the financial reporting system of the Group (IFRS), the efficiency of the financial information and the necessary internal control instruments
> Ensuring compliance with the Group accounting policies and assessing the effects of departures from these

External auditor
- Assisting the Board of Directors with the selection and appointment of the external auditor
- Reviewing and approving the audit plan
- Evaluating the performance, fees and independence of the external auditor
- Evaluating cooperation with Internal Audit

Internal Audit
- Assisting with the selection of Internal Audit and its tasks
- Evaluating the performance of Internal Audit
- Reviewing and approving the audit plan
- Evaluating cooperation with the external auditor

Other duties
- Evaluating the internal control and information system
- Taking receipt of and discussing the annual report on important, threatened, pending, and closed litigation with significant financial consequences
- Reviewing the measures to prevent and detect fraud, illegal activities, or conflicts of interest

The Audit Committee is also responsible for submitting regular verbal and written reports to the full Board of Directors.

Compensation Committee

The members of this committee are elected individually once a year by the Annual General Meeting in accordance with the law and the articles of incorporation. At the latest, the term of office of each member of the Compensation Committee expires at the end of the Annual General Meeting following their election. Re-election is possible. The members of this committee are Marco Musetti (Chairman; since the 2015. Annual General Meeting) and Vladimir Kuznetsov (Chairman; until the 2015 Annual General Meeting), Dr Heinz Schumacher (member) as well as Hans Ziegler (member). The regulations provide that the Compensation Committee meet as often as business requires, usually at least once per fiscal year. The Compensation Committee met six times in fiscal 2015. These meetings lasted between one and two hours. There are separate regulations governing the tasks and responsibilities of the Compensation Committee. The Committee consists of at least three members of the Board of Directors. The committee is tasked with preparing the resolution of the Board of Directors on the Board of Directors' and Executive Board's compensation, and issuing a proposal to this effect to the Board of Directors. Its duties include, but are not limited to, the following:

- Determining the principles for selecting candidates for election or re-election to the Board of Directors
- Determining the principles for selecting members of the Executive Board
- Preparing proposals for the Board of Directors regarding the appointment of members of the Executive Board
- Preparing proposals for the Board of Directors regarding personnel developments and succession planning for the Group management
- Preparing proposals regarding compensation of the members of the Board of Directors of the Company, the committees and the Executive Board and drafting a proposal for the resolution on such compensation for the attention of the Board of Directors; the Annual General Meeting votes on whether to approve the resolution of the Board of Directors
- Determining the specific compensation of the members of the Board of Directors, the committees and the Executive Board in accordance with the principles approved by the Board of Directors
- Preparing the compensation report
- Approving any mandates of the Executive Board beyond the SCHMOLZ + BICKENBACH Group.

The Compensation Committee reports to the full Board of Directors on the content and scope of decisions made.

Strategy Committee

The members of this committee are Edwin Eichler (Chairman; since the 2015 Annual General Meeting) and Marco Musetti (Chairman until the 2015 Annual General Meeting, member since then), Johan Van de Steen (member; since the 2015 Annual General Meeting), Vladimir Kuznetsov (member; until the 2015. Annual General Meeting) and Dr Oliver Thum (member). The regulations provide that the Strategy Committee meet as often as business requires, usually at least twice per fiscal year. The committee met three times in fiscal 2015 with meetings lasting between two and three hours. The members of the Board of Directors and Executive Board were entitled to attend as guests. The Strategy Committee supports the Board of Directors in meeting its responsibilities for developing and rolling out the corporate strategy across the Group. The duties of the Strategy Committee include, but are not limited to, the following:

> Reaching major strategic decisions, including ones about acquisitions and disposals, and collaboration/joint venture opportunities that are material for the Group
> Strategic planning and defining development priorities
> Defining corporate policy

Besides the Strategy Committee members, the CEO and CFO also usually attend Strategy Committee meetings in an advisory capacity. If not already a regular member of the Strategy Committee, the Chairman of the Board of Directors is entitled to attend as a guest. The Strategy Committee reports to the full Board of Directors on the content and scope of decisions made.

At the meeting of 8 December 2015, the Board of Directors passed a resolution that the Board of Directors of SCHMOLZ + BICKENBACH AG will perform the tasks of the Strategy Committee from 1 January 2016 onwards, for which a separate meeting of the Board of Directors will be planned as necessary.

3.5 Definition of areas of responsibility

The Board of Directors is the most senior executive body in the Group's management structure and rules on all matters that are not expressly entrusted to another governing body in accordance with the law, the articles of incorporation or the organisational regulations.

The Board of Directors has delegated all duties except for those that are non-transferable and inalienable in accordance with the law. The non-transferable and inalienable duties of the Board of Directors include, but are not limited to:

> Managing the Company as the supreme governing body and issuing all necessary directives
> Defining the Company's organisation
> Designing the accounting, financial control and financial planning systems as required for the management of the Company
> Appointing and dismissing persons entrusted with managing and representing the Company
> Assuming overall supervision of the persons entrusted with managing the Company, in particular with regard to compliance with the law, articles of incorporation, regulations and directives
> Compiling the annual report and the compensation report, preparing and leading the Annual General Meeting, and implementing its resolutions
> Notifying the court in the event of overindebtedness
> Preparing resolutions on the payment of subsequent contributions to shares that are not fully paid up
> Preparing resolutions on capital increases and the associated amendments to the articles of incorporation
> Other non-transferable and inalienable duties, in relation to the Swiss Merger Act, for example

The Board of Directors is the supreme governing body of the Company, responsible for supervising and monitoring the Executive Board, and issuing corporate policies. It also defines the strategic objectives and allocates general resources required to achieve them. With the exception of duties reserved for the Board of Directors or its committees, all executive management tasks within the Company and Group are delegated to the Executive Board. The CEO chairs the Executive Board, which consists of the CEO and CFO. Due to Hans-Jürgen Wiecha's departure from the Company as of 28 February 2015, Clemens Iller was acting CFO from 1 March 2015 to 31 March 2015. Matthias Wellhausen has been CFO of the Group since 1 April 2015. The CEO issues supplementary guidelines governing the duties and authority of members of the Executive Board and Business Unit Management. The Board of Directors receives notification of these responsibilities and any subsequent changes at the next meeting of the Board of Directors at the latest. The members of the Executive Board are appointed by the Board of Directors on the recommendation of the Compensation Committee, while other members of the Executive Committee are appointed by the Executive Board. The Chairman of the Board of Directors monitors the implementation of measures approved by resolution of the Board of Directors, supervises the CEO and his activities, and evaluates performance with him regularly.

3.6 Instruments for reporting and control: Executive Committee

A transparent management information system (MIS) is used to support the Board of Directors' reporting and control activities relating to the Executive Board and Business Unit Management. The MIS sources information from monthly, quarterly and annual reports, among other things. Every member of the Board of Directors may request information about any Company matter, provided the CEO is informed of the request. The Executive Board updates the Board of Directors at every meeting on current business developments and significant business transactions. Between meetings, all members of the Board of Directors can request information from the Executive Board about the progress of business and, with the authorisation of the Chairman, about specific business transactions.

Enterprise Risk Management (ERM)

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. There are codes of conduct and guidelines in place at the individual subgroups to monitor their compliance and control. 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.

Led by SCHMOLZ + BICKENBACH AG, the Group employs a standardised Enterprise Risk Management (ERM) system across the Group to ensure consistent guidelines for systematic and efficient risk management. The ERM enables the comprehensive analysis of risks, including probability of occurrence, potential damages and damage limitation measures, and is an integral component of the annual strategy process. This approach helps maintain a high level of awareness among managers. The risk management duties are defined and explained in our Corporate Policy Manual and are illustrated with examples. According to the policy, the objective of the ERM is to ensure that risks are identified and optimised and that opportunities are exploited. Operational management is directly responsible for the early detection, monitoring and communication of risks, while responsibility for control lies with the Executive Board and ultimately the Board of Directors. In this context, the Executive Board or the Board of Directors perform periodical analyses of aggregated risks and, where necessary, adopt and implement corresponding packages of measures related to corporate governance.

Insurance policies have been taken out for the majority of insurable risks, when this makes commercial sense. As a result, the corresponding risks have been transferred to insurance companies. Where necessary, preventive measures to avert and avoid loss have been implemented by the operating entities. Aspects covered by the ERM include currency, interest-rate and credit risk management. For details of the instruments available for this purpose, please refer to the information on financial instruments in the notes to the consolidated financial statements.

See p. 146

The IT landscape is regularly reviewed and adjusted to ensure the professional operation of computer-aided 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.

Our business performance is strongly influenced by the volatility of commodity prices and the Group's economic dependency on the automotive and mechanical engineering industries. The Group strives to balance and diversify risks by continually developing its broad product portfolio, adopting an international sales focus, diversifying the business portfolio geographically, focusing on niche products and optimising the supply chain.

Internal Audit

Internal Audit is an independent auditing and advisory body. For administrative purposes it is allocated to the division of the Chief Financial Officer and receives audit engagements from the Executive Board and the Audit Committee. An important component of the ERM, Internal Audit produces risk analyses and assesses the effectiveness and efficiency of the internal control systems. The Board of Directors and the Audit Committee request periodic reports on ERM results. In accordance with the audit plan approved by the Executive Board and Audit Committee, Internal Audit conducted several audits and analyses in the reporting period. These were then discussed by the Audit Committee which passed resolutions on any necessary measures and monitored the implementation of these in cooperation with the responsible Group and Business Unit Heads.

4__ Executive Board

4.1 Members of the Executive Board

In accordance with the organisational regulations applicable as at the reporting date, the Executive Board consists of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

Hans-Jürgen Wiecha left the Company as at 28 February 2015. The Executive Board consisted of the following members between 1 April 2015 and the reporting date:

Name	Function	Period
Clemens Iller	CEO	1.1.2015–31.12.2015
	CFO ad interim	1.3.2015–31.3.2015
Matthias Wellhausen	CFO	1.4.2015–31.12.2015
Hans-Jürgen Wiecha	CFO	1.1.2015–28.2.2015

Clemens Iller, CEO

Clemens Iller, a business graduate of the University of Tübingen, has been CEO at SCHMOLZ + BICKENBACH since 1 April 2014. He was acting CFO as well from 1 March 2015 to 31 March 2015. He launched his career at Amphenol-Tuchel-Electronics in 1989, moving into the steel industry initially as General Manager Export Sales at Rasselstein Hoesch GmbH in 1995. He assumed various positions of responsibility at ThyssenKrupp Stahl AG from 1999 onwards. From 2009 to the end of 2012 he headed up the Business Area Stainless Global/Inoxum of the listed German entity ThyssenKrupp AG and served as Chairman of the Management Board of ThyssenKrupp Nirosta GmbH. As Hold Separate Manager in 2013, he was responsible for compliance with EU requirements in the Inoxum/Outokumpu merger. Since 2002, Clemens Iller has been on the Shareholders' Committee of UnionStahl Holding GmbH. He has served on the Advisory Board of Panopa Logistik GmbH since 2014.

Matthias Wellhausen, CFO

Matthias Wellhausen, banking professional and graduate economist, has served as CFO of SCHMOLZ + BICKENBACH AG since 1 April 2015. He began his career at the Landesbank Schleswig-Holstein (Germany), followed by different management positions in the areas finance and controlling at IBM International. Since 1996, he has held several CFO positions within the ArcelorMittal Group, both at group headquarters and in operating activities at the plants. For example, he was employed as managing director at Eko-Stahl in Eisenhüttenstadt and, most recently, as an executive at ArcelorMittal South Africa in Johannesburg. His activities focused on areas including cost management, optimising current assets as well as the integration into international structures.

Hans-Jürgen Wiecha, CFO

Hans-Jürgen Wiecha, who holds a degree in business administration from the University of Siegen, served as CFO of SCHMOLZ + BICKENBACH AG from 1 February 2013 to 28 February 2015. He began his professional career in 1989 at what is now PricewaterhouseCoopers. From 1993 until 2000, Hans-Jürgen Wiecha held various positions of responsibility within the VEBA Oel AG Group, ultimately as Manager of controlling, accounting and treasury. In 2000, he moved to Gerresheimer AG as Director of Corporate Finance, with responsibility for treasury, accounting and taxes. He was granted general power of attorney in 2004 when his responsibilities were expanded to include mergers and acquisitions. From 2005 to 2013 he was CFO of Gerresheimer AG, which is listed on Germany's MDAX.

4.2 Other activities and vested interests

The above profiles of members of the Executive Board provide information on their activities and commitments in addition to their functions at SCHMOLZ + BICKENBACH.

4.3 Management contracts

SCHMOLZ + BICKENBACH Edelstahl GmbH, as a subsidiary of SCHMOLZ + BICKENBACH AG, provides services for the Group companies of SCHMOLZ + BICKENBACH AG. These services are invoiced at market rates.

5__ Compensation, participations and loans

Refer to the compensation report, starting on page 94 for full details.

6__ Shareholders’ rights of participation

6.1 Restrictions on voting rights and representation

With the exception of the 2% clause for nominees, there are no restrictions on voting rights.
According to Art. 6 (2) of the articles of incorporation, any shareholder may be represented by an independent proxy or by any other person, who need not be a shareholder, provided that person has written power of attorney.

6.2 Statutory quorum

The articles of incorporation do not contain any special provisions governing quorums beyond the provisions of company law.

6.3 Convening the Annual General Meeting

The Annual General Meeting is convened by the Board of Directors or the external auditor, indicating the agenda as well as proposals of the Board of Directors and any motions put forward by shareholders who have requested the General Meeting or asked for an item to be included on the agenda. The meeting is held at the registered office of the Company or at a different location determined by the Board of Directors.

A written invitation is sent at least 20 days before the date of the Annual General Meeting, which must take place within six months of the end of the fiscal year, or the extraordinary General Meeting. Meetings are convened either by a resolution of the Annual General Meeting or of the Board of Directors, at the request of the external auditor, or if requested by one or more shareholders who together represent at least one tenth of the share capital (see Art. 5 of the articles of incorporation). If the meeting is convened by shareholders or the external auditor, the Board of Directors must, if expressly requested, hold the meeting within 60 days.

6.4 Inclusion of items on the agenda

Shareholders who represent shares with a par value of CHF 1 million may submit a written request, no later than 45 days before the General Meeting, asking for an item to be placed on the agenda.

6.5 Entry in the share register

The cut-off date for entering registered shareholders in the share register is indicated in the invitation to the General Meeting. It is normally around ten calendar days before the date of the General Meeting.

7__ Changes of control and defence measures

7.1 Duty to make a public offer

The articles of incorporation do not contain any provisions on opting out or opting up.

7.2 Clauses on changes of control

The Executive Board members’ employment contracts do not contain any change-of-control clauses.

8__ External auditor

8.1 Duration of engagement and term of office of the auditor in charge

The auditors are elected by the Annual General Meeting for a period of one year. Ernst & Young Ltd has been the external auditor since the fiscal year 2005 and was re-elected for the fiscal year 2015. Roland Ruprecht has been Engagement Partner and signatory of the auditor's report since the fiscal year 2012.

8.2 Audit fees

See p. 129

The auditor in charge is generally rotated every seven years. Fees of EUR 1.7 million (2014: EUR 1.7 million) were paid for financial statement audits and EUR 0.8 million (2014: EUR 0.1 million) for other assurance services in 2015.

8.3 Additional fees

Fees of EUR 0.7 million (2014: EUR 0.9 million) were paid for tax consultancy services and EUR 0.2 million (2014: EUR 0.2 million) for transaction advisory services in the reporting period.

8.4 Instruments for supervision and control: external auditor

See p. 82 et seq.

The Audit Committee annually reviews the performance, fees and independence of the auditors and makes a proposal to the Board of Directors, and then the Annual General Meeting, concerning the appointment of the statutory auditor. The Audit Committee decides annually on the scope of the internal audit and coordinates this with the external auditor's audit plans. The Audit Committee agrees the audit scope and plan with the external auditor and discusses the audit findings with the external auditors, who usually attend two meetings per year (see also the detailed description of the duties and authority of the Audit Committee, section 3.4, on page 82 et seq.). There is no definitive rule governing the engagement of providers for non-audit services. Such engagements are usually awarded by the Executive Board in consultation with the Chairman of the Audit Committee, and are evaluated annually as part of the process to assess the independence of the external auditor.

9__ Information policy

The Company publishes an annual report. In addition, a half-year report in released in August and quarterly reports in May and November. All of the reports are available in both German and English. The German version of any given publication is binding. Shareholders, investors and other stakeholders can join the distribution list for media communication via the SCHMOLZ + BICKENBACH website: www1.schmolz-bickenbach.com/en/pressmedia/contact-service/mailing-list/. The regulations relating to ad hoc publicity also apply.

Financial calendar	
24 March 2016	Annual Report 2015, Media and Analyst Conference
3 May 2016	Annual General Meeting
20 May 2016	Q1 Report 2016, Investor Call
11 August 2016	Q2 Report 2016, Investor Call
15 November 2016	Q3 Report 2016, Investor Call

Investor Relations

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Press releases and other information are publicly available on our website www.schmolz-bickenbach.com.

Compensation report

COMPENSATION REPORT

SCHMOLZ + BICKENBACH reports separately on the compensation of the Board of Directors and Executive Board. The intention of the compensation report is to provide the necessary explanations in a way that is transparent and comprehensible to all readers.

1__Introduction

1.1 Foreword

Dear shareholders,

The SCHMOLZ + BICKENBACH Group is committed to attracting, motivating and retaining the best specialists and leaders to secure our Company's sustainable success. The SCHMOLZ + BICKENBACH Group's compensation policy is an integral component of its strategy, and is designed to motivate all employees to pull together to make the Company more successful than its competitors and add sustainable value for its shareholders.

SCHMOLZ + BICKENBACH's articles of incorporation govern performance-related compensation of the Board of Directors, the Executive Committee [1] and any advisory boards (Art. 16b (2)), allocation of shares, conversion rights and options (Art.16b (2)–(4)), credits, loans and pension payments (Art. 16c), arrangements for the AGM's vote on compensation, and the applicable premium for the Executive Committee's compensation should an approved total amount not suffice (Art. 16e).

The regulations are provided in full on our website in the section "Investor Relations/Corporate Governance": www1.schmolz-bickenbach.com/fileadmin/files/schmolz-bickenbach.com/documents/corporate_governance/171014_Articles_of_Incorporation_new_S_B_.pdf

This compensation report sets out the principles governing compensation of the Board of Directors and Executive Board. In addition, it describes the duties of the Compensation Committee and the process for defining compensation and contains details of compensation paid in the fiscal year 2015. The report will be presented to the 2016 Annual General Meeting for consultative vote. It is based on the principles laid down in economiesuisse's Swiss Code of Best Practice and was prepared in accordance with Art. $663b^{bis}$ and 663c of the Swiss Code of Obligations (CO), the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations (VegüV) and the SIX Swiss Exchange's Corporate Governance Guidelines.

Yours,

Marco Musetti
Chairman of the Compensation Committee

1) The Executive Board of SCHMOLZ + BICKENBACH AG is the Executive Committee as defined by VegüV.

1.2 Statutory principles governing voting on compensation

According to the articles of incorporation, the Annual General Meeting approves annually, separately and in a binding manner the total amounts proposed by the Board of Directors for: (i) the compensation of the Board of Directors and any Advisory Board for the period until the following Annual General Meeting, and (ii) the compensation of the Executive Board for the fiscal year following the Annual General Meeting.

If the total amount approved for the compensation of the Executive Committee is insufficient to compensate members of the Executive Committee appointed after the resolution of the General Meeting until the beginning of the following approval period, the Company may use per person an additional amount of not more than 40% of the previously approved total compensation of the Executive Committee for the respective approval period. The General Meeting does not vote on the additional amount used. No additional amounts were utilised in the reporting year.

Besides the above approval, the General Meeting may annually, at the request of the Board of Directors, pass a separate and binding resolution to increase of the approved compensation amounts for the Board of Directors, the Executive Committee and any Advisory Board for the current approval period or the previous approval period. The Board of Directors is entitled to pay all kinds of compensation out of the total approved and additional amounts.

The Board of Directors may submit the prior-year compensation report to the General Meeting for a consultative vote.

2__Compensation policy

2.1 Organisation and duties of the Compensation Committee

The Compensation Committee is the first authority in preparing the information needed for a proposal on the compensation of the Board of Directors and Executive Board for submission to the entire Board of Directors. The Compensation Committee's primary duty is to monitor the organisation, qualifications, performance and compensation of the Executive Board and the Board of Directors in order to ensure fair, adequate and competitive compensation that is consistent with the strategic goals of the SCHMOLZ+BICKENBACH Group. The Compensation Committee consists of three members of the Board of Directors. Marco Musetti was Chairman and Dr Heinz Schumacher and Hans Ziegler were regular members of the Compensation Committee during the reporting period. The committee met six times in 2015, with meetings lasting between one and two hours. Compensation-relevant topics were presented without delay to the Board of Directors for a decision. All members of the Compensation Committee have the requisite experience, are familiar with compensation practice and understand market developments.

Principles are laid down in the articles of incorporation to govern the organisation and assumption of tasks of the Compensation Committee. In addition, the Board of Directors has adopted regulations describing the constitution and duties of the Compensation Committee in more detail.

The main duties of the Compensation Committee are:

> Determining the principles for selecting candidates for election or re-election to the Board of Directors
> Determining the principles for selecting members of the Executive Board
> Preparing proposals for the Board of Directors regarding the appointment of members of the Executive Board
> Preparing proposals for the Executive Board regarding personnel developments and succession planning for the Group management
> Preparing proposals regarding compensation of the members of the Board of Directors of the Company, the committees and the Executive Board and drafting a proposal for the resolution on such compensation for the attention of the Board of Directors; the Annual General Meeting votes on whether to approve the resolution of the Board of Directors
> Preparation of the resolution of the Board of Directors on the specific compensation of the members of the Board of Directors, the committees and the Executive Board and the submission of a proposal to that effect
> Preparing the compensation report
> Approving any additional mandates of the Executive Board beyond the SCHMOLZ + BICKENBACH Group

2.2 Decision-making process for determining compensation

Each year, the Compensation Committee examines the structure and amount of compensation paid to members of the Executive Board and Board of Directors. It then proposes any amendments for approval by the entire Board of Directors. This process includes, but is not limited to, examining the basic salary and fringe benefits as well as performance-related short-term and long-term compensation. Furthermore, the Compensation Committee is responsible for managing the performance review process of individual members of the Executive Board, preparing succession planning and submitting recruitment proposals.

The members of the Executive Board are not involved in determining their own compensation. However, the Chief Executive Officer (CEO) is consulted on the compensation proposed for other members of the Executive Board.

Recommendations relating to the compensation of the Board of Directors must be in line with internal guidelines and are subject to the approval of all members of the Board of Directors.

The Compensation Committee consults external advisors where necessary. In order to ensure that Executive Board compensation is in line with the market, the individual compensation components were reviewed based on the "Swiss HQ Executive Compensation Study" by Aon Hewitt and the "Swiss Leader Compensation Survey 2015" study by Deloitte.

The table below summarises the roles of the Compensation Committee (CC), the Board of Directors (BoD) and certain members of the Executive Board (CEO) in recommending and approving compensation of the Executive Board and Board of Directors:

Decisions on compensation level	Proposal	Consultation	Approval
Basic salary for the Executive Board	CC	CEO [1)]	BoD
Target compensation level for short-term incentive of the Executive Board	CC	CEO [1)]	BoD
Target compensation level for long-term incentive of the Executive Board	CC	CEO [1)]	BoD
Compensation of the Board of Directors	CC	–	BoD [1)]

Decisions on performance targets	Proposal	Consultation	Approval
Performance targets for short-term incentives of the Executive Board (excl. CEO)	Chairman of the BoD	CEO	BoD
Performance targets for short-term incentives of the CEO	Chairman of the BoD	–	BoD
Performance targets for long-term incentives of the Executive Board (incl. CEO)	CC	CEO [1)]	BoD

[1)] In accordance with the general provisions on absence/abstention.

2.3 Significant changes in 2015 and outlook

2.3.1 Executive Committee members

In accordance with the organisational regulations applicable as at the reporting date, the Executive Board consists of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

The Executive Committee consisted of the following members over the course of the fiscal year:

Name	Function	Period
Clemens Iller	CEO CFO ad interim	1.1.2015 – 31.12.2015 1.3.2015 – 31.3.2015
Matthias Wellhausen	CFO	1.4.2015 – 31.12.2015
Hans-Jürgen Wiecha	CFO	1.1.2015 – 28.2.2015

2.3.2 Compensation of the Executive Board

The Long-Term Incentive Plan (LTIP) initiated in 2014, which offers members of the Executive Board long-term incentives, was continued in 2015. Section 4.2.3 provides full details of the LTIP.

2.3.3 Major changes expected for 2016

Total rewards packages are expected to be lower overall for the Executive Board in 2016. This is primarily attributable to the fact that payments were due to Hans-Jürgen Wiecha in 2015 in accordance with the twelve-month notice period provided for in his contract.

The performance indicators and weightings under the Short-Term Incentive Plan (STIP) have been defined for 2016 as follows:
(i) Adjusted EBITDA 35%, (ii) operating free cash flow 35%, (iii) individual targets 30%. The Board of Directors believes that the heavy weighting of the financial targets will enable better alignment with investor interests.

3__Compensation system

3.1 Compensation principles

Compensation of members of the Board of Directors and Executive Board is set so that it is appropriate, competitive and performance-based and is aligned to the strategic goals and success of the Group.

3.2 Compensation components

The articles of incorporation provide that the Company can also award a performance-related component besides the fixed compensation. The amount of this additional component depends on qualitative and quantitative targets and parameters set by the Board of Directors. Performance-related compensation can be paid in cash or by allocation of participation share certificates, convertible rights or options, or other participation rights.

As explained in detail below, the members of the Executive Board receive a performance-based component, part of which can be settled in shares, in addition to the fixed component.

The members of the Board of Directors receive fixed fees which are payable partly in cash and partly in shares.

4__Compensation of the Executive Board

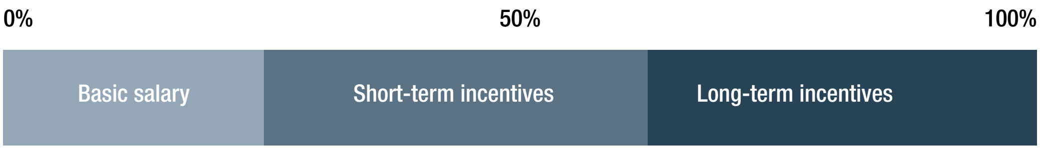
4.1 Determining compensation

The SCHMOLZ + BICKENBACH Group's policy is to position the Executive Board's compensation so that it reflects the median of peer companies. The short-term and long-term incentive plans stipulate that the members of the Executive Board receive correspondingly higher compensation if they consistently over-perform with regard to targets.

4.2 Individual components of compensation

The rewards package for the Executive Board consists of fixed and performance-based components as well as social security contributions. The fixed component is a basic salary, while performance-based components consist of a Short Term Incentive Plan (STIP) and a Long Term Incentive Plan (LTIP).

The table below shows the general composition of compensation for the Executive Board in 2015:



	Short-term incentives		Long-term incentives	
Participants	Executive Board		Executive Board	
Purpose	Recognise short-term financial performance		Recognise sustainable growth in the Company's value	
Allocated	Annually		Annually	
Exercised	Annually		After three years	
Measured by	Adjusted EBITDA, operating free cash flow, personal goals		Return on capital employed, absolute shareholder return	
	CEO	CFO	CEO	CFO
Minimum as a percentage of basic salary	37.5%	30%	37.5%	30%
Percentage of basic salary if targets are reached	75%	60%	75%	60%
Maximum as a percentage of basic salary if targets are exceeded	150%	120%	150%	120%
Compensation	Cash		Shares and/or cash	

4.2.1 Basic salary

The Compensation Committee is responsible for proposing the basic salary of the members of the Executive Board. The proposals then have to be approved by the Board of Directors. In examining whether to amend the basic salary, comparative information and the performance of the individual in the past fiscal year are taken into account.

4.2.2 Short-term incentives

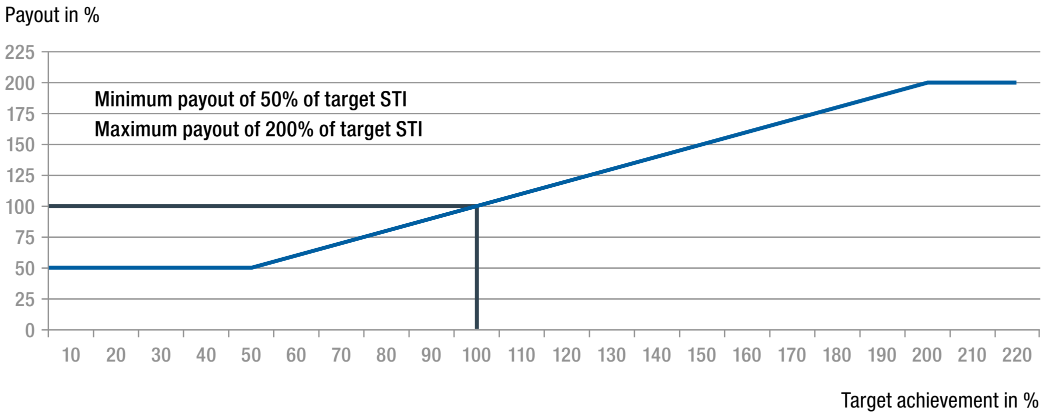
The Short-Term Incentive Plan (STIP) is designed to reward the Executive Board of SCHMOLZ + BICKENBACH for achieving annual performance targets that are specific, quantifiable and challenging. The performance targets of Executive Board members consist of financial targets for the Group (adjusted EBITDA and operating free cash flow: OFCF) as well as personal targets. Targets are compiled in line with SCHMOLZ + BICKENBACH's business model and corporate strategy.

All performance targets are defined in advance and there was no scope of discretion in determining the payments from the Short-Term Investment Plan for 2015. The performance indicators and respective weightings for 2015 are as follows:

Performance indicator	Weighting
Adjusted EBITDA	33%
OFCF	33%
Personal targets	33%

The Executive Board members' personal targets related to matters including the consolidation and further development of the Group as well as the improvement of the financial and cost situation.

The individual members' general prospects under the Short-Term Incentive Plan are presented in the diagram below. In general, the target short-term incentive for the individual Executive Board members is 75% of the basic salary for the CEO and 60% of the basic salary for the CFO (if the targets are met 100%). Failure to meet the targets will lead to a lower payment, although a minimum payout threshold of 50% has been set (corresponding to 37.5% of the basic salary for the CEO and 30% of the basic salary for the CFO). If targets are exceeded, a higher payment of up to 200% of the short-term incentive can be made, i.e. up to a maximum of 150% of the basic salary for the CEO and 120% of the basic salary for the CFO.



While individual targets were met in 2015, not all of the Group's financial targets were. The STI for the fiscal year 2015 will be paid out in cash to all members of the Executive Board in 2016.

4.2.3 Long-term incentives

A Long-Term Incentive Plan (LTIP) was developed for the Executive Board in 2014. The LTIP has been applied to all members of the Executive Board since 2015. The target to be reached under the LTIP is 75% of the annual basic salary for the CEO and 60% of the annual basic salary for the CFO, with the actual amount under the LTIP not exceeding 200% or falling below 50% of the target LTIP (i.e. 150% maximum and 37.5% minimum of the annual basic salary for the CEO and 120% maximum and 30% minimum of the annual basic salary for the CFO).

The LTIP is based on two different performance indicators: return on capital employed (ROCE) and absolute shareholder return (ASR). The Company uses these indicators to create long-term incentives for LTIP participants, which serve to align the SCHMOLZ + BICKENBACH Group's corporate strategy with the interests of the equity owners.

Each performance indicator has a threshold as well as a target, stretch and maximum value defined by the Board of Directors. All values are defined exactly and with the aim of rewarding outstanding performance.

The plan differentiates between the one-year compensation period and the three-year performance period in which to achieve the performance targets for the indicators described (ROCE, ASR). The current compensation period is the fiscal year 2015 while the corresponding performance period covers the fiscal years 2015-2017.

The percentage target achievement comprises the percentage achievement of the two components (ROCE growth and absolute share performance), each multiplied by 50%.

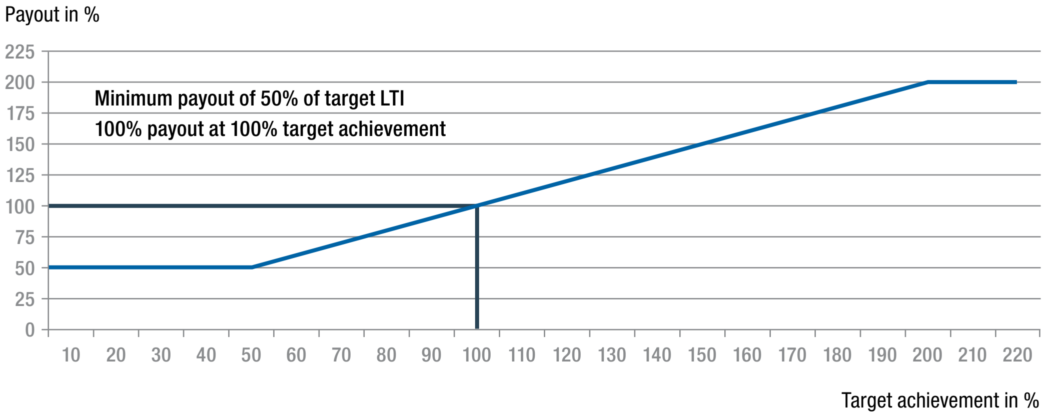
As a formula, the calculation is as follows:

$$\textbf{ROCE growth} = \frac{3 \text{ x ROCE year 1} + 2 \text{ x ROCE year 2} + \text{ROCE year 3}}{6} \quad \text{and}$$

$$\textbf{Absolute shareholder return, ASR} = \frac{\text{closing price year 3} - \text{opening price year 1}}{\text{Opening price year 1}} \textbf{ x 100}$$

At the discretion of the Board of Directors, the compensation payable under the LTIP can be paid in SCHMOLZ+ BICKENBACH AG shares, in cash or a mixture of the two. This decision has to be made by the allocation date.

The individuals do not have voting rights or rights to dividends from potentially receivable shares during the three-year performance period. As soon as shares have been finally allocated and transferred, the owners have full rights relating to them, excepting any internal trading restriction periods.



If the employment contract of a member of the Executive Board is terminated before the end of the compensation period, that member is entitled to a pro rata allocation of the compensation due under the LTIP. The pro rata allocation is calculated based on the number of days from the beginning of the compensation period up to and including the day on which employment ends, divided by the total number of days in the compensation period. Claims for the remainder of the compensation period after employment ends are explicitly excluded. Achievement of target ROCE and ASR is not assessed until the end of the performance period, including in the case of pro rata allocation.

4.2.4 Social security contributions

The members of the Executive Board are covered by an accident and term life insurance policy for the duration of their time in office. The policy provides for benefits in the event of death or invalidity, and as insured within the scope of the occupational welfare fund (pension fund) of SCHMOLZ + BICKENBACH AG. In cases of temporary illness, an accident or other absence from work through no fault of the individual concerned, the members of the Executive Board receive their basic salary for a maximum period of twelve months, but not beyond the termination date of their agreement. Executive Board members are also covered by other Group insurance (including D&O, corporate legal protection insurance, travel insurance). Executive Board members received a one-off relocation allowance relating to their move to Switzerland.

4.2.5 Compensation in kind

The Company provides the members of the Executive Board with an appropriate vehicle for business and private use for the duration of their contracts. The costs to acquire, operate, maintain and service the company car are covered by the Company. Any taxes resulting from private use have to be paid by the Executive Board member in question.

4.3 Compensation tables 2014/2015

The Executive Board's rewards package came to CHF 5 531 056 in total in 2015 (2014: CHF 5 078 733). In 2015, Clemens Iller, CEO, was the highest-earning member of the Executive Board (CHF 2 965 439), in 2014 it was Hans-Jürgen Wiecha, CFO (CHF 2 277 926).

		Cash/deposits				Pension fund expenses		
		Fixed remuneration	Variable remuneration	LTIP [1)]	Non-cash benefits [2)]	Postemployment benefit contributions [3)]	Health, accident and other insurance contributions	Total
in CHF								
2015								
Highest-paid person: Clemens Iller (DE)	CEO	1 200 000	900 000	548 566	17 533	285 278	14 062	2 965 439
Total Executive Committee [4)]		**1 715 628**	**2 246 717**	**1 042 574**	**45 556**	**460 750**	**19 832**	**5 531 056**
2014								
Highest-paid person: Hans-Jürgen Wiecha (DE)	CFO [5)]	961 178	1 201 768	–	24 595	75 975	14 410	2 277 926
Total Executive Committee		**2 125 036**	**2 249 157**	**491 913**	**56 083**	**93 420**	**63 124**	**5 078 733**

1) Provisional, based on Black-Scholes model calculation.
2) Private contribution car (based where applicable on tax regulations) and other non-cash benefits.
3) Employer contributions to the pension fund and other post-employment benefit plans.
4) Includes compensation of Hans-Jürgen Wiecha.
5) CEO ad interim from 1 January to 31 March 2014.

The changes compared to the prior year can be explained by various factors:

1. Clemens Iller (joined: 1 April 2014) received compensation for the full twelve months in 2015.
2. Payments for Hans-Jürgen Wiecha, who stepped down as CFO as at 28 February 2015, were due in accordance with the twelve-month notice period provided for in his contract.
3. Matthias Wellhausen joined the Company as new CFO as at 1 April 2015.
4. A company pension plan (pension fund) was introduced for SCHMOLZ+BICKENBACH AG in 2015.

4.4 Additional compensation

The Executive Board did not receive any compensation beyond the components already described.

No additional compensation was paid in 2015 to former members of the Executive Committee or Executive Board who left the Company in the reporting period or earlier.

4.5 Contractual components and termination payments

4.5.1 Non-compete clause

The members of the Executive Board are prohibited from performing activities for another company and/or person that is a competitor of the Company or one of its affiliates throughout the term of office and for a period of twelve months after stepping down. During the period covered by the post-contractual non-compete clause, the employer pays compensation of 50% of the Executive Board member's most recent basic salary.

4.5.2 Termination clause

Permanent employment contracts are concluded with the members of the Executive Board. They provide for a twelve-month notice period for both parties, exercisable as at the end of any given month.

4.6 Liabilities from previous reporting periods

There are no current liabilities from reporting periods prior to the fiscal year 2015 that were incurred in connection with compensation for Executive Board members, with the exception of the LTIP 2014 from the prior year, from which compensation not paid until after the end of the three-year performance period.

5__Compensation of the Board of Directors

5.1 Determining compensation

The Compensation Committee regularly reviews the compensation principles and compensation of the Board of Directors and the individual functions within the Board (Chairman, committee members).

5.2 Individual components of compensation

The members of the Board of Directors receive annual compensation for the period from the date of the Annual General Meeting until the following Annual General Meeting. This compensation is partly settled in cash and partly in SCHMOLZ+BICKENBACH AG shares. The Chairman receives higher compensation than the other members.
Members receive additional compensation in cash for their involvement on committees appointed by the Board of Directors. The chairman of each committee receives higher compensation than the other members.
Any social security contributions (old age, survivors', disability and unemployment insurance, fund for loss of earned income, employer and employee contributions) are paid by the Company. Members of the Board of Directors do not receive any pension benefits beyond those provided for by the law. If members leave the Company before the end of their term in office, cash and share-based compensation is payable on a pro rata basis.

The 2015 Annual General Meeting approved a maximum amount of CHF 2 300 000 for the members of the Board of Directors for the compensation period from the 2015 Annual General Meeting until the 2016 Annual General Meeting. Up to an amount of CHF 850 000 (plus mandatory social security contributions: in particular, old age, survivors', disability and unemployment insurance, fund for loss of earned income) of this compensation should be issued in the form of Company shares. The compensation paid to the Board of Directors as part of this approved amount remains unchanged compared to the prior-year period:

Compensation from AGM 2015 (15 April 2015) until AGM 2016 (3 May 2016)

Function	Cash in CHF	Shares in CHF
Chairman	250 000	250 000
Member	80 000	100 000
Audit Committee Chairman	50 000	–
Audit Committee Member	30 000	–
Compensation Committee Chairman	40 000	–
Compensation Committee Member	25 000	–
Strategy Committee Chairman	40 000	–
Strategy Committee Member	20 000	–

Cash compensation is paid at the end of the quarter. The Company makes the social security contributions associated with compensation based on the information available and provides confirmation statements to the members. Otherwise, the members are each responsible for proper taxation.

The members receive reimbursement of any out-of-pocket expenses upon production of receipts (to the extent permitted by tax provisions). There is no lump-sum reimbursement of expenses.

For the share-based portion of compensation, the number of shares at the beginning of the term in office is calculated based on market data (volume-weighted average price: VWAP) from the tenth trading day before until the tenth trading day after publication of the financial statements approved by the Annual General Meeting. Shares are allocated at the end of each term in office or when a member steps down prematurely. Members of the Board of Directors do not have any voting rights or rights of ownership to these shares.

5.3 Compensation tables 2014/2015

Total compensation for members of the Board of Directors in 2015 came to CHF 2 019 338. (2014: CHF 2 064 008). The respective Chairman of the Board of Directors was the highest-earning member of the Board of Directors in both 2015 and 2014 (2015: CHF 561 345 and 2014: CHF 583 881).

		Cash/deposits			Pension fund expenses		Additional remu-neration	
		Fixed remuneration	Variable remuneration	Fixed remu-neration in shares	Postemploy-ment benefit contributions [1]	Health, accident and other insurance contributions	Expenses	Total
in CHF								
2015								
Edwin Eichler (DE)	Chairman	265 772	–	264 901	27 263	3 409	–	561 345
Marco Musetti (CH)	Vice-Chairman	151 835	–	105 960	13 250	2 045	–	273 090
Vladimir Kuznetsov (RU) [2]	Vice-Chairman	37 296	–	–	1 921	376	–	39 592
Michael Büchter (DE)	Member	115 060	–	105 402	10 462	–	–	230 925
Johan Van de Steen (BE) [3]	Member	103 940	–	105 960	10 783	1 617	–	222 300
Dr. Heinz Schumacher (DE)	Member	105 000	–	100 000	–	–	–	205 000
Dr. Oliver Thum (DE)	Member	100 000	–	100 000	–	–	–	200 000
Hans Ziegler (CH)	Member	165 083	–	105 960	13 932	2 111	–	287 087
Total		**1 043 986**	**–**	**888 183**	**77 612**	**9 558**	**–**	**2 019 338**
2014								
Edwin Eichler (DE)	Chairman	286 970	–	264 971	28 425	3 516	–	583 881
Vladimir Kuznetsov (RU)	Vice-Chairman	149 185	–	105 988	13 141	2 032	–	270 347
Michael Büchter (DE)	Member	116 336	–	105 430	13 296	1 032	–	236 093
Marco Musetti (CH)	Member	159 784	–	105 988	13 687	2 085	–	281 544
Dr. Heinz Schumacher (DE)	Member	105 000	–	100 000	–	–	–	205 000
Dr. Oliver Thum (DE)	Member	100 000	–	100 000	–	–	–	200 000
Hans Ziegler (CH)	Member	165 083	–	105 988	13 960	2 111	–	287 143
Total		**1 082 358**	**–**	**888 366**	**82 509**	**10 776**	**–**	**2 064 008**

1) Employer contributions to post-employment benefit plans.

2) Member of the Board of Directors until 15 April 2015.

3) Member of the Board of Directors since 15 April 2015.

5.4 Additional compensation

No compensation was paid in 2015 to members of the Board of Directors that left the Company in the prior period or earlier.

No options were allocated in the reporting period. Where members of the Board of Directors were involved in related-party transactions, this is indicated in the notes to the consolidated financial statements, page 160 onwards.

6__Loans and credits

The articles of incorporation provide that loans or credits of up to CHF 1 million may be granted to members of the Board of Directors or Executive Committee, including, but not limited to, advances for the costs of civil, penal or administrative proceedings relating to the activities of the respective person as a member of the Board of Directors or the Executive Committee of the Company (in particular court and lawyers' fees).

As at 31 December 2015, the SCHMOLZ+BICKENBACH Group had not granted any collateral, loans, advances or credits to members, or related parties of members, of the Executive Committee or Board of Directors.

7__Shareholdings

The following members of the Board of Directors own shares in SCHMOLZ + BICKENBACH AG:

		Number of shares		Number of options [4]	
Board of Directors		31.12.2015	31.12.2014	31.12.2015	31.12.2014
Edwin Eichler (DE)	Chairman	260 401	–	–	59 032
Marco Musetti (CH)[2]	Vice-Chairman	104 161	–	–	23 613
Vladimir V. Kuznetsov (RU)[3]	Member	n/a	–	n/a	23 613
Michael Büchter (DE)	Member	76 707	–	–	23 613
Johan Van de Steen (BE)[1]	Member	–	n/a	–	n/a
Dr Heinz Schumacher (DE)	Member	86 121	8 000	–	23 613
Dr Oliver Thum (DE)	Member	78 121	–	–	23 613
Hans Ziegler (CH)	Member	144 161	40 000	–	23 613
Total Board of Directors		**749 672**	**48 000**	**–**	**200 710**

1) Member of the Board of Directors since 15 April 2015.

2) Since 15 April 2015 Vice-Chairman of the Board of Directors.

3) Member of the Board of Directors until 15 April 2015.

4) Members of the Board of Directors are entitled to share-based payments from the date of the 2014 Annual General Meeting (17 April 2014). These shares had not yet been physically allocated as at 31 December 2014 so are disclosed as options. The actual number of shares allocated may be smaller due to the effective tax withheld at source.

The following members of the Executive Board own shares in SCHMOLZ + BICKENBACH AG:

			Number of shares
Executive Committee		31.12.2015	31.12.2014
Clemens Iller (DE) [1]	CEO	–	–
Matthias Wellhausen (DE) [2]	CFO	–	n/a
Hans-Jürgen Wiecha (DE) [3]	CFO	n/a	201 938
Total Executive Committee		**–**	**201 938**

1) CFO ad interim from 1 March 2015 to 31 March 2015

2) CFO since 1 April 2015

3) CFO until 28 February 2015

Report of the statutory auditor on the compensation report of SCHMOLZ + BICKENBACH AG, Emmen

To the General Meeting of SCHMOLZ + BICKENBACH AG, Emmen
Zurich, 23 March 2016

Report of the statutory auditor on the compensation report

We have audited the compensation report of SCHMOLZ + BICKENBACH AG for the year ended 31 December 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 4.3 and 5.2 to 7 on pages 103 to 108 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the compensation report for the fiscal year ended 31 December 2015 of SCHMOLZ + BICKENBACH AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young AG

Roland Ruprecht	Beat Rölli
Licensed audit expert (Auditor in charge)	Licensed audit expert

Financial reporting

SCHMOLZ + BICKENBACH Group

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	2015	2014 [1]
Revenue		2 679.9	2 869.0
Change in semi-finished and finished goods		–75.7	34.5
Cost of materials	8.1	–1 632.4	–1 838.6
Gross margin		**971.8**	**1 064.9**
Other operating income	8.2	45.0	36.0
Personnel costs	8.3	–551.9	–545.7
Other operating expenses	8.4	–305.9	–308.6
Operating profit before depreciation and amortisation		**159.0**	**246.6**
Depreciation, amortisation and impairment	8.7	–124.1	–116.4
Operating profit		**34.9**	**130.2**
Financial income		1.7	3.3
Financial expense		–47.6	–53.9
Financial result	8.8	**–45.9**	**–50.6**
Earnings before taxes		**–11.0**	**79.6**
Income taxes	8.9	–24.4	–27.6
Earnings after taxes from continuing operations		–35.4	52.0
Earnings after taxes from discontinued operations	7	–131.4	–2.0
Net income (loss)		**–166.8**	**50.0**
of which attributable to			
– shareholders of SCHMOLZ + BICKENBACH AG		–168.8	48.0
of which from continuing operations		–37.4	50.0
of which from discontinued operations		–131.4	–2.0
– non-controlling interests		2.0	2.0
Earnings per share	8.10	**–0.18**	**0.05**
Earnings per share in EUR (basic/diluted)		**–0.04**	**0.05**

[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	2015	2014
Net income (loss)		**–166.8**	**50.0**
Gains/losses from currency translation	9.8	17.4	24.3
Change in unrealised gains/losses from cash flow hedges	9.8	0.1	–0.4
Realised gains/losses from cash flow hedges	9.8	0.0	0.1
Tax effect from cash flow hedges	9.8	0.0	0.1
Items that may be reclassified subsequently to profit or loss		**17.5**	**24.1**
Actuarial gains/losses from pension-related and similar obligations and effects due to asset ceiling	9.8/9.9	2.3	–84.5
Tax effect from pensions and similar obligations	9.8/9.9	–3.6	20.9
Items that will not be reclassified subsequently to profit or loss		**–1.3**	**–63.6**
Other comprehensive income (loss)		**16.2**	**–39.5**
Total comprehensive income (loss)		**–150.6**	**10.5**
of which attributable to			
– shareholders of SCHMOLZ + BICKENBACH AG		–152.7	8.6
of which from continuing operations		–21.3	10.6
of which from discontinued operations		–131.4	–2.0
– non-controlling interests		2.1	1.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2015		2014	
	Note	in million EUR	%	in million EUR	%
Assets					
Intangible assets	9.1	28.0		32.9	
Property, plant and equipment	9.2	906.4		869.1	
Other non-current financial assets	9.4	1.7		3.2	
Non-current income tax assets		9.6		15.8	
Other non-current assets	9.5	0.4		0.4	
Deferred tax assets	8.9	63.9		84.9	
Total non-current assets		**1 010.0**	**47.9**	**1 006.3**	**40.1**
Inventories	9.6	664.0		918.5	
Trade accounts receivable	9.7	331.5		440.2	
Current financial assets	9.4	0.2		1.6	
Current income tax assets		7.2		3.7	
Other current assets	9.5	42.9		67.2	
Cash and cash equivalents		53.2		72.1	
Total current assets		**1 099.0**	**52.1**	**1 503.3**	**59.9**
Total assets		**2 109.0**	**100.0**	**2 509.6**	**100.0**
Equity and liabilities					
Share capital	9.8	378.6		378.6	
Capital reserves	9.8	952.8		952.8	
Retained earnings (accumulated losses)	9.8	–526.5		–358.3	
Accumulated income and expense recognised directly in equity	9.8	–67.2		–83.3	
Treasury shares		–0.1		0.0	
Attributable to shareholders of SCHMOLZ + BICKENBACH AG		**737.6**		**889.8**	
Non-controlling interests		13.0		11.1	
Total shareholders' equity		**750.6**	**35.6**	**900.9**	**35.9**
Provisions for pensions and similar obligations	9.9	318.6		332.9	
Other non-current provisions	9.10	28.5		33.6	
Deferred tax liabilities	8.9	44.2		39.9	
Non-current financial liabilities	9.11	323.3		440.2	
Other non-current liabilities	9.12	0.6		1.1	
Total non-current liabilities		**715.2**	**33.9**	**847.7**	**33.8**
Current provisions	9.10	28.6		39.4	
Trade accounts payable		304.7		366.4	
Current financial liabilities	9.11	201.0		219.1	
Current income tax liabilities		6.1		12.9	
Other current liabilities	9.12	102.8		123.2	
Total current liabilities		**643.2**	**30.5**	**761.0**	**30.3**
Total liabilities		**1 358.4**	**64.4**	**1 608.7**	**64.1**
Total shareholders' equity and liabilities		**2 109.0**	**100.0**	**2 509.6**	**100.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

in million EUR	Note	2015	2014 [1]
Earnings before taxes		–11.0	79.7
Depreciation, amortisation and impairment		124.1	116.4
Reversal of impairment		–1.2	0.0
Gain/loss on disposal of intangible assets, property, plant and equipment and financial assets		–0.5	–0.9
Increase/decrease in other assets and liabilities		–32.4	–33.4
Financial income		–1.7	–3.3
Financial expense		47.6	53.9
Income taxes paid	10	–8.7	–13.5
Cash flow before changes in net working capital		**116.2**	**198.9**
Change in inventories		114.1	–71.6
Change in trade accounts receivable		80.6	11.0
Change in trade accounts payable		–20.2	19.3
Cash flow from operating activities of continuing operations		**290.7**	**157.6**
Cash flow from operating activities of discontinued operations		–1.1	20.5
Cash flow from operating activities – Total		**289.6**	**178.1**
Investments in property, plant and equipment	10	–157.5	–93.2
Proceeds from disposal of property, plant and equipment		1.4	2.4
Investments in intangible assets		–3.7	–2.6
Proceeds from disposal of intangible assets		1.3	0.1
Proceeds from disposal of financial assets		0.0	0.1
Proceeds from disposal of discontinued operations	10	46.2	0.0
Interest received		0.6	0.8
Cash flow from investing activities of continuing operations		**–111.7**	**–92.4**
Cash flow from investing activities of discontinued operations		–1.4	–2.8
Cash flow from investing activities – Total		**–113.1**	**–95.2**
Proceeds from the new syndicated loan		0.0	236.7
Repayment of the syndicated loan		0.0	–221.4
Increase in other financial liabilities		16.2	2.7
Repayment of other financial liabilities		–138.9	–30.7
Transaction costs from capital increase		0.0	–3.4
Investment in treasury shares	10	–0.8	–0.4
Dividends to non-controlling interests		–0.2	–0.2
Interest paid		–34.7	–48.2
Cash flow from financing activities of continuing operations		**–158.4**	**–64.9**
Cash flow from financing activities of discontinued operations		–37.7	–17.5
Cash flow from financing activities – Total		**–196.1**	**–82.4**
Change in cash and cash equivalents due to cash flow		**–19.6**	**0.5**
Effect of foreign currency translation		0.7	3.2
Change in cash and cash equivalents		**–18.9**	**3.7**
Cash and cash equivalents as at 1.1.		72.1	68.4
Cash and cash equivalents as at 31.12.		53.2	72.1
Change in cash and cash equivalents		**–18.9**	**3.7**
Free cash flow from continuing operations [2]		179.0	65.2
Free cash flow from discontinued operations [2]		–2.5	17.7
Free cash flow – Total [2]		176.5	82.9

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

[2] Free cash flow is the sum of cash flow from operating activities and cash flow from investing activities.

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	1.0	0.0	0.0	**1.0**	0.0	**1.0**
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**	**0.6**	**0.0**	**0.0**	**0.6**	**–0.1**	**0.5**
Net income (loss)	0.0	0.0	48.0	0.0	0.0	**48.0**	2.0	**50.0**
Other comprehensive income (loss)	0.0	0.0	0.0	–39.4	0.0	**–39.4**	–0.1	**–39.5**
Total comprehensive income (loss)	**0.0**	**0.0**	**48.0**	**–39.4**	**0.0**	**8.6**	**1.9**	**10.5**
As at 31.12.2014	**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	1.3	0.0	0.0	**1.3**	0.0	**1.3**
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**	**0.6**	**0.0**	**–0.1**	**0.5**	**–0.2**	**0.3**
Net income (loss)	0.0	0.0	–168.8	0.0	0.0	**–168.8**	2.0	**–166.8**
Other comprehensive income (loss)	0.0	0.0	0.0	16.1	0.0	**16.1**	0.1	**16.2**
Total comprehensive income (loss)	**0.0**	**0.0**	**–168.8**	**16.1**	**0.0**	**–152.7**	**2.1**	**–150.6**
As at 31.12.2015	**378.6**	**952.8**	**–526.5**	**–67.2**	**–0.1**	**737.6**	**13.0**	**750.6**

NOTES TO THE 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 Emmenweidstrasse 90 in Emmen. 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 consolidated financial statements were authorised for issue by the Board of Directors on 23 March 2016, subject to the approval of the Annual General Meeting on 3 May 2016.

2__Accounting policies

The consolidated financial statements of SCHMOLZ + BICKENBACH AG for the fiscal year 2015 were prepared in accordance with International Financial Reporting Standards (IFRS). They are based on the standards and interpretations that were mandatory or early adopted as at 31 December 2015. Note 4 presents information about the standards and interpretations that became mandatory during fiscal year 2015, the standards and interpretations that have already been published but are not yet mandatory and the decisions of the SCHMOLZ + BICKENBACH Group regarding early adoption.
The consolidated financial statements are presented in euro. Unless otherwise stated, monetary amounts are denominated in millions of euro.
The financial reporting period is the calendar year. The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity all contain comparative figures from the prior year.

3__Significant accounting judgements, estimates and assumptions

In preparing these consolidated financial statements, 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.
All assumptions and estimates are made according to the best of management's knowledge and belief in order to present a true and fair view of the net assets, financial position and results of operations of the Group. Since the actual values may, in some cases, differ from the assumptions and estimates that were made, these are continuously reviewed. Adjustments to estimates that are relevant for financial reporting are considered in the period in which the change occurs, provided that the change relates only to this period. If the change relates not only to the reporting period but also to subsequent periods, the change is taken into account both in the period of the change and in all subsequent periods affected.

Recoverability of deferred tax assets
(see note 8.9)
Future tax relief in the form of deferred tax assets should only be recognised to the extent that it is considered probable that these will be realised on the basis of future taxable income. At the end of each reporting period, deferred tax assets are assessed for recoverability based on multi-year tax plans. These plans are based on the Group companies' medium-term planning, which is approved by the Board of Directors.
The estimate of future taxable income is also affected by the Group's strategic tax planning.

Depreciation and amortisation of non-current assets with finite useful lives
(see notes 9.1 and 9.2)
Assets with finite useful lives are subject to depreciation and amortisation. For this purpose, the useful life of each asset is estimated upon initial recognition, reviewed at each reporting date and adjusted when necessary.

Impairment testing of non-current, non-financial assets
(see note 9.3)
Goodwill and other intangible assets with indefinite useful lives are subject to an impairment test at least annually as at 30 November. In addition, all assets are tested for indications of possible impairment at each reporting date.
Impairment testing uses the discounted cash flow method to determine the recoverable amount of a cash-generating unit. This is then compared to the carrying amount of the net assets. Cash flows are measured based on the Group companies' medium-term plans, which are prepared for a five-year detailed planning period and have been approved by the Board of Directors. A uniform Group-wide growth rate is used to determine the cash flows beyond the detailed planning period. The cash flows are discounted using an appropriate discount rate.

Measurement of provisions
(see notes 9.9 and 9.10)
Provisions are generally measured on the basis of the best estimate of the expenditure required to settle the present obligation upon recognition, taking into account all risks and uncertainties affecting the estimate.
Provisions for pensions and similar obligations in particular are based on estimates and assumptions with respect to the discount rate, expected salary and pension increases and mortality rates.

4 Standards and interpretations applied

The accounting policies and measurement principles applied in these consolidated financial statements are consistent with those used for the 2014 consolidated financial statements, with the exception of new and revised standards and interpretations applied for the first time during the fiscal year 2015.

Amendments, interpretations of published standards or new standards that are mandatory for the first time in the fiscal year 2015
In 2015, a minor amendment to IAS 19 ("Defined Benefit Plans: Employee Contributions") as well as the Annual Improvements to IFRSs 2010 – 2012 cycle and 2011 – 2013 cycle were applicable for the first time. The revised standards did not have a material impact on these consolidated financial statements of SCHMOLZ + BICKENBACH AG.

Amendments, interpretations of published standards or new standards with potential effects on the Group after 31 December 2015 that have already been published and that the Group has decided not to early adopt
In 2014, the IASB published the final version of IFRS 9 "Financial Instruments". IFRS 9 is applicable for the first time for fiscal years beginning on or after 1 January 2018. Early adoption is not planned for the time being. The future impact of the new standard on the consolidated financial statements is currently being analysed.

In 2014 the IASB issued the new revenue recognition standard IFRS 15 "Revenue from Contracts with Customers". The main element of IFRS 15 is a five-step model that will be used in future to determine the amount and timing of revenue recognition. In addition, the standard contains a number of requirements governing specific issues, including the treatment of contract costs and contract modifications. IFRS 15 is applicable for the first time for fiscal years beginning on or after

1 January 2018. Early adoption is not planned for the time being. The future impact of the new standard on the consolidated financial statements is currently being analysed.

In addition, the new standard IFRS 16 “Leases” was issued at the start of 2016, which replaces IAS 17 and sets out the principles relating to the recognition, measurement, presentation and disclosure of leases. The standard is applicable for the first time for fiscal years beginning on or after 1 January 2019. The future impact of the new standard on the consolidated financial statements will be analysed in due course.

In addition, there were various changes to other standards. None of these changes are expected to have a significant influence on the consolidated financial statements.

5 Significant accounting policies and measurement principles

With the exception of certain financial instruments that are measured at fair value, these consolidated financial statements have been prepared on a historical cost basis.

Consolidation principles

These consolidated financial statements include SCHMOLZ + BICKENBACH AG and all companies that SCHMOLZ + BICKENBACH AG controls directly or indirectly. SCHMOLZ + BICKENBACH AG controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. These companies are included in the consolidated financial statements from the date on which SCHMOLZ + BICKENBACH AG obtains the possibility of direct or indirect control and are deconsolidated when the possibility of control is lost.

Subsidiaries

The net income or loss of subsidiaries that is acquired or disposed of during the year is included in the consolidated financial statements from the date on which control begins, or until the date on which it ends, respectively.
The financial statements of the subsidiaries are prepared using uniform accounting policies and have the same reporting date as SCHMOLZ + BICKENBACH AG.
Non-controlling interests represent the portion of equity not directly or indirectly attributable to the shareholders of SCHMOLZ + BICKENBACH AG.
All intercompany receivables, liabilities, income, expenses, profit and loss are eliminated in the consolidated financial statements.

Business combinations

Business combinations are recognised using the acquisition method according to which the consideration transferred for the business combination is offset against the Group’s interest in the fair values of the identifiable assets, liabilities, and contingent liabilities as at the date on which it obtains control. Any resulting positive difference (goodwill) is capitalised, whereas any negative difference (negative goodwill) is reassessed and then immediately recorded through profit and loss. Upon subsequent disposal of a subsidiary, the allocable portion of the goodwill is included in the calculation of the gain or loss on disposal.

Foreign currency translation

The consolidated financial statements are prepared in the reporting currency, the euro, which is also the functional currency of SCHMOLZ + BICKENBACH AG.

The annual financial statements of subsidiaries that are included in the consolidated financial statements and whose functional currency is not the euro are translated from their functional currency – usually the local currency – into the Group's presentation currency (euro). Items are translated using the closing-rate method according to which the statements of financial position are translated from the functional currency into the presentation currency at the average spot rate on the reporting date, while items of profit and loss are translated at the average rates over the reporting period. Gains and losses arising from the currency translation are aggregated and initially included in other comprehensive income. Upon sale or loss of control over the respective company, the accumulated exchange differences are recycled to profit and loss.

In the consolidated statement of cash flows, amounts are generally translated at the average exchange rates over the period or at the historical rates prevailing on the date of the cash flows. For companies whose functional currency is the local currency, transactions in a foreign currency are normally initially measured at the exchange rate prevailing on the date of initial recognition. Exchange gains and losses resulting from the subsequent measurement of foreign currency receivables and liabilities at the spot rate on the reporting date are recognised in profit and loss.

The following exchange rates were used for foreign currency translation:

	Average rates		Year-end rates	
	2015	2014	2015	2014
EUR/BRL	3.70	3.12	4.30	3.22
EUR/CAD	1.42	1.47	1.50	1.41
EUR/CHF	1.07	1.21	1.09	1.20
EUR/GBP	0.73	0.81	0.74	0.78
EUR/USD	1.11	1.33	1.09	1.21

Intangible assets

(excluding goodwill)

Intangible assets acquired for a consideration are recognised at cost and, if they have a finite useful life, are amortised on a straight-line basis over their expected economic useful life. If the contractual useful life is less than the economic useful life, the asset is amortised on a straight-line basis over the contractual useful life.

Intangible assets with an indefinite useful life are tested for impairment at least annually, or whenever there are indications of impairment. Any impairment is immediately recognised through profit and loss. Reversals of impairment are also recognised through profit and loss and are limited to the amortised cost of the asset.

The useful lives and amortisation methods are reviewed annually.

Internally generated intangible assets are capitalised if it is probable – based on a reliable estimate – that a future economic benefit will flow to the entity from the use of the asset and the cost of the asset can be determined reliably.

Emissions rights are treated as intangible assets with indefinite useful lives.

Emissions rights that were allocated free of charge are recognised at zero cost. Emissions rights acquired for a consideration are recognised at cost. Increases in the value of capitalised emissions rights are only recognised when they are realised on disposal. If the existing emissions rights are insufficient to cover the actual emissions of the current year, a provision is made for the purchase of the emissions rights needed to make up the shortfall. The provision is calculated based on the respective market prices and the addition recognised as an expense.

The useful lives of intangible assets are as follows:

in years	2015	2014
Concessions, licences, similar rights and miscellaneous	3 to 5	3 to 5
Customer lists	10 to 15	10 to 15

Goodwill
Goodwill resulting from business combinations is not amortised but is tested for impairment at least annually or whenever there are indications of possible impairment.
Goodwill acquired in a business combination is allocated as at the acquisition date to the cash-generating unit (CGU) that is expected to benefit from the synergies of the business combination. According to IAS 36, the unit to which goodwill can be allocated must not be larger than an operating segment determined in accordance with IFRS 8. For *Sales & Services*, the whole operating segment is defined as a CGU, while *Production* is subdivided into CGUs at the level of the individual business units.
The annual impairment test is performed as at 30 November, taking into account the medium-term planning of the respective CGU prepared using the discounted cash flow method. If the carrying amount of the CGU exceeds its recoverable amount, any goodwill is impaired. If the impairment exceeds the carrying amount of the goodwill, the difference is normally allocated on a pro rata basis to the assets of the CGU that fall within the scope of IAS 36.
Impairment losses recorded on goodwill cannot be reversed.

Property, plant and equipment
Property, plant and equipment is measured at cost, including any decommissioning costs and borrowing costs that must be capitalised, less accumulated depreciation and impairment losses. The assets are depreciated on a straight-line basis.
The useful lives and depreciation methods are reviewed annually.
Routine maintenance and repair costs are expensed as incurred. Costs for the replacement of components or for general overhauls of property, plant and equipment are recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the costs can be reliably determined. If property, plant and equipment subject to wear and tear comprises significant identifiable components with different useful lives, these components are treated as separate units for accounting purposes and depreciated over their respective useful lives.

Upon sale or decommissioning of an item of property, plant and equipment, the cost and accumulated depreciation of the respective items are derecognised from the statement of financial position. Any resulting gains or losses are recognised in profit or loss.

The useful lives of property, plant and equipment are as follows:

in years	2015	2014
Property		
Solid buildings	25 to 50	25 to 50
Lightweight and heavily used solid buildings (e.g. steelworks)	20	20
Plant and equipment		
Operating plant and equipment	3 to 20	3 to 20
Machines	3 to 20	3 to 20
Road vehicles and railway waggons	5 to 10	5 to 10
Office equipment	5 to 10	5 to 10
IT hardware	3 to 5	3 to 5

Impairment of non-current, non-financial assets
Non-current, non-financial assets are assessed for indications of possible impairment as at each reporting date. If there are indications of possible impairment, the residual carrying amounts of intangible assets and of property, plant and equipment are tested for actual impairment by comparing the carrying amount of an asset with its respective recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the value in use. If the residual carrying amount exceeds the recoverable amount, the carrying amount of the asset is reduced to the recoverable amount.
If the reason for an earlier impairment loss no longer applies, the impairment loss – with the exception of goodwill – is reversed. Impairments cannot be reversed beyond the carrying amount net of depreciation and amortisation that would have resulted without the past impairment.

Leasing

The Group acts as both lessee and lessor. Leases are classified as either finance leases or operating leases. Whether an arrangement is, or contains, a lease depends on the economic substance of the arrangement and requires a decision to be made on whether fulfilment of the agreement depends on the use of a particular asset or assets and whether the arrangement conveys the right to use these assets.

At the commencement of the lease term, finance leases are recognised at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding payment obligations from future lease instalments are recognised as financial liabilities and released over subsequent periods using the effective interest method. The leased asset is depreciated over the shorter of the lease term and its useful life. All other leases in which the Group acts as a lessee are treated as operating leases, with the lease instalments expensed on a straight-line basis. Leases where the Group as lessor transfers substantially all the risks and rewards incidental to ownership of a leased asset are recognised as finance leases at the lessor. A receivable is recognised at the amount of the net investment in the lease with interest income recorded in profit and loss. All other leases in which the Group acts as a lessor are treated as operating leases. Assets leased under operating leases remain in the consolidated statement of financial position and are depreciated. The lease payments are recognised as income on a straight-line basis over the term of the lease.

Financial assets

Financial assets include, but are not limited to, cash and cash equivalents, trade accounts receivable, other receivables and loans granted by the Company as well as primary and derivative financial instruments held for trading.

Financial assets are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are designated to the respective categories upon initial recognition. They are reclassified where necessary and permissible.

For regular way purchases or sales, the trade date is the relevant date for initial recognition and for derecognition from the statement of financial position. Financial assets and financial liabilities are generally reported gross; they are netted only if the Group currently has a right to offset amounts and intends to settle the amounts on a net basis.

Loans and receivables

After initial recognition, trade accounts receivable and other current receivables are measured at amortised cost less any impairment.

Other non-current loans and receivables and non-interest-bearing or low-interest receivables are measured at amortised cost using the effective interest method. A discount is included in financial income on a pro rata basis until the loans and receivables fall due.

The Group sells selected trade accounts receivable on a revolving basis through an international asset-backed commercial paper (ABCP) financing programme. Since the significant risks and rewards remain with the Group, the trade accounts receivable are still reported in the statement of financial position as collateral for a financial liability in accordance with IFRS requirements.

In addition, there are factoring agreements in place with third parties to sell trade accounts receivable.

Such agreements constitute non-recourse factoring where the del credere risk is fully transferred to the contracting party (the “factor”). Factoring serves to shorten the terms of trade accounts receivable and is a component of SCHMOLZ + BICKENBACH AG’s liquidity management. Under non-recourse factoring, the receivables sold are derecognised in their entirety in the statement of financial position and a corresponding item due from the factor is recognised in the statement of financial position.

Cash and cash equivalents as shown in the statement of financial position are measured at amortised cost and comprise cash on hand, bank balances and short-term deposits with an initial term to maturity of less than three months, provided they are not subject to restrictions on disposal.

Financial assets at fair value through profit or loss

This category mainly comprises derivatives, including separately recognised embedded derivatives, except such derivatives that are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the consolidated income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments that are designated as available for sale and are not included in one of the above categories. After their initial recognition, available-for-sale financial assets are measured at fair value. Unrealised gains and losses are recorded in other comprehensive income. When such financial assets are derecognised or impaired, the cumulative gain or loss is reclassified from other comprehensive income to profit or loss.

Impairment of financial assets

The carrying amounts of financial assets not measured at fair value through profit or loss are reviewed for objective evidence of impairment at each reporting date. Examples of objective evidence are significant financial difficulty of the borrower, probability that the borrower will enter bankruptcy, the disappearance of an active market for the financial asset, significant changes in the technological, economic, market or legal environment in which the issuer operates, and a prolonged decline in the fair value of a financial asset below amortised cost.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. Impairment losses are recorded in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

For trade accounts receivable, impairment is recognised by adjusting the allowance accounts on an individual basis. Specific defaults lead to receivables being derecognised. Receivables with a similar risk of default are grouped and examined for impairment collectively on the basis of past experience. Any impairment is recorded in profit or loss.

Inventories

Inventories are measured at the lower of cost or net realisable value. They are measured using the weighted average cost method. Cost includes direct material and labour costs as well as material and production overheads allocated proportionally on the assumption of normal utilisation of production capacity.

Value adjustments are made in an amount sufficient to take account of all identifiable storage and quantity risks affecting the expected net realisable value.

Taxes

Current taxes

Current income tax receivables and liabilities for the current and earlier reporting periods are measured at the expected amount of reimbursement from or payment to the tax authorities. This amount is calculated applying the tax rates and tax laws that are enacted or substantively enacted at the reporting date.

Deferred taxes

Deferred taxes are recognised using the liability method on temporary differences between carrying amounts in the consolidated financial statements and the tax accounts, as well as on tax-loss and interest carry-forwards and tax credits. Apart from initial recognition of goodwill, for which no deferred tax liabilities are recognised, such differences are always recognised if they create deferred tax liabilities. Deferred tax assets are only recognised if it is probable that the associated tax benefits will be realised.

Deferred taxes are calculated using the tax rates that are expected to apply at the date on which the temporary differences are expected to reverse. Future tax rates may be used on condition that they are already enacted or substantively enacted.

Changes in the deferred taxes in the statement of financial position result in deferred tax expense or income. If transactions that result in changes in deferred taxes are recognised directly in equity or in other comprehensive income, the change in deferred taxes is recognised within the same item.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are measured using the projected unit credit method. Pension provisions are all forms of termination benefits after the employee leaves the Company's employment where the Company has undertaken to provide benefits. Similar obligations comprise obligations from other collective bargaining and individual agreements that are accrued not only as a result of leaving the Company's employment.

Actuarial gains and losses are recognised directly in other comprehensive income in the period in which they occur. When there is a surplus in a defined benefit plan over the amount recognised, the surplus amount recognised is limited to the asset ceiling (present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Service cost for pensions and similar obligations is reported as personnel costs within operating profit. The net interest on the net defined benefit liability (asset) is included in the financial result in the consolidated income statement.

The total past service cost resulting from plan amendments is recognised in profit and loss as soon as the improvements are announced.

Payments by the Group for defined contribution plans are recognised in personnel costs.

Other provisions

Provisions are recognised if the Group has a current obligation from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the amount that reflects the best estimate of the expenditure required to settle the present obligation as at the reporting date, with expected reimbursements from third parties not netted but instead recognised as a separate asset if it is virtually certain that they will be realised. Material non-current provisions are discounted at a market rate of interest adequate for the risk.

Warranty provisions are created when the respective products are sold or the respective services rendered. The amount of the provision is based on the historical development of warranties as well as consideration of all future possible warranty cases weighted by their probabilities of occurrence.

Provisions for restructuring measures are recognised to the extent that a detailed formal restructuring plan has been prepared and communicated to the parties concerned.

Provisions for potential losses from onerous contracts are created if the expected economic benefit resulting from the contract is less than the unavoidable costs of fulfilling the contract.

Financial liabilities

Financial liabilities are initially recognised at fair value plus, in the case of financial liabilities not subsequently measured at fair value through profit or loss, directly attributable transaction costs.

Financial liabilities at fair value through profit or loss

This category mainly comprises derivatives, including separately recognised embedded derivatives, except those that are designated as effective hedging instruments. Gains and losses from financial liabilities held for trading are recorded in profit or loss.

Other financial liabilities

Trade accounts payable and other primary financial instruments are generally measured at amortised cost using the effective interest method.

Derivatives

The Group uses derivative financial instruments to hedge price, interest and currency risks that result from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculative purposes.

Derivative financial instruments are initially recognised at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. If no market values are available, the fair values are calculated using recognised valuation models.

Changes in the fair value of derivative financial instruments are immediately recognised in profit or loss unless the special criteria of IAS 39 for hedge accounting are satisfied. Cash flow hedges are used to hedge future cash flows from firm commitments or from the highly probable forecast purchase of commodities. The effective portion of the hedging instrument is recorded in other comprehensive income, while the ineffective portion is recorded in profit or loss. Amounts recorded in other comprehensive income are reclassified to profit or loss when the hedged transaction affects profit or loss. For commodity derivatives, reclassification adjustments are made in cost of materials; for interest derivatives they are made in financial income or expense and for currency derivatives in other operating income or expenses. In accordance with the hedge accounting principles, hedges are initially tested for effectiveness upon designation of the hedging instrument as an effective hedge. Effectiveness is subsequently monitored periodically.

If a hedge becomes ineffective within the ranges stipulated in IAS 39, the ineffective portion is recognised in profit or loss. The effective portion remains in equity until the underlying transaction is recognised through profit or loss. If a recognised hedge becomes completely ineffective, the contract is terminated or future payments are no longer expected to occur, hedge accounting is discontinued immediately and the transaction is recognised in profit or loss from that date. The accumulated gains or losses previously recorded in other comprehensive income remain in equity. They are reclassified to profit and loss when the hedged transaction actually affects profit or loss or as soon as the future transaction is no longer expected to occur.

The underlying is recognised in accordance with the applicable provisions. Hedge accounting reduces the volatilities in the income statement since the effects on profit or loss of the underlying and hedging transaction are recognised in the same period and in the same line item of the income statement.
IAS 39 stipulates strict criteria for hedge accounting. These are fulfilled by the SCHMOLZ + BICKENBACH Group, with regard to the required formal documentation on designation and the ongoing assessment of the effectiveness and occurrence of the forecast future cash flows.

Revenue recognition

Revenue from product sales is reported as soon as the significant risks and rewards of ownership have been transferred to the purchaser and the amount of the realisable revenue can be reliably determined.
Revenue is reported net of VAT, returns, discounts and price reductions.
Interest income is recorded pro rata temporis using the effective interest method based on the outstanding capital amount and the applicable interest rate. Dividend income is recognised when the right to receive payment has been legally established.

Government grants

Government grants are not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Government investment grants are reported as a reduction of the cost of the asset concerned, with a corresponding reduction of depreciation and amortisation in subsequent periods. Grants not related to investments are deducted from the expenses to be compensated by the grants in the period in which the expenses are incurred.

Research and development

Research expenses are recorded immediately in profit and loss. Development expenses are capitalised if a newly developed product or method can, among other things, be unequivocally identified, if the product or process is technically and economically feasible, the development is marketable, the expenses can be reliably measured, and the Group has adequate resources to complete the development project. All other development expenses are recorded immediately in profit and loss. Capitalised development expenses of completed projects are reported at cost less any accumulated depreciation. Cost includes all costs directly allocable to development as well as a portion of directly attributable development overheads.

Borrowing costs

Borrowing costs which can be attributed to the acquisition, construction or production of a qualifying asset are capitalised and depreciated over the economic useful life of the qualifying asset.

6__Scope of consolidation and business combinations

Changes to the scope of consolidation in 2015

As part of the expansion of the existing ABCP financing programme to include our entities in the USA, the companies A. Finkl Steel ABS SPV, LLC (US) and SCHMOLZ + BICKENBACH ABS SPV, LLC (US) were founded in 2015 and, as wholly-owned subsidiaries, fully consolidated.
In addition, in 2015 SCHMOLZ + BICKENBACH JAPAN Co. Ltd. was incorporated and allocated to the *Sales & Services* Division as at 1 December 2015. The wholly-owned subsidiary SCHMOLZ + BICKENBACH AB (SWE), by contrast, was sold to Blagsrätt AB, Sweden, in 2015. These changes did not have any significant influence on the consolidated financial statements.
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.
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).

Changes in the scope of consolidation in 2014

In the second quarter of 2014, the joint venture StahlLogistik & ServiceCenter GmbH (AT) went into liquidation.

To further simplify the Group's legal structure, SCHMOLZ + BICKENBACH Europe GmbH (DE) was merged with SCHMOLZ + BICKENBACH International GmbH (DE), SCHMOLZ + BICKENBACH Vertriebsunterstützungs GmbH (DE) was merged with SCHMOLZ + BICKENBACH Edelstahl GmbH (DE) and Ugitech Precision SAS (FR) was merged with Ugitech S.A. (FR) in the third quarter of 2014.

In addition, SCHMOLZ + BICKENBACH Deutschland GmbH (DE) was founded and allocated to *Sales & Services* in the fourth quarter of 2014.

7__Discontinued operations

Following 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. With the closing of the disposal process in July, the net assets of these entities of EUR 49.4 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.

The following table shows the composition of the deconsolidated net assets:

in million EUR	
Other non-current financial assets	0.5
Other non-current assets	1.2
Deferred tax assets	8.8
Total non-current assets	**10.5**
Inventories	57.7
Trade accounts receivable	59.2
Current financial assets	1.4
Other current assets	2.3
Cash and cash equivalents	1.3
Total current assets	**121.9**
Total assets	**132.4**
Provisions for pensions and similar obligations	16.2
Other non-current provisions	2.3
Deferred tax liabilities	0.1
Non-current financial liabilities	3.2
Other non-current liabilities	0.5
Total non-current liabilities	**22.3**
Current provisions	4.4
Trade accounts payable	36.8
Current financial liabilities	2.4
Current income tax liabilities	0.2
Other current liabilities	16.9
Total current liabilities	**60.7**
Total liabilities	**83.0**

The profit or loss of the discontinued operations of EUR –3.1 million generated prior to deconsolidation plus the loss on disposal of EUR 128.3 million will continue to be disclosed separately in the income statement. The income statement of the prior period was restated accordingly. Similarly, in the statement of cash flows, the cash flows of the discontinued operations generated up to the date of 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	2015	2014
Revenue	272.1	469.4
Other income	1.7	5.1
Expenses	–275.8	–474.4
Loss from disposal	–128.3	0.0
Earnings before taxes from discontinued operations	**–130.3**	**0.1**
Income taxes from ordinary activites	–1.1	–2.1
Earnings after taxes from discontinued operations	**–131.4**	**–2.0**
– from ordinary activites	–3.1	–2.0
– from disposal	–128.3	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 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 unfounded and consider the risk of a claim being granted to be low.

The loss on disposal resulting from deconsolidation based on a purchase price of EUR 56.6 million came to EUR 128.3 million as at 31 December 2015 and is not tax deductible.

8__Notes to the consolidated income statement

8.1 Cost of materials

in million EUR	2015	2014 [1]
Cost of raw materials, consumables, supplies and merchandise	1 320.2	1 516.0
Other purchased services	312.2	322.6
Total	**1 632.4**	**1 838.6**

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

8.2 Other operating income

in million EUR	2015	2014 [1]
Income from reversal of provisions	5.9	5.4
Rent and lease income	4.5	2.6
Income from recovery of previously written off receivables and reversal of allowances on receivables	3.1	2.2
Own work capitalised	3.1	0.6
Grants and allowances	1.5	1.4
Insurance reimbursement	1.3	1.7
Commission income	0.9	0.9
Gains on disposal of intangible assets, property, plant and equipment, and financial assets	0.8	1.3
Miscellaneous income	23.9	19.9
Total	**45.0**	**36.0**

[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.

8.3 Personnel costs

in million EUR	2015	2014 [1]
Wages and salaries	438.8	429.2
Social security contributions	100.9	100.1
Other personnel costs	12.2	16.4
Total	**551.9**	**545.7**

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

Personnel costs contain expenses in connection with termination benefits and contractual adjustments amounting to EUR 3.5 million (2014: EUR 5.5 million).

8.4 Other operating expenses

in million EUR	2015	2014 [1]
Freight	80.9	84.5
Maintenance, repairs	61.0	65.8
Advisory, audit and IT services	31.7	25.5
Rent and lease expenses	20.0	24.1
Travel, advertisement and distribution costs	16.6	16.3
Net exchange gains/losses	10.3	3.2
Insurance fees	10.0	12.3
Non-income taxes	8.4	9.1
Commission expense	6.0	6.5
Cost of allowances on receivables and bad debts	4.2	4.4
Cost for environmental protection measures	3.6	3.5
Energy costs	3.2	1.8
Vehicle fleet	2.0	1.9
Licences and patents	1.8	1.8
Expenses for the Board of Directors	1.8	1.7
Voluntary social security contributions	1.7	1.3
Guarantee expenses	0.9	2.5
Losses on disposal of intangible assets, property, plant and equipment, and financial assets	0.3	0.4
Donations	0.1	0.3
Miscellaneous expense	41.4	41.7
Total	**305.9**	**308.6**

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

The item advisory, audit and IT services also includes the total fees billed by the auditor Ernst & Young. In 2015, the auditor billed fees of EUR 2.5 million for the audit of the financial statements (2014: EUR 1.6 million) and fees of EUR 0.1 million for other assurance services (2014: EUR 0.1 million). In the reporting period, the auditor also billed fees of EUR 1.0 million for tax advisory services (2014: EUR 0.8 million) and of EUR 0.1 million for other services (2014: EUR 0.2 million).
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 net figures break down as follows:

in million EUR	2015	2014 [1]
Exchange gains	86.8	49.3
Exchange losses	97.1	52.5
Net exchange gains/losses	**–10.3**	**–3.2**

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

8.5 Research and development expenses

Research and development expenses of EUR 8.5 million were incurred in 2015 (2014: EUR 7.5 million). They relate to third-party expenses for new product applications and process improvements. Development costs of EUR 1.9 million were capitalised in the reporting period (2014: EUR 0.0 million).

8.6 Government grants

Government grants totalling EUR 6.1 million were recognised in the fiscal year (2014: EUR 0.9 million) as a reduction in the cost of the corresponding assets. These grants are linked to certain conditions which are currently met.

In addition, government grants to reimburse expenses of EUR 2.4 million (2014: EUR 1.8 million) incurred by the Group were recognised in the fiscal year. These mainly relate to reimbursements for welfare benefits and employee qualification measures. The refunds were recognised as deductions from the respective expense items in the income statement.

8.7 Depreciation, amortisation and impairments

in million EUR	2015	2014 [1]
Amortisation of intangible assets (without goodwill)	4.7	5.5
Depreciation of property, plant and equipment	117.2	110.9
Impairment of intangible assets (without goodwill), property, plant and equipment and assets held for sale	2.2	0.0
Total	**124.1**	**116.4**

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

8.8 Financial result

in million EUR	2015	2014 [1]
Interest income	1.7	1.6
Other financial income	0.0	1.7
Financial income	**1.7**	**3.3**
Interest expense on financial liabilities	−38.0	−46.8
Net interest expense on pension provisions and plan assets	−5.8	−7.5
Capitalised borrowing costs	0.6	1.2
Other financial expense	−4.4	−0.8
Financial expense	**−47.6**	**−53.9**
Financial result	**−45.9**	**−50.6**

[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 4.5 million (2014: EUR 8.1 million) that were recognised through profit and loss over the term of the respective financial liability.

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

8.9 Income taxes

The main components of income tax in the fiscal years 2015 and 2014 are as follows:

in million EUR	2015	2014 [1]
Current taxes	**16.0**	**24.3**
– of which: tax expense/(income) in the reporting period	15.2	24.9
– of which: tax expense/(income) from prior years	0.8	–0.6
Deferred taxes	**8.4**	**3.3**
– of which: deferred tax expense/(income) from the origination and reversal of temporary differences	6.2	–1.8
– of which: deferred tax expense/(income) from tax-loss carry-forwards, interest carry-forwards and tax credits	2.2	5.1
Income tax expense/(income)	**24.4**	**27.6**

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

Deferred tax assets on tax-loss carry-forwards, interest carry-forwards and tax credits are only recognised when it is probable that future economic benefits will be derived, based on the companies' multi-year tax planning in accordance with the medium-term plan approved by the Board of Directors. Income taxes are derived as follows from the expected income tax expense that would have applied using the average tax rate of the Swiss operating companies:

in million EUR	2015	2014 [1]
Earnings before taxes	–11.0	79.6
Domestic income tax rate	12.45%	12.30%
Expected income tax expense/(income)	**–1.4**	**9.8**
Effects of different income tax rates	1.6	13.0
Non-deductible expense/tax-free income	9.3	7.8
Tax effects from prior years	0.8	–0.6
Tax effects due to changes in tax rates or changes in tax laws	–0.7	1.3
Deferred tax assets not recognised on temporary differences, tax credits, tax-loss and interest carry-forwards of the current year	14.7	1.3
Effects from the utilisation of deferred tax assets on temporary differences, tax credits, tax-loss and interest carry-forwards not capitalised in prior years for the reduction of the current tax expense	–0.4	–1.0
Effects from the utilisation of deferred tax assets on temporary differences, tax credits, tax-loss and interest carry-forwards not capitalised in prior years for the reduction of the deferred tax expense	0.0	–4.3
Valuation adjustments on deferred tax assets on temporary differences, tax credits, tax-loss and interest carry-forwards capitalised in prior years	0.5	0.3
Effective income tax expense/(income)	**24.4**	**27.6**
Effective tax rate	–221.8%	34.7%

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

The average tax rate for Switzerland was at 12.45% (2014: 12.3%) in the reporting period. As SCHMOLZ + BICKENBACH AG is not an operating company, it benefits from the Swiss tax holding privilege and is therefore not included in the calculation of average tax rate. In the current year, future tax rate changes had a small positive impact on deferred taxes of EUR 0.7 million (2014: negative impact of EUR 1.3 million).

An income tax expense of EUR 24.4 million was incurred for the fiscal year 2015 (2014: income tax expense of EUR 27.6 million) resulting in an effective Group tax rate of – 221.8% (2014: 34.7%).
The significant change 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.

Total unrecognised deferred tax assets for temporary differences, tax-loss carry-forwards and interest carry-forwards as well as tax credits increased compared to the prior year to EUR 290.9 million (2014: EUR 250.3 million). Their maturity profile is set out below:

in million EUR	31.12.2015	31.12.2014
Expiry within		
– 1 year	0.2	1.0
– 2 to 5 years	8.0	17.0
– over 5 years	282.7	232.3
Total	**290.9**	**250.3**

The table below shows the amount of temporary differences, tax-loss and interest carry-forwards and tax credits broken down by tax rate of the companies to which they pertain:

in million EUR	31.12.2015	31.12.2014
Tax rate		
– less than 20%	5.9	8.7
– 20% to 30%	6.0	22.9
– more than 30%	279.0	218.7
Total	**290.9**	**250.3**

The table below shows a breakdown of the deferred taxes recorded on material items of the statement of financial position as well as tax-loss and interest carry-forwards and tax credits:

		Deferred tax assets		Deferred tax liabilities
in million EUR	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Non-current assets	**16.7**	**24.6**	**78.9**	**73.5**
– Intangible assets	4.5	9.2	1.1	2.0
– Property, plant and equipment	11.3	13.3	72.3	68.9
– Financial assets	0.4	1.0	5.1	2.2
– Other assets	0.5	1.1	0.4	0.4
Current assets	**10.3**	**11.3**	**4.7**	**7.1**
– Inventories	9.0	9.0	3.6	3.3
– Other assets	1.3	2.3	1.1	3.8
Non-current liabilities	**58.2**	**64.2**	**32.5**	**31.3**
– Provisions	50.5	56.4	32.5	31.3
– Other liabilities	7.7	7.8	0.0	0.0
Current liabilities	**4.3**	**8.2**	**1.7**	**2.3**
– Provisions	1.4	2.7	1.2	2.1
– Other liabilities	2.9	5.5	0.5	0.2
Tax credits	1.0	1.4		
Tax-loss and interest carry-forwards	47.0	49.5		
Total	**137.5**	**159.2**	**117.8**	**114.2**
Netting	–73.6	–74.3	–73.6	–74.3
Amount recognised	**63.9**	**84.9**	**44.2**	**39.9**

The net change in deferred tax assets and liabilities breaks down as follows:

in million EUR	2015	2014 [1]
Balance as at 1.1.	45.0	32.5
Changes from continuing operations recognised in profit or loss	−8.4	−3.3
Changes from discontinued operations recognised in profit or loss	−1.4	−1.7
Changes recognised in other comprehensive income	−3.6	21.0
Change in scope of consolidation	−8.6	0.0
Foreign currency effects	−3.3	−3.5
Balance as at 31.12.	**19.7**	**45.0**

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

Accumulated taxes recognised in other comprehensive income amounted to EUR 36.8 million (2014: EUR 40.2 million) as at the reporting date.

IAS 12.39 requires entities to recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, joint ventures and associates. These temporary differences, known as outside basis differences, arise when the net assets of the subsidiaries and associates differ from the tax bases of the entity concerned. No deferred tax liabilities were recognised for outside basis differences of around EUR 323 million, of which EUR 16.6 million was taxable (2014: EUR 272 million, of which EUR 14.0 million was taxable), because the reversal of temporary differences is not controlled by SCHMOLZ + BICKENBACH and is not expected for the foreseeable future.

8.10 Earnings per share

	2015	2014 [1]
Net loss attributable to registered shareholders of SCHMOLZ + BICKENBACH AG in million EUR	−168.8	48.0
– thereof from ordinary activites	−37.4	50.0
– thereof from discontinued operations	−131.4	−2.0
Average number of shares	944 835 781	945 000 000
Earnings per share in EUR (basic/diluted)	**−0.18**	**0.05**
– thereof from ordinary activities	−0.04	0.05
– thereof from discontinued operations	−0.14	0.00

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

Basic earnings per share is calculated by dividing the net income/loss attributable to the holders of registered shares of SCHMOLZ + BICKENBACH AG by the weighted average number of shares outstanding during the fiscal year.
In 2015 the average diluted number of shares was 948 258 774 (2014: 946 155 530). Diluted earnings per share was the same as basic earnings per share.

9__Notes to the consolidated statement of financial position

9.1 Intangible assets

Intangible assets developed as follows:

in million EUR	Concessions, licences and similar rights	Purchased brands and customer lists	Prepayments on intangible assets	Goodwill	Total
Cost as at 1.1.2014	**81.2**	**24.7**	**0.2**	**5.7**	**111.8**
Additions	1.9	0.0	0.9	0.0	2.8
Disposals	−2.0	0.0	−0.1	0.0	−2.1
Reclassifications	3.2	0.0	−3.2	0.0	0.0
Foreign currency effects	1.3	1.4	2.8	0.0	5.5
Cost as at 31.12.2014	**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**
Accumulated amortisation and impairments as at 1.1.2014	**−71.1**	**−5.8**	**0.0**	**−2.5**	**−79.4**
Amortisation	−5.2	−0.8	0.0	0.0	−6.0
Disposals	2.0	0.0	0.0	0.0	2.0
Foreign currency effects	−1.3	−0.2	0.0	−0.2	−1.7
Accumulated amortisation and impairments as at 31.12.2014	**−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
Impairment	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**
Net carrying amount as at 31.12.2014	**10.0**	**19.3**	**0.6**	**3.0**	**32.9**
Net carrying amount as at 31.12.2015	**7.1**	**16.7**	**1.1**	**3.1**	**28.0**

There were no restrictions on ownership or disposal as at each reporting date.

9.2 Property, plant and equipment

Property, plant and equipment developed as follows:

in million EUR	Land and buildings	Plant and equipment	Prepayments/plant under construction	Total
Cost as at 1.1.2014	**668.7**	**2150.5**	**57.5**	**2876.7**
Reclassifications from assets held for sale	0.0	0.5	0.0	0.5
Additions	6.3	60.1	31.6	98.0
Disposals	–0.7	–47.9	–0.2	–48.8
Reclassifications	7.5	37.6	–45.1	0.0
Foreign currency effects	14.1	33.0	–1.7	45.4
Cost as at 31.12.2014	**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**
Accumulated depreciation and impairments as at 1.1.2014	**–383.8**	**–1630.3**	**0.0**	**–2014.1**
Depreciation	–16.3	–99.7	0.0	–116.0
Disposals	0.3	46.8	0.0	47.1
Foreign currency effects	–4.4	–15.3	0.0	–19.7
Accumulated depreciation and impairments as at 31.12.2014	**–404.2**	**–1698.5**	**0.0**	**–2102.7**
Reclassification to discontinued operations	32.2	59.8	0.0	92.0
Depreciation	–16.9	–101.5	0.0	–118.4
Impairment	0.0	–0.1	0.0	–0.1
Reversal of impairment	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**	**–1754.3**	**0.0**	**–2156.2**
Net carrying amount as at 31.12.2014	**291.7**	**535.3**	**42.1**	**869.1**
Net carrying amount as at 31.12.2015	**315.3**	**520.9**	**70.2**	**906.4**

Assets from finance leases are disclosed under land and buildings at a carrying amount of EUR 0.1 million (2014: EUR 4.4 million) and under plant and equipment at a carrying amount of EUR 4.5 million (2014: EUR 5.3 million). Of the additions, an amount of EUR 1.5 million (2014: EUR 0.3 million) relates to finance leases.

Restrictions on ownership and disposal decreased to EUR 32.4 million as at the reporting date (2014: EUR 38.6 million). This development is primarily attributable to the lower security pledged due to the partial repayment of the loan in connection with the investment in the secondary metallurgic centre at Deutsche Edelstahlwerke GmbH (DE) and to the discontinued operations.

Borrowing costs of EUR 0.6 million (2014: EUR 1.2 million) were capitalised in fiscal 2015 and are included in additions. They mainly relate to investment projects associated with the construction of the secondary metallurgic centre at Deutsche Edelstahlwerke GmbH (DE). In 2015, the average rate applied for borrowing costs was 5.7% (2014: 6.7%).

9.3 Impairment test

No impairments were charged on goodwill, other intangible assets or property, plant and equipment in 2015 and 2014.

Goodwill impairment test

Goodwill resulting from business combinations is tested for impairment at the level of its cash-generating unit (CGU) at least annually as at 30 November or whenever there are indications of impairment.

The impairment test determines the fair value less costs to sell of the CGU using discounted cash flow methods.

It is measured on the basis of medium-term plans, which are prepared for a five-year detailed planning period and have been approved by the Board of Directors. Key assumptions in determining fair value less costs to sell include projections of future gross profit margins as well as growth and discount rates. The weighted average cost of capital (WACC) used for discounting assumes a risk-free interest rate and considers risk premiums for equity and debt. Furthermore, a specific beta factor based on the relevant peer group, the tax rate and the capital structure are considered individually for each CGU.

Goodwill from business combinations amounted to EUR 3.1 million as at 31 December 2015 (2014: EUR 3 million); the difference is due to currency effects.

Impairment testing of other intangible assets with indefinite useful lives

The brands recognised in connection with the acquisition of the Finkl Group were recorded as intangible assets with an indefinite useful life. This reflects the intention to use these brands for an indefinite period of time, meaning that no useful life can be determined. The brands are tested at CGU level at least annually as at 30 November, or when there are indications of possible impairment. Together with the change in strategy of the Steeltec Group and the associated restructuring, including the shared market presence under the "Steeltec" name, the brands at Boxholm Stål AB (SE) were written off in full when the entity changed its name to Steeltec Boxholm AB in 2015.

With a carrying amount of EUR 13.1 million (2014: EUR 14.4 million), the brands are allocated in full to the *Production* segment.

Within the *Production* segment, the brands are allocated to A. Finkl & Sons Co. (US) with a carrying amount of EUR 10.7 million (2014: EUR 9.6 million) and to Sorel Forge Co. (CA) with a carrying amount of EUR 2.4 million (2014: EUR 2.6 million). Apart from the impairment loss recorded to write off the brands at Steeltec Boxholm AB, which were allocated to the *Production* segment in the prior year, all other changes year on year are due to currency effects.

Key assumptions in determining fair value less costs to sell include projections of future gross profit margins as well as growth and discount rates.

The following rates are used to discount cash flows:

	Discount rates 2015 in %			Discount rates 2014 in %		
	USD	CAD	SEK	USD	CAD	SEK
Pre-tax	10.2	9.2	n/a	11.7	10.9	9.6
Post-tax	7.0	7.1	n/a	7.8	8.3	7.9

A growth rate of 1.5% (2014: 1.5%) is assumed to determine the cash flows beyond the detailed planning period.

Impairment testing of intangible assets with definite useful lives and property, plant and equipment

SCHMOLZ + BICKENBACH evaluates at each reporting date whether there are any internal or external indications that an asset could be impaired. The evaluation includes individual assets as well as assets that are aggregated in a CGU. For those assets that are aggregated in a CGU, the business unit (BU) level was defined as the smallest identifiable group of assets.

The asset or group of assets is examined to determine whether its recoverable amount exceeds its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An asset's fair value less costs to sell is determined using discounted cash flow methods. It is measured on the basis of medium-term plans, which are prepared for a five-year detailed planning period and have been approved by the Board of Directors. Key assumptions in determining fair value less costs to sell are defined centrally at Group level and applied consistently. Value in use is calculated using the present value of future cash flows which are expected to be allocable to an asset or a

CGU based on the medium-term plans. The calculations did not reveal any need to record an impairment loss in 2015 or 2014.

9.4 Financial reporting

in million EUR	2015	2014
Receivables from finance leases	1.1	1.2
Other financial receivables	0.6	2.0
Total non-current	**1.7**	**3.2**
Receivables from finance leases	0.1	0.1
Other financial receivables	0.1	1.5
Total current	**0.2**	**1.6**

9.5 Other assets

in million EUR	2015	2014
Other receivables	0.4	0.4
Total non-current	**0.4**	**0.4**
Tax receivables (excluding current income tax receivables)	17.0	46.0
Prepaid expenses	5.3	7.0
Positive market values of derivatives	0.8	6.7
Prepayments for inventories/maintenance	1.3	1.4
Other receivables	18.5	6.1
Total current	**42.9**	**67.2**

9.6 Inventories

in million EUR	2015	2014
Raw materials, consumables and supplies	93.8	125.1
Semi-finished goods and work in progress	251.4	313.7
Finished products and merchandise	318.8	479.7
Total	**664.0**	**918.5**

There were restrictions on ownership and disposal of EUR 307.7 million as at the reporting date (2014: EUR 489.9 million).

Inventory allowances developed as follows in the fiscal year:

in million EUR	2015	2014
As at 1.1.	19.8	19.5
Reclassification to discontinued operations	–4.8	0.0
Additions	12.6	8.6
Reversals	–1.5	–0.5
Utilisation	–7.8	–8.2
Foreign currency effects	0.4	0.4
As at 31.12.	**18.7**	**19.8**

9.7 Trade accounts receivable

in million EUR	2015	2014
Gross accounts receivable	345.5	457.5
Value adjustments for bad debts	–14.0	–17.3
Net accounts receivable	**331.5**	**440.2**

Under an ABCP financing programme, SCHMOLZ + BICKENBACH regularly sells credit-insured trade accounts receivable. Trade accounts receivable of EUR 174.4 million and USD 18.8 million (2014: EUR 210.4 million) had been sold as at the reporting date. As the majority of risks and rewards remain with SCHMOLZ + BICKENBACH, these accounts receivable continue to be recorded in the statement of financial position in accordance with IFRS requirements. They are offset by financial liabilities of EUR 188.1 million (2014: EUR 205.7 million).

There were restrictions on ownership and disposal of EUR 57.3 million (2014: EUR 88.7 million) beyond the scope of the receivables sold under the ABCP financing programme as at the reporting date.

Since December 2015, a factoring agreement has been in place between Group entities and a factoring company ("factor") to sell trade accounts receivable.

Such agreements constitute non-recourse factoring where the del credere risk is fully transferred to the factor. Trade accounts receivable of EUR 6.2 million had been sold as at the reporting date. In accordance with the applicable requirements of IFRS pursuant to IAS 39, these receivables were derecognised from the statement of financial position as all risks and rewards have been transferred and a receivable from the factor was recognised. The remaining portion of the receivables has already been recorded as payment received.

The allowance accounts developed as follows:

in million EUR	2015	2014
As at 1.1.	17.3	17.8
Reclassification to discontinued operations	–1.5	0.0
Additions	3.5	3.2
Reversals	–2.6	–2.4
Utilisation	–3.0	–1.5
Foreign currency effects	0.3	0.2
As at 31.12.	**14.0**	**17.3**

The age structure of the trade accounts receivable past due but not impaired was as follows as at the reporting date:

in million EUR	2015	2014
Past due by		
≤ 30 days	53.1	94.0
31 to 60 days	10.9	17.4
61 to 90 days	4.3	3.9
91 to 120 days	1.8	1.6
> 120 days	7.4	6.9
Total	**77.5**	**123.8**

There were no indications as at the reporting date that the debtors of accounts receivable past due but not impaired would not fulfil their payment obligations. Accounts receivable past due by more than 90 days but not impaired are mostly covered by credit insurance or had been settled by the time the consolidated financial statements were prepared.

9.8 Shareholders' equity

Share capital

The share capital of EUR 378.6 million (2014: EUR 378.6 million) comprises 945 000 000 fully paid-up registered shares with a nominal value of CHF 0.50 each.

Capital reserves

The capital reserves contain premiums generated upon issue of shares in the course of capital increases, less directly allocable transaction costs of the capital increases. There were no changes in capital reserves in 2015.

Retained earnings (accumulated losses)

Retained earnings (accumulated losses) comprise the net income/loss accumulated in the past, less dividend payments to the shareholders and – until 2011 – interest payments to the providers of hybrid capital. Until conversion of financial reporting to IFRS from 1 January 2007, any goodwill or negative goodwill resulting from acquisitions of companies was offset against retained earnings. In accordance with the provisions of the new syndicated loan agreement, dividend payments are linked to the attainment of certain key figures relating to the ratio of net debt to EBITDA. No dividend was distributed for the fiscal years 2013 and 2014 and the Board of Directors will submit a proposal to the Annual General Meeting not to distribute a dividend for 2015 either.

Accumulated income and expense recognised directly in other comprehensive income of the shareholders of SCHMOLZ + BICKENBACH AG

The individual items are as follows:

> Gains and losses resulting from translation into the reporting currency of the financial statements of subsidiaries whose financial statements are not already prepared in the functional currency euro.

in million EUR	2015	2014
As at 1.1.	50.4	26.0
Change in unrealised gains/losses from currency translation	17.3	24.4
As at 31.12.	**67.7**	**50.4**

> Gains/losses from changes in the fair values of derivative financial instruments designated as cash flow hedges of future cash flows.

in million EUR	2015	2014
As at 1.1.	–0.4	–0.2
Unrealised gains/losses from cash flow hedges	0.1	–0.4
Realised gains/losses from cash flow hedges – recognised in profit and loss	0.0	0.1
Tax effect	0.0	0.1
As at 31.12.	**–0.3**	**–0.4**

See the table in note 11 for details of the realisation of gains and losses from cash flow hedges.

> Actuarial gains and losses from pensions and similar obligations.

in million EUR	2015	2014
As at 1.1.	−133.3	−69.7
Defined benefit obligation (demographic assumptions)	−0.7	−1.5
Defined benefit obligation (financial assumptions)	8.7	−94.8
Defined benefit obligation (experience gains/losses)	0.3	3.2
Return on plan assets less interest income	−6.0	8.6
Tax effect	−3.6	20.9
As at 31.12.	**−134.6**	**−133.3**

9.9 Provisions for pensions and similar obligations

SCHMOLZ + BICKENBACH offers both defined contribution plans and defined benefit plans at individual Group companies.

Defined contribution plans

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.

The contributions paid for private and statutory pension plans are recognised in personnel costs in the current year. In 2015, they amounted to EUR 33.6 million (2014: EUR 34.4 million).

Defined benefit plans

Most of the Group's occupational pension schemes are defined benefit plans in which the employer undertakes to deliver the agreed pension benefits.

Employees of the Swiss Group companies are members of the pension fund of Swiss Steel AG, an independent pension institution. Employees of SCHMOLZ + BICKENBACH AG are covered by an external collective foundation. This direct defined benefit obligation is financed by contributions to the fund from the respective companies. The contributions are based on a certain percentage of the insured salary as defined in the plan regulations. If a deficit emerges, various measures can be taken (increase contributions, adjust benefits). The deduction and investment of contributions are audited regularly by independent auditors.

For some schemes, mainly those operated in Germany, the agreed pension benefits are financed by the companies themselves through pension provisions. Benefits are paid on the basis of voluntary commitments, but are subject to Germany's Occupational Pensions Act (Betriebsrentengesetz).

There are also direct benefit obligations to employees, primarily in the USA, in Canada and in France, which are funded to varying degrees. Pension provisions have been recognised in the statement of financial position for obligations that exceed the plan assets.

The defined benefit plans in the USA are subject to US rules regarding closure of coverage gaps, which have to be closed within seven years. In some European countries there are also limited obligations to make one-off payments to employees upon termination of employment. The amount due is linked to the employee's length of service. These benefits are recognised in the statement of financial position as provisions for pensions and similar obligations.

Through the defined benefit plans, SCHMOLZ + BICKENBACH is exposed to various risks, some of which are company or commitment-specific. This means that the defined benefit obligation depends on factors including average life expectancy of the beneficiaries, length of service and interest rates. For the German plans, pension benefit payments also have to be adjusted regularly to reflect the development of consumer prices and net salaries in accordance with legal provisions and trade association requirements.

Based on the legal provisions and court rulings in Germany, there is also a risk that voluntary commitments could be made binding for the company in individual cases. This would make it difficult to terminate or reduce the commitments. In principle, the pension schemes in the USA are subject to the same risks as the other plans.

Defined benefit obligation, plan assets and asset ceiling

Changes in the present value of the defined benefit obligations and in the fair value of plan assets are as follows:

in million EUR	2015	2014
Present value of defined benefit obligations as at 1.1.	609.7	505.2
Current service cost	11.4	8.7
Interest cost	10.1	14.7
Employee contributions	4.4	3.7
Actuarial gains (losses) from change in demographic assumptions	0.7	1.5
Actuarial gains (losses) from change in financial assumptions	−8.7	94.8
Actuarial gains (losses) from experience adjustments	−0.3	−3.2
Change in scope of consolidation	−25.2	0.0
Benefit payments	−18.6	−24.2
Past service costs	−5.5	−0.2
Foreign currency effects	33.1	8.7
Present value of defined benefit obligations as at 31.12.	**611.1**	**609.7**

As at 1 January 2016, the fixed pension conversion rates in Switzerland were adjusted downwards, leading to a non-recurring gain of EUR 2.6 million as a result of the recalculation of the future service costs. In addition, a plan amendment for a post-retirement benefit programme in France resulted in a non-recurring posting of EUR 2.9 million as income. These amendments resulted in a lower defined benefit liability totalling EUR 5.5 million.

Of the present value of the defined benefit obligations as at 31 December 2015, an amount of EUR 415.7 million relates to plans that are wholly or partly financed from a fund (2014: EUR 395.8 million) and an amount of EUR 195.4 million to plans that are not funded (2014: EUR 213.9 million).

in million EUR	2015	2014
Fair value of plan assets as at 1.1.	276.8	260.8
Interest income	4.3	6.7
Return on plan assets less interest income	−6.0	8.6
Employer contributions	15.7	14.7
Employee contributions	4.4	3.7
Benefit payments	−18.6	−24.2
Change in scope of consolidation	−8.8	0.0
Administration expenses	−0.5	−0.4
Foreign currency effects	26.8	6.9
Fair value of plan assets as at 31.12.	**294.1**	**276.8**

The plan assets returned a loss of EUR 1.7 million (2014: income of EUR 15.3 million) and comprises the return on plan assets and the interest income.

The difference between the plan assets and the present value of the defined benefit obligation on partially or wholly funded pension plans represents the funded status, which can be reconciled with the reported amounts as follows:

in million EUR	2015	2014
Fair value of plan assets as at 31.12.	294.1	276.8
Present value of funded defined benefit obligations as at 31.12.	−415.7	−395.8
Funded status	**−121.6**	**−119.0**
Present value of unfunded defined benefit obligations as at 31.12.	**−197.0**	**−213.9**
thereof from pension plans	−195.4	−213.9
thereof from obligations similar to pensions	−1.6	0.0
Recognised amount	**−318.6**	**−332.9**
thereof from pension plans	−317.0	−332.9
thereof from obligations similar to pensions	−1.6	0.0

Net pension costs

Net pension costs break down as follows:

in million EUR	2015	2014 [1]
Net interest cost	6.0	7.5
Current service cost incl. plan amendments and curtailments	5.7	8.4
Administration cost	0.5	0.4
Net pension costs	**12.2**	**16.3**

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

The net interest on the net defined benefit liability is included within financial expense in the consolidated income statement.

Actuarial gains and losses

Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur.

They developed as follows:

in million EUR	2015	2014
Cumulative actuarial gains/(losses) recognised in other comprehensive income as at 1.1. (without tax effects)	–170.2	–85.7
Actuarial gains/(losses)		
– on pension obligations	8.3	–93.1
– on plan assets	–6.0	8.6
Cumulative actuarial gains/(losses) recognised in other comprehensive income as at 31.12. (without tax effects)	**–167.9**	**–170.2**

Actuarial gains primarily reflect the increase in discount rates in the eurozone and the USA compared to the prior year.

Valuation assumptions for defined benefit obligations

The defined benefit obligations for the individual countries were calculated using current demographic assumptions. The discount rates and salary trends were determined according to uniform principles and defined separately for each country depending on the respective economic situation.

These were as follows:

	Switzerland		Eurozone		USA		Canada	
in %	2015	2014	2015	2014	2015	2014	2015	2014
Discount rate	0.8	1.1	2.3	1.9	4.0	3.8	3.9	3.9
Salary trend	2.0	2.0	2.5–3.0	2.5–3.0	–	–	3.0	3.0

Compared to the prior year, the discount rates increased in the eurozone and the USA, but decreased in Switzerland and remained stable in Canada. The calculation also considered company-specific actuarial assumptions such as the respective employee fluctuation rates.

Valuation assumptions used for plan assets

There are pension plans financed by funds in Switzerland, the USA, Canada, France, and to a limited extent, Germany. With a fair value of EUR 248.3 million (2014: EUR 227.1 million), the majority of the plan assets relate to the pension fund of Swiss Steel AG. The pension fund has an Investment Committee responsible for developing a target portfolio structure based on asset-liability studies. This is subsequently approved by the Board of Trustees, which is made up of an equal number of employer and employee representatives. The target portfolio structure takes into account the capital market environment as well as the structure of the obligations and sets ranges and upper limits for the individual investment classes. The management of the pension fund is responsible for implementing the target portfolio structure and reports regularly on the transactions made. The target portfolio structure is monitored continuously and adjusted to market conditions as necessary.

The table below shows a breakdown by percentage of fair values of plan assets in the various countries:

	Switzerland		Eurozone		USA		Canada	
in %	2015	2014	2015	2014	2015	2014	2015	2014
Shares	21.0	19.8	0.0	0.0	61.9	56.6	26.8	26.8
Fixed-interest securities	15.2	15.7	0.0	0.0	32.0	39.5	60.2	61.6
Real estate	49.5	49.4	0.0	0.0	2.1	2.3	0.0	0.0
Insurance contracts	0.7	0.8	100.0	100.0	0.0	0.0	0.0	0.0
Other	13.6	14.3	0.0	0.0	4.0	1.6	13.0	11.6

Fair value is determined based on level 1 of the fair value hierarchy for shares and fixed-interest securities and level 3 for other plan assets.

The rate used to discount defined benefit obligations is used to determine interest income on plan assets in accordance with IAS 19. The interest expense from discounting the defined benefit obligations is recorded together with interest income from plan assets as net interest in the consolidated income statement.

Sensitivity analysis

The Group discloses defined benefit obligations of EUR 611.1 million as at 31 December 2015 (2014: EUR 609.7 million). The expected service cost for 2016 is EUR 12.1 million based on current interest rates. If the significant actuarial assumptions for the material plans listed in the table below had increased or decreased by 0.5% as at 31 December 2015 (31 December 2014), pension provisions and service cost would have been adjusted as follows for the subsequent fiscal year:

Actuarial assumptions as at 31.12.2015 in million EUR	Discount rate		Salary		Pension increase	
Sensitivity level	**+0.5%**	**−0.5%**	**+0.5%**	**−0.5%**	**+0.5%**	**−0.5%**
Impact on the net defined benefit obligation as at 31.12.2015	−39.7	45.0	4.2	−3.8	29.1	−27.6
Impact on the service costs 2016	−0.9	1.0	0.1	−0.1	0.6	−0.6

Actuarial assumptions as at 31.12.2014 in million EUR	Discount rate		Salary		Pension increase	
Sensitivity level	**+0.5%**	**−0.5%**	**+0.5%**	**−0.5%**	**+0.5%**	**−0.5%**
Impact on the net defined benefit obligation as at 31.12.2014	−41.2	46.8	3.2	−2.9	29.3	−27.4
Impact on the service costs 2015	−1.2	1.4	0.4	−0.3	0.4	−0.5

Contribution and benefit payments

In principle, the Group contributes to the plans based on the legal and/or minimum funding requirements stipulated by collective agreement in the respective country of each fund. In 2015, employer contributions totalling EUR 15.7 million (including pension payments of EUR 6.4 million for unfunded plans) were made to the plan assets of the existing defined benefit plans (2014: EUR 14.7 million including pension payments of EUR 7.8 million for unfunded pension plans). For 2016, contribution payments are expected to total EUR 15.6 million (including pension payments of EUR 6.4 million for unfunded pension plans).

Benefit payments of EUR 8.1 million (2014: EUR 8.6 million) were made to settle unfunded pension obligations in 2015. Benefit payments of EUR 6.4 million are expected to be paid in 2016 based on current unfunded commitments.

The table below shows the payments expected by SCHMOLZ + BICKENBACH and the pension funds over the coming years:

	Expected cash outflow	
in million EUR	As at 31.12.2015	As at 31.12.2014
Year 1	27.0	23.5
Year 2	27.0	26.2
Year 3	28.2	26.1
Year 4	29.8	27.0
Year 5	30.2	28.7
Years 6–10	143.6	143.1
Total	**285.8**	**274.6**

The weighted average term of the defined benefit obligation was 15 years as at 31 December 2015 (2014: 15 years).

9.10 Other provisions

Other provisions developed as follows in the fiscal year:

in million EUR	Warranties	Phased retirement	Jubilee	Personnel	Restructuring	Other	Total
As at 1.1.2014	6.7	5.5	16.4	9.3	25.6	22.2	85.7
Additions	4.0	3.8	2.6	5.0	0.3	7.7	23.4
Utilisations	–3.4	–3.3	–2.5	–3.5	–11.8	–5.9	–30.4
Reversal	–0.5	0.0	0.0	0.0	–3.1	–3.6	–7.2
Increase to reflect passage of time	0.0	0.2	0.5	0.0	0.0	0.0	0.7
Foreign currency effects	0.0	0.0	0.0	0.2	0.0	0.6	0.8
As at 31.12.2014	**6.8**	**6.2**	**17.0**	**11.0**	**11.0**	**21.0**	**73.0**
– of which non-current	0.0	3.8	15.1	4.8	1.3	8.6	33.6
– of which current	6.8	2.4	1.9	6.2	9.7	12.4	39.4
As at 1.1.2015	6.8	6.2	17.0	11.0	11.0	21.0	73.0
Reclassification to discontinued operations	–1.2	–0.7	–0.8	–1.1	–2.3	–0.4	–6.5
Additions	4.6	2.6	2.0	3.4	0.0	12.4	25.0
Utilisations	–3.7	–1.9	–2.1	–5.6	–7.1	–8.0	–28.4
Reversal	–0.7	–0.1	0.0	–0.6	–0.5	–5.4	–7.3
Increase to reflect passage of time	0.0	0.1	0.4	0.0	0.0	0.0	0.5
Foreign currency effects	0.0	0.0	0.3	0.1	0.0	0.4	0.8
As at 31.12.2015	**5.8**	**6.2**	**16.8**	**7.2**	**1.1**	**20.0**	**57.1**
– of which non-current	0.0	3.9	15.6	2.6	0.3	6.1	28.5
– of which current	5.8	2.3	1.2	4.6	0.8	13.9	28.6

The warranty provisions of EUR 5.8 million (2014: EUR 6.8 million) comprise accrued amounts for legally required warranty obligations as well as amounts for warranties provided over and above the legal liability.

The provisions for phased retirement ("Altersteilzeit") agreements of EUR 6.2 million (2014: EUR 6.2 million) are accumulated on a pro rata basis during the employment phase of the employee to enable continued payment to the employee in the release phase. The corresponding cash outflows are expected over the next five years.

The provisions for jubilee awards of EUR 16.8 million (2014: EUR 17.0 million) are recorded in line with the amounts of monetary or non-monetary benefits provided for in some company agreements for employees that attain a certain length of service. A cash outflow of EUR 7.2 million is expected in connection with such payments over the next five years. For the years thereafter, a cash outflow of EUR 9.6 million is expected.

In addition to the provisions for phased retirement agreements and jubilee awards, there are various other personnel-related provisions totalling EUR 7.2 million (2014: EUR 11.0 million). In most cases, cash outflows are expected within the next five years.

Provisions for restructuring measures are recognised to the extent that a detailed formal restructuring plan has been prepared and communicated to the parties concerned. The provisions amount to EUR 1.1 million in total (2014: EUR 11.0 million) and in 2014 related principally to SCHMOLZ + BICKENBACH Distributions GmbH (DE) (EUR 8.1 million) and Deutsche Edelstahlwerke GmbH (DE) (EUR 2.3 million).

Other provisions of EUR 20.0 million (2014: EUR 21.0 million) comprise provisions for the environment, litigation and employee protection, various relatively small amounts that are not reported separately for reasons of materiality.

9.11 Financial liabilities

Financial liabilities break down as follows as at 31 December 2015:

in million EUR	2015	2014
Syndicated loan	130.4	238.7
Other bank loans	26.8	33.3
Bond	162.5	160.7
Liabilities from finance leases	3.6	6.1
Other financial liabilities	0.0	1.4
Total non-current	**323.3**	**440.2**
Other bank loans	8.6	7.6
ABCP financing programme	188.1	205.7
Liabilities from finance leases	1.2	2.3
Other financial liabilities	3.1	3.5
Total current	**201.0**	**219.1**

In June 2014, SCHMOLZ + BICKENBACH concluded a new syndicated loan agreement with a volume of EUR 450.0 million to refinance the previous syndicated loan from 2011. The new syndicated loan is granted by an international syndicate of eleven banks and has a term until April 2019. The syndicated loan takes the form of a revolving credit facility. Interest is charged based on the EURIBOR/LIBOR rate plus a margin linked to the ratio of net debt to EBITDA. Interest is payable when the individual amounts drawn from the facility fall due for repayment. The loan terms generally range between one and six months, or can be set at an alternative period by agreement with the syndicate of banks. A standby fee is payable on the unused portion of the loan. One-off payments had to be made upon conclusion of the new credit facility; these are accrued over the economic term of the loan. In addition, customary bank collateral was provided, including through assignment of inventories and receivables as well as pledges of company shares. The loan agreement prescribes a quarterly review of the agreed financial covenants.

In May 2012, the subsidiary SCHMOLZ + BICKENBACH Luxembourg S.A. (LU) issued a corporate bond at a price of 96.957% of the nominal value of EUR 258.0 million. With a coupon of 9.875% p.a., the bond expires on 15 May 2019. Interest is payable semi-annually on 15 May and 15 November. Following the equity capital increase in the fourth quarter of 2013, parts of the bond were repaid. As at the reporting date 31 December 2015, the outstanding volume is EUR 167.7 million. The bond creditors received the same security as the lenders of the syndicated loan. The financial covenants agreed for the bond are reviewed regularly and define limits on further borrowing if the covenants are breached.

Furthermore, the EUR 300 million ABCP financing programme was extended in June 2014 until April 2019. In the course of the sale of selected distribution entities in Germany, Belgium, the Netherlands and Austria, one former Group entity left the programme. However, two US entities joined the agreement in September 2015. The new credit limits are EUR 230 million and USD 75 million. The remaining terms and conditions remained substantially unchanged. As factoring is used for financing purposes, the corresponding financial liabilities continue to be classified as current items in the statement of financial position. The financial covenants of the ABCP financing programme are the same as those for the new syndicated loan.

SCHMOLZ + BICKENBACH AG and its subsidiaries also have further loans and bilateral credit lines.

The recognised lease liabilities relate to purchase and extension options as well as adjustment clauses. The future minimum lease payments from finance leases break down as follows:

in million EUR	< 1 year	1 to 5 years	> 5 years
2015			
Minimum lease payments	1.5	3.6	0.5
Interest	–0.3	–0.5	0.0
Present value of minimum lease payments	**1.2**	**3.1**	**0.5**
2014			
Minimum lease payments	2.7	6.0	0.9
Interest	–0.4	–0.8	0.0
Present value of minimum lease payments	**2.3**	**5.2**	**0.9**

Other current financial liabilities include accrued interest for the bond of EUR 2.1 million (2014: EUR 2.1 million). SCHMOLZ + BICKENBACH had available liquidity and credit lines of about EUR 478 million as at 31 December 2015.

9.12 Other liabilities

in million EUR	2015	2014
Other liabilities	0.6	0.4
Negative market values of derivative financial instruments	0.0	0.7
Total non-current	**0.6**	**1.1**
Accrued unused vacation, overtime and flexitime accounts	27.5	31.4
Liabilities for wages and salaries	23.2	28.9
Tax liabilities (excluding current income tax liabilities)	13.4	19.8
Deferred income	11.5	1.5
Social security obligations	10.5	12.6
Outstanding supplier invoices	5.3	9.3
Negative market values of derivative financial instruments	2.7	10.2
Other liabilities	8.7	9.5
Total current	**102.8**	**123.2**

Other non-current and current liabilities comprise a number of individually immaterial items which cannot be allocated to another line item.

10__Notes to the consolidated statement of cash flows

Treasury shares worth EUR 0.8 million (2014: EUR 0.4 million) were acquired in the first quarter of 2015 for final allocation in the second quarter under the share-based payment plans for the fiscal year 2014.
The total amount of the income taxes paid contains a tax refund, made in the second quarter, of EUR 9.9 million. This refund was granted to the Group entity Ugitech SA (FR) for prior years.
The sale of discontinued operations resulted in net purchase price proceeds less transactions costs of EUR 46.2 million.
The higher level of capital expenditures is mainly attributable to the acquisition of a slag disposal site and the acquisition of a previously rented property.

11__Financial instruments

11.1 Financial instruments according to measurement category and class

Financial assets and liabilities are presented below according to measurement category and class. The table also shows finance lease receivables and liabilities as well as derivatives which constitute a hedging relationship even though these are not measurement categories pursuant to IAS 39.
The carrying amount of trade accounts receivable, other current receivables and cash and cash equivalents is the fair value. The fair value of fixed-rate loans is the present value of the expected future cash flows discounted based on the interest rates applicable on the reporting date.
Financial assets available for sale mainly comprise equity instruments and debt securities. Where possible, they are measured at fair value determined on the basis of observable market data as at the reporting dates. If no quoted prices in an active market are available, and if the fair value cannot be reliably determined, the financial assets are measured at cost.

The fair value of forward exchange contracts is calculated on the basis of the average exchange rate on the reporting date, taking into account the forward premiums and discounts for the remaining term of the contract relative to the contractually agreed forward exchange rate. For currency options, recognised models are used for calculating the option price. Besides the remaining term, the fair value of an option is also affected by other factors, including the current level and volatility of the respective underlying exchange rate or underlying base interest rate.
The fair value of commodities futures is based on official exchange listings.
Derivatives are valued as at the reporting date by external financial partners.

Cash flow hedges

In the reporting period there were cash flow hedges only to the extent of the commodity price risk resulting from commodity supply contracts at fixed prices.
The effectiveness of hedging relationships is assessed prospectively and retrospectively. Hedge effectiveness is measured prospectively using the critical terms match method (i.e. matching the material contract terms of the hedged transaction and the hedging instrument) and retrospectively using the change-in-fair-value method (i.e. reversed-sign matching of changes in fair value of the hedged transaction and the hedging instrument).
All derivatives in a hedging relationship are recognised at fair value in the statement of financial position. They are split into an effective and an ineffective portion. The effective portion is recorded in the reserve for cash flow hedges within other comprehensive income until the hedged transaction is realised. The ineffective portion is recorded in profit or loss immediately.
For the ineffective portion, the standard setter prescribes a permissible range of 80% to 125%. All hedges that do not fall within this range are terminated immediately and recognised through profit or loss from this date onwards. The accumulated gains or losses previously recorded in other comprehensive income remain in equity. They are transferred to profit or loss once the hedged transactions also affect profit and loss.

As at the reporting date, commodity derivatives with a total negative fair value of EUR 0.3 million (2014: EUR 0.4 million) were designated as hedging instruments with a remaining term of up to one year. The underlying transactions are recorded through profit or loss in the subsequent period. The foreign currency effects resulting from the hedged items are, however, already recognised through profit or loss before delivery. In 2015, no gains/losses (2014: EUR –0.1 million) were transferred from other comprehensive income to cost of materials in the income statement. The carrying amount of trade accounts payable and other current liabilities approximates fair value. The fair value of fixed-rate liabilities is the present value of the expected future cash flows discounted based on the interest rates applicable on the reporting date. Liabilities that bear interest at floating rates are carried at fair value.

The net gain/loss from financial instruments breaks down as follows:

in million EUR	2015	2014 [1]
Loans and receivables – LaR	–14.6	3.6
Financial assets and liabilities at fair value through profit or loss – FAFVPL/FLFVPL	0.3	–5.7
Financial liabilities measured at amortised cost – FLAC	–39.1	–46.7

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

The net gain/loss from the category "Loans and receivables" primarily results from interest income from financial receivables, allowances on trade accounts receivable and exchange rate gains and losses from receivables denominated in foreign currency.

The gains and losses from changes in the fair value of currency, interest, and commodity derivatives that do not fulfil the requirements of IAS 39 for hedge accounting are included in the category "Financial assets/liabilities at fair value through profit or loss (FAFVPL/FLFVPL)". The net profit/loss from this category therefore only relates to financial instruments held for trading.

The category "Financial liabilities measured at amortised cost (FLAC)" comprises the interest expense on financial liabilities as well as gains and losses on foreign currency liabilities.

Fiscal year 2015

			Measurement in statement of financial position according to IAS 39			
in million EUR	Category according to IAS 39	Carrying amount 31.12.2015	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Measurement according to IAS 17
Assets						
Other financial assets	LaR/n.a.	1.9	0.7			1.2
Trade accounts receivable	LaR	331.5	331.5			
Cash and cash equivalents	LaR	53.2	53.2			
Positive market values of derivative financial instruments						
– Derivatives without hedging relationship (no hedge accounting)	FAFVPL	0.8			0.8	
Liabilities						
Syndicated loan	FLAC	130.4	130.4			
Other bank loans	FLAC	35.4	35.4			
Bond	FLAC	162.5	162.5			
Liabilities from finance leases	n.a.	4.8				4.8
Other financial liabilities	FLAC	191.2	191.2			
Trade accounts payable	FLAC	304.7	304.7			
Negative market values of derivative financial instruments						
– Derivatives with hedging relationship (hedge accounting)	n.a.	0.3		0.3		
– Derivatives without hedging relationship (no hedge accounting)	FLFVPL	2.4			2.4	
Of which aggregated by measurement categories according to IAS 39 in conjunction with IFRS 7						
Loans and receivables	LaR	385.4	385.4			
Financial assets at fair value through profit or loss	FAFVPL	0.8			0.8	
Financial liabilities measured at amortised cost	FLAC	824.2	824.2			
Financial liabilities at fair value through profit or loss	FLFVPL	2.4			2.4	

With the exception of the bond, the fair value of loans and receivables more or less matched their carrying amount at the reporting dates. The fair value of financial liabilities measured at amortised cost came to EUR 807.6 million (2014: EUR 1 044.0 million). The method used to determine fair value corresponded to level 1 of the fair value hierarchy for the bond and to level 2 for the other financial instruments.

As at 31 December 2015, the bond had a fair value of EUR 140.9 million (2014: EUR 180.3 million).

Fiscal year 2014

in million EUR	Category according to IAS 39	Carrying amount 31.12.2014	Measurement in statement of financial position according to IAS 39			Measurement according to IAS 17
			Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	
Assets						
Other financial assets	LaR/n.a.	4.8	3.5			1.3
Trade accounts receivable	LaR	440.2	440.2			
Cash and cash equivalents	LaR	72.1	72.1			
Positive market values of derivative financial instruments						
– Derivatives without hedging relationship (no hedge accounting)	FAFVPL	6.7			6.7	
Liabilities						
Syndicated loan	FLAC	238.7	238.7			
Other bank loans	FLAC	40.9	40.9			
Bond	FLAC	160.7	160.7			
Liabilities from finance leases	n.a.	8.4				8.4
Other financial liabilities	FLAC	210.6	210.6			
Trade accounts payable	FLAC	366.4	366.4			
Negative market values of derivative financial instruments						
– Derivatives with hedging relationship (hedge accounting)	n.a.	0.4		0.4		
– Derivatives without hedging relationship (no hedge accounting)	FLFVPL	10.5			10.5	
Of which aggregated by measurement categories according to IAS 39 in conjunction with IFRS 7						
Loans and receivables	LaR	515.8	515.8			
Financial assets available for sale	AfS	0.0		0.0		
Financial assets at fair value through profit or loss	FAFVPL	6.7			6.7	
Financial liabilities measured at amortised cost	FLAC	1 017.3	1 017.3			
Financial liabilities at fair value through profit or loss	FLFVPL	10.5			10.5	

11.2 Financial instruments at fair value through profit or loss

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.

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 31.12.	
in million EUR	2015	2014	2015	2014	2015	2014	2015	2014
Financial assets								
Positive market values of derivative financial instruments								
– Derivatives without hedging relationship (no hedge accounting)	0.0	0.0	0.8	6.7	0.0	0.0	0.8	6.7
Financial liabilities								
Negative market values of derivative financial instruments								
– Derivatives with hedging relationship (hedge accounting)	0.0	0.0	0.3	0.4	0.0	0.0	0.3	0.4
– Derivatives without hedging relationship (no hedge accounting)	0.0	0.0	2.4	10.5	0.0	0.0	2.4	10.5

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.

11.3 Financial risk management objectives and policies

Principles

With regard to its assets, liabilities, pending transactions, and planned transactions, SCHMOLZ + BICKENBACH is exposed to risks, including, but not limited to, exchange rate fluctuations, interest rates and commodity prices, as well as credit risks, i.e. the risk of default by counterparties. Solvency must also be assured at all times (liquidity risk).

The risk management objective is to control these risks where they affect the cash flows of the Group, using appropriate measures. Derivative financial instruments are used only for hedging purposes; they are not used for trading or speculative purposes. The Group does not hedge exchange effects from translating financial statements denominated in foreign currencies into the reporting currency of the Group. The Executive Board defines and continuously monitors the hedging policy and implementation thereof.

The sensitivity analyses required by IFRS 7 relate exclusively to hypothetical changes in market prices and interest rates for primary and derivative financial instruments. The sensitivity analyses do not consider all effects from opposite movements of a non-financial underlying even though these could substantially reduce the effects that are presented.

Currency risk

Foreign currency risks arise mainly when trade accounts receivable and payable denominated in foreign currency are used for the Group's internal financing, 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 or corresponding external foreign currency loans.

Currency risks as defined by IFRS 7 arise from financial instruments that are denominated in a currency other than the functional currency. Fluctuations in the value of non-monetary financial instruments do not represent an exchange risk in the meaning of IFRS 7 and nor do the effects of translating financial statements denominated in foreign currencies into the Group's reporting currency (euro).

Currency risks mainly related to the US dollar, Swiss franc, pound sterling and Canadian dollar relative to the euro as at the reporting date and throughout the reporting period.

The table below shows the EBITDA effects if the euro were to appreciate or depreciate by 10% in relation to selected currencies.

	Change in EUR	Effect on net income	
in million EUR		2015	2014
Currency USD			
	+10%	1.9	−2.7
	−10%	−2.4	3.3
Currency CHF			
	+10%	−0.7	−2.4
	−10%	0.8	2.9
Currency GBP			
	+10%	0.6	0.6
	−10%	−0.7	−0.8
Currency CAD			
	+10%	0.4	−0.8
	−10%	−0.5	1.0

The sensitivities were calculated based on the values that would have resulted if the closing exchange rate of the euro against the other currencies had been 10% higher or lower on the reporting date.

A time value of money of 5.0% p.a. (2014: 5.0% p.a.) was assumed. Given the average life of six months for currency derivatives, the amounts were discounted at a rate of 2.5% p.a. (2014: 2.5% p.a.).

Interest rate risk

Interest rate risks arise mainly on floating-rate liabilities that are denominated in euro and US dollar. The Executive Board stipulates an appropriate target ratio of fixed and floating-rate liabilities and monitors compliance with the target on an ongoing basis.

The following assumptions are applied in calculating the interest sensitivities:

1. Interest rate risks of primary floating-rate financial instruments normally only affect profit or loss.
2. a) Interest rate risks of derivative financial instruments which are part of a hedging relationship in a cash flow hedge pursuant to IAS 39 affect equity. As at both reporting dates, there were no interest rate derivatives designated to hedging relationships.
   b) Interest rate risks of derivative financial instruments which are not part of a hedging relationship in a cash flow hedge pursuant to IAS 39 affect profit or loss.

If euro and US dollar interest rates had been 100 base points higher (lower) at the reporting date, net income/loss would have developed as follows:

	Change in base points	Effect on net income (loss)	
in million EUR		2015	2014
EUR interest rates			
	+100	−2.0	−3.1
	−100	2.0	3.1
USD interest rates			
	+100	−0.9	−1.1
	−100	0.9	1.1

Commodity price risk

The commodity price risks result from fluctuations in the prices of raw materials required for steel production. Fluctuations in commodity prices can usually be passed on to customers in the form of alloy surcharges. If this is not possible, hedging is undertaken with marketable instruments in some cases. Currently, these mainly comprise forward exchange contracts for nickel. SCHMOLZ + BICKENBACH receives payments depending on the development of the nickel price, and is therefore protected against price hikes.

There would have been no significant impact on the Group's net income/loss or shareholders' equity if the price of nickel had been 10% higher (lower) as at the reporting date.

Credit risk

Credit risks are mainly linked to trade accounts receivable, bank balances, guarantees and derivative financial instruments. In view of the broadly diversified customer list, 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. Approximately 55% (2014: 53%) of the trade accounts receivable were covered by credit insurance as at the reporting date.
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 their own limits under observation of the various approval processes that apply 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.
Where possible, and particularly in the case of new business relationships, external business partners are required to provide security/collateral to minimise the credit risk. Bank guarantees, assignment of receivables, assignment of collateral and personal guarantees are all acceptable forms of security.
Default risks are monitored continuously by the individual Group companies and are taken into account through allowance accounts if necessary. Impairments of trade accounts receivable are recognised in part on special allowance accounts. However, if the probability of default is assessed to be very high, the respective accounts receivable are immediately derecognised.

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.

The carrying amount represents the maximum credit risk for all classes of recognised financial assets.

As at each reporting date, the financial assets that are not measured at fair value through profit or loss are assessed for any objective evidence of impairment. Objective evidence includes significant financial difficulty of the borrower, actual breach of contract by the debtor, the disappearance of an active market for the financial asset, a prolonged decline in the fair value of a financial asset below amortised cost and significant changes in the technological, economic or legal environment in which the debtor operates. If impairment has occurred, the difference between the carrying amount and the expected future cash flows discounted at the original effective interest rate is recognised in profit or loss, while changes in value that were recognised in other comprehensive income are released through profit or loss. If the fair value of financial assets other than those categorised as "available for sale" objectively increases over time, a reversal of the impairment is recognised through profit or loss provided that the original amortised costs are not exceeded.

Liquidity risk

The Group ensures solvency at all times through a largely centralised cash management system. In particular, this involves preparing liquidity plans in which the expected cash receipts and payments for a specified time period are offset against each other. In addition, balances and irrevocable credit facilities are held with banks as liquidity reserves.

The tables below present the contractually agreed undiscounted cash outflows from primary financial liabilities and cash flows from derivative financial instruments:

	Carrying amount 31.12.2015	Cash outflows 2016	Cash outflows 2017 to 2020	Cash outflows after 2020	Total cash outflows
in million EUR					
Primary financial instruments					
Syndicated loan	130.4	4.4	145.7	0.0	150.1
Other bank loans	35.4	10.4	25.2	5.5	41.1
Bond	162.5	16.6	189.8	0.0	206.4
Liabilities from finance leasing	4.8	1.5	3.6	0.5	5.6
Other financial liabilities	191.2	191.2	0.1	0.0	191.3
Trade accounts payable	304.7	304.7	0.0	0.0	304.7
Total primary financial instruments	**829.0**	**528.8**	**364.4**	**6.0**	**899.2**
Derivative financial instruments					
Derivatives with hedging relationship (hedge accounting)	−0.3	−0.3	0.0	0.0	−0.3
– thereof outflow		−0.3	0.0	0.0	−0.3
– thereof inflow		0.0	0.0	0.0	0.0
Derivatives without hedging relationship (no hedge accounting)	−1.6	−1.9	0.0	0.0	−1.9
– thereof outflow		−164.4	−0.5	0.0	−164.9
– thereof inflow		162.5	0.5	0.0	163.0
Total derivative financial instruments	**−1.9**	**−2.2**	**0.0**	**0.0**	**−2.2**
Total 31.12.2015	**827.1**	**526.6**	**364.4**	**6.0**	**897.0**

	Carrying amount 31.12.2014	Cash outflows 2015	Cash outflows 2016 to 2019	Cash outflows after 2019	Total cash outflows
in million EUR					
Primary financial instruments					
Syndicated loan	238.7	7.8	271.9	0.0	279.7
Other bank loans	40.9	9.8	27.6	11.4	48.8
Bond	160.7	16.6	225.7	0.0	242.3
Liabilities from finance leasing	8.4	2.7	6.0	0.9	9.6
Other financial liabilities	210.6	209.2	1.5	0.0	210.7
Trade accounts payable	366.4	366.4	0.0	0.0	366.4
Total primary financial instruments	**1 025.7**	**612.5**	**532.7**	**12.3**	**1 157.5**
Derivative financial instruments					
Derivatives with hedging relationship (hedge accounting)	−0.4	−0.4	0.0	0.0	−0.4
– thereof outflow		−0.4	0.0	0.0	−0.4
– thereof inflow		0.0	0.0	0.0	0.0
Derivatives without hedging relationship (no hedge accounting)	−3.8	−8.0	−0.7	0.0	−8.7
– thereof outflow		−222.1	−5.4	0.0	−227.5
– thereof inflow		214.1	4.7	0.0	218.8
Total derivative financial instruments	**−4.2**	**−8.4**	**−0.7**	**0.0**	**−9.1**
Total 31.12.2014	**1 021.5**	**604.1**	**532.0**	**12.3**	**1 148.4**

The tables above include all financial liabilities carried as at the reporting date. Amounts denominated in foreign currencies were translated into euro using the exchange rates as at the reporting date; floating-rate interest payments were determined on the basis of the current rate. Payments are shown in the periods in which payment can first be demanded according to the contractual arrangements. The amounts of derivative financial instruments shown above represent the net balance of undiscounted payments and receipts.

Capital management

The overriding capital management objective is to maintain an adequate capital basis for the long-term growth of the Group in order to create added value for the shareholders and safeguard the solvency of the Group at all times. Fulfilment of this objective is measured against an appropriate ratio of shareholders' equity to total assets (equity ratio) and an appropriate level of net debt.

As a result of the negative earnings after taxes and a considerably lower level of total assets, the equity ratio as at 31 December 2015 decreased slightly to 35.6% (2014: 35.9%).

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, dropped to EUR 471.1 million as at 31 December 2015 (2014: EUR 587.2 million). The gearing, which expresses the ratio of net debt to shareholders' equity, thus improved, decreasing to 62.8% (2014: 65.2%). Since the amount of the borrowing costs for the syndicated loan is linked to the ratio of net debt to EBITDA, this debt factor, as well as the other financial covenants, are monitored on an ongoing basis within the capital management framework, to secure the most favourable conditions possible for the Group's financing. The Group complied with all financial covenants as at 31 December 2015.

A further capital management objective is to ensure an appropriate distribution of net income for shareholders. The ratio of net debt to EBITDA is also monitored because the syndicated loan agreement contains provisions governing dividend distributions depending on this indicator. The Group can modify its capital structure by adjusting the amount of the dividend payments, repaying capital to the shareholders, issuing new shares or selling assets in order to reduce financial liabilities.

12__Contingent liabilities and other financial obligations

in million EUR	2015	2014
Pledges, guarantees	2.0	21.8
Purchase commitments		
– for intangible assets	1.0	0.2
– for property, plant and equipment	28.1	43.2
Total	**31.1**	**65.2**

The purchase commitments result from the investment programmes in place at individual companies of the Group; they decreased compared to the prior year in line with construction progress, with the majority relating to multiple-year investments of Deutsche Edelstahlwerke GmbH (DE) and Ugitech S.A. (FR).

Operating leases are associated with minimum lease payments as follows:

in million EUR	2015	2014
< 1 year	7.5	17.8
1 to 5 years	13.5	28.2
> 5 years	0.6	3.8
Total	**21.6**	**49.8**

Furthermore, Deutsche Edelstahlwerke GmbH (DE) entered into a hereditary lease in 2003 with a total lease term of 99 years for properties at the Siegen and Hagen sites. The total area of approximately 650 000 m² is leased for an annual payment of EUR 1.6 million. This obligation is not included in the table above.

There are rent and lease agreements at SB Acciai Speciali S.r.l. (IT) for buildings and technical equipment which include provisions potentially requiring the company in question to assume the buildings and plant, together with the remaining operations, in the event of insolvency on the part of the contracting party. The Board of Directors and Executive Board consider the risk of a claim to be low at the time of preparing these consolidated financial statements.

In 2012, a bond creditor in the USA filed a prospectus liability suit against SCHMOLZ + BICKENBACH in connection with the bond issue, which was dismissed in the court of first instance in 2014. The Group believes the action to be without merit.

SCHMOLZ + BICKENBACH operates in an industry that is deemed energy intensive. Several of its German entities were 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 any material back payments. 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 exemptions. SCHMOLZ + BICKENBACH operates on an international scale. In each of the countries in which SCHMOLZ + BICKENBACH operates, the local tax authorities will examine the transfer prices for goods and services exchanged between the individual Group companies as well as management fees within the Group. Further, the interpretation of tax laws on intercompany financing agreements and currency translation differences can affect the tax position.

SCHMOLZ + BICKENBACH regularly assesses the tax expense that will be payable following tax field audits and provides for them by estimating the results of tax field audits for all open years. The actual outcome of the tax field audits can differ significantly from the estimates considered in these consolidated financial statements and may impact the tax expense/income in subsequent periods.

As already announced, the German Federal Cartel Office is investigating alleged practices in the stainless steel industry concerning the use of price surcharges. The subsidiary Deutsche Edelstahlwerke GmbH (DE) was investigated in this connection at the end of November 2015. The Board of Directors of the parent company SCHMOLZ + BICKENBACH AG and Deutsche Edelstahlwerke GmbH (DE) have cooperated since the start of the investigations and will continue to do so in future. The German Federal Cartel Office has not raised any specific allegations to date.

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 chief decision-makers of the Group monitor the operating results of each operating segment individually in order to assess their performance and decide on the allocation of resources. Earnings before interest, tax, depreciation and amortisation (EBITDA) is the key indicator used to assess the segment performance of the individual operating segments in accordance with IFRS. EBITDA is therefore segment profit/loss in the meaning of IFRS 8. Independent thereof, the Executive Board also receives regular reports at the level of the operating segments on further key performance indicators up to earnings before taxes (EBT), based on IFRS accounting. These additional indicators are also disclosed in the segment reporting.

The Group's operating segments are summarised below:

Production

The *Production* segment encompasses the business units Deutsche Edelstahlwerke, Finkl Steel, Steeltec Group, Swiss Steel and Ugitech. These companies produce tool steel, stainless steel, engineering steel, bright steel and other speciality products for sale to third parties directly or to the *Sales & Services* organisation of the SCHMOLZ + BICKENBACH Group.

Sales & Services

The *Sales & Services* segment comprises the distribution and service activities of the SCHMOLZ + BICKENBACH Group in Europe and other countries. It carries a range of products manufactured by the production companies of the SCHMOLZ + BICKENBACH Group as well as third parties.

Transactions between the individual segments have been eliminated for segment reporting purposes. The exchange of goods and services between the operating segments takes place at transfer prices in accordance with the arm's length principle and international transfer pricing regulations. The segments' measures of profit or loss are determined using the same accounting policies as those used for Group accounting, i.e. Group companies are included in management reporting based on accounting in accordance with IFRS. The reconciliation of the segment figures to the Group figures is thus limited to eliminations (in particular expense and income elimination and the elimination of intrasegment profits and losses) and other activities (Other segment) which are not allocated to the operating segments.

The Other segment only comprises holding activities. The reconciliation of segment assets and segment liabilities also considers adjustments to reflect the fact that not all assets and liabilities are allocated to the operating segments for management purposes.

Revenue by geographic region

	2015		2014 [1]	
	in million EUR	in %	in million EUR	in %
Switzerland	45.7	1.7	56.7	2.0
Germany	1 041.0	38.9	1 170.8	40.8
France	190.0	7.1	210.9	7.4
Italy	295.7	11.0	295.4	10.3
Other Europe	499.2	18.6	522.8	18.2
USA	327.3	12.2	343.6	12.0
Canada	59.8	2.2	72.1	2.5
Other America	50.8	1.9	40.3	1.4
Africa/Asia/Australia	170.4	6.4	156.4	5.4
Total	**2 679.9**	**100.0**	**2 869.0**	**100.0**

[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 reporting period now refer only to continuing operations.

The revenue information presented above is based on the location of the customer. No single external customer exceeds the threshold of 10.0% of the Group's revenue (IFRS 8.34).

Non-current assets by geographic region

	2015		2014	
	in million EUR	in %	in million EUR	in %
Switzerland	148.3	15.7	143.0	15.6
Germany	346.0	36.6	331.8	36.0
France	128.9	13.7	126.8	13.8
Italy	17.0	1.8	16.2	1.8
Other Europe	32.0	3.4	45.5	5.0
USA	225.9	23.9	206.5	22.5
Canada	36.9	3.9	39.1	4.3
Other America	2.0	0.2	2.3	0.3
Africa/Asia/Australia	7.2	0.8	6.7	0.7
Total	**944.2**	**100.0**	**917.9**	**100.0**

In accordance with IFRS 8.33(b), this presentation comprises non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts.

Fiscal years 2015 and 2014

	Production		Sales & Services	
in million EUR	2015	2014	2015	2014 [5]
Third-party revenue	2 136.4	2 372.2	543.5	496.8
Intersegment revenue	316.4	296.4	0.0	0.1
Total revenue	**2 452.8**	**2 668.6**	**543.5**	**496.9**
Gain/loss on disposal of intangible assets, property, plant and equipment and financial assets	0.4	–0.1	0.1	1.0
Operating profit before depreciation and amortisation (EBITDA)	**155.0**	**236.7**	**17.4**	**22.2**
Depreciation and amortisation of intangible assets, property, plant and equipment	–113.6	–109.8	–4.6	–4.2
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)	**39.2**	**126.9**	**12.8**	**18.0**
Financial income	2.1	1.8	4.6	3.1
Financial expense	–38.1	–46.7	–9.9	–12.5
Earnings before taxes (EBT)	**3.2**	**82.0**	**7.5**	**8.6**
Segment assets [1]	1 718.9	1 881.4	251.9	257.9
Segment liabilities [2]	285.9	303.9	92.7	112.6
Segment assets less segment liabilities (capital employed)	**1 433.0**	**1 577.5**	**159.2**	**145.3**
Segment investments [3]	115.5	93.0	3.5	2.8
Operating free cash flow [4]	220.2	84.1	4.2	23.7
Employees	7 546	7 720	1 252	1 179

[1] Segment assets: intangible assets (excluding goodwill) + property, plant and equipment + inventories + trade accounts receivable (total matches total assets in the statement of financial position)

[2] Segment liabilities: trade accounts payable (total matches total liabilities in the statement of financial position)

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

[4] Operating free cash flow: adjusted EBITDA +/– change in inventories, trade accounts receivable less trade accounts payable less segment investments less borrowing costs.

[5] 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 reporting period now refer only to continuing operations. The prior-year figures were restated accordingly (except capital employed).

		Reconciliation					
Total operating segments		Other		Eliminations/adjustments		Total	
2015	2014[5]	2015	2014[5]	2015	2014[5]	2015	2014[5]
2 679.9	2 869.0	0.0	0.0	0.0	0.0	2 679.9	2 869.0
316.4	296.5	0.0	0.0	–316.4	–296.5	0.0	0.0
2 996.3	**3 165.5**	**0.0**	**0.0**	**–316.4**	**–296.5**	**2 679.9**	**2 869.0**
0.5	0.9	0.0	0.0	0.0	0.0	0.5	0.9
172.4	**258.9**	**–12.6**	**–13.8**	**–0.8**	**1.5**	**159.0**	**246.6**
–118.2	–114.0	–3.7	–2.4	0.0	0.0	–121.9	–116.4
–2.2	0.0	0.0	0.0	0.0	0.0	–2.2	0.0
52.0	**144.9**	**–16.3**	**–16.2**	**–0.8**	**1.5**	**34.9**	**130.2**
6.7	4.9	40.6	53.8	–45.6	–55.4	1.7	3.3
–48.0	–59.2	–45.2	–50.1	45.6	55.4	–47.6	–53.9
10.7	**90.6**	**–20.9**	**–12.5**	**–0.8**	**1.5**	**–11.0**	**79.6**
1 970.8	2 139.3	46.7	8.9	91.5	105.3	2 109.0	2 253.5
378.6	416.5	2.9	1.3	976.9	1 089.1	1 358.4	1 506.9
1 592.2	**1 722.8**						
119.0	95.8	42.9	1.5	0.0	0.0	161.9	97.3
224.4	107.8	–47.4	–11.0	0.0	1.3	177.0	98.1
8 798	8 899	112	102	0	0	8 910	9 001

14__Related party disclosures

SCHMOLZ + BICKENBACH entered into transactions with related parties during the reporting periods. Related parties include, but are not limited to, companies owned by SCHMOLZ + BICKENBACH GmbH & Co. KG as well as Renova Group companies, which together hold 40.89% of the shares in SCHMOLZ + BICKENBACH AG indirectly as at 31 December 2015. A shareholder agreement in the meaning of the Swiss Stock Exchange Act (SESTA) is in place between SCHMOLZ + BICKENBACH GmbH & Co. KG and the Renova Group.

Other related parties include key management personnel. For SCHMOLZ + BICKENBACH, this means the members of the Board of Directors and the Executive Board.

The exchange of goods and services between Group companies and related parties takes place at transfer prices in accordance with the arm's length principle and international transfer pricing regulations.

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 Düsseldorf from Mietverwaltungsgesellschaft SCHMOLZ + BICKENBACH mbH & Co. KG, a company owned by SCHMOLZ + BICKENBACH GmbH & Co. KG. The other transactions relate to the normal exchange of goods and services between the companies and the provision of other services (management and other services plus leases); their amounts are shown in the table below:

	SCHMOLZ + BICKENBACH GmbH & Co. KG Group		Renova Group		Other related parties	
in million EUR	2015	2014	2015	2014	2015	2014
Sales to related parties	3.8	4.1	0.0	0.8	0.0	0.0
Purchases from related parties	36.9	0.3	0.0	0.0	0.0	0.0
Other services charged to related parties	0.2	0.9	0.0	0.0	0.2	0.2
Other services charged by related parties	0.1	0.3	0.0	0.1	0.2	0.1

There were items outstanding as at 31 December 2015 relating to various companies owned by SCHMOLZ + BICKENBACH GmbH & Co. KG and other related parties as shown in the table below:

	SCHMOLZ + BICKENBACH GmbH & Co. KG Group		Other related parties	
in million EUR	2015	2014	2015	2014
Operating receivables from related parties	0.2	0.5	0.2	0.0
Operating liabilities to related parties	0.1	0.5	0.0	0.0

Since 2013, part of the variable remuneration of the Executive Board of SCHMOLZ + BICKENBACH AG is paid out in shares. In 2014, this share-based payment programme was amended and further developed to create a Long-Term Incentive Plan (LTIP) according to which the amount of remuneration depends on the development of the performance indicators return on capital employed (ROCE) and absolute shareholder return (ASR) within a three-year performance period. At the end of the three-year performance period, remuneration is paid out in shares or in cash; SCHMOLZ + BICKENBACH is solely entitled to choose how to settle the payments. Furthermore, a share-based payment plan for the Board of Directors was introduced in 2014. For the fiscal year ended 31 December 2015, the average fair value of equity instruments granted (grant-date fair value) was EUR 1; equity instruments totalling EUR 1.6 million (2014: EUR 1.3 million) were granted and recorded as an expense in the consolidated income statement. The expense of EUR 1.5 million (2014: EUR 1.0 million) was debited from retained earnings. The difference compared to the total amount of equity instruments granted relates to withholding tax. A total of 2.0 million equity instruments were outstanding as at 31 December 2015. When measuring the equity instruments, the main factors taken into account were the historical share prices and the expected development of ROCE and ASR.

Compensation came to EUR 1.9 million in 2015 (2014: EUR 1.8 million) for the Board of Directors and EUR 5.3 million (2014: EUR 5.4 million) for the Executive Committee. Of that compensation, EUR 4.7 million (2014: EUR 4.7 million) relates to short-term benefits, in 2014 EUR 1.1 million to termination benefits, EUR 0.5 million (2014: EUR 0.1 million) to post-employment benefits and EUR 2.0 million (2014: EUR 1.3 million) to share-based payments including withholding tax.

15__List of shareholdings

Name	Registered office	Currency	Share capital 31.12.2015	Group holding in % 31.12.2015
Production				
A. Finkl Steel ABS SPV, LLC	Chicago US	USD	1 000	100.00
Composite Forgings L.P.	Detroit US	USD	1 236 363	100.00
Deutsche Edelstahlwerke GmbH	Witten DE	EUR	50 000 000	100.00
Deutsche Edelstahlwerke Härterei Technik GmbH	Lüdenscheid DE	EUR	1 100 000	94.90
Deutsche Edelstahlwerke Karrierewerkstatt GmbH	Witten DE	EUR	100 000	94.90
dhi Rohstoffmanagement GmbH	Siegen DE	EUR	4 000 000	51.00
Edelstahlwerke Witten-Krefeld Vermögensverwaltungs-gesellschaft mbH	Krefeld DE	EUR	511 350	94.90
Finkl De Mexico S de R.L. de C.V.	Edo. De Mexico C.P. MX	MXN	200 088	51.00
Finkl Holdings LLC	Chicago US	USD	1 000	100.00
Finkl Outdoor Services Inc.	Chicago US	USD	1 000	100.00
Finkl Steel - Chicago	Chicago US	USD	10	100.00
Finkl Thai Co. Ltd.	Samutprakarn TH	THB	6 500 000	49.00
Panlog AG	Emmen CH	CHF	1 500 000	100.00
Steeltec A/S	Norresundby DK	DKK	50 000 000	100.00
Steeltec GmbH	Düsseldorf DE	EUR	2 000 000	100.00
Steeltec Celik A.S.	Istanbul TR	TRY	53 909 626	100.00
Finkl Steel - Sorel	St. Joseph-de-Sorel CA	CAD	252 129	100.00
Sprint Metal Edelstahlziehereien GmbH	Hemer DE	EUR	6 500 000	100.00
Steeltec AG	Lucerne CH	CHF	33 000 000	100.00
Steeltec Boxholm AB	Boxholm SE	SEK	7 000 000	100.00
Steeltec Praezisa GmbH	Niedereschach DE	EUR	1 540 000	100.00
Steeltec Toselli Srl	Cassina Nuova di Bollate IT	EUR	780 000	100.00
Swiss Steel AG	Emmen CH	CHF	40 000 000	100.00
Ugitech GmbH	Renningen DE	EUR	25 000	100.00
Ugitech Italia S.r.l.	Peschiera Borromeo IT	EUR	3 000 000	100.00
Ugitech S.A.	Ugine Cedex FR	EUR	80 297 296	100.00
Ugitech Suisse S.A.	Bévilard CH	CHF	1 350 000	100.00
Ugitech TFA S.r.l. (IT)	Peschiera Borromeo IT	EUR	100 000	100.00
von Moos Stahl AG	Emmen CH	CHF	100 000	100.00

Name	Registered office	Currency	Share capital 31.12.2015	Group holding in % 31.12.2015
Sales & Services				
Alta Tecnologia en Tratamientos Termicos S.A. de C.V.	Queretaro MX	MXN	15 490 141	100.00
Dongguan German-Steels Products Co. Ltd.	Dongguan CN	CNY	73 266 976	100.00
Dongguan SCHMOLZ – BICKENBACH Co. Ltd.	Dongguan CN	CNY	57 940 707	100.00
Finkl U.K. Ltd.	Langley GB	GBP	3 899 427	100.00
Jiangsu SCHMOLZ – BICKENBACH Co. Ltd.	Jiangsu CN	CNY	47 066 459	100.00
SCHMOLZ + BICKENBACH Acciai Speciali S.r.l.	Cambiago IT	EUR	500 000	100.00
SCHMOLZ + BICKENBACH Australia Pty. Ltd.	Victoria AU	AUD	900 000	100.00
SCHMOLZ + BICKENBACH Baltic OÜ	Tallinn EE	EUR	4 470	100.00
SCHMOLZ + BICKENBACH Baltic SIA	Riga LV	EUR	298 805	100.00
SCHMOLZ + BICKENBACH Baltic UAB	Kaunas LT	LTL	2 711 700	100.00
SCHMOLZ + BICKENBACH Canada Inc.	Mississauga CA	CAD	2 369 900	100.00
SCHMOLZ + BICKENBACH Deutschland GmbH	Düsseldorf DE	EUR	100 000	100.00
SCHMOLZ + BICKENBACH do Brasil Indústria e Comércio de Acos Ltda	São Paulo BR	BRL	79 565 338	100.00
SCHMOLZ + BICKENBACH France S.A.S.	Chambly FR	EUR	262 885	100.00
SCHMOLZ + BICKENBACH Iberica S.A.	Madrid ES	EUR	2 718 228	99.90
SCHMOLZ + BICKENBACH India Pvt. Ltd.	Thane (West) IN	INR	119 155 500	100.00
SCHMOLZ + BICKENBACH International GmbH	Düsseldorf DE	EUR	2 000 000	100.00
SCHMOLZ + BICKENBACH Italia S.r.l.	Peschiera Borromeo IT	EUR	90 000	100.00
SCHMOLZ + BICKENBACH JAPAN Co. Ltd.	Tokyo JP	JPY	30 000 000	100.00
SCHMOLZ + BICKENBACH Magyarország Kft.	Budapest HU	HUF	3 000 000	100.00
SCHMOLZ + BICKENBACH Malaysia Sdn. Bhd.	Port Klang MY	MYR	2 500 000	100.00
SCHMOLZ + BICKENBACH Mexico S.A. de C.V.	Tlalnepantla MX	MXN	98 218 665	100.00
SCHMOLZ + BICKENBACH Middle East FZCO	Dubai AE	AED	6 449 050	100.00
SCHMOLZ + BICKENBACH Oy	Espoo FI	EUR	500 000	60.00
SCHMOLZ + BICKENBACH Polska Sp.z o.o.	Myslowice PL	PLN	7 000 000	100.00
SCHMOLZ + BICKENBACH Portugal S.A.	Matosinhos PT	EUR	200 500	99.90
SCHMOLZ + BICKENBACH Romania SRL	Bucharest RO	RON	3 363 932	100.00
SCHMOLZ + BICKENBACH Russia OOO	Moscow RU	RUB	9 000 000	100.00
SCHMOLZ + BICKENBACH s.r.o.	Kladno CZ	CZK	7 510 000	60.05
SCHMOLZ + BICKENBACH Singapore Pte. Ltd.	Singapore SG	SGD	5 405 500	100.00
SCHMOLZ + BICKENBACH Slovakia s.r.o.	Trencianske Stankovce SK	EUR	99 584	58.02
SCHMOLZ + BICKENBACH UK Ltd.	Birmingham GB	GBP	6 899 427	100.00
SCHMOLZ + BICKENBACH USA Inc.	Carol Stream, Illinois US	USD	1 935 000	100.00
SCHMOLZ – BICKENBACH (Hong Kong) Trading Ltd.	Fo Tan Shatin HK	HKD	5 900 000	100.00
SCHMOLZ – BICKENBACH Hong Kong Co. Ltd.	Fo Tan Shatin HK	HKD	98 140 676	100.00
SCHMOLZ and BICKENBACH South Africa (Pty.) Ltd.	Johannesburg ZA	ZAR	2 155 003	100.00
Ugitech UK Ltd.	Birmingham GB	GBP	2 500 000	100.00
Zhejiang SCHMOLZ + BICKENBACH Co. Ltd.	Zhejiang CN	CNY	37 387 196	100.00

Name	Registered office	Currency	Share capital 31.12.2015	Group holding in % 31.12.2015
Holdings / Other				
SCHMOLZ + BICKENBACH Edelstahl GmbH	Düsseldorf DE	EUR	10 000 000	100.00
SCHMOLZ + BICKENBACH Luxembourg S.A.	Luxembourg LU	EUR	2 000 000	100.00
SCHMOLZ + BICKENBACH USA Holdings Inc.	Carol Stream, Illinois US	USD	80 000 000	100.00
SCHMOLZ + BICKENBACH USA Holdings ABS SPV, LLC	Carol Stream, Illinois US	USD	1 000	100.00

Report of the statutory auditor on the consolidated financial statements

To the Annual General Meeting of SCHMOLZ + BICKENBACH AG, Emmen
Zurich, 23 March 2016

Report of the statutory auditor on the consolidated financial statements
As statutory auditor, we have audited the consolidated financial statements of SCHMOLZ + BICKENBACH AG, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidate statement of financial position, consolidated statement of cash flows, consolidated statement of changes in shareholders' equity and notes (pages 112 to 164), for the year ended 31 December 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with IFRS and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young AG

Roland Ruprecht	Beat Rölli
Licensed audit expert (Auditor in charge)	Licensed audit expert

FIVE-YEAR OVERVIEW

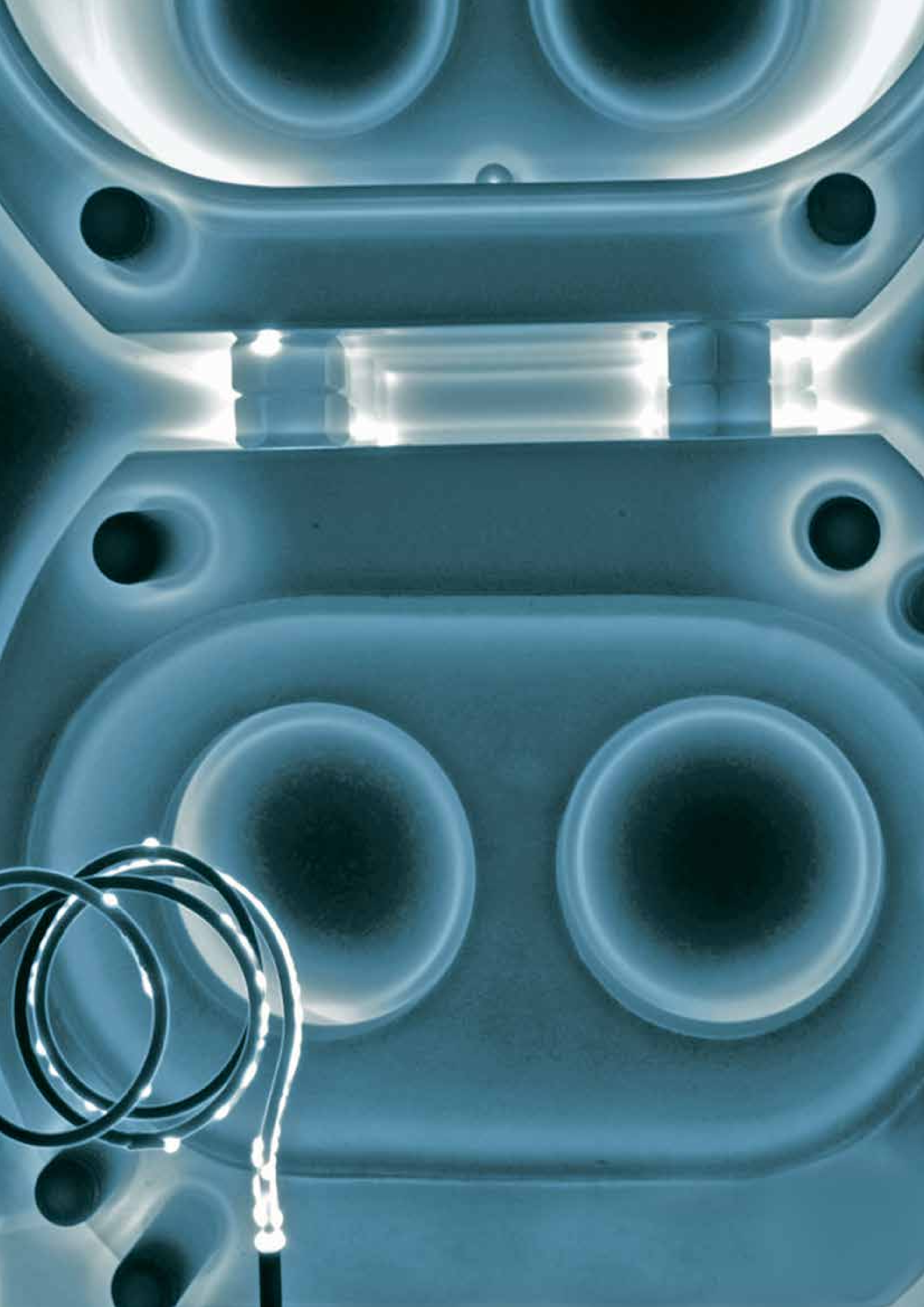
	Unit	2011	2012	2013	2014 [1]	2015
Key operational figures						
Sales volume	kilotonnes	2 274	2 044	2 054	1 829	1 763
Order backlog	kilotonnes	521	351	452	497	395
Income statement						
Revenue	million EUR	3 942.9	3 581.4	3 276.7	2 869.0	2 679.9
Gross margin	million EUR	1 222.5	1 081.7	1 056.4	1 064.9	971.8
Adjusted EBITDA	million EUR	296.2	151.1	178.8	256.6	169.6
Operating profit (loss) before depreciation and amortisation (EBITDA)	million EUR	296.2	121.8	141.7	246.6	159.0
Operating profit (loss) (EBIT)	million EUR	179.6	– 14.5	17.8	130.2	34.9
Earnings before taxes (EBT)	million EUR	67.6	– 89.1	– 87.6	79.6	– 11.0
Earnings after taxes from continuing operations	million EUR	67.6	– 89.1	– 87.6	52.0	– 35.4
Net income (loss) (EAT)	million EUR	42.7	– 162.8	– 83.7	50.0	– 166.8
Cash flow/investments/depreciation/amortisation						
Cash flow before changes in net working capital from continuing operations	million EUR	330.6	103.6	123.3	198.9	113.7
Cash flow from operating activities of continuing operations	million EUR	305.9	168.8	167.8	157.6	288.2
Cash flow from investing activities of continuing operations	million EUR	– 114.3	– 124.8	– 94.1	– 92.4	– 109.2
Free cash flow from continuing operations	million EUR	191.6	44.0	73.7	65.2	179.0
Investments	million EUR	125.6	141.0	105.7	97.3	161.9
Depreciation and amortisation	million EUR	116.6	122.2	121.5	116.4	121.9
Net assets and financial structure						
Non-current assets	million EUR	1 054.3	1 008.3	984.4	1 006.3	1 010.0
Current assets	million EUR	1 676.3	1 408.8	1 393.1	1 503.3	1 099.0
Net working capital	million EUR	1 064.8	1 006.0	949.5	992.3	690.8
Total assets	million EUR	2 730.6	2 417.1	2 377.5	2 509.6	2 109.0
Shareholders' equity	million EUR	844.2	633.0	889.9	900.9	750.6
Non-current liabilities	million EUR	954.2	1 005.3	733.6	847.7	715.2
Current liabilities	million EUR	932.2	778.8	754.0	761.0	643.2
Net debt	million EUR	860.4	902.8	610.1	587.2	471.1
Employees						
Number of employees as at closing date		10 332	10 278	10 095	9 001	8 910
Value management						
Capital employed	million EUR	2 002.8	1 937.5	1 841.3	1 589.8	1 622.1
Key figures on profit/ net assets and financial structure						
Gross margin/revenue	%	31.0	30.2	32.2	37.1	36.3
EBITDA margin before restructuring costs	%	7.5	4.2	5.5	8.9	6.3
EBITDA margin	%	7.5	3.4	4.3	8.6	5.9
EBIT margin	%	4.6	– 0.4	0.5	4.5	1.3
EBT margin	%	1.7	– 2.5	– 2.7	2.8	– 0.4
Equity ratio	%	30.9	26.2	37.4	35.9	35.6
Gearing	%	101.9	142.6	68.6	65.2	62.8
Key share figures						
Number of registered shares	shares	118 125 000	118 125 000	945 000 000	945 000 000	945 000 000
Share capital	million EUR	297.6	297.6	378.6	378.6	378.6
Earnings per share from continuing operations	EUR / CHF	0.33/0.41	– 1.38/-1.66	– 0.26/– 0.32	0.05/0.06	– 0.04/– 0.04
Earnings per share	EUR / CHF	0.33/0.41	– 1.38/-1.66	– 0.26/– 0.32	0.05/0.06	– 0.18/– 0.19
Shareholders' equity per share	EUR / CHF	7.10/8.62	5.29/6.35	0.93/1.14	0.94/1.13	0.78/0.85
Dividend per share	CHF	0.1	0.0	0.0	0.0	0.0
Share price, highest	CHF	12.00	7.80	1.34	1.51	1.08
Share price, lowest	CHF	4.80	2.30	0.60	1.00	0.49
Share price as at closing date	CHF	5.36	2.86	1.10	1.08	0.50

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

FIVE-QUARTER OVERVIEW

	Unit	Q4 2014 [1]	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Key operational figures						
Sales volume	kilotonnes	418	483	469	410	401
Order backlog	kilotonnes	497	569	476	395	395
Income statement						
Revenue	million EUR	677.5	765.7	723.2	619.7	571.3
Gross margin	million EUR	259.2	284.4	276.6	204.9	205.9
Adjusted EBITDA	million EUR	64.6	56.4	61.1	11.5	40.6
Operating profit (loss) before depreciation and amortisation (EBITDA)	million EUR	60.3	54.5	58.0	10.3	36.2
Operating profit (loss) (EBIT)	million EUR	31.3	21.5	27.6	–19.6	5.4
Earnings before taxes (EBT)	million EUR	14.5	9.0	17.4	–32.4	–5.0
Earnings after taxes from continuing operations	million EUR	7.9	1.9	10.3	–32.7	–14.9
Net income (loss) (EAT)	million EUR	4.2	–122.4	4.8	–34.1	–15.1
Cash flow/investments/depreciation/amortisation						
Cash flow before changes in net working capital	million EUR	25.0	64.5	59.1	–1.3	–8.6
Cash flow from operating activities of continuing operations	million EUR	91.9	21.1	47.5	86.4	133.2
Cash flow from investing activities of continuing operations	million EUR	–37.2	–18.8	–57.7	24.3	–57.0
Free cash flow from continuing operations	million EUR	54.7	2.3	–10.2	110.7	76.2
Investments	million EUR	39.5	19.2	58.3	24.1	60.3
Depreciation and amortisation	million EUR	30.3	30.8	30.4	29.9	30.8
Net assets and financial structure						
Non-current assets	million EUR	1 006.3	996.9	990.8	970.8	1 010.0
Current assets	million EUR	1 503.3	1 496.7	1 485.5	1 222.7	1 099.0
Net working capital	million EUR	992.3	923.0	928.9	843.8	690.8
Total assets	million EUR	2 509.6	2 493.6	2 476.3	2 193.5	2 109.0
Shareholders' equity	million EUR	900.9	781.6	814.5	765.7	750.6
Non-current liabilities	million EUR	847.7	872.1	857.9	775.7	715.2
Current liabilities	million EUR	761.0	923.9	803.9	652.1	643.2
Net debt	million EUR	587.2	625.9	637.9	543.7	471.1
Employees						
Number of employees as at closing date		10 000	9 022	8 900	8 927	8 910
Value management						
Capital employed	million EUR	1 891.2	1 817.1	1 841.2	1 739.0	1 622.1
Key figures on profit/net assets and financial structure						
Gross margin/revenue	%	38.3	37.1	38.2	33.1	36.0
EBITDA margin before restructuring costs	%	9.5	7.4	8.4	1.9	7.1
EBITDA margin	%	8.9	7.1	8.0	1.7	6.3
EBIT margin	%	4.6	2.8	3.8	–3.2	0.9
EBT margin	%	2.1	1.2	2.4	–5.2	–0.9
Equity ratio	%	35.9	31.3	32.9	34.9	35.6
Gearing	%	65.2	80.1	78.3	71.0	62.8

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



Financial reporting

SCHMOLZ + BICKENBACH AG

INCOME STATEMENT

in million CHF	Note	2015	2014
Income from investments		15.5	9.0
Other income		16.4	23.1
Financial income		25.2	38.3
Total operating income		**57.1**	**70.4**
Personnel expense		−10.4	−8.3
Other expense		−23.0	−23.5
Depreciation and amortisation of non-current assets		-8.8	0.0
Financial expense		−49.0	−28.5
Total operating expenses		**−91.2**	**−60.3**
Net income/loss		**−34.1**	**10.1**

BALANCE SHEET

in million CHF	Note	31.12.2015	31.12.2014
Cash and cash equivalents		0.2	0.1
Other current receivables, Group		24.2	0.0
Other current receivables, third parties		0.4	2.4
Current receivables, Group		416.5	473.0
Accrued income and prepaid expenses, Group		0.1	0.1
Accrued income and prepaid expenses, third parties		1.5	1.1
Total current assets		**442.9**	**476.7**
Investments	1	1 118.7	1 126.7
Fixed assets		2.9	0.0
Total non-current assets		**1 121.6**	**1 126.7**
Total assets		**1 564.5**	**1 603.4**
Other current liabilites, Group		15.8	0.4
Other current liabilites, third parties		1.8	0.3
Current financing, Group		2.8	14.1
Current financing, third parties		11.3	10.7
Accrued liabilities and deferred income		5.5	7.3
Total current liabilities		**37.2**	**32.8**
Non-current financing		59.9	67.9
Provisions		0.0	1.2
Total non-current liabilities		**59.9**	**69.1**
Total liabilities		**97.1**	**101.9**
Share capital		472.5	472.5
Legal reserves from capital contributions		852.8	852.8
Legal reserves		6.9	6.9
Retained earnings available for appropriation		135.3	169.3
	7	–0.1	0.0
Total shareholders' equity		**1 467.4**	**1 501.5**
Total liabilities and shareholders' equity		**1 564.5**	**1 603.4**

NOTES TO THE FINANCIAL STATEMENTS

First-time application of the new Swiss Law on Accounting and Financial Reporting
The 2015 financial statements were prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations) for the first time. To ensure comparability, the structure of the balance sheet and of the income statement as well as the disclosures in the notes to the financial statements for the previous year were adapted to the new requirements.

Basis of preparation
The financial statements of SCHMOLZ + BICKENBACH AG were prepared in accordance with the principles set out in the Swiss Code of Obligations. The main accounting principles applied are described below.

Investments
Investments are regognised disclosed at cost less appropriate valuation allowances.

Treasury shares
Treasury shares are recognized at costs at the acquisition date and deducted from equity without any subsequent re-measurement. If treasury shares are later transferred or sold the resulting gain or loss is recognized in the income statement.

Share-based compensation
SCHMOLZ + BICKENBACH AG has share-based payment plans in place for members of the Board of Directors and for the Executive Board. Gains or losses are recognized in the income statement in the period when they occur. The gain or loss results from the difference between the acquisition cost value of the treasury shares and their fair value at the date of allocation.

1__Investments

The table shows the investments of SCHMOLZ + BICKENBACH AG headquartered in Emmen as at 31 December 2015 and 2014:

	Registered office	Currency	2015 Share capital	2014 Share capital	2015 Quota	2014 Quota
Swiss Steel AG	Emmen (CH)	CHF	40 000 000	40 000 000	100.0%	100.0%
Steeltec AG	Luzern (CH)	CHF	33 000 000	33 000 000	100.0%	100.0%
Panlog AG	Emmen (CH)	CHF	1 500 000	1 500 000	100.0%	100.0%
Deutsche Edelstahlwerke GmbH [1]	Witten (DE)	EUR	50 000 000	50 000 000	10.4%	10.4%
SCHMOLZ + BICKENBACH Distributions GmbH	Düsseldorf (DE)	EUR	n/a	20 000 000	0.0%	5.5%
SCHMOLZ + BICKENBACH France S.A.S.	Chambly (FR)	EUR	262 885	278 508	100.0%	100.0%
SCHMOLZ + BICKENBACH Edelstahl GmbH	Düsseldorf (DE)	EUR	10 000 000	10 000 000	100.0%	100.0%
von Moos Stahl AG	Emmen (CH)	CHF	100 000	100 000	100.0%	100.0%

[1] Together with its subsidiaries SCHMOLZ + BICKENBACH AG holds 100% of this company.

Depreciation and amortization of non-current assets in the income statements includes a loss from the disposal of SCHMOLZ + BICKENBACH Distributions GmbH in the amount of CHF 8.7 million.

In addition to the above mentioned directly held subsidiaries, SCHMOLZ + BICKENBACH AG indirectly owns further subsidiaries primarily through Deutsche Edelstahlwerke GmbH.
The information on indirectly owned subsidiaries is included in note 15 of the consolidated financial statements on pages 162–164 of this Annual Report.

2__Contingent liabilities and pledges

There are contingent liabilities in favour of:

in million CHF	31.12.2015	31.12.2014
Group companies	423.6	616.7

The following collateral was pledged to lending banks and bond creditors in the form of pledges of company shares and assignment of receivables:

in million CHF	31.12.2015	31.12.2014
Investments	924.0	935.6
Current receivables, Group	4.1	14.6
Total	**928.1**	**950.2**

In 2012, a prospectus liability suit was filed against SCHMOLZ + BICKENBACH by a bond creditor in the USA in connection with the bond issue. In 2014, the case was dismissed by the court of first instance. The Group believes the action to be without merit.

3__Significant shareholders

As at 31 December 2015, the Company was aware of the following shareholders with an interest in voting rights above the 3% threshold:

		31.12.2015		31.12.2014
	Shares	in % [1]	Shares	in % [1]
Liwet Holding AG [2)3)4)]				
Lamesa Holding S.A. [3)4)]				
SCHMOLZ + BICKENBACH Holding AG [3)]				
Total Group	386 471 920	40.89	384 471 920	40.68
Martin Haefner	141 844 500	15.01	64 260 000	6.80

1) Percentage of shares issued as at 31 December.

2) Assets and liabilities of Venetos Holding AG, Zürich (CHE -111,533,183) pursuant to the merger agreement of 18.2.2015 and the balance sheet as at 29.12.2014.

3) Additionally the Group holds 11 168 772 share options, equivalent to an underlying share amount of 1.18%.

4) As of 31.12.2014 Venetos Holding AG, Switzerland, and Renova Industries Ltd., Bahamas, were directly related. The economic holdings have not changed.

Mr Viktor F. 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 GmbH & Co. KG. These are held indirectly via SCHMOLZ + BICKENBACH Holding AG.

SCHMOLZ + BICKENBACH GmbH & Co. KG (together with the subsidiaries it controls) and Liwet Holding AG and Lamesa Holding S.A. are parties to a shareholder agreement and are therefore treated as a group according to the provisions of the SIX Swiss Exchange.

There were changes in the significant shareholders during the fiscal year. These were reported to the Company and the Disclosure Office of SIX Swiss Exchange Ltd and can be viewed on the Internet at: http://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html

4__Authorised capital

There was authorised capital of CHF 236 250 000 as at 31 December 2015 (31 December 2014: authorised capital of CHF 236 250 000).

5__Conditional capital

There was conditional capital of CHF 110 000 000 as at 31 December 2015 (31 December 2014: conditional capital of CHF 110 000 000).

6__Shareholdings

6.1 Shares owned by members of the Board of Directors

The following members of the Board of Directors own shares in SCHMOLZ + BICKENBACH AG:

		Number of shares		Number of options [4]	
Board of Directors		31.12.2015	31.12.2014	31.12.2015	31.12.2014
Edwin Eichler (DE)	Chairman	260 401	–	–	59 032
Marco Musetti (CH) [2]	Vice-Chairman	104 161	–	–	23 613
Vladimir V. Kuznetsov (RU) [3]	Member	n/a	–	n/a	23 613
Michael Büchter (DE)	Member	76 707	–	–	23 613
Johan Van de Steen (BE) [1]	Member	–	n/a	–	n/a
Dr Heinz Schumacher (DE)	Member	86 121	8 000	–	23 613
Dr Oliver Thum (DE)	Member	78 121	–	–	23 613
Hans Ziegler (CH)	Member	144 161	40 000	–	23 613
Total Board of Directors		**749 672**	**48 000**	**–**	**200 710**

[1] Member of the Board of Directors since 15 April 2015.

[2] Vice-Chairman of the Board of Directors since 15 April 2015.

[3] Member of the Board of Directors until 15 April 2015.

[4] Members of the Board of Directors are entitled to share-based payments from the date of the 2014 Annual General Meeting (17 April 2014). These shares had not yet been physically allocated as at 31 December 2014 so are disclosed as options. The actual number of shares allocated may be smaller due to the effective tax withheld at source.

6.2 Shares owned by members of the Executive Committee

The following members of the Executive Committee own shares in SCHMOLZ + BICKENBACH AG:

Executive Committee		31.12.2015	Number of shares 31.12.2014
Clemens Iller (DE) [1]	CEO	–	–
Matthias Wellhausen (DE) [2]	CFO	–	n/a
Hans-Jürgen Wiecha (DE) [3]	CFO	n/a	201 938
Total Executive Committee		**–**	**201 938**

[1] CFO ad interim from 3 March 2015 to 31 March 2015

[2] CFO since 1 April 2015

[3] CFO until 28 February 2015

7__Treasury shares

	Date	Price in CHF	Shares
Treasury shares as at 31.12.2013			–
Purchase of treasury shares	March 2014	1.19–1.25	400 000
Employee stock options issued	May 2014	1.22	329 754
Employee stock options issued	September 2014	1.22	47 261
Sale of treasury shares			
Treasury shares as at 31.12.2014			22 985
Purchase of treasury shares	March 2015	0.92–1.04	900 000
Employee stock options issued	April 2015	0.95	805 833
Treasury shares as at 31.12.2015			117 152

Treasury shares are recognised at cost and deducted from equity. They are not subject to subsequent measurement. A potential gain or loss arising from the subsequent sale of treasury shares would be posted to profit or loss.

8__Share-based compensation

During the reporting period 701 672 shares for a total cost value of CHF 0.66 Mio. were allocated to members of the Board of Directors. No shares were allocated to members of the Executive Board or to employees in the reporting period.
In 2014 no shares were allocated.

9__Other statutory disclosures

Fulltime equivalents in average	31.12.2015	31.12.2014
Up to ten fulltime equivalents	–	X
> 10 to 50 fulltime equivalents	X	–
> 50 to 250 fulltime equivalents	–	–
> 250 fulltime equivalents	–	–

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

At the Annual General Meeting on 3 May 2016, the Board of Directors will present the following proposal for the appropriation of available earnings:

in million CHF	Note	2015	2014
Retained Earnings acarried forward		169.3	159.2
Allocation/Reversal of reserves for own shares		0.0	-0.0
Retained earnings available for appropriation after allocation/reversal		**169.4**	**159.2**
Net income/loss for the period		–34.1	10.1
Retained earnings available for appropriation		**135.2**	**169.3**
Balance to be carried forward		**135.2**	**169.3**

Report of the statutory auditor on the financial statements as of 31 December 2015 of SCHMOLZ + BICKENBACH AG, Emmen

To the Annual General Meeting of SCHMOLZ + BICKENBACH AG, Emmen
Zurich, 23 March 2016

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of SCHMOLZ + BICKENBACH AG, which comprise the income statement, balance sheet and notes (pages 170 to 176), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young AG

Roland Ruprecht	Beat Rölli
Licensed audit expert (Auditor in charge)	Licensed audit expert

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

EBT Earnings before 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

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 financial expense Financial expense less financial income

Net debt Non-current financial liabilities plus current financial liabilities less cash and cash equivalents

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

O_

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

R_

ROCE Return on capital employed

ABBREVIATIONS

a.i. ad interim

ABCP Asset Backed Commercial Paper

BetrAVG German Company Pensions Act

CEO Chief Executive Officer

CFO Chief Financial Officer

CGU Cash Generating Unit

CHF Swiss franc

CO Swiss Code of Obligations

COO Chief Operating Officer

e.g. for example

ERM Enterprise Risk Management

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)

kg kilogramme

kt kilotonne

m^3 cubic metre

m^3 p.a. cubic metres per year

mg milligram

m million

mm millimetre

p.a. per year

R & D Research & Development

SPI Swiss Performance Index

t tonne

t p.a. tonnes per year

USD US dollar

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 annual 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.

Photos
Photos on pages 21-23, 79-81, 87: Andreas Mader, Winterthur
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