ON TRACK.
To a successful future.
INTERIM REPORT 1ST QUARTER 2015

SCHMOLZ + BICKENBACH AG
Providing special steel solutions

Our key figures

	Unit	1.1.–31.3.2015	1.1.–31.3.2014	Change on prior year %
SCHMOLZ + BICKENBACH GROUP				
Sales volume [1]	kilotonnes	483	500	–3.4
Revenue [1]	million EUR	765.7	748.4	2.3
Adjusted EBITDA [1]	million EUR	56.4	62.6	–9.9
Operating profit before depreciation and amortisation (EBITDA) [1]	million EUR	54.5	60.9	–10.5
Adjusted EBITDA margin (%) [1]	%	7.4	8.4	–11.9
EBITDA margin (%) [1]	%	7.1	8.1	–12.3
Operating profit (EBIT) [1]	million EUR	21.5	32.5	–33.8
Earnings before taxes (EBT) [1]	million EUR	9.0	17.4	–48.3
Net income (loss) (EAT)	million EUR	–122.4	12.4	< –100
Investments [1]	million EUR	19.2	11.9	61.3
Free cash flow from continuing operations [1]	million EUR	2.3	76.5	–97.0
Net debt [2]	million EUR	625.9	549.2	14.0
Gearing [2]	%	80.1	62.0	29.2
Employees as at closing date [1]	positions	9022	8978	0.5
Total assets	million EUR	2493.6	2443.5	2.1
Shareholders' equity	million EUR	781.6	886.1	–11.8
Equity ratio	%	31.3	36.3	–13.8
SCHMOLZ + BICKENBACH SHARE				
Earnings per share from continuing operations [3]	EUR/CHF	0.00/0.00	0.01/0.01	–
Earnings per share [3]	EUR/CHF	–0.13/–0.14	0.01/0.01	–
Shareholders' equity per share	EUR/CHF	0.81/0.85	0.93/1.13	–
Highest/lowest share price	CHF	1.08/0.78	1.10/1.35	–

1) Following reclassification of the discontinued operations as at 31 March 2015, the figure for the reporting period now refers only to continuing operations. The prior-year figure was restated accordingly.

2) Following reclassification of the discontinued operations as at 31 March 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.

Our profile

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

Providing special steel solutions.

Contents

Dear shareholders,

The first quarter of this year has already been very eventful for SCHMOLZ + BICKENBACH. At the beginning of January, we reported that we had gained Matthias Wellhausen as the Group's new CFO. Mr. Wellhausen, an experienced CFO and steel manager with extensive management competence, took up his post on 1 April 2015 and will support SCHMOLZ + BICKENBACH and help it make further progress on the course we are taking. In addition, we took a major step forward in our strategic realignment by concluding a purchase agreement for selected distribution entities of ours in Germany, Belgium, the Netherlands and Austria at the end of March. Here we succeeded in achieving a purchase price (enterprise value) of EUR 88.6 million. In this quarterly report, reporting is now on the basis of the continuing operations, excluding the selected distribution entities.

However, we experienced some setbacks caused by external events. After the Swiss National Bank ended its policy of keeping the Swiss franc at a stable exchange rate of at least CHF 1.20/EUR in January 2015, the Swiss franc appreciated considerably against the euro. This resulted in one-off effects in the first quarter and will have ongoing negative effects for our Swiss operating entities in the reporting year. The continued weak oil price, the subdued outlook for the steel industry and the no longer quite so optimistic expectations of our customers' industries also played a role here. You, as shareholders, have already seen these more difficult conditions reflected in our share price. Rest assured that we will not let up in our efforts to maintain our position in this environment.

Stable order situation

Our order intake decreased slightly in the first quarter of 2015 compared to the prior-year figure. The order backlog of 569 kilotonnes as at 31 March 2015 matched the prior-year level and represented an increase of 14.5% on the figure of 497 kilotonnes as at 31 December 2014.

Revenue up despite lower sales figures

In comparison to the first quarter of 2014, we had to contend with a slight decrease in sales of 3.4% to 483 kilotonnes at the continuing operations. However, thanks to a better product mix and the strong US dollar and Swiss franc, we succeeded in increasing revenue by 2.3% to EUR 765.7 million.

Percentage gross margin improved, EBITDA margin down

We managed to further improve the percentage gross margin to 37.1%. However, our operating profit before depreciation and amortisation (EBITDA) decreased by 10.5% to EUR 54.5 million, mainly due to the increase in exchange losses that accompanied the appreciation of the Swiss franc and US dollar. The EBITDA margin amounted to 7.1% while earnings after taxes from the continuing operations came to EUR 1.9 million.

Impairment loss of discontinued operations resulted in net loss

As part of the classification of the distribution entities to be sold as discontinued operations, there was a need for impairment of EUR 123.7 million. As a result, net loss came to EUR 122.4 million.

Thanks to our shareholders, employees and customers

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

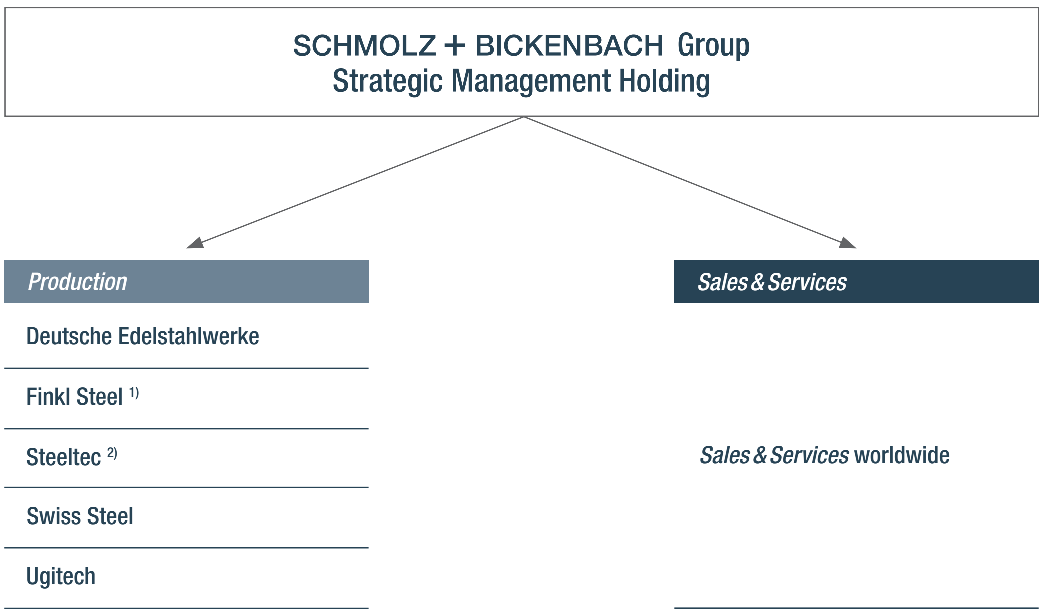
Clemens Iller
CEO

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 the Group to leverage strategic and operational synergies. With a premium product portfolio and a focus on research and development, we are able to enter strategic growth markets.

Business model



1) previously Finkl/Sorel
2) previously S+B Bright Bar

Our divisions

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

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

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

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

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

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

Sales & Services

We combine our global sales activities within *Sales & Services*. The aim of this organisation is to offer our customers global access to our products in the high quality they expect and when they need them. With around 85 distribution and service branches in over 38 countries, the *Sales & Services* organisation guarantees the consistent and reliable supply of special steel and end-to-end customer solutions. These include technical consulting and downstream processes such as sawing, milling and hardening as well as supply chain management. The product range is dominated by special steel long products from our own *Production* division, supplemented by a selection of products purchased externally from third-party providers.

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

Our market

We operate in the niche market for special long steel, i.e. long steel with specific properties resulting from the chemical composition of the steel, a defined crystalline structure (achieved through heat treatment), or a combination of the two. The special long steel niche market accounts for around 7% of total steel production worldwide. It differs significantly in a number of respects from the rest of the steel market, which tends to have standard grades and flat products: special long steel can be tailored to customers' exact needs and specific application properties, enabling considerable product differentiation. The production of tailored products calls for extensive know-how in the individual application industries. We often work closely with our customers at the development stage, which results in a high degree of loyalty to us as a supplier. Substitution pressure is less severe than for other materials as special steel solutions combine a number of properties for a given application. Megatrends such as population growth, urbanisation and increased mobility go hand in hand with a shortage of resources. This development is forcing more sustainable behaviour, which will in turn drive demand for special steel solutions in terms of both volume and value. Our special long steel is produced from scrap with the addition of alloys. Prices are determined using base prices plus an industry-standard surcharge system for scrap and alloys. This system enables commodity price fluctuations to be passed on to customers without the need for renegotiation. Compared to conventional steel, special long steel is therefore considerably less exposed to the volatility of commodity prices.

Products

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

Engineering steel – special materials for extreme loads

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

Stainless steel – resistant to corrosion, acids and heat

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

Tool steel – technical application consulting as the key to success

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

Strategy

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

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

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

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

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

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

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

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

CAPITAL MARKET

The SCHMOLZ + BICKENBACH share is listed on the SIX Swiss Exchange in accordance with the Main Standard and traded daily on a liquid market. Reputable banks and other financial institutions regularly observe and analyse the Company's development.

SCHMOLZ + BICKENBACH share price development

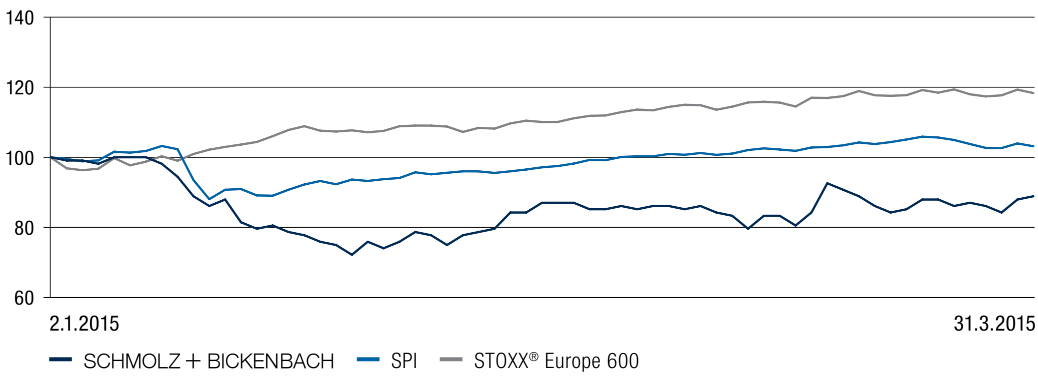
Thanks to the central banks' expansive monetary policy and the lack of investment alternatives, major European share indices have repeatedly reached record levels since the start of the year. Neither the Greek debt crisis nor the conflicts in Ukraine and the Middle East could dampen the euphoria for long.

The first positive effects of lower energy prices and the weak euro for the economy in the Eurozone were seen in the first quarter. Sentiment at companies according to the ifo business climate indicator in the Eurozone rose at the end of the quarter to the highest level for almost four years. In the US, a period of slight economic weakness was discernible from the start of the year, though this was mainly due to temporary effects such as the harsh winter.

However, the signs for the steel sector have taken a considerable turn for the worse. For example, the German Steel Federation (WV Stahl) significantly lowered its forecast for the market as a whole and for the most important steel consumers.

The SCHMOLZ + BICKENBACH share did not benefit from the general market euphoria. The substantial appreciation of the Swiss franc at the beginning of the year, a blow from which the share has so far been unable to recover, had a particularly negative impact. After opening the quarter at CHF 1.08, the share closed at CHF 0.96 as at 31 March 2015 – a loss of 11.1%. The SPI, which includes the SCHMOLZ + BICKENBACH share, rose by 3.2% in the same period, while the STOXX® Europe 600 was up 18.4%.

Development of share price 2.1.2015 until 31.3.2015 I SCHMOLZ + BICKENBACH share compared to Swiss Performance Index (indexed) and to STOXX® Europe 600 (indexed)



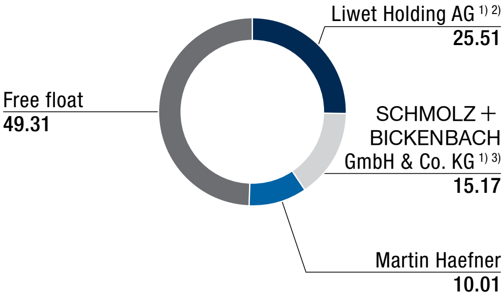
Facts and figures on the share

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

In the first quarter of 2015, an average of 3.1 million SCHMOLZ + BICKENBACH shares were traded each day. In 2014, the average daily volume was around 3.2 million, enabling liquidity to be maintained at a comparable level.

Overview shareholder structure as at 31.3.2015

in %



[1] Form a group according to SESTA.
[2] Renova group company, the shares held by Venetos Holding AG were transferred to Liwet Holding AG in Zurich as a result of a merger.
[3] Indirectly via the subsidiaries SCHMOLZ + BICKENBACH Beteiligungs GmbH and SCHMOLZ + BICKENBACH Holding AG.

Shareholder structure

Share capital as at 31 March 2015 comprised 945 000 000 fully paid-up registered shares with a nominal value of CHF 0.50 each. There were no major changes to the shareholder structure in the reporting period. In addition to the long-term anchor shareholder Liwet Holding (the shares held by Venetos Holding AG were transferred to Liwet Holding AG in Zurich as a result of a merger), a Renova Group company, and SCHMOLZ + BICKENBACH GmbH & Co. KG, which bundles the interests of the former founding families, Martin Haefner now holds 10% of the voting rights.

Annual General Meeting

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

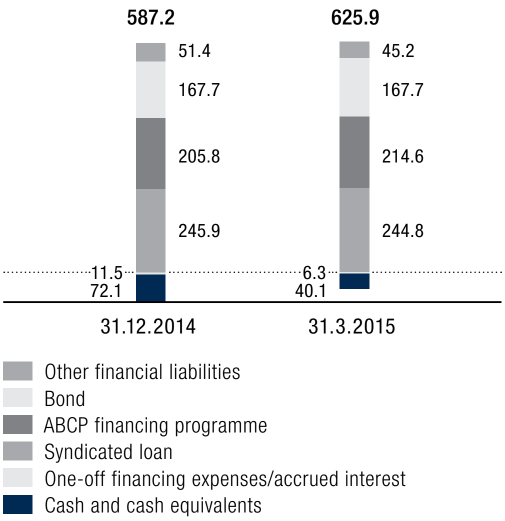
The Annual General Meeting also approved the Board of Directors' proposal for total compensation of the members of the Board of Directors and of the members of the Executive Committee.

Financing

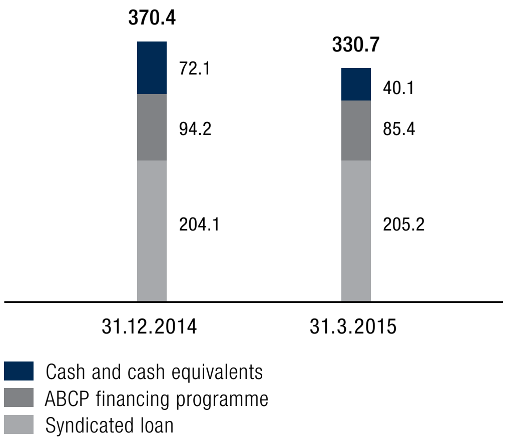
SCHMOLZ + BICKENBACH's financing structure is built on three main pillars: a syndicated loan, an ABCP financing programme and a corporate bond.

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

Net debt as at 31.3.2015 [1)]
in million EUR



Financial headroom as at 31.3.2015 [1)]
in million EUR



1) Following reclassification of the discontinued operations as at 31 March 2015, the figures for the reporting period now refer only to continuing operations. The prior-year figure was not restated and continues to include all operations.

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

Unused financing lines and freely disposable funds come to around EUR 330 million as at 31 March 2015, ensuring the Company has sufficient financial resources.

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

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

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

As at 31 March 2015, the bond was priced at 107.35%, giving an effective yield of 7.9%.

Key bond facts and figures	
Issuer	SCHMOLZ + BICKENBACH Luxembourg S.A.
Listed on	Luxembourg Stock Exchange
ISIN	DE000A1G4PS9/DE000A1G4PT7
Type of security	Fixed-interest notes
Trading currency	EUR
Nominal volume	EUR 258 million
Outstanding volume	EUR 167.7 million
Pool factor	0.65253
Issue price	96.957%
Issue date	16 May 2012
Coupon	9.875%
Interest payable	15 May and 15 November
Maturity	15 May 2019
Next term of notice	15 May 2015
Denomination	1 000
Minimum trading volume	100 000

Rating agency	Rating	Outlook	Latest rating
Moody's	B2	stable	24 November 2014
Standard & Poor's	B+	stable	30 October 2014

Financial calendar	
11 August 2015	Q2 Report 2015, Investor Call
12 November 2015	Q3 Report 2015, Investor Call

Contact

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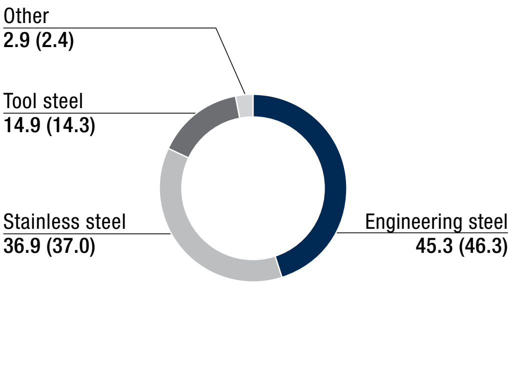
E-Mail: s.steiner@schmolz-bickenbach.com | www.schmolz-bickenbach.com

BUSINESS DEVELOPMENT OF THE GROUP

Key figures on results	1.1.–31.3.2015	1.1.–31.3.2014	Change on prior year %
in million EUR			
Sales volume (kilotonnes) [1]	483	500	–3.4
Revenue [1]	765.7	748.4	2.3
Adjusted EBITDA [1]	56.4	62.6	–9.9
Operating profit before depreciation and amortisation (EBITDA) [1]	54.5	60.9	–10.5
Adjusted EBITDA margin (%) [1]	7.4	8.4	–11.9
EBITDA margin (%) [1]	7.1	8.1	–12.3
Operating profit (EBIT) [1]	21.5	32.5	–33.8
Earnings before taxes (EBT) [1]	9.0	17.4	–48.3
Earnings after taxes from continuing operations [1]	1.9	11.3	–83.2
Net income (loss) (EAT)	–122.4	12.4	< –100

Revenue by product group Q1 2015 [1]

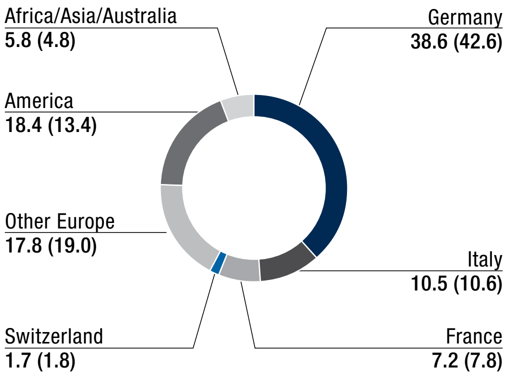
in %



Revenue | Compared to Q1 2014 (in brackets)

Revenue by region Q1 2015 [1]

in %



Revenue | Compared to Q1 2014 (in brackets)

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

Discontinued operations

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. The assets and liabilities of these entities will be disclosed separately in the statement of financial position from now on. The profit or loss from discontinued operations is disclosed separately in the income statement, and the income statement of the prior period was restated accordingly. In the statement of cash flows, the cash flows of the discontinued operations 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.

Stable order situation

In the first quarter of 2015, there was a slight decrease in order intake compared to the prior-year figure. The order backlog of 569 kilotonnes (31.3.2014: 571 kilotonnes) as at 31 March 2015 matched the prior-year level and represented an increase of 14.5% on the figure as at 31 December 2014 (497 kilotonnes).
The volume of crude steel produced at our plants in the first three months of the fiscal year saw a slight decrease of 2.0% compared to the prior-year period to 532 kilotonnes (1.1.–31.3.2014: 543 kilotonnes).

Revenue up despite lower sales figures

Compared to the first quarter of 2014, we had to contend with a slight decrease in sales of 17 kilotonnes or 3.4% to 483 kilotonnes (1.1.–31.3.2014: 500 kilotonnes) at the continuing operations. However, thanks to higher average revenue, we succeeded in increasing revenue by EUR 17.3 million or 2.3% to EUR 765.7 million (1.1.–31.3.2014: EUR 748.4 million).
There was some variation in the performance of sales volume and revenue in the individual regions and product groups. While revenue in Europe decreased by 5.2%, we achieved revenue growth of 44.7% and 19.1% in North America and the rest of the world, respectively. While the sales volume decreased in all three product groups (stainless steel –6.3%, tool steel –3.3%, engineering steel –2.7%), we achieved revenue growth with tool steel (+6.7%) and stainless steel (+2.1%), and revenue for engineering steel stagnated.
Due to the removal of the selected distribution entities to be sold, the share in revenue attributable to Germany decreased in the first quarter of 2015 to 38.6% compared to the figure of 43.7% that would have been achieved had the discontinued operations been included. In contrast, the share in the Group's revenue attributable to the rest of the world increased to 24.3%, while a figure of 20.9% would have been achieved had the discontinued operations been included.

Gross margin improved

Cost of materials of the continuing operations (adjusted for the change in semi-finished and finished goods) rose by EUR 1.5 million or 0.3% compared to the prior-year period to EUR 481.3 million (1.1.–31.3.2014: EUR 479.8 million), resulting in an absolute gross margin of EUR 284.4 million (1.1.–31.3.2014: EUR 268.6 million), which was EUR 15.8 million or 5.9% higher than the prior-year figure. We also improved the percentage gross margin to 37.1% (1.1.–31.3.2014: 35.9%) compared to the comparative prior-year period.

Other operating income and expenses up on prior-year level

At EUR 10.1 million (1.1. – 31.3.2014: EUR 7.8 million), other operating income of the continuing operations was EUR 2.3 million or 29.5% higher than in the same quarter of the prior year.

Personnel costs rose by EUR 11.9 million or 8.5% to EUR 152.5 million (1.1. – 31.3.2014: EUR 140.6 million) in the first three months of the fiscal year compared to the same period of the prior year. This was partly attributable to higher costs in the USA and Switzerland due to exchange rates. In addition, the increase in personnel costs is attributable to collectively bargained pay rises and the slightly higher number of employees. This figure increased by 44 employees compared to 31 March 2014 and by 21 employees compared to 31 December 2014. Personnel costs also include non-recurring expenses totalling EUR 1.3 million (1.1. – 31.3.2014: EUR 0.8 million).

In connection with the sudden appreciation of the Swiss franc against the euro as a result of the Swiss National Bank's discontinuation of the minimum exchange rate of 1.20 CHF/EUR in mid-January, and the appreciation of the US dollar against the euro in the first quarter of 2015, there were net exchange losses of EUR 7.4 million (1.1. – 31.3.2014: gains of EUR 1.1 million). Driven by these exchange losses, other operating expenses of the continuing operations increased by EUR 12.6 million or 16.8% compared to the first quarter of 2014 to EUR 87.5 million (1.1. – 31.3.2014: EUR 74.9 million). Other operating expenses contain non-recurring effects of EUR 0.6 million (1.1. – 31.3.2014: EUR 1.0 million), which, in the first quarter of 2015, mainly related to consulting fees.

Adjusted EBITDA and operating profit negatively impacted by exchange losses

In the first quarter of 2015, operating profit before depreciation and amortisation (EBITDA) came to EUR 54.5 million (1.1. – 31.3.2014: EUR 60.9 million), down EUR 6.4 million or 10.5% on the same quarter of the prior year and the EBITDA margin was 7.1% (1.1. – 31.3.2014: 8.1%). The adjusted EBITDA came to EUR 56.4 million (1.1. – 31.3.2014: EUR 62.6 million) in the first quarter of 2015, representing a decrease of EUR 6.2 million or 9.9% on the same period of the prior year. The adjusted EBITDA margin thus decreased to 7.4% (1.1. – 31.3.2014: 8.4%). The adjustment effects stem from restructuring measures, the implementation of our new strategy, and other special projects. They led to net non-recurring expenses of EUR 1.9 million (1.1. – 31.3.2014: EUR 1.8 million), which were deducted to give adjusted EBITDA. The earnings figures for the first quarter of 2015 were primarily influenced by the increase in net exchange losses of EUR 8.5 million compared to the same quarter in the prioryear. After adjusting for exchange gains and losses, EBITDA would have improved slightly by EUR 2.1 million to EUR 61.9 million (1.1. – 31.3.2014: EUR 59.8 million) and adjusted EBITDA by EUR 2.3 million to EUR 63.8 million (1.1. – 31.3.2014: 61.5 million) in the first quarter of 2015. Overall, concentrating on the core business leads to a sustainable improvement in the margin of the remaining continuing operations in the Group.

Amortisation, depreciation and impairment rose up EUR 4.6 million or 16.2% compared to the same period of the prior year to EUR 33.0 million (1.1. – 31.3.2014: EUR 28.4 million). This item includes impairment losses on trademarks of EUR 2.2 million, which were necessitated by the pooling of the production and sales activities of the bright steel entities under the "Steeltec" umbrella brand. At EUR 21.5 million (1.1. – 31.3.2014: EUR 32.5 million), operating profit (EBIT) was down EUR 11.0 million or 33.8% on the same period of the prior year.

Improved interest terms reduce net financial expense

The improved interest conditions for the refinancing concluded in June 2014 are reflected in interest expenses on financial liabilities, which decreased by EUR 5.1 million or 34.2% compared to the same period of the prior year to EUR 9.8 million (1.1. – 31.3.2014: EUR 14.9 million). Taking into account negative effects from marking interest and embedded derivatives to market, we thus reduced the net financial expense of the continuing operations by EUR 2.6 million or 17.2% compared to the same period of the prior year to EUR 12.5 million (1.1. – 31.3.2014: EUR 15.1 million).

Profit/loss from continuing operations down year-on-year

At EUR 9.0 million (1.1. – 31.3.2014: EUR 17.4 million), earnings before taxes (EBT) of the continuing operations decreased by EUR 8.4 million or 48.3% on the same period of the prior year as a consequence of the matters presented above. Adjusted for the change in exchange gains and losses, EBT would come to EUR 16.4 million (1.1. – 31.3.2014: EUR 16.3 million), matching the prior-year level. At EUR 7.1 million (1.1. – 31.3.2014: EUR 6.1 million) the tax expense was EUR 1.0 million or 16.4% up on the prior-year figure, corresponding to a Group tax rate of 78.9% (1.1. – 31.3.2014: 35.1%). The increase in the Group tax rate is primarily to be explained in terms of a change in composition of the profits or losses of the individual countries and the non-recognition of deferred tax assets on the losses of the German entities. As a result, earnings after taxes from continuing operations saw a total decrease of EUR 9.4 million or 83.2% to EUR 1.9 million (1.1. – 31.3.2014: EUR 11.3 million).

Profit/loss from discontinued operations negatively impacted by impairment losses

At EUR – 0.6 million in the first quarter of 2015 (1.1. – 31.3.2014: EUR 1.1 million), earnings after taxes from ordinary activities of the discontinued operations were EUR 1.7 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. As at 31 March 2015, this valuation was performed on the basis of provisional purchase price calculations and costs to sell, and resulted in a provisional impairment loss of EUR 123.7 million, for which no tax effects were taken into account as the expected loss on disposal will not be tax deductible. The final purchase price will be determined on the basis of the statements of financial position of the distribution entities involved as at 30 April 2015.

As a result, overall earnings after taxes from discontinued operations came to EUR –124.3 million (1.1. – 31.3.2014: EUR 1.1 million).

Impairment loss of discontinued operations results in net loss

Due to the loss from the discontinued operations, the Group’s net income (loss) (EAT), which is calculated from the earnings after taxes from continuing and discontinued operations, was down EUR 134.8 million on the prior-year figure at EUR –122.4 million (1.1. – 31.3.2014: EUR 12.4 million). As a result, earnings per share decreased to EUR – 0.13 (1.1. – 31.3.2014: EUR 0.01).

BUSINESS DEVELOPMENT OF THE DIVISIONS

Key figures of the divisions	1.1.–31.3.2015	1.1.–31.3.2014	Change on prior year %
in million EUR			
Production			
Revenue	715.9	698.4	2.5
Adjusted EBITDA	52.0	59.6	–12.8
Operating profit before depreciation and amortisation (EBITDA)	51.4	58.8	–12.6
Adjusted EBITDA margin (%)	7.3	8.5	–14.1
EBITDA margin (%)	7.2	8.4	–14.3
Investments	18.7	11.0	70.0
Operating free cash flow	–23.8	40.9	< –100
Employees as at closing date (positions)	7 649	7 732	–1.1
Sales & Services [1]			
Revenue	147.3	122.4	20.3
Adjusted EBITDA	5.4	6.4	–15.6
Operating profit before depreciation and amortisation (EBITDA)	5.4	6.4	–15.6
Adjusted EBITDA margin (%)	3.7	5.2	–28.8
EBITDA margin (%)	3.7	5.2	–28.8
Investments	0.5	0.7	–28.6
Operating free cash flow	–16.0	5.4	< –100
Employees as at closing date (positions)	1 273	1 153	10.4

[1] Following reclassification of the discontinued operations as at 31.3.2015, the figure for the reporting period now refers only to continuing operations. The prior-year figure was restated accordingly.

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

Revenue in the *Production* division up slightly, adjusted EBITDA down on prior-year figure

In the *Production* division, we were able to increase revenue by EUR 17.5 million or 2.5% to EUR 715.9 million (1.1.–31.3.2014: EUR 698.4 million) thanks to higher revenue. At EUR 52.0 million, adjusted EBITDA was down EUR 7.6 million or 12.8% on the figure for the prior-year period (1.1.–31.3.2014: EUR 59.6 million), meaning that the EBITDA margin also decreased to 7.3% (1.1.–31.3.2014: 8.5%). With the investment volume up and more capital tied up, operating free cash flow was negative at EUR –23.8 million (1.1.–31.3.2014: EUR 40.9 million).

Marked revenue increase in the *Sales & Services* division, adjusted EBITDA slightly down

In the *Sales & Services* division, we achieved revenue growth of EUR 24.9 million or 20.3% to EUR 147.3 million (1.1.–31.3.2014: EUR 122.4 million). At EUR 5.4 million, however, adjusted EBITDA was down EUR 1.0 million or 15.6% on the same period of the prior year (1.1.–31.3.2014: EUR 6.4 million). The adjusted EBITDA margin thus decreased from 5.2% to 3.7%. In contrast to the same quarter in the prior year, operating free cash flow was negative at EUR –16.0 million (1.1.–31.3.2014: EUR 5.4 million).

FINANCIAL POSITION AND NET ASSETS

Key figures on the financial position and net assets	Unit	31.3.2015	31.12.2014	Change on prior year %
Shareholders' equity	million EUR	781.6	900.9	–13.2
Equity ratio	%	31.3	35.9	–12.8
Net debt [2]	million EUR	625.9	587.2	6.6
Gearing [2]	%	80.1	65.2	22.9
Net working capital [2]	million EUR	923.0	992.3	–7.0
Total assets	million EUR	2 493.6	2 509.6	–0.6

	Unit	1.1.– 31.3.2015	1.1.– 31.3.2014	Change on prior year %
Cash flow before changes in net working capital from continuing operations [1]	million EUR	64.5	77.4	–16.7
Cash flow from operating activities of continuing operations [1]	million EUR	21.1	87.6	–75.9
Cash flow from investing activities of continuing operations [1]	million EUR	–18.8	–11.1	69.4
Free cash flow from continuing operations [1]	million EUR	2.3	76.5	–97.0
Depreciation and amortisation [1]	million EUR	–30.8	–28.4	8.5
Investments [1]	million EUR	19.2	11.9	61.3

[1] Following reclassification of the discontinued operations as at 31.3.2015, the figure for the reporting period now refers only to continuing operations. The prior-year figure was restated accordingly.

[2] Following reclassification of the discontinued operations as at 31.3.2015, 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.

Financial position

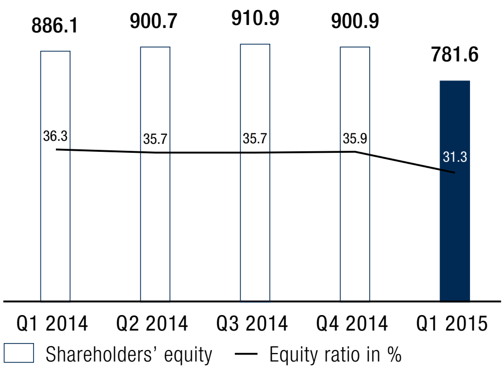
Shareholders' equity and equity ratio temporarily down

Due to the negative impact of the impairment loss recognised on the discontinued operations on net income (loss), shareholders' equity has decreased by EUR 119.3 million to EUR 781.6 million (31.12.2014: EUR 900.9 million) since 31 December 2014. The equity ratio fell to 31.3% (31.12.2014: 35.9%) due to the only slight decrease in total assets. This decrease is a temporary effect until closing of the disposal activities of the selected distribution entities. A tangible improvement in the equity ratio can be expected in the third quarter of 2015, as the deconsolidation of the discontinued operations will significantly reduce total assets.

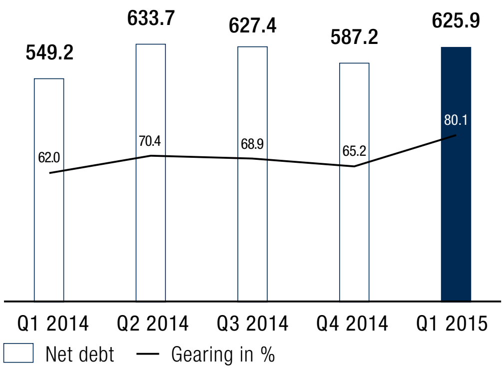
Slight increase in net debt

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 625.9 million, an increase of EUR 38.7 million (31.12.2014: EUR 587.2 million) or 6.6% on the figure as at 31 December 2014. Moreover, the separately disclosed assets and liabilities of the discontinued operations as at 31 March 2015 contained net debt of EUR 3.5 million. The gearing, which expresses the relationship between the net debt of the continuing operations to equity, increased from 65.2% as at 31 December 2014 to 80.1% as at 31 March 2015. Upon receipt of the purchase price in the third quarter of 2015, the gearing can be expected to improve.

Shareholders' equity and equity ratio
Q1 2014 – Q1 2015
in million EUR | in %



Net debt and gearing
Q1 2014 – Q1 2015
in million EUR | in %



Marked decrease in free cash flow due to increase in net working capital and investing activities

As a result of the lower earnings before taxes and the higher income taxes paid, the cash flow before changes in net working capital from continuing operations decreased by EUR 12.9 million or 16.7% to EUR 64.5 million (1.1. – 31.3.2014: EUR 77.4 million) in the first three months of the fiscal year. Taking into account the increased net working capital, this led to cash flow from operating activities of continuing operations of EUR 21.1 million (1.1. – 31.3.2014: EUR 87.6 million), representing a decrease of EUR 66.5 million or 75.9% on the prior-year figure. Cash flow from operating activities of the discontinued operations decreased compared to the same quarter of the prior year by EUR 8.0 million to EUR – 5.7 million (1.1. – 31.3.2014: EUR 2.3 million).

With a higher volume compared to the same period of the prior year, cash flow from investing activities of the continuing operations rose by EUR 7.7 million or 69.4% to EUR 18.8 million (1.1. – 31.3.2014: EUR 11.1 million). The increase is attributable to the purchase in January 2015 of a slag disposal site at Deutsche Edelstahlwerke GmbH's (DE) Siegen plant. At EUR 0.9 million (1.1. – 31.3.2014: EUR 0.3 million), cash flow from investing activities of the discontinued operations was slightly up on the prior-year level.

For the first three months of the fiscal year, this resulted in free cash flow from continuing operations, which, although down by EUR 74.2 million or 97.0%, remained positive at EUR 2.3 million (1.1. – 31.3.2014: EUR 76.5 million).

In the first three months of fiscal 2015, we repaid net debt of the continuing operations amounting to EUR 29.0 million (1.1. – 31.3.2014: EUR 80.0 million). Thanks to improved interest terms, we were able once again to reduce the amount of interest paid (EUR 4.3 million) compared to the prior-year period (1.1. – 31.3.2014: EUR 7.3 million). Net cash outflow from financing activities of continuing operations thus saw a decrease of EUR 53.6 million or 61.1% to EUR 34.1 million (1.1. – 31.3.2014: EUR 87.7 million). The discontinued operations recorded positive cash flow from financing activities of EUR 6.4 million in the first quarter of 2015 (1.1. – 31.3.2014: EUR – 2.1 million).

Net assets

Total assets down slightly

At EUR 2 493.6 million (31.12.2014: EUR 2 509.6 million), total assets as at 31 March 2015 were EUR 16.0 million or 0.6% down on the figure as at 31 December 2014, although normally an increase in total assets would be expected at the end of the first quarter compared to the capital tied up at year-end. This is essentially linked to the impairment losses of EUR 123.7 million recognised on the assets of the discontinued operations.

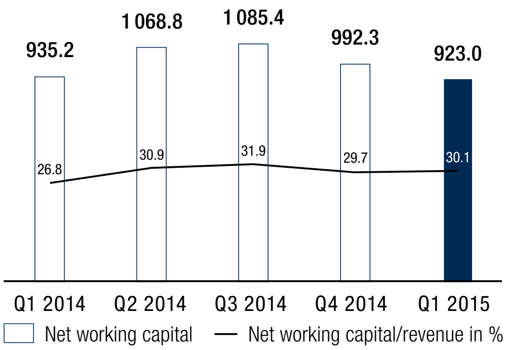
Share of non-current assets at prior-year level, investments up

Compared to 31 December 2014, non-current assets decreased by a modest EUR 9.4 million or 0.9% to EUR 996.9 million (31.12.2014: EUR 1 006.3 million). The decrease was mainly due to the reclassification of the non-current assets of EUR 53.7 million allocable to the discontinued operations to current assets. However, this amount was virtually offset by the increase in non-current assets of our Swiss and US entities due to currency effects. At 40.0% (31.12.2014: 40.1%), the share of non-current assets remained roughly at the prior-year level while total assets were lower.

Net working capital down due to reclassification of discontinued operations

At 60.0% (31.12.2014: 59.9%), the share of current assets in total assets was roughly at the prior-year level, with a slight decrease of EUR 6.6 million or 0.4% to EUR 1 496.7 million (31.12.2014: EUR 1 503.3 million). This is essentially linked to the write-down of the inventories of the discontinued operations of EUR 82.8 million. This amount was not completely offset by the higher trade accounts receivable and inventories of the continuing operations attributable to seasonal effects. Overall, net working capital came to EUR 923.0 million (31.12.2014: EUR 992.3 million), down EUR 69.3 million or 7.0% on the figure as at 31 December 2014. Net working capital as a percentage of revenue thus changed from 29.7% as at year-end 2014 to 30.1%. A sustainable improvement in this figure is to be expected following the launch of a special programme in 2015 to reduce net working capital permanently.

Net working capital and net working capital/revenue [1)]
Q1 2014 – Q1 2015
in million EUR | in %



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

Increase in current and non-current liabilities

At EUR 872.1 million (31.12.2014: EUR 847.7 million) as at the reporting date, non-current liabilities were up EUR 24.4 million or 2.9% on the figure as at 31 December 2014, despite the reclassification of the non-current liabilities of the discontinued operations to current liabilities in the amount of EUR 27.1 million. This is primarily attributable to the increase in pension provisions due to high actuarial losses as a result of the renewed decrease in the discount rates. The share of non-current liabilities in total shareholders' equity and liabilities consequently increased from 33.8% as at 31 December 2014 to 35.0%.

Current liabilities rose by EUR 78.9 million or 10.4% to EUR 839.9 million (31.12.2014: EUR 761.0 million). This is mainly linked to the reclassification of the non-current liabilities of the discontinued operations and the seasonal increase in trade accounts payable and other liabilities. The share of current liabilities in total shareholders' equity and liabilities thus rose from 30.3% as at 31 December 2014 to 33.7% as at 31 March 2015.

RISK FACTORS – RISK CATEGORIES AND INDIVIDUAL RISKS

Political and regulatory risks

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

The third EU emissions trading period (2013–2020) is expected to result in substantial costs for electricity and gas suppliers which will be reflected in price increases for consumers. As an energy-intensive industrial and trading group, we risk damage to our results of operations if the costs cannot be completely passed on to customers. SCHMOLZ + BICKENBACH is actively following the discussion process via the respective associations (e.g. International Stainless Steel Forum (ISSF) and World Steel Association (WSA)).

SCHMOLZ + BICKENBACH operates in an 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 for Group companies. At the same time, a revised version of the EEG was issued in Germany, with new provisions governing the period from 1 January 2015. Our production companies meet the requirements contained therein and have therefore received the relevant exemption.

Risks relating to the future economic development

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

Environmental and health risks

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

Risks from IT/security and internal processes

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

Personnel risks

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

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. As such, they are not entirely within SCHMOLZ + BICKENBACH's control. Depending on the financing agreement in question, failure to comply with the covenants can lead to a substantial increase in financing costs or trigger an obligation to settle all or part of the relevant financial liabilities.

OUTLOOK

We stand by our medium-term goals adjusted for the effects from the disposal of specific distribution units: from 2016 onwards, we intend to generate an EBITDA of > EUR 280 million and an EBITDA margin of > 8% over an economic cycle. We want to reduce the EBITDA leverage to a sustainable figure of < 2.5x.

This section 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.

Economic development

Expectations regarding global economic development in 2015 have increased compared to the prior year. The World Bank, OECD and IMF anticipate growth of between 3.0% and 3.7%. However, the regional picture should be quite mixed in 2015. It is expected that the USA, as a growth driver, will grow by between 3.1% and 3.6%. Although the economy in the Eurozone is likely to recover significantly more slowly, with expected growth of 1.1% to 1.5%, estimates were recently raised slightly. Within the Eurozone, the major economies are set for only modest growth. For example, OECD and IMF forecast that Germany will now achieve growth rates of 1.1% to 1.6%. The estimates for France range from 0.8% to 1.2%. The geopolitical landscape is still marked by uncertainty, e.g. in Ukraine, Gaza and Iraq, which is likely to dampen economic growth again in 2015.

Development of steel demand

In contrast to the improved expectations for the general economic situation, the outlook for steel demand has deteriorated significantly. In its latest forecast for steel consumption in 2015, the World Steel Association considerably reduced the expected average growth rate for 2015 from 2.0% to 0.5%, following weaker-than-initially-expected growth in 2014. Closer inspection reveals that growth is continuing to slow appreciably, particularly in the key Asian market. Accounting for the highest steel consumption in terms of tonnes (2014: 1 016 million tonnes), appetite in this region is now expected to increase by just 0.6% (previously: 1.4%) in 2015. The second-largest steel consumer is the European Union (EU), with around 150 million tonnes. After a strong year in 2014 (+4.5%), consumption in the EU is expected to grow by just 2.1% in 2015 instead of the previously expected 2.9%. The third-largest market is NAFTA, where steel consumption is actually set to decrease by 0.9% in 2015 following on from the extraordinary 11.3% increase in steel consumption in 2014. The difficult geopolitical development mentioned above could also dampen general demand for steel.

Development of relevant sectors

The global automotive industry is set to continue the 2014 trend with growth of around 2% once again in 2015. As in the last two years, China seems likely to be the growth driver although other major sales markets, such as the USA and Europe, are also expected to match the performance of the global market. The significantly lower oil price compared to recent years could stoke demand.

Following only small growth in 2014, the mechanical engineering sector started 2015 on a more positive note. The VDMA (German Engineering Association) anticipates an increase of around 2%. Due to the high level of exports, the association expects to benefit if the euro remains weak.

The situation is quite different in the oil and gas sector, which is important for SCHMOLZ + BICKENBACH, above all in the fracking industry. The number of active wells has already decreased significantly following the sharp fall in the oil price from mid-2014 onwards. Only the most efficient fracking firms with sound financing are expected to survive the current crisis. Demand for our products is therefore likely to decrease appreciably.

Development of commodity prices and currencies

For 2015, commodity analysts forecast a significant increase in the nickel price compared to the 2014 closing price of USD 14 855/tonne. This expectation is based on the assumption that Indonesia's continuing export ban will cause supply shortages by the second half of 2015 at the latest. At the same time, demand for special steel will increase, driven largely by China. In the first quarter of 2015, however, the nickel price was lower, on average at USD 14 335/tonne.

The oil price, which was squeezed massively in 2014, is unlikely to recover to its previous level of over USD 100/barrel any time soon. Experts put the average price per barrel of North Sea Brent at around USD 60 for 2015. At the same time, it is assumed that the general economy will benefit from lower price levels due to falling consumer prices for petrol and heating oil.

After several years where the Swiss National Bank defended a CHF/EUR exchange rate of 1.20, the certainty no longer applies in 2015. The policy was abandoned on 15 January 2015 and the exchange rate has hovered in a corridor of CHF/EUR 1.00 to 1.08 since then. Experts do not expect the Swiss franc to weaken significantly against the euro, but the euro is likely to remain weak against the US dollar.

Development of the SCHMOLZ + BICKENBACH Group

As described above, the estimates for steel consumption carry a negative sign. We see these estimates as presenting considerable uncertainties for our further earnings development. Our expectations for 2015 as a whole therefore remain cautious.

As a result of the reclassification of the specific distribution units as discontinued operations, we are adjusting our estimates for the sales volumes by the amounts these entities generated with third-party products. We now expect sales volumes for 2015 which are around 300 kilotonnes lower than 2014 levels.

Our earnings for 2015 as a whole will be burdened by currency effects, especially with the Swiss franc stronger against the euro since January 2015. Aside from the one-time net exchange losses of EUR 7.4 million recorded in the first quarter 2015, we assume that based on sensitivity analyses every increase of one centime in the Swiss franc against the euro would see EBITDA fall by around CHF 1.5 million per year. Translation effects in the opposite direction will only partially make up for this.

As a result of the reclassification of the specific distribution units as discontinued operations, we have adjusted our EBITDA forecast for 2015 by the amount of the EBITDA contribution of the entities disposed of (around EUR 20 million). Adjusted for the effects from the disposal of the selected distribution units, EBITDA is expected to come in at between EUR 190 million and EUR 230 million in 2015, with a currently anticipated figure at the lower end of this range due to the framework conditions described above. This estimate is also based on the assumption that forecasts as to the development of the economy and commodity prices prove accurate and that no other unexpected events occur that impact negatively on our business activities.

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

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

In future, the EBITDA contribution of around EUR 20 million annually of the selected entities disposed of will no longer flow into the earnings of the SCHMOLZ + BICKENBACH Group. Adjusted for this effect we stand by our medium-term goals: from 2016 onwards, we intend to generate EBITDA of > EUR 280 million and an EBITDA margin of > 8% over an economic cycle. We want to reduce the EBITDA leverage to a sustainable figure of < 2.5x.

Financial reporting

With the conclusion of the sales agreement, selected distribution entities in Germany, Belgium, the Netherlands and Austria were classified as discontinued operations as at 31 March 2015. The assets and liabilities of these entities will be disclosed separately in the statement of financial position from now on. The profit or loss from discontinued operations is disclosed separately in the income statement, and the income statement of the prior period was restated accordingly. In the statement of cash flows, the cash flows of the discontinued operations are disclosed separately from the cash flows of the continuing operations, and the presentation of the prior period was restated accordingly. The following information relates to the continuing operations, unless stated otherwise.

CONSOLIDATED INCOME STATEMENT

in million EUR	Note	1.1.–31.3.2015	1.1.–31.3.2014 [1]
Revenue		765.7	748.4
Change in semi-finished and finished goods		–16.1	2.2
Cost of materials		–465.2	–482.0
Gross margin		**284.4**	**268.6**
Other operating income	8.1	10.1	7.8
Personnel costs		–152.5	–140.6
Other operating expenses	8.2	–87.5	–74.9
Operating profit before depreciation and amortisation		**54.5**	**60.9**
Depreciation/amortisation and impairment		–33.0	–28.4
Operating profit		**21.5**	**32.5**
Financial income		0.2	1.5
Financial expense		–12.7	–16.6
Financial result	8.3	**–12.5**	**–15.1**
Earnings before taxes		**9.0**	**17.4**
Income taxes	8.4	–7.1	–6.1
Earnings after taxes from continuing operations		**1.9**	**11.3**
Earnings after taxes from discontinued operations	7	–124.3	1.1
Net income (loss)		**–122.4**	**12.4**
of which attributable to			
– shareholders of SCHMOLZ + BICKENBACH AG		–122.9	11.8
of which from continuing operations		1.4	10.7
of which from discontinued operations		–124.3	1.1
– non-controlling interests		0.5	0.6
Earnings per share from continuing operations		**0.00**	**0.01**
Earnings per share from discontinued operations		–0.13	0.00
Earnings per share in EUR (basic/diluted)		**–0.13**	**0.01**

[1] Restated due to the classification of the discontinued operations as at 31.3.2015.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	Note	1.1.–31.3.2015	1.1.–31.3.2014
Net income (loss)		**–122.4**	**12.4**
Gains/losses from currency translation		32.6	–2.4
Change in unrealised gains/losses from cash flow hedges		–1.0	0.5
Realised gains/losses from cash flow hedges		0.0	0.1
Tax effect from cash flow hedges		0.4	–0.2
Items that may be reclassified subsequently to profit or loss		**32.0**	**–2.0**
Actuarial gains/losses from pension-related and similar obligations and effects due to asset ceiling	9.3	–37.2	–18.9
Tax effect from pensions and similar obligations		8.7	5.0
Items that will not be reclassified subsequently to profit or loss		**–28.5**	**–13.9**
Other comprehensive income (loss)		**3.5**	**–15.9**
Total comprehensive loss		**–118.9**	**–3.5**
of which attributable to			
– shareholders of SCHMOLZ + BICKENBACH AG		–119.4	–4.1
of which from continuing operations		4.9	–5.2
of which from discontinued operations		–124.3	1.1
– non-controlling interests		0.5	0.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31.3.2015		31.12.2014		31.3.2014	
	Note	in million EUR	in %	in million EUR	in %	in million EUR	in %
Assets							
Intangible assets	9.1	29.4		32.9		31.5	
Property, plant and equipment	9.1	867.7		869.1		844.9	
Other non-current financial assets		1.8		3.2		3.2	
Non-current income tax assets		15.9		15.8		15.0	
Other non-current assets		0.5		0.4		0.5	
Deferred tax assets		81.6		84.9		70.4	
Total non-current assets		**996.9**	**40.0**	**1 006.3**	**40.1**	**965.5**	**39.5**
Inventories	9.2	787.3		918.5		837.3	
Trade accounts receivable		475.3		440.2		532.6	
Current financial assets		0.2		1.6		2.0	
Current income tax assets		3.9		3.7		6.4	
Other current assets		46.1		67.2		42.8	
Cash and cash equivalents		40.1		72.1		56.4	
Non-current assets held for sale		0.0		0.0		0.5	
Assets of discontinued operations		143.8		0.0		0.0	
Total current assets		**1 496.7**	**60.0**	**1 503.3**	**59.9**	**1 478.0**	**60.5**
Total assets		**2 493.6**	**100.0**	**2 509.6**	**100.0**	**2 443.5**	**100.0**
Shareholders' equity and liabilities							
Share capital		378.6		378.6		378.6	
Capital reserves		952.8		952.8		952.8	
Retained earnings (accumulated losses)		−480.8		−358.3		−395.0	
Accumulated income and expense recognised in other comprehensive income (loss)		−79.8		−83.3		−59.8	
Treasury shares		−0.8		0.0		−0.4	
Attributable to shareholders of SCHMOLZ + BICKENBACH AG		**770.0**		**889.8**		**876.2**	
Non-controlling interests		11.6		11.1		9.9	
Total shareholders' equity		**781.6**	**31.3**	**900.9**	**35.9**	**886.1**	**36.3**
Provisions for pensions and similar obligations	9.3	361.5		332.9		263.5	
Other non-current provisions		31.8		33.6		36.4	
Deferred tax liabilities		42.5		39.9		34.3	
Non-current financial liabilities	9.4	434.8		440.2		332.0	
Other non-current liabilities		1.5		1.1		0.9	
Total non-current liabilities		**872.1**	**35.0**	**847.7**	**33.8**	**667.1**	**27.3**
Current provisions		27.8		39.4		48.2	
Trade accounts payable		339.6		366.4		434.7	
Current financial liabilities	9.4	231.2		219.1		273.6	
Current income tax liabilities		12.2		12.9		9.5	
Other current liabilities		131.5		123.2		124.3	
Liabilities of discontinued operations		97.6		0.0		0.0	
Total current liabilities		**839.9**	**33.7**	**761.0**	**30.3**	**890.3**	**36.4**
Total liabilities		**1 712.0**	**68.7**	**1 608.7**	**64.1**	**1 557.4**	**63.7**
Total shareholders' equity and liabilities		**2 493.6**	**100.0**	**2 509.6**	**100.0**	**2 443.5**	**100.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

in million EUR	Note	1.1.–31.3.2015	1.1.–31.3.2014 [1]
Earnings before taxes		9.0	17.4
Depreciation, amortisation and impairment		33.0	28.4
Gain/loss on disposal of intangible assets, property, plant and equipment and financial assets		–0.1	–0.1
Increase/decrease in other assets and liabilities		17.2	17.6
Financial income		–0.2	–1.5
Financial expense		12.7	16.6
Income taxes paid		–7.1	–1.0
Cash flow before changes in net working capital from continuing operations		**64.5**	**77.4**
Change in inventories		5.5	–12.0
Change in trade accounts receivable		–50.0	–66.1
Change in trade accounts payable		1.1	88.3
Cash flow from operating activities of continuing operations		**21.1**	**87.6**
Cash flow from operating activities of discontinued operations		–5.7	2.3
Cash flow from operating activities – Total		**15.4**	**89.9**
Investments in property, plant and equipment		–19.0	–11.1
Proceeds from disposal of property, plant and equipment		0.2	0.3
Investments in intangible assets		–0.1	–0.4
Interest received		0.1	0.1
Cash flow from investing activities of continuing operations		**–18.8**	**–11.1**
Cash flow from investing activities of discontinued operations		–0.9	–0.3
Cash flow from investing activities – Total		**–19.7**	**–11.4**
Free cash flow from continuing operations		**2.3**	**76.5**
Free cash flow from discontinued operations		–6.6	2.0
Free cash flow – Total		**–4.3**	**78.5**
Increase in financial liabilities		2.2	12.6
Repayment of financial liabilities		–31.2	–92.6
Investment in treasury shares	10	–0.8	–0.4
Interest paid		–4.3	–7.3
Cash flow from financing activities of continuing operations		**–34.1**	**–87.7**
Cash flow from financing activities of discontinued operations		6.4	–2.1
Cash flow from financing activities – Total		**–27.7**	**–89.8**
Change in cash and cash equivalents due to cash flow – Total		**–32.0**	**–11.3**
Effect of foreign currency translation – Total		2.3	–0.7
Change in cash and cash equivalents – Total		**–29.7**	**–12.0**
Cash and cash equivalents as at 1.1. – Total		72.1	68.4
Cash and cash equivalents as at 31.3. – Total		42.4	56.4
Change in cash and cash equivalents – Total		**–29.7**	**–12.0**

[1] Restated due to the classification of the discontinued operations as at 31.3.2015.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in million EUR	Share capital	Capital reserves	Retained earnings (accumulated losses)	Accumulated income and expense recognised in other comprehensive income	Treasury shares	**Attributable to shareholders of SCHMOLZ + BICKENBACH AG**	Non-controlling interests	**Total shareholders' equity**
As at 1.1.2014	**378.6**	**952.8**	**–406.9**	**–43.9**	**0.0**	**880.6**	**9.3**	**889.9**
Purchase of treasury shares	0.0	0.0	0.0	0.0	–0.4	**–0.4**	0.0	**–0.4**
Expenses from share-based payments	0.0	0.0	0.1	0.0	0.0	**0.1**	0.0	**0.1**
Capital transactions with shareholders	**0.0**	**0.0**	**0.1**	**0.0**	**–0.4**	**–0.3**	**0.0**	**–0.3**
Net income (loss)	0.0	0.0	11.8	0.0	0.0	**11.8**	0.6	**12.4**
Other comprehensive income (loss)	0.0	0.0	0.0	–15.9	0.0	**–15.9**	0.0	**–15.9**
Total comprehensive income (loss)	**0.0**	**0.0**	**11.8**	**–15.9**	**0.0**	**–4.1**	**0.6**	**–3.5**
As at 31.3.2014	**378.6**	**952.8**	**–395.0**	**–59.8**	**–0.4**	**876.2**	**9.9**	**886.1**
As at 1.1.2015	**378.6**	**952.8**	**–358.3**	**–83.3**	**0.0**	**889.8**	**11.1**	**900.9**
Purchase of treasury shares	0.0	0.0	0.0	0.0	–0.8	**–0.8**	0.0	**–0.8**
Expenses from share-based payments	0.0	0.0	0.4	0.0	0.0	**0.4**	0.0	**0.4**
Capital transactions with shareholders	**0.0**	**0.0**	**0.4**	**0.0**	**–0.8**	**–0.4**	**0.0**	**–0.4**
Net income (loss)	0.0	0.0	–122.9	0.0	0.0	**–122.9**	0.5	**–122.4**
Other comprehensive income (loss)	0.0	0.0	0.0	3.5	0.0	**3.5**	0.0	**3.5**
Total comprehensive income (loss)	**0.0**	**0.0**	**–122.9**	**3.5**	**0.0**	**–119.4**	**0.5**	**–118.9**
As at 31.3.2015	**378.6**	**952.8**	**–480.8**	**–79.8**	**–0.8**	**770.0**	**11.6**	**781.6**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1__ About the Company

SCHMOLZ + BICKENBACH AG (SCHMOLZ + BICKENBACH) is a Swiss company limited by shares which is listed on the SIX Swiss Exchange (SIX) and has its registered office at 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 interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 15 May 2015.

2__ Accounting policies

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

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

3__ Significant accounting judgements, estimates and assumptions

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

4__ Standards and interpretations applied

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

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

Regarding the disclosure of exchange gains and losses, please refer to section 8.1.

5__ Seasonal effects

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

typically seen at the end of the year. Furthermore, the amount of net working capital is significantly affected by commodity prices.
The (cyclical) economic development has a much more pronounced impact than seasonal effects on the development of the Group's sales, revenue and earnings, however.

6__ Scope of consolidation and business combinations

In order to further simplify the structure of the Group, the 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.

7__ Discontinued operations

The disposal process for selected distribution entities in Germany, Belgium, the Netherlands and Austria, which was initially concluded at the end of 2014 without an agreement being reached, was resumed in March 2015. The distribution entities concerned are 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. Following the realignment agreed in 2013, these entities no longer reflect the SCHMOLZ + BICKENBACH Group's strategic focus on production and sale of mill-own products.
At the end of March 2015, a purchase agreement on these distribution entities was concluded with JAQUET METAL SERVICE, a leading European distributor of special steel listed on the Euronext Paris Exchange (EPA: JCQ). The purchase price is EUR 88.6 million (enterprise value). The expected cash settlement price (equity value) will be finalised on the basis of the statements of financial position of the distribution entities as at the closing date 30 April 2015. It is expected to be received by SCHMOLZ + BICKENBACH in cash in the third quarter of 2015. The transaction is subject to the condition that the anti-trust authorities grant their approval, as well as further customary closing conditions.
It is deemed highly probable that the disposal process will be completed within the next 12 months. As at 31 March 2015, the criteria of IFRS 5 for classifying these entities as discontinued operations were therefore fulfilled for the first time, and the assets and liabilities of the discontinued operations are now disclosed separately in the statement of financial position. The profit or loss of the discontinued operations is disclosed separately in the income statement. The income statement of the prior period was restated accordingly. In the statement of cash flows, the cash flows of the discontinued operations are disclosed separately from the cash flows of the continuing operations, and the presentation of the prior period was restated accordingly.

The carrying amounts of the assets and liabilities of the discontinued operations as at 31 March 2015 are as follows:

in million EUR	31.3.2015
Non-current financial assets	0.5
Other non-current assets	1.2
Deferred tax assets	11.1
Total non-current assets	**12.8**
Inventories	59.2
Trade accounts receivable	64.5
Current financial assets	1.5
Other current assets	3.5
Cash and cash equivalents	2.3
Total current assets	**131.0**
Total assets of discontinued operations	**143.8**
Provisions for pensions and similar obligations	20.4
Other non-current provisions	2.3
Deferred tax liabilities	0.4
Non-current financial liabilities	3.5
Other non-current liabilities	0.5
Total non-current liabilities	**27.1**
Current provisions	6.8
Trade accounts payable	43.6
Current financial liabilities	2.3
Current income tax liabilities	0.2
Other current liabilities	17.6
Total current liabilities	**70.5**
Total liabilities of discontinued operations	**97.6**

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

in million EUR	1.1.–31.3.2015	1.1.–31.3.2014
Revenue	126.0	123.2
Other income	1.2	0.6
Expenses	–127.0	–122.3
Loss recognised on the measurement at fair value less costs to sell	–123.7	0.0
Earnings before taxes from discontinued operations	**–123.5**	**1.5**
Income taxes	–0.8	–0.4
– from ordinary activities	–0.8	–0.4
– from measurement at fair value less costs to sell	0.0	0.0
Earnings after taxes from discontinued operations	**–124.3**	**1.1**
– from ordinary activities	–0.6	1.1
– from measurement at fair value less costs to sell	–123.7	0.0

Measurement of the discontinued operations at fair value less costs to sell was performed on the basis of provisional purchase price calculations and costs to sell (Level 1 of the fair value hierarchy). There was a provisional need to recognise impairment losses and provisions of EUR 123.7 million. Of this amount, EUR 1.7 million was allocated to intangible assets, EUR 39.2 million to property, plant and equipment, and EUR 82.8 million to inventories. No deferred tax assets were recognised on the expected loss on disposal, as this will not be tax deductible. The final purchase price will be determined on the basis of the statements of financial position of the distribution entities involved as at 30 April 2015.

8__ Notes to the consolidated income statement

8.1 Other operating income

in million EUR	1.1.–31.3.2015	1.1.–31.3.2014 [1]
Income from recovery of previously written off receivables and reversal of allowances on receivables	1.0	0.0
Rent and lease income	0.8	0.8
Grants and allowances	0.5	0.5
Income from reversal of provisions	0.4	0.0
Commission income	0.5	0.3
Insurance reimbursement	0.1	0.2
Gains on disposal of intangible assets, property, plant and equipment, and financial assets	0.1	0.1
Net exchange gains/losses	0.0	1.1
Miscellaneous income	6.7	4.8
Total	**10.1**	**7.8**

[1] Restated due to the classification of the discontinued operations as at 31.3.2015.

As the foreign currency risk from operating receivables and liabilities within the SCHMOLZ + BICKENBACH Group is increasingly hedged using financial receivables and liabilities, a distinction is no longer drawn between operating and financial receivables and liabilities in the presentation of exchange gains and losses. All exchange gains and losses on receivables and liabilities or derivative currency contracts concluded to hedge these are stated net and presented as other operating expenses or income, depending on whether the net figure is negative or positive. The exchange gains and losses item for the prior period was restated accordingly at EUR 1.1 million, a change of EUR 0.6 million.
The net figures break down as follows:

in million EUR	1.1.–31.3.2015	1.1.–31.3.2014 [1]
Exchange gains	64.1	9.4
Exchange losses	71.5	8.3
Net exchange gains/losses	**–7.4**	**1.1**

[1] Restated due to the classification of the discontinued operations as at 31.3.2015.

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

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

8.2 Other operating expenses

in million EUR	1.1.– 31.3.2015	1.1.– 31.3.2014 [1]
Freight	21.9	22.5
Maintenance, repairs	16.0	14.6
Net exchange gains/losses	7.4	0.0
Advisory, audit and IT services	7.3	5.7
Rent and lease expenses	5.7	6.4
Travel, advertisement and distribution costs	3.9	4.1
Insurance fees	3.1	3.1
Non-income taxes	2.5	2.3
Commission expense	1.7	2.8
Cost of allowances on receivables and bad debts	1.0	0.6
Energy costs	0.9	0.5
Cost for environmental protection measures	0.6	0.8
Guarantee expenses	0.6	0.4
Vehicle fleet	0.5	0.4
Voluntary social security contributions	0.4	0.8
Licenses and patents	0.4	0.2
Donations	0.1	0.1
Miscellaneous expense	13.5	9.6
Total	**87.5**	**74.9**

[1] Restated due to the classification of the discontinued operations as at 31.3.2015.

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

8.3 Financial result

in million EUR	1.1.– 31.3.2015	1.1.– 31.3.2014 [1]
Interest income	0.2	0.2
Other financial income	0.0	1.3
Financial income	**0.2**	**1.5**
Interest expense on financial liabilities	−9.8	−14.9
Net interest expense on pension provisions and plan assets	−1.4	−1.9
Capitalised borrowing costs	0.1	0.4
Other financial expense	−1.6	−0.2
Financial expense	**−12.7**	**−16.6**
Financial result	**−12.5**	**−15.1**

[1] Restated due to the classification of the discontinued operations as at 31.3.2015.

Interest expense on financial liabilities includes transaction costs of EUR 1.3 million (1.1.–31.3.2014: EUR 4.1 million) that were recognised through profit or loss over the term of the respective financial liability.
Other financial income/expense mainly contains gains and losses from marking embedded derivatives and interest rate derivatives to market.

8.4 Income taxes

in million EUR	1.1.– 31.3.2015	1.1.– 31.3.2014 [1]
Current taxes	7.0	5.0
Deferred taxes	0.1	1.1
Income tax expense	**7.1**	**6.1**

[1] Restated due to the classification of the discontinued operations as at 31.3.2015.

The local tax rates used to determine current and deferred taxes have not changed materially in comparison to the prior year. The effective Group tax rate for the first three months of fiscal year 2015 was 78.9% (1.1.–31.3.2014: 35.1%). This rate considers the tax rates of the individual countries in which the Group operates, weighted for earnings before taxes. The increase in the tax rate is mainly attributable to a change in composition of the profits or losses of the individual countries and the non-recognition of deferred tax assets on the losses of the German entities.

The following table presents the net change in deferred tax assets and liabilities. As at 31 March 2015, the deferred taxes attributable to the discontinued operations were reclassified to the assets and liabilities of the discontinued operations so that the deferred tax assets and deferred tax liabilities recognised in the statement of financial position as at 31 March 2015 now include only the figures for the continuing operations.

in million EUR	1.1.–31.3.2015	1.1.–31.3.2014 [1]
Balance as at 1.1.	45.0	32.5
Changes from continuing operations recognised in profit and loss	–0.1	–1.1
Changes from discontinued operations recognised in profit and loss	–0.8	–0.3
Changes recognised in other comprehensive income	9.1	4.8
Foreign currency effects	–3.4	0.2
Reclassification of discontinued operations	–10.7	–
Balance as at 31.3.	**39.1**	**36.1**

9__ Notes to the consolidated statement of financial position

9.1 Intangible assets and property, plant and equipment

Investments of the continuing operations totalling EUR 19.2 million (1.1.–31.3.2014: EUR 11.9 million) break down into additions to intangible assets of EUR 0.1 million (1.1.–31.3.2014: EUR 0.4 million) and additions to property, plant and equipment of EUR 19.1 million (1.1.–31.3.2014: EUR 11.5 million). Most of the additions related to the *Production* division.

As part of the classification of selected distribution entities as discontinued operations as defined by IFRS 5, intangible assets and property, plant and equipment of EUR 40.9 million were reclassified to the assets of the discontinued operations and written off in full as at 31 March 2015.

In addition, a trademark allocated to Boxholm Stål AB (SE) amounting to EUR 2.2 million was written off in full after all bright steel entities were legally pooled under the roof of Steeltec AG (CH) and will in the future trade under the Steeltec umbrella brand.

9.2 Inventories

in million EUR	31.3.2015	31.12.2014
Raw materials, consumables and supplies	119.1	125.1
Semi-finished goods and work in progress	329.9	313.7
Finished products and merchandise	338.3	479.7
Total	**787.3**	**918.5**

Inventories of EUR 142.0 million were reclassified to the assets of the discontinued operations as at 31 March 2015, where they are disclosed with a carrying amount of EUR 59.2 million, following recognition of an impairment loss of EUR 82.8 million.

9.3 Provisions

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

	Switzerland		Euro area		USA		Canada	
in %	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
Discount rate	0.7	1.1	1.5	1.9	3.6	3.8	3.6	3.9

Actuarial losses of EUR 37.2 million (1.1.– 31.3.2014: EUR 18.9 million) before tax were recorded in other comprehensive income. These losses primarily reflect the fall in discount rates.
Provisions of EUR 29.5 million were reclassified to the liabilities of the discontinued operations as at 31 March 2015.

9.4 Financial liabilities

The Group's financial liabilities break down as follows as at 31 March 2015:

in million EUR	31.3.2015	31.12.2014
Syndicated loan	238.1	238.7
Other bank loans	32.0	33.3
Bond	161.1	160.7
Liabilities from finance leases	2.3	6.1
Other financial liabilities	1.3	1.4
Total non-current	**434.8**	**440.2**
Other bank loans	7.8	7.6
ABCP financing programme	214.5	205.7
Liabilities from finance leases	1.1	2.3
Other financial liabilities	7.8	3.5
Total current	**231.2**	**219.1**

Financial liabilities of EUR 5.8 million were reclassified to the liabilities of the discontinued operations as at 31 March 2015.
Other current financial liabilities include accrued interest for the bond of EUR 6.2 million (31.12.2014: EUR 2.1 million).
SCHMOLZ + BICKENBACH had available liquidity and credit lines of around EUR 330 million as at 31 March 2015.

10__Notes to the consolidated statement of cash flows

Treasury shares worth EUR 0.8 million (1.1.–31.3.2014: EUR 0.4 million) were acquired in the first quarter of 2015 for definitive allocation in the second quarter under the share-based payment plan for the fiscal year 2014 (also see note 14).

11__Contingent liabilities and other financial obligations

Contingent liabilities from guarantees, warranties and purchase commitments amounted to EUR 70.4 million in total as at 31 March 2015 (31.12.2014: EUR 65.2 million). The main reason for the increase is higher purchase commitments in connection with investments in the *Production* division.

12__Fair value measurement considerations

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

The fair value hierarchy distinguishes between the following levels:

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

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

The fair value of the bond was EUR 179.8 million as at 31 March 2015 (31.3.2014: EUR 188.2 million) (Level 1 of the fair value hierarchy), while the carrying amount was EUR 161.1 million (31.3.2014: EUR 159.4 million).

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

	Level 1		Level 2		Level 3		Fair value as at	
in million EUR	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
Financial assets								
Positive market values of derivative financial instruments								
– Derivatives without hedging relationship (no hedge accounting)	0.0	0.0	5.8	6.7	0.0	0.0	5.8	6.7
Financial liabilities								
Negative market values of derivative financial instruments								
– Derivatives with hedging relationship (hedge accounting)	0.0	0.0	1.4	0.4	0.0	0.0	1.4	0.4
– Derivatives without hedging relationship (no hedge accounting)	0.0	0.0	19.3	10.5	0.0	0.0	19.3	10.5

13__Segment reporting

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

The table below shows the segment reporting for the continuing operations as at 31 March 2015. The presentation of the prior period for the *Sales & Services* segment was restated to eliminate the discontinued operations.

	Production		Sales & Services	
in million EUR	1.1.–31.3.2015	1.1.–31.3.2014	1.1.–31.3.2015	1.1.–31.3.2014
Third-party revenue	618.4	626.0	147.3	122.4
Intersegment revenue	97.5	72.4	0.0	0.0
Total revenue	**715.9**	**698.4**	**147.3**	**122.4**
Segment result (= adjusted EBITDA) [2]	**52.0**	**59.6**	**5.4**	**6.4**
Adjustment	–0.6	–0.8	0.0	0.0
Operating profit before depreciation and amortisation (EBITDA)	**51.4**	**58.8**	**5.4**	**6.4**
Depreciation and amortisation of intangible assets, property, plant and equipment	–29.0	–26.7	–1.2	–1.1
Impairment of intangible assets, property, plant and equipment and assets held for sale	–2.2	0.0	0.0	0.0
Operating profit (loss) (EBIT)	**20.2**	**32.1**	**4.2**	**5.3**
Financial income	0.3	0.3	1.1	1.2
Financial expense	–10.4	–11.3	–2.7	–3.5
Earnings before taxes (EBT)	**10.1**	**21.1**	**2.6**	**3.0**
Segment assets [3]	1 990.2	1 853.8	310.0	246.8
Segment liabilities [4]	322.1	359.8	137.5	95.5
Segment assets less segment liabilities (capital employed)	**1 668.1**	**1 494.0**	**172.5**	**151.3**
Segment investments [5]	18.7	11.0	0.5	0.7
Operating free cash flow [6]	–23.8	40.9	–16.0	5.4
Employees	7 649	7 732	1 273	1 153

1) Thereof revenue with discontinued operations in the amount of EUR 30.9 million (1.1.–31.3.2014: EUR 39.8 million).

2) Adjusted EBITDA: Operating profit before depreciation, amortisation and non-recurring effects.

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

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

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

6) Operating free cash flow: Adjusted EBITDA +/– change in inventories, trade accounts receivable less trade accounts payable less segment investments less capitalised borrowing costs.

7) Including discontinued operations, the number of employees amounted to 10 004 (31.3.2014: 10 015 employees).

		Reconciliation					
Total operating segments		Other		Eliminations/adjustments		Total continuing operations	
1.1.–31.3.2015	1.1.–31.3.2014	1.1.–31.3.2015	1.1.–31.3.2014	1.1.–31.3.2015	1.1.–31.3.2014	1.1.–31.3.2015	1.1.–31.3.2014
765.7	748.4	0.0	0.0	0.0	0.0	765.7 [1)]	748.4 [1)]
97.5	72.4	0.0	0.0	–97.5	–72.4	0.0	0.0
863.2	**820.8**	**0.0**	**0.0**	**–97.5**	**–72.4**	**765.7**	**748.4**
57.4	**66.0**	**0.0**	**–2.4**	**–1.0**	**–1.0**	**56.4**	**62.6**
–0.6	–0.8	–1.3	–0.9	0.0	0.0	–1.9	–1.7
56.8	**65.2**	**–1.3**	**–3.3**	**–1.0**	**–1.0**	**54.5**	**60.9**
–30.2	–27.8	–0.6	–0.6	0.0	0.0	–30.8	–28.4
–2.2	0.0	0.0	0.0	0.0	0.0	–2.2	0.0
24.4	**37.4**	**–1.9**	**–3.9**	**–1.0**	**–1.0**	**21.5**	**32.5**
1.4	1.5	11.7	14.6	–12.9	–14.6	0.2	1.5
–13.1	–14.8	–12.5	–16.4	12.9	14.6	–12.7	–16.6
12.7	**24.1**	**–2.7**	**–5.7**	**–1.0**	**–1.0**	**9.0**	**17.4**
2 300.2	2 100.6	8.3	6.3	41.3	62.7	2 349.8	2 169.6
459.6	455.3	1.2	1.8	1 153.6	979.1	1 614.4	1 436.2
1 840.6	**1 645.3**						
19.2	11.7	0.0	0.2	0.0	0.0	19.2	11.9
–39.8	46.3	–3.3	–2.6	–0.3	0.5	–43.4	44.2
8 922	8 885	100	93	0	0	9 022 [7)]	8 978 [7)]

14_Related party disclosures

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

As at 31 March 2015, equity instruments of EUR 0.4 million were granted within the scope of the share-based payment plan (1.1.–31.3.2014: EUR 0.1 million) and recorded as an expense in the consolidated income statement and debited from retained earnings.

15_Subsequent events

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

MEMBERS OF THE BOARD OF DIRECTORS

This section provides details of the composition of the Board of Directors as at 31 March 2015.

SCHMOLZ + BICKENBACH Board of Directors

Edwin Eichler (DE) [1]

Year of birth 1958
Chairman
Member of the Strategy Committee
Member since 2013
Elected until 2015

Vladimir V. Kuznetsov (RU) [2]

Year of birth 1961
Vice Chairman
Chairman of the Compensation Committee
Member of the Strategy Committee
Member since 2013
Elected until 2015

Michael Büchter (DE) [1]

Year of birth 1949
Member
Member Audit Committee
Member since 2013
Elected until 2015

Marco Musetti (CH) [2]

Year of birth 1969
Member
Member of the Strategy Committee
Member of the Audit Committee
Member since 2013
Elected until 2015

Dr. Heinz Schumacher (DE) [1]

Year of birth 1948
Member
Member of the Compensation Committee
Member since 2013
Elected until 2015

Dr. Oliver Thum (DE) [3]

Year of birth 1971
Member
Member of the Strategy Committee
Member since 2013
Elected until 2015

Hans Ziegler (CH) [1]

Year of birth 1952
Member
Chairman of the Audit Committee
Member of the Compensation Committee
Member since 2013
Elected until 2015

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

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

MEMBERS OF THE EXECUTIVE COMMITTEE

The following overview provides details of the Executive Committee as at 31 March 2015.

Name	Function	Period
Clemens Iller	CEO CFO ad interim	Since 1.4.2014 1.3.2015 – 31.3.2015

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

GLOSSARY

A__

Adjusted EBITDA EBITDA before restructuring and non-recurring effects

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

C__

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

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

E__

EAT Earnings after taxes

EBIT Earnings before interest and taxes

EBITDA Earnings before interest, taxes, depreciation and amortisation

EBITDA leverage Ratio of net debt to adjusted EBITDA

EBITDA margin (%) Ratio of EBITDA to revenue

EBT Earnings before taxes

Equity ratio Ratio of shareholders' equity to total assets

F__

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

G__

Gearing Ratio of net debt to shareholders' equity

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

Gross margin (%) Ratio of gross margin to revenue

I__

Investment ratio Ratio of investments to depreciation/ amortisation

N__

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

Net financial expense Financial expense less financial income

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

O__

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

LIST OF ABBREVIATIONS

ABCP Asset Backed Commercial Paper

CEO Chief Executive Officer

CFO Chief Financial Officer

CGU Cash Generating Unit

CHF Swiss franc

CO Swiss Code of Obligations

EEG German Renewable Energies Act

e.g. for example

EUR Euro

IAS International Accounting Standards

IASB International Accounting Standards Board

i.e. which means

IFRIC International Financial Reporting Interpretations Committee

IFRS International Financial Reporting Standards

KfW Kreditanstalt für Wiederaufbau (Development Loan Corporation)

Kt kilotonne

m million

M&A Mergers & Acquisitions

p.a. per year

R&D Research & Development

SPI Swiss Performance Index

t tonne

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 annual report.

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

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