Forging ahead decisively.

With clear goals and shared values.

INTERIM REPORT 1ST QUARTER 2017

SCHMOLZ + BICKENBACH
Group

KEY PERFORMANCE INDICATORS

	Unit	1.1.–31.3.2017	1.1.–31.3.2016	Change on prior year %
SCHMOLZ + BICKENBACH Group				
Sales volume	kilotons	489	461	6.1
Revenue	million EUR	707.6	603.6	17.2
Adjusted operating profit before depreciation and amortization (adjusted EBITDA)	million EUR	66.6	25.0	nm
Operating profit before depreciation and amortization (EBITDA)	million EUR	66.3	21.9	nm
Adjusted EBITDA margin	%	9.4	4.1	5.3
EBITDA margin	%	9.4	3.6	5.8
Operating profit (EBIT)	million EUR	34.6	−8.3	nm
Earnings before taxes (EBT)	million EUR	27.4	−19.6	nm
Net income (loss) (EAT)	million EUR	16.5	−24.4	nm
Investments	million EUR	11.3	17.4	−35.1
Free cash flow	million EUR	−31.4	−13.3	nm

	Unit	31.3.2017	31.12.2016	Change on prior year %
Net debt	million EUR	469.8	420.0	11.9
Shareholders' equity	million EUR	685.4	667.5	2.7
Gearing	%	68.5	62.9	5.6
Total assets	million EUR	2 183.3	2 047.0	6.7
Equity ratio	%	31.4	32.6	−1.2
Employees as at closing date	positions	8 889	8 877	0.1

	Unit	1.1.–31.3.2017	1.1.–31.3.2016	Change on prior year %
SCHMOLZ + BICKENBACH share				
Earnings per share [1]	EUR/CHF	0.02/0.02	−0.03/−0.03	–
Earnings per share from continuing operations [1]	EUR/CHF	0.02/0.02	−0.03/−0.03	–
Shareholders' equity per share [2]	EUR/CHF	0.72/0.77	0.70/0.75	–
Highest/lowest share price	CHF	0.80/0.66	0.71/0.45	–

[1] Earnings per share are based on the net income (loss) of the Group after deduction of the portions attributable to non-controlling interests.
[2] As at 31 March 2017 and 31 December 2016 respectively.

FIVE-QUARTER OVERVIEW

	Unit	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Key operational figures						
Sales volume	kilotons	461	471	391	401	489
Order backlog	kilotons	444	454	420	462	620
Income statement						
Revenue	million EUR	603.6	618.7	534.1	558.3	707.6
Gross profit	million EUR	230.2	245.1	207.5	230.2	284.3
Adjusted operating profit before depreciation and amortization (adjusted EBITDA)	million EUR	25.0	52.5	31.8	43.9	66.6
Operating profit before depreciation and amortization (EBITDA)	million EUR	21.9	49.6	27.6	8.9	66.3
Operating profit (loss) (EBIT)	million EUR	−8.3	19.4	−4.4	−25.2	34.6
Earnings before taxes (EBT)	million EUR	−19.6	7.9	−14.3	−33.6	27.4
Earnings after taxes from continuing operations	million EUR	−24.0	5.9	−13.9	−43.5	16.5
Net income (loss) (EAT)	million EUR	−24.4	2.4	−13.9	−44.1	16.5
Cash flow/investments/depreciation/amortization						
Cash flow before changes in net working capital	million EUR	22.7	34.3	38.2	9.6	73.7
Cash flow from operating activities of continuing operations	million EUR	3.2	54.7	76.5	49.9	−20.8
Cash flow from investing activities of continuing operations	million EUR	−16.5	−15.8	−19.7	−40.3	−10.6
Free cash flow from continuing operations	million EUR	−13.3	38.9	56.8	9.6	−31.4
Investments	million EUR	17.4	16.3	25.1	42.0	11.3
Depreciation and amortization	million EUR	30.2	30.2	32.0	32.3	31.7
Net assets and financial structure						
Non-current assets	million EUR	994.7	995.4	986.4	994.7	964.8
Current assets	million EUR	1 115.8	1 090.0	1 033.4	1 052.3	1 218.5
Net working capital	million EUR	704.4	688.6	646.6	615.4	709.3
Total assets	million EUR	2 110.5	2 085.4	2 019.8	2 047.0	2 183.3
Shareholders' equity	million EUR	687.7	676.9	659.3	667.5	685.4
Non-current liabilities	million EUR	762.9	749.9	749.7	696.9	726.2
Current liabilities	million EUR	659.9	658.6	610.8	682.6	771.7
Net debt	million EUR	488.5	454.0	421.4	420.0	469.8
Employees						
Employees as at closing date	positions	8 928	8 946	8 982	8 877	8 889
Value management						
Capital employed	million EUR	1 612.2	1 589.2	1 534.9	1 529.7	1 600.3
Key figures on profit/net assets and financial structure						
Gross profit margin	%	38.1	39.6	38.9	41.2	40.2
Adjusted EBITDA margin	%	4.1	8.5	6.0	7.9	9.4
EBITDA margin	%	3.6	8.0	5.2	1.6	9.4
EBIT margin	%	−1.4	3.1	−0.8	−4.5	4.9
EBT margin	%	−3.2	1.3	−2.7	−6.0	3.9
Equity ratio	%	32.6	32.5	32.6	32.6	31.4
Gearing	%	71.0	67.1	63.9	62.9	68.5

Our profile

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

We are the benchmark for special steel solutions.

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DEAR SHAREHOLDERS,

We had a successful start going into the fiscal year 2017. Supported by a broad-based upswing in most of our product groups, end markets and regions, we generated a good result in the first quarter. But the improved business environment was not the sole driver of the pleasing outcome. This good performance was also buoyed by the results of the hard work put in 2015 and 2016. The measures to save costs and enhance efficiency had the desired impact. SCHMOLZ + BICKENBACH is now leaner, more flexible and better geared towards the market than two years ago.

The steel industry is returning to normal after a protracted slump. Commodity prices have indeed increased, but are still far below those seen before the start of the crisis in 2015. However, the fluctuations and uncertainties remain pronounced. Our key end markets, such as the automotive industry, seem to be close to a cyclical peak. Although the oil and gas industry is on the road to recovery, whether it is sustainable is still uncertain. On top of this, there are political uncertainties and risks. In light of these facts, it would be too early to speak of a euphoric mood with regard to business development in the coming months. This is another reason for us to drive forward the improvement measures planned for 2017, most of which are already in the implementation phase. In addition, we exploited the favorable market environment and secured significantly better conditions in April for comprehensive refinancing until 2022. Among other things, we replaced the bond due in 2019 with a coupon of 9.875% with a bond of EUR 200 million and a coupon of 5.625% that will mature in 2022. Overall, financing costs will be reduced by around EUR 8 million a year.

For now, we look forward optimistically to the second quarter thanks to a strong order backlog. We expect the pleasing trend from the first quarter to continue. By contrast, the outlook for the second half of the year is largely uncertain. Therefore, we will not update the outlook for the year until the second quarter.

Strong results in the first quarter of 2017

The upswing in our business derived from a significantly better result at all levels in the first quarter of 2017. Sales volume rose by 6.1% from 461 kilotons to 489 kilotons, revenue by 17.2% from EUR 603.6 million to EUR 707.6 million. Adjusted EBITDA increased two and a half times, from EUR 25.0 million to EUR 66.6 million. The related margin increased from 4.1% to 9.4% year on year. Compared to year-end 2016, net debt increased due to seasonal effects, although it was significantly lower than the comparative period of 2016.

Thanks to our shareholders, employees and customers

On behalf of the Board of Directors and Executive Board, I would like to thank our shareholders for the confidence they have shown in our Company. I would also like to thank our employees, who work for the future success of our Company each and every day. Last but not least, allow me to thank our customers and business partners for the good and long-standing working relationship and the trust they have placed in us.

Clemens Iller
CEO

Management report

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BUSINESS ENVIRONMENT AND STRATEGY

SCHMOLZ + BICKENBACH is one of the world's leading providers of customized solutions in the special long steel business. With around 8 900 employees at its own production and distribution companies in over 30 countries across five continents, we support and supply our customers around the globe. Besides, we offer our customers a unique product portfolio. Our customers benefit from the Company's technological expertise, excellent knowledge of end use requirements, consistent high quality and in-depth knowledge of local markets.

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

The *Production* division encompasses the Business Units Deutsche Edelstahlwerke (DEW), Finkl Steel, Steeltec, Swiss Steel and Ugitech.

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

The Business Units in the *Production* division sell their products either via the *Sales & Services* division, or directly to their customers.

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

We combine our sales activities within the *Sales & Services* division, and guarantee the consistent and reliable supply of special long steel and end-to-end customer solutions worldwide with over 70 distribution and service branches in more than 30 countries. These include technical consulting and downstream processes such as sawing, milling and hardening, heat treatment as well as supply chain management. The product range is dominated by special long steel from the *Production* division, supplemented by a selection of products from third-party providers. We pursue the goal of offering our products and services globally – with excellent quality standards and first-class service. We consciously and continuously extend our distribution network to achieve this goal. We focus on attractive growth regions that will continue to ensure sustainable growth for the SCHMOLZ + BICKENBACH Group. In 2016, our activities as part of this expansion strategy included opening new distribution branches in Bangkok (Thailand), Taipeh (Taiwan) and Tokyo (Japan) as well as a storage location in Chongqing (China). Furthermore, we plan to continue with our regional expansion strategy in the coming years.

BUSINESS MODEL

SCHMOLZ + BICKENBACH Group
Strategic Management Holding

PRODUCTION

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

SALES & SERVICES

- **SCHMOLZ + BICKENBACH International**
  More than 70 distribution and service branches in more than 30 countries worldwide

STRATEGY AND CORPORATE MANAGEMENT

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

The core of our corporate strategy is ensuring our production companies are ideally placed. This includes realising the market and structural synergy potential of the integrated group. We align the entire supply chain of the SCHMOLZ + BICKENBACH Group to support our *Production* division and focus on the processing and sale of mill-own products.

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

> A fully integrated and leading global supplier for the entire special long steel products range
> Outstanding expertise in products and applications, to offer our customers the best solutions
> Strong customer loyalty through technical consulting, high quality of service as well as operating and functional reliability
> Global distribution network with the ability of customer-specific, global supply chain solutions
> Low substitution pressure, since often only special long steel can have 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: quality and engineering steel, stainless steel and tool steel.

For further information on the business environment and strategy, see the annual report 2016 on pages 28–35.

CAPITAL MARKET

The SCHMOLZ + BICKENBACH share is listed on the SIX Swiss Exchange in accordance with the International Reporting Standard. Prompt and open communication with the financial community is very important to us. To this end, we regularly inform investors and financial analysts about the operative and strategic development of the Company.

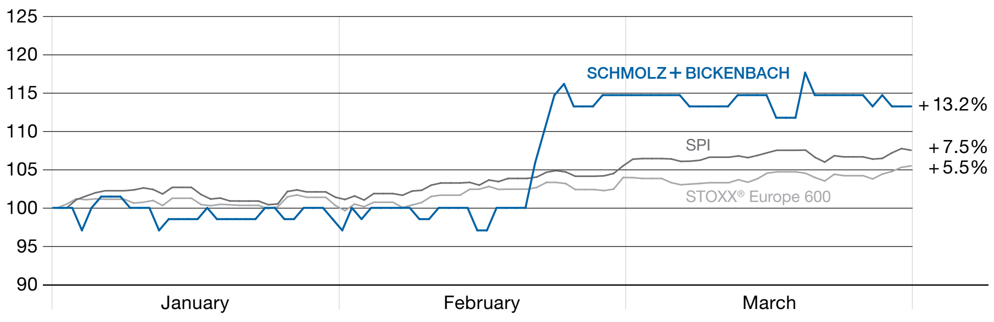
The majority of the global stock markets developed positively in the first three months of 2017. After a moderate start in January, share prices showed a steady increase over the course of the first quarter. The positive development was fueled by the optimistic mood regarding the further development of the world economy. This was supported by good corporate results and led to an increase in commodity prices. Towards the end of the quarter the most important stock markets worldwide saw a sideward movement in March due to high valuations and increasing political uncertainties. As at 31 March, the Dow Jones Industrial closed higher by 4.6% and the Euro Stoxx 50® higher by 6.4% compared to the year-end 2016. By contrast, the Japanese index Nikkei 225 closed the first quarter of 2017 down 1.1% compared to end of year 2016.

SCHMOLZ + BICKENBACH share price development

In line with rising commodity prices and a positive development in the key customers' industries, the SCHMOLZ + BICKENBACH share price increased significantly in the first quarter. In addition to the market environment, the share received a strong impetus from positive analyst estimates as well. Besides this, the better mood in the capital market towards the steel industry continued and was confirmed by the industry's annual results, which were better than expected. As on 31 March 2017, the share was quoted at CHF 0.77, higher by 13.2% compared to 31 December 2016. At the same time, the Stoxx® Europe 600 Index closed the first quarter up 5.5%. The broad-based Swiss Performance Index (SPI), which includes the SCHMOLZ + BICKENBACH share, closed at the end of March with an increase of 7.5%.

The average daily trading volume was 0.72 million SCHMOLZ + BICKENBACH shares in the first quarter of 2017. By comparison, the average daily trading volume was 0.83 million shares in the first quarter of 2016 and 0.56 million in the year 2016 as a whole.

Development of share price from 1.1.2017 to 31.3.2017 | SCHMOLZ + BICKENBACH share compared to Swiss Performance Index (indexed) and to STOXX® Europe 600 (indexed)



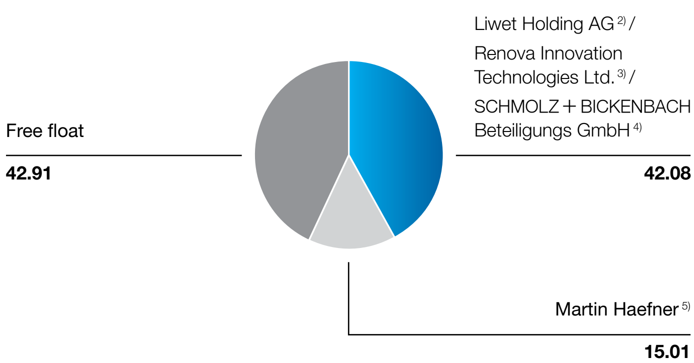
Facts and figures on the share

ISIN	CH0005795668
Securities number	579566
Ticker symbol	STLN
Bloomberg	STLN SE
Reuters	STLN.S
Type of security	Registered share
Trading currency	in 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

Shareholder structure

Share capital as at 31 March 2017 comprised 945 000 000 fully paid-up registered shares with a nominal value of CHF 0.50 each. Mr. Viktor Vekselberg holds 42.08% of the shares in the Company indirectly via Liwet Holding AG and Renova Innovation Technologies Ltd. (Renova Group), together with SCHMOLZ + BICKENBACH Beteiligungs GmbH. Liwet Holding AG, Renova Innovation Technologies Ltd. and SCHMOLZ + BICKENBACH Beteiligungs GmbH, which bundles the interests of the former founding families, are parties to a shareholder agreement and are, therefore, treated as a group by SIX Swiss Exchange.

Overview shareholder structure as at 31.3.2017 [1)] in %



1) Percentage of shares issued as at closing date.
2) Acquisition of assets and liabilities of Venetos Holding AG, in Zurich (CHE-114.533.183), pursuant to the merger agreement dated 18.2.2015 and financial position as at 29.12.2014.
3) Until 24.3.2017, Lamesa Holding S.A. was a direct shareholder of the Company.
4) Until 12.4.2016, SCHMOLZ + BICKENBACH was a direct shareholder of the Company.
5) Figures as reported to the Company and to the disclosure office of the SIX Swiss Exchange in accordance with applicable stock market regulations.

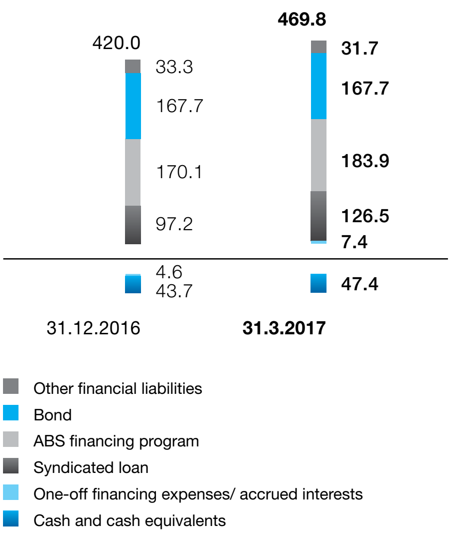
FINANCING

SCHMOLZ + BICKENBACH's financing structure is built on three main pillars: a syndicated loan, an ABS financing program and a corporate bond. After the reporting date, the syndicated loan and the ABS financing program were extended and a new corporate bond was issued.

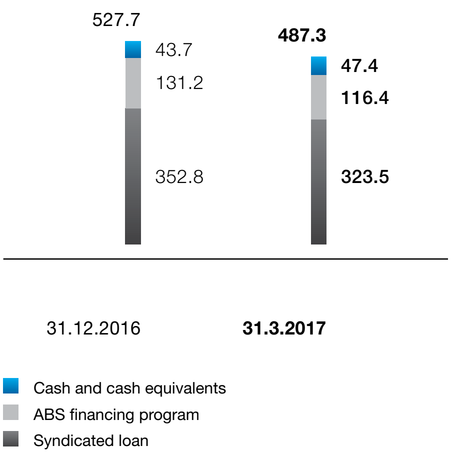
The following comments refer to the financing status as at 31 March 2017:

In June 2014, SCHMOLZ + BICKENBACH refinanced the syndicated loan and the ABS financing program. The revolving loan facility, once again a syndicated loan, and the ABS financing program, both with standard terms until 2019, either replaced or extended the existing financial instruments.

Net liabilities as at closing date
in million EUR



Financial headroom as at closing date
in million EUR



Unused financing lines and freely disposable funds come to around EUR 487.3 million as at 31 March 2017, ensuring the Company has sufficient financial resources.

Corporate bond 2012–2019

On 16 May 2012 SCHMOLZ + BICKENBACH issued a corporate bond with a final maturity date of 15 May 2019. The senior secured notes were issued by our indirect subsidiary SCHMOLZ + BICKENBACH Luxembourg S.A. (LU) at 96.957% of the nominal value and with a coupon of 9.875% p.a. Interest is payable semiannually on 15 May and 15 November. The senior secured notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market.

As at 31 March 2017, the bond stood at 104.5%, giving an effective yield of 7.5% p.a.

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

Rating agency	Rating	Outlook	Latest rating
Moody's	B2	stable	3 April 2017
Standard & Poor's	B+	negative	3 April 2017

Subsequent events in the financing area

SCHMOLZ + BICKENBACH issued a corporate bond with a final maturity date of 15 July 2022. The senior secured notes were issued by our subsidiary SCHMOLZ + BICKENBACH Luxembourg Finance S.A. (LU). The notes have been placed for EUR 200 million and with a coupon of 5.625% p.a. Interest is payable semiannually on 15 January and 15 July. The senior secured notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market.

The senior secured notes of the indirect subsidiary SCHMOLZ + BICKENBACH Luxembourg S.A. (LU) issued on 16 May 2012 will be repaid prematurely on 15 May 2017 using the proceeds from the new bond.

Furthermore, the syndicated loan of EUR 375 million was extended at better conditions and the ABS financing program of EUR 230 million and USD 75 million was extended until 2022, respectively.

BUSINESS DEVELOPMENT OF THE GROUP

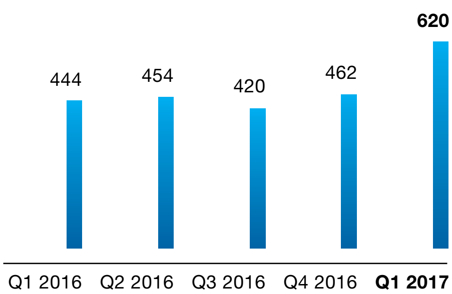
We had a successful start going into the fiscal year 2017. Supported by a broad-based upswing in most of our product groups, end markets and regions, we generated a sound result in the first quarter.

Key figures on results in million EUR	**1.1.–31.3.2017**	1.1.–31.3.2016	Change on prior year %
Sales volume (kt)	489	461	6.1
Revenue	707.6	603.6	17.2
Adjusted operating profit before depreciation and amortization (adjusted EBITDA)	66.6	25.0	nm
Operating profit before depreciation and amortization (EBITDA)	66.3	21.9	nm
Adjusted EBITDA margin (%)	9.4	4.1	5.3
EBITDA margin (%)	9.4	3.6	5.8
Operating profit (EBIT)	34.6	−8.3	nm
Earnings before taxes (EBT)	27.4	−19.6	nm
Earnings after taxes from continuing operations	16.5	−24.0	nm
Net income (loss) (EAT)	16.5	−24.4	nm

GENERAL ECONOMIC SITUATION

The upswing in our market environment led to a significantly better result at all levels in the first quarter of 2017 compared to the prior-year period. Increased demand and higher commodity prices are reflected in significantly better sales volumes and revenue. But the improved business environment was not the sole driver of the pleasing outcome. The measures to save costs and enhance efficiency had the desired impact. Adjusted EBITDA and the related margin increased by two and a half times. Compared to year-end 2016, net debt increased due to seasonal effects and through higher productivity; however, it was significantly lower than the comparative period in 2016.

Order backlog as at quarter end in kt



BUSINESS DEVELOPMENT

Order situation and production volume

The order backlog saw a pleasing development, increasing by 39.6% to 620 kilotons as at 31 March 2017 (31 March 2016: 444 kilotons). The crude steel volume produced at our mills in the first quarter of 2017 came to 527 kilotons and was, thus, 11.2% higher than 474 kilotons produced in the comparative quarter in 2016.

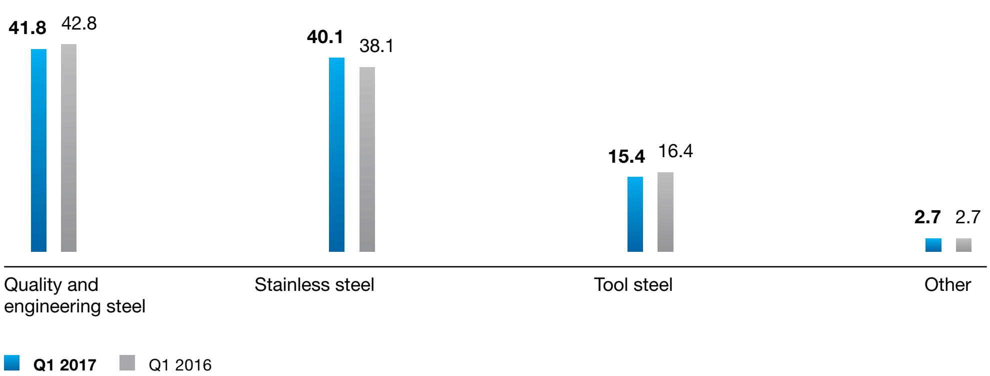
Sales volume and revenue

Sales volume increased by 6.1% to 489 kilotons compared to the prior-year quarter (Q1 2016: 461 kilotons). Stainless steel saw the strongest increase in volume of 9.2% due to the constant high demand from the automotive industry. The sales volume of quality and engineering steel was 6.9% higher than in the first quarter of 2016. Sales volume of tool steel remained stable.

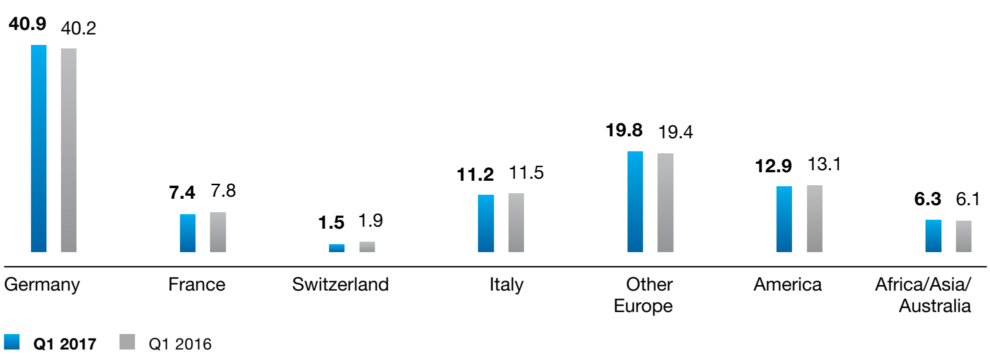
The average sales price per ton came to EUR 1 447 in the first quarter of 2017 and was therefore 10.5% higher than in the prior-year quarter (Q1 2016: EUR 1 309 per ton). This is attributable to the improvement in the base prices, which were successfully negotiated in the fourth quarter of 2016. Additionally, alloy and scrap surcharges increased due to the rise in commodity prices.

Due to these developments, revenue increased by 17.2% to EUR 707.6 million in the first quarter of 2017 (Q1 2016: EUR 603.6 million).

Revenue by product group as at quarter end as % of total revenue



Revenue by region as at quarter end as % of total revenue



Revenue went up across all three product groups. Compared to the prior-year quarter, stainless steel generated the strongest revenue growth by 23.4% to EUR 284.0 million. Revenue from quality and engineering steel increased by 18.8% to EUR 296.0 million and from tool steel by 0.6% to EUR 108.8 million.

At a regional level, the development of revenue in the first quarter of 2017 was positive throughout. This trend is reflected in revenue growth of 17.3% in Europe and 15.1% in America. Africa/Asia/Australia recorded the strongest growth with 21.7%. Both the growth markets of China and India require a special mention, where starting from a lower initial level, it was possible to increase revenue by 60.0% and 37.0%, respectively.

Cost of materials and gross profit

Cost of materials – adjusted for the change in semi-finished and finished products – increased due to higher production volume by 13.3% to EUR 423.2 million (2016: EUR 373.4 million). Nevertheless, gross profit increased by 23.5% to EUR 284.3 million (Q1 2016: EUR 230.2 million) and reflects the efficiency measures implemented in the last two years. Gross margin improved to 40.2% (Q1 2016: 38.1%).

Income and expenses

At EUR 7.7 million (Q1 2016: EUR 8.1 million), other operating income was down 4.9% on the prior-year period.

Personnel expenses increased by 3.6% to EUR 147.8 million (Q1 2016: EUR 142.7 million). This increase is mainly attributable to higher production and the resulting rise in worked hours. Compared to the first quarter of 2016, the number of employees decreased to 8 889 (Q1 2016: 8 928 employees).

Other operating expenses increased by 5.7% to EUR 77.9 million (Q1 2016: EUR 73.7 million). This also reflects the recovering business and rising prices. Implementation of the measures to save costs and enhance efficiency nevertheless continued as scheduled. Savings totaling EUR 10.6 million were realized in the first quarter of 2017.

Adjusted EBITDA, EBITDA and EBITDA margins

In the first quarter of 2017, adjusted EBITDA came to EUR 66.6 million, which was two and a half times higher than the prior-year figure of EUR 25.0 million.

Restructuring measures resulted in net non-recurring expenses of EUR 0.3 million (Q1 2016: EUR 3.1 million), which were deducted to give adjusted EBITDA. At EUR 66.3 million, EBITDA thus more than tripled on the first quarter of 2016 from EUR 21.9 million.

EBITDA margin of 9.4% (Q1 2016: 3.6%) in the first quarter of 2017 corresponded to the adjusted EBITDA margin (Q1 2016: 4.1%).

Depreciation, amortization and impairments

Depreciation, amortization and impairments in the first quarter of 2017 came to EUR 31.7 million (Q1 2016: EUR 30.2 million), an increase of 5.0% on the prior-year level.

Financial result

Financial expenses rose by EUR 6.7 million to EUR 18.3 million year-on-year. Financial income strongly increased to EUR 11.1 million (Q1 2016: EUR 0.3 million). In total, the financial result stood at EUR –7.2 million (Q1 2016: EUR –11.3 million). With successful issue of a new bond in April 2017, it is planned to prematurely repay the outstanding bond in May 2017. The financial result includes the effects of this redemption: in financial income, a valuation gain on the repayment option, in the financial expenses costs for the early repayment.

Profit/loss from continuing operations

As a result of the developments described above, EBT clearly swung into positive with EUR 27.4 million (Q1 2016: EUR –19.6 million). Accordingly, tax expense of EUR 10.9 million was significantly above the prior-year figure (Q1 2016: EUR 4.4 million). As a result, earnings from continuing operations came to EUR 16.5 million (Q1 2016: EUR –24.0 million) for the first quarter.

Profit/loss from discontinued operations

In the first quarter of 2016, another loss of EUR 0.4 million was incurred in relation to the sale of Jacquet Metal Services in 2015, which had been classified as a discontinued operation. There were no such expenses in the first quarter of 2017.

Net income/loss

In the first quarter of 2017, net profit of EUR 16.5 million was generated, while a net loss of EUR 24.4 million was recorded in the prior-year quarter.

BUSINESS DEVELOPMENT OF THE DIVISIONS

Key figures of the divisions in million EUR	**1.1.– 31.3.2017**	1.1.– 31.3.2016	Change on prior year %
Production			
Revenue	657.0	548.6	19.8
Adjusted operating profit before depreciation and amortization (adjusted EBITDA)	62.5	20.6	nm
Operating profit before depreciation and amortization (EBITDA)	62.6	20.6	nm
Adjusted EBITDA margin (%)	9.5	3.8	5.7
EBITDA margin (%)	9.5	3.8	5.7
Investments	10.5	16.7	-37.1
Segment operating free cash flow	–44.1	–9.5	nm
Employees as at closing date [1]	7546	7526	0.3
Sales & Services			
Revenue	132.1	119.3	10.7
Adjusted operating profit before depreciation and amortization (Adjusted EBITDA)	7.6	4.0	90.0
Operating profit before depreciation and amortization (EBITDA)	7.6	4.0	90.0
Adjusted EBITDA margin (%)	5.8	3.4	2.4
EBITDA margin (%)	5.8	3.4	2.4
Investments	0.6	0.6	0.0
Segment operating free cash flow	10.7	6.8	57.4
Employees as at closing date [1]	1234	1239	-0.4

[1] As at 31 March 2017 and 31 December 2016, respectively.

REVENUE AND EBITDA IN THE *PRODUCTION* DIVISION

In the first quarter of 2017, the *Production* division achieved a 19.8% increase in revenue. This was primarily due to two factors: higher commodity prices, such as for scrap and nickel, and the increased demand in all key customers' industries.

EBITDA of the *Production* division, which nearly corresponds to adjusted EBITDA, tripled to EUR 62.5 million. The adjusted EBITDA margin increased to 9.5%. In addition to higher revenue, this is also attributable to the measures to save costs and enhance efficiency, which were successfully implemented in the last quarters.

REVENUE AND EBITDA IN THE *SALES & SERVICES* DIVISION

A strong rise in demand in the key markets had a positive effect on the sales volume in the first quarter and resulted in a revenue increase of 10.7% or EUR 132.1 million compared to the prior-year period. This is attributable to the positive development in all regions and product groups.

By contrast EBITDA, which also corresponds to adjusted EBITDA, increased by 90.0% in the first quarter. The reasons being the significantly better price environment and the efficiency measures already implemented. The EBITDA margin thus improved to 5.8%.

FINANCIAL POSITION AND NET ASSETS

The primary goal of financial management is to create a solid capital base to support the Group's sustainable growth. The Group relies on three pillars to secure the liquidity needed to do this: the syndicated loan, the corporate bond, and the ABS financing program. A central cash pool ensures that our international operations have sufficient liquidity.

Key figures on the financial position and net assets	Unit	**31.3.2017**	31.12.2016	Change on prior year %
Shareholders' equity	million EUR	685.4	667.5	2.7
Equity ratio	%	31.4	32.6	−1.2
Net debt	million EUR	469.8	420.0	11.9
Gearing	%	68.5	62.9	5.6
Net working capital	million EUR	709.3	615.4	15.3
Total assets	million EUR	2 183.3	2 047.0	6.7
	Unit	**1.1.–31.3.2017**	1.1.–31.3.2016	Change on prior year %
Cash flow before changes in net working capital	million EUR	73.7	22.7	nm
Cash flow from operating activities	million EUR	−20.8	3.2	nm
Cash flow from investing activities	million EUR	−10.6	−16.5	−35.8
Free cash flow	million EUR	−31.4	−13.3	nm
Depreciation and amortization	million EUR	−31.7	30.2	nm
Investments	million EUR	11.3	17.4	−35.1

FINANCIAL SITUATION

Shareholders' equity and equity ratio

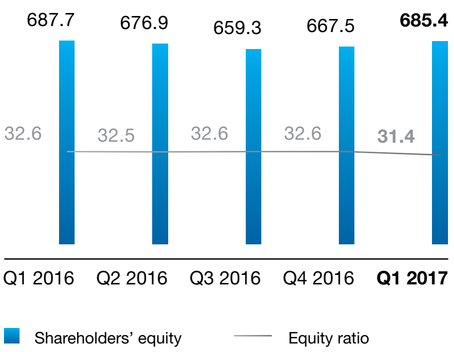
The increase in shareholders' equity in the first quarter of 2017 mainly stems from a net profit of EUR 16.5 million. Thus, shareholders' equity increased by 2.7% to EUR 685.4 million compared to EUR 667.5 million as at 31 December 2016. Taking into consideration the higher total assets of EUR 2 183.3 million (31 December 2016: EUR 2 047.0 million), the equity ratio nevertheless decreased to 31.4% (31 December 2016: 32.6%).

Net debt

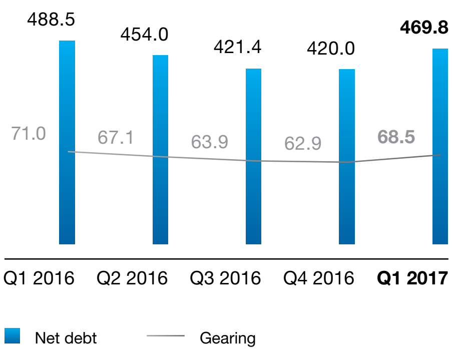
Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 469.8 million. Due to seasonal effects, it was above the figure from 31 December 2016 (EUR 420.0 million). This stems from the increase in net working capital, which is attributable to the increased prices. However, it was significantly lower than the net debt in the prior-year period (Q1 2016: EUR 488.5 million).

The gearing, which expresses the relation between the net debt to shareholders' equity, increased accordingly from 62.9% as at 31 December 2016 to 68.5%. However, it was significantly lower compared to the figure of 71.0% seen in the first quarter of 2016.

Shareholders' equity and equity ratio
Five-quarter overview in million EUR / in %



Net debt and gearing
Five-quarter overview in million EUR / in %



Cash flow

Operative cash flow before changes to the net working capital came to EUR 73.7 million – a marked improvement on the first quarter of 2016 (EUR 22.7 million). However, the rise in net working capital due to the increase in inventories and receivables led to a negative operative cash flow of EUR 20.8 million (Q1 2016: EUR 3.2 million).

At EUR 10.6 million cash flow from investing activities was below the level of EUR 16.5 million in the first quarter of the prior year.

As a result, there was a free cash flow of EUR –31.4 million (Q1 2016: EUR –13.3 million).

Cash flow from financing activities of EUR 35.0 million (Q1 2016: EUR 6.5 million) is mainly attributable to the higher amounts drawn from syndicated loan of EUR 29.1 million and the ABS financing program of EUR 15.7 million. The first purchase price installment for the acquisition of the non-controlling interests in the Czech and Slovakian *Sales & Service* companies of EUR 3.1 million as well as interest payments of EUR 4.8 had the opposite effect.

NET ASSETS

Total assets

Total assets increased in the first quarter of 2017, mainly due to expansion of the working capital and financial liabilities. As at 31 March 2017, this figure was EUR 2 183.3 million; EUR 136.3 million above the year-end 2016 figure of EUR 2 047.0 million.

Non-current assets

Non-current assets decreased by 3.0% from EUR 994.7 million to EUR 964.8 million. The decrease was mainly due to regular depreciation and amortization of fixed assets of EUR 31.7 million, which was partly offset by capital expenditures of EUR 11.3 million in new plant and equipment. Non-current assets account for 44.2% of total assets, a slight decrease on the prior year (31 December 2016: 48.6%).

Net working capital

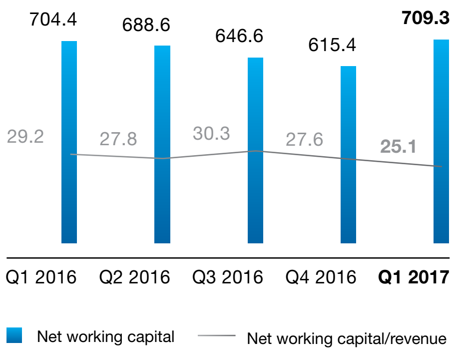
Overall, current assets increased by EUR 166.2 million to EUR 1 218.5 million, mainly as a result of an increase of EUR 105.2 in receivables and EUR 40.5 million in inventories since 31 December 2016. Thus, the net working capital increased by 15.3% to EUR 709.3 million. The ratio to revenue reduced significantly to 25.1% (31 December 2016: 27.6%, Q1 2016: 29.2%).

Liabilities

Non-current liabilities totaled EUR 726.2 million as at the reporting date, up EUR 29.3 million on the figure from 31 December 2016. This change is attributable to the increase of EUR 35.6 million in financial liabilities and was only slightly compensated for by a decrease in other non-current liabilities. However, the ratio of non-current liabilities to total assets fell slightly to 33.3% (31 December 2016: 34.0%).

Compared to year-end 2016, current liabilities increased by EUR 89.1 million to EUR 771.7 million. This increase is mainly related to the increase in trade accounts payable of EUR 51.8 million, which is attributable to higher operating activities. The share of current liabilities in total assets increased to 35.3% (31 December 2016: 33.3%).

Net working capital and
net working capital/revenue
Five-quarter overview in million EUR / in %



OPPORTUNITIES AND RISKS

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

RISK MANAGEMENT

The Group's risk management provides support in the strategic planning and day-to-day decision-making to pursue and to manage the Group's objectives within the set appetite for risk. The risk management objectives are to detect threats and exploit opportunities at an early stage and respond in a way that is conducive to achieving strategic goals and continuously increasing the value of the Company. A standardized Enterprise Risk Management (ERM) system has been implemented across the Group to ensure systematic and efficient risk management by means of consistent guidelines. The ERM is an integral component of the annual strategy process and of the Group's culture, enabling risk identification, a comprehensive risk analysis including probability of occurrence, impact measurement, and corresponding mitigating action.

Risk categories

> Political and regulatory risks
> Risks relating to the future economic development
> Environmental risks
> Risks from IT security and internal processes
> Personnel risks
> Financial risks (foreign currency, interest rate, commodity price, credit and liquidity risk)

OPPORTUNITY MANAGEMENT

From its starting point as a collection of complementary companies, the Group became increasingly cohesive between 2003 and 2016. The Group's market success is attributable in no small way to its consistent and systematic strategy process, which is managed and supported by the Board of Directors, Executive Board and Corporate Business Development. We collect and analyze information about the market, production, and research and development both at division level and centrally from a Group perspective as the basis for strategic decision-making. This allows well-informed strategic decisions to be taken at Group level and then implemented in cooperation with the Business Unit Heads. Our approach allows us to derive opportunities for our Company from the risks inherent in all business activities.

For further information on opportunities and risks, see the annual report 2016 on pages 60–65.

OUTLOOK

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

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

Disparate trends are expected in the most significant industrial sectors

The boom in the automobile industry continued in the early months of 2017. The outlook, however, is more reserved – with a slowdown expected in the automobile sector, particularly in Europe. Nevertheless, for the rest of the fiscal year 2017, we expect to see robust demand for our products from this sector. The mechanical and plant engineering industry saw a slight increase in the first quarter of 2017. Some experts are now anticipating an end to the stagnation for the year as a whole, which we consider overly optimistic. From today's perspective, we believe that the more realistic scenario for the industry is to flatline at current levels. The energy sector, by contrast, bottomed out in 2016 with oil and gas prices reaching their lowest point. Likewise, investments in renewable energy generation using solar and wind energy are on the up. This is likely to lead to solid demand in this sector, albeit from a low base line. In sum, for the remaining part of 2017, we are forecasting a slightly more favorable business environment in comparison to the prior year, even if the most important sectors we serve are not expected to see sustained growth.

Outlook 2017 for the SCHMOLZ + BICKENBACH Group

In the first quarter of 2017, we reaped the benefits of the work put in over the last two years. The Company is now on a more stable operating and financial foundation than it was two years ago. Structural measures and cost savings mean that a lower level of revenue is needed to break even. Consequently, a clear rise in profitability was achieved. The improved market environment intensified these positive effects. However, the first three months cannot conceal the fact that according to our estimates, the steel industry is far from a sustainable, strong upturn. It is rather returning to normal after a pronounced slump.

In the next few months, we will continue to train our sights on expanding our own strengths. We will bring the restructuring of Deutsche Edelstahlwerke and other measures to a successful conclusion – for example, closing down production in Boxholm, Sweden. We will make targeted investments to improve our innovative strengths and technology leadership and align the Company more closely to the market. And last but not least, we will keep a strict focus on cost discipline.

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

Financial reporting

SCHMOLZ + BICKENBACH Group

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CONSOLIDATED INCOME STATEMENT

in million EUR	Note	1.1.–31.3.2017	1.1.–31.3.2016
Revenue		707.6	603.6
Change in semi-finished and finished goods		18.5	–20.5
Cost of materials		–441.8	–352.9
Gross profit		**284.3**	**230.2**
Other operating income	6	7.7	8.1
Personnel costs		–147.8	–142.7
Other operating expenses	6	–77.9	–73.7
Operating profit before depreciation, amortization and impairments		**66.3**	**21.9**
Depreciation, amortization and impairments	9	–31.7	–30.2
Operating profit		**34.6**	**–8.3**
Financial income	7	11.1	0.3
Financial expense	7	–18.3	–11.6
Financial result		**–7.2**	**–11.3**
Earnings before taxes		**27.4**	**–19.6**
Income taxes	8	–10.9	–4.4
Earnings after taxes from continuing operations		**16.5**	**–24.0**
Earnings after taxes from discontinued operations		0.0	–0.4
Net income (loss)		**16.5**	**–24.4**
of which attributable to			
– shareholders of SCHMOLZ + BICKENBACH AG		15.9	–25.0
of which from continuing operations		15.9	–24.6
of which from discontinued operations		0.0	–0.4
– non-controlling interests		0.6	0.6
Earnings per share in EUR (basic/diluted)		**0.02**	**–0.03**
Earnings per share in EUR (basic/diluted) from continuing operations		**0.02**	**–0.03**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	Note	1.1.–31.3.2017	1.1.–31.3.2016
Net income (loss)		**16.5**	**–24.4**
Gains/(losses) from currency translation		–1.6	–6.2
Change in unrealized gains/(losses) from cash flow hedges		–0.2	0.0
Items that may be reclassified subsequently to profit or loss		**–1.8**	**–6.2**
Actuarial gains/(losses) from pension-related and similar obligations	11	4.2	–42.4
Tax effect from pensions and similar obligations		–1.4	10.6
Items that will not be reclassified subsequently to profit or loss		**2.8**	**–31.8**
Other comprehensive income (loss)		**1.0**	**–38.0**
Total comprehensive loss		**17.5**	**–62.4**
of which attributable to			
– shareholders of SCHMOLZ + BICKENBACH AG		16.9	–63.0
of which from continuing operations		16.9	–62.6
of which from discontinued operations		0.0	–0.4
– non-controlling interests		0.6	0.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31.3.2017		31.12.2016	
	Note	in million EUR	%	in million EUR	%
Assets					
Intangible assets	9	27.4		28.1	
Property, plant and equipment	9	866.5		889.1	
Other non-current assets		1.5		1.5	
Non-current income tax assets		10.1		10.1	
Other non-current financial assets		1.5		1.5	
Deferred tax assets		57.8		64.4	
Total non-current assets		**964.8**	**44.2**	**994.7**	**48.6**
Inventories	10	670.7		630.2	
Trade accounts receivable		438.3		333.1	
Current financial assets		0.5		0.3	
Current income tax assets		3.8		5.5	
Other current assets		57.7		39.4	
Cash and cash equivalents		47.4		43.7	
Assets held for sale		0.1		0.1	
Total current assets		**1 218.5**	**55.8**	**1 052.3**	**51.4**
Total assets		**2 183.3**	**100.0**	**2 047.0**	**100.0**
Shareholders' equity and liabilities					
Share capital		378.6		378.6	
Capital reserves		952.8		952.8	
Retained earnings (accumulated losses)		−590.4		−606.7	
Accumulated income and expense recognized in other comprehensive income (loss)		−63.6		−64.6	
Treasury shares		−0.1		−0.1	
Attributable to shareholders of SCHMOLZ + BICKENBACH AG		**677.3**		**660.0**	
Non-controlling interests		8.1		7.5	
Total shareholders' equity		**685.4**	**31.4**	**667.5**	**32.6**
Pension liabilities	11	322.8		326.6	
Other non-current provisions		36.6		37.5	
Deferred tax liabilities		47.4		47.1	
Non-current financial liabilities	12	317.5		281.9	
Other non-current liabilities		1.9		3.8	
Total non-current liabilities		**726.2**	**33.3**	**696.9**	**34.1**
Current provisions		35.1		35.1	
Trade accounts payable		399.7		347.9	
Current financial liabilities	12	199.7		181.7	
Current income tax liabilities		4.6		3.4	
Other current liabilities		132.6		114.5	
Total current liabilities		**771.7**	**35.3**	**682.6**	**33.3**
Total liabilities		**1 497.9**	**68.6**	**1 379.5**	**67.4**
Total shareholders' equity and liabilities		**2 183.3**	**100.0**	**2 047.0**	**100.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

in million EUR	Note	1.1.– 31.3.2017	1.1.– 31.3.2016
Earnings before taxes		27.4	–19.6
Depreciation, amortization and impairments		31.7	30.2
Gain/loss on disposal of intangible assets, property, plant and equipment and financial assets		–0.1	–0.2
Increase/decrease in other assets and liabilities		8.4	2.9
Financial income		–11.1	–0.3
Financial expense		18.3	11.6
Income taxes paid		–0.9	–1.9
Cash flow before changes in net working capital		**73.7**	**22.7**
Change in inventories		–40.6	27.6
Change in trade accounts receivable		–105.5	–54.4
Change in trade accounts payable		51.6	7.3
Cash flow from operating activities	**A**	**–20.8**	**3.2**
Investments in property, plant and equipment		–10.8	–16.6
Proceeds from disposal of property, plant and equipment		0.4	0.3
Investments in intangible assets		–0.4	–0.5
Interest received		0.2	0.3
Cash flow from investing activities	**B**	**–10.6**	**–16.5**
Change of financial liabilities		42.9	12.5
Investment in treasury shares		0.0	–0.5
Investments in shares in previously consolidated companies		–3.1	0.0
Interest paid		–4.8	–5.5
Cash flow from financing activities	**C**	**35.0**	**6.5**
Change in cash and cash equivalents due to cash flow	**A+B+C**	**3.6**	**–6.8**
Effect of foreign currency translation		0.1	–0.8
Change in cash and cash equivalents		**3.7**	**–7.6**
Cash and cash equivalents as at 1.1.		43.7	53.2
Cash and cash equivalents as at 31.3.		47.4	45.6
Change in cash and cash equivalents		**3.7**	**–7.6**
Free cash flow	**A+B**	**–31.4**	**–13.3**

Since no cash flows from discontinued operations were incurred in the current quarter or quarter of the previous year, a detailed statement of cash flows from discontinued and continued operations has been abandoned.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in million EUR	Share capital	Capital reserves	Retained earnings (accumulated losses)	Accumulated income and expense recognized in other comprehensive income	Treasury shares	**Attributable to shareholders of SCHMOLZ + BICKENBACH AG**	Non-controlling interests	**Total shareholders' equity**
As at 1.1.2016	**378.6**	**952.8**	**−526.5**	**−67.2**	**−0.1**	**737.6**	**13.0**	**750.6**
Purchase of treasury shares	0.0	0.0	0.0	0.0	−0.5	**−0.5**	0.0	−0.5
Capital transactions with shareholders	**0.0**	**0.0**	**0.0**	**0.0**	**−0.5**	**−0.5**	**0.0**	**−0.5**
Net income (loss)	0.0	0.0	−25.0	0.0	0.0	**−25.0**	0.6	−24.4
Other comprehensive income (loss)	0.0	0.0	0.0	−38.0	0.0	**−38.0**	0.0	−38.0
Total comprehensive income (loss)	**0.0**	**0.0**	**−25.0**	**−38.0**	**0.0**	**−63.0**	**0.6**	**−62.4**
As at 31.3.2016	**378.6**	**952.8**	**−551.5**	**−105.2**	**−0.6**	**674.1**	**13.6**	**687.7**
As at 1.1.2017	**378.6**	**952.8**	**−606.7**	**−64.6**	**−0.1**	**660.0**	**7.5**	**667.5**
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**	**0.0**	**0.4**	**0.0**	**0.4**
Net income (loss)	0.0	0.0	15.9	0.0	0.0	**15.9**	0.6	16.5
Other comprehensive income (loss)	0.0	0.0	0.0	1.0	0.0	**1.0**	0.0	1.0
Total comprehensive income (loss)	**0.0**	**0.0**	**15.9**	**1.0**	**0.0**	**16.9**	**0.6**	**17.5**
As at 31.3.2017	**378.6**	**952.8**	**−590.4**	**−63.6**	**−0.1**	**677.3**	**8.1**	**685.4**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ABOUT THE COMPANY

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

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 2 May 2017.

1 ACCOUNTING POLICIES

The Group prepared these interim condensed consolidated financial statements of SCHMOLZ + BICKENBACH AG for the first three months of 2017 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 2016. This quarterly report is presented in euro. Unless otherwise stated, monetary amounts are denominated in millions of euro.

2 SIGNIFICANT ACCOUNTING JUDGMENTS, 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 recognized assets and liabilities, income and expenses, and contingent liabilities. Actual amounts may differ from the estimates.

3 STANDARDS AND INTERPRETATIONS APPLIED

The relevant accounting policies applied in the interim condensed consolidated financial statements are consistent with those used for the most recent consolidated financial statements prepared as at the end of the fiscal year 2016. The new or revised standards that are mandatory for fiscal years as at 1 January 2017 have no effects on these interim financial statements.

4 SEASONAL EFFECTS

There are slight seasonal effects on sales and revenue in both segments of the Group. These effects are attributable to the number of working days in the second half of the year, which is regularly lower due to our customers' vacation periods in July and August as well as the second half of December. These periods are associated with plant downtime in some cases. The effects are particularly pronounced in the third quarter, which is affected by the summer vacation period. Fixed costs are distributed fairly equally over all four quarters, however. Furthermore, the majority of general overhaul work on production and processing plants is carried out over the summer during plant downtime. As a result, expenses for servicing and maintenance as well as capital expenditures are usually at their highest in the third quarter. Inventories of semi-finished and finished goods are usually increased over the summer months. 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 receivables and payables, 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 results, however.

5 SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

In December 2016, it was agreed to found a joint venture with the TSHINGSHAN GROUP, in which SCHMOLZ + BICKENBACH will hold a 60% share. The associated closing is expected in the second quarter of 2017 and the purchase price is estimated to be around EUR 3.7 million.

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

6 OTHER OPERATING INCOME AND EXPENSES

Other operating income of EUR 7.7 million (2016: EUR 8.1 million) comprises a number of items which are immaterial both individually and when aggregated and are therefore not presented separately.

Other operating expenses can be broken down as follows:

in million EUR	1.1.–31.3.2017	1.1.–31.3.2016
Freight, commission	21.6	21.0
Maintenance, repairs	17.1	13.5
Holding and administration expenses	7.3	6.2
Fees and charges	6.2	5.4
Rent and lease expenses	4.4	4.7
Consultancy and audit services	3.5	6.2
IT expenses	5.1	3.9
Losses on disposal of intangible assets, property, plant and equipment, and financial assets	0.4	0.0
Non-income taxes	4.8	4.7
Net exchange losses (net)	0.0	0.1
Miscellaneous expense	7.5	8.0
Total	**77.9**	**73.7**

The miscellaneous expense of EUR 7.5 million (2016: EUR 8.0 million) comprises a number of individually immaterial items which cannot be allocated to another category.

All exchange gains and losses on receivables and liabilities or derivative currency contracts concluded to hedge these are presented as other operating expenses or income, depending on whether the net figure is negative or positive.

The net figures break down as follows:

in million EUR	1.1.–31.3.2017	1.1.–31.3.2016
Exchange gains	11.1	15.0
Exchange losses	10.8	15.1
Net exchange gains/(losses)	**0.3**	**–0.1**

7 FINANCIAL RESULT

in million EUR	1.1.–31.3.2017	1.1.–31.3.2016
Interest income	0.2	0.2
Other financial income	10.9	0.1
Financial income	**11.1**	**0.3**
Interest expense on financial liabilities	–9.0	–8.9
Net interest expense on pension provisions and plan assets	–1.3	–1.5
Other financial expense	–8.0	–1.2
Financial expense	**–18.3**	**–11.6**
Financial result	**–7.2**	**–11.3**

Other financial income consists of a measurement gain of EUR 10.9 million (2016: EUR 0.1 million) attributable to the remeasurement option attached to the bond issued in 2012. The measurement gain represents the planned refinancing of the current bond at better conditions.

As at the balance sheet date, the management came to the conclusion that the early repayment of the existing bond in May 2017 is likely. Therefore, other financial expenses include the accelerated amortization of remaining transaction costs as well as the premium for early repayment totally amounting EUR 6.6 million.

8 INCOME TAXES

in million EUR	1.1.– 31.3.2017	1.1.– 31.3.2016
Current taxes	4.7	2.4
Deferred taxes	6.2	2.0
Income tax expense/(income)	**10.9**	**4.4**

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 2017 was 39.7% (2016: –22.4%). This rate derives from the tax rates of the individual countries in which the Group operates, weighted for earnings before taxes.

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

in million EUR	1.1.– 31.3.2017	1.1.– 31.12.2016	1.1.– 31.3.2016
Opening balance at the beginning of the period	17.3	19.7	19.7
Changes from continuing operations recognized in profit and loss	–6.2	–5.1	–2.0
Changes recognized in other comprehensive income	–1.4	4.1	10.6
Foreign currency effects	0.7	–1.4	1.5
Closing balance at the end of the period	**10.4**	**17.3**	**29.8**

9 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets did not change significantly in the first three months. The figures as at 31 March 2017 are presented below.

in million EUR	Concessions, licenses and similar rights	Purchased brands and customer lists	Prepayments on intangible assets	Goodwill	Total
Cost as at 1.1.2016	**78.7**	**25.2**	**1.1**	**6.0**	**111.0**
Additions	4.5	0.0	1.4	0.0	5.9
Disposals	−0.7	−0.1	0.0	0.0	−0.8
Reclassifications	1.3	0.0	−1.3	0.0	0.0
Foreign currency effects	0.5	0.3	0.0	−0.1	0.7
Cost as at 31.12.2016	**84.3**	**25.4**	**1.2**	**5.9**	**116.8**
Additions	0.0	0.0	0.4	0.0	0.4
Reclassifications	0.2	0.0	−0.2	0.0	0.0
Foreign currency effects	−0.1	−0.2	0.0	0.0	−0.3
Cost as at 31.3.2017	**84.4**	**25.2**	**1.4**	**5.9**	**116.9**
Accumulated amortization and impairments as at 1.1.2016	**−71.6**	**−8.5**	**0.0**	**−2.9**	**−83.0**
Amortization	−4.1	−0.6	0.0	0.0	−4.7
Impairment	0.0	−1.4	0.0	0.0	−1.4
Disposals	0.7	0.1	0.0	0.0	0.8
Foreign currency effects	−0.5	0.2	0.0	−0.1	−0.4
Accumulated amortization and impairments as at 31.12.2016	**−75.5**	**−10.2**	**0.0**	**−3.0**	**−88.7**
Amortization	−0.8	−0.1	0.0	0.0	−0.9
Foreign currency effects	0.1	0.0	0.0	0.0	0.1
Accumulated amortization and impairments as at 31.3.2017	**−76.2**	**−10.3**	**0.0**	**−3.0**	**−89.5**
Net carrying amount as at 31.12.2016	**8.8**	**15.2**	**1.2**	**2.9**	**28.1**
Net carrying amount as at 31.3.2017	**8.2**	**14.9**	**1.4**	**2.9**	**27.4**

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

The breakdown of property, plant and equipment into their subcategories can be seen below. Most of the additions are attributable to the *Production* division.

in million EUR	Land and buildings	Plant and equipment	Prepayments/plant under construction	Total
Cost as at 1.1.2016	**718.3**	**2317.8**	**70.2**	**3106.3**
Additions	1.0	51.6	42.0	94.6
Disposals	−0.5	−28.5	−0.1	−29.1
Reclassifications	3.1	50.0	−53.1	0.0
Foreign currency effects	5.8	19.0	0.8	25.6
Cost as at 31.12.2016	**727.7**	**2409.9**	**59.8**	**3197.4**
Additions	0.1	3.2	7.6	10.9
Disposals	−0.1	−6.9	0.0	−7.0
Reclassifications	0.8	7.2	−8.0	0.0
Foreign currency effects	−0.4	−1.7	−0.2	−2.3
Cost as at 31.3.2017	**728.1**	**2411.7**	**59.2**	**3199.0**
Accumulated depreciation and impairments as at 1.1.2016	**−403.0**	**−1796.9**	**0.0**	**−2199.9**
Depreciation	−16.8	−103.2	0.0	−120.0
Impairment	−0.2	−0.2	0.0	−0.4
Disposals	0.4	27.6	0.0	28.0
Foreign currency effects	−3.1	−12.9	0.0	−16.0
Accumulated depreciation and impairments as at 31.12.2016	**−422.7**	**−1885.6**	**0.0**	**−2308.3**
Depreciation	−4.2	−26.6	0.0	−30.8
Disposals	0.0	6.6	0.0	6.6
Foreign currency effects	−0.4	0.4	0.0	0.0
Accumulated depreciation and impairments as at 31.3.2017	**−427.3**	**−1905.2**	**0.0**	**−2332.5**
Net carrying amount as at 31.12.2016	**305.0**	**524.3**	**59.8**	**889.1**
Net carrying amount as at 31.3.2017	**300.8**	**506.5**	**59.2**	**866.5**

10 INVENTORIES

Inventories as at 31 March 2017 as well as at 31 December 2016 break down as follows:

in million EUR	31.3.2017	31.12.2016
Raw materials, consumables and supplies	105.6	103.6
Semi-finished goods and work in progress	282.0	250.2
Finished goods and merchandise	283.1	276.4
Total	**670.7**	**630.2**

11 PENSIONS

On the one hand, there are «Defined Benefit Plans» in the Group, on the other hand, there are «Defined Contribution Plans», where contractually defined amounts are transferred to an external pension institution. Most of the plans are, however, defined benefit plans, in which the employer undertakes to deliver the agreed pension benefits to its employees.

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

	Defined benefit obligation		Fair value of plan assets		Net liability	
in million EUR	1.1.–31.3. 2017	1.1.–31.12. 2016	1.1.–31.3. 2017	1.1.–31.12. 2016	1.1.–31.3. 2017	1.1.–31.12. 2016
Present value of defined benefit obligations/Fair value of plan assets at the beginning of the period	**636.9**	**611.1**	**311.6**	**294.1**	**325.3**	**317.0**
Current service cost	2.7	12.4	0.0	0.0	2.7	12.4
Administration expenses	0.0	0.0	–0.1	–0.7	0.1	0.7
Interest cost/(income)	1.9	9.4	0.6	3.4	1.3	6.0
Past service costs	0.0	–4.0	0.0	0.0	0.0	–4.0
Net pension expenses/(income)	**4.6**	**17.8**	**0.5**	**2.7**	**4.1**	**15.1**
Return on plan assets less interest income	0.0	0.0	0.0	10.0	0.0	–10.0
Actuarial (gains)/losses from changes in demographic assumptions	0.0	–2.5	0.0	0.0	0.0	–2.5
Actuarial (gains)/losses from changes in financial assumptions	–4.2	28.0	0.0	0.0	–4.2	28.0
Actuarial (gains)/losses from experience adjustments	0.0	–7.9	0.0	0.0	0.0	–7.9
Remeasurement effects included in other comprehensive income	**–4.2**	**17.6**	**0.0**	**10.0**	**–4.2**	**7.6**
Employer contributions	0.0	0.0	3.9	15.6	–3.9	–15.6
Employee contributions	1.2	4.8	1.2	4.8	0.0	0.0
Benefit payments	–6.7	–20.9	–6.7	–20.9	0.0	0.0
Foreign currency effects	0.6	6.5	0.5	5.3	0.1	1.2
Present value of defined benefit obligations/Fair value of plan assets at the end of the period	**632.4**	**636.9**	**311.0**	**311.6**	**321.4**	**325.3**
Provisions from obligations similar to pensions	1.4	1.3	0.0	0.0	1.4	1.3
Total provisions for pensions and obligations similar to pensions	**633.8**	**638.2**	**311.0**	**311.6**	**322.8**	**326.6**

Actuarial gains primarily result from the slight increase in discount rates as at 31 March 2017 in the euro area and the US compared to the prior year as at 31 December 2016.

An improvement in earnings was recognized in the income statement in the prior year. This resulted from the reduction in the pension conversion rates in Switzerland. The recalculation of the present value of the defined benefit obligations resulted in a non-recurring gain of EUR 3.5 million, which was immediately posted to other comprehensive income. The actuarial losses in 2016 chiefly resulted from the lower discount rates in Switzerland and the euro area compared to the prior year.

As at the reporting date, the main driver of the measurement of the pension obligations, the discount rates, were evaluated critically. These were adjusted if not within the appropriate range. The following valuation assumptions were used.

in %	Switzerland		Euro area		USA		Canada	
	31.3.2017	31.12.2016	31.3.2017	31.12.2016	31.3.2017	31.12.2016	31.3.2017	31.12.2016
Discount rate	0.5	0.5	1.9	1.8	3.9	3.8	3.6	3.8
Salary trend	1.5	1.5	1.8–3.0	1.8–3.0	nm	nm	3.0	3.0

12 FINANCIAL LIABILITIES

Financial liabilities break down as follows as at 31 March 2017:

in million EUR	31.3.2017	31.12.2016
Syndicated loan	123.1	93.1
Other bank loans	20.0	21.3
Bond	171.7	164.6
Liabilities from finance leases	2.7	2.9
Total non-current	**317.5**	**281.9**
Other bank loans	7.8	7.8
ABS financing program	183.7	169.9
Liabilities from finance leases	1.1	1.1
Other financial liabilities	7.1	2.9
Total current	**199.7**	**181.7**

Other current financial liabilities include accrued interest for the bond of EUR 6.2 million (31 December 2016: EUR 2.1 million).

13 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities from guarantees, warranties and purchase commitments totaled EUR 21.3 million as at 31 March 2017 (31 December 2016: EUR 21.2 million).

14 FAIR VALUE MEASUREMENT CONSIDERATIONS

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

As at 31 March 2017, the bond had a fair value (Level 1) of EUR 175.2 million (31 December 2016: EUR 176.3 million).

The carrying amount of the bond as at 31 March 2016 was EUR 171.7 million (31 December 2016: EUR 164.6 million).

As at 31 March 2017, a positive fair value of EUR 15.5 million (31 December 2016: EUR 4.6 million) was recognized for embedded derivative financial instruments (Level 2). This value is attributable to the call option of the bond issued by SCHMOLZ + BICKENBACH Luxembourg S.A: (LU) in May 2012.

The fair value of bond repurchase options was calculated using an option pricing model. The main drivers of the fair value are the change in the market interest rate level, the change of the credit spread as well as the volatility of market interest rate level and credit spread. The payment profile of the repurchase options is determined using the value, which represents the deviation of the present value of future interest and principal repayments from the repayment amount as at the date of termination. The bonds carried at amortized cost take into consideration the value determined while the embedded option was issued.

15 SUBSEQUENT EVENTS

SCHMOLZ + BICKENBACH issued a corporate bond on 24 April 2017 with a final maturity date of 15 July 2022. Senior secured notes of EUR 200 million will be offered by the subsidiary SCHMOLZ + BICKENBACH Luxembourg Finance S.A. (LU). The notes will have a coupon of 5.625% p.a. Interest is payable semiannually on 15 January and 15 July. Bonds issued on 16 May 2012 will be repaid prematurely on 15 May 2017 with the new bonds.

The repayment option will be derecognized through financial expense in the course of the replacement of this bond in the second quarter of 2017.

Furthermore, the syndicated loan of EUR 375 million was extended at better conditions and the ABS financing program of EUR 230 million and USD 75 million was extended until 2022, respectively.

16 SEGMENT REPORTING

The Group is presented in accordance with its internal reporting and organizational 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 2017.

	Production		Sales & Services	
in million EUR	**1.1.–31.3.2017**	1.1.–31.3.2016	**1.1.–31.3.2017**	1.1.–31.3.2016
Third-party revenue	575.5	484.3	132.1	119.3
Intersegment revenue	81.5	64.3	0.0	0.0
Total revenue	**657.0**	**548.6**	**132.1**	**119.3**
Operating profit before depreciation and amortization (EBITDA)	**62.6**	**20.6**	**7.6**	**4.0**
Depreciation and amortization of intangible assets, property, plant and equipment	–29.6	–28.0	–1.2	–1.1
Operating profit (loss) (EBIT)	**33.0**	**–7.4**	**6.4**	**2.9**
Financial income	0.8	1.4	0.9	0.7
Financial expense	–8.9	–9.5	–1.9	–1.9
Earnings before taxes (EBT) from continuing operations	**24.9**	**–15.5**	**5.4**	**1.7**
Segment investments [1]	10.5	16.7	0.6	0.6
Segment operating free cash flow [2]	–44.1	–9.5	10.7	6.8
in million EUR	31.3.2017	31.12.2016	31.3.2017	31.12.2016
Segment assets [3]	1 809.0	1 686.0	249.1	228.1
Segment liabilities [4]	381.2	332.3	111.6	86.4
Segment assets less segment liabilities (capital employed)	**1 427.8**	**1 353.7**	**137.5**	**141.7**
Employees as at closing date	7 546	7 526	1 234	1 239

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

2) Segment operating free cash flow: Adjusted EBITDA +/– change in net working capital (inventories, trade accounts receivable and payable valued at spot rate), less segment investments less capitalized borrowing costs.

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

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

		Reconciliation					
Total operating segments		Holdings		Eliminations/adjustments		Total	
1.1.–31.3.2017	1.1.–31.3.2016	**1.1.–31.3.2017**	1.1.–31.3.2016	**1.1.–31.3.2017**	1.1.–31.3.2016	**1.1.–31.3.2017**	1.1.–31.3.2016
707.6	603.6	0.0	0.0	0.0	0.0	707.6	603.6
81.5	64.3	0.0	0.0	−81.5	−64.3	0.0	0.0
789.1	**667.9**	**0.0**	**0.0**	**−81.5**	**−64.3**	**707.6**	**603.6**
70.2	**24.6**	**−3.8**	**−5.5**	**−0.1**	**2.8**	**66.3**	**21.9**
−30.8	−29.1	−0.9	−0.9	0.0	−0.2	−31.7	−30.2
39.4	**−4.5**	**−4.7**	**−6.4**	**−0.1**	**2.6**	**34.6**	**−8.3**
1.7	2.1	19.6	9.4	−10.2	−11.2	11.1	0.3
−10.8	−11.4	−17.7	−11.4	10.2	11.2	−18.3	−11.6
30.3	**−13.8**	**−2.8**	**−8.4**	**−0.1**	**2.6**	**27.4**	**−19.6**
11.1	17.3	0.2	0.1	0.0	0.0	11.3	17.4
−33.4	−2.7	−3.5	−3.4	−1.8	0.4	−38.7	−5.7
31.3.2017	31.12.2016	31.3.2017	31.12.2016	31.3.2017	31.12.2016	31.3.2017	31.12.2016
2058.1	1914.1	40.3	41.1	84.9	91.8	2183.3	2047.0
492.8	418.7	2.4	2.2	1002.7	958.6	1497.9	1379.5
1565.3	**1495.4**						
8780	8765	109	112			8889	8877

Additional information

SCHMOLZ + BICKENBACH AG

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MEMBERS OF THE BOARD OF DIRECTORS

The following overview provides details of the composition of the Board of Directors as at the reporting date.

SCHMOLZ + BICKENBACH AG Board of Directors

Edwin Eichler (DE) [1]
Year of birth 1958
Chairman
Compensation Committee (Chairman)
Member since 2013
Elected until 2017

Martin Haefner (CH) [2]
Year of birth 1954
Vice Chairman
Audit Committee (Member)
Member since 2016
Elected until 2017

Michael Büchter (DE) [2]
Year of birth 1949
Audit Committee (Chairman)
Member since 2013
Elected until 2017

Marco Musetti (CH) [1]
Year of birth 1969
Compensation Committee (Member)
Member since 2013
Elected until 2017

Vladimir Polienko (RUS) [1]
Year of birth 1980
Member since 2016
Elected until 2017

Dr. Heinz Schumacher (DE) [2]
Year of birth 1948
Compensation Committee (Member)
Member since 2013
Elected until 2017

Dr. Oliver Thum (DE) [3]
Year of birth 1971
Audit Committee (Member)
Member since 2013
Elected until 2017

1) Representative of the Renova group.
2) Independent member.
3) Representative of SCHMOLZ + BICKENBACH GmbH & Co. KG.

Unless otherwise stated, the members of the Board have no significant business relationships with Group companies. For details of business relationships with certain companies represented by members of the Board of Directors, including, but not limited to, the Renova Group and associates of SCHMOLZ + BICKENBACH GmbH & Co. KG, see the notes to the consolidated financial statements in the annual report 2016, note 31, Related party disclosures.

MEMBERS OF THE EXECUTIVE BOARD

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

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

LEGAL INFORMATION

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

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

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

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