ANNUAL REPORT 2014

ON TRACK.
To a successful future.

SCHMOLZ + BICKENBACH AG

Providing special steel solutions

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

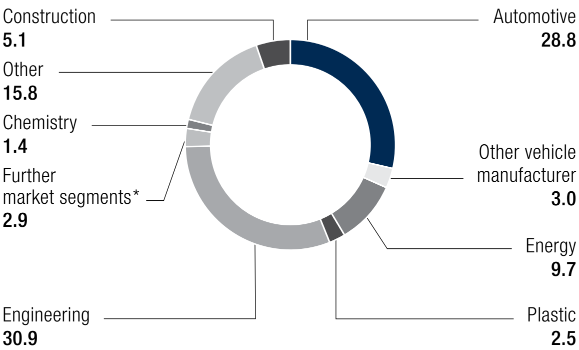
Our key figures

	Unit	2014	2013	Change on prior year %	Q4 2014	Q4 2013	Change on prior year %
SCHMOLZ + BICKENBACH GROUP							
Sales volume	kilotonnes	2135	2054	3.9	488	491	–0.6
Revenue	million EUR	3338.4	3276.7	1.9	785.3	752.0	4.4
Adjusted EBITDA	million EUR	261.7	178.8	46.4	62.3	43.0	44.9
Operating profit before depreciation and amortisation (EBITDA)	million EUR	252.6	141.7	78.3	59.2	15.1	> 100
Adjusted EBITDA margin (%)	%	7.8	5.5	41.8	7.9	5.7	38.6
EBITDA margin (%)	%	7.6	4.3	76.7	7.5	2.0	> 100
Operating profit (loss) (EBIT)	million EUR	130.6	17.8	> 100	28.9	–16.1	> 100
Earnings before taxes (EBT)	million EUR	79.7	–87.6	> 100	11.4	–48.5	> 100
Net income (loss) (EAT)	million EUR	50.0	–83.7	> 100	4.2	–39.2	> 100
Investments	million EUR	100.8	105.7	–4.6	41.0	44.0	–6.8
Free cash flow	million EUR	82.9	73.7	12.5	61.0	56.2	8.5
Capital employed	million EUR	1891.2	1841.3	2.7	–	–	–
Total assets	million EUR	2509.6	2377.5	5.6	–	–	–
Shareholders' equity	million EUR	900.9	889.9	1.2	–	–	–
Equity ratio	%	35.9	37.4	–4.0	–	–	–
Net debt	million EUR	587.2	610.1	–3.8	–	–	–
Gearing	%	65.2	68.6	–5.0	–	–	–
Employees as at closing date	positions	10000	10095	–0.9	–	–	–
SCHMOLZ + BICKENBACH AG							
Net income	million CHF	10.1	15.6	–35.3	–	–	–
Share capital	million CHF	472.5	472.5	0.0	–	–	–
Shareholders' equity	million CHF	1501.5	1491.4	0.7	–	–	–
Total dividend	million CHF	0.0	0.0	0.0	–	–	–
SCHMOLZ + BICKENBACH SHARE							
Earnings per share [1]	EUR/CHF	0.05/0.06	–0.26/–0.32	–	–	–	–
Shareholders' equity per share	EUR/CHF	0.94/1.13	0.93/1.14	–	–	–	–
Highest/lowest share price	CHF	1.51/1.00	1.34/0.58	–	–	–	–
Dividend per share	CHF	0.0	0.0	–	–	–	–
Payout ratio of net income	%	0.0	0.0	–	–	–	–

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

REVENUE BY MARKET SEGMENT 2014

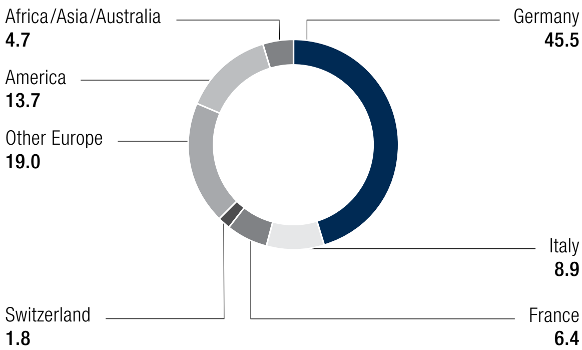
End-user in %



* Aerospace 0.6%, Mining 1.0%, Food and beverage 1.3%

REVENUE BY REGION 2014

in %



Our business model

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

DIVISIONS

PRODUCTION

- SCHMOLZ + BICKENBACH has nine steelworks of its own as well as ten processing plants in Europe and North America.
- The Group stands out from the competition thanks to its know-how and expertise, coupled with state-of-the-art-facilities
- Our own steelworks cover the entire special long steel product portfolio
- Products in the portfolio range from the finest 0.013mm wire to 40t ingots
- Energy-efficient steelworks
- Innovation – Ugitech with its state-of-the-art research facility – DEW with its new secondary metallurgic centre

SALES & SERVICES

- Consistent and reliable supply of special steel and end-to-end solutions to around 85 sales and service branches around the world
- Finely meshed network of global distribution channels in our key markets and continuous information exchange between *Production* and *Sales & Services* guarantee customised solutions from a single source
- Technical advice around product requirements
- Downstream mechanical preprocessing, thermal treatment and supply chain management services

KEY FIGURES
PRODUCTION

	1.1.–31.12.2014	Change on prior year %
in million EUR		
Revenue	2 668.6	4.1
Adjusted EBITDA	239.2	42.0

KEY FIGURES
SALES & SERVICES

	1.1.–31.12.2014	Change on prior year %
in million EUR		
Revenue	1 074.4	– 7.2
Adjusted EBITDA	30.5	> 100

SPECIAL LONG STEEL PRODUCT LINES

1› TOOL STEEL

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

13% share in revenue
No. 2 worldwide

2› STAINLESS STEEL

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

36% share in revenue
No. 2 worldwide

3› ENGINEERING STEEL

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

47% share in revenue
No. 2 in Europe

ON TRACK

The Group is making good progress. In the fiscal year 2014, we successfully rolled out the new business model and shifted our focus to our core competence in the production of premium special long steel solutions. Our activities are geared towards our customers – and their individual requirements. With new structures in place, we are implementing the strategy with a CLEAR FOCUS.

Strong success factors add up to a SOUND BASIS. As a technological leader, we enjoy close proximity to our customers, who appreciate our excellent service quality and technical application advice.

We pursue a uniform Group strategy. With motivated and qualified employees and an experienced management team, our FUTURE IS SET FOR SUCCESS.

TO A SUCCESSFUL FUTURE

2013

EUR **178.8** million

ADJUSTED EBITDA

The Group's earnings position has improved significantly and sustainably.

2014

EUR 261.7 million

ADJUSTED EBITDA. THAT'S AN INCREASE OF 46.4%.

FOCUS:
CORE COMPETENCES

A one-stop shop for a broad range of special long steel products and service

Around EUR **1.4** billion has been invested in modern production facilities over the last ten years.

We are building on our position as a producer of premium special steel long products.

The SCHMOLZ + BICKENBACH Group focuses on its core competence in tool, stainless and engineering steel. We leverage major synergies thanks to our culture of technical exchange within the Group and our integrated R&D strategy. Development projects in partnership with our customers are an important component in safeguarding our future success and tapping into new growth potential.

We enjoy a competitive position as one of the leading global providers in the key sub-markets for special long steel. Ongoing efforts under our efficiency improvement programme and better leverage of synergies mean that we are well equipped for the future.

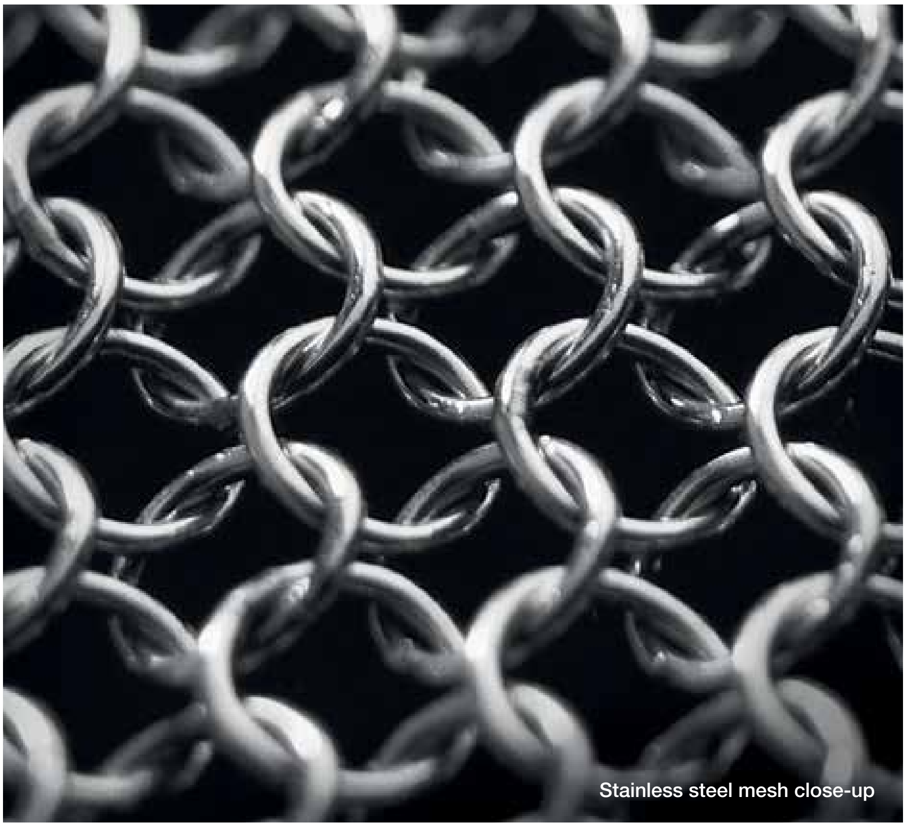
Our product portfolio ranges from ultrafine wire **0.013** mm to ingots **>40** t.

A fully integrated service portfolio: our flexibility is built on individual consulting services, a wide delivery range and complementary logistics solutions.

Our core competence

SCHMOLZ + BICKENBACH combines all the advantages of a fully integrated group. As a global operator and leading producer of premium special steel long products, we maintain close proximity to our customers in all key markets thanks to an international sales and service network. This is coupled with a complementary portfolio, a long history of expertise and state-of-the-art production facilities – the essential components in responding flexibly to customers' individual needs and safeguarding consistently high product quality. Only if our customers are satisfied can we build and maintain close, long-term business relationships with companies from a wide variety of application industries.

We invite our readers to join us on an illustrative journey along a process chain. In the following section, we will follow the production process for a selected type of high-performance stainless steel used in everyday working life.


Stainless steel mesh close-up


Friedrich Münch
Easyfit glove

Routes of our steel

A valuable contribution to life-saving protective measures

Stainless steel ring mesh inserts for protective work clothing

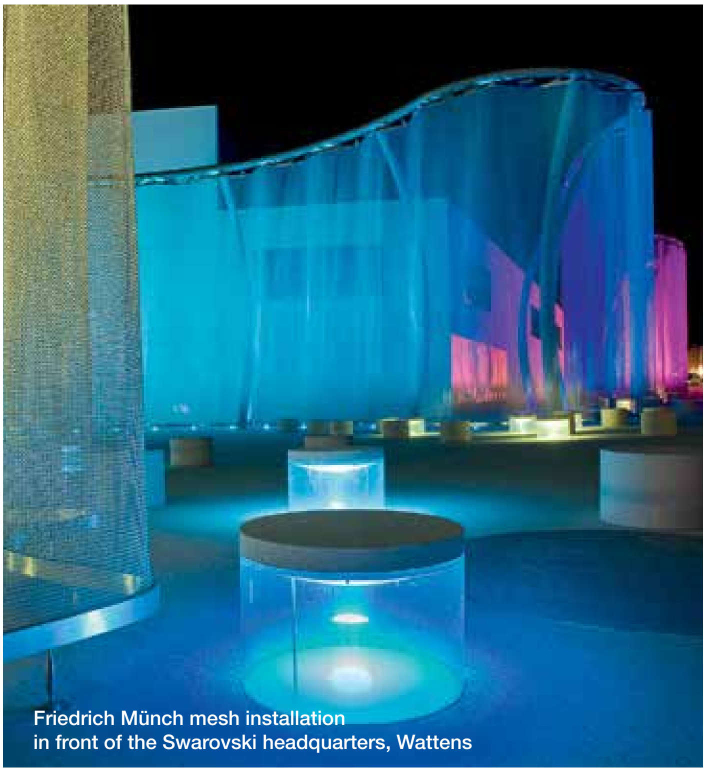
Working together, two subsidiaries of the SCHMOLZ + BICKENBACH Group supply key products used in the production of stainless steel mesh for creative architecture and design elements or protective clothing for everyday working life. Examples of the latter include gloves, aprons and boleros for the food-processing industry as well as stab-proof police vests. Friedrich Münch GmbH + Co KG is a customer of ours that supplies national and international manufacturers of protective work clothing. Looking back on a long tradition, the company offers expertise based on extensive experience and has a reputation for being pioneering and innovative. *right*

High quality standards protect employees from dangerous injuries in their everyday working life

When used in protective clothing, the main job of stainless steel ring mesh is to protect the body from direct contact with sharp objects as well as bladed or pointed weapons such as knives, scissors or glass. In a police context, disarming the opponent is the primary goal. Stab-proof mesh is produced using a range of raw materials categorised by protection class and based on various wire alloys and ring mesh dimensions. *left*

Sprint Metal Edelstahlziehereien

As a specialist producer of special application wires (e.g. mesh for electronic screen printring), the SCHMOLZ + BICKENBACH Group is represented by Sprint Metal Edelstahlziehereien, which has more than 300 local and international customers and more than 80 years' experience. A specialist subsidiary of Ugitech SA, Sprint Metal Edelstahlziehereien is a global leader in its market segment for fine and ultrafine stainless steel wire with dimensions of 1.40 mm to 0.013 mm.



Friedrich Münch mesh installation in front of the Swarovski headquarters, Wattens

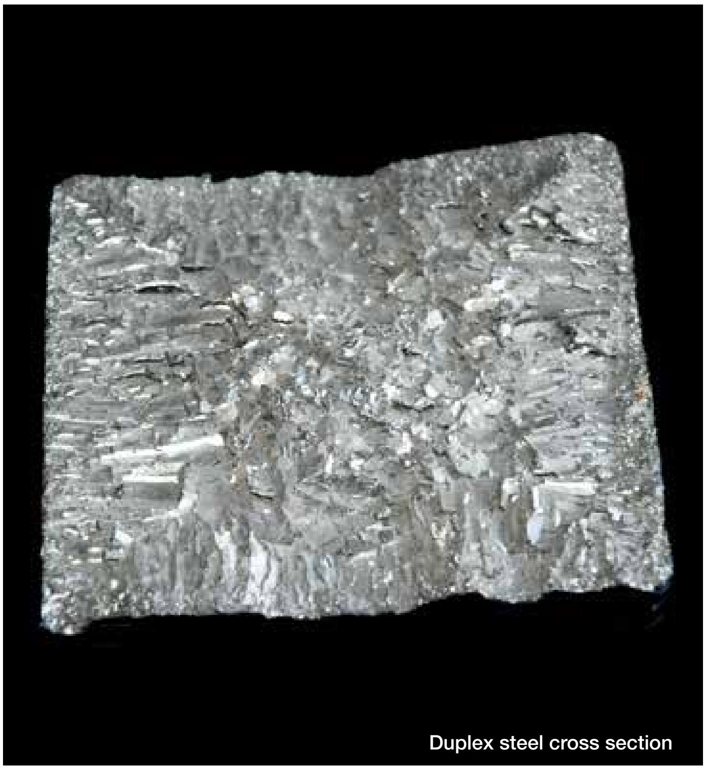
Strong links!

In our product example, the SCHMOLZ + BICKENBACH Group benefits from internal production and service synergies to consistently safeguard the requisite quality standards. The companies Deutsche Edelstahlwerke GmbH (DEW) and Sprint Metal Edelstahlziehereien GmbH cooperate closely and work with customers to serve the market for fine and ultrafine stainless steel wire. Our aim is to meet the increasingly ambitious demands of this market. We make a valuable contribution to life-saving protective measures by leveraging the symbiotic potential of production and processing facilities and available know-how as well as working tirelessly to meet our customers' individual needs.

i left

Protection starts with stainless steel

The basic material used in our application example is stainless steel. This non-corrosive steel type can be subdivided into four materials categories according to chemical composition. The different micro structures of the four groups refer to the microscopic arrangement of building blocks in a particular material, defined by shape, size, type, alignment and distribution. These four materials groups have either ferritic, martensitic, austenitic or duplex characteristics. For our example, we will focus solely on the duplex group.


Duplex steel cross section

Ferrite

Ferrite is characterised by a chrome content of 13-17% and a carbon content of less than 0.07%. Among other things, this composition lends the steel good resistance to corrosion and stress corrosion cracking.

Austenite

Austenite is characterised by a chrome content of 18%, an additional nickel content of 8% and a carbon content of up to 0.07, likewise providing excellent resistance to corrosion but with improved ductility (plasticity without breaking).

Our duplex steel – a cut and stab-proof combination structure

The duplex steel produced by Deutsche Edelstahlwerke and processed into stab-proof mesh by Sprint Metal Edelstahlziehereien combines ferritic and austenitic structures (50% each). Among other things, ferrite lends the steel good resistance to corrosion and stress corrosion cracking. Austenite also provides excellent resistance to corrosion plus additional ductility (plasticity without breaking). Combining the two materials in duplex steel blends the ideal properties for a long-life, corrosion-resistant structure with maximum stability (high tensile and yield strength) as the basic material for producing ring mesh. The duplex steel used in our example was developed by Deutsche Edelstahlwerke in 1975. In summary, the advantages of this duplex steel are the good ductility of the austenite, excellent corrosion properties and suitability for welding without forming coarse grains or compromising on strength – important considerations for the end application as stab-proof mesh.

left
right


DEW electric arc furnace, Siegen


DEW VOD unit, Siegen

From raw material to ring mesh insert

Our high-performance stainless steel passes through several stations before finding its way into everyday working life.

Station 1 – Deutsche Edelstahlwerke GmbH, Siegen/Hagen

Following careful advance coordination with our customer, who awards the contract to Sprint Metal Edelstahlziehereien, the initial production steps are passed on to DEW. The handover involves very close cooperation and coordination, taking into account relevant deadlines to ensure that our customer receives the order on time and in an appropriate quality.

left Together with the required alloying elements (such as chrome and nickel), the scrap metal is melted in DEW's 120 t electric arc furnace at the Siegen plant. Scrap is tipped from baskets into the top of the furnace. The swiveling cover is then closed before three graphite electrodes are lowered to strike an electric arc on the cold scrap. Using this method, molten steel can reach a temperature of up to 1800 °C. Oxygen is blown into the furnace to speed up the melting process. Ultra high power electric arc furnaces are particularly well suited to the production of non-corrosive steels because a portion of the alloying elements can be reclaimed from the pre-sorted scrap. Once the predefined temperature and chemical composition have been reached, the furnace is tipped and emptied into a ladle for further processing.

The liquid steel is heated or kept warm in the ladle furnace and prepared for the continuous casting line, where our steel undergoes fine-tuning as part of secondary metallurgical treatment. The precise casting temperature is once again reached using electric arcs. Through the addition of aluminium rods, the remaining oxygen is bound in the molten steel (deoxidation), preventing oxidation of other alloys which could affect the properties of the finished product. Additional alloying elements are added to the ladle furnace to create the desired chemical composition of the liquid steel.


DEW ladles on the ladle turret, Siegen


DEW continuous casting machine, Siegen

The ladle with the liquid steel alloy is then transferred to a vacuum vessel for further treatment. The carbon in the molten steel is mixed with oxygen in our duplex vacuum oxygen decarburisation (VOD) unit to create carbon monoxide which rises to the surface of the molten metal bath and leaves the steel. This method reduces the carbon content to the required level and also keeps damaging hydrogen to a minimum in the composition. Besides very low levels of hydrogen and oxygen, the exact chemical composition needed for production is set; this is significantly more precise than in a normal analysis and is also calculated digitally, together with all trace elements, in mathematical formulas to give the best resistance to corrosion and optimum cold formability. This phase sets the foundations for a product that displays decent processing qualities across all stages and exhibits good resistance to corrosion throughout its life span.

page 10, right

The melt solidifies in a six-strand bow-type continuous casting machine. The liquid steel is transported to the continuous casting machine and placed in the ladle turret ready for casting. It then passes through a floor basin into the tundish, which feeds liquid steel into the individual strands. This continuous casting process takes place under airtight conditions and without interruptions, even if the ladle gets changed halfway through. The melt flows through the tundish and into the waiting dies. To prevent reoxidation, the steel meniscus is covered with slag which binds any additional impurities that rise to the top of the liquid steel. The die oscillates throughout the casting process. By bending the strand until the melt has completely solidified, a length of up to 20 m can be achieved, in our case giving a square rod with a 265 mm diameter. Once hard, the strands are cut to the required length of 4.5 m on the roller bed using cutting torches.

right
left

After transfer to a downstream two-stand reverse rolling mill, the raw steel billets (265 mm square rods) are pre-rolled in ten roll passes to 135 mm square rods. The billets are then honed on all sides, applying a very small tolerance to the surface roughness to create the best starting point for a perfect rolled wire surface finish. Pre-rolling and polishing the billets are important steps to improve the quality of the wire to be produced.


DEW wire mill, Hagen


DEW wire mill, Hagen


DEW reels, Hagen


Sprint Metal drawing dies, Reichshof

left The 135 mm square billets are sent to the Hagen plant for further processing at the wire mill. Several stands with carbide rolls make short work of the billets, producing 5.50 mm wire in a hot rolling forming process. Applying consistent volume, the 8 m billets are transformed into approx. 5 km of rolled wire at a final rolling speed of approx. 60 m/s (250 km/h).

The next steps are a homogenising hot-working treatment and a multi-stage pickling process which causes a passive coating to form that protects against corrosive attack. The pre-treated duplex wire is extremely well suited to further processing in a multi-wire drawing line. The diameter is reduced again to the final dimension of Ø 1.60 mm in a cold forming process known as pre-drawing, where the material is pulled through dies with pliers, resulting in a better surface quality (smoothed) and closer tolerance. Once the pre-drawing process is completed, the wire undergoes normalisation in a protective atmosphere to ensure good machinability of the wire at smaller dimensions when it arrives *middle* at Sprint Metal Edelstahlziehereien GmbH. The bare wire is wound around multi-prong reels made of bent pipes in the shape of a crown and packed for transfer from DEW in Hagen to Sprint Metal Edelstahlziehereien in Reichshof, where further processing awaits it.

Station 2 – Sprint Metal Edelstahlziehereien GmbH, Reichshof

Upon arrival and following a thorough inspection, the bundles, still on their reels, are transported to the drawing machine for further processing. Once in place, the coiled wire is fed into the drawing machine and pulled through. Depending on the required wire thickness and properties, this cold forming process has to be repeated up to 38 times until the desired quality is achieved, reducing the *right* diameter of the material from its starting dimension to the ultimate size. Drawing dies are also used to draw our stainless steel wire. Featuring a natural diamond core with a geometric opening set to the target dimensions, the dies can compensate the forces needed to form the wire. A push-pull forming process is applied to reduce the diameter of the ingoing wire, which lengthens the wire overall. Oil is added as a lubricant and coolant in the *wet drawing process* used in this kind of work hardening. Plastic deformation changes the micro structure and hardens the material. This strengthens the tensile strength but can make our stainless steel brittle – an effect which is countered in the next processing step.

Sprint Metal furnace, Reichshof

Sprint Metal coiling line, Reichshof

Friedrich Münch, Niroflex bolero

The wire is treated in a furnace to change the structure and realise the desired forming capacity of the material. This involves annealing the coils in a continuous furnace. The end of the wire is fed into the special annealing tube and emerges at the other end. Reaching a temperature of around 1 100 °C, the wire is treated for a defined period of time (throughput speed). To avoid oxidation during heating, the annealing tubes are flooded with a protective gas (a mixture of hydrogen and nitrogen). The annealed wire passes through a cooling zone before being coiled onto the reel type ordered by the customer. To ensure smooth, problem-free winding, the wire surface is coated with a special substance which depends on the next processing steps planned by the customer. The annealing process does not affect the length of the wire originally fed into the furnace for processing. In a quality assurance process, spot testing is performed on the finished material – wires with a diameter of 0.50 mm and 1.10 mm. Only after successful completion of this step is the product delivered to our client, Friedrich Münch GmbH + Co KG.

left

middle

Station 3 – Friedrich Münch GmbH + Co KG, Mühlacker

After arrival, the material undergoes final processing at our customer's plant to create ring mesh for use in protective clothing. The wire is fed into the processing machine, where it is cut to the required length and bent into a ring shape, with the ends pressed together and welded shut. This process continues automatically and is repeated millions of times until the required product is finished: the wire ring mesh. In a final step, the mesh is cut to size in a wire cutting machine and then tailored to give the finished product.

Results you can see!

Working together, Deutsche Edelstahlwerke GmbH and Sprint Metal Edelstahlziehereien GmbH produce materials where every centimeter of quality counts. Together with our customer, Friedrich Münch GmbH + Co KG, we have had our duplex steel and its application officially certified.

right

FOCUS:
IMPROVING PERFORMANCE

The catalogue of measures is growing into a continuous improvement process.

>630

individual measures are being worked on by the project groups in the earnings improvement programme.

All Group companies benefit from improved processes

The earnings improvement programme, which was expanded significantly in 2013, has a major impact on our Company's earnings power, as seen in the results generated in the past fiscal year. The existing programme is planned to be completely implemented by 2016. But our plans do not stop there. SCHMOLZ + BICKENBACH is taking the existing programme one step further by establishing a continuous improvement process. Already today we are seeing new ideas being generated as project groups work together on the individual measures.

This, coupled with our new structures, adds up to a powerful and modern Group.

>600

The earnings improvement programme contains individual steps, with each and every one helping us boost our profitability.

A global company like SCHMOLZ + BICKENBACH needs strong leadership. That is why we have transformed our purely financial holding structure into an effective management holding structure in the past fiscal year. We leverage the synergies released by our new structures.

New Technical Development department condenses innovative power

Steel is both an old and a new material. Its history began more than 5 000 years ago when the Egyptians started to process iron meteorites. In the Iron Age (1200–600 B.C.), weapons and jewellery were already being produced from iron. Stainless steel was first produced more than 100 years ago when Benno Strauss and Eduard Maurer created the first corrosion-resistant steel in 1912. Since these early beginnings, the production and finishing processes for stainless steel have been developed and refined. Today, stainless steel can be found in a wide variety of applications and forms: from uses in storage, transport and foodstuffs to state-of-the-art automotive engines, load-bearing aircraft parts, attractively designed steel-surfaced furniture or fine wire in smartphones. Nowadays, it is difficult to imagine a world without stainless steel. And the development phase is by no means over. That is why we are still working on it with highly specialised experts in our own laboratories.

Our new centralised Technical Development department has a clear vision for the Group in this area. We want to stay that bit faster and better than the competition. And we want to be more productive and innovative than our competitors, to offer our customers the added value that they need for their own success. Internal transparency is the key to achieving this. It is vital to know which plant is currently working on what solutions. Where are we investing money in our technology leadership? Who else in the Group could benefit from this investment? To get these answers, it is essential to ensure Group-wide efficiency in information transparency and the optimum allocation of necessary resources. Stronger communication across business units and country borders facilitates the transfer of knowledge and best practice. So that we can develop the stainless steel of tomorrow.

New sales coordination task force leverages synergies

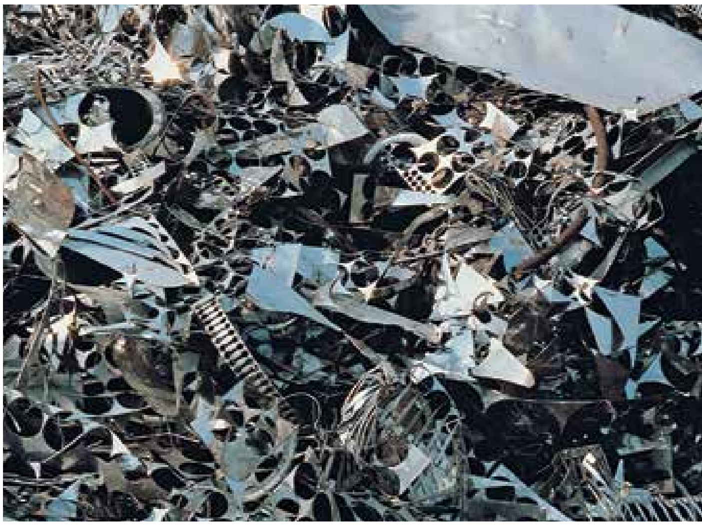
To produce a product that exactly meets our customers' high demands is quite something. But getting that product to the customer – in the right volume, at the right time, and with the right technical advice – is quite something else. And how do we respond when we hear about new trends from our global customers or receive detailed feedback? How do information and suggestions make their way from our experienced sales team to our production plants and the Company as a whole? Starting this year, our new sales coordination task force has been tackling these questions.

Led by the Group CEO, the general managers of the production units and the *Sales & Services* Division meet regularly to exchange ideas and discuss international and intercontinental sales concepts. The meetings are a chance to find out about current trends and developments, and to act even more as a Group. What this means for our customers is that their local contacts can always explain and offer them the latest products from a global portfolio. And if necessary, the account manager can put the customer in touch with the relevant production plant directly. For SCHMOLZ + BICKENBACH as a company, this task force is an effective way to strengthen our image as a cohesive Group and leverage the synergies within it. For our own – and our customers' – benefit.

Central purchasing as a lever for corporate efficiency

The steel industry has always been cyclical and subject to economic and seasonal fluctuations affecting both our customers and ourselves as a special long steel producer. Even in this environment, we want to offer our customers an attractive portfolio at all times and also work to create value for our shareholders. To achieve this, a modern special long steel company such as SCHMOLZ + BICKENBACH needs to leverage all the advantages that come with being a globally active company.

The cost of materials stood at about two thirds of revenue in 2014. In other words, we paid more than EUR 2 billion for raw materials, services and energy! In our efforts to make the Company as efficient as possible, procurement of these items has been identified as a key area for leverage. It is not about purchasing as cheaply as possible, but about establishing reliable and long-term supplier relationships where the large volumes we purchase are reflected in pricing. For us, then, a sensible procurement strategy covers not only reasonable prices, but also reliability of supply, quality of primary products and timeliness of delivery. At the same time, it would be no good optimising supplier relationships based solely on these aspects if they came at the cost of people's health and safety. That is why we are always careful to ensure fairness in our dealings with people and the environment. This is a central point for us in every way and applies for ourselves and our suppliers.



Earnings improvement programme in action: two original examples

1. Minimising logistics cost in the Swiss Steel Business Unit

A project to optimise wagon downtime was launched as far back as 2012 in the Swiss Steel Business Unit with the aim of saving logistics and transport costs. The project's primary purpose was to reduce the fees incurred for railway wagons during the time between arrival and departure when they stand idle at the steel plant. Furthermore, the project was designed to improve the loading and unloading cycles. A specially developed software tool is now in place to manage the stream of goods and wagons centrally as a way to optimise the entire logistics process. This concept is featured in SCHMOLZ + BICKENBACH's earnings improvement programme as a pilot project for Group-wide synergies. Originally only implemented at the steelworks, the process was so successful that it was extended to the rolling mill in 2014, where it also made a significant contribution to a more efficient logistics structure. The involvement of all parties is transparent, enabling everyone to make their own contribution to optimum management.

2. Group-wide savings in commodities use

As part of our efforts to cut the cost of materials and energy continuously, SCHMOLZ + BICKENBACH launched a Group-wide procurement project for the *Production* Division in February 2014. The project began with a detailed analysis of the individual Business Units' procurement behaviour, which until then had been been largely autonomous. In an initial step, various pilot and primary commodity groups were defined for the new organisational concept. The Group then looked at what that meant for implementing central procurement and a lead buyer concept. One essential component of the project is extending the use of scrap alloys for use in the production process as a substitute for major, more expensive, primary alloys. This should bring about permanent savings in the area of materials. A thorough test phase was performed to rule out the risk of reduced quality as a result of tramp elements (such as sulphur or phosphorus). We maintain permanently high quality standards in the operating business by carrying out ongoing sample testing. This approach was based on the established procurement practice of a producing Business Unit within the SCHMOLZ + BICKENBACH Group. By leveraging internal synergies within the Group, the economic and technical aspects were extended to other Business Units and are now being developed continuously.

FOUNDATION: A COMPETITIVE AND COMPETENT TEAM

We are successfully positioned in a high-growth niche market.

> 30 000

customers around the world rely on us to develop or co-develop products for and with them.

Our customers value the individual solutions we offer

SCHMOLZ + BICKENBACH has highly competent employees, modern tools and production facilities, long-term customer relationships and an experienced management team.

Our unique positioning is backed up by a comprehensive product portfolio, a high real net output ratio and our power to innovate. Partnerships for development are instrumental in meeting our customers' specific requirements around special long steel. We see ourselves as a leader in innovation. Innovation that is born of development projects with our customers and our own ideas for products and processes.


DEW secondary metallurgic centre, Witten


Bottling plant for the food industry

SCHMOLZ + BICKENBACH focuses on its core competence in tool, engineering and stainless steel.

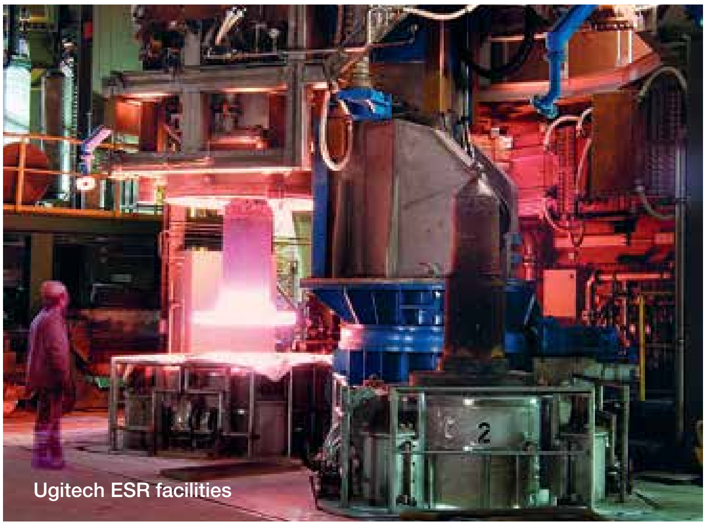
We lead in all three product areas, supported by the following characteristics:

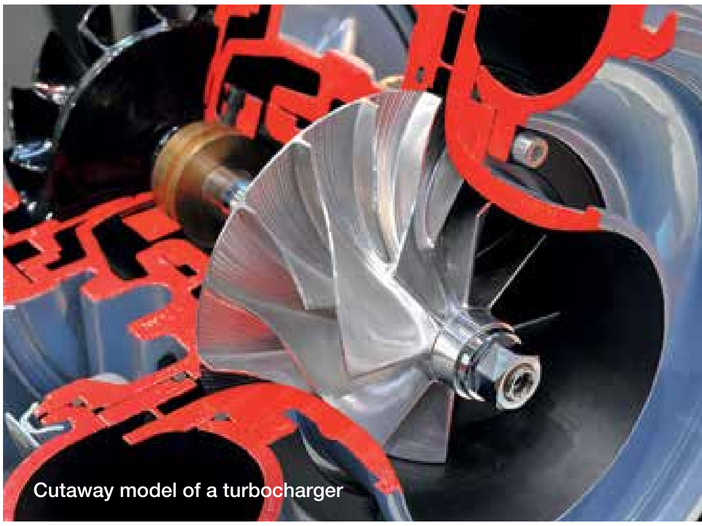
- Unique position thanks to our comprehensive product portfolio with high real net output ratio
- Strong innovative power across Business Units
- Extensive product know-how of operational managers plus experienced senior management

Unique product range

Unlike most of our competitors, SCHMOLZ + BICKENBACH serves customers along the entire supply chain as a one-stop shop for all special steel solutions and services. This approach enables us to meet the requirements of today's modern production world, where the individual elements of the supply chain need to be perfectly aligned. We also cover the three major sub-segments of the special long steel market, which allows us to offer our customers a broad product spectrum. With highly diverse products (20 000 to 30 000 products) and a wide range of processing options, the market as a whole offers significantly greater potential for product differentiation than e.g. flat-rolled stainless steel (five to ten times the number of products).

SCHMOLZ + BICKENBACH has made targeted investments in production facilities and processing capacity. For instance, we invested EUR 50 million at our Witten (DE) plant to boost quality across *left* all product groups through the secondary metallurgic centre and the specially designed plant. Roller-bearing steel, duplex and superduplex grades for offshore applications, premium gear steel and mould steel are just some examples of the products that benefit. The investment is an important step in helping SCHMOLZ + BICKENBACH meet customers' growing and increasingly individual needs.


Ugitech ESR facilities


Cutaway model of a turbocharger

We have invested over recent years to widen our product range in specific areas. For instance, when Deutsche Edelstahlwerke expanded the business for special materials, the Business Unit gained a new focus on abrasion and corrosion resistant alloys. As a highly specialised partner for demanding sectors such as the automotive industry, we work with our customers to develop tailored high-tech solutions. For example, we have specialised in the production of alloys for engine valves. The materials used in this application must stand up to extreme temperatures and pressures as well as corrosive exhaust gases. The automotive industry strives for zero error production, which can only be achieved if the materials used offer the right level of precision.

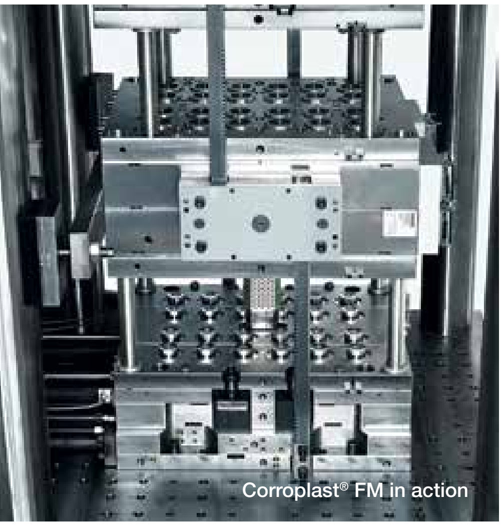
Investments in the electroslag remelting (ESR) facilities at Ugitech are another example of how our Group is increasingly specialising in certain areas. The high level of purity and the optimised steel structure meet the exacting requirements for high-tech applications. This enables extremely specific products to be created where purity is paramount – from aviation components to materials used in surgical implants or plant production. *left*

SCHMOLZ + BICKENBACH has secured a unique market position as an innovative producer of steel: the result of its expertise in developing and producing a wide range of customised products.

Innovative power along the entire supply chain

At SCHMOLZ + BICKENBACH, there are many paths to innovation, and these are an important differentiator – more so than ever in the highly competitive steel industry.

Partnerships for development are instrumental in meeting our customers' individual needs. They lead to innovation that helps our customers cement their position as a high-quality supplier and secure our shared technical advantage. We always have our eye on the entire supply chain in order to not only meet the market-specific production requirements but also the high demands around component application.



Corroplast® FM in action

Steel bars UGIMA®

Steeltec's special steel HSX® 90 is a prime example of our Group's innovative power. With a modular materials concept, customers involved in development partnerships can design the material to meet their exact individual requirements. Customers' specific production and construction needs are translated one to one into highly customised materials specifications achieved by the high variance in mechanical properties.

right The UGIMA® family of stainless steel products is another example of how our Group innovates at our subsidiary Ugitech. UGIMA® 4005 steel stands out for being extremely economical compared to the standard 1.4005 steel. Users benefit from improved productivity of 30% to 50% without tool life being affected. The new stainless steel is particularly well suited for components in the automotive and process industries.

The new type, UGIMA® 4509, was especially designed for use in heat-exposed automotive components. Resistant to intercrystalline corrosion, it remains stable even at high temperatures such as in exhaust pipes. Through improved machinability, the cutting speed can be boosted by 40% in deep drilling with rotations up to 10% faster. The amount of time saved is amplified as the volume of produced parts increases.

left With its mould steel Corroplast® FM, Deutsche Edelstahlwerke (DEW) offers a special solution for the packaging industry, e.g. in the area of PET products. Compared to traditional mould steel, Corroplast® FM performs better in terms of machinability but offers the same resistance to corrosion over long time periods. This material is well suited to precise measurement and durable tools, contributing to long tool life and low-maintenance moulds. This products meets our customers' demand for economic series production of plastic components.

Process innovation is also a major driver of technical progress at SCHMOLZ + BICKENBACH and often starts with our employees' ideas. One of our steelworkers at Ugitech suggested a new dosage method for alloying elements, which was implemented to enable more precise use of these high-cost ingredients. We are keen to cultivate a corporate culture where employees compete to deliver the best ideas to benefit all stakeholders.

Highly competent team

Our highly competent and committed employees are the key to achieving a strong performance, our dominant market position and our technology leadership. They are the pillars on which our Group stands. That is why our employees' health and safety is a top priority for us. In order to embed this attitude throughout the Company, we have defined our own code of conduct that is mandatory for everyone. Principles at the heart of this code are respect for human dignity, health and occupational protection; responsible and ethical business dealings; and responsible, careful use of Company property and scarce resources. They apply as central guidelines across country borders to every single one of our employees as they go about their daily work and interact with one another. Strict implementation of our principles safeguards transparency and trust for our customers and business partners and is an important way for us to promote our success, keep employees and the Company from harm and make an important contribution to social and corporate development.

We support our employees continuously in their personal and professional development, starting with daily support and encouragement by line managers and extending to training programmes and high potential development schemes as well as succession planning when key personnel retire. We act responsibly towards society by creating apprenticeship places and taking on trainees as permanent employees once they have qualified. We also cultivate an open corporate culture where people can discuss matters frankly and constructively across hierarchical levels. After all, we know that our employees can only achieve their full potential if they are valued as people and if their suggestions are taken seriously.

Our employees know the business like the back of their hand. Many of them have been working in the steel industry for years or even decades. They are supported by our Executive Board, a management team that has the strategic vision to lead SCHMOLZ + BICKENBACH into a successful future.

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

- Our product portfolio strategy is focused on high-quality products made of tool steel, stainless steel and engineering steel.
- We strive for further diversification, both geographically and in terms of customer industries, by leveraging our Group-wide know-how and culture of knowledge transfer.
- It is our express wish to continue growing with our customers in the future, working with them to tap into new markets and develop innovative products.
- Our medium-term target is an adjusted EBITDA of more than EUR 300 million on average over an economic cycle.
- We have set our target for an adjusted EBITDA margin at > 8%.
- Our medium-term goals also include reducing our adjusted EBIDTA leverage to < 2.5.

Edwin Eichler
Chairman of the
Board of Directors

Clemens Iller
CEO I CFO ad interim

On track

In the fiscal year 2014, we took some important steps forward on our path to a successful future. The Board of Directors actively supports the Executive Board in these endeavours.

Dear shareholders,

This time last year, I underlined our commitment to helping SCHMOLZ + BICKENBACH return to sustainable growth. Today, I am pleased to report that the Board of Directors, supported by the Executive Board, has successfully pursued our goals in 2014. We have largely completed the necessary process of restructuring the Group. The management holding structure is a strong one and we are now in a position to grow together and leverage the synergies of a solid group. Earlier in this report, we provide an example of how close cooperation with – and for – our customers is the order of the day.

For us, the last two years were about focusing on our organisational structure and improving processes and performance. I can confirm that we are focusing on our core competence in the production of premium special long steel solutions, supported by our strong *Sales & Services* organisation. Following this period of upheaval, it is time to take the next steps.

Technology leader with potential for innovation

The steel industry, including the special steel sector, is very competitive. That's why it's so important to focus on quality and technological innovation as a way of safeguarding and building on our position as a leading steel producer and business partner for our customers. We have our own laboratories at all production sites so that we can offer our customers the exact solutions that they need for their exacting individual requirements. Beyond that, we are working independently on answers to the questions of tomorrow at our designated research centres. At the beginning of this annual report, we invite you to learn about some of the results that have come of our development activities.

Thanks to our shareholders, employees, customers and business partners

Our earnings improvement programme continued to bear fruit in 2014. For you as a shareholder, this means that we were able to report steadily increasing earnings. Following the losses incurred in recent years, SCHMOLZ + BICKENBACH has returned to profitability with a positive bottom line. Allow me to thank you on behalf of the entire Board of Directors for your loyalty to our Company, even in difficult times. These results would not have been possible without our committed employees, who make a huge contribution every day to helping SCHMOLZ + BICKENBACH take the next steps to success. Thank you! Last but not least, our position is down to our customers and business partners. We look forward to continuing these strong working relationships based on trust.

Edwin Eichler, Chairman of the Board of Directors

To a successful future

Supported by the Board of Directors, we are moving forward and developing our operational strengths. Now that we have major steps behind us, we are ready to look to the future.

Dear shareholders,

I took over as CEO of SCHMOLZ + BICKENBACH AG just under a year ago. Already familiar with the Company as a highly specialised steel producer, I found that the Group exceeded my expectations with regard to its ability to transform and prepare for a successful future. There is a competent team in place to safeguard our market position and technology leadership, and the new management holding structure is lean and very efficient. Over the coming year, we will engage with our employees and work with them to develop a new vision and mission for the Company and achieve our shared goals as a strong group.

Customer focus

Throughout the process of transformation and internal structural change, our focus remained firmly on our customers. After all, most of the earnings improvements planned as part of our efficiency improvement programme are the result of concrete development projects with them. Sales teams from our production entities and *Sales & Services* organisation are closing ranks. We want to consistently deliver the best solutions to our customers through close cooperation and knowledge transfer.

Executive Board with extensive experience in steel

Matthias Wellhausen will join me on the Executive Board from 1 April 2015. With his experience of the steel industry and a long and successful career behind him in various finance, treasury and controlling positions, he will be a valuable addition to the leadership team. I look forward to shaping SCHMOLZ + BICKENBACH's future jointly with Mr Wellhausen.

2014 earnings expectations met, 2015 marred by uncertainty

With sales up just under 4%, we generated an adjusted EBITDA of EUR 261.7 million. Our bottom line returned to a positive figure, with net income of EUR 50.0 million for 2014. We are currently reserved in our outlook for the current fiscal year 2015. We face challenges from various influencing factors – such as the weak euro and general economic prospects – but will rise to these and tackle them.

Looking to the future together

To our esteemed shareholders: thank you for your support – even in difficult times. To our valued employees: let us continue to work together on our shared goals. And to our cherished customers and business partners: please keep trusting in us as your number 1 supplier.

Glückauf!

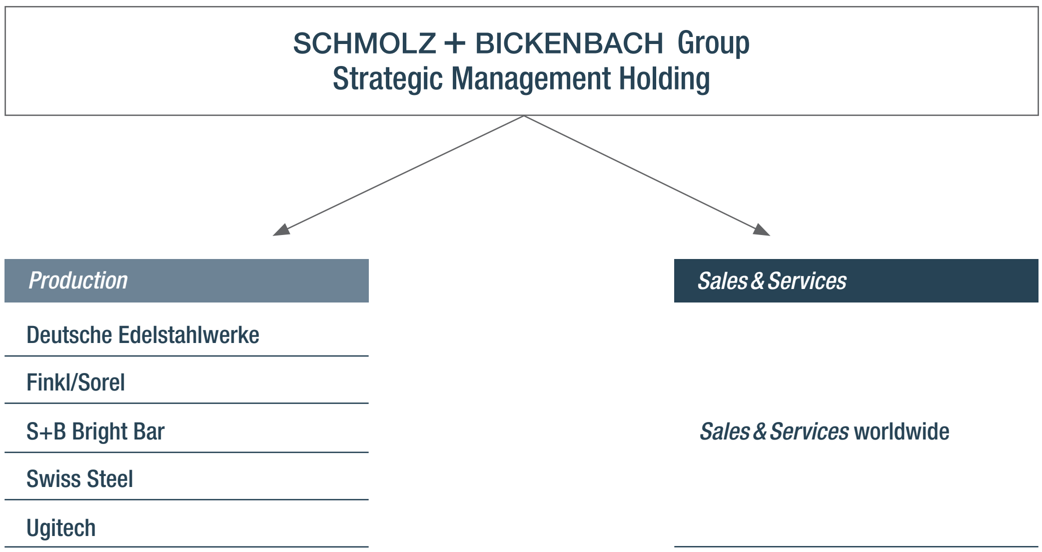
Clemens Iller, CEO I CFO ad interim

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, build on our leading position and expand our presence.

Business model



Our divisions

***Production* – specialised steelmaking, forging and rolling plants in Europe and North America; drawing mills, bright steel production and heat treatment in northern and western Europa 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 & Services* or directly to external customers.

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

The *Production* Division encompasses the business units Deutsche Edelstahlwerke (DE), Finkl/Sorel (CA, US), S+B Bright Bar (CH, DE, DK, SE, TR), Swiss Steel (CH) and Ugitech (DE, FR).

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

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.

http://www1.schmolz-bickenbach.com/en/group/group-structure//

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.

Our customised solutions

Each of our special steel long products fulfils specific requirements. Besides production itself, customised service also means guaranteeing the global and punctual availability of our products in uniform quality.

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. SCHMOLZ + BICKENBACH has a leading position in this area. Adapted to the respective applications, materials range from comparatively simple case-hardened or heat-treated steel to micro-alloyed or nitrided steel as well as roller bearing steel, which is characterised by extreme hardness and purity. In addition to high strength, engineering steel must possess outstanding machining qualities to enable efficient automated processing such as turning and milling. Our special steel developments enable us to reduce lifecycle costs, among other things, by improving working properties and durability, for example. For instance, our ETG® special steel eliminates the need for costly additional operations such as hardening and straightening. The result is an inexpensive material – despite its premium properties.

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. In this segment, SCHMOLZ + BICKENBACH possesses proven expertise in the manufacture of austenitic, ferritic and martensitic grades and special steel qualities (for example duplex grades or bars with non-magnetic properties) in various shapes and with dimensions from 0.013 mm (ultrafine wire) to 250 mm (bar).

Tool steel – technical application consulting as the key to success

SCHMOLZ + BICKENBACH leads the global market for tool steel, with 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. Our expertise extends across the tool steel spectrum: cold work steel, hot work steel, plastic mould steel and high speed steel. In an integrated process along the entire manufacturing chain, material properties can be matched to specific customer requirements, including production, pre-processing and refinement with heat and surface treatments. In the area of plastic mould steel, we offer processing until close to the final mould using state-of-the-art CNC (Computerised Numerical Control) machines. Countless customers worldwide appreciate the comprehensive service that we offer under one roof and reward us with their loyalty.

Strategy and corporate management

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

Thanks to a successful buy-and-build investment strategy launched back in 2003, SCHMOLZ + BICKENBACH has developed into a fully integrated supplier of special long steel and is today a global leader. Our core competence – and the focus of our corporate strategy – is production. Committed to this alignment, we will strengthen and expand on our leading position in the key markets for engineering steel, stainless steel and tool steel.

SCHMOLZ + BICKENBACH has a broad product range covering the entire application spectrum of special long steel. This puts us in a unique position as a dependable and quality-conscious partner for our global customers operating in a variety of industries. Sectors we serve include automotive manufacturing and components supply, mechanical engineering, power and mining, chemical and food industries, medical engineering and aerospace. Some of these industries are subject to diverging economic cycles, which helps even out fluctuating demand in individual sectors and keep demand for our products and services stable overall.

With two divisions, "*Production*" and "*Sales & Services*", the Group operates along the entire supply chain. This integrated structure and management facilitates the release of synergies, particularly in the areas of sales, procurement, market and product segmentation, R&D and technical knowledge transfer.

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 is 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. The earnings contribution from the growth and earnings improvement programme met the budgeted 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

Management KPIs

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

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

Development of markets and industries

General economic conditions

The global economy has been relatively robust in general given the economic uncertainty and political conflicts prevailing at present, developing positively overall in the reporting period and once again generating growth, as in 2013, of 3.3%. The economic development of different regions is levelling out – while growth in emerging markets is slowing down slightly, the recovery in developed markets is becoming more stable.

In particular, SCHMOLZ + BICKENBACH's core markets in Asia, Europe and the USA exhibited stable GDP development in 2014. For us, this is confirmation that our regional structure and global positioning are essentially the right approach.

Eurozone growth slight but sound, USA enjoys considerable growth – uncertainties remain

The sales markets in the industrialised nations of particular economic relevance for SCHMOLZ + BICKENBACH were stable in 2014, enjoying positive development overall with GDP growth of 1.8%.

Following a period of recession and stagnation, the eurozone saw GDP return to growth of 0.8%. In particular, the major eurozone economies – apart from Italy (– 0.4%) – recorded strong economic growth: Germany + 1.6%, France + 0.4% and Spain + 1.3%. Low inflation in the eurozone overall and high unemployment in certain countries underline ongoing economic uncertainty, however.

Economic output in the USA increased steadily by 2.4%. The American economy was fuelled primarily by the fracking and exploration boom in the USA. In addition, the effects of falling unemployment made themselves felt in increased private consumption at year-end, pointing to the sustainability of this development.

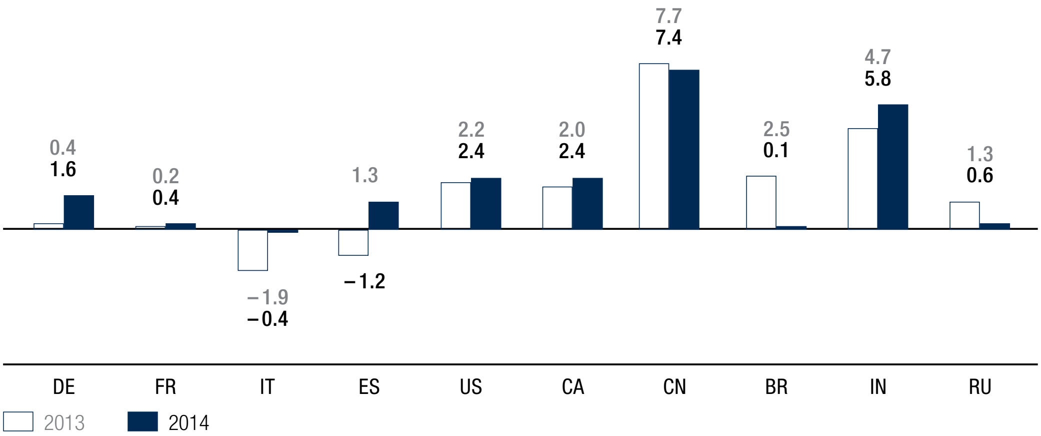
Developing and emerging economies hold on to solid growth

Positive global economic growth was once again primarily driven by the developing and emerging economies in 2014. Their GDP growth has been slowing steadily since 2010 but was nevertheless still 4.4% in 2014.

Development in the BRIC countries was varied: China's economy stabilised at 7.4%, the prior-year level. India managed to turn around the sliding growth trend of recent years, increasing GDP by 5.8% in 2014. Russia managed to generate positive economic growth of 0.6% despite the oil price development and sanctions from the West. Suffering the effects of its high budget deficit, among other things, Brazil only managed growth of 0.1%.

GDP DEVELOPMENT OF SELECTED MARKETS I 2013/2014

in %



Development of steel demand

Global demand for steel was up 2.0% in the reporting period, a renewed positive but modest development compared to growth of 3.8% in 2013.
The niche market for special long steel – relevant for SCHMOLZ + BICKENBACH – accounts for around 7% of the total market. In our segments, tool steel, engineering steel and stainless steel, it outperformed the overall market level of 2%.

Steel industry enjoys further recovery on sales markets, but differences are considerable

In 2014, global demand for steel increased in a challenging market by 2.0% to 1 562 million tonnes. At 748 million tonnes, demand in China was once again the highest by some margin.
Looking at the regions, strong dependency on the overall economic development of individual countries and a reversal of the 2013 situation emerge as major trends. Demand in Asia/Oceania was up by a considerable 4.9% in 2013, but grew just 1.7% in 2014. The EU and North America – where growth almost stagnated or even fell in 2013 (+ 0.8% and – 2.4%, respectively) – performed visibly well at +4.0% and +6.4%. In the CIS countries and Central/South America, demand actually fell by 3.8% and 2.4%, respectively, in 2014 (2013: + 2.8% and + 4.2%).

Industry sectors

Our customers' industries also look back on a successful year 2014. SCHMOLZ + BICKENBACH's core sectors exhibited robust development in 2014, although considerable regional differences were apparent. Driven by the fracking and exploration boom, the American oil and gas industry enjoyed a particularly successful fiscal year, which stabilised in the second half. The automotive sector saw strong growth in the largest markets: China, Europe and the USA. Growth rates on the mechanical and plant engineering market were low, especially in Europe. SCHMOLZ + BICKENBACH's business development reflected the trends in these core markets.

Energy: oil and gas boom in the USA has far-reaching effects

The oil and gas industry was extremely lively in 2014, especially in the American market, where the fracking boom continued. The number of active US oil rigs was high, exceeding 1 900 at certain points during the year and up 0.6% over the year as a whole. Partly driven by higher capacity, the oil price, which had been relatively stable at USD 114/barrel of Brent crude in June 2014, slid to less than USD 60/barrel of Brent crude in December 2014.
The year 2014 was also a successful one in the oil and gas industry for the SCHMOLZ + BICKENBACH Group. Our American and European Business Units sell products for use in the exploration and production of oil production plants. Such products were in high demand, so we benefited from the booming North American market.

Automotive sector: strong growth in demand in the largest markets China, the EU and North America

The automotive sector saw global growth of 3% in 2014, with sales of almost 86 million vehicles. This positive development was fuelled by the two largest sales markets: China (+ 9%) and North America (+ 5%) (source: IHS). Within the EU, new vehicle registrations were up significantly (+ 5%).
Vehicle production was also up 3%, with positive development across the board in the major producing regions and countries (China, Europe, North America, Japan/South Korea).

Mechanical and plant engineering: slight upturn following tough 2013

Following a weak performance in the prior year (– 3.8%), the European mechanical and plant engineering market recovered slightly (+ 1.2%). The economic development was particularly modest in the sector for heavy machine construction. Overall, however, the economic situation appeared to be picking up slightly.

Commodity prices – mixed development with high volatility at times

Prices for the key commodities needed by SCHMOLZ + BICKENBACH – mainly nickel and molybdenum – were characterised by high volatility. Scrap prices also seesawed throughout the year, while ferrochrome was less volatile. As the most important industrial metal and an essential component in corrosion protection, nickel is crucial for special steel production from both an economic and technical perspective. The price development for nickel was particularly volatile in 2014, starting the year at a spot price of USD 13 905/tonne and then increasing to USD 21 200/tonne by March. The price fluctuated for the rest of the year, settling at USD 14 855/tonne at year-end – up 6% on the level seen in January. Key factors contributing to these lively market movements include the nickel export ban in Indonesia and speculation that the Chinese were buying up nickel-containing pig iron.

The story was similar for molybdenum. At the beginning of January, the price stood at USD 21 000/tonne but had climbed more than 50% by early June (USD 32 500/tonne) before plummeting to below the January level in December (USD 20 500/tonne).

The scrap price opened the year at EUR 288/tonne and stayed at around that level for most of the year. At year-end it fell to EUR 255/tonne (– 11%), giving an annual average of EUR 265/tonne and a decrease of around EUR 20/tonne on the average for 2013.

Ferrochrome prices also fell in 2014, dropping a good 3.5% and then stabilising in a narrow corridor of USD 1 797/tonne to USD 1 874/tonne.

Development of the nickel price 2014

in 1 000 USD/tonne

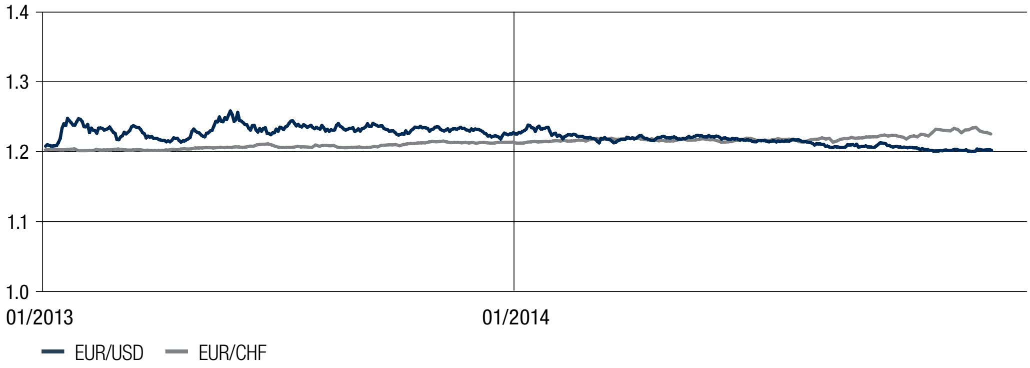
Exchange rates – low volatility in the EUR/CHF rate, dollar rate increased over the year

The currencies of relevance for the SCHMOLZ + BICKENBACH Group – the euro, Swiss franc and US dollar – fluctuated in 2014, sometimes considerably. Introduced by the Swiss National Bank (SNB) in September 2011, the exchange rate floor of CHF 1.20 to the EUR was maintained throughout the fiscal year. The currency moved within a narrow corridor of EUR/CHF 1.20 – 1.24 in 2014, edging towards the floor of EUR/CHF 1.20 as the year progressed. Overall, the SNB's measures supported an exchange rate that was stable and reliable.

Meanwhile, movements in the euro against the US dollar were stronger, trading in a range of EUR/US 1.21 – 1.39. The euro depreciated significantly, especially in the second half of 2014, against a backdrop of economic factors strengthening the US dollar (which also appreciated against the GBP, CHF and JPY) and differences in monetary policy between the currency zones. While the USA contemplated a tighter fiscal policy, the ECB discussed further quantitative easing, especially in the context of tackling low growth in the eurozone.

Development of exchange rates 2013 – 2014

in EUR/USD and EUR/CHF



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 in 2014

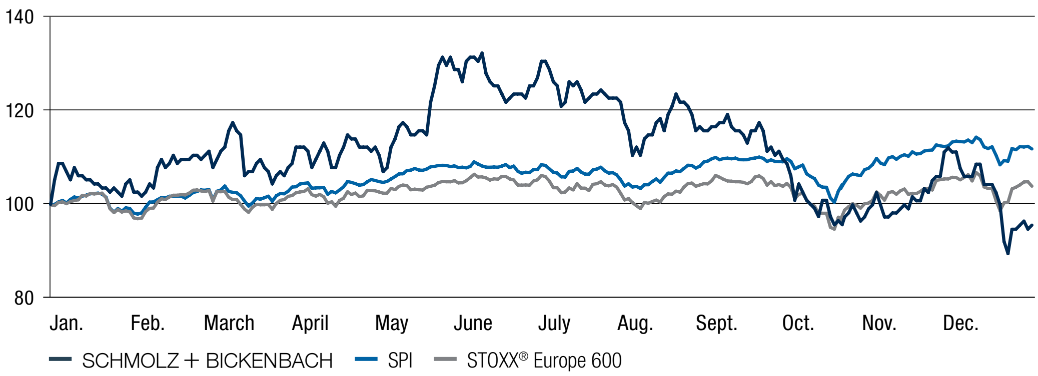
It was a roller coaster of a year for market participants. Indices in Europe reached record highs. The market environment was favourable, especially in Europe, thanks to ongoing commitment to expansionary fiscal policies, buoyed by the sustained recovery of the US economy. At the same time, important support lines were breached in the course of the year. Geopolitical risks such as the Ukraine crisis or the conflict in Syria and Iraq had a particularly negative impact. This was compounded by signs of economic slowdown in China and other countries.

Following a turbulent 2013, SCHMOLZ + BICKENBACH entered calmer waters in 2014. The new CEO took up his post in April, and the capital market rewarded the steady earnings progress each quarter. Improved ratings by Standard & Poor's and Moody's was taken by the market as endorsement of the new strategic direction. The share price suffered, however, following announcements in December 2014 that the CFO was to step down at the end of February 2015 and that sales negotiations for certain distribution entities had been suspended.

The SCHMOLZ + BICKENBACH share closed the first quarter with a price increase of 8.8%, increasing by a further 11.8% in the second quarter. Achieving an annual high of CHF 1.50 in the second quarter, the share price increased by 32.7% at its peak. The upward trend was not sustainable in the second half of the year, however, with the price slipping 13.4% in the third quarter followed by another 10.0% in the fourth. Overall, the share price closed the year 2014 with a loss of 4.4%.

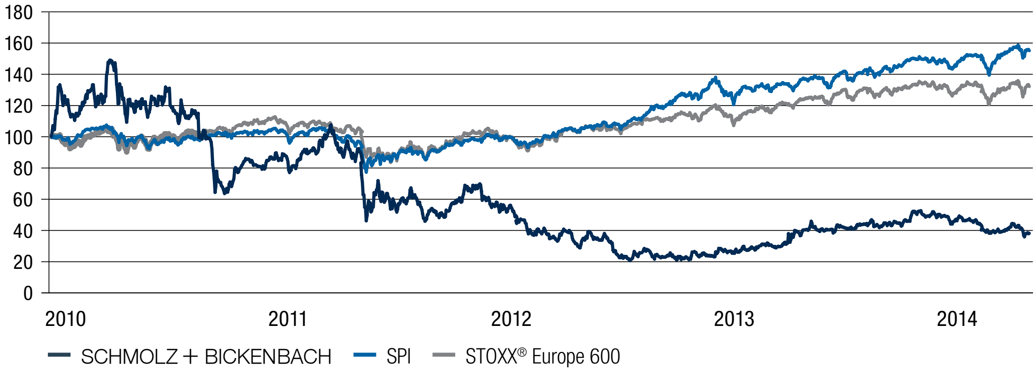
Highly volatile share prices were also apparent in the comparative indices. The SPI, which includes the SCHMOLZ + BICKENBACH share, saw growth of 12.1% in the same period, while the STOXX Europe 600 was up 4.1%. At year-end, the SPI was up 14.5% on the annual low and down 2.3% on the annual high, while the STOXX Europe 600 saw prices settle at 2.8% below the annual peak – an increase of 10.0% at year-end on the lowest figure recorded that year. With an average daily trading volume of 3.2 million SCHMOLZ + BICKENBACH shares in 2014, the share was once again more liquid than in the previous year, which had an average daily volume of 2.8 million shares.

Development of share price 1.1.2014 until 31.12.2014 I SCHMOLZ + BICKENBACH share compared to Swiss Performance Index (indexed) and to STOXX® Europe 600 (indexed)



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

Development of share price 2010 until 2014 I SCHMOLZ + BICKENBACH share compared to Swiss Performance Index (indexed) and to STOXX® Europe 600 (indexed)



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

Key share figures	Unit	2010	2011	2012	2013	2014
Share capital	million CHF	367.5	413.4	413.4	472.5	472.5
Number of registered shares	shares	105 000 000	118 125 000	118 125 000	945 000 000	945 000 000
Market capitalisation, year-end	million CHF	933	633	338	1 040	1 021
Share price as at closing date	CHF	9.46	5.36	2.86	1.10	1.08
Share price, highest	CHF	16.63	12.00	7.80	1.34	1.51
Share price, lowest	CHF	6.62	4.81	2.28	0.58	1.00
Dividend per share	CHF	0.00	0.10	0.00	0.00	0.00
Total dividend	million CHF	0.0	11.8	0.0	0.0	0.0
Earnings per share	EUR/CHF	0.63 / 0.87	0.33/0.41	-1.38/-1.66	-0.26/-0.32	0.05/0.06
Shareholders' equity per share	EUR/CHF	6.78 / 8.48	7.10/8.62	5.29/6.35	0.93/1.14	0.94/1.13

Capital decrease with simultaneous increase in 2013; see *“Corporate Governance”, p. 81*

Dividend policy

In line with the long-term focus of the corporate strategy, SCHMOLZ + BICKENBACH will for the foreseeable future continue to use profits primarily to strengthen its balance sheet and repay debt. This approach will gradually increase the sustainable value of the Company. The dividend policy is subject to continuous review by the Board of Directors and may change in future. Generally, the Board of Directors makes an annual dividend proposal, taking into account the Company's goals, its current financial position and results of operations, any covenants in the financing agreements and future prospects. For 2014, the Board of Directors' proposal is to not distribute a dividend.

Analyst coverage

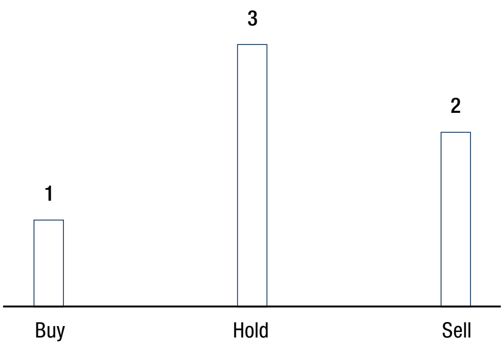
There are currently six analysts that regularly cover the SCHMOLZ + BICKENBACH share (as at March 2015), providing potential investors with independent views on SCHMOLZ + BICKENBACH's present situation and future outlook. The following analysts regularly cover the share:

Financial institution	Analyst
Commerzbank	Ingo-Martin Schachel
Kepler Cheuvreux	Rochus Brauneiser
MainFirst	Alexander Hauenstein
UBS	Andre Rudolf von Rohr
Vontobel	Patrick Rafaisz
Zürcher Kantonalbank (CH)	Dr Martin Schreiber

At present (March 2015), one analyst has issued a "buy" recommendation, three a "hold" and two a "sell":

Analysts' recommendation as at March 2015

Positions



Investor Relations

Our Investor Relations activities in 2014 were once again dominated by road shows in the financial centres of Europe. The road shows took us to Frankfurt a.M., London and Zurich. We provided information about SCHMOLZ + BICKENBACH to almost 130 investors over around 20 road show days. In addition, we participated in six capital market conferences. Road show activities were complemented by numerous telephone calls with existing and potential investors as well as analysts.

Coordinating preparation and publication activities for the interim and annual reports is another important aspect of our Investor Relations work. The key dates in our financial calendar are accompanied by press releases, presentations and conference calls, together with events for investors and analysts.

Financial calendar	
12 March 2015	Annual Report 2014, Media and Analyst Conference
15 April 2015	Annual General Meeting 2015
19 May 2015	Q1 Report 2015, Investor Call
11 August 2015	Q2 Report 2015, Investor Call
12 November 2015	Q3 Report 2015, Investor Call

Contact

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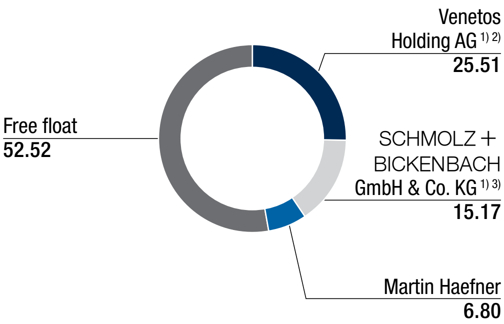
Shareholder structure

Share capital as at 31 December 2014 comprised 945 000 000 fully paid-up registered shares with a nominal value of CHF 0.50 each. In Venetos Holding, part of the Renova Group, we have a stable anchor shareholder. SCHMOLZ + BICKENBACH GmbH & Co. KG, which bundles the interests of the former founding family, has a share of around 15%. Martin Haefner exceeded the reporting threshold of 5% of voting rights in the reporting period.

See p. 79

Overview shareholder structure as at 31.12.2014

in %



[1)] Form a group according to SESTA
[2)] Renova group company
[3)] Indirectly via the subsidiaries SCHMOLZ + BICKENBACH Beteiligungs GmbH and SCHMOLZ + BICKENBACH Holding AG.

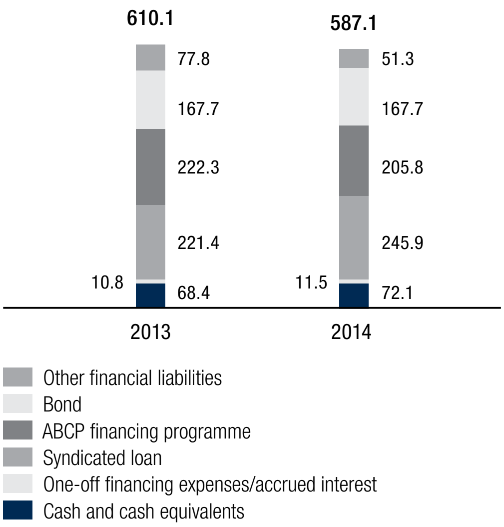
Financing

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

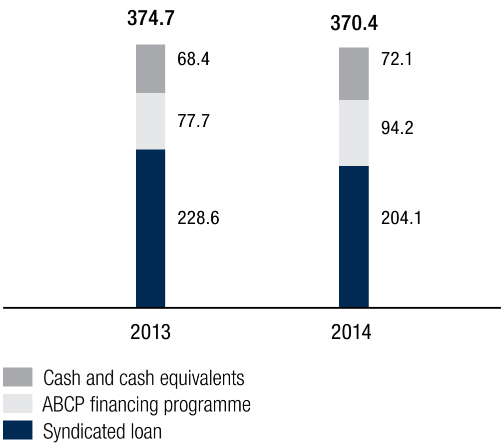
SCHMOLZ + BICKENBACH successfully refinanced the syndicated loan and ABCP financing programme in June 2014. The new revolving loan facility – once again a syndicated loan – and the ABCP financing programme replace or extend the previous financing, which was due to expire in April 2015. SCHMOLZ + BICKENBACH was able to extend the maturity dates 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 370 million as at 31 December 2014, ensuring the Company has sufficient financial resources.

Net debt as at 31.12.2014
in million EUR



Financial headroom as at 31.12.2014
in million EUR



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 December 2014, the bond was priced at 107.50%, giving an effective yield of 7.8%.

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

Rating agency	Rating	Outlook	Latest rating
Moody's	B2	stable	24 November 2014
Standard & Poor's	B+	stable	10 October 2014

BUSINESS DEVELOPMENT OF THE GROUP

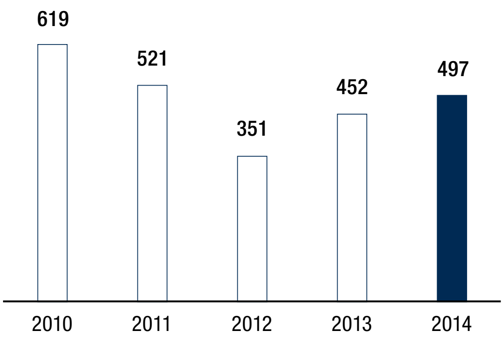
The Group successfully increased both sales volume and revenue in 2014. The effects of our earnings improvement programme are plain to see: earnings figures were up substantially in the reporting period and we returned to a positive bottom line for the first time since 2011.

Key figures on results of operations	2014	2013	Change on prior year %	Q4 2014	Q4 2013	Change on prior year %
in million EUR						
Sales volume (kilotonnes)	2135	2054	3.9	488	491	–0.6
Revenue	3338.4	3276.7	1.9	785.3	752.0	4.4
Adjusted EBITDA	261.7	178.8	46.4	62.3	43.0	44.9
Operating profit before depreciation and amortisation (EBITDA)	252.6	141.7	78.3	59.2	15.1	> 100
Adjusted EBITDA margin (%)	7.8	5.5	41.8	7.9	5.7	38.6
EBITDA margin (%)	7.6	4.3	76.7	7.5	2.0	> 100
Operating profit (loss) (EBIT)	130.6	17.8	> 100	28.9	–16.1	> 100
Earnings before taxes (EBT)	79.7	–87.6	> 100	11.4	–48.5	> 100
Net income (loss) (EAT)	50.0	–83.7	> 100	4.2	–39.2	> 100

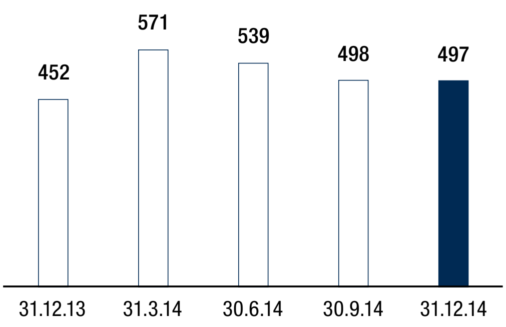
General economic situation

Business development in 2014 continued to be influenced by base prices, which had stabilised but nevertheless remained below the prior-year level. While revenue in Europe stagnated, a significant increase was seen in North America and the rest of the world. Net income was clearly positive at EUR 50.0 million – an improvement of EUR 133.7 million on the prior year – and reflects the success of our earnings improvement programme as well as better financing conditions.

Order backlog 2010 – 2014
in kt



Order backlog Q4 2013 – Q4 2014
in kt



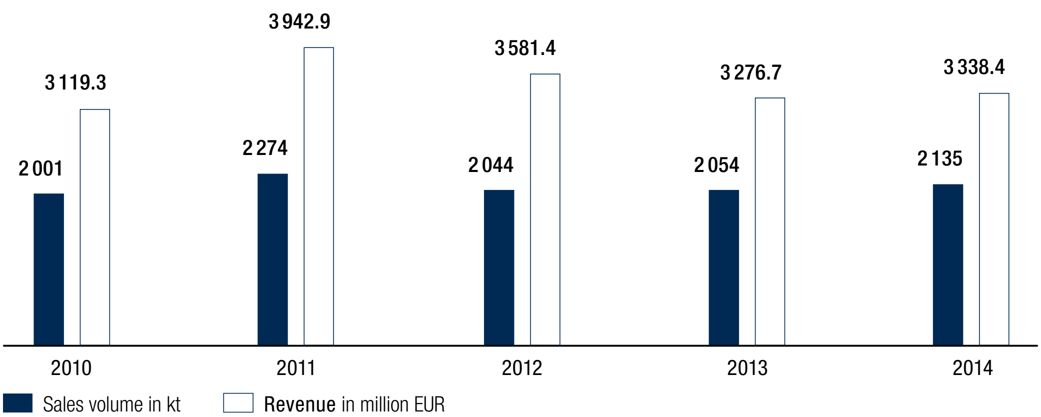
Order situation remains good

Following a particularly high order intake in the first quarter of 2014, the situation settled down in the second and third quarters, with figures stabilising at around the prior-year level. By the end of the fourth quarter, order intake slipped to 9.3% below the prior-year figure. Overall, we managed to increase order intake by 4.9% in 2014 compared to the prior year. Following a particularly strong first quarter, the order backlog decreased over the course of the year but was still up 10.0% on the prior year at 497 kilotonnes as at 31 December 2014 (2013: 452 kilotonnes).
The crude steel volume produced at our works consistently exceeded the same quarter of the prior year, which resulted in a year-on-year increase of 6.2% overall to 2 014 kilotonnes (2013: 1 897 kilotonnes).

Sales volume and revenue up

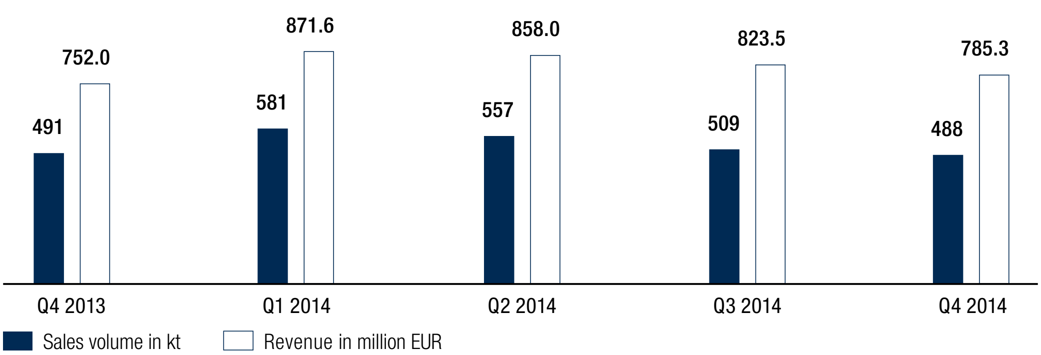
Sales volume and revenue 2010 – 2014

in kt | in million EUR



Sales volume and revenue Q4 2013 – Q4 2014

in kt | in million EUR

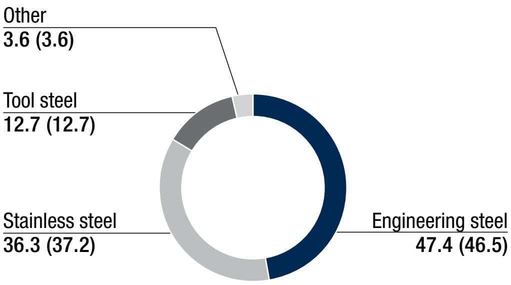


At 488 kilotonnes, the sales volume in the fourth quarter fell slightly short of the prior-year level (Q4 2013: 491 kilotonnes). However, it increased by 81 kilotonnes or 3.9% to 2 135 kilotonnes (2013: 2 054 kilotonnes) overall in the reporting period thanks to strong sales activities in the first two quarters of the year. In a quarter-for-quarter comparison, revenue was up in the last three months of the year due to a better product mix and higher alloy surcharges compared to the same period of the prior year. Revenue came to EUR 785.3 million (Q4 2013: EUR 752.0 million) – an increase of EUR 33.3 million or 4.4% on the figure recorded in the same quarter of the prior year. For the year as a whole, revenue was up just EUR 61.7 million or 1.9% to EUR 3 338.4 million, however (2013: EUR 3 276.7 million). This was primarily due to persisting pressure on base prices and the low alloy surcharges, at least in the first two quarters of the current year. Furthermore, the exchange rates of relevance for us underwent a mildly negative development compared to the same period of the prior year. Adjusted for exchange rate effects, revenue would have increased by 2.2% compared to the prior year to EUR 3 348.1 million.

Closer analysis of revenue development reveals an extremely mixed regional picture. In the fourth quarter of 2014, we saw revenue fall 1.8% in Europe. In North America it was up 10.3%, while in the rest of the world it more than doubled. For the year 2014 as a whole, revenue in Europe remained stable at around the prior-year level (–0.1%). Growth of 9.3% and 18.0% was reported in North America and the rest of the world, respectively.

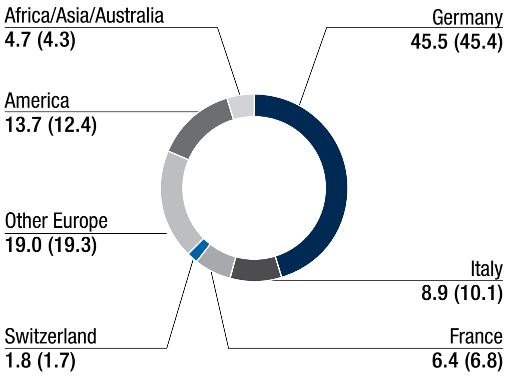
The development of sales volume and revenue was equally dissimilar in the individual product groups. The sales volume of tool steel, which generates higher margins, climbed 15.8% in the fourth quarter and 7.1% for the year as a whole. In contrast, the sales volume for both stainless steel and engineering steel decreased in the fourth quarter, dropping 2.5% and 1.6%, respectively. For the year as a whole, sales volume was up 0.8% and 4.5%, respectively, however. Revenue was up across the board in the fourth quarter. The increase came to 8.9% for tool steel, 6.7% for stainless steel and 2.2% for engineering steel. For the year as a whole, revenue was up 2.2% for tool steel and 3.7% for engineering steel, but slipped by a slight 0.4% for stainless steel.

Revenue by product group 2014
in %



Revenue | Compared to 2013 (in brackets)

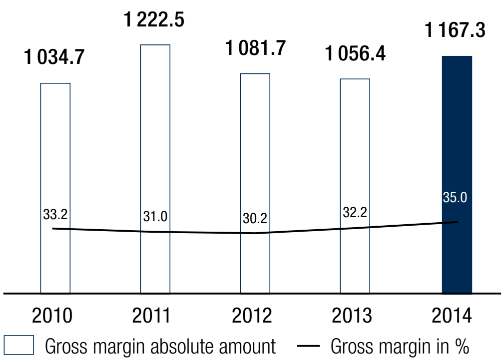
Revenue by region 2014
in %



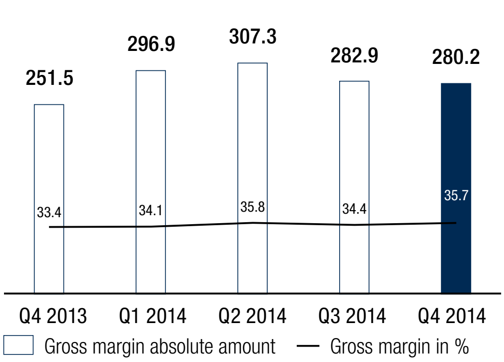
Revenue | Compared to 2013 (in brackets)

Renewed improvement in absolute and percentage gross margin

Gross margin absolute amount and in %
2010 – 2014
in million EUR | in %



Gross margin absolute amount and in %
Q4 2013 – Q4 2014
in million EUR | in %



Adjusted for the change in semi-finished and finished products, the cost of materials came to EUR 505.1 million in the fourth quarter – a slight increase on the prior-year level (Q4 2013: 500.5 million). For the year as a whole, it fell by EUR 49.2 million or 2.2% to EUR 2 171.1 million (2013: EUR 2 220.3 million) despite the higher sales volume.
The absolute gross margin thus increased by EUR 28.7 million or 11.4% to EUR 280.2 million in the fourth quarter (Q4 2013: EUR 251.5 million) and by EUR 110.9 million or 10.5% to EUR 1 167.3 million (2013: EUR 1 056.4 million) for the year as a whole. We therefore managed to improve the percentage gross margin markedly, with an increase to 35.7% (Q4 2013: 33.4%) in the fourth quarter and 35.0% for the year as a whole (2013: 32.2%).

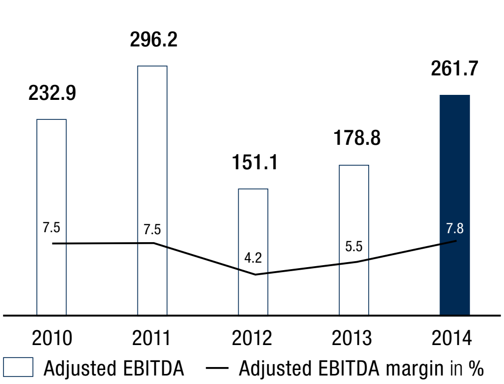
Other operating income and expenses down year on year, slight increase in personnel costs adjusted for non-recurring expenses

At EUR 17.7 million in the fourth quarter, other operating income increased EUR 4.1 million or 30.1% on the prior-year level (Q4 2013: EUR 13.6 million). This development mainly reflects income from the release of restructuring provisions set up in prior years and the reversal of impairment losses or recovery of bad debts. Other operating income for the year as a whole fell by EUR 40.3 million on the prior year (2013: EUR 42.8 million), a drop of EUR 2.5 million or 5.8% despite income from the release of provisions. This is first and foremost due to lower indemnity payments as well as lower income from the disposal of property, plant and equipment.
Personnel costs decreased by EUR 14.1 million or 8.8% to EUR 145.5 million in the fourth quarter (Q4 2013: EUR 159.6 million) and by EUR 1.2 million or 0.2% to EUR 597.0 million (2013: EUR 598.2 million) for the year as a whole. The fall in personnel costs in the reporting period is mainly attributable to the fact that this year did not include the 2013 expenses for downsizing the workforce as a result of restructuring measures launched in 2012 and extended again in 2013. Non-recurring expenses of EUR 5.7 million (2013: EUR 23.6 million) were included in personnel costs – a significant drop on the prior-year level. Without special effects, adjusted personnel costs would have increased by 2.9% on the prior year to EUR 591.3 million (2013: EUR 574.6 million) as a result of the higher sales volume and collectively bargained wages. The headcount decreased by 95 to 10 000 employees (2013: 10 095 employees) as a result of restructuring measures.
Other operating expenses increased by EUR 2.8 million or 3.1% to EUR 93.2 million in the fourth quarter (Q4 2013: EUR 90.4 million). For the year as a whole, however, the figure decreased slightly by EUR 1.3 million or 0.4% to EUR 358.0 million (2013: EUR 359.3 million). Not including the special effects of EUR 8.0 million (2013: EUR 15.0 million), which were significantly lower in 2014 than in the prior year, other operating expenses would have increased by EUR 5.8 million or 1.7% to EUR 350.1 million compared to the prior year (2013: EUR 344.3 million) due to higher activity levels.

Significantly better adjusted EBITDA and adjusted EBITDA margin

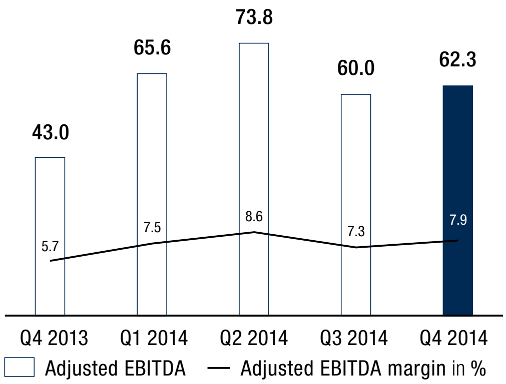
Adjusted EBITDA and adjusted EBITDA margin 2010 – 2014

in million EUR | in %



Adjusted EBITDA and adjusted EBITDA margin Q4 2013 – Q4 2014

in million EUR | in %



The adjusted EBITDA came to EUR 62.3 million in the fourth quarter of 2014, representing an improvement of EUR 19.3 million or 44.9% on the same period of the prior year (Q4 2013: EUR 43.0 million). For the fiscal year 2014 as a whole, we managed to increase adjusted EBITDA by EUR 82.9 million or 46.4% to EUR 261.7 million (2013: EUR 178.8 million). As a result, the adjusted EBITDA margin increased to 7.9% in the fourth quarter (Q4 2013: 5.7%) and 7.8% (2013: 5.5%) for the fiscal year as a whole. This confirms that we made considerable progress in 2014 towards our target of an adjusted EBITDA margin of more than 8%. The adjustment effects stem from litigation, debt reduction measures and the relocation of the A. Finkl & Sons Co. steel plant in the US as well as the development and implementation of our new strategy and other special projects. They led to net extraordinary expenses of EUR 9.1 million (2013: EUR 37.1 million), which were deducted to give adjusted EBITDA. Including these extraordinary effects, operating profit before amortisation and depreciation (EBITDA) totalled EUR 252.6 million (2013: EUR 141.7 million) for the year as a whole, while the EBITDA margin came to 7.6% (2013: 4.3%). In the fourth quarter, EBITDA stood at EUR 59.2 million (Q4 2013: EUR 15.1 million) and the EBITDA margin came to 7.5% (Q4 2013: 2.0%).

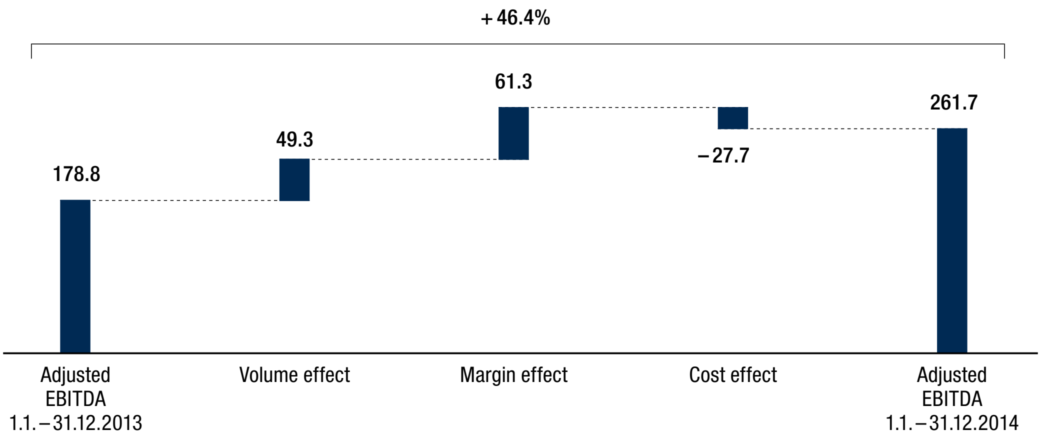
The table below provides a breakdown by division and income/expense category of the net special effect recorded in 2014:

in million EUR	Cost of materials	Personnel costs	Other operating expenses	Other operating income	Total adjustment
Production	0.0	1.6	3.6	–1.4	3.8
Sales & Services	0.5	1.3	0.6	–1.7	0.7
Other	0.0	2.8	3.8	–2.0	4.6
Total	**0.5**	**5.7**	**8.0**	**–5.1**	**9.1**

Depreciation, amortisation and impairments fell slightly to EUR 30.3 million in the fourth quarter (Q4 2013: EUR 31.2 million) and EUR 122.0 million in the year as a whole (2013: EUR 123.9 million). This development is mainly attributable to the impairment losses of EUR 2.4 million recorded in the prior year. Depreciation and amortisation alone came to EUR 122.0 million (2013: EUR 121.5 million) and more or less matched the prior-year level.

We managed to increase operating profit (loss) (EBIT) by EUR 45.0 million to EUR 28.9 million in the fourth quarter (Q4 2013: EUR – 16.1 million) and by EUR 112.8 million to EUR 130.6 million overall in the fiscal year (2013: EUR 17.8 million). The earnings development underlines our Group's positive business development overall in the fiscal year 2014, taking into account typical seasonal fluctuations.

EBITDA reconciliation
in million EUR



Net financial expense halved

We used funds generated from the capital increase in the fourth quarter of 2013 to reduce debt. This, coupled with better interest terms in our new financing agreements, led to a significant year-on-year drop in net financial expense both in the fourth quarter and for the year as a whole. Net financial expense fell by EUR 14.9 million or 46.0% to EUR 17.5 million in the fourth quarter (Q4 2013: EUR 32.4 million) and by EUR 54.5 million or 51.7% to EUR 50.9 million for the year as a whole (2013: EUR 105.4 million). It is important to take into account that the interest expense in the fourth quarter of 2013 contained non-recurring expenses of EUR 14.0 million in connection with repaying a portion of the bond. Another factor was one-off fees of EUR 12.2 million paid in connection with adjusting financing agreements in the first quarter of 2013. Most of the costs were expensed in 2013.

Positive bottom line for the first time since 2011

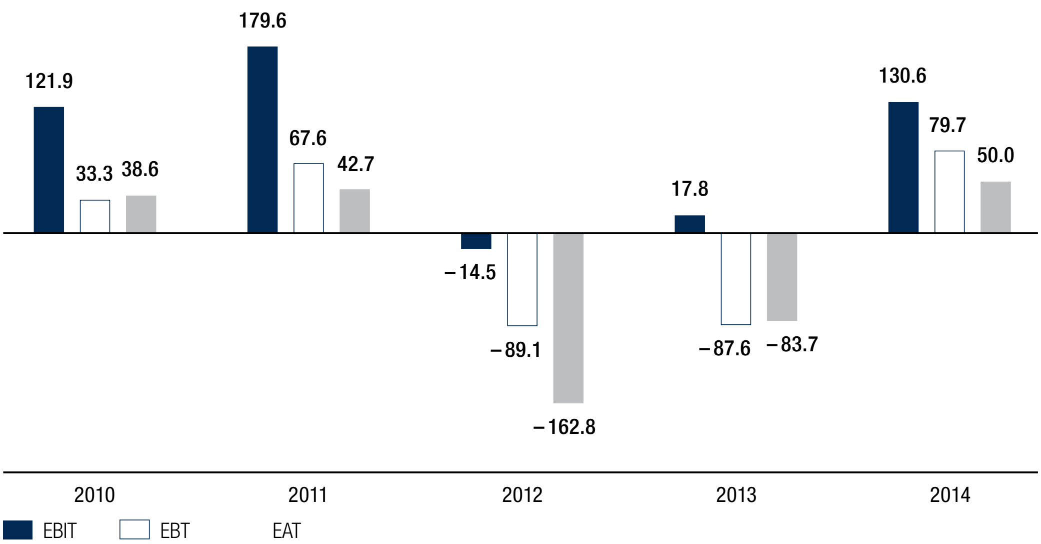
Our earnings before taxes (EBT) were comfortably positive in 2014: we managed to increase EBT by EUR 59.9 million to EUR 11.4 million in the fourth quarter (Q4 2013: EUR -48.5 million) and by EUR 167.3 million to EUR 79.7 million overall compared to the prior year (2013: EUR -87.6 million).

A tax expense of EUR 29.7 million was incurred in the fiscal year (2013: tax income of EUR 3.9 million), resulting in an effective Group tax rate of 37.3% (2013: 4.5%). The sharp year-on-year increase in the tax rate is mainly due to special effects in the prior year, including tax income of EUR 14.4 million. This tax income was generated as a result of amending the tax treatment of inventory valuation at the German entities, which led to the reversal of previously recognised deferred tax liabilities. In addition, no deferred tax assets were recognised in the prior year on temporary differences, tax losses, interest carryforwards or tax credits of EUR 24.8 million in total. Most of these came from the German tax group and were not recognised because their future realisation was deemed uncertain.

For the first time in three years, we reported a positive bottom line in the fiscal year 2014. Net income (EAT) came to EUR 50.0 million, an increase of EUR 133.7 million on the prior year (2013: EUR – 83.7 million). Net income was generated in every quarter of 2014, including the traditionally weaker fourth one, where, at EUR 4.2 million, it exceeded the prior-quarter figure by EUR 43.4 million (Q4 2013: EUR – 39.2 million). Earnings per share therefore came to EUR 0.05 (2013: EUR – 0.26).

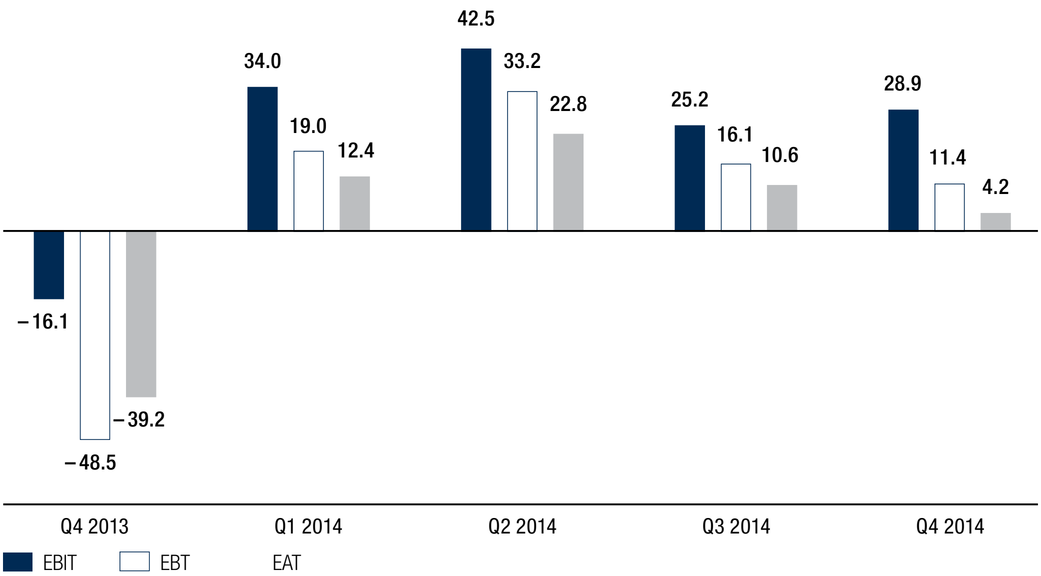
EBIT, EBT and EAT 2010 – 2014

in million EUR



EBIT, EBT and EAT Q4 2013 – Q4 2014

in million EUR



BUSINESS DEVELOPMENT OF THE DIVISIONS

Production Division

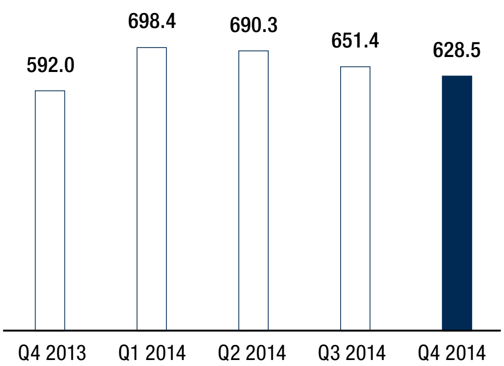
Revenue up across regions and product groups, significantly higher earnings

Key figures of the Production Division	2014	2013	Change on prior year %	Q4 2014	Q4 2014	Change on prior year %
in million EUR						
Revenue	2 668.6	2 562.3	4.1	628.5	592.0	6.2
Adjusted EBITDA	239.2	168.5	42.0	63.9	39.9	60.2
Operating profit before depreciation and amortisation (EBITDA)	235.4	168.0	40.1	62.6	40.1	56.1
Adjusted EBITDA margin (%)	9.0	6.6	36.4	10.2	6.7	52.2
EBITDA margin (%)	8.8	6.6	33.3	10.0	6.8	47.1
Operating profit (EBIT)	125.6	58.0	> 100	35.4	11.9	> 100
Capital employed	1 577.4	1 502.6	5.0	–	–	–
Investments	93.0	99.5	–6.5	38.5	42.6	–9.6
Operating free cash flow	82.9	118.1	–29.8	84.0	70.5	19.1
Employees as at closing date (positions)	7 720	7 730	–0.1	–	–	–

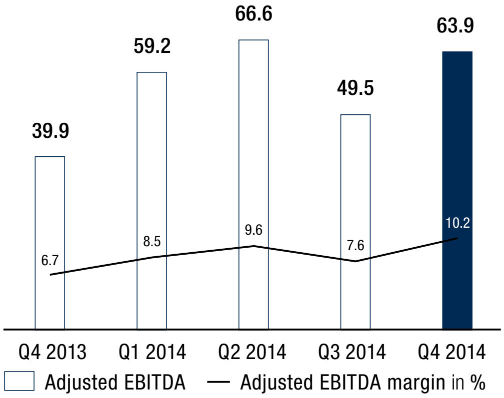
The *Production* Division comprises the business units Deutsche Edelstahlwerke, Finkl/Sorel, S+B Bright Bar, Swiss Steel and Ugitech. These companies produce tool steel, stainless steel, engineering steel, bright steel and other speciality products for sale to third parties directly or to the *Sales & Services* Division of the SCHMOLZ + BICKENBACH Group.

With sales up 5.2%, the *Production* Division managed to increase revenue by EUR 106.3 million or 4.1% to EUR 2 668.6 million in the reporting period (2013: EUR 2 562.3 million). Revenue growth was not consistent across regions and product groups, however. The clear downturn in North America in the prior year gave way to increased demand from the oil and gas industry, which boosted revenue by 19.3%. Revenue growth was significantly more modest in Europe and the rest of the world at 1.7% and 7.9%, respectively. In terms of revenue growth, engineering steel was the strongest performer with an increase of 6.5%. Revenue for tool steel and stainless steel was also up, but grew at a much more modest rate of 2.8% and 1.9%, respectively. The huge increase in the sales volume for engineering steel reflects extremely high demand from the automotive industry at the beginning of 2014 which settled down again as the year progressed. Higher demand was not fully reflected in the revenue figures because it focused on products in the lower price segments. Revenue in both other product groups increased at a higher rate than sales, mainly due to the rise in alloy surcharges in the second half of 2014.

Revenue *Production*
Q4 2013 – Q4 2014
in million EUR



Adjusted EBITDA and adjusted EBITDA margin
Production Q4 2013 – Q4 2014
in million EUR | in %



The *Production* Division managed to increase adjusted EBITDA by EUR 70.7 million or 42.0% to EUR 239.2 million in the reporting period (2013: EUR 168.5 million). The adjusted EBITDA margin thus improved to 9.0% (2013: 6.6%). The adjustment effects stem from restructuring provisions, the relocation of the A. Finkl & Sons Co. steel plant in the US and the development and implementation of our new strategy. They led to net extraordinary expenses of EUR 3.8 million in the *Production* Division (2013: EUR 0.5 million), which were deducted to give adjusted EBITDA. At EUR 235.4 million including these special effects, operating profit before depreciation and amortisation (EBITDA) was up EUR 67.4 million or 40.1% on the prior year (2013: EUR 168.0 million). The EBITDA margin therefore increased by 8.8% compared to the prior year (2013: 6.6%).
The marked improvement in earnings is attributable to better capacity utilisation at the plants, consistent implementation of efficiency-boosting measures and high demand from the North American oil and gas industry.

Ongoing investments in state-of-the-art technology and industrial safety
Investment activity focused on maintaining and modernising existing production capacity in 2014. A significant portion of the *Production* Division's EUR 93.0 million investment budget (2013: EUR 99.5 million) was spent on replacing existing plant and machinery as part of ongoing efforts to improve efficiency and at the same time meet growing requirements around environmental protection and safety in the workplace.
One example is the new secondary metallurgic centre at Deutsche Edelstahlwerke GmbH (DE), which went into operation at the Witten plant in June 2014. With a price tag of EUR 50 million, the facility took three years to construct. It allows us to meet our customers' demands for even higher quality, while also being significantly more energy-efficient and environmentally friendly. Further important investment projects this year were the initial construction steps to build a new cooling bed for our combi mill in Siegen in order to expand production of stainless valve steel. In North America, the process of relocating our steelworks to Chicago's South Side was successfully completed. Besides that, we mainly invested in the expansion of downstream activities.

Sales & Services Division

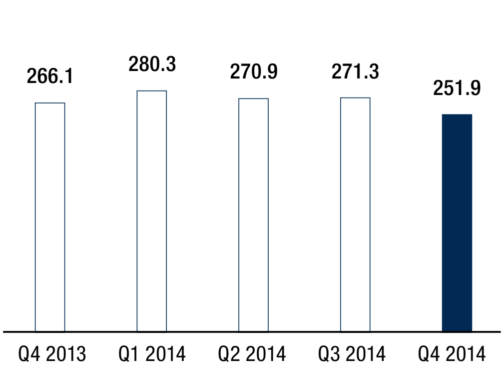
Revenue down due to reclassification of the bright steel business from Distribution Germany to the *Production* Division; earnings nevertheless up significantly

Key figures of the Sales & Services Division	2014	2013	Change on prior year %	Q4 2014	Q4 2013	Change on prior year %
in million EUR						
Revenue	1 074.4	1 158.1	−7.2	251.9	266.1	−5.3
Adjusted EBITDA	30.5	13.9	> 100	1.4	−0.5	> 100
Operating profit (loss) before depreciation and amortisation (EBITDA)	29.8	−8.8	> 100	2.2	−22.8	> 100
Adjusted EBITDA margin (%)	2.8	1.2	> 100	0.6	−0.2	> 100
EBITDA margin (%)	2.8	−0.8	> 100	0.9	−8.6	> 100
Operating profit (loss) (EBIT)	20.0	−19.0	> 100	−0.2	−25.2	> 100
Capital employed	322.2	346.9	−7.1	–	–	–
Investments	6.3	5.5	14.5	2.4	1.0	> 100
Operating free cash flow	46.6	19.1	> 100	34.2	29.2	–
Employees as at closing date (positions)	2 178	2 266	−3.9	–	–	–

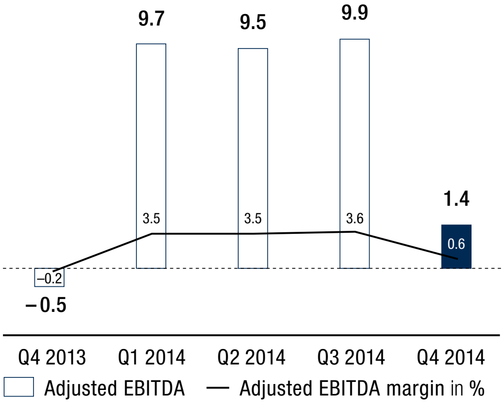
With sales down 8.9% on the prior year, revenue in the *Sales & Services* Division, which is generated from trading and service activities in Germany, other European countries and the rest of the world fell by 7.2% to EUR 1 074.4 million in 2014 (2013: EUR 1 158.1 million). Good revenue growth in North America (6.3%) was not enough to make up for falling revenue in Europe (– 9.9%) and the rest of the world (– 2.3%). The fall in Europe is mainly due to the fact that the bright steel business is directly served by the *Production* Division since the beginning of the year. If the distribution channels had not changed, the division's sales would haven fallen 0.1%, while revenue would only have decreased by EUR 26.0 million or 2.2% to EUR 1 132.1 million. Revenue in Europe would also have dropped just 3.7%. Distribution Germany chose to discontinue its trading activities for less profitable third-party products. As a result, the development of revenue was inconsistent across individual product groups. Engineering steel suffered the largest fall in revenue, down 14.0%, while the figure for stainless steel decreased by 3.5%. Revenue for tool steel actually increased, however, climbing 1.3% thanks to the expansion of sales activities.

On the other hand, we improved adjusted EBITDA significantly compared to the prior year with a figure of EUR 30.5 million (2013: EUR 13.9 million). This development is attributable to our earnings improvement programme, which mainly related to Germany. The adjusted EBITDA margin improved from 1.2% in the prior year to 2.8%. Including the net special effect of EUR 0.7 million relating to the *Sales & Services* Division, operating profit (loss) before depreciation and amortisation (EBITDA) came to EUR 29.8 million (2013: EUR – 8.8 million), an increase of EUR 38.6 on the prior year. The EBITDA margin thus also increased to 2.8% (2013: – 0.8%). Revenue and earnings figures in the fourth quarter were, as expected, lower than in the prior quarters due to seasonal effects.

Revenue *Sales & Services*
Q4 2013 – Q4 2014
in million EUR



Adjusted EBITDA and adjusted EBITDA margin
Sales & Services Q4 2013 – Q4 2014
in million EUR | in %



Continued investment in the new organisational structure

Up slightly on the prior year to EUR 6.3 million (2013: EUR 5.5 million), investments related mainly to improvement of the warehouse logistics and expansion of processing capacity. Ongoing implementation of the new organisational structure continued with pooling of our existing trade activities in Italy. *Sales & Services* combines all the distribution activities under central management and concentrates more on the sale of the Group's own products. At the end of 2014, we began efforts to implement this concept in France.

FINANCIAL POSITION AND NET ASSETS

The primary financial management goal is to create an adequate capital base to support the Group's sustainable growth. Liquidity requirements are primarily assured through the central syndicated loan, the corporate bond and the ABCP financing programme. A central cash pool is used to provide Group companies with the liquidity they need worldwide. In June 2014, the syndicated loan and ABCP programme were both extended until 2019 and better conditions were agreed for both instruments.

Key figures on the financial position and net assets	Unit	2010	2011	2012	2013	2014	Change on prior year %
Shareholders' equity	million EUR	795.8	844.2	633.0	889.9	900.9	1.2
Equity ratio	%	31.1	30.9	26.2	37.4	35.9	–4.0
Net debt	million EUR	926.9	860.4	902.8	610.1	587.2	–3.8
Gearing	%	116.5	101.9	142.6	68.6	65.2	–5.0
Net working capital	million EUR	1 027.6	1 064.8	1 006.0	949.5	992.3	4.5
Total assets	million EUR	2 557.8	2 730.6	2 417.1	2 377.5	2 509.6	5.6
Cash flow before changes in net working capital	million EUR	206.6	330.6	103.6	123.3	205.7	66.8
Cash flow from operations	million EUR	–46.2	305.9	168.8	167.8	178.1	6.1
Cash flow from investing activities	million EUR	–90.4	–114.3	–124.8	–94.1	–95.2	–1.2
Free cash flow	million EUR	–136.6	191.6	44.0	73.7	82.9	12.5
Depreciation and amortisation	million EUR	111.0	116.6	122.2	121.5	122.0	0.4
Investments	million EUR	120.6	125.6	141.0	105.7	100.8	–4.6

Financial position

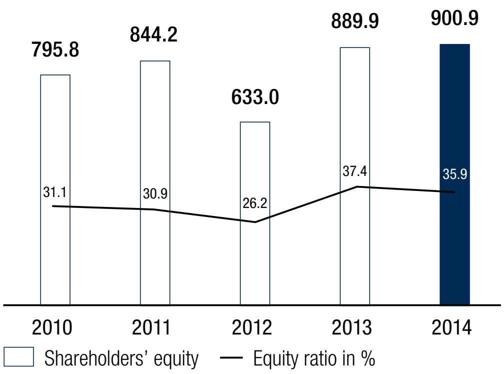
Slight increase in shareholders' equity

Despite high actuarial losses in connection with remeasuring pension obligations using lower discount rates, shareholders' equity increased by EUR 11.0 million or 1.2% to EUR 900.9 million in the reporting period (2013: EUR 889.9 million) thanks to the net income generated. With total assets rising to EUR 2 509.6 million (2013: EUR 2 377.5 million), the equity ratio decreased to 35.9%, however (2013: 37.4%).

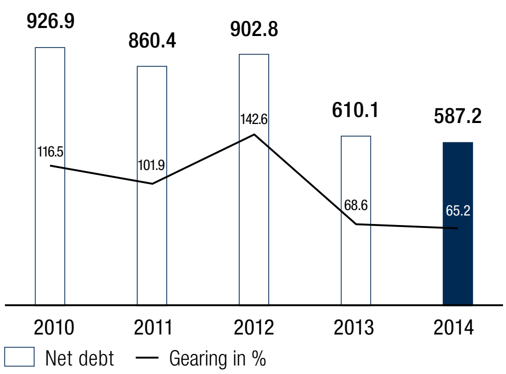
Improved financial position

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, came to EUR 587.2 million, a fall of 3.8% on the prior-year figure of EUR 610.1 million. This triggered an improvement in the gearing, which expresses the ratio of net debt to shareholders' equity, from 68.6% in the prior year to 65.2%. Furthermore, thanks to refinancing completed in June 2014, the syndicated loan and ABCP programme were extended to a term of five years ending in April 2019. In addition, better structural conditions were agreed for both instruments.

Shareholders' equity and equity ratio 2010 – 2014
in million EUR | in %



Net debt and gearing 2010 – 2014
in million EUR | in %



Free cash flow further improved

Due to the positive earnings development, we were able to increase cash flow before changes in net working capital by EUR 82.4 million or 66.8% compared to the prior year to EUR 205.7 million (2013: EUR 123.3 million). Reduced by the higher net working capital, cash flow from operations came to EUR 178.1 million (2013: EUR 167.8 million), up EUR 10.3 million or 6.1% on the prior-year figure. Cash flow from operations came to EUR 99.3 million in the fourth quarter and thus roughly matched the prior-year level (Q4 2013: EUR 96.7 million).

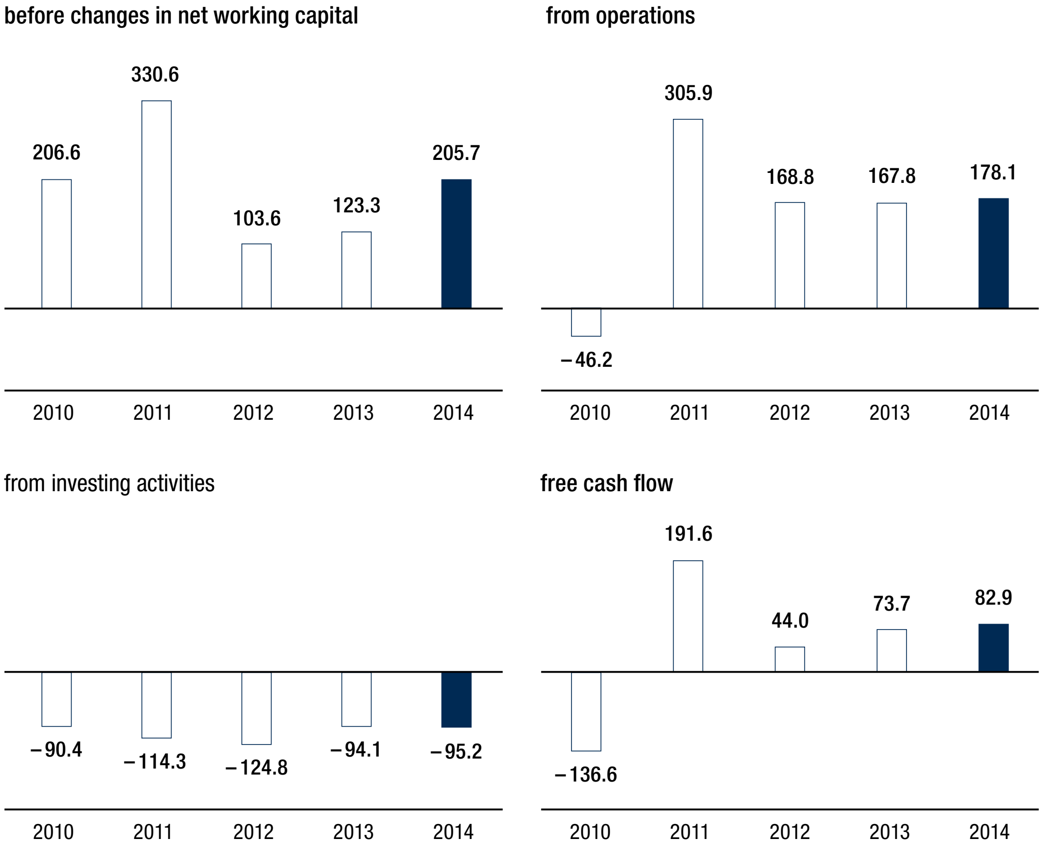
As proceeds from disposals and interest received both decreased more sharply than investments, negative cash flow from investing activities increased by a further EUR 1.1 million or 1.2% for the year as a whole to EUR 95.2 million (2013: EUR 94.1 million). Compared to the fourth quarter of the prior year, cash flow from investing activities fell by EUR 2.2 million or 5.4% to EUR 38.3 million (Q4 2013: EUR 40.5 million).

At EUR 82.9 million (2013: EUR 73.7 million), free cash flow was therefore up EUR 9.2 million or 12.5% overall in 2014 compared to the prior year. Of this, EUR 61.0 million (Q4 2013: EUR 56.2 million) relates to the fourth quarter – an increase of EUR 4.8 million or 8.5% compared to the same quarter of the prior year.

As part of the refinancing, a repayment of EUR 221.4 million was made on the utilised portion of the previous syndicated loan in the second quarter of 2014. EUR 236.7 million of the new syndicated loan had been drawn as at 31 December 2014. This, coupled with borrowings and repayments of other financial liabilities, resulted in net repayment of financial liabilities of EUR 27.5 million (2013: EUR 300.9 million); the prior-year figure was much higher due to the capital increase. At the same time, interest paid decreased by EUR 33.7 million or 39.8% to EUR 50.9 million (2013: EUR 84.6 million). This figure includes one-off payments of EUR 8.3 million made in connection with refinancing. Overall, negative cash flow from financing activities increased by EUR 30.2 million or 57.9% to EUR 82.4 million (2013: EUR 52.2 million). In the fourth quarter of 2014, cash flow from financing activities came to EUR 76.4 million, an increase of EUR 40.1 million on the prior-year figure (Q4 2013: EUR 36.3 million).

Cash flow 2010 – 2014

in million EUR



Net assets

Total assets up

The Group recorded total assets of EUR 2 509.6 million (2013: EUR 2 377.5 million), up EUR 132.1 million or 5.6% on the prior-year level. This development is primarily attributable to increases in inventories, deferred tax assets and VAT receivables. Another factor is currency translation effects accounting for around EUR 60 million.

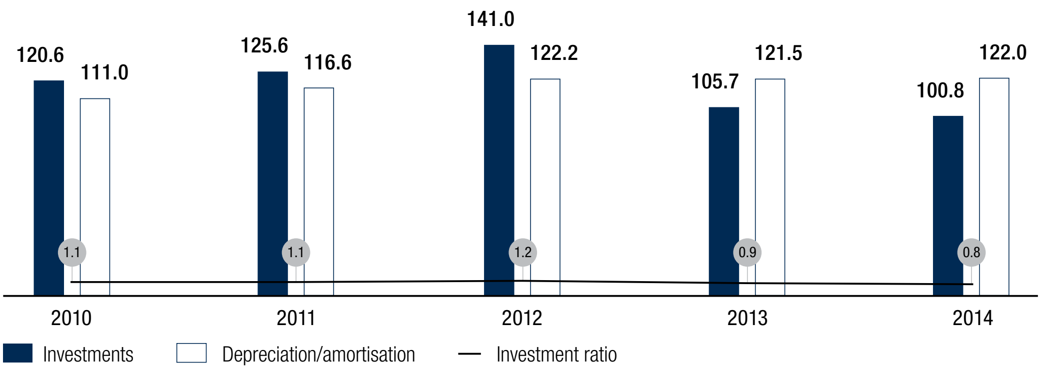
Slight fall in share of non-current assets

Compared to the prior year, non-current assets increased by 2.2% to EUR 1 006.3 million (2013: EUR 984.4 million). This is mainly due to higher deferred tax assets recognised on temporary differences, which is the result of the corresponding increase in pension provisions. As total assets were also up overall, the share of non-current assets in total assets fell from 41.4% to 40.1%.

Investments decreased by EUR 4.9 million or 4.6% to EUR 100.8 million (2013: EUR 105.7 million). As a result, the ratio of investments to depreciation and amortisation fell to 0.8 (2013: 0.9). Due to seasonal effects, investments in the fourth quarter increased compared to prior quarters to EUR 41.0 million (Q4 2013: EUR 44.0 million). This is because certain investment measures were only possible during the winter plant closures.

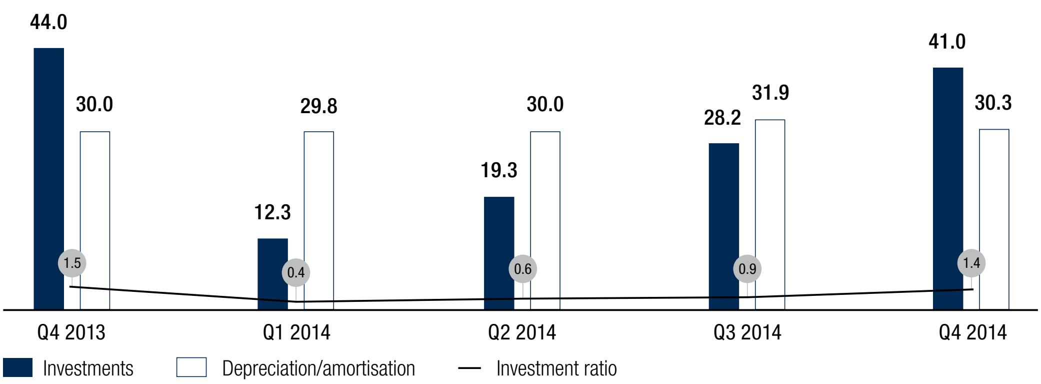
Investments, depreciation/amortisation and investment ratio 2010 – 2014

in million EUR | as a ratio

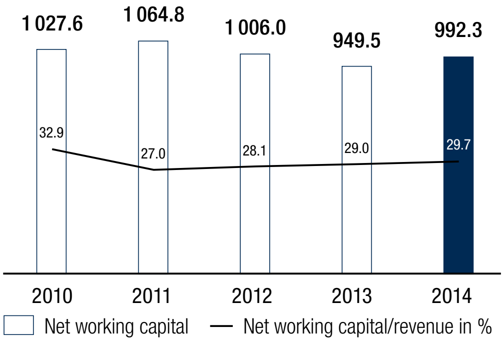


Investments, depreciation/amortisation and investment ratio Q4 2013 – Q4 2014

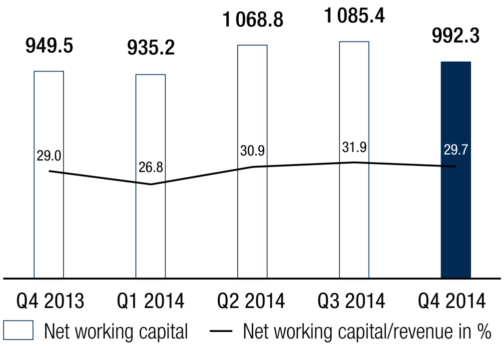
in million EUR | as a ratio



Net working capital and net working capital/revenue
2010 – 2014
in million EUR | in %



Net working capital and net working capital/revenue
Q4 2013 – Q4 2014
in million EUR | in %



Current assets and net working capital up

Current assets increased by EUR 110.2 million or 7.9% on the prior year to EUR 1 503.3 million as at 31 December 2014 (2013: EUR 1 393.1 million) owing to higher inventories as a result of the improved order situation, higher alloy surcharges in the second half of the year and an increase in VAT receivables. Higher VAT receivables mainly relate to the reverse charge procedure introduced temporarily in 2014 for products sold by us in Germany. The procedure transfers VAT payment liability to the recipient of goods, which led to input tax reimbursement claims. Current assets as a percentage of total assets thus rose from 58.6% to 59.9%. Net working capital increased by EUR 42.8 million or 4.5% overall to EUR 992.3 million (2013: EUR 949.5 million). As a percentage of revenue, net working capital increased slightly on the prior year to 29.7% (2013: 29.0%). A sustainable improvement in this figure is expected following the launch of a special programme in 2015 to reduce net working capital permanently.

Share of non-current liabilities increased

Non-current liabilities increased by EUR 114.1 million or 15.6% to EUR 847.7 million (2013: EUR 733.6 million). This development is mainly attributable to higher pension provisions due to lower discount rates as well as an increase in non-current financial liabilities in connection with extending terms when refinancing was agreed. Non-current liabilities as a percentage of total assets thus rose from 30.9% to 33.8%.

Current liabilities up slightly on prior-year level

At EUR 761.0 million (2013: EUR 754.0 million), current liabilities were up EUR 7.0 million or 0.9% on the prior-year level. This is due to higher accounts payable and an increase in income tax liabilities and other current liabilities. The fall in current provisions and financial liabilities only partially compensated for these effects. As total assets were up overall, the share of current liabilities in total assets decreased from 31.7% to 30.3%.

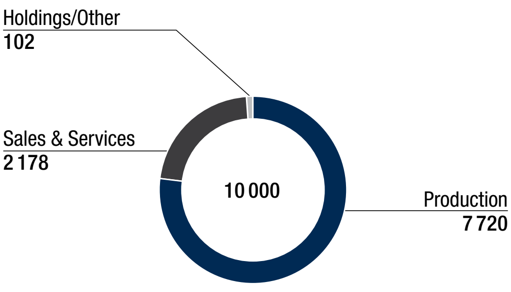
NON-FINANCIAL PERFORMANCE INDICATORS

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

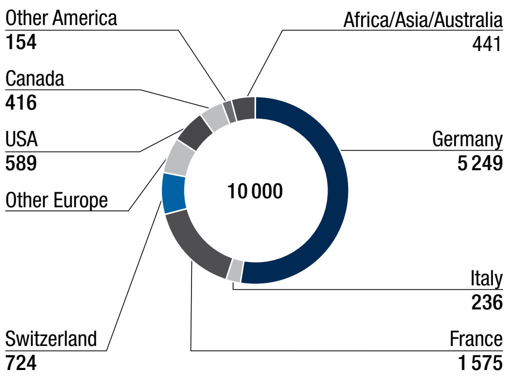
Number of employees decreased slightly

SCHMOLZ + BICKENBACH AG had 10 000 employees worldwide as at 31 December 2014 (31 December 2013: 10 095). The decrease of employees despite an improved employment situation reflects restructuring measures already implemented in 2012 at the German entities Deutsche Edelstahlwerke GmbH and SCHMOLZ + BICKENBACH Distributions GmbH.

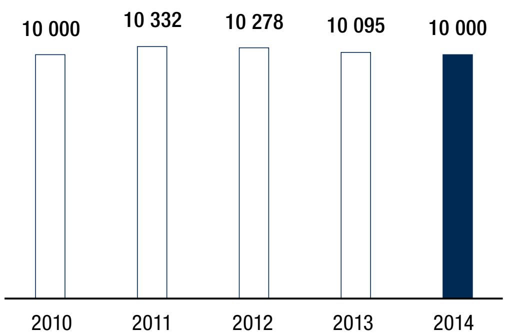
Employees by division 2014
Positions



Employees by region 2014
Positions



Employees as at closing date 2010 – 2014
Positions



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

Deutsche Edelstahlwerke GmbH – TOP employer 2014
The German magazine "Focus" ran a special edition on the best employers in Germany and featured Deutsche Edelstahlwerke GmbH as the winning company in the category "Production and processing of basic and building materials, metals and paper". The article particularly highlighted our commitment to education and training with the help of our subsidiary, KarriereWERKSTATT.

Vocational training
Given the far-reaching impact of demographic change, vocational training for young people is an important way of maintaining a balanced employee structure and remains an absolute priority even when jobs are being shed elsewhere. At 388, the number of young trainees in vocational training programmes roughly matched the prior-year level in 2014. Our express intention to take on all trainees as permanent employees once they finish their training demonstrates our clear commitment to vocational training for young people and our focus on developing talent from within our ranks.
SCHMOLZ + BICKENBACH continues to train up employees for third parties wishing to benefit from the expertise of our instructors and the excellent facilities at our two training centres, especially DEW's subsidiary KarriereWERKSTATT. The number of such candidates increased once again, which speaks for the quality of vocational training for young people at SCHMOLZ + BICKENBACH. Two of our trainees were singled out as the best in the German state of North Rhine-Westphalia, while another from Deutsche Edelstahlwerke in Witten was awarded the title of best in Germany at an event in Berlin. An exchange programme has been set up for trainees, initially just in Switzerland and Germany, with a view to helping participants broaden their horizons and boosting employee retention rates.

Further training and high potentials
At SCHMOLZ + BICKENBACH, we firmly stand by our commitment to invest strongly in our own earning power and our people, even – or indeed especially – when times are tough. This approach was reflected in this fiscal year, which once again saw us focus on further training and development for our employees. We update our existing catalogue of further training programmes continuously as demands change and develop. Furthermore, we identify high-potential employees throughout the Group and place them in central development programmes which support them on their way to becoming future specialists and leaders. We regularly fill key positions from our pool of high potentials as part of the Group's succession planning. The resulting networks are exploited in the course of inter-company projects. As such, the direct financial contribution of these programmes is an additional benefit besides their important role in retaining and developing our future corporate leaders.

Health and industrial safety
Our efforts to provide a health and safety-conscious workplace evolve continuously throughout the entire Group. Various permanent programmes and arrangements have been implemented in cooperation with employee representatives to facilitate the systematic reintegration of employees with long-term health issues. Other measures include cancer screening for high-risk groups, influenza vaccines and health and safety training for employees. Despite this, there were unfortunately 22 serious workplace accidents in the reporting period; these serve as a timely reminder to step up our efforts.

Environmental protection and energy management

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

Within the SCHMOLZ + BICKENBACH Group, a variety of comprehensive environmental and climate protection measures were implemented once again in 2014, alongside energy efficiency and energy conservation initiatives. We are pleased to provide some examples of these from the Group entities:

Environmental protection

> The new secondary metallurgic centre at Deutsche Edelstahlwerke in Witten finally went into operation in the spring of 2014 after a construction period lasting more than three years. Almost one third of the EUR 50 million investment was spent on environmental protection measures. A new dedusting system has cut the level of particle dust to such an extent that it is now 90% below the statutory limit. At the same time, a new treatment plant was installed for waste water from the SMC.

> An energy-efficient, environmentally friendly forging furnace was put into operation at Finkl in the USA. This new machinery boasts a ceramic fibre lining and a compact, low-emission regenerative burner. Furnaces like this use just a quarter of the energy needed to power traditional ones. The largest quench tank also went into operation. The cooling circuit uses evaporation cooling to minimise water consumption. A test of compliance with emissions limits confirmed that all forges and reheating ovens meet the criteria set by the US Environmental Protection Agency.

> Sorel Forge in Canada successfully reduced CO_2 emissions significantly in 2014. Thanks to more efficient use of gas, Sorel Forge used 20% less than the emissions volume allocated under the Quebec/California Cap and Trade Program.

> A new precision cutting line was installed in Rattunde for the S+B Bright Bar Group in February 2014. All cutting processes are now carried out using cutting fluid mist, which reduces consumption of cutting fluid to a minimum. At the same time, the process for handling waste oil was improved to reduce the risk of oil pollution.

> Swiss Steel AG is trialling a new method to exploit secondary materials where processed casting ladle slag is used as fertiliser in agricultural applications. A new company-wide disposal coordination desk, targeted employee training on hazardous waste and legal compliance controls have strengthened efforts to ensure the environmentally responsible disposal of waste. The steelworks benefit from a new online dust measurement device which was installed to enable a more rapid response to filter operating disruptions and reduce dust emissions even further.

> Ugitech in Ugine explored options to use slag in concrete production; results are promising. Ugitech replaced the sludge elimination systems in the washdown areas of the mechanical workshops, improving quality for discharge into surface water. The company continued its program to replace cooling units containing greenhouse gas. In addition, the volume of nitrogen entering the water system was reduced by 25% compared to 2013.

Energy management

> In 2014, the SCHMOLZ + BICKENBACH Group companies pressed ahead with the energy saving initiative that was launched in 2007.

> At Deutsche Edelstahlwerke, projects launched as part of the energy-saving campaign have saved a total of 68 million kilowatt hours of electricity and natural gas per year – that is 19 500 tonnes of CO_2. For instance, at the Siegen plant, a ladle heater was converted to a natural gas/oxygen burner, while the cooling circuit in the heat treatment at the Krefeld location was fitted with new controlling technology. The Hagen site has a new oven lining, while the hydraulic pumps in Witten have been updated with speed-control motors.

> The Group's global *Sales & Services* Division offers special training programmes to teach lorry drivers more fuel-efficient driving styles. We also apply strict criteria at the vehicle selection stage, opting for "Blue Tec" vehicles.

> The S+B Bright Bar Group's Düsseldorf site has installed new software to collect consumption data; this step is part of the energy management system certified to DIN ISO 50001. Data is consolidated in a database and used to generate automatic reports. Also in Düsseldorf, an independent compressor station was set up in the heat treatment area, enabling the main air supply to to the whole plant be cut off at the weekends. This saves 200 000 kWh per year. Successful energy saving projects have been under way for many years at the remaining S+B Bright Bar Group locations and were continued in the past fiscal year, as was cooperation with universities that conduct research in this area.

> Sorel Forge in Canada successfully reduced its gas consumption – and carbon footprint – thanks to improved forging technology and optimised use of heat treatment furnaces.

> Swiss Steel successfully obtained ISO 50001 certification for its energy management system. A target commitment was agreed with the government in the context of refunding surcharges levied on high-voltage grid transmission. Swiss Steel undertakes to meet a pre-defined level of energy efficiency in return for a refund of surcharges paid. The natural gas meters on the entire plant site have been modernised so that individual consumption load profiles can be viewed and statements automatically generated. The project to use exhaust heat for district heating was developed further with the aim of feeding exhaust heat from the rolling mill and steelworks into the public district heating network. The new frequency converter used internally in the distribution of district heating saves 100 000 kWh of electricity each year.

> At Ugitech's Imphy site, a closed coolant circuit was set up for tools, which led to significant cost savings.

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

It is difficult to imagine a life without steel today. Sectors such as the automotive, medical technology, power engineering, construction and oil and gas industries – to name but a few – would simply not work without this material. Although more than 2 300 different steel types are registered, e.g. DIN EN 10020:2000, all with their own use and processing properties, experts agree that there is still considerable potential for the development of steel as a material.

SCHMOLZ + BICKENBACH has made targeted investment to successfully modernise its production plant in recent years. Thanks to this investment, which is enhanced by decentralised and market-relevant R&D facilities, the Group is well equipped to meet customers' future needs for materials that are lighter, tougher, more tensile or easier to process. And to do so using highly efficient, innovative production processes.

A new Technical Development department was created in 2014 with the aim of boosting the Group's innovative power even further. The department ensures that investment is ideally targeted from a product and process perspective and is responsible for a coordinated and focused approach to using the Group companies' R&D resources.

OPPORTUNITIES AND RISKS

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

Risk management

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

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

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

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

Key factors affecting the Group's economic development are the volatility of steel prices and the Group's economic dependence on the automotive and mechanical engineering industries. The Group strives to balance risks by continually developing its broad product portfolio, adopting an international sales focus, diversifying the business portfolio, focusing on niche products and optimising the supply chain.

Internal Audit

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

Compliance

Additional employees joined the compliance team in 2014, strengthening this area within the SCHMOLZ + BICKENBACH Group. Led by the head of Internal Audit + Compliance, this function is primarily responsible for ensuring compliance with legal requirements and internal corporate guidelines. For administrative purposes, it is allocated to the portfolio of the CFO. Key compliance activities in the past fiscal year included revising and updating the Code of Conduct as well as the anti-corruption and antitrust guidelines. Numerous industry-specific training sessions were held at the production plants and *Sales & Services* entities, with a significant year-on-year increase in the number of employees trained at classroom events. This has significantly raised employees' understanding and awareness of compliance. Training was complemented by targeted compliance audits in 2014. The program to develop and implement a Group-wide Compliance Management System progressed according to plan. The plan for the Group-wide Compliance Management System was successfully audited by an external audit firm at the end of the fiscal year.

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

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

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

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

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

Risk factors – risk categories and individual risks

Political and regulatory risks

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

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

SCHMOLZ + BICKENBACH operates in an energy-intensive industry. Several of its German entities were entitled to a reduction on the surcharge in accordance with the German Renewable Energies Act (EEG).

In December 2013, the EU Commission launched an in-depth investigation into the Federal Republic of Germany's EEG for compatibility with EU state aid rules. Proceedings have since been concluded. The Commission approved the applicable German laws with certain amendments. We do not expect additional payment obligations 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 exemptions.

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

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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".

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".

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

Financial risks

Foreign currency risk

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

Interest rate risk

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

Commodity price risk

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

Opportunity management

From its starting point as a collection of complementary companies, the Group became increasingly cohesive between 2003 and 2014. 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 Central Business Development. We collect and analyse information about the market, production and R&D both at division level and centrally from a Group perspective as the basis for strategic decision-making. This allows well-informed strategic decisions to be taken at Group level and then implemented in cooperation with the Business Unit Heads. Our approach allows us to derive opportunities for our Company from the risks inherent in all business activities.

Opportunities and potential for increasing the value of the Company

With global growth driven by factors such as increasing urbanisation and mobility, SCHMOLZ + BICKENBACH can look forward to many strategic and operational opportunities in the coming years. We already offer the appropriate products for these markets. At the same time, efficient use of resources will move up corporate agendas, creating demand for materials with increasingly sophisticated technical qualities. The process of adapting and optimising our high-tech materials is an ongoing one as customers' applications demand lighter and more stress-resilient products.
In the last few years, SCHMOLZ + BICKENBACH has evolved from a medium-sized company into an international leader in the special long steel segment. The Group's economic success is founded on its ability to identify opportunities in market and technological trends, and develop operational strategies based on these. This approach is a key component of the Group-wide strategic dialogue and consists of three strategic moves: long-term systematic market observation and analysis; refinement of the industrial production basis and employee development; consistent application-relevant alignment of our product development activities.
As a unique full-range supplier with a broad portfolio of highly sophisticated products, we consider ourselves well positioned to serve both growth markets and technically demanding segments. Our business model is aligned to the constantly evolving demands of the applications. With such an application-driven strategy, we detect trends as they emerge, offering tailored solutions in response. We track these trends through long-term and systematic analysis of developments in our sales industries. We work closely with Research & Development teams to constantly optimise production processes and the product portfolio, ensuring they are adapted to meet future challenges at all times.

OUTLOOK

We stand by our medium-term goals: from 2016 onwards, we intend to generate an adjusted EBITDA of > EUR 300 million and an adjusted EBITDA margin of > 8% over an economic cycle. We want to reduce the adjusted 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

Global economic forecasts for 2015 are more positive than in the prior year, with the World Bank, OECD and IMF predicting growth of between 3.0% and 3.7%. However, the regional picture will be quite mixed in 2015. The USA is expected to drive growth, with a plus of 3.1% to 3.6%, while recovery in the eurozone will probably be much slower with growth of 1.1% to 1.2%. Within the eurozone, the major economies are only set for modest growth. The OECD and the MF anticipate an increase of just 1.1% to 1.3% for Germany and 0.8% to 0.9% for France. The geopolitical landscape is still marred by uncertainty, e.g. in Ukraine, Gaza and Iraq, which is likely to dampen economic growth again in 2015.

Development of steel demand

The World Steel Association expects steel consumption to grow by 2% in 2015, which more or less matches the 2014 level. Closer inspection, however, reveals that growth is slowing down even more, particularly in the Asian market. Accounting for the highest steel consumption in terms of tonnes (2014: 1 050 million tonnes), appetite in this region is expected to increase by just 1.4%. The second-largest steel consumer is the European Union with around 150 million tonnes. After a strong year in 2014 (+ 4.0%), consumption is expected to grow just 2.9% in 2015. The third-largest market is NAFTA where steel consumption is set to increase by just 2.2% following on from 6.4% 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 at least the performance of the global market. The significantly lower oil price compared to recent years could stoke demand.

Following feeble 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 year 2015 got off to a mixed start for the oil and gas industry – and especially the fracking sector. The number of active wells has already decreased 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.

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 trigger 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 two months of the new fiscal year, however, there were no signs of a higher nickel price.

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 Crude at around USD 60 for 2015. At the same time, the general economy stands to 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 1.07. Experts do not expect the Swiss franc to weaken significantly against the euro. The euro is set to remain weak against the dollar in conditions that favour the export business.

Development of the SCHMOLZ + BICKENBACH Group

As presented above, forecasts around the general economy and steel consumption specifically paint a mixed picture. We begin the fiscal year 2015 with cautious expectations. Our sales volumes in 2015 should roughly match the 2014 level. Price changes for alloying elements, such as nickel, and scrap are largely passed on to our customers via a surcharge system. This means that revenue fluctuates – sometimes significantly – due to external factors beyond our control. We will therefore no longer guide revenue for the Group in future.

With the Swiss franc stronger against the euro since January 2015, we expect negative effects on earnings for 2015 as a whole. EBITDA was burdened by a one-off negative effect of around EUR 7 million (as at the end of February 2015) as a result of translating the net trade receivables denominated in euro in the balance sheets of our Swiss operating companies. A positive currency effect from translating financial liabilities into euro as well as hedging will partially make up for this burden. There is also a current effect due to the appreciation of the Swiss franc against the euro. Preliminary sensitivity analyses show that 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.

Influenced by the effects described above, our EBITDA for 2015 is expected to come in at between EUR 210 million and EUR 250 million. 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 planned acquisition of additional land at the main Düsseldorf site, which is home to SCHMOLZ + BICKENBACH Distributions GmbH and SCHMOLZ + BICKENBACH Blankstahl GmbH, 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. The Group will step up efforts and expand the programme with additional measures in response to the currency challenges we face in 2015.

We stand by our medium-term goals: from 2016 onwards, we intend to generate an adjusted EBITDA of > EUR 300 million and an adjusted EBITDA margin of > 8% over an economic cycle. We hope to bring down adjusted EBITDA leverage (ratio of net debt to adjusted EBITDA) sustainably to < 2.5x.

Corporate Governance

CORPORATE GOVERNANCE

Corporate governance was once again a topic of focus in 2014. Several important policies were revised, including the Group's guidelines on anti-corruption and antitrust law. The Board of Directors analysed the Swiss Code of Best Practice for Corporate Governance, which was overhauled in September 2014. An in-depth requirement analysis was initiated in certain areas to identify any appropriate amendments.

1__Group structure and shareholders

1.1 Group structure

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

1.1.1 Group operating structure

The operating organisation is described in the segment reporting on pages 160 to 163 of this annual report. Management and supervision of the SCHMOLZ + BICKENBACH Group are based on the Company's articles of incorporation, organisational regulations, organisational charts, mission statement and other documents that set out the corporate policy and business principles.

The management structure is aligned to the Group's business strategy. As a global leader in special long steel, the Group's organisation reflects the supply chain, with two divisions: *Production* and *Sales & Services*. This structure leverages global synergies, enabling the Group to secure a stable business basis even in a difficult market environment and pursue its goal of defending and expanding on its position. Please refer to pages 167 to 168 of this annual report for a breakdown of companies by division.

1.1.2 Listed company

Name	SCHMOLZ + BICKENBACH AG
Registered office	Emmenweidstrasse 90, Emmen
Listed on	SIX Swiss Exchange, Main Standard
Market capitalisation	CHF 1 020.6 million (Closing price on 30 December 2014: CHF 1.08)
Symbol	STLN
Securities number	579 566
ISIN	CH000 579 566 8

1.1.3 Unlisted companies

All Group companies are unlisted companies. The list of shareholdings on pages 167 to 169 of this annual report gives details of these along with information about the registered office, share capital and interest held.

1.2 Significant shareholders

As at 31 December 2014, the Company was aware of the following shareholders with an interest in voting rights above the 3% threshold:

		31.12.2014		31.12.2013
	Shares	in percent [1]	Shares	in percent [1]
Venetos Holding AG [2]	241 087 648	25.51	241 087 648	25.51
SCHMOLZ + BICKENBACH Beteiligungs GmbH [2]	119 238 168	12.61	19 864 306	2.10
SCHMOLZ + BICKENBACH Finanz AG [2]	–	–	84 469 091	8.94
SCHMOLZ + BICKENBACH Holding AG [2]	24 146 104	2.56	39 050 875	4.13
Total SCHMOLZ + BICKENBACH GmbH & Co. KG [2]	143 384 272	15.17	143 384 272	15.17
Martin Haefner [2]	64 260 000	6.80	42 500 000	4.50

1) Percentage of shares issued as at 31 December.

2) http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

Viktor F. Vekselberg holds 25.51% of the shares indirectly via Venetos Holding AG, included in the table above. SCHMOLZ + BICKENBACH GmbH & Co. KG holds 15.17% of the shares indirectly via SCHMOLZ + BICKENBACH Beteiligungs GmbH and SCHMOLZ + BICKENBACH Holding AG, both of which are included in the table above.
SCHMOLZ + BICKENBACH GmbH & Co. KG (together with the subsidiaries it controls) and Venetos Holding AG are parties to a shareholder agreement and are therefore treated as a group by SIX Swiss Exchange.

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

1.3 Cross-shareholdings

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

2__ Capital structure

2.1 Capital

Share capital

As at 31 December 2014, the ordinary share capital of SCHMOLZ + BICKENBACH AG amounted to CHF 472 500 000, divided into 945 000 000 registered shares with a par value of CHF 0.50 per share. All registered shares are fully paid up and there are no further capital contribution obligations on the part of shareholders.
Under the terms of the articles of incorporation, the Annual General Meeting may at any time convert existing registered shares into bearer shares.
The Company also has authorised and conditional capital as described in section 2.2.

2.2 Authorised and conditional capital in particular

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

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

2.3 Changes in capital
There were no changes to the share capital in 2012.

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

There were no changes to the share capital in 2014.

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

2.4 Shares and participation certificates
Share capital comprised 945 000 000 registered shares with a par value of CHF 0.50 per share as at 31 December 2014. The Company held 22 985 treasury shares as at year-end; these ensure that it is in a position to meet its obligations from the management participation programmes. Each share entitles the holder to one vote. Voting rights may only be exercised if the shareholder has been registered in the Company's share register as a shareholder with voting rights in time for a given vote. Certificates are not issued for registered shares; rather, they are recorded by book entry in the central depository system of areg.ch ag. Shareholders are not entitled to request a printed copy or delivery of share certificates. All shareholders can, however, request from the Company at any time a document confirming the shares in their ownership.

SCHMOLZ + BICKENBACH AG has not issued any participation certificates.

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

2.6 Limitations on transferability and nominee registrations
Certificated shares can be physically deposited with a depositary; paperless shares can be entered in the principal register of a depositary and credited to a securities account (creation of intermediated securities). Intermediated securities can only be disposed of, or pledged as collateral, in accordance with the provisions of the Swiss Federal Act on Intermediated Securities. Paperless securities that do not qualify as intermediated securities can only be transferred by assignment. The Company must be notified of such assignment for it to be valid. In accordance with the articles of incorporation, nominees of registered shares may upon request be entered without restriction in the share register as a shareholder with voting rights if they expressly declare that they acquired the registered shares in their own name and for their own account. If no such declaration is made, nominees are registered with voting rights up to a maximum of 2% of the share capital. Beyond this limit, nominees with registered shares are registered with voting rights only if they provide a written declaration that they are prepared to disclose the addresses and shareholdings of persons for whose account they hold 0.5% or more of the outstanding share capital. Except for the nominee clause there are no restrictions on transferability, nor are any privileges granted under the articles of incorporation; therefore, no exceptions had to be granted in 2014. Revocation or amendment of these stipulations requires the agreement of at least two thirds of the represented votes and the absolute majority of the represented nominal share values.

2.7 Convertible bonds and options
The Company had no convertible bonds or options outstanding as at 31 December 2014.

3__ Board of Directors

3.1 Members of the Board of Directors

This section provides details of the composition of the Board of Directors as at 31 December 2014.

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 of the Audit Committee
Member since 2013
Elected until 2015

Marco Musetti (CH) [2]

Year of birth 1969
Member
Chairman 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.

Unless otherwise stated, the members of the Board have no significant business relationships with Group companies. For details of business relationships with certain companies represented by members of the Board of Directors, including, but not limited to, the Renova Group and associates of SCHMOLZ + BICKENBACH GmbH & Co. KG, see the notes to the consolidated financial statements, note 13_Related party disclosures, on pages 164 to 165 of this annual report.

See p. 164

Edwin Eichler (DE)_Chairman_Non-executive member

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

Vladimir V. Kuznetsov (RU)_Vice-Chairman_Non-executive member

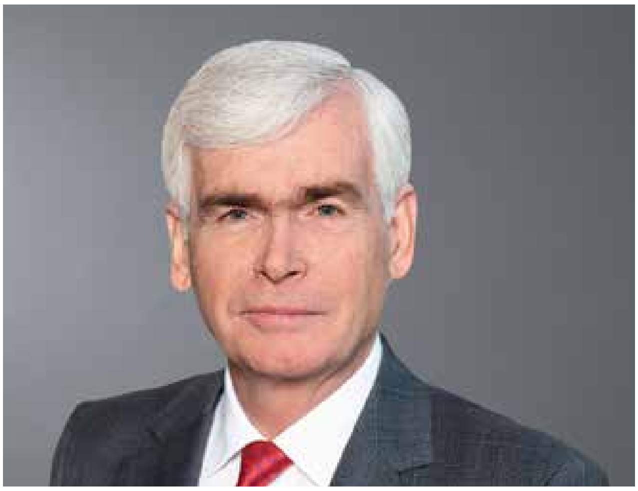
Vladimir Kuznetsov graduated in economics from Moscow State University and holds a PhD from the Institute of World Economy and International Relations, Moscow (Soviet Union/Russia), and a Master of International Affairs, Columbia University, New York (USA). He was first elected to the Board of Directors on 26 September 2013. From 1982 to 1994 Vladimir Kuznetsov was Head of the Financial Markets Research Department of the Institute for Economics and International Relations, Moscow. From 1992 to 1994 Mr Kuznetsov was Deputy Director and Director at Goldman Sachs, Moscow, and from 1994 to 1998 Head of the Moscow subsidiary of Salomon Brothers, Moscow. From 2001 to 2009 Mr Kuznetsov was Vice President of Renova Inc., New York, and from 2004 to 2011 Chief Investment Officer of Renova Management AG, Zurich (Switzerland). From 2007 to 2011 he served as Chairman of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon (Switzerland). From 2008 to 2010 Vladimir Kuznetsov was the Chairman of the Board of Directors of Venetos Management AG, Zurich, and from 2011 until 2014 he was Managing Director of Strategic Development at Renova Management AG, Zurich. From 2007 till 2014 he served on the Board of Directors of Sulzer AG, Winterthur (Switzerland), including as Vice Chairman. Mr Kuznetsov is also a member of the Board of Directors of Renova Management AG, Zurich.

Michael Büchter (DE) _ Non-executive member

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

Marco Musetti (CH) _ Non-executive member

Marco Musetti majored in economics at the University of Lausanne (Switzerland) and holds a Master of Science in Accounting and Finance, London School of Economics and Political Science (United Kingdom). He was first elected to the Board of Directors on 26 September 2013. From 1992 to 1998, Marco Musetti was Deputy Head of the Metals Desk at Banques Bruxelles Lambert (Suisse) S.A., Geneva (Switzerland) and from 1998 to 2000, he worked for Banque Cantonale Vadoise, Lausanne (Switzerland) as Head of the Metals and Structured Finance Desk. Between 2000 and 2007, Mr Musetti acted as COO and Deputy CEO for Aluminium Silicon Marketing GmbH, Zug (Switzerland). Since 2007 he has been a senior officer at Renova Management AG, Zurich (Switzerland). From 2007 to 2014 he served on various boards of Renova group companies and was Deputy Chairman of Venetos Holding AG, Zurich, Chairman of the Board of Directors of Avelar Energy Ltd, Zurich, and Chairman of the Board of Energetic Source Spa, Milano, (Italy). Marco Musetti has served on the Supervisory Board of Renova U.S. Holdings Ltd. (USA) since 2009 and on the Board of Directors of Sulzer AG, Winterthur (Switzerland) since 2011.



Dr Heinz Schumacher (DE) _ Non-executive member

Dr Heinz Schumacher, attorney-at-law, was first elected as a member of the Board of Directors on 26 September 2013. Since 1977 he has been practicing law in his own firm and he has also been managing director at Arenbergische Gesellschaften (Germany), a group of corporations for asset and participation management since 1984. He is, inter alia, Chairman of the Board of Directors of Bergbahnen Disentis AG (Switzerland), Chairman of the Management Board of Stiftung Prosper-Hospital (Germany), Chairman of the Supervisory Board of KVVR Klinik Verbund Vest Recklinghausen gGmbH (Germany), VKKD Verbund Katholischer Kliniken Düsseldorf gGmbH (Germany), Arenberg Consult GmbH (Germany), Chairman of the Advisory Committee of Eggert KG (Germany) and member of the Board of Directors of TownTalker Media AG (Germany).

Dr Oliver Thum (DE) _ Non-executive member

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

Hans Ziegler (CH) _ Non-executive member

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

3.2 Other activities and vested interests

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

3.3 Elections and term of office

The Board of Directors consists of between five and nine members. At the Annual General Meeting of 17 April 2014, all members of the Board of Directors were re-elected until the 2015 Annual General Meeting. The members of the Board of Directors are elected individually. The Chairman of the Board of Directors is elected by the Annual General Meeting. In accordance with the articles of incorporation and organisational regulations, the Board appoints from among its members a Vice Chairman for each term of office, and designates a Secretary, who need not be a member of the Board. At the latest, the term of office of each member and the Chairman of the Board of Directors expires at the end of the Annual General Meeting following their election. Re-election is possible.

3.4 Internal organisational structure

The organisational regulations provide that the Board of Directors meet as often as business requires, usually once per quarter. The Board of Directors convened on ten occasions in fiscal 2014 to discuss current business. These meetings typically last between one and six hours, and are normally attended by the members of the Executive Board. In the reporting period, external consultants were called upon for assistance with various legal and financial issues. The Board of Directors requests regular reports about the Compliance organisation and current Compliance issues within the SCHMOLZ + BICKENBACH Group. The Board of Directors is quorate when at least half of its members are present. For the notarisation of resolutions related to capital increases, only one member needs to be present (Art. 651a, 652g, 653g Swiss Code of Obligations (CO)). Resolutions and elections require a simple majority of the votes cast. Abstentions do not count as votes cast. In the event of a tie, the Chairman has the casting vote. In urgent cases, the Board of Directors can also pass resolutions by correspondence for inclusion in the minutes of the next meeting, provided that no member requests their verbal discussion.

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

Audit Committee

The members of this committee are Hans Ziegler (Chairman), Marco Musetti (member) and Michael Büchter (member). The regulations provide that the Audit Committee meet as often as business requires, usually at least twice per fiscal year. The Audit Committee met six times in fiscal 2014. The external auditor, the Head of Group Accounting & Controlling, the Head of Internal Audit + Compliance and the Group Risk Manager attended the relevant meetings as required. The members of the Executive Board also participated. Generally, such meetings last between two and three hours. There are separate regulations governing the specific tasks and responsibilities of the Audit Committee. These stipulate that the Audit Committee should consist of at least three members of the Board of Directors who are not actively involved in the Company's business activities. The main tasks of the Audit Committee are as follows:

Financial reporting

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

External auditor

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

Internal Audit

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

Other duties

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

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

Compensation Committee

The members of this committee are elected individually once a year by the Annual General Meeting in accordance with the law and the articles of incorporation. At the latest, the term of office of each member of the Compensation Committee expires at the end of the Annual General Meeting following their election. Re-election is possible. The members of this committee are Vladimir Kuznetsov (Chairman), Dr Heinz Schumacher (member) and Hans Ziegler (member). The regulations provide that the Compensation Committee meets as often as business requires, usually at least once per fiscal year. The Compensation Committee met nine times in fiscal 2014 with meetings lasting between one and four hours. There are separate regulations governing the tasks and responsibilities of the Compensation Committee. The Committee consists of at least three members of the Board of Directors. The committee is tasked with preparing the resolution of the Board of Directors on the Board of Directors' and Executive Board's compensation, and issuing a proposal to this effect to the Board of Directors. Its duties include, but are not limited to, the following:

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

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

Strategy Committee

The members of this committee are Marco Musetti (Chairman), Vladimir Kuznetsov (member), Edwin Eichler (member) and Dr Oliver Thum (member). The regulations provide that the Strategy Committee meet as often as business requires, usually at least twice per fiscal year. The committee met four times in fiscal 2014 with meetings lasting between two and three hours. The members of the Board of Directors and Executive Board were entitled to attend as guests. The Strategy Committee supports the Board of Directors in meeting its responsibilities for developing and rolling out the corporate strategy across the Group. The duties of the Strategy Committee include, but are not limited to, the following:

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

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

3.5 Definition of areas of responsibility

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

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

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

The Board of Directors is the supreme governing body of the Company, responsible for supervising and monitoring the Executive Board, and issuing corporate policies. It also defines the strategic objectives and allocates general resources required to achieve them. With the exception of duties reserved for the Board of Directors or its committees, all executive management tasks within the Company and Group are delegated to the Executive Board. The CEO chairs the Executive Board, which consists of the CEO and CFO. Until 31 March 2014, the Executive Board was composed of just one member who assumed the duties of both CFO and CEO (the latter ad interim). The Executive Board was restored to full strength with two members as at 1 April 2014. The CEO issues supplementary guidelines governing the duties and authority of members of the Executive Board and Business Unit Management. The Board of Directors receives notification of these responsibilities and any subsequent changes at the next meeting of the Board of Directors at the latest. Members of the Executive Board are appointed by the Board of Directors on the recommendation of the Compensation Committee, while other members of the Executive Committee (until 12 March 2014 including Business Unit Heads) are appointed by the Executive Board. The Chairman of the Board of Directors monitors the implementation of measures approved by resolution of the Board of Directors, supervises the CEO and his activities, and evaluates performance with him regularly.

3.6 Instruments for reporting and control: Executive Committee

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

Enterprise Risk Management (ERM)

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

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

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

See p. 150

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.

Key factors affecting the Group's economic development are the volatility of steel prices and the Group's economic dependence on the automotive and mechanical engineering industries. The Group strives to balance risks by continually developing its broad product portfolio, adopting an international sales focus, diversifying the business portfolio, focusing on niche products and optimising the supply chain.

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

4__ Executive Board

4.1 Members of the Executive Board

By resolution of 12 March 2014, the Board of Directors redefined “Executive Committee” to mean the members of the Executive Board only from 2014 onwards. In accordance with the organisational regulations applicable as at the reporting date, the Executive Board consists of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

Hans-Jürgen Wiecha (CFO) was the only member of the Executive Board until 31 March 2014, assuming the duties of CEO ad interim as well. Hans-Jürgen Wiecha left the Company as at 28 February 2015. The Executive Board consisted of the following members between 1 April 2014 and the reporting date:

Name	Function	Period
Clemens Iller	CEO CFO ad interim	Since 1.4.2014 1.3.2015–31.3.2015
Hans-Jürgen Wiecha	CFO CEO ad interim	1.1.2014–28.2.2015 1.1.2014–31.3.2014

Clemens Iller, CEO, CFO ad interim

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

Hans-Jürgen Wiecha, CFO

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

Prior to the resolution of the Board of Directors on 12 March 2014, the following Business Unit Heads were also members of the Executive Committee:

Thierry Crémailh
CEO *Sales & Services*

Patrick Lamarque d'Arrouzat
CEO Ugitech

Bruce C. Liimatainen
CEO A. Finkl & Sons Co.

Dr Martin Löwendick
CEO Deutsche Edelstahlwerke

Carlo Mischler
CEO Swiss Steel

Gerd Münch
CEO S+B Bright Bar

See the 2013 annual report, page 95 onwards, for further information on the above Business Unit Heads (http://www1.schmolz-bickenbach.com/uploads/tx_sbagnews/SB_Inhalt_GB13_WEB_en_GS.pdf).

4.2 Other activities and vested interests

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

4.3 Management contracts

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

5__ Compensation, participations and loans

Refer to the compensation report, starting on page 98 for full details.

6__ Shareholders' rights of participation

6.1 Restrictions on voting rights and representation

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

6.2 Statutory quorum

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

6.3 Convening the Annual General Meeting

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

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

6.4 Inclusion of items on the agenda

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

6.5 Entry in the share register

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

7__ Changes of control and defence measures

7.1 Duty to make a public offer

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

7.2 Clauses on changes of control

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

8__ External auditor

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

The auditors are elected by the Annual General Meeting for a period of one year. Ernst & Young Ltd has been the external auditor since the fiscal year 2005 and was re-elected for fiscal 2014. Roland Ruprecht has been Engagement Partner and signatory of the auditor's report since the fiscal year 2012.

8.2 Audit fees

See p. 133

The auditor in charge is generally rotated every seven years. Fees of EUR 1.7 million (2013: EUR 1.6 million) were paid for financial statement audits and EUR 0.4 million (2013: EUR 0.9 million) for other assurance services in 2014.

8.3 Additional fees

Fees of EUR 1.0 million (2013: EUR 1.4 million) were paid for tax consultancy services and EUR 0.2 million (2013: EUR 0.4 million) for transaction support.

8.4 Instruments for supervision and control: external auditor

The Audit Committee annually reviews the performance, fees and independence of the auditors and makes a proposal to the Board of Directors, and then the Annual General Meeting, concerning the appointment of the statutory and Group auditors. The Audit Committee decides annually on the scope of the internal audit and coordinates this with the external auditor's audit plans. The Audit Committee agrees the audit scope and plan with the external auditor and discusses the audit findings with the external auditors, who usually attend two meetings per year (see also the detailed description of the duties and authority of the Audit Committee, section 3.4, on page 86). There is no definitive rule governing the engagement of providers for non-audit services. Such engagements are usually awarded by the Executive Board in consultation with the Chairman of the Audit Committee, and are evaluated annually as part of the process to assess the independence of the external auditor.

See p. 86 onwards.

9__ Information policy

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

Financial calendar	
12 March 2015	Annual Report 2014, Media and Analyst Conference
15 April 2015	Annual General Meeting
19 May 2015	Q1 Report 2015, Investor Call
11 August 2015	Q2 Report 2015, Investor Call
12 November 2015	Q3 Report 2015, Investor Call

Investor Relations

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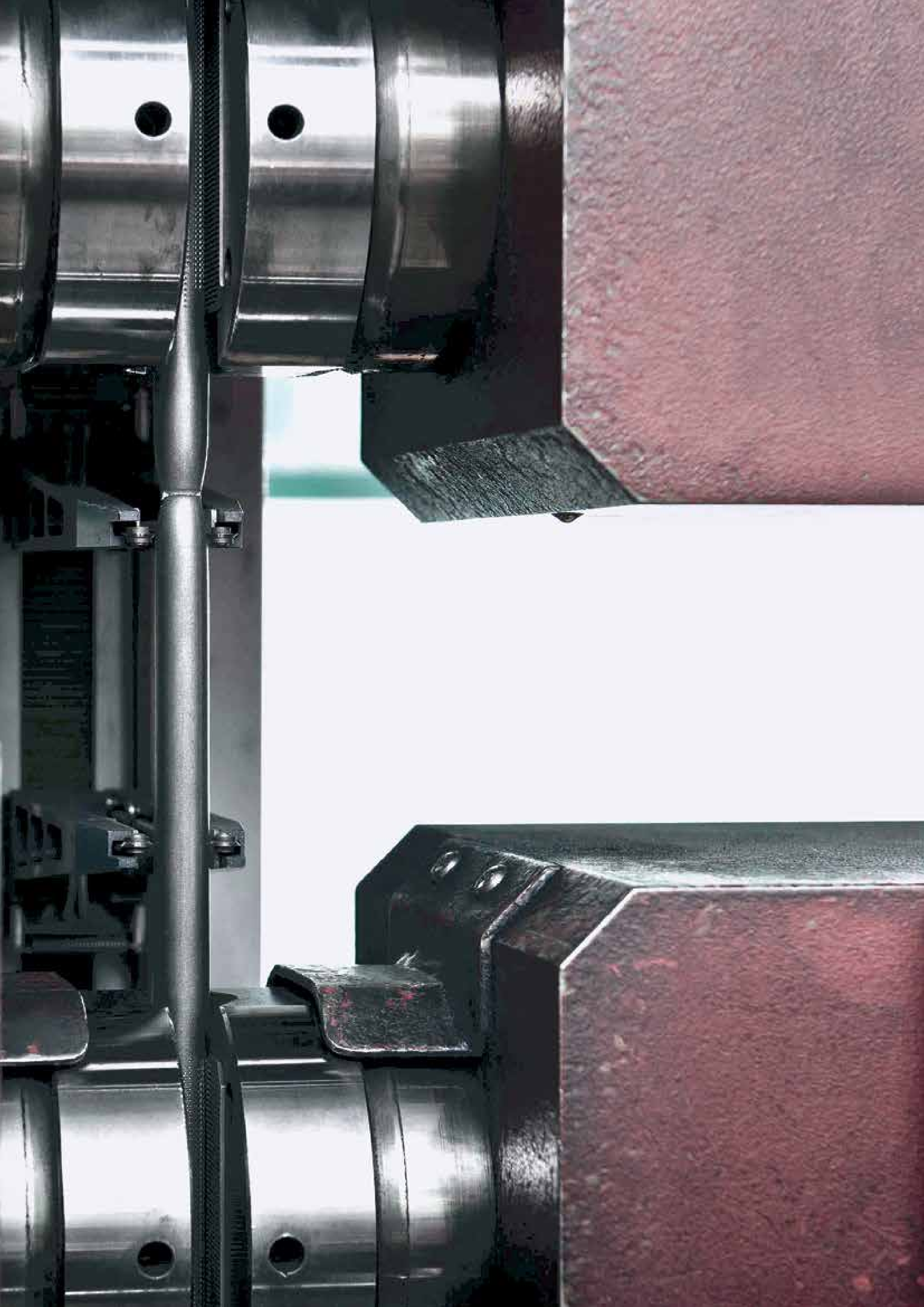


Compensation report

COMPENSATION REPORT

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

1__Introduction

1.1 Foreword

Dear shareholders,

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

Following the entry into force of the Swiss Ordinance against Excessive Compensation (VegüV) on 1 January 2014, the articles of incorporation were amended at the Annual General Meeting (AGM) of SCHMOLZ + BICKENBACH AG on 17 April 2014.

The revised articles of incorporation govern performance-related compensation (Art. 16b, 2), allocation of shares, conversion rights and options (Art. 16b, 2-4), credits, loans and pension payments (Art. 16c), arrangements for the AGM's vote on compensation, and the applicable premium for the Executive Committee's compensation should an approved total amount not suffice (Art. 16e).

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

This compensation report sets out the principles governing compensation of the Board of Directors and Executive Board. In addition, it describes the duties of the Compensation Committee and the process for defining compensation and contains details of compensation paid in the fiscal year 2014. The report will be presented to the 2015 Annual General Meeting for consultative vote. It is based on the principles laid down by economiesuisse's Swiss Code of Best Practice and was prepared in accordance with Art. 663b and 663c of the Swiss Code of Obligations (CO) and the SIX Swiss Exchange's Corporate Governance Guidelines.

Sincerely yours,

Vladimir Kuznetsov
Chairman of the Compensation Committee

1.2. Statutory principles governing voting on compensation

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

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

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

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

2__ Compensation policy

2.1 Organisation and duties of the Compensation Committee

The Compensation Committee is the first authority in preparing the information needed for a proposal on the compensation of the Board of Directors and Executive Board for submission to the entire Board of Directors. The Compensation Committee's primary duty is to monitor the organisation, qualifications, performance and compensation of the Executive Board and the Board of Directors in order to ensure fair, adequate and competitive compensation that is consistent with the strategic goals of the SCHMOLZ + BICKENBACH Group. The Compensation Committee consists of three members of the Board of Directors. Vladimir Kuznetsov was Chairman and Dr Heinz Schumacher and Hans Ziegler were regular members of the Compensation Committee during the reporting period. The committee met nine times in 2014, with meetings lasting between one and four hours. Compensation-relevant topics were presented without delay to the Board of Directors for a decision. All members of the Compensation Committee have the requisite experience, are familiar with compensation practice and understand market developments. Ernst & Young Ltd was engaged in an advisory capacity to support the Company with the applicable disclosure requirements as this is the first time a separate compensation report has been prepared.

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

The main duties of the Compensation Committee are:

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

2.2. Decision-making process for determining compensation

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

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

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

The Compensation Committee consults external advisors where necessary. External advisors are generally consulted for support with compensation benchmarking and compensation plan design. For instance, the companies Mercer, Hengeler Müller and Baker & McKenzie advised the Company on designing the Long Term Incentive Plan (LTIP).

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

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

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

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

2.3. Significant changes in 2014 and for subsequent years

2.3.1 Members of the Executive Committee

By resolution of 12 March 2014, the Board of Directors redefined “Executive Committee” to mean the members of the Executive Board only from 2014 onwards. In accordance with the organisational regulations applicable as at the reporting date, the Executive Board consists of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

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

Name	Function	Period
Clemens Iller	CEO CFO ad interim	Since 1.4.2014 1.3.2015 – 31.3.2015
Hans-Jürgen Wiecha	CFO CEO ad Interim	1.1.2014 – 28.2.2015 1.1.2014 – 31.3.2014
Thiery Crémailh	Business Unit Head	1.1.2014 – 12.3.2014
Patrick Lamarque d’Arrouzat	Business Unit Head	1.1.2014 – 12.3.2014
Bruce C. Liimatainen	Business Unit Head	1.1.2014 – 12.3.2014
Dr Martin Löwendick	Business Unit Head	1.1.2014 – 12.3.2014
Carlo Mischler	Business Unit Head	1.1.2014 – 12.3.2014
Gerd Münch	Business Unit Head	1.1.2014 – 12.3.2014

2.3.2. Compensation of the Executive Board

In 2014, the Board of Directors decided to supplement the compensation of the Executive Board to include a Long Term Incentive Plan (LTIP) in future. This move reflects efforts to align compensation better to the SCHMOLZ + BICKENBACH Group's corporate strategy and to create value for shareholders. The first payments under the LTIP will be made to the CEO on a pro rata basis for 2014. The target to be reached under the LTIP is 75% of the basic salary, with the actual amount under the LTIP not exceeding 200% or falling below 50% of the target LTIP (i.e. 150% maximum and 37.5% minimum of the annual basic salary). Payments under the LTIP will be settled in shares or cash after a vesting period of three years. The sub-targets for the LTIP are based on absolute shareholder return (ASR) and return on capital employed (ROCE) and will also be measured over three years (i.e. starting for the period April 2014 – 2016). From 2015 onwards the LTIP will also include the CFO. Section 4.2.3 provides full details of the LTIP.

2.3.3. Major changes expected for 2015

Total rewards packages are expected to be higher overall for the Executive Board in 2015. The main reasons for this are as follows:

1. Clemens Iller (joined: 1 April 2014) will receive compensation for the full twelve months in 2015.
2. Payments for Hans-Jürgen Wiecha, who stepped down as CFO as at 28 February 2015, were due in accordance with the 12-month notice period provided for in his contract. As at 1 April 2015, Matthias Wellhausen will join the Company as new CFO.
3. The Long Term Incentive Plan will be extended to the entire Executive Board in 2015.

The performance indicators and weightings under the Short Term Incentive Plan, on the other hand, will remain unchanged. The following targets and target weightings have been defined for 2015: (i) Adjusted EBITDA 1/3, (ii) operating free cash flow 1/3, (iii) individual targets 1/3. The Board of Directors believes that the heavy weighting of the financial targets will enable better alignment with investor interests.

3__ Compensation system

3.1. Compensation principles

Compensation of members of the Board of Directors and Executive Board is set so that it is appropriate, competitive and performance-based and is aligned to the strategic goals and success of the Group.
As part of the process of designing the Long Term Incentive Plan, an external service provider analysed the competitive situation of the Executive Board.

3.2. Compensation components

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

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

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

4__ Compensation of the Executive Board

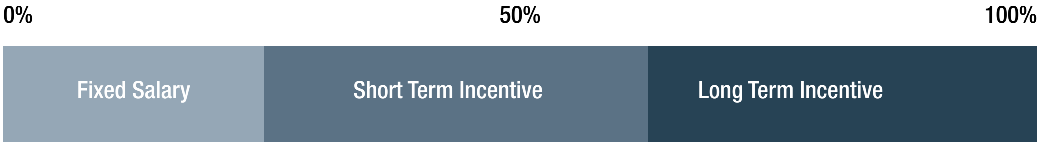
4.1 Determining compensation

The SCHMOLZ + BICKENBACH Group's policy is to position the Executive Board's compensation so that it reflects the median of peer companies. There are provisions in place to reward members of the Executive Board if they consistently over-perform with regard to the targets set under the Short Term and Long Term Incentive Plans. Such additional compensation reflects the degree by which targets are exceeded.

4.2 Individual components of compensation

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

The table below shows the general composition of compensation for the Executive Board in 2014:



	Short Term Incentive	Long Term Incentive
Participants	Executive Board	Executive Board [1]
Purpose	Recognise short-term financial performance	Recognise sustainable growth in the Company's value
Allocated	Annually	Annually
Exercised	Annually	After three years
Measured by	Adjusted EBITDA, Operating Free Cash Flow, personal goals	Return on Capital Employed, Absolute Shareholder Return
Minimum as a percentage of basic salary	37.5%	37.5%
Percentage of basic salary if targets are reached	75%	75%
Maximum as a percentage of basic salary if targets are exceeded	150%	150%
Compensation	Cash	Shares and/or cash

[1] Only Clemens Iller took part in the Long Term Incentive Plan in 2014. This Long Term Incentive Plan will be applied to all members of the Executive Board in 2015.

4.2.1. Basic salary

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

Hans-Jürgen Wiecha assumed for a transition period the role of CEO ad interim in addition to his duties as CFO from January 2014 onwards and therefore received a higher basic salary up to and including 30 June 2014.

4.2.2. Short Term Incentive

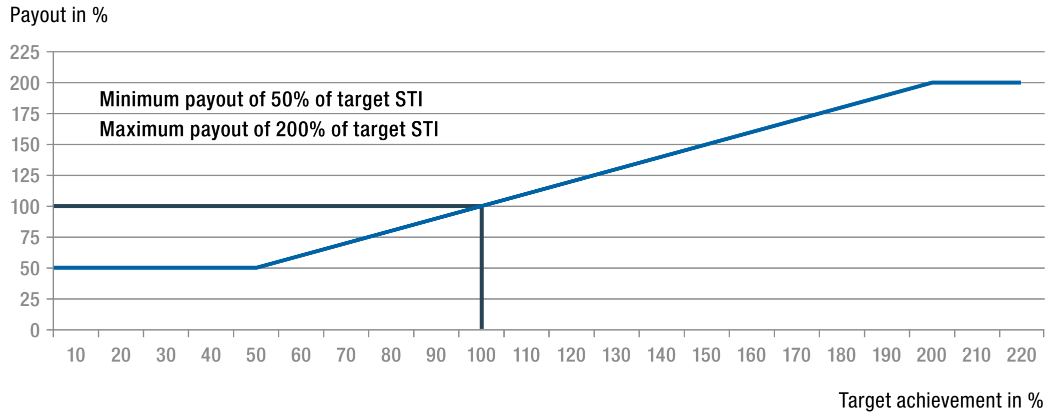
The Short Term Incentive Plan (STIP) is designed to reward the Executive Board of SCHMOLZ + BICKENBACH for achieving annual performance targets that are specific, quantifiable and challenging. The performance targets of Executive Board members consist of financial targets for the Group (Adjusted EBITDA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

All performance targets are defined in advance and there was no scope of discretion in determining the payments from the Short Term Investment Plan for 2014. The performance indicators and respective weightings for 2014 are as follows:

Performance indicator	Weighting
Adjusted EBITDA	33.3%
OFCF	33.3%
Personal targets	33.3%

The Executive Board members' personal targets related to the organisational structure of the Group, the earnings improvement programme and refinancing topics.

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



In 2014, the financial targets of the Group and the members' personal targets were all met or exceeded. This resulted in an average payment of 159% of the STIP to members of the Executive Board. The short-term incentive for the fiscal year 2014 will be paid out in cash to all members of the Executive Board in 2015.

4.2.3. Long Term Incentive Plan

A Long Term Incentive Plan (LTIP) was developed for the Executive Board in 2014. Initially applicable for the CEO in 2014, the plan will be extended to all members of the Executive Board from 2015 onwards.
The target to be reached under the LTIP is 75% of the annual basic salary of the specific Executive Board member, with the actual amount under the LTIP not exceeding 200% or falling below 50% of the target LTIP (i.e. 150% maximum and 37.5% minimum of the annual basic salary).

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

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

The plan differentiates between the one-year compensation period and the three-year performance period in which to achieve the performance targets for the indicators described (ROCE, ASR). For Clemens Iller, the first compensation period is the fiscal year 2014 while the corresponding performance period covers the fiscal years 2014 – 2016.

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

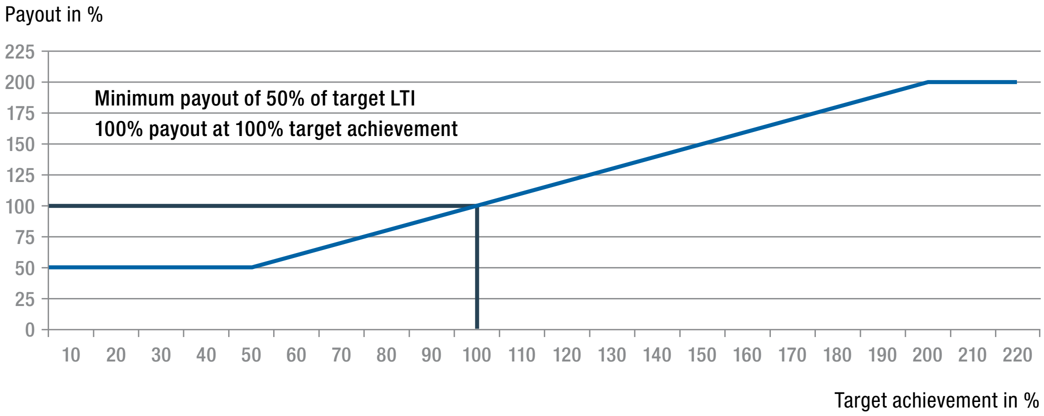
As a formula, the calculation is as follows:

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

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

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

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



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

4.2.4. Social security contributions

The members of the Executive Board are covered by an accident and term life insurance policy for the duration of their time in office. The policy provides for benefits in the event of death or invalidity. In cases of temporary illness, an accident or other absence from work through no fault of the individual concerned, the members of the Executive Board receive their basic salary for a maximum period of 12 months, but not beyond the termination date of this agreement. Executive Board members are also covered by other Group insurance (including D&O, corporate legal protection insurance and luggage insurance).

Until potentially changing his residence to Switzerland, Hans-Jürgen Wiecha receives an additional salary of EUR 62 500 p.a. (gross) (equivalent to CHF 75 000) in lieu of the Company's contribution to a voluntary pension fund. No further social security benefits, in particular for pensions, were granted

4.2.5. Compensation in kind

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

4.3. Compensation tables 2013/2014

The Executive Board's rewards package came to CHF 5 078 733 in total in 2014 (prior year: CHF 13 457 180). In 2014, Hans-Jürgen Wiecha, CFO, was the highest-earning member of the Executive Board (CHF 2 277 926); in 2013 it was Johannes Nonn, CEO (CHF 6 404 696).

		Cash/deposits				Pension fund expenses		
		Fixed compen-sation	Variable com-pensation	Share-based payments	Non-cash benefits[1]	Postemploy-ment benefit contributions [2]	Sickness, accident and other insurance contributions	**Total**
in CHF								
2014								
Highest-paid person: Hans-Jürgen Wiecha (DE)	CFO[3]	961 178	1 201 768		24 595	75 975	14 410	2 277 926
Total Executive Committee		**2 125 036**	**2 249 157**	**491 913**	**56 083**	**93 420**	**63 124**	**5 078 733**
2013								
Highest-paid person: Johannes Nonn (DE)	CEO [4]	6 298 986[5]	-	-	17 685	76 542	11 483	6 404 696
Total Executive Committee		**9 312 839**	**3 105 294**	**419 911**	**98 059**	**448 789**	**72 288**	**13 457 180**

[1] Private contribution car (based where applicable on tax regulations) and other non-cash benefits.

[2] Employer contributions to the pension fund and other post-employment benefit plans.

[3] CEO ad interim from 1 January until 31 March 2014.

[4] Appointment as CEO terminated on 20 December 2013.

[5] Compensation contains contract termination payment of CHF 5 292 417

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

1. The departure of the CEO Johannes Nonn as at December 2013 and the associated payments
2. The fact that until 12 March 2014 the Executive Committee consisted of six Business Unit Heads in addition to the two members of the Executive Board (see 2.3.1)
3. The CEO Clemens Iller's entry as at 1 April 2014
4. Higher compensation for Hans-Jürgen Wiecha, who also acted as CEO ad interim in the period from January to March 2014

4.4. Additional compensation

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

No compensation was paid in 2014 to members of the Executive Committee or Executive Board that left the Company in the prior period or earlier.

4.5. Contractual components and termination payments

4.5.1. Non-compete clause

The members of the Executive Board are prohibited from performing activities for another company and/or person that is a competitor of the Company or one of its affiliates throughout the term of office and for a period of 12 months after stepping down. During the period covered by the post-contractual non-compete clause, the employer pays compensation of 50% of the Executive Board member's most recent basic salary.

4.5.2. Termination clause

Permanent employment contracts are concluded with the members of the Executive Board. They provide for a 12-month notice period for both parties, exercisable as at the end of any given month.

4.6. Liabilities from previous reporting periods

There are no current liabilities from reporting periods prior to the fiscal year 2014 that were incurred in connection with compensation for Executive Board members.

5__ Compensation of the Board of Directors

5.1 Determining compensation

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

5.2. Individual components of compensation

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

The tables below show the Board of Directors' decisions on compensation for the Board of Directors. For the period from 1 January 2014 until the Annual General Meeting on 17 April 2014:

Compensation 1 January 2014 - AGM 2014 (17 April 2014)

Function	Cash in CHF	Shares in CHF
Chairman	73 287.67	73 287.67
Member	23 452.05	29 315.07
Audit Committee Chairman	14 657.53	–
Audit Committee Member	8 794.52	–
Compensation Committee Chairman	11 726.03	–
Compensation Committee Member	7 328.77	–
Strategy Committee Chairman	11 726.03	–
Strategy Committee Member	5 863.01	–

From the date of the 2014 Annual General Meeting, compensation for the Board of Directors is agreed for the period between two AGMs. The compensation regulations were amended accordingly.

Compensation from AGM 2014 (17 April 2014) until AGM 2015 (15 April 2015)

Function	Cash in CHF	Shares in CHF
Chairman	250 000.00	250 000.00
Member	80 000.00	100 000.00
Audit Committee Chairman	50 000.00	–
Audit Committee Member	30 000.00	–
Compensation Committee Chairman	40 000.00	–
Compensation Committee Member	25 000.00	–
Strategy Committee Chairman	40 000.00	–
Strategy Committee Member	20 000.00	–

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

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

For the share-based portion of compensation, the number of shares at the beginning of the term in office is calculated based on market data (volume-weighted average price, VWAP) from the tenth trading day before until the tenth trading day after publication of the financial statements approved by the Annual General Meeting. Shares are allocated at the end of each term in office or when a member steps down prematurely. Members of the Board of Directors do not have any voting rights or rights of ownership to these shares.
The first ever allocation of shares will be based on the VWAP from the tenth trading day before until the tenth trading day after the publication of the 2013 financial statements.

5.3. Compensation tables 2013/2014

Total compensation for members of the Board of Directors in 2014 came to CHF 2 064 008 (2013: CHF 1 739 351). The respective Chairman of the Board of Directors was the highest-earning member of the Board of Directors in both 2014 and 2013 (2014: CHF 583 881 and 2013: CHF 107 500 and CHF 315 000).

in CHF		Cash/deposits: Fixed compensation	Cash/deposits: Variable compensation	Fixed compensation in shares	Pension fund expenses: Postemployment benefit contributions[1]	Pension fund expenses: Sickness, accident and other insurance contributions	Additional Compensation: Expenses	Total
2014								
Edwin Eichler (DE)[2]	Chairman	286 970		264 971	28 425	3 516		583 881
Vladimir Kuznetsov (RU)[2]	Vice-Chairman	149 185		105 988	13 141	2 032		270 347
Michael Büchter (DE)[2]	Member	116 336		105 430	13 296	1 032		236 093
Marco Musetti (CH)[2]	Member	159 784		105 988	13 687	2 085		281 544
Dr Heinz Schumacher (DE)[2]	Member	105 000		100 000				205 000
Dr Oliver Thum (DE)[2]	Member	100 000		100 000				200 000
Hans Ziegler (CH)[2]	Member	165 083		105 988	13 960	2 111		287 143
Total		**1 082 358**		**888 366**	**82 509**	**10 776**		**2 064 008**
2013								
Edwin Eichler (DE)[2]	Chairman	96 638			5 279	583	5 000	107 500
Vladimir Kuznetsov (RU)[2]	Vice-Chairman	58 308			3 193	499	3 000	65 000
Michael Büchter (DE)[2]	Member	42 000					3 000	45 000
Marco Musetti (CH)[2]	Member	51 231			2 807	462	3 000	57 500
Dr Heinz Schumacher (DE)[2]	Member	37 079			2 034	387	3 000	42 500
Dr Oliver Thum (DE)[2]	Member	42 000					3 000	45 000
Hans Ziegler (CH)[2]	Member	48 873			2 678	449	3 000	55 000
Dr Hans-Peter Zehnder (CH)[3]	Chairman	282 802			15 450	1 748	15 000	315 000
Dr Alexander von Tippelskirch (DE)[4]	Vice-Chairman	131 223			6 669		6 000	143 892
Manfred Breuer (DE)[3]	Member	116 000					9 000	125 000
Dr Gerold Büttiker (CH)[3]	Member	141 000					9 000	150 000
Dr Helmut Burmester (DE)[4]	Member	94 769			4 690		6 000	105 459
Roland Eberle (CH)[3]	Member	104 161			5 717	1 122	9 000	120 000
Carl M. Eichler (DE)[5]	Member	34 500					3 000	37 500
Dr Marc Feiler (DE)[3]	Member	121 000					9 000	130 000
Benoît D. Ludwig (CH)[3]	Member	141 501			6 999		9 000	157 500
Roger Schack (DE)[5]	Member	34 500					3 000	37 500
Total		**1 577 585**			**55 516**	**5 250**	**101 000**	**1 739 351**

1) Employer contributions to the pension fund and other post-employment benefit plans.
2) Member of the Board of Directors since 26 September, 2013
3) Member of the Board of Directors until 26 September, 2013
4) Member of the Board of Directors until 30 June, 2013
5) Member of the Board of Directors from 1 July until 26 September, 2013

5.4. Additional compensation

No compensation was paid in 2014 to members of the Board of Directors that left the Company in the prior period or earlier.

No options were allocated in the reporting period. Where members of the Board of Directors were involved in related party transactions, this is indicated in the notes to the consolidated financial statements, p. 162 onwards.

6__ Loans and credits

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

As at 31 December 2014, the SCHMOLZ + BICKENBACH Group had not granted any collateral, loans, advances or credits to members, or related parties of members, of the Executive Committee or Board of Directors.

7__ Shareholdings

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

		Number of shares		Number of options [2]	
Board of Directors		31.12.2014	31.12.2013	31.12.2014	31.12.2013
Edwin Eichler (DE)[1]	Chairman	–	–	59 032	–
Vladimir V. Kuznetsov (RU)[1]	Vice-Chairman	–	–	23 613	–
Michael Büchter (DE)[1]	Member	–	–	23 613	–
Marco Musetti (CH)[1]	Member	–	–	23 613	–
Dr Heinz Schumacher (DE)[1]	Member	8 000	8 000	23 613	–
Dr Oliver Thum (DE)[1]	Member	–	–	23 613	–
Hans Ziegler (CH)[1]	Member	40 000	40 000	23 613	–
Total Board of Directors		**48 000**	**48 000**	**200 710**	**–**

1) Member of the Board of Directors since 26 September 2013.

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

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

		Number of shares (votes)	
Executive Committee		31.12.2014	31.12.2013
Hans-Jürgen Wiecha (DE) 1)	CFO	201 938	201 938
Bruce Liimatainen 3)	Head Business Unit Finkl / Sorel	n.a.	38 000
Dr Martin Löwendick (DE) 2) 3)	Head Business Unit Deutsche Edelstahlwerke	n.a.	1 500
Total Executive Committee		**201 938**	**241 438**

1) CFO since 1 February 2013, also CEO a.i. from 20 December 2013 to 31 March 2014.

2) Since 1 July 2013.

3) Business Unit Heads are no longer part of the Executive Committee with effect as at 12 March 2014.

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

To the General Meeting of SCHMOLZ + BICKENBACH AG, Emmen
Zurich, 11 March 2015

Report of the statutory auditor on the compensation report

We have audited the compensation report (section 4.3 to 7) dated 11 March 2015 of SCHMOLZ + BICKENBACH AG for the year ended 31 December 2014.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended 31 December 2014 of SCHMOLZ + BICKENBACH AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

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

Financial Reporting

SCHMOLZ + BICKENBACH Group

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

in million EUR	Note	2014	2013
Revenue		3 338.4	3 276.7
Change in semi-finished and finished goods		34.2	–6.6
Cost of materials	7.1	–2 205.3	–2 213.7
Gross margin		**1 167.3**	**1 056.4**
Other operating income	7.2	40.3	42.8
Personnel costs	7.3	–597.0	–598.2
Other operating expenses	7.4	–358.0	–359.3
Operating profit before depreciation and amortisation		**252.6**	**141.7**
Depreciation/amortisation and impairment	7.7	–122.0	–123.9
Operating profit		**130.6**	**17.8**
Financial income		6.6	14.2
Financial expense		–57.5	–119.6
Financial result	7.8	**–50.9**	**–105.4**
Earnings before taxes		**79.7**	**–87.6**
Income taxes	7.9	–29.7	3.9
Net income (loss)		**50.0**	**–83.7**
of which attributable to			
– shareholders of SCHMOLZ + BICKENBACH AG		48.0	–85.6
– non-controlling interests		2.0	1.9
Earnings per share in EUR (basic/diluted)	7.10	**0.05**	**–0.26**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	Note	2014	2014
Net income (loss)		**50.0**	**–83.7**
Gains/losses from currency translation	8.9	24.3	–22.1
Change in unrealised gains/losses from cash flow hedges	8.9	–0.4	–0.2
Realised gains/losses from cash flow hedges	8.9	0.1	0.2
Tax effect from cash flow hedges	8.9	0.1	0.0
Items that may be reclassified subsequently to profit or loss		**24.1**	**–22.1**
Actuarial gains/losses from pension-related and similar obligations and effects due to asset ceiling	8.9/8.10	–84.5	40.2
Tax effect from pensions and similar obligations	8.9/8.10	20.9	–7.6
Items that will not be reclassified subsequently to profit or loss		**–63.6**	**32.6**
Other comprehensive income (loss)		**–39.5**	**10.5**
Total comprehensive income (loss)		**10.5**	**–73.2**
of which attributable to			
– shareholders of SCHMOLZ + BICKENBACH AG		8.6	–74.8
– non-controlling interests		1.9	1.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2014		2013	
	Note	in million EUR	%	in million EUR	%
Assets					
Intangible assets	8.1	32.9		32.4	
Property, plant and equipment	8.2	869.1		862.6	
Other non-current financial assets	8.4	3.2		3.2	
Non-current income tax assets		15.8		15.0	
Other non-current assets	8.5	0.4		1.8	
Deferred tax assets	7.9	84.9		69.4	
Total non-current assets		**1 006.3**	**40.1**	**984.4**	**41.4**
Inventories	8.6	918.5		822.8	
Trade accounts receivable	8.7	440.2		451.1	
Current financial assets	8.4	1.6		2.1	
Current income tax assets		3.7		6.7	
Other current assets	8.5	67.2		41.5	
Cash and cash equivalents		72.1		68.4	
Non-current assets held for sale	8.8	0.0		0.5	
Total current assets		**1 503.3**	**59.9**	**1 393.1**	**58.6**
Total assets		**2 509.6**	**100.0**	**2 377.5**	**100.0**
Equity and liabilities					
Share capital	8.9	378.6		378.6	
Capital reserves	8.9	952.8		952.8	
Retained earnings (accumulated losses)	8.9	–358.3		–406.9	
Accumulated income and expense recognised directly in equity	8.9	–83.3		–43.9	
Attributable to shareholders of SCHMOLZ + BICKENBACH AG		**889.8**		**880.6**	
Non-controlling interests		11.1		9.3	
Total shareholders' equity		**900.9**	**35.9**	**889.9**	**37.4**
Provisions for pensions and similar obligations	8.10	332.9		244.4	
Other non-current provisions	8.11	33.6		35.9	
Deferred tax liabilities	7.9	39.9		36.9	
Non-current financial liabilities	8.12	440.2		412.7	
Other non-current liabilities	8.13	1.1		3.7	
Total non-current liabilities		**847.7**	**33.8**	**733.6**	**30.9**
Current provisions	8.11	39.4		49.8	
Trade accounts payable		366.4		324.4	
Current financial liabilities	8.12	219.1		265.8	
Current income tax liabilities		12.9		6.2	
Other current liabilities	8.13	123.2		107.8	
Total current liabilities		**761.0**	**30.3**	**754.0**	**31.7**
Total liabilities		**1 608.7**	**64.1**	**1 487.6**	**62.6**
Total shareholders' equity and liabilities		**2 509.6**	**100.0**	**2 377.5**	**100.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

in million EUR	Note	2014	2013
Earnings before taxes		79.7	–87.6
Depreciation, amortisation and impairment		122.0	123.9
Reversal of impairment		0.0	–0.6
Gain/loss on disposal of intangible assets, property, plant and equipment and financial assets		–1.2	–2.4
Increase/decrease in other assets and liabilities		–32.0	1.2
Financial income		–6.6	–14.2
Financial expense		57.5	119.6
Income taxes paid		–13.7	–16.6
Cash flow before changes in net working capital		**205.7**	**123.3**
Change in inventories		–81.8	33.7
Change in trade accounts receivable		22.5	–16.0
Change in trade accounts payable		31.7	26.8
Cash flow from operations		**178.1**	**167.8**
Investments in property, plant and equipment		–96.5	–99.5
Proceeds from disposal of property, plant and equipment		2.8	6.6
Investments in intangible assets		–2.8	–3.2
Proceeds from disposal of intangible assets		0.1	0.0
Investments in financial assets		–0.1	–0.2
Proceeds from disposal of financial assets		0.1	0.2
Interest received		1.2	2.0
Cash flow from investing activities		**–95.2**	**–94.1**
Free cash flow		**82.9**	**73.7**
Proceeds from the new syndicated loan	8.12, 9	236.7	0.0
Repayment of the syndicated loan	8.12, 9	–221.4	–137.6
Increase in other financial liabilities		2.7	7.2
Repayment of other financial liabilities		–45.5	–80.2
Repayment bond		0.0	–90.3
Proceeds from capital increase		0.0	356.8
Transaction costs from capital increase		–3.4	–23.2
Investment in treasury shares		–0.4	0.0
Investments in shares in previously consolidated companies		0.0	–0.3
Dividends to non-controlling interests		–0.2	0.0
Interest paid	9	–50.9	–84.6
Cash flow from financing activities		**–82.4**	**–52.2**
Change in cash and cash equivalents due to cash flow		**0.5**	**21.5**
Effect of foreign currency translation		3.2	–3.6
Change in cash and cash equivalents		**3.7**	**17.9**
Cash and cash equivalents as at 1.1.		68.4	50.5
Cash and cash equivalents as at 31.12.		72.1	68.4
Change in cash and cash equivalents		**3.7**	**17.9**

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 1.1.2013	**297.6**	**703.7**	**−321.8**	**−54.7**	**0.0**	624.8	8.2	633.0
Capital decrease	−255.1	255.1	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Capital increase	336.1	20.7	0.0	0.0	0.0	**356.8**	0.0	**356.8**
Transaction costs of capital increase	0.0	−26.7	0.0	0.0	0.0	**−26.7**	0.0	**−26.7**
Effects from the increase in ownership interests in Group companies	0.0	0.0	0.0	0.0	0.0	**0.0**	−0.3	**−0.3**
Dividends	0.0	0.0	0.0	0.0	0.0	**0.0**	−0.2	**−0.2**
Share-based payment	0.0	0.0	0.5	0.0	0.0	**0.5**	0.0	**0.5**
Capital transactions with shareholders	**81.0**	**249.1**	**0.5**	**0.0**	**0.0**	330.6	**−0.5**	330.1
Net income (loss)	0.0	0.0	−85.6	0.0	0.0	**−85.6**	1.9	**−83.7**
Other comprehensive income (loss)	0.0	0.0	0.0	10.8	0.0	**10.8**	−0.3	**10.5**
Total comprehensive income (loss)	**0.0**	**0.0**	**−85.6**	**10.8**	**0.0**	−74.8	**1.6**	−73.2
As at 31.12.2013	**378.6**	**952.8**	**−406.9**	**−43.9**	**0.0**	880.6	**9.3**	889.9
Purchase of treasury shares	0.0	0.0	0.0	0.0	−0.4	**−0.4**	0.0	**−0.4**
Expenses from share-based payments	0.0	0.0	1.0	0.0	0.0	**1.0**	0.0	**1.0**
Definitive allocation of share-based payments for the prior year	0.0	0.0	−0.4	0.0	0.4	**0.0**	0.0	**0.0**
Dividends	0.0	0.0	0.0	0.0	0.0	**0.0**	−0.1	**−0.1**
Capital transactions with shareholders	**0.0**	**0.0**	**0.6**	**0.0**	**0.0**	0.6	**−0.1**	0.5
Net income (loss)	0.0	0.0	48.0	0.0	0.0	**48.0**	2.0	**50.0**
Other comprehensive income (loss)	0.0	0.0	0.0	−39.4	0.0	**−39.4**	−0.1	**−39.5**
Total comprehensive income (loss)	**0.0**	**0.0**	**48.0**	**−39.4**	**0.0**	8.6	**1.9**	10.5
As at 31.12.2014	**378.6**	**952.8**	**−358.3**	**−83.3**	**0.0**	889.8	**11.1**	900.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1_ About the Company

SCHMOLZ + BICKENBACH AG (SCHMOLZ + BICKENBACH) is a Swiss company limited by shares which is listed on the SIX Swiss Exchange (SIX) and has its registered office at Emmenweidstrasse 90 in Emmen. SCHMOLZ + BICKENBACH is a global steel company operating in the special and long steel business. Its activities are divided into two divisions: *Production* and *Sales & Services*.
These consolidated financial statements were authorised for issue by the Board of Directors on 11 March 2015, subject to the approval of the Annual General Meeting on 15 April 2015.

2_Accounting policies

The consolidated financial statements of SCHMOLZ + BICKENBACH AG for the fiscal year 2014 were prepared in accordance with International Financial Reporting Standards (IFRSs). They are based on the standards and interpretations that were mandatory or early adopted as at 31 December 2014. Note 4 presents information about the standards and interpretations that became mandatory during fiscal year 2014, the standards and interpretations that have already been published but are not yet mandatory and the decisions of the SCHMOLZ + BICKENBACH Group regarding early adoption.
The consolidated financial statements are presented in euro. Unless otherwise stated, monetary amounts are denominated in millions of euro.
The financial reporting period is the calendar year. The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity all contain comparative figures from the prior year.

3__Significant accounting judgements, estimates and assumptions

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

Impairment of deferred tax assets
(see note 7.9)
Future tax relief in the form of deferred tax assets should only be recognised to the extent that it is considered probable that these will be realised on the basis of future taxable income. At the end of each reporting period, deferred tax assets are assessed for recoverability based on multi-year tax plans. These plans are based on the Group companies' medium-term planning, which is approved by the Board of Directors.
The estimate of future taxable income is also affected by the Group's strategic tax planning.

Depreciation and amortisation of non-current assets with finite useful lives

(see notes 8.1 and 8.2)

Assets with finite useful lives are subject to amortisation or depreciation. For this purpose, the useful life of each asset is estimated upon initial recognition, reviewed at each reporting date and adjusted when necessary.

Impairment testing of non-current, non-financial assets

(see note 8.3)

Goodwill and other intangible assets with indefinite useful lives are subject to an impairment test at least annually as at 30 November. In addition, all assets are tested for indications of possible impairment at each reporting date.

Impairment testing uses the discounted cash flow method to determine the recoverable amount of a cash-generating unit. This is then compared to the carrying amount of the net assets. Cash flows are measured based on the Group companies' medium-term plans, which are prepared for a five-year detailed planning period and have been approved by the Board of Directors. A uniform Group-wide growth rate is used to determine the cash flows beyond the detailed planning period. The cash flows are discounted using an appropriate discount rate.

Measurement of provisions

(see notes 8.10 and 8.11)

Provisions are generally measured on the basis of the best estimate of the expenditure required to settle the present obligation upon recognition, taking into account all risks and uncertainties affecting the estimate.

Provisions for pensions and similar obligations in particular are based on estimates and assumptions with respect to the discount rate, expected salary and pension increases and mortality rates.

4_Standards and interpretations applied

The accounting policies and measurement principles applied in these consolidated financial statements are consistent with those used for the 2013 consolidated financial statements with the exception of new and revised standards and interpretations applied for the first time during the fiscal year 2014.

Amendments, interpretations of published standards or new standards that are mandatory for the first time in the fiscal year 2014

The following revised standards and new interpretation were applicable for the first time in 2014:

- IAS 27 "Separate Financial Statements"
- IAS 32 "Financial Instruments: Presentation"
- IAS 39 "Financial Instruments: Recognition and Measurement"
- IFRS 10 "Consolidated Financial Statements"
- IFRS 12 "Disclosure of Interests in Other Entities" and
- IFRIC 21 "Levies".

The revised standards and the new interpretation did not have a material impact on these consolidated financial statements of SCHMOLZ + BICKENBACH AG.

Amendments, interpretations of published standards or new standards that were published in 2014 and that the Group has decided not to early adopt

In 2014, the IASB published an accounting standard on revenue recognition: IFRS 15 "Revenue from Contracts with Customers". The aim of the new standard is to combine the requirements previously contained in numerous other standards and interpretations. At the same time, uniform principles were established applicable to all industries and all categories of revenue transactions. The main element of IFRS 15 is a five-step model that will be used in future to determine the amount and timing of revenue recognition. In addition, the standard contains a number of requirements governing specific issues, including the treatment of contract costs and contract modifications.

IFRS 15 is applicable for the first time for fiscal years beginning on or after 1 January 2017. Early adoption is not planned for the time being. The future impact of the new standard on the consolidated financial statements is currently being analysed.

In 2014, the IASB also published the final version of IFRS 9 “Financial Instruments”, including the chapters that were previously missing or that had to be revised concerning the classification and measurement of financial assets and on impairment. In addition, the standard contains requirements already published in 2013 on the treatment of hedging relationships. Compared to the previous IAS 39 “Financial Instruments: Recognition and Measurement”, the requirements of IFRS 9 on scope, recognition and derecognition are largely unchanged. In contrast to IAS 39, the new standard prescribes a new classification model for financial assets. In future, financial assets will be subsequently measured depending on their classification into three categories with different measurement standards and a differing recognition of changes in value. Classification is based both on the asset’s contractual cash flows and the entity’s business model for managing the financial asset. The existing requirements on financial liabilities were largely assumed in IFRS 9 unchanged. The new impairment model shifts the focus toward earlier risk provisioning and prescribes three levels for determining the amount of the losses to be recognised and the interest income in future.
IFRS 9 is applicable for the first time for fiscal years beginning on or after 1 January 2018. Early adoption is not planned for the time being. The future impact of the new standard on the consolidated financial statements is currently being analysed.

Furthermore, the following new standards and amendments to existing standards were published in 2014; however, these will not have any material impact on the consolidated financial statements of SCHMOLZ + BICKENBACH AG:

- IAS 1 “Presentation of Financial Statements”
- IAS 16 “Property, Plant and Equipment”
- IAS 27 “Separate Financial Statements”
- IAS 28 “Investments in Associates and Joint Ventures”
- IAS 38 “Intangible Assets”
- IAS 41 “Agriculture”
- IFRS 10 “Consolidated Financial Statements”
- IFRS 11 “Joint Arrangements”
- IFRS 12 “Disclosure of Interests in Other Entities” and
- IFRS 14 “Regulatory Deferral Accounts”.

Furthermore, a new omnibus of minor amendments to various standards was also published.

5_Significant accounting policies and measurement principles

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

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

Subsidiaries

The net income or loss of subsidiaries that are acquired or disposed of during the year are included in the consolidated financial statements from the date on which control begins, or until the date on which it ends, respectively.

The financial statements of the subsidiaries are prepared using uniform accounting policies and have the same reporting date as SCHMOLZ + BICKENBACH AG.

Non-controlling interests represent the portion of equity not directly or indirectly attributable to the shareholders of SCHMOLZ + BICKENBACH AG.

All intercompany receivables, liabilities, income, expenses, profit and loss are eliminated in the consolidated financial statements.

Joint ventures

Joint ventures are companies over which the Group has joint control through an interest in capital and contractual agreements, together with one or more joint venturers.

Interests in joint ventures are recognised using the equity method. Any intercompany profits and losses from transactions with joint ventures accounted for using the equity method are eliminated on a pro rata basis.

A complete list of shareholdings is presented in note 16.

Business combinations

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

Foreign currency translation

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

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

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

The following exchange rates were used for foreign currency translation:

	Average rates		Year-end rates	
	2014	2013	2014	2013
EUR/BRL	3.12	2.87	3.22	3.25
EUR/CAD	1.47	1.37	1.41	1.46
EUR/CHF	1.21	1.23	1.20	1.23
EUR/GBP	0.81	0.85	0.78	0.83
EUR/USD	1.33	1.33	1.21	1.38

Intangible assets
(excluding goodwill)
Intangible assets acquired for a consideration are recognised at cost and, if they have a finite useful life, are amortised on a straight-line basis over their expected economic useful life. If the contractual useful life is less than the economic useful life, the asset is amortised on a straight-line basis over the contractual useful life.
Intangible assets with an indefinite useful life are tested for impairment at least annually, or whenever there are indications of impairment. Any impairment is immediately recognised through profit and loss. Reversals of impairment are also recognised through profit and loss and are limited to the amortised cost of the asset.
The useful lives and amortisation methods are reviewed annually.
Internally generated intangible assets are capitalised if it is probable – based on a reliable estimate – that a future economic benefit will flow to the entity from the use of the asset and the cost of the asset can be determined reliably.
Emissions rights are treated as intangible assets with indefinite useful lives.
Emissions rights that were allocated free of charge are recognised at zero cost. Emissions rights acquired for a consideration are recognised at cost. Increases in the value of capitalised emissions rights are only recognised when they are realised on disposal. If the existing emissions rights are insufficient to cover the actual emissions of the current year, a provision is made for the purchase of the emissions rights needed to make up the shortfall. The provision is calculated based on the respective market prices and the addition recognised as an expense.

The useful lives of intangible assets are as follows:

in years	2014	2013
Concessions, licences, similar rights	3 to 5	3 to 5
Customer lists	10 to 15	10 to 15

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

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

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

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

in years	2014	2013
Property		
Solid buildings	25 to 50	25 to 50
Lightweight and heavily used solid buildings (e.g. steelworks)	20	20
Plant and equipment		
Operating plant and equipment	3 to 20	3 to 20
Machines	3 to 20	3 to 20
Road vehicles and railway waggons	5 to 10	5 to 10
Office equipment	5 to 10	5 to 10
IT hardware	3 to 5	3 to 5

Impairment of non-current, non-financial assets

Non-current, non-financial assets are assessed for indications of possible impairment as at each reporting date. If there are indications of possible impairment, the residual carrying amounts of intangible assets and of property, plant and equipment are tested for actual impairment by comparing the carrying amount of an asset with its respective recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the value in use. If the residual carrying amount exceeds the recoverable amount, the carrying amount of the asset is reduced to the recoverable amount.

If the reason for an earlier impairment loss no longer applies, the impairment loss – with the exception of goodwill – is reversed. Impairments cannot be reversed beyond the carrying amount net of amortisation and depreciation that would have resulted without the past impairment.

Leasing

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

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

Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of carrying amount or fair value less costs to sell and are classified as "assets held for sale". The assets are no longer amortised/depreciated. Impairment losses are recorded on these assets only if the fair value less costs to sell falls below the carrying amount. Should the fair value less costs to sell subsequently increase, the previously recognised impairment is reversed. The reversal is limited to the impairment losses that were previously recognised on the asset in question.

Financial assets

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

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

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

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

Loans and receivables

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

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

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

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

Financial assets at fair value through profit or loss

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

Available-for-sale financial assets

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

Impairment of financial assets

The carrying amounts of financial assets not measured at fair value through profit or loss are reviewed for objective evidence of impairment at each reporting date.
Examples of objective evidence are significant financial difficulty of the borrower, probability that the borrower will enter bankruptcy, the disappearance of an active market for the financial asset, significant changes in the technological, economic, market or legal environment in which the issuer operates, and a prolonged decline in the fair value of a financial asset below amortised cost.
If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment losses are recorded in profit or loss.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.
For trade accounts receivable, impairment is recognised by adjusting the allowance accounts on an individual basis. Specific defaults lead to receivables being derecognised. Receivables with a similar risk of default are grouped and examined for impairment collectively on the basis of past experience. Any impairment is recorded in profit or loss.

Inventories

Inventories are measured at the lower of cost or net realisable value. They are measured using the weighted average cost method. Cost includes direct material and labour costs as well as material and production overheads allocated proportionally on the assumption of normal utilisation of production capacity.
Value adjustments are made in an amount sufficient to take account of all identifiable storage and quantity risks affecting the expected net realisable value.

Taxes

Current taxes

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

Deferred taxes

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

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

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

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

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are measured using the projected unit credit method.

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

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

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

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

Other provisions

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

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Derivatives

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

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

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

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

The underlying is recognised in accordance with the applicable provisions. Hedge accounting reduces the volatilities in the income statement since the effects on profit or loss of the underlying and hedging transaction are recognised in the same period and in the same line item of the income statement.

IAS 39 stipulates strict criteria for hedge accounting. These are fulfilled by the SCHMOLZ + BICKENBACH Group, with regard to the required formal documentation on designation and the ongoing assessment of the effectiveness and occurrence of the forecast future cash flows.

Revenue recognition

Revenue from product sales is reported as soon as the significant risks and rewards of ownership have been transferred to the purchaser and the amount of the realisable revenue can be reliably determined.

Revenue is reported net of VAT, returns, discounts and price reductions.

Interest income is recorded pro rata temporis using the effective interest method based on the outstanding capital amount and the applicable interest rate. Dividend income is recognised when the right to receive payment has been legally established.

Government grants

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

Research & Development

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

Borrowing costs

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

6_Scope of consolidation and business combinations

Business combinations in 2014

There were no business combinations in 2014.

Other changes in the scope of consolidation in 2014

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

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

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

Business combinations in 2013

There were no business combinations in 2013.

Other changes in the scope of consolidation in 2013

The remaining 24.9% of shares in the previously consolidated subsidiary Ardenacier S.A.R.L. (FR) were acquired in February 2013.

The following mergers took place in December 2013 with retroactive effect as at 1 July 2013: SCHMOLZ + BICKENBACH Engineering GmbH (DE) was merged with SCHMOLZ + BICKENBACH Edelstahl GmbH (DE); SCHMOLZ + BICKENBACH Anarbeitung GmbH (DE) with SCHMOLZ + BICKENBACH Distributions GmbH (DE); Präzisionsteile Oberkochen GmbH (DE) with Günther + Schramm GmbH (DE). Ugitech TFA S.r.l. (IT), which was founded in early 2013 and is wholly owned by SCHMOLZ + BICKENBACH via its subsidiary Ugitech Italia S.r.l. (IT), was included in the consolidated financial statements for the first time as at 31 December 2013 and allocated to *Production*.

7_Notes to the consolidated income statement

7.1 Cost of materials

in million EUR	2014	2013
Cost of raw materials, consumables, supplies and merchandise	1 882.5	1 900.5
Other purchased services	322.8	313.2
Total	**2 205.3**	**2 213.7**

Losses of EUR 0.1 million (2013: EUR 0.2 million) on commodity derivatives were reclassified from other comprehensive income to cost of materials in the current year because the underlying transaction of the cash flow hedge was also recognised in profit and loss or ceased to exist.

7.2 Other operating income

in million EUR	2014	2013
Income from reversal of provisions	7.2	4.3
Rent and lease income	3.1	3.1
Income from recovery of previously written off receivables and reversal of allowances on receivables	2.4	1.9
Insurance reimbursement	2.3	4.5
Gains on disposal of intangible assets, property, plant and equipment, and financial assets	1.7	3.0
Grants and allowances	1.4	2.3
Own work capitalised	0.6	1.6
Net exchange gains/losses	0.0	0.1
Miscellaneous income	21.6	22.0
Total	**40.3**	**42.8**

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

7.3 Personnel costs

in million EUR	2014	2013
Wages and salaries	471.3	457.4
Social security contributions	109.0	109.6
Other personnel costs	16.7	31.2
Total	**597.0**	**598.2**

Personnel costs contain expenses in connection with termination benefits and contractual adjustments amounting to EUR 5.7 million (2013: EUR 23.6 million).

7.4 Other operating expenses

in million EUR	2014	2013
Freight	104.5	101.2
Maintenance, repairs	71.4	66.4
Rent and lease expenses	30.1	33.8
Advisory, audit and IT services	26.3	33.8
Insurance fees	13.0	12.7
Travel, advertisement and distribution costs	18.5	19.4
Non-income taxes	9.6	9.7
Commission expense	6.6	9.6
Energy costs	5.9	6.9
Net exchange gains/losses	5.9	0.0
Cost of allowances on receivables and bad debts	5.5	5.8
Cost for environmental protection measures	3.5	3.7
Vehicle fleet	3.1	3.0
Voluntary social security contributions	2.0	3.9
Licenses and patents	1.8	1.7
Expenses for the Board of Directors	1.8	1.4
Losses on disposal of intangible assets, property, plant and equipment, and financial assets	0.5	0.6
Miscellaneous expense	48.0	45.7
Total	**358.0**	**359.3**

The item advisory, audit and IT services also includes the total fees billed by the auditor Ernst & Young. In 2014, the auditor billed fees of EUR 1.7 million (2013: EUR 1.6 million) for the audit of the financial statements and fees of EUR 0.1 million (2013: EUR 0.9 million) for other assurance services. In the reporting period, the auditor also billed fees of EUR 0.9 million (2013: EUR 1.4 million) for tax advisory services and of EUR 0.2 million (2013: EUR 0.4 million) for other services.

Exchange rate gains and losses on the measurement of trade accounts receivable and payable are stated net in the income statement and presented in other operating income or expenses depending on whether the net figure is positive or negative.
The net figure breaks down as follows

in million EUR	2014	2013
Exchange gains	22.8	16.7
Exchange losses	28.7	16.6
Net exchange gains/losses	**–5.9**	**0.1**

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

7.5 Research and development expenses

Research and development expenses of EUR 7.5 million were incurred in 2014 (2013: EUR 7.3 million). They relate to third-party expenses for new product applications and process improvements. The conditions for capitalising the development costs were not fulfilled in either of the reporting periods.

7.6 Government grants

Government investment grants totalling EUR 0.9 million (2013: EUR 0.7 million) were recognised in the fiscal year as a reduction in the cost of the corresponding assets. These grants are linked to certain conditions which are currently met.
In addition, government grants to reimburse expenses of EUR 1.8 million (2013: EUR 5.1 million) incurred by the Group were recognised in the fiscal year. These mainly relate to reimbursements for welfare benefits and employee qualification measures. The refunds were recognised as deductions from the respective expense items in the income statement.

7.7 Depreciation/amortisation and impairments

in million EUR	2014	2013
Amortisation of intangible assets (without goodwill)	6.0	5.9
Depreciation of property, plant and equipment	116.0	115.6
Impairment of intangible assets (without goodwill), property, plant and equipment and assets held for sale	0.0	2.4
Total	**122.0**	**123.9**

7.8 Financial result

in million EUR	2014	2013
Interest income	2.1	3.2
Net exchange gains/losses	2.8	0.0
Other financial income	1.7	11.0
Financial income	**6.6**	**14.2**
Interest expense on financial liabilities	−49.9	−100.0
Net interest expense on pension provisions and plan assets	−8.0	−8.3
Capitalised borrowing costs	1.2	2.8
Net exchange gains/losses	0.0	−4.9
Other financial expense	−0.8	−9.2
Financial expense	**−57.5**	**−119.6**
Financial result	**−50.9**	**−105.4**

The significant decrease in interest expense on financial liabilities is primarily due to the debt reduction achieved in the fourth quarter of 2013 using funds generated from the capital increase, as well as the improved interest conditions in the new financing arrangements. Interest expense on financial liabilities includes transaction costs of EUR 8.1 million (2013: EUR 25.2 million) that were recognised through profit and loss over the term of the respective financial liability.

Other financial income/expense chiefly contains gains and losses from marking embedded derivatives and interest rate derivatives to market. The gains and losses on financial receivables and financial liabilities and on the currency derivatives used for hedging said receivables and liabilities are reported on a net basis in the financial result, either as financial income or financial expense, as the case may be.

The net figure breaks down as follows:

in million EUR	2014	2013
Exchange gains	26.8	17.3
Exchange losses	24.0	22.2
Net exchange gains/losses	**2.8**	**−4.9**

7.9 Income taxes

The main components of income tax in the fiscal years 2014 and 2013 are as follows:

in million EUR	2014	2013
Current taxes	**24.7**	**11.5**
– of which: tax expense/(income) in the reporting period	25.3	12.8
– of which: tax expense/(income) from prior years	−0.6	−1.3
Deferred taxes	**5.0**	**−15.4**
– of which: deferred tax expense/(income) from the origination and reversal of temporary differences	0.6	−13.0
– of which: deferred tax expense/(income) from tax-loss carry-forwards, interest carry-forwards and tax credits	4.4	−2.4
Income tax expense/(income)	**29.7**	**−3.9**

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

in million EUR	2014	2013
Earnings before taxes	79.7	−87.6
Domestic income tax rate	12.30%	12.30%
Expected income tax expense/(income)	**9.8**	**−10.8**
Effects of different income tax rates	14.2	−0.9
Non-deductible expense/tax-free income	9.7	−1.0
Tax effects from prior years	−0.6	−15.7
Tax effects due to changes in tax rates or changes in tax laws	1.3	−0.6
Deferred tax assets not recognised on temporary differences, tax credits, tax-loss and interest carry-forwards of the current year	1.3	24.8
Effects from the utilisation of deferred tax assets on temporary differences, tax credits, tax-loss and interest carry-forwards not capitalised in prior years for the reduction of the current tax expense	−1.2	−0.4
Effects from the utilisation of deferred tax assets on temporary differences, tax credits, tax-loss and interest carry-forwards not capitalised in prior years for the reduction of the deferred tax expense	−4.3	−0.2
Valuation adjustments on deferred tax assets on temporary differences, tax credits, tax-loss and interest carry-forwards capitalised in prior years	−0.5	0.9
Effective income tax expense/(income)	**29.7**	**−3.9**
Effective tax rate	37.3%	4.5%

The average tax rate for Switzerland was unchanged on the prior year at 12.30% in the reporting period. As SCHMOLZ + BICKENBACH AG is not an operating company, it benefits from the Swiss tax holding privilege and is therefore not included in the calculation of average tax rate. In the current year, future tax rate changes had a small negative impact on deferred taxes of EUR 1.3 million (2013: positive impact of EUR 0.6 million).

An income tax expense of EUR 29.7 million (2013: tax income of EUR 3.9 million) was incurred for the fiscal year 2014, resulting in an effective Group tax rate of 37.3% (2013: 4.5%). Regarding the effective Group tax rate for the prior year, it is important to consider that no deferred tax assets were recognised on temporary differences, tax losses, interest carryforwards or tax credits of EUR 24.8 million in total. Most of these came from the German tax group and were not recognised because their future realisation was deemed uncertain. A portion of these deferred tax assets were subsequently recognised in 2014 due to an improvement in the earnings situation. Furthermore, tax income of EUR 14.4 million was generated in 2013 as a result of amending the tax treatment of inventory valuation at the German entities, which led to the reversal of previously recognised deferred tax liabilities.

Total unrecognised deferred tax assets for temporary differences, tax-loss and interest carry-forwards as well as tax credits fell compared to the prior year to EUR 250.3 million (2013: EUR 264.0 million). Their maturity profile is set out below:

in million EUR	31.12.2014	31.12.2013
Expiry within		
– 1 year	1.0	2.8
– 2 to 5 years	17.0	16.4
– over 5 years	232.3	244.8
Total	**250.3**	**264.0**

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

in million EUR	31.12.2014	31.12.2013
Tax rate		
– less than 20%	8.7	12.6
– 20% to 30%	22.9	30.7
– more than 30%	218.7	220.7
Total	**250.3**	**264.0**

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

	Deferred tax assets		Deferred tax liabilities	
in million EUR	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Non-current assets	**24.6**	**26.7**	**73.5**	**70.1**
– Intangible assets	9.2	10.5	2.0	2.1
– Property, plant and equipment	13.3	14.3	68.9	67.5
– Financial assets	1.0	0.9	2.2	0.1
– Other assets	1.1	1.0	0.4	0.4
Current assets	**11.3**	**11.1**	**7.1**	**5.5**
– Inventories	9.0	8.6	3.3	3.3
– Other assets	2.3	2.5	3.8	2.2
Non-current liabilities	**64.2**	**45.0**	**31.3**	**33.0**
– Provisions	56.4	38.7	31.3	32.9
– Other liabilities	7.8	6.3	0.0	0.1
Current liabilities	**8.2**	**7.5**	**2.3**	**2.8**
– Provisions	2.7	4.1	2.1	2.1
– Other liabilities	5.5	3.4	0.2	0.7
Tax credits	1.4	1.8		
Tax-loss and interest carry-forwards	49.5	51.8		
Total	**159.2**	**143.9**	**114.2**	**111.4**
Netting	–74.3	–74.5	–74.3	–74.5
Amount recognised	**84.9**	**69.4**	**39.9**	**36.9**

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

in million EUR	2014	2013
Balance as at 1.1.	32.5	23.3
Changes recognised in profit and loss	−5.0	15.4
Changes recognised in other comprehensive income	21.0	−7.6
Foreign currency effects	−3.5	1.4
Balance as at 31.12.	**45.0**	**32.5**

Accumulated taxes recognised in other comprehensive income amounted to EUR 40.2 million (2013: EUR 19.3 million) as at the reporting date.

IAS 12.39 requires entities to recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, joint ventures and associates. These temporary differences, known as outside basis differences, arise when the net assets of the subsidiaries and associates differ from the tax bases of the entity concerned. No deferred tax liabilities were recognised for outside basis differences of around EUR 272 million, of which EUR 14.0 million was taxable (2013: EUR 273 million, of which EUR 14.1 million was taxable) because the reversal of temporary differences is controlled by SCHMOLZ + BICKENBACH and is not expected for the foreseeable future.

7.10 Earnings per share

	2014	2013
Net loss attributable to registered shareholders of SCHMOLZ + BICKENBACH AG in million EUR	48.0	−85.6
Average number of shares	945 000 000	324 843 750
Earnings per share in EUR (basic/diluted)	**0.05**	**−0.26**

Basic earnings per share is calculated by dividing the net income/loss attributable to the holders of registered shares of SCHMOLZ + BICKENBACH AG by the weighted average number of shares outstanding during the fiscal year. The number of shares increased from 118 125 000 to 945 000 000 following the capital increase carried out in October 2013. The weighted average number of shares outstanding was therefore 324 843 50 in 2013, compared to a stable number of 945 000 000 in 2014.
The average diluted number of shares was 946 155 530 in 2014. Diluted earnings per share was the same as basic earnings per share.

8__Notes to the consolidated statement of financial position

8.1 Intangible assets

Intangible assets developed as follows:

in million EUR	Concessions, licences and similar rights	Purchased brands and customer lists	Prepayments on intangible assets	Goodwill	Total
Cost as at 1.1.2013	**81.6**	**25.7**	**0.2**	**5.9**	**113.4**
Additions	2.9	0.0	0.3	0.0	3.2
Disposals	−2.9	0.0	0.0	0.0	−2.9
Reclassifications	0.3	0.0	−0.3	0.0	0.0
Foreign currency effects	−0.7	−1.0	0.0	−0.2	−1.9
Cost as at 31.12.2013	**81.2**	**24.7**	**0.2**	**5.7**	**111.8**
Additions	1.9	0.0	0.9	0.0	2.8
Disposals	−2.0	0.0	−0.1	0.0	−2.1
Reclassifications	3.2	0.0	−3.2	0.0	0.0
Foreign currency effects	1.3	1.4	2.8	0.0	5.5
Cost as at 31.12.2014	**85.6**	**26.1**	**0.6**	**5.7**	**118.0**
Accumulated amortisation and impairments as at 1.1.2013	**−69.5**	**−5.1**	**0.0**	**−2.6**	**−77.2**
Amortisation	−5.1	−0.8	0.0	0.0	−5.9
Disposals	2.9	0.0	0.0	0.0	2.9
Foreign currency effects	0.6	0.1	0.0	0.1	0.8
Accumulated amortisation and impairments as at 31.12.2013	**−71.1**	**−5.8**	**0.0**	**−2.5**	**−79.4**
Amortisation	−5.2	−0.8	0.0	0.0	−6.0
Disposals	2.0	0.0	0.0	0.0	2.0
Foreign currency effects	−1.3	−0.2	0.0	−0.2	−1.7
Accumulated amortisation and impairments as at 31.12.2014	**−75.6**	**−6.8**	**0.0**	**−2.7**	**−85.1**
Net carrying amount as at 31.12.2013	**10.1**	**18.9**	**0.2**	**3.2**	**32.4**
Net carrying amount as at 31.12.2014	**10.0**	**19.3**	**0.6**	**3.0**	**32.9**

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

8.2 Property, plant and equipment

Property, plant and equipment developed as follows:

in million EUR	Land and buildings	Plant and equipment	Prepayments/plant under construction	Total
Cost as at 1.1.2013	**657.0**	**2 115.6**	**74.9**	**2 847.5**
Additions	12.4	43.9	46.2	102.5
Disposals	–5.0	–33.3	–0.6	–38.9
Reclassifications	14.2	47.8	–62.0	0.0
Foreign currency effects	–9.9	–23.5	–1.0	–34.4
Cost as at 31.12.2013	**668.7**	**2 150.5**	**57.5**	**2 876.7**
Reclassifications from assets held for sale	0.0	0.5	0.0	0.5
Additions	6.3	60.1	31.6	98.0
Disposals	–0.7	–47.9	–0.2	–48.8
Reclassifications	7.5	37.6	–45.1	0.0
Foreign currency effects	14.1	33.0	–1.7	45.4
Cost as at 31.12.2014	**695.9**	**2 233.8**	**42.1**	**2 971.8**
Accumulated depreciation and impairments as at 1.1.2013	**–372.9**	**–1 576.0**	**0.0**	**–1 948.9**
Depreciation	–15.8	–99.8	0.0	–115.6
Impairment	–1.3	–1.1	0.0	–2.4
Reversal of impairment	0.0	0.6	0.0	0.6
Disposals	2.8	31.7	0.0	34.5
Foreign currency effects	3.4	14.3	0.0	17.7
Accumulated depreciation and impairments as at 31.12.2013	**–383.8**	**–1 630.3**	**0.0**	**–2 014.1**
Depreciation	–16.3	–99.7	0.0	–116.0
Disposals	0.3	46.8	0.0	47.1
Foreign currency effects	–4.4	–15.3	0.0	–19.7
Accumulated depreciation and impairments as at 31.12.2014	**–404.2**	**–1 698.5**	**0.0**	**–2 102.7**
Net carrying amount as at 31.12.2013	**284.9**	**520.2**	**57.5**	**862.6**
Net carrying amount as at 31.12.2014	**291.7**	**535.3**	**42.1**	**869.1**
Fire insurance value as at 31.12.2013	**1 424.7**	**3 162.4**	**15.2**	**4 602.3**
Fire insurance value as at 31.12.2014	**1 451.3**	**3 295.4**	**4.5**	**4 751.2**

Assets from finance leases are disclosed under land and buildings at a carrying amount of EUR 4.4 million (2013: EUR 4.6 million) and under plant and equipment at a carrying amount of EUR 5.3 million (2013: EUR 7.3 million). Of the additions, EUR 0.3 million (2013: EUR 0.2 million) relates to finance leases.

Restrictions on ownership and disposal decreased to EUR 38.6 million as at the reporting date (2013: EUR 49.8 million). This development is primarily attributable to the lower security pledged due to the partial repayment of the loan in connection with the investment in the secondary metallurgic centre at Deutsche Edelstahlwerke GmbH (DE).

Borrowing costs of EUR 1.2 million (2013: EUR 2.8 million) were capitalised in fiscal 2014 and are included in additions. They mainly relate to investment projects associated with the construction of the secondary metallurgic centre at Deutsche Edelstahlwerke GmbH (DE). The average rate applied for borrowing costs was 6.7% in 2014 (2013: 9.7%).

8.3 Impairment testing

No impairments were charged on goodwill or other intangible assets in 2014 and 2013. Following the impairments of EUR 2.4 million charged on property, plant and equipment in 2013, no further impairment losses had to be recognised on this item in 2014.

Goodwill impairment test

Goodwill resulting from business combinations is not amortised but is tested for impairment at the level of its cash-generating unit (CGU) at least annually as at 30 November or whenever there are indications of impairment.

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

Goodwill from business combinations amounted to EUR 3.0 million as at 31 December 2014 (2013: EUR 3.2 million); the difference is due to currency effects. Following realignment of the segments in 2013, the goodwill previously allocated to the former Processing segment was fully transferred to the *Production* segment and allocated to the S+B Bright Bar CGU.

Cash flows in the *Production* segment were discounted using a post-tax rate of 7.7% (2013: 7.9%) or a pre-tax rate of 9.5% (2013: 9.9%). A growth rate of 1.5% (2013: 1.5%) is assumed to determine the cash flows beyond the detailed planning period.

Impairment testing of other intangible assets with indefinite useful lives

The brands recognised in connection with the acquisition of the Finkl Group and Boxholm Stål AB (SE) were recorded as intangible assets with an indefinite useful life. This reflects the intention to use these brands for an indefinite period of time, meaning that no useful life can be determined. The brands are therefore not amortised but are tested at CGU level at least annually as at 30 November, or when there are indications of possible impairment.

With a carrying amount of EUR 14.4 million (2013: EUR 13.3 million), the brands were reallocated in full from the former Processing segment to the *Production* segment in 2013 following the realignment of the segments.

Within the *Production* segment, the brands are allocated to A. Finkl & Sons Co. (US) with a carrying amount of EUR 9.6 million (2013: EUR 8.4 million), to Sorel Forge Co. (CA) with a carrying amount of EUR 2.6 million (2013: EUR 2.5 million) and to Boxholm Stål AB (SE) with a carrying amount of EUR 2.2 million (2013: EUR 2.4 million). Year-on-year movements are attributable to currency effects.

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

The following rates are used to discount cash flows:

	Discount rates 2014 in %			Discount rates 2013 in %		
	USD	CAD	SEK	USD	CAD	SEK
Pre-tax	11.7	10.9	9.6	12.2	10.2	9.9
Post-tax	7.8	8.3	7.9	8.0	7.8	7.7

A growth rate of 1.5% (2013: 1.5%) is assumed to determine the cash flows beyond the detailed planning period.

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

SCHMOLZ + BICKENBACH evaluates at each reporting date whether there are internal or external indications that assets could be impaired. No impairment losses had to be recognised in 2014 (2013: EUR 2.4 million).

8.4 Financial assets

in million EUR	2014	2013
Receivables from finance leases	1.2	1.2
Other financial receivables	2.0	2.0
Total non-current	**3.2**	**3.2**
Receivables from finance leases	0.1	0.1
Current securities	0.0	0.3
Other financial receivables	1.5	1.7
Total current	**1.6**	**2.1**

8.5 Other assets

in million EUR	2014	2013
Other receivables	0.4	1.8
Total non-current	**0.4**	**1.8**
Tax receivables (excluding current income tax receivables)	46.0	19.5
Prepaid expenses	7.0	6.5
Positive market values of derivatives	6.7	4.7
Other receivables	6.1	9.0
Prepayments for inventories/maintenance	1.4	1.8
Total current	**67.2**	**41.5**

The large increase in tax receivables mainly relates to the reverse charge procedure introduced temporarily in Germany in 2014 under which the duty to pay VAT is transferred to the recipient of goods. This led to input tax reimbursement claims.

8.6 Inventories

in million EUR	2014	2013
Raw materials, consumables and supplies	125.1	103.6
Semi-finished goods and work in progress	313.7	284.1
Finished products and merchandise	479.7	435.1
Total	**918.5**	**822.8**

Inventories of EUR 226.9 million (2013: EUR 188.2 million) were recognised at net realisable value. There were restrictions on ownership and disposal of EUR 489.9 million (2013: EUR 437.6 million) as at the reporting date.

Inventory allowances developed as follows in the fiscal year:

in million EUR	2014	2013
As at 1.1.	19.5	21.8
Additions	8.6	8.6
Reversals	−0.5	−1.6
Utilisation	−8.2	−8.3
Foreign currency effects	0.4	−1.0
As at 31.12.	**19.8**	**19.5**

8.7 Trade accounts receivable

in million EUR	2014	2013
Gross accounts receivable	457.5	468.9
Value adjustments for bad debts	−17.3	−17.8
Net accounts receivable	**440.2**	**451.1**

Under an ABCP financing programme, SCHMOLZ + BICKENBACH regularly sells credit-insured trade accounts receivable. Trade accounts receivable of EUR 210.4 million (2013: EUR 227.3 million) had been sold as at the reporting date. As the majority of risks and rewards remain with SCHMOLZ + BICKENBACH, these accounts receivable continue to be recorded in the statement of financial position in accordance with IFRS requirements. They are offset by financial liabilities of EUR 205.7 million (2013: EUR 221.8 million).

There were restrictions on ownership and disposal of EUR 88.7 million (2013: EUR 102.0 million) beyond the scope of the receivables sold under the ABCP financing programme as at the reporting date.

The allowance accounts developed as follows:

in million EUR	2014	2013
As at 1.1.	17.8	16.6
Additions	3.2	7.9
Reversals	–2.4	–1.7
Utilisation	–1.5	–4.6
Foreign currency effects	0.2	–0.4
As at 31.12.	**17.3**	**17.8**

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

in million EUR	31.12.2014	31.12.2013
Past due by		
≤ 30 days	94.0	88.1
31 to 60 days	17.4	16.1
61 to 90 days	3.9	8.4
91 to 120 days	1.6	6.4
> 120 days	6.9	7.0
Total	**123.8**	**126.0**

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

8.8 Assets held for sale

During the restructuring process for the Brazilian distribution company, a line of business was discontinued. The assets allocated to this line of business were written down to fair value less costs to sell and reclassified to assets held for sale as at 31 December 2012. The fair value was calculated based on market prices for assets of a similar type and age (level 3 of the fair value hierarchy).

As the assets were transferred within the Group in 2014 for continued use and there was no longer any intention to sell them as at 31 December 2014, they were reclassified to property, plant and equipment at their present carrying amount. The carrying amount matched the recoverable amount determined as fair value less costs to sell.

8.9 Shareholders' equity

Share capital

The share capital of EUR 378.6 million (2013: EUR 378.6 million) comprises 945 000 000 fully paid-up registered shares with a nominal value of CHF 0.50 each.

Capital reserves

The capital reserves contain premiums generated upon issue of shares in the course of capital increases, less directly allocable transaction costs of the capital increases. There were no changes in capital reserves in 2014.

Retained earnings (accumulated losses)

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

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

The individual items are as follows:

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

in million EUR	2014	2013
As at 1.1.	26.0	47.8
Change in unrealised gains/losses from currency translation	24.4	−21.8
As at 31.12.	**50.4**	**26.0**

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

in million EUR	2014	2013
As at 1.1.	−0.2	−0.2
Unrealised gains/losses from cash flow hedges	−0.4	−0.2
Realised gains/losses from cash flow hedges – recognised in profit and loss	0.1	0.2
Tax effect	0.1	0.0
As at 31.12.	**−0.4**	**−0.2**

See the table in note 10 for details of the realisation of gains and losses from cash flow hedges.

> Actuarial gains and losses from pensions and similar obligations as well as changes in amounts not recognised as assets due to an asset ceiling according to IFRIC 14.

in million EUR	2014	2013
As at 1.1.	−69.7	−102.3
Defined benefit obligation (demographic assumptions)	−1.5	−0.4
Defined benefit obligation (financial assumptions)	−94.8	24.9
Defined benefit obligation (experience gains/losses)	3.2	5.4
Return on plan assets less interest income	8.6	10.0
Changes in amounts not recognised as assets on account of an asset ceiling	0.0	0.3
Tax effect	20.9	−7.6
As at 31.12.	**−133.3**	**−69.7**

8.10 Pension provisions and similar obligations

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

Defined contribution plans

Some of the post-employment benefit plans in the Group are defined contribution plans where a company has an obligation to transfer a contractually defined amount to an external pension institution. Beyond the payment of these contributions, the company does not enter into any obligations in relation to post-employment benefits.

The contributions paid for private and statutory pension plans are recognised in personnel costs in the current year. In 2014, they amounted to EUR 38.3 million (2013: EUR 38.0 million).

Defined benefit plans

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

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

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

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

The defined benefit plans in the USA are subject to US rules regarding closure of coverage gaps, which have to be closed within seven years.

In some European countries there are also limited obligations to make one-off payments to employees upon termination of employment. The amount due is linked to the employee's length of service. These benefits are recognised in the statement of financial position as provisions for pensions and similar obligations.

Through the defined benefit plans, SCHMOLZ + BICKENBACH is exposed to various risks, some of which are company- or commitment-specific. This means that the defined benefit obligation depends on factors including average life expectancy of the beneficiaries, length of service and interest rates. For the German plans, pension benefit payments also have to be adjusted regularly to reflect the development of consumer prices and net salaries in accordance with legal provisions (Sec. 16 Betriebsrentengesetz) and trade association requirements.

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

Defined benefit obligation, plan assets and asset ceiling

The tables below present the changes in defined benefit obligations, the fair value of plan assets and the effect of limiting a net defined benefit asset to the asset ceiling:

in million EUR	2014	2013
Present value of defined benefit obligations as at 1.1.	505.2	545.0
Current service cost	8.7	9.4
Interest cost	14.7	13.2
Employee contributions	3.7	3.7
Actuarial gains (losses) from change in demographic assumptions	1.5	0.4
Actuarial gains (losses) from change in financial assumptions	94.8	−24.9
Actuarial gains (losses) from experience adjustments	−3.2	−5.4
Benefit payments	−24.2	−28.7
Past service costs	−0.2	−2.2
Foreign currency effects	8.7	−5.3
Present value of defined benefit obligations as at 31.12.	**609.7**	**505.2**

Of the present value of the defined benefit obligations as at 31 December 2014, EUR 395.8 million (2013: EUR 336.6 million) relates to plans that are wholly or partly financed from a fund and EUR 213.9 million (2013: EUR 168.6 million) to plans that are not funded.

in million EUR	2014	2013
Fair value of plan assets as at 1.1.	260.8	262.3
Interest income	6.7	4.9
Return on plan assets less interest income	8.6	10.0
Employer contributions	14.7	13.5
Employee contributions	3.7	3.7
Benefit payments	−24.2	−28.7
Administration expenses	−0.4	−0.4
Foreign currency effects	6.9	−4.5
Fair value of plan assets as at 31.12.	**276.8**	**260.8**

In line with international practice, the pension payments for unfunded pension plans are now reported under employer contributions together with the actual contributions paid for partly or wholly funded pension plans. At the same time, the benefit payments were increased by these pension payments. The prior-year figures were restated accordingly. The actual return on plan assets was EUR 15.3 million (2013: EUR 14.9 million) and comprises the return on plan assets and the interest income.

in million EUR	2014	2013
Effect of asset ceiling as at 1.1.	**0.0**	**0.3**
Change	0.0	−0.3
Effect of asset ceiling as at 31.12.	**0.0**	**0.0**

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

in million EUR	2014	2013
Fair value of plan assets as at 31.12.	276.8	260.8
Present value of funded defined benefit obligations as at 31.12.	−395.8	−336.6
Funded status	**−119.0**	**−75.8**
Present value of unfunded defined benefit obligations as at 31.12.	−213.9	−168.6
Recognised amount	**−332.9**	**−244.4**

Net pension costs

Net pension costs break down as follows:

in million EUR	2014	2013
Net interest cost	8.0	8.3
Current service cost incl. plan amendments and curtailments	8.5	7.2
Administration cost	0.4	0.4
Net pension costs	**16.9**	**15.9**

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

Actuarial gains and losses

Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur. They developed as follows:

in million EUR	2014	2013
Cumulative actuarial gains/(losses) recognised in other comprehensive income as at 1.1. (without tax effects)	−85.7	−125.9
Actuarial gains/(losses)		
- on pension obligations	−93.1	29.9
- on plan assets	8.6	10.0
Change in the effect of asset ceiling	0.0	0.3
Cumulative actuarial gains/(losses) recognised in other comprehensive income as at 31.12. (without tax effects)	**−170.2**	**−85.7**

The actuarial losses are mainly attributable to lower discount rates used in comparison to the prior year.

Valuation assumptions for defined benefit obligations

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

These were as follows:

	Switzerland		Eurozone		USA		Canada	
in %	2014	2013	2014	2013	2014	2013	2014	2013
Discount rate	1.1	2.3	1.9	3.5	3.8	4.6	3.9	4.5
Salary trend	2.0	2.0	2.5–3.0	2.5–3.2	–	–	3.0	3.0

The discount rates have decreased relative to the prior year in all countries. The calculation also considered company-specific actuarial assumptions such as the respective employee fluctuation rates.

Valuation assumptions used for plan assets

There are pension plans financed by funds in Switzerland, the USA, Canada, France, the Netherlands, and to a limited extent, Germany. With a fair value of EUR 227.1 million (2013: EUR 218.5 million), the majority of the plan assets relate to the pension fund of Swiss Steel AG. The pension fund has an Investment Committee responsible for developing a target portfolio structure based on asset-liability studies. This is subsequently approved by the Board of Trustees, which is made up of an equal number of employer and employee representatives. The target portfolio structure takes into account the capital market environment as well as the structure of the obligations and sets ranges and upper limits for the individual investment classes. The management of the pension fund is responsible for implementing the target portfolio structure and reports regularly on the transactions made. The target portfolio structure is monitored continuously and adjusted to market conditions as necessary.

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

	Switzerland		Eurozone		USA		Canada	
in %	2014	2013	2014	2013	2014	2013	2014	2013
Shares	19.8	15.7	0.0	0.0	56.6	53.0	26.8	27.0
Fixed-interest securities	15.7	28.1	0.0	0.0	39.5	42.0	61.6	56.0
Real estate	49.4	49.0	0.0	0.0	2.3	2.0	0.0	0.0
Insurance contracts	0.8	0.0	100.0	100.0	0.0	0.0	0.0	0.0
Other	14.3	7.2	0.0	0.0	1.6	3.0	11.6	17.0

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

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

A property included in the plan assets of the pension fund of Swiss Steel AG at a fair value of EUR 3.6 million (2013: EUR 3.6 million) was occupied by Steeltec AG (CH) until 30 June 2014.

Sensitivity analysis

The Group discloses defined benefit obligations of EUR 609.7 million as at 31 December 2014 (2013: EUR 505.2 million). The expected service cost for 2015 is EUR 9.9 million based on current interest rates. If the significant actuarial assumptions for the material plans listed in the table below had increased or decreased by 0.5% as at 31 December 2014 (31 December 2013), pension provisions and service cost would have been adjusted as follows for the subsequent fiscal year:

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

Actuarial assumptions as at 31.12.2013 in million EUR		Discount rate		Salary		Pension increase
Sensitivity level	**+0.5%**	**-0.5%**	**+0.5%**	**-0.5%**	**+0.5%**	**-0.5%**
Impact on the net defined benefit obligation as at 31.12.2013	–29.4	33.1	2.2	–1.9	21.8	–20.3
Impact on the service costs 2014	–0.7	0.9	0.2	–0.2	0.4	–0.3

Contribution and benefit payments

In principle, the Group contributes to the plans based on the legal and/or minimum funding requirements stipulated by collective agreement in the respective country of each fund. In 2014, employer contributions totalling EUR 14.7 million (including pension payments of EUR 8.6 million for unfunded plans) were made to the plan assets of the existing defined benefit plans (2013: EUR 13.5 million including pension payments of EUR 7.7 million for unfunded pension plans). For 2015, contribution payments are expected to total EUR 14.9 million (including pension payments of EUR 8.4 million for unfunded pension plans).

Benefit payments of EUR 8.6 million (2013: EUR 7.7 million) were made to settle unfunded pension obligations in 2014. Benefit payments of EUR 8.4 million are expected to be paid in 2015 based on current unfunded commitments.

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

	Expected cash outflow	
in million EUR	As at 31.12.2014	As at 31.12.2013
Year 1	23.5	23.5
Year 2	26.2	24.7
Year 3	26.1	26.5
Year 4	27.0	26.5
Year 5	28.7	26.8
Years 6–10	143.1	144.0
Total	**274.6**	**272.0**

The weighted average term of the defined benefit obligation was 15 years as at 31 December 2014 (2013: 14 years).

8.11 Other provisions

Other provisions developed as follows in the fiscal year:

in million EUR	Warranties	Phased retirement	Jubilee	Personnel	Restructuring	Other	Total
As at 1.1.2014	6.7	5.5	16.4	9.3	25.6	22.2	85.7
Additions	4.0	3.8	2.6	5.0	0.3	7.7	23.4
Utilisations	−3.4	−3.3	−2.5	−3.5	−11.8	−5.9	−30.4
Reversal	−0.5	0.0	0.0	0.0	−3.1	−3.6	−7.2
Increase to reflect passage of time	0.0	0.2	0.5	0.0	0.0	0.0	0.7
Foreign currency effects	0.0	0.0	0.0	0.2	0.0	0.6	0.8
As at 31.12.2014	**6.8**	**6.2**	**17.0**	**11.0**	**11.0**	**21.0**	**73.0**
– of which non-current	0.0	3.8	15.1	4.8	1.3	8.6	33.6
– of which current	6.8	2.4	1.9	6.2	9.7	12.4	39.4

The warranty provisions of EUR 6.8 million (2013: EUR 6.7 million) comprise accrued amounts for legally required warranty obligations as well as amounts for warranties provided over and above the legal liability.

The provisions for phased retirement (“Altersteilzeit”) agreements of EUR 6.2 million (2013: EUR 5.5 million) are accumulated on a pro rata basis during the employment phase of the employee to enable continued payment to the employee in the release phase. The corresponding cash outflows are expected over the next five years.

The provisions for jubilee awards of EUR 17.0 million (2013: EUR 16.4 million) are recorded in line with the amounts of monetary or non-monetary benefits provided for in some company agreements for employees that attain a certain length of service. A cash outflow of EUR 11.3 million is expected in connection with such payments over the next five years. For the years thereafter, a cash outflow of EUR 5.7 million is expected.

In addition to the provisions for phased retirement agreements and jubilee awards, there are various other personnel-related provisions totalling EUR 11.0 million (2013: EUR 9.3 million). In most cases, cash outflows are expected within the next five years.

Provisions for restructuring measures are recognised to the extent that a detailed formal restructuring plan has been prepared and communicated to the parties concerned. The provisions amount to EUR 11.0 million in total (2013: EUR 25.6 million) and relate principally to SCHMOLZ + BICKENBACH Distributions GmbH (DE) (EUR 8.1 million; 2013: EUR 18.6 million) and Deutsche Edelstahlwerke GmbH (DE) (EUR 2.3 million; 2013: EUR 6.6 million). A total cash outflow of EUR 9.7 million is expected for 2015.

Other provisions of EUR 21.0 million (2013: EUR 22.2 million) comprise various relatively small amounts that are not reported separately for reasons of materiality.

8.12 Financial liabilities

Financial liabilities break down as follows as at 31 December 2014:

in million EUR	2014	2013
Syndicated loan	238.7	204.3
Other bank loans	33.3	39.6
Bond	160.7	159.0
Liabilities from finance leases	6.1	8.2
Other financial liabilities	1.4	1.6
Total non-current	**440.2**	**412.7**
Syndicated loan	0.0	12.4
Other bank loans	7.6	24.5
ABCP financing programme	205.7	221.8
Liabilities from finance leases	2.3	2.9
Other financial liabilities	3.5	4.2
Total current	**219.1**	**265.8**

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

In May 2012, the subsidiary SCHMOLZ + BICKENBACH Luxembourg S.A. (LU) issued a corporate bond at a price of 96.957% of the nominal value of EUR 258.0 million. With a coupon of 9.875% p.a., the bond expires on 15 May 2019. Interest is payable semi-annually on 15 May and 15 November. Some bond creditors exercised the put option triggered by the change of control at the end of 2013 and sold back EUR 1.0 million of the bond to the issuer in November 2013. SCHMOLZ + BICKENBACH Luxembourg S.A. (LU) bought back the corresponding portion of the bond at a price of 101.0% of the nominal amount. In December 2013, the issuer in turn exercised its right to redeem up to 35% of the original nominal volume of the bond of EUR 258.0 million (including the portion for which put options were exercised), using the proceeds of the capital increase. Following the redemption of EUR 89.3 million at a price of 109.875%, the volume outstanding as at the respective reporting dates (31 December 2013 and 31 December 2014) decreased to a nominal value of EUR 167.7 million. The bond creditors received the same security as the lenders of the syndicated loan. The financial covenants agreed for the bond are reviewed regularly and define limits on further borrowing if the covenants are breached.

In addition, the term of the ABCP financing programme with a volume of EUR 300.0 million was extended in June 2014 until April 2019. As factoring is used for financing purposes, the corresponding financial liabilities continue to be classified as current items in the statement of financial position. The financial covenants of the ABCP financing programme are the same as those for the new syndicated loan.

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

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

in million EUR	< 1 year	1 to 5 years	> 5 years
2014			
Minimum lease payments	2.7	6.0	0.9
Interest	−0.4	−0.8	0.0
Present value of minimum lease payments	**2.3**	**5.2**	**0.9**
2013			
Minimum lease payments	3.4	7.4	2.0
Interest	−0.5	−1.0	−0.2
Present value of minimum lease payments	**2.9**	**6.4**	**1.8**

Other current financial liabilities include accrued interest for the bond of EUR 2.1 million (2013: EUR 2.1 million). SCHMOLZ + BICKENBACH had available liquidity and credit lines of about EUR 370 million as at 31 December 2014.

8.13 Other liabilities

in million EUR	2014	2013
Negative market values of derivative financial instruments	0.7	0.6
Other liabilities	0.4	3.1
Total non-current	**1.1**	**3.7**
Accrued unused vacation, overtime and flexitime accounts	31.4	28.2
Liabilities for wages and salaries	28.9	23.0
Tax liabilities (excluding current income tax liabilities)	19.8	22.2
Social security obligations	12.6	11.8
Negative market values of derivative financial instruments	10.2	0.7
Deferred income	1.5	1.7
Other liabilities	18.8	20.2
Total current	**123.2**	**107.8**

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

9_Notes to the consolidated statement of cash flows

The previous syndicated loan of EUR 221.4 million was replaced by the new credit facility concluded at the end of June 2014 as part of the Group's refinancing. As at 31 December 2014, EUR 236.7 million had been drawn from the new syndicated loan agreement.
The one-off payments made in 2014 in connection with the refinancing came to EUR 8.3 million and are included within interest paid. In the prior-year period, this item contained one-off payments of EUR 12.2 million made in connection with adjusting the financing agreements at the beginning of March 2013.
Transaction fees of EUR 3.4 million already recorded without affecting income in the prior year were paid in 2014.

10_Financial instruments

10.1 Financial instruments according to measurement category and class

Financial assets and liabilities are presented below according to measurement category and class. The table also shows finance lease receivables and liabilities as well as derivatives which constitute a hedging relationship even though these are not measurement categories pursuant to IAS 39.
The carrying amount of trade accounts receivable, other current receivables and cash and cash equivalents is the fair value. The fair value of fixed-rate loans is the present value of the expected future cash flows discounted based on the interest rates applicable on the reporting date.
Financial assets available for sale mainly comprise equity instruments and debt securities. Where possible, they are measured at fair value determined on the basis of observable market data as at the reporting dates. If no quoted prices in an active market are available, and if the fair value cannot be reliably determined, the financial assets are measured at cost.
The fair value of forward exchange contracts is calculated on the basis of the average exchange rate on the reporting date, taking into account the forward premiums and discounts for the remaining term of the contract relative to the contractually agreed forward exchange rate. For currency options, recognised models are used for calculating the option price. Besides the remaining term, the fair value of an option is also affected by other factors, including the current level and volatility of the respective underlying exchange rate or underlying base interest rate.
The fair value of interest swaps and interest/currency swaps is determined by discounting the future expected cash flows based on the market rates that apply for the remaining term of the contracts. Additionally, exchange rates of the respective foreign currencies in which the cash flows occur are included for interest/currency swaps.
The fair value of commodities futures is based on official exchange listings.
Derivatives are valued as at the reporting date by external financial partners.

Cash flow hedges

In the reporting period there were cash flow hedges only to the extent of the commodity price risk resulting from commodity supply contracts at fixed prices.

The effectiveness of hedging relationships is assessed prospectively and retrospectively. Hedge effectiveness is measured prospectively using the critical terms match method (i.e. matching the material contract terms of the hedged transaction and the hedging instrument) and retrospectively using the change-in-fair-value method (i.e. reversed-sign matching of changes in fair value of the hedged transaction and the hedging instrument).

All derivatives in a hedging relationship are recognised at fair value in the statement of financial position. They are split into an effective and an ineffective portion. The effective portion is recorded in the reserve for cash flow hedges within other comprehensive income until the hedged transaction is realised. The ineffective portion is recorded in profit or loss immediately.

For the ineffective portion, IAS 39 stipulates a permissible range of 80% to 125%. All hedges that do not fall within this range are terminated immediately and recognised through profit or loss from this date onwards. The accumulated gains or losses previously recorded in other comprehensive income remain in equity. They are transferred to profit or loss once the hedged transactions also affect profit and loss.

As at the reporting date, commodity derivatives with a total negative fair value of EUR 0.4 million (2013: EUR 0.1 million) were designated as hedging instruments with a remaining term of up to one year. The underlying transactions are recorded through profit or loss in the subsequent period. The foreign currency effects resulting from the hedged items are, however, already recognised through profit or loss before delivery. In 2014, losses of EUR 0.1 million (2013: EUR 0.2 million) were transferred from other comprehensive income to cost of materials in the income statement.

The carrying amount of trade accounts payable and other current liabilities approximates fair value. The fair value of fixed-rate liabilities is the present value of the expected future cash flows discounted based on the interest rates applicable on the reporting date. Liabilities that bear interest at floating rates are carried at fair value.

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

in million EUR	2014	2013
Loans and receivables – LaR	3.2	−7.5
Financial assets and liabilities at fair value through profit or loss – FAFVPL/FLFVPL	−5.6	4.5
Financial liabilities measured at amortised cost – FLAC	−49.4	−99.7

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

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

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

Fiscal year 2014

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

With the exception of the bond, the fair value of loans and receivables more or less matched their carrying amount at the reporting dates. The fair value of financial liabilities measured at amortised cost came to EUR 1 044.0 million (2013: EUR 1 022.0 million). For the bond, the method used to determine the fair value corresponds to level 1 of the fair value hierarchy and for other financial instruments, level 2.

As at 31 December 2014, the bond had a fair value of EUR 180.3 million (31.12.2013: EUR 183.7 million).

Fiscal year 2013

in million EUR	Category according to IAS 39	Carrying amount 31.12.2013	Measurement in statement of financial position according to IAS 39: At amortised cost	Fair value through other comprehen-sive income	Fair value through profit or loss	Measurement according to IAS 17
Assets						
Financial assets available for sale	AfS	0.3		0.3		
Other financial assets	LaR/n.a.	5.0	3.7			1.3
Trade accounts receivable	LaR	451.1	451.1			
Cash and cash equivalents	LaR	68.4	68.4			
Positive market values of derivative financial instruments						
– Derivatives without hedging relationship (no hedge accounting)	FAFVPL	4.7			4.7	
Liabilities						
Syndicated loan	FLAC	216.7	216.7			
Other bank loans	FLAC	64.1	64.1			
Bond	FLAC	159.0	159.0			
Liabilities from finance leases	n.a.	11.1				11.1
Other financial liabilities	FLAC	227.6	227.6			
Trade accounts payable	FLAC	324.4	324.4			
Negative market values of derivative financial instruments						
– Derivatives with hedging relationship (hedge accounting)	n.a.	0.2		0.2		
– Derivatives without hedging relationship (no hedge accounting)	FLFVPL	1.1			1.1	
Of which aggregated by measurement categories according to IAS 39 in conjunction with IFRS 7						
Loans and receivables	LaR	523.2	523.2			
Financial assets available for sale	AfS	0.3		0.3		
Financial assets at fair value through profit or loss	FAFVPL	4.7			4.7	
Financial liabilities measured at amortised cost	FLAC	991.8	991.8			
Financial liabilities at fair value through profit or loss	FLFVPL	1.1			1.1	

10.2 Financial instruments at fair value through profit or loss

In accordance with the requirements of IFRS 13, items recognised at fair value in the statement of financial position or reported at fair value 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. Please refer to note 8.8 for details of assets held for sale that are measured at fair value less costs to sell. The fair value hierarchy distinguishes between the following levels:

Level 1:
Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2:
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3:
Unobservable inputs for the asset or liability that affect the fair value.

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

	Level 1		Level 2		Level 3		Fair value as at 31.12.	
in million EUR	2014	2013	2014	2013	2014	2013	2014	2013
Financial assets								
Financial assets available for sale	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.3
Positive market values of derivative financial instruments								
– Derivatives without hedging relationship (no hedge accounting)	0.0	0.0	6.7	4.7	0.0	0.0	6.7	4.7
Financial liabilities								
Negative market values of derivative financial instruments								
– Derivatives with hedging relationship (hedge accounting)	0.0	0.0	0.4	0.2	0.0	0.0	0.4	0.2
– Derivatives without hedging relationship (no hedge accounting)	0.0	0.0	10.5	1.1	0.0	0.0	10.5	1.1

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.

10.3 Financial risk management objectives and policies

Principles

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

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

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

Currency risk

Foreign currency risks arise mainly when trade accounts receivable and payable 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.

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

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

The table below shows the movements in these currencies if the euro were to appreciate or depreciate by 10%.

	Change in	Effect on net income	
in million EUR	EUR	2014	2013
Currency USD			
	+10%	−2.7	−7.5
	−10%	3.3	9.1
Currency CHF			
	+10%	−2.4	−2.6
	−10%	2.9	3.2
Currency GBP			
	+10%	0.6	−0.4
	−10%	−0.8	0.5
Currency CAD			
	+10%	−0.8	0.3
	−10%	1.0	−0.3

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

A time value of money of 5.0% p.a. (2013: 5.0% p.a.) was assumed. Given the average life of 6 months for currency derivatives, the amounts were discounted at a rate of 2.5% p.a. (2013: 2.5% p.a.).

Interest risk

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

The following assumptions are applied in calculating the interest sensitivities:

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

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

	Change in	Effect on net income (loss)	
in million EUR	basis points	2014	2013
EUR interest rates			
	+100	–3.1	–3.4
	–100	3.1	3.4
USD interest rates			
	+100	–1.1	–0.8
	–100	1.1	0.8

Commodity price risk

The commodity price risks result from fluctuations in the prices of raw materials required for steel production. Fluctuations in commodity prices can usually be passed on to customers in the form of alloy surcharges. If this is not possible, hedging is undertaken with marketable instruments in some cases. Currently, these mainly comprise forward exchange contracts for nickel. SCHMOLZ + BICKENBACH receives payments depending on the development of the nickel price, and is therefore protected against price hikes.
There would have been no significant impact on the Group's net income/loss or shareholders' equity if the price of nickel had been 10% higher (lower) as at the reporting date.

Credit risk

Credit risks are mainly linked to trade accounts receivable, bank balances, guarantees and derivative financial instruments. In view of the broadly diversified customer list, which spans a variety of regions and industries, the credit risk on trade accounts receivable is limited.
Moreover, some of the trade accounts receivable are covered by credit insurance with varying deductibles. Approximately 53% (2013: 47%) of the trade accounts receivable were covered by credit insurance as at the reporting date.
Credit risks from operating activities are mitigated by selecting external business partners based on internal credit checks and a credit approval process. A credit risk limit is set for each contractual partner based on the internal credit check. Each subsidiary is essentially responsible for setting and monitoring their own limits under observation of the various approval processes that apply depending on the credit limit. The credit and collections policies of the local entities are captured by the internal control system and are therefore audited periodically by Internal Audit.
Where possible, and particularly in the case of new business relationships, external business partners are required to provide security/collateral to minimise the credit risk. Bank guarantees, assignment of receivables, assignment of collateral and personal guarantees are all acceptable forms of security.
Default risks are monitored continuously by the individual Group companies and are taken into account through allowance accounts if necessary. Impairments of trade accounts receivable are recognised in part on special allowance accounts. However, if the probability of default is assessed to be very high, the respective accounts receivable are immediately derecognised.

All of SCHMOLZ + BICKENBACH's partner banks have good credit ratings considering the prevailing market conditions and most are members of deposit guarantee schemes. Derivative financial instruments are only entered into with these banks.

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

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

Liquidity risk

Solvency is monitored at all times by a largely centralised cash management system. In particular, this involves preparing liquidity plans in which the expected cash receipts and payments for a specified time period are offset against each other. In addition, liquidity reserves are maintained in the form of bank balances and irrevocable credit facilities with banks.

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

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

in million EUR	Carrying amount 31.12.2013	Cash outflows 2014	Cash outflows 2015 to 2018	Cash outflows after 2018	Total cash outflows
Primary financial instruments					
Syndicated loan	216.7	24.2	212.8	0.0	237.0
Other bank loans	64.1	27.5	30.0	17.6	75.1
Bond	159.0	16.6	66.2	176.0	258.8
Liabilities from finance leasing	11.1	3.4	7.4	2.0	12.8
Other financial liabilities	227.6	226.0	2.1	0.0	228.1
Trade accounts payable	324.4	324.4	0.0	0.0	324.4
Total primary financial instruments	**1 002.9**	**622.1**	**318.5**	**195.6**	**1 136.2**
Derivative financial instruments					
Derivatives with hedging relationship (hedge accounting)	0.2	0.2	0.0	0.0	0.2
– thereof outflow		0.2	0.0	0.0	0.2
– thereof inflow		0.0	0.0	0.0	0.0
Derivatives without hedging relationship (no hedge accounting)	−3.6	−1.2	0.4	0.0	−0.8
– thereof outflow		126.3	3.7	0.0	130.0
– thereof inflow		−127.5	−3.3	0.0	−130.8
Total derivative financial instruments	**−3.4**	**−1.0**	**0.4**	**0.0**	**−0.6**
Total 31.12.2013	**999.5**	**621.1**	**318.9**	**195.6**	**1 135.6**

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

Capital management

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

Due to the increase in total assets, the equity ratio decreased to 35.9% as at 31 December 2014 (2013: 37.4%), despite the increase in shareholders' equity as a result of the Group's positive bottom line.

Net debt, comprising current and non-current financial liabilities less cash and cash equivalents, dropped to EUR 587.2 million as at 31 December 2014 (2013: EUR 610.1 million). The gearing, which expresses the ratio of net debt to shareholders' equity, thus improved slightly, decreasing to 65.2% (2013: 68.6%). Since the amount of the borrowing costs for the syndicated loan is linked to the ratio of net debt to EBITDA, this debt factor, as well as the other financial covenants, are monitored on an ongoing basis within the capital management framework, to secure the most favourable conditions possible for the Group's financing. The Group complied with all financial covenants as at 31 December 2014.

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

11_Contingent liabilities and other financial obligations

in million EUR	2014	2013
Pledges, guarantees	21.8	20.2
Purchase commitments		
– for intangible assets	0.2	0.1
– for property, plant and equipment	43.2	25.4
Total	**65.2**	**45.7**

Up slightly on the prior year, the purchase commitments result from the investment programmes at individual Group companies with the majority relating to multiple-year investments of Deutsche Edelstahlwerke GmbH (DE) and Ugitech S.A. (FR).

Operating leases are associated with minimum lease payments as follows:

in million EUR	2014	2013
< 1 year	17.8	18.5
1 to 5 years	28.2	36.5
> 5 years	3.8	5.6
Total	**49.8**	**60.6**

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

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

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

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

SCHMOLZ + BICKENBACH operates on an international scale. There is a risk in each of the countries in which SCHMOLZ + BICKENBACH operates that the local tax authorities will challenge transfer prices for goods and services exchanged between the individual Group companies as well as management fees within the Group. Interpretation of tax provisions on intercompany financing agreements and currency translation differences can lead to uncertainty around tax positions. SCHMOLZ + BICKENBACH regularly assesses the tax expense that will be payable following tax field audits and provides for them by estimating the results of tax field audits for all open years. The actual outcome of the tax field audits can differ significantly from the estimates considered in these consolidated financial statements and may impact the tax expense/income in subsequent periods.

12__Segment reporting

The Group is presented in accordance with its internal reporting and organisational structure, comprising the two divisions (hereafter also referred to as operating segments): *Production* and *Sales & Services*.
The chief decision-makers of the Group monitor the operating results of each operating segment individually in order to assess their performance and decide on the allocation of resources. Earnings before interest, tax, depreciation and amortisation (EBITDA) is the key indicator used to assess the segment performance of the individual operating segments in accordance with IFRS. Adjusted EBITDA is therefore segment profit/loss in the meaning of IFRS 8. Independent thereof, the Executive Board also receives regular reports at the level of the operating segments on further key performance indicators up to earnings before taxes (EBT), based on IFRS accounting. These additional indicators are also disclosed in the present segment reporting.

The Group's operating segments are summarised below:

Production

Production comprises the business units Deutsche Edelstahlwerke, Finkl/Sorel, S+B Bright Bar, Swiss Steel and Ugitech. These companies produce tool steel, stainless steel, engineering steel, bright steel and other speciality products for sale to third parties directly or to the *Sales & Services* organisation of the SCHMOLZ + BICKENBACH Group.

Sales & Services

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

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

Revenue by geographic region

	2014		2013	
	in million EUR	in %	million EUR	in %
Switzerland	59.1	1.8%	54.7	1.7%
Germany	1 521.0	45.5%	1 489.0	45.4%
France	213.4	6.4%	222.7	6.8%
Italy	295.7	8.9%	330.9	10.1%
Other Europe	635.6	19.0%	631.4	19.3%
USA	344.0	10.3%	294.7	9.0%
Canada	72.1	2.2%	66.4	2.0%
Other America	40.8	1.2%	47.4	1.4%
Africa/Asia/Australia	156.7	4.7%	139.5	4.3%
Total	**3 338.4**	**100.0%**	**3 276.7**	**100.0%**

The revenue information presented above is based on the location of the customer. No single external customer exceeds the threshold of 10% of the Group's revenue (IFRS 8.34).

Non-current assets by geographic region

	2014		2013	
	in million EUR	in %	million EUR	in %
Switzerland	143.0	15.6%	149.9	16.4%
Germany	331.8	36.0%	343.2	37.6%
France	126.8	13.8%	125.7	13.8%
Italy	16.2	1.8%	14.6	1.6%
Other Europe	45.5	5.0%	48.0	5.3%
USA	206.5	22.5%	183.9	20.2%
Canada	39.1	4.3%	36.6	4.0%
Other America	2.3	0.3%	3.6	0.4%
Africa/Asia/Australia	6.7	0.7%	6.3	0.7%
Total	**917.9**	**100.0%**	**911.8**	**100.0%**

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

Fiscal year 2014 and 2013

	Production		Sales & Services	
in million EUR	2014	2013	2014	2013
Third-party revenue	2 267.0	2 134.6	1 071.4	1 142.1
Intersegment revenue	401.6	427.7	3.0	16.0
Total revenue	**2 668.6**	**2 562.3**	**1 074.4**	**1 158.1**
Gain/loss on disposal of intangible assets, property, plant and equipment and financial assets	–0.1	2.1	1.3	0.3
Segment result (= adjusted EBITDA)[1]	**239.2**	**168.5**	**30.5**	**13.9**
Adjustment	–3.8	–0.5	–0.7	–22.7
Operating profit before depreciation and amortisation (EBITDA)	**235.4**	**168.0**	**29.8**	**–8.8**
Depreciation and amortisation of intangible assets, property, plant and equipment	–109.8	–108.8	–9.8	–10.2
Impairment of intangible assets, property, plant and equipment and assets held for sale	0.0	–1.2	0.0	0.0
Operating profit (loss) (EBIT)	**125.6**	**58.0**	**20.0**	**–19.0**
Financial income	5.0	9.2	4.9	8.0
Financial expense	–48.7	–57.9	–17.4	–30.3
Earnings before taxes (EBT)	**81.9**	**9.3**	**7.5**	**–41.3**
Segment assets[2]	1 881.3	1 790.5	496.2	485.7
Segment liabilities[3]	303.9	287.9	174.0	138.8
Segment assets less segment liabilities (capital employed)	**1 577.4**	**1 502.6**	**322.2**	**346.9**
Segment investments[4]	93.0	99.5	6.3	5.5
Operating free cash flow [5]	82.9	118.1	46.6	19.1
Employees	7 720	7 730	2 178	2 266

1) Adjusted EBITDA: operating profit before depreciation, amortisation, restructuring expenses and non-recurring effects.

2) Segment assets: intangible assets (excluding goodwill) + property, plant and equipment + inventories + trade accounts receivable (total matches total assets in the statement of financial position).

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

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

5) Operating free cash flow: adjusted EBITDA +/- change in inventories, trade accounts receivable less trade accounts payable less segment investments less borrowing costs.

		Reconciliation					
Total operating segments		Other		Eliminations/adjustments		Total	
2014	2013	2014	2013	2014	2013	2014	2013
3 338.4	3 276.7	0.0	0.0	0.0	0.0	3 338.4	3 276.7
404.6	443.7	0.0	0.0	–404.6	–443.7	0.0	0.0
3 743.0	**3 720.4**	**0.0**	**0.0**	**–404.6**	**–443.7**	**3 338.4**	**3 276.7**
1.2	2.4	0.0	0.0	0.0	0.0	1.2	2.4
269.7	**182.4**	**–9.5**	**–6.7**	**1.5**	**3.1**	**261.7**	**178.8**
–4.5	–23.2	–4.6	–13.9	0.0	0.0	–9.1	–37.1
265.2	**159.2**	**–14.1**	**–20.6**	**1.5**	**3.1**	**252.6**	**141.7**
–119.6	–119.0	–2.4	–2.5	0.0	0.0	–122.0	–121.5
0.0	–1.2	0.0	–1.2	0.0	0.0	0.0	–2.4
145.6	**39.0**	**–16.5**	**–24.3**	**1.5**	**3.1**	**130.6**	**17.8**
9.9	17.2	77.3	99.1	–80.6	–102.1	6.6	14.2
–66.1	–88.2	–72.0	–133.5	80.6	102.1	–57.5	–119.6
89.4	**–32.0**	**–11.2**	**–58.7**	**1.5**	**3.1**	**79.7**	**–87.6**
2 377.5	2 276.2	5.9	6.9	126.2	94.4	2 509.6	2 377.5
477.9	426.7	1.3	1.9	1 129.5	1 059.0	1 608.7	1 487.6
1 899.6	**1 849.5**						
99.3	105.0	1.5	0.7	0.0	0.0	100.8	105.7
129.5	137.2	–11.5	–4.0	1.4	–0.8	119.4	132.4
9 898	9 996	102	99	0	0	10 000	10 095

13__Related party disclosures

SCHMOLZ + BICKENBACH entered into transactions with related parties during the reporting periods. Related parties include, but are not limited to, companies owned by SCHMOLZ + BICKENBACH GmbH & Co. KG, which held 15.17% of the shares in SCHMOLZ + BICKENBACH AG indirectly as at 31 December 2014, as well as Renova Group companies, which held 25.51% of the shares in SCHMOLZ + BICKENBACH AG indirectly as at 31 December 2014. A shareholder agreement in the meaning of the Swiss Stock Exchange Act (SESTA) is in place between SCHMOLZ + BICKENBACH GmbH & Co. KG and the Renova Group.

Related parties also include associates and joint ventures of SCHMOLZ + BICKENBACH AG. Other important related parties include key management personnel. For SCHMOLZ + BICKENBACH, this means the members of the Board of Directors and the Executive Committee.

The exchange of goods and services between Group companies and related parties takes place at transfer prices in accordance with the arm's length principle and international transfer pricing regulations.

The transactions relate to the normal exchange of goods and services between the companies and the provision of other services (management and other services plus leases); their amounts are shown in the following table:

	SCHMOLZ + BICKENBACH GmbH & Co. KG Group		Renova Group		Joint ventures of SCHMOLZ + BICKENBACH AG	
in million EUR	2014	2013	2014	2013	2014	2013
Sales to related parties	4.1	7.7	0.8	0.7	0.0	1.5
Purchases from related parties	0.3	1.1	0.0	0.0	0.0	0.2
Other services charged to related parties	0.9	2.3	0.0	0.0	0.0	0.4
Other services charged by related parties	0.3	8.1	0.1	3.9	0.0	0.8
Interest charged to related parties	0.0	0.0	0.0	0.0	0.0	0.1

A property included in the plan assets of the pension fund of Swiss Steel AG was used until 30 June 2014 by Steeltec AG (CH) under a long-term rental agreement. The corresponding rent expense recognised in the reporting period came to EUR 0.2 million (2013: EUR 0.4 million).

There were items outstanding as at 31 December 2014 relating to Renova Group companies, SCHMOLZ + BICKENBACH GmbH & Co. KG, joint ventures of SCHMOLZ + BICKENBACH AG and other related parties as shown in the table below:

	SCHMOLZ + BICKENBACH GmbH & Co. KG Group		Renova Group		Other related parties	
in million EUR	2014	2013	2014	2013	2014	2013
Operating receivables from related parties	0.5	0.8	0.0	0.1	0.0	0.2
Financial liabilities to related parties	0.0	1.2	0.0	2.1	0.0	0.0
Operating liabilities to related parties	0.5	0.2	0.0	0.0	0.0	0.3

Since 2013, part of the variable remuneration of the Executive Board of SCHMOLZ + BICKENBACH AG is paid out in shares. In 2014, this share-based payment program was amended and further developed to create a Long Term Incentive Plan (LTIP) according to which the amount of remuneration depends on the development of the performance indicators return on capital employed (ROCE) and absolute shareholder return (ASR) within a three-year performance period. At the end of the three-year performance period, remuneration is paid out in shares or in cash; SCHMOLZ + BICKENBACH is solely entitled to choose how to settle the payments. Furthermore, a share-based payment plan for the Board of Directors was introduced in 2014. The average fair value of equity instruments granted as at 31 December 2014 was EUR 1; equity instruments totalling EUR 1.3 million (2013: EUR 0.5 million) were granted and recorded as an expense in the consolidated income statement. The expense of EUR 1.0 million (2013: EUR 0.5 million) was debited from retained earnings. The difference compared to the total amount of equity instruments granted relates to withholding tax. A total of 1.2 million equity instruments were outstanding as at 31 December. Historical share price development and the expected development of ROCE and ASR was taken into account in particular in measuring equity instruments.

Compensation came to EUR 1.8 million in 2014 (2013: EUR 1.4 million) for the Board of Directors and EUR 5.4 million (2013: EUR 10.9 million) for the Executive Committee. Of that compensation, EUR 4.7 million (2013: EUR 7.2 million) relates to short-term benefits, EUR 1.1 million (2013: EUR 4.4 million) to termination benefits, EUR 0.1 million (2013: EUR 0.4 million) to post-employment benefits and EUR 1.3 million (2013: EUR 0.3 million) to share-based payments including withholding tax.

14__Risk assessment

The SCHMOLZ + BICKENBACH Group employs a standardised Enterprise Risk Management (ERM) system across the Group which provides uniform guidelines for systematic and efficient risk management. All Group companies have to prepare a risk assessment which is regularly updated. This risk assessment includes, but is not limited to, measuring potential damages before and after implementing countermeasures as well as estimating the probability of occurrence. The risk assessment is audited by Internal Audit.

The risk managers of the Group companies regularly notify the Group Risk Manager of any risks identified. These are then summarised and reported to the Executive Board and the Audit Committee. Unless there is a specific need for special discussions, the risks are discussed and evaluated in detail at an annual meeting of the Executive Board and Audit Committee.

15__Subsequent events

On 15 January 2015, the Swiss National Bank discontinued the Swiss franc's fixed exchange rate against the euro. The previous minimum exchange rate of CHF 1.20 per EUR no longer applies. The exchange rate currently stands at between CHF 1.00 and 1.07 per EUR. This will have a negative impact on our Swiss operating companies. Remeasurement of these companies' net trade accounts receivable in EUR led to a one-off negative effect on EBITDA of around EUR 7 million as at the end of February 2015. A positive currency effect from translating financial liabilities into euro as well as hedging will partially make up for the above. There is also a current effect due to the appreciation of the Swiss franc against the euro.

Preliminary sensitivity analyses show that 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. Additional compensating effects can be expected from the favourable development of the USD/EUR exchange rate, which has a positive impact on the results of our North American operations translated into euro, while buoying the export business of our European operations.

At the beginning of March 2015, SCHMOLZ + BICKENBACH Edelstahl GmbH acquired the real estate at Eupener Straße in Düsseldorf, which has 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. Depending on the acquisition date, which is subject to the involvement of third parties, the purchase price will amount to up EUR 36.9 million and will increase the planned investment volume for 2015 accordingly.

After being terminated in December 2014, sales negotiations for certain distribution companies were resumed in the first quarter of 2015. Discussions are under way without any expectations as to outcome.

16__List of shareholdings

Name	Registered office	Currency	Share capital 31.12.2014	Group holding in % 31.12.2014
Production				
A. Finkl & Sons Co.	Chicago US	USD	10.00	100.00
Ardenacier S.A.R.L.	Charleville-Mézières FR	EUR	16 000.00	100.00
Boxholm Stål AB	Boxholm SE	SEK	7 000 000.00	100.00
Composite Forgings L.P.	Detroit US	USD	1 236 363.00	100.00
Deutsche Edelstahlwerke GmbH	Witten DE	EUR	50 000 000.00	100.00
Deutsche Edelstahlwerke Härterei Technik GmbH	Lüdenscheid DE	EUR	1 100 000.00	94.90
Deutsche Edelstahlwerke Karrierewerkstatt GmbH	Witten DE	EUR	100 000.00	94.90
dhi Rohstoffmanagement GmbH	Siegen DE	EUR	4 000 000.00	51.00
Edelstahlwerke Witten-Krefeld Vermögensverwaltungs-gesellschaft mbH	Krefeld DE	EUR	511 350.00	94.90
Finkl De Mexico S de R.L. de C.V.	Edo. De Mexico C.P. MX	MXN	200 088.00	51.00
Finkl Holdings LLC	Chicago US	USD	1 000.00	100.00
Finkl Outdoor Services Inc.	Chicago US	USD	1 000.00	100.00
Finkl Thai Co. Ltd.	Samutprakarn TH	THB	6 500 000.00	49.00
Panlog AG	Emmen CH	CHF	1 500 000.00	100.00
SCHMOLZ + BICKENBACH A/S	Norresundby DK	DKK	50 000 000.00	100.00
SCHMOLZ + BICKENBACH Blankstahl GmbH	Düsseldorf DE	EUR	2 000 000.00	100.00
SCHMOLZ + BICKENBACH Celik A.S.	Istanbul TR	TRY	89 889 143.00	100.00
Sorel Forge Co.	St. Joseph-de-Sorel CA	CAD	252 129.00	100.00
Sprint Metal Edelstahlziehereien GmbH	Hemer DE	EUR	6 500 000.00	100.00
Steeltec AG	Emmen CH	CHF	33 000 000.00	100.00
Steeltec FIC S.A.R.L.	Cluses-Cedex FR	EUR	1 120 000.00	100.00
Steeltec Praezisa GmbH	Niedereschach DE	EUR	1 540 000.00	100.00
Steeltec Toselli Srl	Cassina Nuova di Bollate IT	EUR	780 000.00	100.00
Swiss Steel AG	Emmen CH	CHF	40 000 000.00	100.00
Ugitech GmbH	Renningen DE	EUR	25 000.00	100.00
Ugitech Italia S.r.l.	Peschiera Borromeo IT	EUR	3 000 000.00	100.00
Ugitech S.A.	Ugine Cedex FR	EUR	80 297 295.87	100.00
Ugitech Suisse S.A.	Bévilard CH	CHF	1 350 000.00	100.00
Ugitech TFA S.r.l. (IT)	Peschiera Borromeo IT	EUR	100 000.00	100.00
von Moos Stahl AG	Emmen CH	CHF	100 000.00	100.00
Sales & Services				
Alta Tecnologia en Tratamientos Termicos S.A. de C.V.	Queretaro MX	MXN	15 490 141.00	100.00
Dongguan German-Steels Products Co. Ltd.	Dongguan CN	CNY	73 266 975.89	100.00
Dongguan SCHMOLZ – BICKENBACH Co. Ltd.	Dongguan CN	CNY	57 940 707.43	100.00
Dr. Wilhelm Mertens GmbH	Berlin DE	EUR	25 564.59	100.00
Finkl U.K. Ltd.	Langley GB	GBP	3 899 427.00	100.00
Günther + Schramm GmbH	Oberkochen DE	EUR	5 000 000.00	100.00
Jiangsu SCHMOLZ – BICKENBACH Co. Ltd.	Jiangsu CN	CNY	47 066 459.31	100.00
SB Acciai Speciali S.r.l.	Cambiago IT	EUR	500 000.00	100.00
SCHMOLZ + BICKENBACH Australia Pty. Ltd.	Victoria AU	AUD	900 000.00	100.00
SCHMOLZ + BICKENBACH Austria GmbH	Vienna AT	EUR	8 000 000.00	100.00
SCHMOLZ + BICKENBACH Baltic OÜ	Tallinn EE	EUR	4 469.96	100.00
SCHMOLZ + BICKENBACH Baltic SIA	Riga LV	EUR	298 804.78	100.00

Name	Registered office	Currency	Share capital 31.12.2014	Group holding in % 31.12.2014
SCHMOLZ + BICKENBACH Baltic UAB	Kaunas LT	LTL	2 711 700.00	100.00
SCHMOLZ + BICKENBACH Belgium SA	Brussels BE	EUR	330 000.00	100.00
SCHMOLZ + BICKENBACH B.V.	Zwijndrecht NL	EUR	22 689.00	100.00
SCHMOLZ + BICKENBACH Canada Inc.	Mississauga CA	CAD	2 369 900.00	100.00
SCHMOLZ + BICKENBACH Deutschland GmbH	Düsseldorf DE	EUR	100 000.00	100.00
SCHMOLZ + BICKENBACH Distributions GmbH	Düsseldorf DE	EUR	20 000 000.00	100.00
SCHMOLZ + BICKENBACH do Brasil Indústria e Comércio de Acos Ltda	São Paulo BR	BRL	79 565 338.29	100.00
SCHMOLZ + BICKENBACH France S.A.S.	Chambly FR	EUR	278 508.40	100.00
SCHMOLZ + BICKENBACH Iberica S.A.	Madrid ES	EUR	2 718 227.63	99.90
SCHMOLZ + BICKENBACH India Pvt. Ltd.	Thane (West) IN	INR	119 155 500.00	100.00
SCHMOLZ + BICKENBACH International GmbH	Düsseldorf DE	EUR	2 000 000.00	100.00
SCHMOLZ + BICKENBACH Italy S.r.l.	Peschiera Borromeo IT	EUR	90 000.00	100.00
SCHMOLZ + BICKENBACH Magyarország Kft.	Budapest HU	HUF	3 000 000.00	100.00
SCHMOLZ + BICKENBACH Malaysia Sdn. Bhd.	Port Klang MY	MYR	2 500 000.00	100.00
SCHMOLZ + BICKENBACH Mexico S.A. de C.V.	Tlalnepantla MX	MXN	98 218 665.00	100.00
SCHMOLZ + BICKENBACH Middle East FZCO	Dubai AE	AED	6 449 050.00	100.00
SCHMOLZ + BICKENBACH Oy	Espoo FI	EUR	500 000.00	60.00
SCHMOLZ + BICKENBACH Polska Sp.z o.o.	Myslowice PL	PLN	7 000 000.00	100.00
SCHMOLZ + BICKENBACH Portugal S.A.	Matosinhos PT	EUR	200 000.00	99.90
SCHMOLZ + BICKENBACH Romania SRL	Bucharest RO	RON	3 363 932.00	100.00
SCHMOLZ + BICKENBACH Russia OOO	Moscow RU	RUB	9 000 000.00	100.00
SCHMOLZ + BICKENBACH s.r.o.	Kladno CZ	CZK	7 510 000.00	60.05
SCHMOLZ + BICKENBACH Singapore Pte. Ltd.	Singapore SG	SGD	5 405 500.00	100.00
SCHMOLZ + BICKENBACH Slovakia s.r.o.	Trencianske Stankovce SK	EUR	99 584.00	58.02
SCHMOLZ + BICKENBACH UK Ltd.	Birmingham GB	GBP	6 899 427.00	100.00
SCHMOLZ + BICKENBACH USA Inc.	Carol Stream, Illinois US	USD	1 935 000.00	100.00
SCHMOLZ – BICKENBACH (Hong Kong) Trading Ltd.	Fo Tan Shatin HK	HKD	5 900 000.00	100.00
SCHMOLZ – BICKENBACH Hong Kong Co. Ltd.	Fo Tan Shatin HK	HKD	98 140 676.00	100.00
SCHMOLZ and BICKENBACH South Africa (Pty.) Ltd.	Johannesburg ZA	ZAR	2 155 003.00	100.00
Ugitech UK Ltd.	Birmingham GB	GBP	2 500 000.00	100.00
Zhejiang SCHMOLZ – BICKENBACH Co. Ltd.	Zhejiang CN	CNY	37 387 196.01	100.00
Holdings/Other				
SCHMOLZ + BICKENBACH AB	Granna SE	SEK	100 000.00	100.00
SCHMOLZ + BICKENBACH Edelstahl GmbH	Düsseldorf DE	EUR	10 000 000.00	100.00
SCHMOLZ + BICKENBACH Luxembourg S.A.	Luxembourg LU	EUR	2 000 000.00	100.00
SCHMOLZ + BICKENBACH USA Holdings Inc.	Carol Stream, Illinois US	USD	80 000 000.00	100.00

Report of the statutory auditor on the consolidated financial statements

To the General Meeting of SCHMOLZ + BICKENBACH AG, Emmen
Zurich, 11 March 2015

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of SCHMOLZ + BICKENBACH AG, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in shareholders' equity and notes (pages 116 to 168), for the year ended 31 December 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

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

FIVE-YEAR OVERVIEW

	Unit	2010	2011	2012	2013	2014
Key operational figures						
Sales volume	kilotonnes	2001	2274	2044	2054	2135
Order backlog	kilotonnes	619	521	351	452	497
Income statement						
Revenue	million EUR	3119.3	3942.9	3581.4	3276.7	3338.4
Gross margin	million EUR	1034.7	1222.5	1081.7	1056.4	1167.3
Adjusted EBITDA	million EUR	232.9	296.2	151.1	178.8	261.7
Operating profit (loss) before depreciation and amortisation (EBITDA)	million EUR	232.9	296.2	121.8	141.7	252.6
Operating profit (loss) (EBIT)	million EUR	121.9	179.6	–14.5	17.8	130.6
Earnings before taxes (EBT)	million EUR	33.3	67.6	–89.1	–87.6	79.7
Net income (loss) (EAT)	million EUR	38.6	42.7	–162.8	–83.7	50.0
Cash flow/investments/depreciation/amortisation						
Cash flow before changes in net working capital	million EUR	206.6	330.6	103.6	123.3	205.7
Cash flow from operations	million EUR	–46.2	305.9	168.8	167.8	178.1
Cash flow from investing activities	million EUR	–90.4	–114.3	–124.8	–94.1	–95.2
Free cash flow	million EUR	–136.6	191.6	44.0	73.7	82.9
Investments	million EUR	120.6	125.6	141.0	105.7	100.8
Depreciation and amortisation	million EUR	111.0	116.6	122.2	121.5	122.0
Net assets and financial structure						
Non-current assets	million EUR	1056.6	1054.3	1008.3	984.4	1006.3
Current assets	million EUR	1501.2	1676.3	1408.8	1393.1	1503.3
Net working capital	million EUR	1027.6	1064.8	1006.0	949.5	992.3
Total assets	million EUR	2557.8	2730.6	2417.1	2377.5	2509.6
Shareholders' equity	million EUR	795.8	844.2	633.0	889.9	900.9
Non-current liabilities	million EUR	1026.1	954.2	1005.3	733.6	847.7
Current liabilities	million EUR	735.9	932.2	778.8	754.0	761.0
Net debt	million EUR	926.9	860.4	902.8	610.1	587.2
Employees						
Employees as at closing date	positions	10000	10332	10278	10095	10000
Value management						
Capital employed	million EUR	1953	2002.8	1937.5	1841.3	1891.2
Key figures on profit/ net assets and financial structure						
Gross margin/revenue	%	33.2	31.0	30.2	32.2	35.0
EBITDA margin before restructuring costs	%	7.5	7.5	4.2	5.5	7.8
EBITDA margin	%	7.5	7.5	3.4	4.3	7.6
EBIT margin	%	3.9	4.6	–0.4	0.5	3.9
EBT margin	%	1.1	1.7	–2.5	–2.7	2.4
Equity ratio	%	31.1	30.9	26.2	37.4	35.9
Gearing	%	116.5	101.9	142.6	68.6	65.2
Key share figures						
Number of registered shares	shares	105000000	118125000	118125000	945000000	945000000
Share capital	million EUR	261.7	297.6	297.6	378.6	378.6
Earnings per share	EUR/CHF	0.63/0.87	0.33/0.41	-1.38/-1.66	-0.26/-0.32	0.05/0.06
Shareholders' equity per share	EUR/CHF	6.78/8.48	7.10/8.62	5.29/6.35	0.93/1.14	0.94/1.13
Dividend per share	CHF	0.00	0.10	0.00	0.00	0.00
Share price, highest	CHF	16.63	12.00	7.80	1.34	1.51
Share price, lowest	CHF	6.62	4.81	2.28	0.58	1.00
Share price as at closing date	CHF	9.46	5.36	2.86	1.10	1.08

FIVE-QUARTER OVERVIEW

	Unit	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Key operational figures						
Sales volume	kilotonnes	491	581	557	509	488
Order backlog	kilotonnes	452	571	539	498	497
Income statement						
Revenue	million EUR	752.0	871.6	858.0	823.5	785.3
Gross margin	million EUR	251.5	296.9	307.3	282.9	280.2
Adjusted EBITDA	million EUR	43.0	65.6	73.8	60.0	62.3
Operating profit (loss) before depreciation and amortisation (EBITDA)	million EUR	15.1	63.8	72.5	57.1	59.2
Operating profit (loss) (EBIT)	million EUR	–16.1	34.0	42.5	25.2	28.9
Earnings before taxes (EBT)	million EUR	–48.5	19.0	33.2	16.1	11.4
Net income (loss) (EAT)	million EUR	–39.2	12.4	22.8	10.6	4.2
Cash flow/investments/depreciation/amortisation						
Cash flow before changes in net working capital	million EUR	–1.1	75.9	77.3	49.7	2.8
Cash flow from operations	million EUR	96.7	89.9	–53.6	42.5	99.3
Cash flow from investing activities	million EUR	–40.5	–11.4	–18.5	–27.0	–38.3
Free cash flow	million EUR	56.2	78.5	–72.1	15.5	61.0
Investments	million EUR	44.0	12.3	19.3	28.2	41.0
Depreciation and amortisation	million EUR	30.0	29.8	30.0	31.9	30.3
Net assets and financial structure						
Non-current assets	million EUR	984.4	965.5	956.9	975.3	1 006.3
Current assets	million EUR	1 393.1	1 478.0	1 566.0	1 577.7	1 503.3
Net working capital	million EUR	949.5	935.2	1 068.8	1 085.4	992.3
Total assets	million EUR	2 377.5	2 443.5	2 522.9	2 553.0	2 509.6
Shareholders' equity	million EUR	889.9	886.1	900.7	910.9	900.9
Non-current liabilities	million EUR	733.6	667.1	809.4	855.8	847.7
Current liabilities	million EUR	754.0	890.3	812.8	786.3	761.0
Net debt	million EUR	610.1	549.2	633.7	627.4	587.2
Employees						
Employees as at closing date	positions	10 095	10 015	10 018	10 036	10 000
Value management						
Capital employed	million EUR	1 841.3	1 808.5	1 934.1	1 965.6	1 891.2
Key figures on profit/net assets and financial structure						
Gross margin/revenue	%	33.4	34.1	35.8	34.4	35.7
EBITDA margin before restructuring costs	%	5.7	7.5	8.6	7.3	7.9
EBITDA margin	%	2.0	7.3	8.4	6.9	7.5
EBIT margin	%	–2.1	3.9	5.0	3.1	3.7
EBT margin	%	–6.4	2.2	3.9	2.0	1.5
Equity ratio	%	37.4	36.3	35.7	35.7	35.9
Gearing	%	68.6	62.0	70.4	68.9	65.2

Financial reporting

SCHMOLZ + BICKENBACH AG

Financial statements

INCOME STATEMENT

in million CHF	Note	2014	2013
Income from investments		9.0	45.8
Financial income		38.3	51.9
Other income		23.1	18.6
Total income		**70.4**	**116.3**
Personnel expense		8.3	12.0
Financial expense		28.5	54.4
Other expense		23.5	34.3
Total expense		**60.3**	**100.7**
Net income		**10.1**	**15.6**

BALANCE SHEET

in million CHF	Note	31.12.2014	31.12.2013
Investments	1	1 126.7	1 126.7
Other financial assets		0.0	0.0
Total non-current assets		**1 126.7**	**1 126.7**
Current receivables, Group		473.0	542.3
Current receivables, third parties		2.4	0.2
Accrued income and prepaid expenses, third parties		1.1	1.2
Accrued income and prepaid expenses, Group		0.1	0.2
Securities	8	0.0	0.0
Cash and cash equivalents		0.1	1.8
Total current assets		**476.7**	**545.7**
Total assets		**1 603.4**	**1 672.4**
Share capital		472.5	472.5
Legal reserves		6.9	6.9
Legal reserves from capital contributions	2	852.8	852.8
Legal reserves for treasury shares	8	0.0	0.0
Retained earnings available for appropriation		169.3	159.2
Total shareholders' equity [1]		**1 501.5**	**1 491.4**
Non-current financing, third parties		67.9	117.9
Provisions		1.2	1.2
Total non-current liabilities		**69.1**	**119.1**
Current liabilites, third parties		0.3	4.4
Current liabilites, Group		0.4	0.4
Current financing, third parties		10.7	22.3
Current financing, Group		14.1	22.6
Accrued liabilities and deferred income		7.3	12.2
Total current liabilities		**32.8**	**61.9**
Total liabilities		**101.9**	**181.0**
Total liabilities and shareholders' equity		**1 603.4**	**1 672.4**

[1] Before appropriation of available earnings.

NOTES TO THE FINANCIAL STATEMENTS

1__Investments

The table below shows the investments of SCHMOLZ + BICKENBACH AG as at 31 December 2014:

	Registered office	Currency	Share capital 2014	Share capital 2013	Holding 2014	Holding 2013
Swiss Steel AG	Emmen (CH)	CHF	40 000 000	40 000 000	100.0%	100.0%
Steeltec AG	Lucerne (CH)	CHF	33 000 000	33 000 000	100.0%	100.0%
Panlog AG	Emmen (CH)	CHF	1 500 000	1 500 000	100.0%	100.0%
Deutsche Edelstahlwerke GmbH [1]	Witten (DE)	EUR	50 000 000	50 000 000	10.4%	10.4%
SCHMOLZ + BICKENBACH Distributions GmbH [1]	Düsseldorf (DE)	EUR	20 000 000	20 000 000	5.5%	5.5%
SCHMOLZ + BICKENBACH France S.A.S.	Chambly (FR)	EUR	278 508	278 508	100.0%	100.0%
SCHMOLZ + BICKENBACH Edelstahl GmbH	Düsseldorf (DE)	EUR	10 000 000	10 000 000	100.0%	100.0%
von Moos Stahl AG	Emmen (CH)	CHF	100 000	100 000	100.0%	100.0%

[1] Together with its subsidiaries SCHMOLZ + BICKENBACH AG holds 100% of these companies.

2__Shareholders' equity

The legal reserves from capital contributions originate from capital contributions that were made after 31 December 1996. In accordance with the capital contribution principle applicable from 1 January 2011 onwards, these capital contributions are separately reported within shareholders' equity.

3__Contingent liabilities and pledges

There are contingent liabilities in favour of:

million CHF	31.12.2014	31.12.2013
Group companies	616.7	607.9

The following collateral was pledged to lending banks and bond creditors in the form of pledges of company shares and assignment of receivables:

million CHF	31.12.2014	31.12.2013
Investments	935.6	935.6
Current receivables, Group	14.6	17.8
Total	**950.2**	**953.4**

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

4__Significant shareholders

As at 31 December 2014 the Company was aware of the following shareholders with an interest in voting rights above the 3% threshold:

	31.12.2014 Shares	31.12.2014 in percent [1]	31.12.2013 Shares	31.12.2013 in percent [1]
Venetos Holding AG [2]	241 087 648	25.51	241 087 648	25.51
SCHMOLZ + BICKENBACH Beteiligungs GmbH [2]	119 238 168	12.61	19 864 306	2.10
SCHMOLZ + BICKENBACH Finanz AG [2]	–	–	84 469 091	8.94
SCHMOLZ + BICKENBACH Holding AG [2]	24 146 104	2.56	39 050 875	4.13
Total SCHMOLZ + BICKENBACH GmbH & Co. KG [2]	143 384 272	15.17	143 384 272	15.17
Martin Haefner [2]	64 260 000	6.80	42 500 000	4.50

[1] Percentage of shares issued as at 31 December.

[2] http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

Viktor F. Vekselberg holds 25.51% of the shares indirectly via Venetos Holding AG, included in the table above. SCHMOLZ + BICKENBACH GmbH & Co. KG holds 15.17% of the shares indirectly via SCHMOLZ + BICKENBACH Beteiligungs GmbH and SCHMOLZ + BICKENBACH Holding AG, all of which are included in the table above.

SCHMOLZ + BICKENBACH GmbH & Co. KG and Venetos Holding AG are parties to a shareholder agreement and are therefore treated as a group by SIX Swiss Exchange.

There were changes in the significant shareholders during the fiscal year. These were reported to the Company and the Disclosure Office of SIX Exchange AG and can be viewed on the Internet at: :
http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

5__Authorised capital

There was authorised capital of CHF 236 250 000 as at 31 December 2014 (31 December 2013: no authorised capital).

6__Contingent capital

There was contingent capital of CHF 110 000 000 as at 31 December 2014 (31 December 2013: no contingent capital).

7__Shareholdings

7.1 Shares owned by members of the Board of Directors

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

		Number of shares		Number of options [2]	
Board of Directors		31.12.2014	31.12.2013	31.12.2014	31.12.2013
Edwin Eichler (DE)[1]	Chairman	–	–	59 032	–
Vladimir V. Kuznetsov (RU)[1]	Vice-Chairman	–	–	23 613	–
Michael Büchter (DE)[1]	Member	–	–	23 613	–
Marco Musetti (CH)[1]	Member	–	–	23 613	–
Dr Heinz Schumacher (DE)[1]	Member	8 000	8 000	23 613	–
Dr Oliver Thum (DE)[1]	Member	–	–	23 613	–
Hans Ziegler (CH)[1]	Member	40 000	40 000	23 613	–
Total Board of Directors		**48 000**	**48 000**	**200 710**	**–**

[1] Member of the Board of Directors since 26 September 2013.

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

7.2 Shares owned by members of the Executive Committee

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

		Number of shares	
Executive Committee		31.12.2014	31.12.2013
Hans-Jürgen Wiecha (DE) [1]	CFO	201 938	201 938
Bruce Liimatainen [3]	Head Business Unit Finkl / Sorel	n.a.	38 000
Dr Martin Löwendick (DE) [2] [3]	Head Business Unit Deutsche Edelstahlwerke	n.a.	1 500
Total Executive Committee		**201 938**	**241 438**

[1] CFO since 1 February 2013, also CEO a.i. from 20 December 2013 to 31 March 2014.

[2] Since 1 July 2013.

[3] Business Unit Heads are no longer part of the Executive Committee with effect as at 12 March 2014.

8__Treasury shares

	Date	Price in CHF	Shares
Treasury shares as at 31.12.2012			–
Purchase of treasury shares			
Sale of treasury shares			
Treasury shares as at 31.12.2013			–
Purchase of treasury shares	March 2014	1.19–1.25	400000
Employee stock options issued	May 2014	1.22	329754
Employee stock options issued	September 2014	1.22	47261
Treasury shares as at 31.12.2014			22985

For the portfolio of treasury shares disclosed as at 31 December 2014 a reserve for the acquisition value of CHF 28k was recorded within shareholders' equity of SCHMOLZ + BICKENBACH AG (31 December 2013: no treasury shares). Treasury shares were purchased and used for the employee stock option plan.

9__ Risk assessment

Led by SCHMOLZ + BICKENBACH AG, a Group-wide standardised Enterprise Risk Management (ERM) system is deployed as a cohesive framework ensuring systematic and efficient risk management. All Group companies have to prepare a risk assessment which is regularly updated. This risk assessment includes, but is not limited to, measuring potential damages before and after implementing countermeasures as well as estimating the probability of occurrence. The risk assessment is audited by Internal Audit. The objective of the ERM is to ensure that risks are identified and optimised, and that opportunities are exploited. Direct responsibility for early detection, monitoring and communication of risks lies with the operational management, while the Executive Board – and ultimately the Board of Directors – are responsible for control.

10__Subsequent events

On 15 January 2015, the Swiss National Bank discontinued the minimum exchange rate of CHF 1.20 against the euro. The exchange rate currently stands at between CHF 1.00 and CHF 1.07 per EUR. This will have a negative impact on SCHMOLZ + BICKENBACH AG. The non-recurring negative effect on net income from the remeasurement of Current receivables Group denominated in euro is currently estimated at CHF 35.3 million. After being terminated in December 2014, sales negotiations for certain distribution companies were resumed in the first quarter of 2015. Discussions are under way without any expectations as to outcome.

PROPOSED APPROPRIATON OF AVAILABLE EARNINGS

At the General Meeting on 15 April 2015, the Board of Directors will present the following proposal for the appropriation of available earnings:

in million CHF	2014	2013
Balance carried forward	159.2	143.6
Allocation to reserve for treasury shares	0.0	
Balance carried forward after allocation	159.2	143.6
Net income	10.1	15.6
Retained earnings available for appropriation	**169.3**	**159.2**
Dividend distribution	0.0	0.0
Balance to be carried forward	**169.3**	**159.2**

Report of the statutory auditor with financial statements as of 31 December 2014 of SCHMOLZ + BICKENBACH AG, Emmen

To the General Meeting of SCHMOLZ + BICKENBACH AG, Emmen
Zurich, 11 March 2015

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of SCHMOLZ + BICKENBACH AG, which comprise the income statement, balance sheet and notes (pages 174 to 180), for the year ended 31 December 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the Company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

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

GLOSSARY

A__

Adjusted EBITDA EBITDA before non-recurring expenses (in 2013 and 2014 e.g. restructuring costs and income from the release of restructuring provisions, expenses for the development and roll-out of our new strategy, expenses in connection with the search for investors, litigation and measures to reduce debt, payments for terminating or amending contracts with the Executive Board)

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 operations without changes in net working capital

E__

EAT Earnings after taxes

EBT Ergebnis vor Steuern (Earnings before taxes)

EBIT Earnings before interest and taxes

EBITDA Earnings before interest, taxes, depreciation and amortisation

EBITDA leverage Ratio of net debt to adjusted EBITDA

EBITDA margin (%) Ratio of EBITDA to revenue

Equity ratio Ratio of shareholders' equity to total assets

F__

Free cash flow Cash flow from operations 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 financial expense Financial expense less financial income

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

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

O__

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

R__

ROCE Return on Capital Employed

LIST OF ABBREVIATIONS

a.i. ad interim

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

COO Chief Operating Officer

ERM Enterprise Risk Management

EUR Euro

IAS International Accounting Standards

IASB International Accounting Standards Board

IFRIC International Financial Reporting Interpretations Committee

IFRS International Financial Reporting Standards

KfW Kreditanstalt für Wiederaufbau (Development Loan Corporation)

kg kilogramme

Kt kilotonne

m^3 cubic metre

m^3 p.a. cubic metres per year

mg milligramme

mm millimetre

p.a. per year

R&D Research & Development

SPI Swiss Performance Index

t tonne

t p.a. tonnes per year

USD US dollar

VegüV Swiss Ordinance against Excessive Compensation

LEGAL NOTICE

SCHMOLZ + BICKENBACH AG

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

Images
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ClimatePartner°
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Urkunde

Dieses Zertifikat bescheinigt die Kompensation von Treibhausgasen durch zusätzliche Klimaschutzmaßnahmen in Höhe von

CO_2-ÄQUIVALENTEN
151 kg

UNTERSTÜTZTES PROJEKT
Waldschutz, Oberallmig, Schweiz

VERLIEHEN AN
Schmolz & Bickenbach
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