Scholz Holding GmbH
Essingen

Consolidated financial statements and group management report
31 December 2015

Translation from the German language

Audit opinion

We have audited the consolidated financial statements prepared by Scholz Holding GmbH, Essingen, comprising the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with [German] principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with [German] principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we draw attention to the comments in the group management report in the sections entitled "Situation of the Group," "Subsequent events" and "Opportunities, risk and outlook." In these sections, the Scholz Group states that it is in a loss situation, overindebted in its balance sheet and in a tight liquidity situation. The entry of the investor Chiho Tiande Group Limited, Hong Kong, China, with its underlying financing and restructuring concept and the systematic implementation of this financing and restructuring concept, the support provided by the new shareholders, the lending banks, factoring companies, goods credit insurers during the restructuring phase and the maintenance of existing financing are necessary for the economic, financial and balance sheet restructuring of the Scholz Group. An extension or refinancing of the loans due in mid-2017 is necessary for the Group's continued solvency. Group management assumes that the senior bridge facility with a volume of EUR 70m, which expires in mid-2017, will be extended by existing creditors or replaced by new creditors, that the new funds of EUR 50m which Chiho Tiande Group Limited plans to contribute in connection with the credit facility of EUR 80m will be available over the long term and that Chiho Tiande Group Limited will subordinate the shareholder loans in the required amount or waive them. Group management also assumes it highly likely that the Scholz Group will have sufficient liquidity and capital resources beyond 31 December 2017 in view of the necessary financing and restructuring measures and therefore prepares its financial statements on a going concern basis.

We make express reference to the fact that the fulfillment by the contracting parties of the closing conditions of the restructuring agreement dated 20 July 2016 for the entry of the investor Chiho Tiande Group Limited as well as other conditions mentioned in the management report and the continued implementation of all measures planned or initiated as part of the restructuring concept are necessary for the Scholz Group to be able to continue as a going concern so that, through the provision and maintenance of sufficient credit lines by the new investor, the banks and other creditors, the Scholz Group is able to remain solvent and the equity procurement process successfully completed. We also make reference to the fact that the continued existence of the US companies included in the consolidated financial statements depends on Scholz Holding GmbH, Essingen, remaining shareholder of these US companies, as described in the management report.

Stuttgart, 5 August 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kern	Maurer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Scholz Holding GmbH, Essingen
Consolidated balance sheet as of 31 December 2015

Assets	EUR k	EUR k	31/12/2014 EUR k
A. Fixed assets			
I. Intangible assets			
1. Software	1,152		1,067
2. Goodwill	12,878		24,570
3. Prepayments	652		659
	14,682		26,296
II. Property, plant and equipment			
1. Land, land rights and buildings, including buildings on third-party land	278,163		307,395
2. Plant and machinery	75,777		98,062
3. Other equipment, furniture and fixtures	13,499		17,642
4. Prepayments and assets under construction	5,979		6,205
	373,418		429,304
III. Financial assets			
1. Shares in affiliates	24,263		28,618
2. Loans to affiliates	1,447		2,450
3. Equity investments			
a) in associates	5,924		11,759
b) other	12,586		14,306
4. Loans to other investees and investors	10,705		9,066
5. Securities classified as fixed assets	4,569		4,682
6. Other loans	6,274		4,645
7. Cash surrender value of life assurance policies	145		338
	65,912		75,864
		454,012	531,464
B. Current assets			
I. Inventories			
1. Raw materials, consumables and supplies	24,711		43,209
2. Work in process	4,518		3,424
3. Finished goods and merchandise	87,456		120,166
4. Prepayments	2,557		21,438
5. Prepayments received on account of orders	-990		0
	118,251		188,237
II. Receivables and other assets			
1. Trade receivables	74,071		170,818
2. Receivables from affiliates	27,535		45,880
3. Receivables from other investees and investors	17,531		26,560
4. Other assets	76,027		153,685
	195,163		396,943
III. Cash on hand and bank balances	36,450		37,415
		349,865	622,595
C. Prepaid expenses			
1. Debt discount	8		13
2. Other prepaid expenses	5,900		4,080
		5,908	4,093
D. Deferred tax assets		0	20,491
E. Capital deficit		455,407	216,890
		1,265,192	1,395,533

Equity and liabilities	EUR k	EUR k	31/12/2014 EUR k
A. Equity			
I. Subscribed capital	50,000		50,000
II. Revenue reserves			
1. Legal reserves	5,000		5,000
2. Other revenue reserves	2,279		2,279
	57,279		57,279
III. Translation reserve	-24,701		-24,422
IV. Adjustment item for minority interests	86,857		84,254
V. Consolidated accumulated loss	-574,841		-334,001
	-512,686		-274,169
		-455,407	-216,890
VI. Capital deficit		455,407	216,890
		0	0
B. Special items			
Special item for investment subsidies and investment grants		2,032	2,344
C. Provisions			
1. Provisions for pensions	6,016		4,218
2. Tax provisions	13,902		14,373
3. Other provisions	45,871		40,703
		65,790	59,294
D. Liabilities			
1. Bonds	182,500		182,500
2. Liabilities to banks	712,356		748,215
3. Trade payables	96,987		235,651
4. Liabilities to affiliates	55,564		4,411
5. Liabilities to other investees and investors	91,744		80,481
6. Other liabilities	55,301		79,442
		1,194,451	1,330,700
E. Deferred income		1,804	3,195
F. Deferred tax liabilities		1,116	0
		1,265,192	1,395,533

Scholz Holding GmbH, Essingen
Consolidated income statement for the period from 1 January to 31 December 2015

			1 Jan to 31 Dec 2014
		EUR k	EUR k
1.	Revenue	2,289,854	3,122,067
2.	Changes in finished goods and work in process	-13,807	-8,049
3.	Other own work capitalized	0	76
		2,276,047	3,114,094
4.	Other operating income	118,292	208,174
5.	Cost of materials		
	a) Cost of raw materials, consumables and supplies and of purchased merchandise	1,694,630	2,457,222
	b) Cost of purchased services	154,513	171,529
		1,849,143	2,628,751
6.	Personnel expenses		
	a) Wages and salaries	143,718	158,638
	b) Social security, pension and other benefit costs	27,401	30,392
	thereof for old-age pensions: EUR 871k (prior year: EUR 983k)		
		171,119	189,030
7.	Amortization, depreciation and write-downs		
	a) of intangible assets and property, plant and equipment	82,610	63,046
	b) of current assets in excess of write-downs which are customary for the company	89,417	33,418
		172,027	96,464
8.	Other operating expenses	323,591	417,622
		-121,541	-9,599
9.	Income from equity investments	2,384	1,610
	thereof from affiliates: EUR 204k (prior year: EUR 828k)		
10.	Results from associates	-1,816	1,614
11.	Income from loans classified as fixed financial assets	167	217
12.	Other interest and similar income	12,614	14,392
	thereof from affiliates: EUR 5,968k (prior year: EUR 8,685k)		
13.	Write-downs of financial assets	7,116	34,547
14.	Interest and similar expenses	79,545	86,613
	thereof to affiliates: EUR 111k (prior year: EUR 29k)		
		-73,312	-103,327
15.	Result from ordinary activities	-194,853	-112,926
16.	Income taxes	22,450	3,914
	thereof expenses from changes in recognized deferred taxes: EUR 22,270k (prior year: income of EUR 3,833k)		
17.	Other taxes	14,730	6,181
		37,180	10,095
18.	Consolidated net income/loss for the year	-232,033	-123,021
19.	Profit/loss carryforward	-355,101	-211,036
20.	Income attributable to minority interests	12,293	56
21.	Consolidated net retained profit	-574,841	-334,001

Scholz Holding GmbH, Essingen
Consolidated cash flow statement for fiscal year 2015

		2015 EUR k	2014 EUR k
1.	**Cash flow from operating activities**		
	Net income/net loss (including minority interests)	-232,033	-123,021
	Write-downs of fixed assets	89,726	97,593
	Decrease (-)/increase (+) in provisions	6,496	8,297
	Other non-cash income (-)/expenses (+)	82,543	63,812
	Increase (-)/decrease (+) in inventories, trade receivables and other assets	199,027	126,761
	Increase (+)/decrease (-) in trade payables and other liabilities	-171,303	-164,957
	Loss (+)/gain (-) on disposals of fixed assets	-14,050	5,052
	Interest expenses (+)/interest income (-)	61,146	72,221
	Other income from investments (-)	-2,384	-1,610
	Income tax expense (+)/income (-)	22,450	3,914
	Income tax payments	-7,127	-5,019
	Cash flow from operating activities	34,491	83,043
2.	**Cash flow from investing activities**		
	Cash received from disposals of intangible assets	1,389	437
	Cash paid for investments in intangible assets	-1,075	-762
	Cash received from disposals of property, plant and equipment	15,395	22,754
	Cash paid for investments in property, plant and equipment	-20,623	-32,738
	Cash received from disposals of fixed financial assets	3,558	19,056
	Cash paid for investments in fixed financial assets	-3,684	-24,656
	Cash received (+) from the disposal of consolidated companies and other business units	19,231	47,010
	Cash flow from investing activities	14,191	31,101
3.	**Cash flow from financing activities**		
	Cash paid to minority interests	-7,883	-5,574
	Cash received (+) from taking out loans from shareholders	0	60,000
	Cash received (+) from/cash repayments (-) from loans (balance)	-42,262	-159,970
	Cash flow from financing activities	-50,145	-105,544
4.	**Cash and cash equivalents at the end of the period**		
	Change in cash and cash equivalents (subtotal of 1 to 3)	-1,463	8,600
	Changes in cash and cash equivalents due to exchange rates, changes in the basis of consolidation and valuation	498	1,341
	Cash and cash equivalents at the beginning of the period	37,415	27,474
	Cash and cash equivalents at the end of the period	36,450	37,415
5.	**Composition of cash and cash equivalents**		
	Cash	36,450	37,415
	Cash and cash equivalents at the end of the period	36,450	37,415

Scholz Holding GmbH, Essingen

Consolidated statement of changes in equity for fiscal year 2015

	Parent company				Minority interests			Consolidated equity
	Subscribed capital	Earned consolidated equity	Accumulated other comprehensive income – Translation reserve	Equity	Minority interests	Accumulated other comprehensive income – Translation reserve	Equity	
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
31 Dec 2013	50,000	-202,963	-22,863	-175,826	106,501	-3,604	102,897	-72,929
Dividends paid	0	0	0	0	-5,109	-465	-5,574	-5,574
Changes in the basis of consolidation	0	1,772	182	1,954	-17,185	381	-16,804	-14,850
Other changes	0	-2,566	-1,741	-4,307	565	3,226	3,791	-516
	0	-794	-1,559	-2,353	-21,729	3,142	-18,587	-20,940
Consolidated net income/loss for the year	0	-122,965	0	-122,965	-56	0	-56	-123,021
31 Dec 2014	50,000	-326,722	-24,422	-301,144	84,716	-462	84,254	-216,890
Dividends paid	0	0	0	0	-7,893	10	-7,883	-7,883
Changes in the basis of consolidation	0	129	-470	-341	-507	-330	-837	-1,178
Other changes	0	-21,230	191	-21,039	23,170	446	23,616	2,577
	0	-21,101	-279	-21,380	14,770	126	14,896	-6,484
Consolidated net income/loss for the year	0	-219,740	0	-219,740	-12,293	0	-12,293	-232,033
31 Dec 2015	50,000	-567,563	-24,701	-542,264	87,193	-336	86,857	-455,407

Scholz Holding GmbH, Essingen
Notes to the consolidated financial statements for fiscal year 2015

General

The consolidated financial statements have been prepared in accordance with Sec. 290 et seq. HGB [“Handelsgesetzbuch”: German Commercial Code]. The consolidated income statement is classified using the nature of expense method.

In order to improve the clarity of presentation, we have provided details on the composition of balance sheet items and the consolidated balance sheet items in these notes to the financial statements as opposed to on the face of the balance sheet.

Due to the sale of the engineering steel division at the end of 2014, the items of the 2015 consolidated income statement are comparable with those of the prior year to a limited extent only.

Basis of consolidation and reporting date for the consolidated financial statements

In addition to the parent company, Scholz Holding GmbH, Essingen (SHG), all directly and indirectly held group companies have been included in the consolidated financial statements unless there were specific reasons not to include them or for reasons of materiality.

There were changes to the basis of consolidation in fiscal year 2015. The following entities were included in the consolidated group for the first time in the reporting year:

- Noris Metallrecycling GmbH, Fürth (proportionate consolidation)
- Sava Promet d.o.o, Sesvete, Croatia (merged with CE-ZA-R Centar za reciklazu, Zagreb, Croatia)
- Scholz Management Service GmbH, Frankfurt a. M. (full consolidation)
- Scholz TEP GmbH, Essingen (merged with Scholz Industrieservice GmbH, Essingen)
- Unija Zama d.o.o., Kutina, Croatia (merged with CE-ZA-R Centar za reciklazu, Zagreb, Croatia)

The following companies were deconsolidated in the reporting period:

- Eco-Recycling d.o.o., Novi Sad, Serbia (proportionate consolidation)
- Grundstücksmanagement Gröger GmbH, Günzburg (accounted for using the equity method)
- Grundstücksverwaltung Gröger GmbH & Co. KG, Günzburg (accounted for using the equity method)
- Istep d.o.o, Belgrade, Serbia (proportionate consolidation)
- SCH-Stahl Trade s.r.o., Prague, Czech Republic (full consolidation)

In the year under review, Scholz Recycling GmbH, Vienna, Austria, merged with Scholz Trading GmbH, Vienna, Austria. Since the merger, Scholz Trading GmbH, Vienna, Austria, has traded under the name Scholz Austria Holding GmbH, Vienna, Austria.

Otherwise there were no changes in the basis of consolidation compared to the prior year. On the whole, the above changes had no material impact on the consolidated financial statements.

In addition to the parent company, 94 companies were included in the consolidated financial statements. This figure includes associates. A further 90 companies were not included in the consolidated financial statements. These companies are not material for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group (Sec. 296 (2) HGB). Collectively, these companies generate revenues and have total assets which are assessed as immaterial from the perspective of the Group as a whole.

72 companies in which Scholz Holding GmbH holds more than 50% of voting rights either directly or indirectly are included in accordance with the principles of full consolidation.

17 companies which are controlled jointly by a parent or subsidiary included in the consolidated financial statements and an entity not included in the consolidated financial statements are included at the share held by the direct parent company pursuant to Sec. 310 HGB applying proportionate consolidation. Equity investments in five companies (associates) were included in the consolidated financial statements using the equity method pursuant to Sec. 312 HGB.

A full list of equity investments of the parent company, Scholz Holding GmbH, is included in the attachment to these notes.

31 December 2015 is the balance sheet date for all companies included in the consolidated financial statements.

Accounting and valuation principles

The financial statements of the companies included in the consolidated financial statements have been prepared **using uniform accounting and valuation methods**. The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements. **Intangible assets** including goodwill from separate financial statements and the first-time consolidation of shares were recognized at acquisition cost less amortization, depreciation and write-downs. Amortization and depreciation were calculated using the straight-line method based on expected useful lives within the Group.

Recognized goodwill in separate financial statements is amortized on the basis of the anticipated useful life of between 5 and 15 years as the industry is subject to only long-term changes. The useful life of goodwill arising from acquisition accounting is eight years. The useful lives reflect the situation currently prevailing on the market with regard to amortization periods in the industry. It is assumed that this situation on the market is of a long term nature.

Property, plant and equipment are recognized at acquisition or production cost and are depreciated if they have a limited life. Items of property, plant and equipment are depreciated over their estimated useful lives using the straight-line method.

With regard to **financial assets**, equity investments and securities are carried at the lower of cost or fair value. Loans are carried at nominal value, or, if necessary at lower values.

Additions to and disposals of equity investments in associates primarily include the respective share in the profits or loss of these companies as well as additional changes in capital.

Inventories are as a rule recognized at the lower of average cost or market. Inventories that are included as a hedged item in a hedge as defined by Sec. 254 HGB are valued at cost applying the net method. Risks resulting from slow-moving stock or reduced saleability are covered by adequate allowances. Production cost includes direct costs plus appropriate indirect costs.

Receivables and other assets are stated at their nominal value less allowances for specific risks and for the general credit and default risk.

Special items were recognized for investment subsidies and grants. Claims from investment grants under other assets are accounted for on the date of origin. The special items are released over the qualifying term for the respective subsidiary or grant.

Provisions for pensions and similar obligations are calculated using the projected unit credit method on the basis of the 2005 G mortality tables of Prof. Dr. Klaus Heubeck. The average market interest rates as published by Deutsche Bundesbank for 31 December 2015 of 3.89% (prior year: 4.58%) were generally applied as a standard rate for discounting purposes. Occasionally, a slightly different interest rate was applied. Expected salary increases were taken into account at 2.00% p.a. and expected pension increases also at 2.00% p.a. Employee turnover was not included in the calculation.

The assets which serve exclusively to fulfill the pension obligations and which are protected against claims asserted by all other creditors (covering assets as defined by Sec. 246 (2) Sentence 2 HGB) were offset at their fair value against the provisions. The assets relate to the cash surrender value of employer's pension liability insurance. The fair value is determined as the unearned premium reserve plus any credit balance from premium refunds and thus corresponds to amortized cost.

Tax provisions and **other provisions** account for all liabilities of uncertain timing and amount and potential losses from pending transactions. They are recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases). Provisions with a residual term of more than one year are discounted using term-equivalent interest rates. The provision for long-service awards is calculated using an interest rate of 3.94% (prior year: 4.58%) p.a.; also taken into account was turnover which remained unchanged on the prior year at between 1.5% and 10%.

Liabilities were recorded at the settlement value.

When **hedge accounting** is used in accordance with Sec. 254 HGB, the following accounting and valuation principles apply:

Economic hedging relationships are accounted for by designating hedges. When it is possible as an alternative to apply either the net method, under which offsetting changes in value attributable to the hedged risk are not accounted for, or the gross method, where offsetting changes in value attributable to the hedged risk of both the hedged item and the hedging instrument are accounted for, the net method is applied.

Currency translation

Foreign currency assets and liabilities were translated using the average spot rate on the balance sheet date. If they had residual terms of more than one year, the realization principle (Sec. 298 (1) in conjunction with Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 298 (1) in conjunction with Sec. 253 (1) Sentence 1 HGB) were applied.

Except for equity (subscribed capital, reserves, profit/loss carried forward at historical rates), assets and liabilities in the financial statements prepared in foreign currency were translated into euro at the mean spot rate on the balance sheet date. The items of the income statement are translated into euros at the annual average exchange rate. The resulting translation difference is recognized in consolidated equity after the reserves in the “Difference from currency translation” item.

Deferred taxes

To determine **deferred taxes** arising due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income (with the exception of fixed assets that do not have a limited life, land in this case) in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards and interest carryforwards, the resulting tax charge and benefit are valued using the company-specific tax rates at the time the differences reverse; these amounts are not discounted.

Differences due to consolidation procedures in accordance with Secs. 300 to 307 HGB are taken into account; differences arising on the first-time recognition of goodwill or a negative consolidation difference are not included. Deferred tax assets and liabilities are offset.

Consolidation principles

For first-time consolidations prior to 1 January 2010, acquisition accounting was performed using the book value method (Art. 66 (3) Sentence 4 EGHGB ["Einführungsgesetz zum Handelsgesetzbuch": Introductory Law of the German Commercial Code] in such a way that the acquisition cost of the equity investments was offset against the accounting equity attributable to them as of the date of the first-time inclusion. Where debit differences arise as a result of first-time consolidation, these are allocated in a first step to assets (land, buildings, technical equipment, other equipment) to the extent that their fair value (market value) exceeds the book value.

Acquisitions of companies or shares consolidated for the first time after 1 January 2010 were accounted for using the revaluation method as of the date when the entity became a subsidiary. Where subsidiaries were not included at acquisition date but were included at a later date, the date of first time inclusion was used as a basis. When using the revaluation method, the book value of the shares to be consolidated is offset against the (revalued) equity of the subsidiary attributable to them, which was stated at the amount corresponding to the fair value of the assets, liabilities, prepaid expenses/deferred income at the time of first-time consolidation. Deferred tax liabilities were recognized where the fair value exceeded the tax bases of the assets, liabilities and prepaid expenses/deferred income with the exception of fixed assets that do not have a limited life (in this case: land).

Any debit differences rising from acquisition accounting were disclosed as goodwill, which has been amortized over its expected useful life of generally four or eight (since fiscal year 2012) years. The carrying amount of goodwill existing as of 31 December 2011 was correspondingly distributed over the remaining useful life. Any negative consolidation differences are released to the income statement.

For joint ventures, the notes on subsidiaries apply mutatis mutandis.

Equity investments in associates were accounted for using the equity method as of the acquisition date. No adjustments were made to the valuation methods for associates applied in the consolidated financial statements.

Intercompany receivables and liabilities, revenue, income, and expenses were eliminated.

Intercompany profits totaling EUR 1,624k were eliminated.

Notes to the consolidated balance sheet

Fixed assets

The development of fixed assets is shown in the attached consolidated statement of changes in fixed assets.

Impairment of goodwill totaling EUR 5,074k mainly relates to write-downs of the companies LSW Shredder, LLC, Casa Grande, Arizona, USA, Liberty Southwest Holding, LLC, Phoenix, Arizona, USA, Kovosrot Group CZ a.s., Prague, Czech Republic, and Uniscrap A/S, Copenhagen, Denmark.

Write-downs of land, buildings and technical equipment totaling EUR 20,651k primarily relate to write-downs at the companies ScholzAlu Stockach GmbH, Stockach, Mercer Co., Sharon, Pennsylvania, USA, Niles Iron & Metal Company, LLC, Niles, Ohio, USA, Fegert Recycling GmbH, Magdeburg, Kovosrot Group CZ a.s., Prague, Czech Republic, SRW metalfloat GmbH, Espenhain, and Uniscrap A/S, Copenhagen, Denmark.

The difference between the book value and pro rata equity for companies accounted for using the equity method amounts to EUR -1,431k (prior year: EUR 1,867k).

Current assets

Of the **receivables from affiliates**, an amount of EUR 278k (prior year: EUR 100k) is due in more than one year. Of the **receivables from other investors and investees** an amount of EUR 0k (prior year: EUR 349k) is due in more than one year. Receivables from affiliates relate to non-consolidated companies pursuant to Sec. 296 (1) No. 2 and (2) HGB and primarily include trade receivables and loan receivables. Receivables from other investees and investors primarily stem from trade receivables and loan receivables.

Of **other assets**, an amount of EUR 5,444k has a residual term of more than one year (prior year: EUR 6,926k).

Other assets include loans to **shareholders** amounting to EUR 3,916k (prior year: EUR 4,551k).

Subscribed capital

The Company’s capital stock remains unchanged at EUR 50,000,000.00, divided into 50,000,000 shares.

The **adjustment item for minority interests** contains the minority interests in equity.

Provisions for pensions and similar obligations

Information on the offsetting process in accordance with Sec. 246 (2) Sentence 2 in conjunction with Sec. 298 (1) HGB:

	EUR k
Settlement value of the offset liabilities	8,010
Acquisition cost of the assets	2,164
Fair value of the assets	1,994
Offset expenses	20
Offset income	60

Other provisions

Other provisions were primarily recognized for outstanding invoices, legal disputes, personnel-related matters, potential losses, waste disposal and refurbishment.

Liabilities

The residual terms for the liabilities are disclosed separately as follows:

in EUR k	31 Dec 2015			31 Dec 2014	
	Due in		Total	Due in	Total
Type of liability	up to one year	more than five years		up to one year	
1. Bonds	0	0	182,500	0	182,500
2. Liabilities to banks	124,909	3,625	712,356	82,746	748,215
3. Trade payables	96,987	0	96,987	234,711	235,651
4. Liabilities to affiliates	48,634	502	55,564	3,266	4,411
5. Liabilities to other investees and investors	90,618	0	91,744	14,315	80,481
6. Other liabilities	47,906	0	55,301	66,598	79,442
(thereof for taxes)	(7,105)	0	(7,105)	(4,897)	(4,897)
(thereof for social security)	(1,711)	0	(1,711)	(1,244)	(1,244)
	409,054	4,127	1,194,451	401,636	1,330,700

In the year under review, liabilities to S-Einkaufs GmbH, Giengen an der Brenz, of EUR 48.3m were recognized as liabilities to affiliates. In the prior year, the corresponding amount (EUR 53.5m) was recognized under trade payables.

The bond with an interest rate of 8.5% p.a. has a term until March 2017.

As of 31 December 2015, liabilities to banks primarily relate to a syndicated loan, a syndicated real estate loan and various promissory notes. These amounted to EUR 494.0m, EUR 40.8m and EUR 43.2m, respectively as of 31 December 2015. Originally, amounts of EUR 500m and EUR 60m were paid out on the syndicated loan and the real estate loan.

The syndicated loan, the syndicated real estate loan as well as a large proportion of the promissory notes had terms until 31 January 2017. Until that time, no principal payments for the syndicated loan and the syndicated real estate loan have been arranged.

A temporary increase in the syndicated loan was agreed on 4 December 2015. As of 31 December 2015, EUR 30.0m was outstanding under this bridge facility, which is made available to certain companies of the Scholz Group within the German cash pool.

Under the existing Inter-creditor Agreement between Scholz Holding GmbH and Landesbank Baden-Württemberg, the syndicated loan, including the bridge facility, the syndicated real estate loan and the promissory notes are secured by domestic collateral and guarantee statements of Scholz Group companies. In this regard, the main assignments of collateral are of receivables not included in the ABS program and inventories, pledging of freely available bank accounts and land charges of the major operating sites in Germany.

On 9 December 2014, Scholz Holding GmbH issued a bearer bond of EUR 10m which it recognized under other liabilities at a value of EUR 6.9m as of 31 December 2015.

Liabilities to affiliates mainly relate to trade payables.

Of liabilities to other investees and investors, EUR 85.7m relates to shareholders (prior year: EUR 71.3m), consisting primarily of loans granted.

EUR 696.6 of liabilities to banks is secured. This is also the total amount of secured liabilities.

Deferred taxes

Deferred tax assets (EUR 4.6m) and deferred tax liabilities (EUR 5.7m) are disclosed net and mainly result from temporary differences in amortization, depreciation and write-downs in fixed assets (deferred tax liabilities), inventories (deferred tax liabilities), provisions (deferred tax assets), tax loss and interest carryforwards (deferred tax assets) and hidden reserves identified in acquisition accounting (deferred tax liabilities). Deferred tax liabilities totaled EUR 1.1m as of the balance sheet date after netting (prior year: deferred tax assets of EUR 20.5m).

The tax was calculated for the German entities using a tax rate between 16% and 31%. Deferred tax assets totaling EUR 10.1m (entire Group) were recognized on corporate income tax and trade tax loss carryforwards. In addition, there were corporate income tax and trade tax loss carryforwards of EUR 110m and interest carryforwards of EUR 149m (entire Group) for which no tax relief is expected within five years.

Contingent liabilities

Contingent liabilities are consolidated to the extent necessary as follows:

	31 Dec 2015 EUR k	31 Dec 2014 EUR k
1. Liabilities from guarantees	7,046	10,603
2. Liabilities from warranty agreements	6,426	9,733
	13,472	20,336

EUR 2.5m of the contingent liabilities (prior year: EUR 4.4m) relate to affiliates.

We estimate that the risk of claims arising from contingent liabilities is low due to the current credit rating and payment history of the debtors and are not aware of any indications to the contrary.

Other financial obligations and off-balance sheet transactions

Other significant financial obligations relate to rental and lease agreements amounting to EUR 72.7m (prior year: EUR 59.0m). Of this, EUR 21.4m is due within one year.

Operating leases for furniture, fixtures and office equipment result in total costs of EUR 47.2m for the years 2016 to 2025. Of this, EUR 17.0m is due within one year. The purpose of these agreements is to improve liquidity (lower capital tied up). Furthermore, all risks remain with the lessor. No material risks are currently apparent from these transactions.

The current master agreement governing factoring under an asset-backed securities (ABS) program, which was concluded on 5 November 2009, extends to 6 Scholz group entities at present. In November 2015, the ABS agreements were amended in such a way as to limit the transfer of receivables to the purchaser to EUR 151.5m. The agreement includes a 1.0% discount on the purchase price. As sellers, SHG and the participating Scholz companies receive a servicing fee for continuing to collect receivables and carry out accounts receivable accounting for the purchaser. As of the balance sheet date, receivables of EUR 93.4m (prior year: EUR 177.3m) had been sold in the ABS program.

An existing factoring mastering agreement enables receivables for a total of EUR 20.0m to be sold. These customer receivables stem from various Scholz group companies in Germany and abroad. As of the reporting date, receivables of EUR 11.2m had been sold (prior year: EUR 15.2m).

These off-balance sheet transactions led to a decrease in total assets and liabilities and strengthened the liquidity situation as of the balance sheet date. No material risks are currently apparent from these transactions, with the scale on which the ABS program and the factoring master agreement are used depending on the credit lines granted to or drawn by the debtors in each case.

Transactions with related parties

In connection with group financing, the financing costs incurred are generally cross-charged based on utilization. However, to a certain extent deductions and surcharges are applied dependent on the respective financial ratios in order to obtain a market interest rate.

As of 31 December 2015, receivables from a shareholder amounting to EUR 3,916k existed, which were subject to non-market terms.

Derivative financial instruments and hedges

The Scholz Group's business model, geographical focus and financing structure expose it to various risks pertaining to raw materials, foreign currencies and interest rates. SHG makes use of derivative financial instruments (also referred to as hedges or hedging instruments in the following) to limit these risks in all three areas.

Commodity price risks

A hedge was concluded in the group companies in the reporting year in order to hedge potential fluctuations in the commodity prices of the group-wide physical overall risk position within the Scholz Group. In accordance with the hedging policy, **financial futures** (typically 3-months seller) were taken out via the respective brokers at the London Metal Exchange (LME) as hedging instruments. These transactions are based on cash settlement as opposed to the physical delivery of goods. As of the balance sheet date, the brokers had appropriate margin lines at their disposal to hedge the relevant commodity volume in accordance with the defined hedging policy.

Derivative financial instruments to secure the Group's overall position

Existing inventories including fixed price purchase and sales obligations concluded within the Group as well as hedges that have been entered into by subsidiaries were taken into account in the calculation of the group-wide overall risk position. Prior to concluding hedge transactions, the overall risk position is broken down into items that are eligible or ineligible for hedging (decisive factors include the correlation and trading volume of publicly traded hedging instruments or hedging instruments available on the OTC market).

As a result, all derivative financial instruments related to fluctuations in commodity prices that were concluded to secure the group-wide hedge position monitored as part of risk management and that are not part of a hedge were recognized as of 31 December 2015 at the lower of cost or market as of the balance sheet date. The following details on financial instruments as of the balance sheet date are required pursuant to Sec. 314 No. 11 HGB:

a) Nature and scope

Total assets at risk monitored by the risk management of the Group (prior to hedges) that are managed using macro hedges amounted to EUR 41.2m for ferrous scrap (net buys) and EUR 32.1m for non-ferrous metals (net buys). These are hedged by hedging transactions with a value of EUR 9.4m (net sales) for non-ferrous metals. Of this amount, EUR 4.2m relates to copper and EUR 0.4m to aluminum of SHG, EUR 1.4m to copper and EUR 0.8m to aluminum of SRG and EUR 2.6m to aluminum of ScholzAlu Stockach. EUR 4.8m is included in hedges. The hedging transactions comprise financial futures. The hedge ratio for the Group as a whole is measured on the basis of tonnage and comes to 13.49% for ferrous scrap and 50.47% for non-ferrous metals (each based on the total of monitored metals that are either eligible or ineligible for hedging).

b) Fair value

Translated into euro, the market value of all hedging instruments (net position) for NE metals was positive at EUR 300k as of the balance sheet date. EUR 256k of this amount related to copper, EUR 2k to aluminum and EUR 42k to nickel. This value represents unrealized gains and is therefore not recognized in the consolidated financial statements. There was also no need to recognize a provision for potential losses as of the balance sheet date. The fair values (market values) are determined from the prices on the London Metal Exchange (LME) on the balance sheet date. The aggregate of all contracts settled in the reporting period is reported net under other operating expenses or income.

c) Book values

The risk of counterparty default has been adequately provided for. Furthermore, counterparty risks are also regularly reviewed during the year in the course of meetings held by the commodity risk committee.

d) Recognition of hedges

On account of the fact that these items qualify for hedge accounting in the Group pursuant to Sec. 254 HGB and that the net method has been used, these hedging transactions are not disclosed separately in the balance sheet, with the exception of margin payments made and received and payments for settled contracts. The opposing cash flows of hedged items and hedging instruments are expected to fully offset each other over the term of the hedge because, according to agreements within the Group, physical risk positions (underlying transactions) must be hedged immediately after their inception if necessary to comply with the hedging ratio defined in the risk management strategy. Due to the use of plain vanilla contracts, the cash flows are generally offset within three months, or, if needed, prolonged by a further three months by entering into corresponding follow-up hedges. In order to assess both prospective and retrospective hedge effectiveness as defined within the scope of the risk management system, the key indicators/early warning indicators are used for macro hedges and the critical terms match method is used for micro hedges. Overall, hedges subject to mandatory disclosure pursuant to Sec. 314 No. 15 HGB totaling EUR 14.7m were designated.

Currency risks

The Scholz Group's risk management of currency issues is primarily focused on (i) hedging major fluctuations in earnings from currency risks and (ii) eliminating and thus minimizing currency risks as best possible. As part of risk management, the following exchange rates are therefore monitored and hedged if necessary: AUD/EUR, CZK/EUR, DKK/EUR, GBP/EUR, HRK/EUR, HUF/EUR, MXN/EUR, PLN/EUR, RON/EUR, RSD/EUR, USD/EUR, PLN/USD and USD/RON. Currency risks for numerous currency pairs come about at the Scholz Group for various reasons (balances, loans, equity investments, commodity price hedging, cash flows from operating activities, among other things). Most hedging transactions are concluded directly by SHG in its capacity as central treasury. Correspondingly, in addition to hedging its own positions, SHG's derivative financial instruments serve to hedge in particular against currency risks present throughout the Group. **Forward exchange contracts** and individual **foreign exchange options** with banks are used to hedge against currency risks.

Translated into euro, the overall risk position to be monitored pursuant to risk management policy corresponds to EUR 207.5m as of 31 December 2015. The following table contains financial instruments subject to disclosure pursuant to Sec. 314 (1) No. 11 HGB (broken down by foreign currency), consisting exclusively of forward exchange contracts with banks:

Currency pair	Nominal amount (net purchases (+)/net sales (-))	Fair value
USD/EUR	USD -35.0m	EUR -0.1m
PLN/EUR	PLN 2,4m	EUR 0.0m
PLN/USD	PLN 0.2m	EUR 0.0m
USD/RON	USD -0.7m	EUR -0.1m

The fair values of the forward exchange contracts correspond to market values determined by the respective contractual partners and are determined as the present values of the cash flows taking into account the respective contractually agreed forward rates and the forward rate as of the balance sheet date. Compared to the prior-year balance sheet date 31 December 2014, the fair value increased by EUR 2.2m from EUR -2.4m to EUR -0.2m.

Contracts settled in the reporting period are recorded under other operating income/expenses. All contracts open and unbilled as of balance sheet date were recorded at market value without any impact on profit and loss due to hedge accounting and use of the net method. Where material to the overall picture conveyed by the financial statements, negative market values resulting from excess hedging related to the cut-off date are included in a corresponding provision for potential losses in the consolidated financial statements.

As a result of accounting for these items as a hedge pursuant to Sec. 254 HGB using the net method, these hedging transactions are not disclosed separately in the balance sheet. The opposing cash flows of hedged items and hedging instruments generally fully offset each other over the term of the hedge, as according to the group risk policy, underlying transactions must be hedged immediately after their inception by corresponding hedging instruments at the hedging ratio defined in the risk management strategy. The terms of hedging transactions are between one and three months. Due to the use of plain vanilla contracts corresponding follow-up hedges are entered into as necessary as hedges expire. In order to assess both prospective and retrospective hedge effectiveness, the key indicators/early warning indicators defined in the Company’s risk management strategy are used for the macro hedges.

The hedging strategy is to secure 60%-100% of the relevant corresponding group-wide risk position. As of the balance sheet date of 31 December 2015, the group-wide hedging ratio for all major currencies was within the defined ranges. For the USD/EUR currency pair, the hedge ratio was 63%. SHG's group-wide currency items are secured by the following macro hedges:

Currency	Risk position	Amount hedged (net purchases (+)/net sales (-))
USD/EUR	USD 55.2m	USD -35.0m
PLN/USD	PLN 0.2m	PLN -0.1m
USD/RON	USD 0.6m	USD -0.7m

Interest risks

Since most of the Scholz Group's financing is subject to floating interest rates, interest rate risks are limited by corresponding interest hedge transactions (typically interest swaps). As of the reporting date, the group-wide overall risk position subject to floating interest rates prior to hedging came to EUR 801m. The total amount of the interest hedges within the Group came to EUR 271.2m. Interest hedges total EUR 270.7m (thereof payer swaps of EUR 307.5m and receiver swaps of EUR 36.7m) and DKK 3.3m. These mature between 2016 and 2018. The interest hedge transactions were concluded exclusively for loans already drawn and form a hedge together with these hedges. As of the balance sheet date 31 December 2015, the group-wide hedging ratio of 34% was within the ranges defined in the risk management system of between 20% and 60%.

The market values of the hedging transactions correspond to the market values taken from the treasury software and are determined as the present values of the cash flows taking into account the respective contractually agreed forward rates and the forward rate on the balance sheet date provided by Erste Bank der österreichischen Sparkasse, Vienna, Austria. This results in total negative market values of EUR 25.28m.

Contracts settled in the reporting period are recorded in the financial result. Hedges were recognized for payer swaps with a nominal volume of EUR 77.5m and a receiver swap with a nominal volume of EUR 36.7m. The market value of these interest rate swaps was recorded without any impact on profit and loss due to their eligibility for hedge accounting and use of the net method.

As a result of accounting for these items as a hedge pursuant to Sec. 254 HGB using the net method, these hedging transactions, with the exception of any accrued interest, are not disclosed separately in the balance sheet. Accrued interest is recognized in the balance sheet item "other liabilities". The opposing cash flows of hedged items and hedging instruments generally fully offset each other over the term of the hedge, as according to the group risk policy, risk positions (underlying transactions) must be hedged immediately after their inception by corresponding hedging instruments. Due to the use of plain vanilla contracts corresponding follow-up hedges are entered into as necessary as hedges expire. In order to assess both prospective and retrospective hedge effectiveness, the key indicators/early warning indicators defined within the scope of the risk management system are used for hedges of the group-wide overall risk position arising from floating interest rates.

In addition, interest rate transactions were in place as of the balance sheet date for which no hedges were recognized. These transactions relate to interest rate swaps with a nominal volume of EUR 230m. A provision of EUR 5.8m was recognized for the interest rate swaps due to the planned restructuring of the liabilities relating of Scholz Holding GmbH. The amount of the provision equals the amount required for the reversal of interest rate swaps.

There were no further significant derivative financial instruments as of the balance sheet date 31 December 2015.

Notes to the consolidated income statement

Revenue

	2015 EUR k	2014 EUR k
By sales market		
Germany	939,873	1,272,423
Other countries	1,349,981	1,849,644
thereof European Union	(947,609)	(1,200,656)
thereof rest of world	(402,372)	(648,988)
	2,289,854	**3,122,067**
By segment		
Ferrous scrap	1,366,933	1,837,047
Non-ferrous metals	716,657	959,098
Steel trading and services	2,496	96,266
Aluminum products	68,792	69,476
Forging	0	34,125
Other recycling services	134,976	126,054
	2,289,854	**3,122,067**

Other operating income

Other operating income contains income from currency translation of EUR 42.4m (prior year: EUR 28.5m).

Other operating income contains income of EUR 13.6m relating to other periods (prior year: EUR 8.3m). Income relating to other periods mainly concerns the reversal of provisions (EUR 5.3m; prior year: EUR 2.1m) and reversal of bad debt allowances (EUR 5.2m; prior year: EUR 4.7m).

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs (no. 7a) on the income statement includes write-downs of intangible assets and property, plant and equipment of EUR 23,797k.

The write-downs on current assets disclosed as no. 7b in the income statement represent impairments as defined by Sec. 253 (4) HGB.

Other operating expenses

Other operating expenses contain expenses from currency translation of EUR 49.6m (prior year: EUR 30.1m).

Financial result

The discounting of provisions to net present value gave rise to interest income of EUR 48k (prior year: EUR 24k) and interest expenses of EUR 163k (prior year: EUR 343k).

The result from associates includes amortization, depreciation and write-downs of EUR 1,867k.

Income taxes

In the year under review, income taxes amounted to EUR 22,450k. Of this amount, EUR 21,607k relates to net deferred tax expenses/income.

Other taxes

Other taxes contain expenses relating to other periods of EUR 10m (prior year: EUR 0k).

Note to the consolidated cash flow statement

Cash funds are made up of cash and cash equivalents.

As of 31 December 2015, EUR 1,431k of cash and cash equivalents (prior year: EUR 1,684k) was attributable to proportionately consolidated companies.

In 2015 interest and income taxes were paid in an amount of EUR 69,335k (prior year: EUR 80,865k) and EUR 9,117k (prior year: EUR 6,581k), respectively. EUR 1,990k (prior year: EUR 1,562k) in tax payments were received.

Non-cash expenses and income mainly comprise the write-downs in accordance with no. 7b.

Assets and debt acquired and sold comprise:

in EUR k	Assets acquired	Assets sold
Fixed assets	2,692	5,368
Inventories	659	1,427
Receivables	643	1,207
	Purchased debt	Divested debt
Liabilities	4,937	2,331

Management

The Company's general managers are:

Oliver Scholz, Aalen, business administration graduate – (Chairman)
Dr. Kay Oppat, Zurich, Switzerland, engineer (until 1 February 2016)
Parag-Johannes Bhatt, Heidenheim an der Brenz, business administration graduate (until 1 February 2016)
Shinji Kashihara, Stuttgart, Bachelor of Architecture (until 28 September 2015)
Atsushi Mizuno, Stuttgart, Bachelor of Economics (until 28 September 2015)
Neil Robson, Ilkley, UK, BSc (Hons) in Mathematics (from 1 February 2016)
Michael Thomas, Sevenoaks Weald, UK, BSc (Hons) in Geography (from 1 February 2016)

Remuneration of management and loans to management members

In fiscal year 2015, management remuneration came to EUR 1,454k.

A loan was granted to a member of management. As of 31 December 2015, the amount came to EUR 3.9m. The loan was subject to an interest rate of 3-month Euribor plus 300 bps.

All dividend claims up to EUR 5,000k (maximum amount) of the borrower against Scholz Holding GmbH that arise after 30 June 2020 serve as security for the repayment of the loan.

The lender may not sell, transfer or pledge the loan either in full or in part without the prior written permission of the borrower.

Audit fees

The total fee charged by the auditor for the fiscal year 2015 pursuant to Sec. 314 (1) No. 9 HGB came to EUR 873k. EUR 562k was for audit services, EUR 204k for tax services and EUR 107k for other services and audit-related services.

Employees

The average number of employees (not including trainees) within the Group was 5,105 (prior year: 5,782) during the reporting period, of which 3,658 (prior year: 4,135) are wage earners and 1,447 (prior year: 1,647) are salaried employees. This includes 505 (prior year: 311) wage earners and 125 (prior year: 125) salaried employees at companies only consolidated on a proportional basis pursuant to Sec. 310 HGB.

Essingen, 5 August 2016

The Management

Oliver Scholz (Chairman)   Neil Robson   Michael Thomas

Scholz Holding GmbH, Essingen
Consolidated statement of changes in fixed assets for fiscal year 2015

	Acquisition and production cost							Accumulated amortization, depreciation and write-downs							Net book values	
	1 Jan 2015	Currency translation differences	Changes in the basis of consolidation	Additions	Disposals	Reclassifications	31 Dec 2015	1 Jan 2015	Currency translation differences	Changes in the basis of consolidation	Additions	Disposals	Reclassifications	31 Dec 2015	31 Dec 2015	31 Dec 2014
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
I. Intangible assets																
1. Software	7,815	31	-255	1,011	797	243	8,048	6,748	28	-260	566	186	0	6,896	1,152	1,067
2. Goodwill	122,126	2,270	-492	27	6,022	0	117,909	97,556	2,046	-320	11,183	5,434	0	105,031	12,878	24,570
3. Prepayments	692	6	0	64	73	0	689	33	4	0	0	0	0	37	652	659
	130,633	2,307	-747	1,102	6,892	243	126,646	104,337	2,078	-580	11,749	5,620	0	111,964	14,682	26,296
II. Property, plant and equipment																
1. Land, land rights and buildings, including buildings on third-party land	489,798	3,472	-1,351	3,884	9,404	4,033	490,432	182,403	1,397	0	32,997	4,528	0	212,269	278,163	307,395
2. Plant and machinery	363,091	10,202	-1,981	7,001	11,670	3,335	369,978	265,029	7,961	-987	30,427	8,253	24	294,201	75,777	98,062
3. Other equipment, furniture and fixtures	110,392	3,533	-198	6,144	12,262	170	107,779	92,750	3,458	-181	7,436	9,159	-24	94,280	13,499	17,642
4. Prepayments and assets under construction	6,223	67	-103	7,594	0	-7,802	5,979	18	0	-18	0	0	0	0	5,979	6,205
	969,504	17,274	-3,633	24,623	33,336	-264	974,168	540,200	12,816	-1,186	70,860	21,940	0	600,750	373,418	429,304
III. Financial assets																
1. Shares in affiliates	88,476	-3,157	-1,383	557	2,324	0	82,169	59,858	-3,154	0	3,227	2,025	0	57,906	24,263	28,618
2 Loans to affiliates	18,442	-785	0	0	0	-3,503	14,154	15,992	-785	0	0	0	-2,500	12,707	1,447	2,450
3. Equity investments																
a) in associates	12,609	0	0	12	5,212	0	7,409	850	0	0	1,485	850	0	1,485	5,924	11,759
b) other	24,758	-15	0	162	503	22	24,424	10,452	-14	0	1,400	0	0	11,838	12,586	14,306
4. Loans to other investees and investors	12,565	1	0	3,076	4,607	3,173	14,208	3,499	0	0	1,003	3,499	2,500	3,503	10,705	9,066
5. Securities classified as fixed assets	4,746	7	-150	4	1	0	4,606	64	7	-35	1	0	0	37	4,569	4,682
6. Other loans	5,795	1	0	1,374	75	329	7,424	1,150	0	0	0	0	0	1,150	6,274	4,645
7. Cash surrender value of life insurance policies	338	0	0	11	204	0	145	0	0	0	0	0	0	0	145	338
	167,729	-3,948	-1,533	5,196	12,926	21	154,539	91,865	-3,946	-35	7,116	6,374	0	88,626	65,913	75,864
	1,267,866	15,633	-5,913	30,921	53,154	0	1,255,353	736,402	10,948	-1,801	89,725	33,934	0	801,340	454,013	531,464

Scholz Holding GmbH, Essingen
List of shareholdings as of 31 December 2015

Name and registered office of company	Group share in capital % [1]	Equity 31 Dec 2015 in EUR k	Net income/loss for the year 2015 in EUR k	Note
I. Companies included apart from the parent company				
Germany				
Scholz Edelstahl GmbH subgroup				
Scholz Edelstahl GmbH, Essingen	100.00	-101,339 [8]	-94,064 [8]	F
SES Schmiedeholding GmbH, Essingen	100.00 [1]	-56,810	-3,794	F
Scholz Recycling GmbH & Co. KG subgroup				
Battle Tank Dismantling GmbH Koch, Mühlhausen	100.00 [1]	1,169	66	F
EHG Verwaltungs-GmbH, Espenhain	100.00 [1]	41	1	F
Eisenbahn-Handels-Gesellschaft mbH & Co. KG, Espenhain	50.00 [1]	111	-269	F
EKO Schrottrecycling GmbH, Eisenhüttenstadt	50.00 [1]	5,149	572	P
ESM Schrott- und Metallhandel GmbH, Schönebeck	100.00 [1]	1,801	24 [2]	F
Fegert Recycling GmbH, Magdeburg	100.00 [1]	6,524	-2,245 [2]	F
Geweniger Recycling GmbH, Meuselwitz	50.00 [1]	3,448	-28	P
Metallaufbereitung Zwickau GmbH, Leipzig	100.00 [1]	8,859	635	F
MRR Mitteldeutsche Rohstoff-Recycling GmbH, Bitterfeld-Wolfen	100.00 [1]	487	7	F
Noris Metallrecycling GmbH, Fürth	50.00 [1]	-660	-1,156	P
Rohstoff-Recycling Verwaltung GmbH, Lauchhammer	100.00 [1]	807	456 [2]	F
Scholz Industrieservice GmbH, Essingen	100.00 [1]	50	702 [2]	F
Scholz Recycling GmbH & Co. KG, Essingen	100.00	40,697	-54,969	F
Schrott und Metallhandel M. Kaatsch GmbH, Plochingen	75.00 [1]	11,747	-692	F
SRT Schrott Recycling Thüringen GmbH, Saalfeld	100.00 [1]	1,126	314 [2]	F
SRW metalfloat GmbH, Espenhain	100.00 [1]	4,695	8,134 [2]	F
Stachelski GmbH, Ludwigsburg	75.00 [1]	913	67	F
ScholzAlu Trading GmbH subgroup				
ScholzAlu Stockach GmbH, Stockach	100.00 [1]	5,143	-2,291	F
ScholzAlu Trading GmbH, Essingen	100.00	-618	-11,040	F
Other consolidated companies				
Container Service Gröger GmbH, Günzburg	50.00 [1]	553	102	P
Gröger GmbH, Günzburg	50.00	419	1	P
L+N Recycling GmbH, Bubesheim	45.00 [1]	1,578	103	P
Rohstoffverwertung Gröger GmbH & Co. KG, Günzburg	50.00	4,825	236	P
Scholz International Holding GmbH, Essingen	100.00	158,494	-5	F
Scholz Internationale Handels GmbH, Essingen	100.00	-250	-56	F
Scholz Management Service GmbH, Frankfurt a.M.	100.00	24	1	F
Scholz Recycling Beteiligungs GmbH, Essingen	100.00	23	-2	F
Weißtrans Logistik GmbH, Bubesheim	50.00 [1]	87	35	P
Other countries				
Scholz Austria Holding GmbH, Vienna subgroup				
Eisen Rath GmbH, Linz, Austria	63.35 [1]	543	18	F
Eisenhandel Gebeshuber GmbH, Steyr, Austria	63.35 [1]	3,673	1,674	F
Fritz Kuttin Gesellschaft mbH, Knittelfeld, Austria	63.35 [1]	7,932	351	F
Kuttin Metall GmbH, Klagenfurt, Austria	63.35 [1]	2,504	280	F
Kuttin Recycling GmbH, Knittelfeld, Austria	63.35 [1]	-331	-296	F
Scholz Austria GmbH, Vienna, Austria	63.35 [1]	56,147	10,486	F
Scholz Austria Holding GmbH, Vienna, Austria	100.00 [1]	38,310	3,096	F
Scholz Rohstoffhandel GmbH, Vienna, Austria	63.35 [1]	20,791	7,057	F
Schrott-Waltner Eisen, Metalle, Maschinen GmbH, Graz, Austria	63.35 [1]	5,688	2,116	F
Srot Gebeshuber s.r.o., Sokolnice, Czech Republic	63.35 [1]	7,184	114	F
Uniscrap A/S subgroup				
Uniscrap A/S, Copenhagen, Denmark	100.00	3,688	-3,236	F
Uniscrap Sverige AB, Älmhut, Sweden	100.00 [1]	73	-270	F

Name and registered office of company	Group share in capital % [1]	Equity 31 Dec 2015 in EUR k	Net income/loss for the year 2015 in EUR k	Note
Other consolidated companies				
Croatia				
C.I.O.S. d.o.o., Zagreb, Croatia	51.43 [1]	81,118	2,386	F
CE-ZA-R Centar za reciklazu d.o.o., Zagreb, Croatia	51.43 [1]	20,968	637	F
Fratea d.o.o., Zagreb, Croatia	25.72 [1]	141	6	P
Metis d.d., Kukuljanovo, Croatia	27.33 [1]	13,139	1,580	F
Romania				
Remat Bucuresti Sud S.A., Bucharest, Romania	47.11 [1]	8,500	-478	P
Remat Scholz Filiala Moldova s.r.l., Galati, Romania	98.60 [1]	-271	54,607	F
Remat Scholz Filiala Oltenia s.r.l., Drobeta Turnu Severin, Romania	98.60 [1]	-2,164	-1,040	F
Remat Scholz s.r.l., Bucharest, Romania	98.60 [1]	9,054	-119	F
Remat Vrancea S.A., Focsani, Romania	48.60 [1]	2,297	4	P
Rematholding Co. s.r.l., Bucharest, Romania	50.00	17,740	562	P
Rematinvest s.r.l., Cluj, Romania	50.00	5,099	-637	P
Scholz Recycling International s.r.l., Bucharest, Romania	100.00	15,726	-137	F
Serbia				
Centar za Reciklazu d.o.o., Belgrade, Serbia	58.72 [1]	3,273	-3,559	F
METALIK-Co. d.o.o., Sabac, Serbia	58.72 [1]	-1	-134	F
OTPAD d.o.o., Subotica, Serbia	46.10 [1]	-392	109	F
Czech Republic				
Firemet s.r.o., Decin, Czech Republic	100.00	1,963	55	F
Kovosrot Group CZ a.s., Prague, Czech Republic	63.35 [1]	25,558	-67	F
NOVOSCHROTT, spol. s.r.o., Chodov, Czech Republic	63.35 [1]	186	-70	F
Sberne suroviny, a.s., Ceske Budejovice, Czech Republic	50.45 [1]	2,585	-140	F
USA				
Diamond Hurwitz Scrap LLC, Buffalo, New York, USA	57.00 [1]	-3,299	-2,287	F
Interstate Alloys, LLC, Niles, Ohio, USA	22.80 [1]	235	41	P
Interstate Shredding, LLC, Girard, Ohio, USA	45.60 [1]	-1,695	-3,402	F
Kalischatarra Iron & Metal NM, LLC, Santa Teresa, New Mexico, USA	28.50 [1]	255	-98	P
Kalischatarra Iron & Metal, LLC, El Paso, Texas, USA	28.50 [1]	-4	-1	P
Liberty Acquisitions Buckeye, LLC, Phoenix, Arizona, USA	57.00 [1]	171	-472	F
Liberty Iron & Metal Holdings, LLC, Phoenix, Arizona, USA	57.00 [1]	15,333	-55,645	F
Liberty Iron & Metal International Inc., Phoenix, Arizona, USA	57.00 [1]	2	0	F
Liberty Iron & Metal Southwest, LLC, Phoenix, Arizona, USA	39.96 [1]	18,597	1,716	F
Liberty Iron & Metal, LLC, Erie, Pennsylvania, USA	57.00 [1]	6,139	-334	F
Liberty Southwest Holdings, LLC, Phoenix, Arizona, USA	39.96 [1]	428	-2,754	F
LNM Holdings, LLC, Dover, Delaware, USA	45.60 [1]	51,163	-54,070	F
LNM International Inc., Phoenix, Arizona, USA	45.60 [1]	2	1,029	F
LSW International Inc., Phoenix, Arizona, USA	39.96 [1]	1	1,374	F
LSW Shredder, LLC, Casa Grande, Arizona, USA	39.96 [1]	-7,047	-1,363	F
Mercer Co., Sharon, Pennsylvania, USA	45.60 [1]	4,176	-24,826	F
Niles Iron & Metal Company, LLC, Niles, Ohio, USA	45.60 [1]	7,881	-26,036	F
Premier Metals Group LLC, Rochester, New York, USA	57.00 [1]	315	-25,543	F
Scholz United States Inc., Wilmington, North Carolina, USA	100.00 [1]	13,460	-1,206	F
We Buy Scrap Liberty, LLC, Phoenix, Arizona, USA	39.96 [1]	-550	-830	F
Rest of world				
CIBOS d.o.o., Sarajevo, Bosnia and Herzegovina	61.14 [1]	8,578	-568	F
DINOS d.d., Ljubljana, Slovenia	61.14 [1]	36,756	524	F
Euro Trend d.o.o., Ljubljana, Slovenia	51.43 [1]	4,190	59	F
Kalischatarra S. de R.L., Chihuahua, Mexico	28.50 [1]	26,343	-259	P
Scholz Bulgaria AD, Sofia, Bulgaria	100.00	329	-3	F
Scholz Polska Sp. z o.o., Bedzin, Poland	100.00	9,884	-682	F
Scholz Recycling Kft., Tatabanya, Hungary	100.00	-224	-611	F
Zaklad Przerobu Zlomu SKAW-MET Sp. z.o.o., Skawina, Poland	100.00	160	-19	F
II. Equity investments in associates				
A. Haas - Schrott und Metalle GmbH, Wals, Austria	16.47 [1]	5,500	1,375	E
Green Metals Poland Sp. z o.o., Walbrzych, Poland	45.00	1,610 [7]	84 [7]	E
Nordhäuser Rohstoffhandel GmbH, Nordhausen	50.00 [1]	2,855	-110	E
RVR Rohstoffverwertung Regensburg GmbH, Regensburg	50.00 [1]	7,718	291	E
SPV Stahlhandel GmbH, Schechingen	50.00 [1]	1,717 [3]	-78 [3]	E

Legend:

F Full consolidation

P Proportionate consolidation

E Equity method

Name and registered office of company	Group share in capital % [1]	Equity 31 Dec 2015 in EUR k	Net income/loss for the year 2015 in EUR k
III. Companies not included in consolidation			
Companies			
<u>Germany</u>			
Scholz Recycling GmbH & Co. KG subgroup			
Adam Wachter & Sohn GmbH & Co. KG i.L., Ebersbach/Fils	75.00 [1]	77	30
Beck + Stachelski GmbH i.L., Plochingen	75.00 [1]	2 [3]	3 [3]
Scheutzow GmbH, Balingen	46.50 [1]	559 [6]	125 [6]
Wachter GmbH i.L., Ebersbach/Fils	75.00 [1]	38	.
Other non-consolidated companies			
Air-Service GmbH, Essingen	100.00	137	5
RVW Rohstoffverwertung Weißenhorn GmbH, Essingen	100.00	-6,930 [3]	-1,012 [3]
SIV Immobilien Verwaltungs-GmbH, Essingen	100.00	2,175 [3]	513 [3]
Weißenhorner Grundstücks GmbH, Essingen	94.00 [1]	134 [3]	771 [2)3]
<u>Other countries</u>			
Scholz Edelstahl GmbH subgroup			
FER LEASING s.r.o., Prague, Czech Republic	100.00 [1]	-8	0
Heat Treatment Bohemia s.r.o., Prague, Czech Republic	98.00 [1]	4,697 [8]	193 [8]
Scholz Edelstahl BVBA, Antwerp, Belgium	100.00 [1]	-751	-59
Scholz Edelstahl s.r.o., Kladno, Czech Republic	100.00 [1]	-1,794	-360
Croatia			
CIAL d.o.o., Sisak, Croatia	51.43 [1]	-1,152	-98
CIOS SRF d.o.o., Sisak, Croatia	51.43 [1]	7	31
CIOS ENERGY d.o.o., Varazdin, Croatia	51.43 [1]	2	0
DEPOS d.o.o., Sisak, Croatia	51.43 [1]	4,478	302
EKO-FLOR PLUS d.o.o., Varazdin, Croatia	51.21 [1]	312	461
FeLION REX d.o.o., Zagreb, Croatia	51.43 [1]	1	-1
FELIS PRODUKTI d.o.o., Sisak, Croatia	51.43 [1]	-1,353	-286
Sava-Eko d.o.o., Sesvete, Croatia	51.43 [1]	i.L.	i.L.
Romania			
Aced Invest International s.r.l., Bucharest, Romania	100.00 [1]	-4,814	-668
Condor Recycling s.r.l., Oravita, Romania	97.78 [1]	i.L.	i.L.
Remat Dambovita S.A., Dambovita, Romania	47.49 [1]	i.L.	i.L.
USA			
Scholz International Inc., Wilmington, North Carolina, USA	100.00	-1,819	-153
SOD Check Cashing, LLC, Rochester, New York, USA	57.00 [1]	n/a	n/a
Rest of world			
Centar za Reciklaza d.o.o.e.l., Skopje, Macedonia	100.00 [1]	-2,639	17
Centar za Reciklazu d.o.o., Niksic, Montenegro	58.72 [1]	-336	-158
CI-KOS-CRO GmbH L.L.C., Prishtina, Kosovo	90.00 [1]	n/a	n/a
CMA Recycling Corporation Ltd., Wilmington, USA	100.00 [1]	i.L.	i.L.
CMA Property Corporation Ltd., Wilmington, USA	100.00 [1]	i.L.	i.L.
DINEKO d.o.o., Ljubljana, Slovenia	61.14 [1]	-6	.
Gorazdanska trgosirovina d.o.o., Gorazde, Bosnia and Herzegovina	61.14 [1]	348	3
KD METALL s.r.o., Jaromer, Czech Republic	63.35 [1]	663	23
Management Services GmbH, Bolzano, Italy	100.00	30	6
metalimmo s.r.o., Sokolnice, Czech Republic	63.35 [1]	4,396	164
REC-EE-O d.o.o., Belgrade, Serbia	58.72 [1]	1	0
ScholzAlu Tatabanya Kft.v.a., Tatabanya, Hungary	100.00 [1]	i.L.	i.L.
Scholz Geri Dönüsüm Sanayi ve Ticaret Ltd., Izmir, Turkey	100.00	64	44
Scholz Hong Kong Ltd., Hong Kong, China	100.00 [1]	103 [8]	-904 [8]
Scholz Management GmbH, Vienna, Austria	63.35 [1]	23	-2
Scholz Metall Marokko S.A.R.L., Skhirat, Morocco	60.00	n/a	n/a
Scholz Metall Nakliye Geri Dönüsüm Sanayi ve Ticaret Ltd., Bursa, Turkey	60.00	662	76
Scholz Recycling Charkov GmbH, Kharkov, Ukraine	100.00	n/a	n/a
Scholz Recycling Polska Sp. z o.o., Grudziadz, Poland	100.00	975	-22
Scholz Recycling Shanghai Ltd., Shanghai, China	100.00 [1]	i.L.	i.L.
Scholz Recycling s.r.o., Komarno, Slovakia	100.00	-456	-36
Scholz Sh.P.K. Albania, Dures, Albania	100.00 [1]	-1,264	-809
Scholz Singapore Pte. Ltd., Singapore	100.00 [1]	i.L.	i.L.
UNIREC d.o.o., Ljubljana, Slovenia	61.14 [1]	219	46

Name and registered office of company	Group share in capital % [1]	Equity 31 Dec 2015 in EUR k	Net income/loss for the year 2015 in EUR k
IV. Other equity investments			
Germany			
Scholz Edelstahl GmbH subgroup			
Possehl Eisen- und Stahlgesellschaft mbH, Essingen	50.00 [1]	-1,562 [3]	-158 [3]
SMS Stahl- und Metallhandel Südwest GmbH i.L., Spaichingen	45.00 [1]	316	-35
SPV Immobilien GmbH, Essingen	50.00 [1]	-5,299 [3]	-2,791 [3]
Scholz Recycling GmbH & Co. KG subgroup			
Heidenauer Metallverwertungs GmbH, Freital	30.00 [1]	945 [4]	40 [4]
Objekt Thierbach GmbH & Co.KG, Espenhain	25.00 [1]	-373 [3]	-375 [3]
Objekt Thierbach Verwaltungs GmbH, Espenhain	25.00 [1]	29 [3]	4 [3]
ProMetall GmbH, Fellbach	24.90 [1]	-692 [3]	-2,136 [3]
Rohstoffverwertung Reutlingen GmbH & Co. KG, Reutlingen	26.25 [1]	680 [5]	994 [5]
Rohstoffverwertung Reutlingen Verwaltung GmbH, Reutlingen	26.25 [1]	44 [5]	. [5]
Schmidt & Wagner Entsorgung- und Recycling GmbH, Coburg	50.00 [1]	651	97
Scholz E-Recycling Nürnberg GmbH, Nuremberg	50.00 [1]	i.L.	i.L.
Schromet Schrott- und Metallhandels GmbH & Co. KG, Nehren	26.25 [1]	665 [3]	156 [3]
Schromet Verwaltung GmbH, Nehren	26.25 [1]	32 [3]	0 [3]
Shredderwerk Herbertingen GmbH, Herbertingen	25.00 [1]	6,875 [8]	869 [8]
Speicherei Stuttgart GmbH, Stuttgart	50.00 [1]	1,581	77
Vöhringer GmbH, Plochingen	75.00 [1]	39	1
Vöhringer Verpachtungen GmbH & Co. KG, Plochingen	75.00 [1]	342	112
WEAG GmbH & Co. KG, Köngen	15.75 [1]	721 [3]	41 [3]
Ziems Recycling GmbH, Malchow	25.00 [1]	i.L.	i.L.
Ziems Rohstoffe GmbH, Stralsund	50.00 [1]	i.L.	i.L.
Other equity investments			
KBKS Rohstoffagentur und Handelsgesellschaft mbH, Halle	50.00 [1]	-4,494	-15
Scholz Rohstoffe Verwaltungs-GmbH, Essingen	33.30	111	8
SR-Scholz Rohstoffe GmbH & Co. KG, Essingen	34.00	1,000	1,098
Transfer Handelsgesellschaft mbH, Konstanz	49.00	2,600	5
Iteco Stahlservice GmbH, Dortmund	24.50 [1]	207	56
Other countries			
Alfa Steel Service S.L., San Sebastian, Spain	24.50 [1]	34	.
ARGE-Shredder GmbH, Edt bei Lambach, Austria	23.77 [1]	45	12
Österreichische Shredder-Altautoentsorgungs- und Entwicklungs- GmbH, Edt am Lambach, Austria	20.37 [1]	63	3
Österreichische Shredder-Altautoentsorgungs- und Entwicklungs- GmbH & Co.KG, Edt am Lambach, Austria	20.37 [1]	45	-12
C.I.O.S. MBO d.o.o., Varazdin, Croatia	25.72 [1]	-2,366	-1,929
Gebrüder Gratz GmbH, Lambach, Austria	15.83 [1]	15,076 [8]	190 [8]
Guangzhou Xiangjun Metal Co. Ltd., Guangzhou, China	50.00 [1]	n/a	n/a
SC Iteco Steel Service s.r.l., Bucharest, Romania	49.00 [1]	3,065 [3]	51 [3]
Recomet s.r.l., Jibou, Romania	25.00 [1]	76	5
Remat Alba S.A., Alba Lulia, Romania	31.39 [1]	462	-80
Remat Salaj S.A., Zalau, Romania	40.65 [1]	4,903	38
Remat Satu-Mare S.A., Satu-Mare, Romania	32.81 [1]	1,183	0
Servicios RAM de Chihuahua S. de R.L., Chihuahua, Mexico	50.00 [1]	617	50
TSS Sp. z.o.o., Krakow, Poland	39.20 [1]	183	34

Equity was translated at the closing rate, net income/net loss for the year was translated using annual average exchange rates.

n/a = not available
i.L. = in liquidation
i.L. = insolvent
[1] Indirect equity investments
[2] Before profit transfer/loss absorption
[3] Figures from fiscal year 2014
[4] 30 April 2015
[5] 31 May 2015
[6] 30 June 2015
[7] 31 March 2016
[8] Provisional figures

Scholz Holding GmbH, Essingen
Group management report for fiscal year 2015

A. Explanation of business model

The Scholz Group (Scholz Holding GmbH and its consolidated subsidiaries and joint ventures) is one of the largest processors of metallic secondary raw materials worldwide and has 140 years of experience in this area. The core business of the Scholz Group comprises local collection, as well as processing and trade in scrap. The Scholz Group is a leader in processes and technologies for the recycling of ferrous and non-ferrous metals. As a key supplier of the global steel and metal industry, the Scholz Group supplies international customers such as ArcelorMittal, ThyssenKrupp and voestalpine. The Scholz Group has a network of more than 200 collection and processing yards in around 20 countries, with a focus on the regions of Germany, Austria, southern and eastern Europe and North America.

A sufficient supply of scrap material, the development of commodity prices, efficient logistics and refining processes are the major influencing factors for the business model.

The corporate strategy focuses on organic growth and efficiency improvements aimed at securing the Group's market leadership and improving its financial ratios.

B. Economic report

1. Development of the industry and the economy as a whole

The global economy notched up growth of around 3.4% in 2015, slightly higher than the 3.1% forecast. 2015 was a year of turmoil and crisis with an ailing China, a slump in oil and steel prices, various religious wars and the ensuing refugee crisis in Europe. The latter is the acid test for the member states of the European Union. Furthermore, some established economies have still not recovered from the effects of the financial crisis and subsequent deep recession in 2008 and 2009 and – in some cases in light of an absence of more far-reaching structural reforms – are continuing to struggle with low or negative growth rates and high unemployment.

Germany bucked the downward global trend in 2015 and reported year-on-year economic growth, with gross domestic product (GDP) up 1.7% on the prior year in 2015.

The commodities markets in 2015 witnessed excess capacity and sharp price adjustments. In the three relevant markets – iron ore, scrap and steel – significant recent-year investments have led to a build-up of excess supply.

According to the BDSV index (one of the leading indices for the iron recycling industry), iron scrap metal prices were fairly steady during the first half of the year at around EUR 200 per metric ton (t). Prices started to tumble in June 2015 (EUR 212/t), reaching a low of EUR 129/t in November 2015 and thus falling by almost 50% within six months.

Prices for non-ferrous metals also fell in 2015, but not as severely as for iron scrap. The three-month average price for copper on the London Metal Exchange (LME) stood at around EUR 5,100/t in January 2015 and slid to around EUR 4,250/t in December 2015 (approximate 17% decline). The three-month average price for aluminum (also on the LME) came in at around EUR 1,600/t in January 2015 and declined to around EUR 1,350/t in December 2015 (approximate 14% decline). The drop in the price of nickel alloy scrap was more significant. The three-month average for nickel alloy scrap (also on the LME) came in at around EUR 13,100/t in January 2015 and declined to around EUR 8,000/t in December 2015.

The efforts of the European Central Bank (ECB) to boost economic growth under its quantitative easing program was an additional factor, resulting in a general weakening of the euro and, as a result of exchange rate movements, the export of scrap from the weak eurozone to the far more robust US dollar area. This pushed the price per ton of scrap in the US down by around USD 100 within the space of a month (February 2015). As a result, the North American entity of the Scholz Group faced an adverse market environment for the first time in many years. Punitive tariffs imposed in North America and Europe had the effect of stabilizing prices towards the end of 2015 and in the first quarter of 2016.

Given the low prices in 2015, the volume of secondary scrap (such as cars) fell sharply, thus leading to scarcity in the secondary scrap market.

2. Significant events affecting the Scholz Group in the reporting year

A significant event in fiscal year 2015 was the discontinuation of operations by the minority investor Toyota Tsusho Corporation (TTC), Nagoya, Japan, which had acquired a stake in 2014, in September 2015 with regard to its investment in the Scholz Group. In particular, this meant that:

- The general managers nominated by TTC were removed and the employment contracts of TTC employees at Scholz Holding were terminated

- TTC's shares (39.9%) were sold to the Scholz family (24.9%) or, in some cases, to a trustee of Scholz Holding (15%)

- A shareholder loan of EUR 60m (plus accrued and unpaid interest) granted by TTC was transferred to the trustee of Scholz Holding

The transfer of the TTC shares and the shareholder loan became legally effective at the beginning of 2016.

In order to master the structural and financial challenges in the Scholz Group, Scholz Holding embarked on a comprehensive restructuring program. Its key aspects are:

- Improving financial leeway with a bridge facility granted by the Scholz Group's syndicate banks (syndicate of banks) on 4 December 2015. The total volume of bridge financing amounts to EUR 70m and can be utilized in separate tranches, namely an initial EUR 50m and an additional EUR 20m – tied to certain conditions. The interest rate is 6.5% p.a. A total of EUR 30m had been utilized as of 31 December 2015.

- Initiating the restructuring of balance sheet liabilities. In this context, Scholz Holding's center of main interest (COMI) was relocated to London, UK, on 14 January 2016. All employees (apart from management) and all operations of Scholz Holding GmbH were transferred to the newly founded Scholz Management Service GmbH, Essingen.

- Initiating an investor process to win new investors or lenders, thereby raising additional funds for the Group.

- In connection with these comprehensive restructuring activities and the relocation of the COMI to London, UK, Mr. Parag-Johannes Bhatt and Dr. Kay Oppat stepped down from their roles as general managers of Scholz Holding GmbH on 1 January 2016 and took up new roles as general managers of the newly founded Scholz Management Service GmbH, Essingen. They were replaced by the two British nationals Mr. Neil Robson and Mr. Michael Thomas as general managers of Scholz Holding GmbH. Mr. Oliver Scholz remains the Chief Executive Officer.

Alongside the corporate changes and related comprehensive restructuring of the entire Group, the operational realignment of the Scholz Group initiated in fiscal years 2013 and 2014 was continued. In particular, entities and assets that did not belong to the Group’s core business were sold in this context. Management recognized further significant write-downs in fiscal year 2015 which were attributable to the persistently difficult conditions within the sector. Added to the fact that the recycling market is being hit by a steady decline in scrap prices, press coverage of the exit of TTC and the difficult financial situation at Scholz Holding GmbH had a negative impact. Overall, these two developments in particular led to a consolidated net loss for the year of EUR 232.0m and are thus the main reason for the decline in consolidated equity to EUR -455.4m.

C. Situation of the Group

	2015		2014		Change	
	EUR k	in % of revenue	EUR k	in % of revenue	EUR k	in % of PY
Metric tons	7,238,732		8,327,669		-1,088,937	-13
Revenue	2,289,854	100	3,122,067	100	-832,213	-27
Gross profit 1)	545,196	24	693,517	22	-148,321	-21
Personnel expenses	171,119	7	189,030	6	-17,911	-9
Amortization, deprecia	172,027	8	96,464	3	75,563	78
Other operating expenses	323,591	14	417,622	13	-94,031	-23
Other taxes	14,730	1	6,181	0	8,549	138
EBIT 3)	**-136,271**	**-6**	**-15,780**	**-1**	**-120,491**	**-764**

1) Total operating performance + other operating income – cost of materials

2) On intangible assets, property, plant and equipment as well as current assets

3) Negative EBIT largely due to non-cash write-downs of current and fixed assets

1. Development of revenue and unit sales

The tonnage of ferrous and non-ferrous scrap sold by the Scholz Group amounted to around 6.6 million t in 2015 (prior year: 7.6 million t). This is a decrease of approximately 13.0% compared to 2014. The US region had a significant effect on business. The price for iron scrap in the US fell by over 50% in the course of 2015, with significant price hikes taking place in February and November 2015 in particular. Consequently, aggregate tonnage (not consolidated) of the US region was 450,000t or around 30% lower than the budgeted amount for 2015. The Austria/Czech Republic region was also below budget, which was principally due to technical problems at the main plant of a key account. Aside from these external factors, the decline in tonnage can be attributed to the negative impact of the exit of TTC, especially in Germany, and the related press coverage on the difficult financial situation at Scholz Holding GmbH/the Scholz Group. It should also be noted that the engineering steel division was sold in September 2014, meaning that 2015 was the first fiscal year in which the entire revenue from this division was no longer included in the results for the Group.

In the business segments of the Scholz Group, revenue developed as follows:

There was a 26.7% fall in revenue in the ferrous scrap business unit, bringing revenue to EUR 1.4b (prior year: EUR 1.8b).

The non-ferrous metal business unit recorded a decrease of 25.3%, to EUR 717m (prior year: EUR 1.0b).

By contrast, revenue from other recycling services and products increased year-on-year by 7.1%, bringing it to EUR 135.0m (prior year: EUR 126.1m).

2. Results of operations

The gross profit margin increased by just under 2 percentage points year on year to 23.8% in 2015. This is due to the reduction of the low-margin drop shipping business and to the operational restructuring process that was initiated in prior years and is still ongoing.

Personnel expenses decreased by approximately 9% year on year, largely due to the sale of the engineering steel business, which had a full effect for the first time in fiscal year 2015. Headcount was also reduced at the active companies as part of optimizing operations. This related primarily to the Balkan region with around 90 employees.

Other operating expenses were down significantly (around 23%), mainly due to the full-year effect mentioned above, which relates to the sale of the engineering steel division, and the development of expenses for freight out due to the decline in tonnage (down EUR 12.3m or around 12% in comparison to the prior year), which are included in this item. Logistics costs were significantly lower than in the prior year due to the decline in volume.

The strong increase in amortization, depreciation and write-downs is mainly attributable to higher write-downs of current assets (EUR 89.4m; prior year: EUR 33.4m). This was primarily due to trade receivables and other receivables that were uncollectible or difficult to collect, largely on account of the difficult environment in the recycling and steel industries in which the primary customers of the Scholz Group operate. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment increased mainly due to goodwill impairment and write-downs of land from EUR 63.0m to EUR 82.6m.

	2015	2014	Change	
	EUR k	EUR k	EUR k	%
EBIT	-136,271	-15,780	-120,491	>100
Financial result	-73,312	-103,327	30,015	-29
Income taxes taxes	22,450	3,914	18,536	>100
Consolidated net income/loss for the year	**-232,033**	**-123,021**	**-109,012**	**-89**

However, the financial and investment result improved by EUR 30.0m from EUR -103.3m to EUR -73.3m. This is largely due to the significant decrease in write-downs of financial assets by 79.4% from EUR 34.5m in the prior year to EUR 7.1m.

The consolidated net loss for the year of EUR -232.0m represents an additional EUR 109.0m decrease on the prior-year result, which is attributable to the decline in the operating business and significant write-downs of current assets, goodwill and land. Despite the improvement in its gross profit margin, the Company was overall unable to meet its budgeted revenue and earnings targets due to the abovementioned negative developments.

In addition, the deferred tax assets for tax loss carryforwards of Scholz Holding GmbH were written off in full since these will be forfeited due to the change in shareholder currently planned.

3. Financial position

	31 Dec 2015		31 Dec 2014		Change	
	EUR k	%	EUR k	%	EUR k	%
Equity	-455,407	-56	-216,890	-18	-238,517	110
Liabilities	1,265,192	156	1,395,533	118	130,341	-9
Equity and liabilities	**809,785**	**100**	**1,178,643**	**100**	**-368,858**	**-31**

The extraordinary effects (essentially write-downs of fixed assets and current assets) described above, among other things, resulted in a further decrease in equity of EUR 239m in the reporting year.

Liabilities decreased by approximately EUR 130m from approximately EUR 1,396m to approximately EUR 1,265m as of 31 December 2015. As well as lower liabilities to banks (down approximately EUR 36m), the reduction is due in particular to the decrease in trade payables (down approximately EUR 90m excluding the reclassification of liabilities to liabilities to affiliates) and the decrease in other liabilities (down approximately EUR 22m). Trade payables declined mainly due to a significant decrease in business activities at the end of the year and low commodity prices.

Financing

To finance its day-to-day operations, the Scholz Group had a number of instruments available to it as of 31 December 2015: a syndicated loan in two tranches (totaling EUR 494.0m), a syndicated real estate loan (EUR 40.8m), a bond (EUR 182.5m), various promissory note loans (EUR 43.2m), bilateral loans (EUR 72.6m), bilateral credit lines (EUR 143.0m), bearer bonds (EUR 6.8m) as well as a subordinate shareholder loan (from TTC) granted in the amount of EUR 60.0m (plus deferred interest of EUR 4.5m). Due to the fact that the Group has been in comprehensive restructuring since September 2015 and in order to finalize the investor process, the syndicate banks provided an additional senior bridge facility of EUR 50.0m (this may be increased by an additional EUR 20m – tied to certain conditions – to EUR 70m) on 4 December 2015 so that the three tranches of the syndicated loan have since then totaled EUR 564m (credit facility). EUR 30.0m of the bridge facility had been utilized as of 31 December 2015; EUR 67.6m had been utilized as of 31 July 2016.

In order to limit risks from the abovementioned financial instruments, most of which are subject to variable rates, the Scholz Group has concluded corresponding interest rate hedges (generally interest rate swaps).

The maximum volume of the existing asset-backed securities program (ABS program), which has been in existence since 2001, came to EUR 151.5m as of 31 December 2015 (prior year: EUR 202.0m), of which EUR 93.4m had been utilized.

In addition, the factoring agreement that has been in place since 2007 was continued. On the basis of this agreement, receivables of up to a total of EUR 20.0m (EUR 11.2m of which had been utilized as of 31 December 2015) can be sold. Furthermore, a reverse factoring financing volume totaling EUR 55.0m is available to the Group (EUR 55.0m of which had been utilized as of 31 December 2015).

In addition to the components of financing described above, lease financing for the acquisition of movable fixed assets was, as in the prior years, an important additional component in the long-term financing structure secured for the subsidiaries as part of the corporate financing arrangement.

As of 31 December 2015, Scholz Holding GmbH had freely available, i.e., approved but unused financing facilities of EUR 143.5m (excluding ABS, factoring and reverse factoring). These lines were also available to foreign subsidiaries in particular.

The cash flow statement can be presented as follows:

	2015 EUR k	2014 EUR k	Change EUR k
Cash flow from operating activities	34,491	83,042	-48,551
Cash flow from investing activities	14,191	31,102	-16,911
Cash flow from financing activities	-50,145	-105,544	55,399
Cash flow	-1,463	8,600	-10,063
Other changes in cash and cash equivalents	498	1,341	-843
Cash and cash equivalents at the beginning of tl	37,415	27,474	9,941
Cash and cash equivalents at the end of the	**36,450**	**37,415**	**-965**

The cash flow from operating activities deteriorated compared to the prior year mainly as a result of the negative revenue and earnings development. This development was partially offset by the reduction in net working capital by an additional EUR 72.2m. As in the prior year, the cash flow from operating activities was positive at EUR 14.2m mainly as a result of extraordinary effects from the divestment program, which were, however, lower in the current fiscal year than in the prior year. The excess liquidity from operating activities and the divestments was primarily used to redeem loans. The cash flow from financing activities is correspondingly negative. In sum, net loans of approximately EUR 42.3m were repaid in the fiscal year 2015.

Liquidity

In fiscal year 2015, the market environment was difficult from the onset. This had an impact on both the operating business and the available-for-sale non-operating assets of the Scholz Group since the development of the latter's value also depends either directly or indirectly on the development of the recycling and steel markets. As a result, the envisaged sales proceeds were frequently not realized as scheduled since a sale under such circumstances would only have been possible at a higher discount.

Moreover, the minority shareholder TTC announced in September 2015 that it would cash in its investment with the Scholz Group. Comprehensive restructuring and finalization of the investor process were necessary. In this connection, the Company was initially compelled to request bridge financing from the syndicate banks. A bridge facility with a volume of EUR 50m was granted on 4 December 2015 and may be increased by EUR 20m under certain circumstances. An amount of EUR 30m had been utilized as of 8 December 2015; EUR 67.6m had been utilized as of 31 July 2016.

As part of the restructuring, the syndicate banks, promissory note holders and credit insurers also maintained or renewed their existing credit facilities (the corresponding covenants have been waived since 2014).

A further key component for securing liquidity was the fact that around 90% of the interest on the syndicated loan and some of the interest on the promissory notes was deferred and will or would not become payable until the end of the bridge financing term.

4. Net assets

	2015		2014		Change	
	EUR k	%	EUR k	%	EUR k	%
Fixed assets	454,012	56	531,464	45	-77,452	-15
Current assets	349,865	43	622,594	53	-272,729	-44
Other assets	5,908	1	24,584	2	-18,676	-76
Assets	**809,785**	**100**	**1,178,642**	**100**	**-368,857**	**-31**

Total assets of around EUR 810m (excluding the capital deficit) as of 31 December 2015 were down EUR 369m or 31% on the prior-year figure.

Fixed assets fell by EUR 77.5m to EUR 454.0m in the fiscal year. The decrease is essentially attributable to property, plant and equipment and intangible assets, which decreased by a total of EUR 67.7m. In addition to scheduled depreciation, which, however, as in the prior year was higher than additions to fixed assets, this was mainly the result of unscheduled write-downs (EUR 25.7m). These mainly relate to goodwill impairment and write-downs of land and land rights.

The decrease in current assets was largely due the EUR 96.7m decrease in trade receivables, EUR 77.7m decrease in other assets and EUR 70.0m decrease in inventories. The decreases in trade receivables and inventories are mainly attributable to the decline in scrap prices, slower business and write-downs. The lower volume of other assets year on year was primarily the result of write-downs (EUR 53.8m) of other receivables.

Investments

Additions to intangible assets and property, plant and equipment came to EUR 25.7m in 2015 (prior year: EUR 34.5m), and were therefore lower than amortization and depreciation of EUR 82.6m (prior year: EUR 63.0m). Disposals at residual book values came to EUR 12.7m.

Material investments were mainly replacement investments.

Divestments

In fiscal year 2015, the divestment program was continued as part of the operational realignment of the Scholz Group initiated in fiscal years 2013 and 2014. However, it should be noted that the Scholz Group was unable to make certain divestments as scheduled due to the difficult market environment and the ongoing group-wide restructuring taking place since September 2015. A total cash inflow of approximately EUR 50m was realized from transactions relating to the divestment program. These primarily include the sale of assets and equity investments that are not part of the core business of the Scholz Group as well as cash inflows on receivables which are no longer part of the operating business.

5. Human resources

The Scholz Group employed an annual average of 5,105 employees (prior year: 5,782). Personnel expenses came to EUR 171.1m (prior year: EUR 189.0m). In contrast to the headcount reductions initiated to improve efficiency, there were wage and salary increases at certain companies.

6. Summary

2015 was an extremely tough year for the Scholz Group. The exceedingly difficult market environment, in particular in the US, which resulted in a decline in revenue and a significant write-down of receivables, was responsible for the decrease in EBITDA, EBIT, consolidated net income and consolidated equity. This development was exacerbated by the negative impacts of the withdrawal of the shareholder TTC. The Group is still formally overindebted and its liquidity situation is strained.

A successful completion of financial restructuring is therefore decisive for the stabilization of the Group.

D. Subsequent events

1. Earnings development from January to May 2016

The Scholz Group sold a total of 2.84 million t scrap and scrap-like goods in the first five months of 2016 and therefore 8% less than planned. The gross profit margin is also slightly less than planned. This is attributable especially to the first three months of fiscal year 2016, with results in this period falling well short of expectations, due to a market environment that continues to be difficult in the first quarter and a delay in the restructuring process. However, thanks to the renewed increase in scrap prices in the months of April and May, the Group's operating result (expressed as normalized EBITDA) was ultimately only slightly below budget in the first five months. Specifically, EBITDA adjusted mainly for restructuring costs of EUR 29.5m for the months of January to May was EUR 1.9m (or 6%) below budget.

Budgeted earnings after taxes amounted to EUR -37.5m for this period (January to May 2016). Due to restructuring expenses being lower than planned, actual earnings after taxes (EUR -32.8m) were slightly better than planned.

2. Restructuring of the Scholz Group

The fact that most of the balance sheet and financial restructuring, which commenced in September 2015, was successfully completed in August 2016 and the finalization of the remainder is considered to be very likely at present due to a number of legally binding agreements is of central importance for the Scholz Group.

Chiho Tiande Group Ltd. (or a subsidiary thereof) purchased the majority of Scholz Holding GmbH's existing loans from the respective creditors. The ownership of the following loans was transferred with effect from 22 July 2016. The loans transferred include an existing syndicated loan (in two tranches with a total credit facility of EUR 494m; EUR 471m was outstanding at the time the ownership of the loan was transferred to Chiho Tiande Group Ltd.), promissory notes of EUR 43.2m and a further loan of EUR 10.0m. Overall, loans with a nominal amount value of EUR 524.2m (including interest accrued but not yet paid out) were therefore purchased by Chiho Tiande Group Ltd.

A further key component for the acquisition of shares in the Scholz Group is the restructuring agreement signed on 20 July 2016 in order to assume control of the Scholz Group in the future. The agreement sets out that Chiho Tiande Group Ltd. shall waive loans of EUR 224.2m (plus interest accrued but not yet paid out), which shall then be converted to book equity. This means that, from the perspective of the Scholz Group, only EUR 300m of the original EUR 524.2m (including interest) will remain as liabilities, which will be split between Scholz Holding GmbH (EUR 100m) and Scholz Recycling GmbH & Co. KG (EUR 200m). It is also planned to significantly reduce the interest rates on these loans.

The restructuring agreement is tied to the following conditions:

- Execution of the debt purchase agreement (done on 22 July 2016)
- Advancing implementation of the relocation of Scholz Holding GmbH's tax domicile to the UK
- Assumption of debt (EUR 200m) by Scholz Recycling GmbH & Co. KG, Essingen, owed to Scholz Holding GmbH (on 22 July 2016)
- Fulfillment of the closing conditions concerning the redemption of the Scholz Holding GmbH bond traded on the Vienna and Frankfurt am Main exchanges with a total volume of EUR 182.5m (plus accrued interest) (term sheet signed on 29 June 2016)
- Receipt of a binding tax ruling in a satisfactory form (applications were submitted on 28 July 2016 and 1 August 2016)
- Negotiations on the acquisition of at least the majority of the shares in Scholz Holding GmbH between the current shareholders (Oliver Scholz, Berndt-Ulrich Scholz and trustees) and Chiho Tiande Group Ltd.
- Positive assessment by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, concerning the suitability and feasibility of restructuring (final report still outstanding)

Aside from the abovementioned purchases of loans, the following measures were carried out in connection with balance sheet restructuring:

a) A bond with a nominal value of EUR 182.5m (including interest accrued but not yet paid out of EUR 201.9m) issued by Scholz Holding GmbH and traded on the Vienna and Frankfurt am Main stock exchanges will be repaid in full by means of a non-recurring payment of EUR 16.0m. This payment is to be made on 14 October 2016 at the latest (or earlier as soon as a binding ruling by the German tax authorities and the competent municipalities is available). The agreement merely provides for a potential additional payment of EUR 5.8m if the Scholz Group's EBITDA (excluding minority interests) exceeds EUR 100m either in 2017 or 2018. The execution of the relevant agreement, which was concluded on 29 June 2016, is still tied to conditions, the fulfillment of which is, however, considered to be very likely at present. These pertain in particular to the positive binding ruling by the German tax authorities and the competent municipalities.

b) Various interest rate swaps with negative market values of EUR 21.9m as of 31 December 2015, whose underlying transactions ceased to exist, were settled under two agreements dated 22 July 2016 by means of a non-recurring payment of EUR 5.8m.

c) A loan obligation of Scholz Holding GmbH of EUR 6.9m was repaid by means of an exchange transaction. In this connection, a building complex located in Romania valued at around EUR 2.5m (estimated by Scholz Holding GmbH) served, in addition to a cash settlement, as repayment of a significant portion of the principal.

d) In addition, under the restructuring agreement Chiho Tiande Group Ltd. will purchase loans of EUR 60m (including interest of EUR 6m accrued but not yet paid out as of 30 June 2016), which were originally granted by TTC and have since been transferred to a trustee, from the trustee and convert them into book equity. Please refer to the explanations in A. “Explanation of business model”, B 2. “Significant events affecting the Scholz Group in the reporting year”.

There are no legal concerns with regard to the restructuring agreement with Chiho Tiande Group Ltd., Hong Kong, China.

Chiho Tiande Group Ltd. also contributed to the further stabilization of the Group by making an additional credit facility of EUR 80m available to Scholz Recycling GmbH & Co. KG, Essingen. The credit facility was granted on 21 July 2016 of which EUR 30m has been utilized to date. The utilization of the remaining EUR 50m is tied to certain conditions (in particular evidence of liquidity requirement). In addition, this loan is planned to be converted into book equity at a later stage.

3. Other events

The focus on the Scholz Group’s core business was also strengthened further in 2016. Especially Scholz Alu Stockach GmbH, Stockach, as well as Battle Tank Dismantling GmbH, Mühlhausen, were sold within the first four months of fiscal year 2016.

Moreover, the former Chief Financial Officer Mr. Parag-Johannes Bhatt left the management of Scholz Management Service GmbH as of 31 March 2016. He was succeeded by Dr. Carsten Meyer-Raven as of 1 April 2016.

E. Opportunities, risk and outlook

1. Restructuring, realignment and opportunities

In light of the further deteriorating market conditions and especially due to the withdrawal of TTC from the Scholz Group, the Company has been forced to carry out another comprehensive restructuring program since September 2015. The main aim of the financial restructuring program, which is being supported by Chiho Tiande Group Ltd., is to maintain and/or improve the liquidity situation as well as restructure the equity and liabilities side of the balance sheet. In this connection, please refer to B 2. “Significant events affecting the Scholz Group in the reporting year”.

The future strategy of the Group and possible opportunities depend heavily on the current restructuring/investor process.

The restructuring of the equities and liabilities side of the balance sheet initiated relates to the majority of financial liabilities – except for the senior bridge facility of EUR 70m granted by the syndicate banks, which is due on 30 June 2017, the syndicated real estate loan and the bilateral loans/credit lines. The planned waiver of the loans and the conversion into equity by Chiho Tiande Group Ltd. as well as its declaration of subordination of the remaining shareholder loans to the extent necessary and any further necessary loan waivers should help restore the Scholz Group’s refinancing potential to the extent required. In this connection, the significant reduction in the Group’s interest burden will also improve the Group’s profitability.

We assume that the Group will be able to better serve existing customer relationships and also generate new business in the future. Opportunities lie in particular in winning back volumes which were reduced in the past by suppliers due to the Group’s financial situation.

In addition, we assume that new opportunities will arise in particular in Asia due to the fact that the future majority investor (Chiho Tiande Group Ltd.) in the Scholz Group has excellent connections in Asia.

In addition, the current restructuring plan provides for a significant reduction in the Group’s debt burden so that the Group’s interest burden will decrease to a “tolerable” level. As a result, one of the greatest problems facing the Scholz Group in recent years, i.e., the Group using almost all its cash flows from operating activities for interest payments alone, would be largely resolved.

Aside from balance sheet restructuring, changes to improve control are also being made within the Group on an ongoing basis. An important factor in this connection is the fact that the shares in Kovosrot Group CZ, a. s., Prague, Czech Republic, were separated from the Austria/Czech Republic region and Scholz Holding GmbH is now indirectly the sole shareholder of this company. In addition, the focus on the Scholz Group's core business was strengthened, with Scholz Alu Stockach GmbH and Battle Tank Dismantling GmbH in particular having since been sold.

2. Risks

Risk management is implemented on a group-wide basis. Risk reporting is subdivided into high, middle and low risks. It is supported by corresponding IT systems, making it highly flexible.

The main high risks concern strategic risks, risks to business development and the organization, external risks (country-related risks and political influences), risks relating to processes and value added, risks from property and liability damage, risks from manipulation, criminal activity and misconduct as well as financial risks. The development of the global economy and financial markets as a whole as well as the future development of the steel industry and primary raw materials sector are also considered to constitute fundamental risks. With respect to risks relating to the overall economic environment reference is also made to our discussion of the development of the industry and the economy as a whole, which includes a commentary on general economic and sector-specific risks.

Medium risks are considered to include the implementation of the Group's organizational restructuring. Furthermore, the high risk matters listed above may also constitute medium risks to the extent that, from a group perspective, overall effects are not material or where offsetting effects arise, for instance if the profitability of individual regions is adversely or positively affected by currency fluctuations.

In addition to general economic and sector-specific risks, we highlight the following risks relating directly to the business:

- Implementation risks with respect to the planned disposals of non-core business activities.

- Significant dependence on price developments for scrap and secondary metals, which we are not in a position to influence. Furthermore, risks result from foreign exchange rates and price volatilities on exchanges.

- Approval and authorization risks, regulatory risks concerning the recycling of used materials and environmental risks.

- Risks relating to the adherence to or breaching of terms of existing and future financing arrangements as well as the risk that existing financing arrangements due in 2017 (in particular the bridge facility of EUR 70m granted by the syndicate banks, which is due on 30 June 2017) cannot be refinanced.

- The Scholz Group is subject to certain uninsured or uninsurable risks.

- A further intensification of the currently already significant competitive pressure, e.g., due to continuing overcapacity.

- Intensification of political, legal and economic risks in the core markets of the Scholz Group.

- Risks arising as a result of possible litigation as well as other proceedings before courts, public sector institutions and public authorities.

- General management risks such as dependence on key personnel.

- Further adaptation of the risk management system to the organizational structure of the Group.

The ongoing monitoring of these business risks by management, the internal audit function, operational management as well as the controlling/accounting/treasury functions enables the identification of relevant issues on a timely basis, so that appropriate prevention or counter-measures can be implemented in the short term. Furthermore, the Scholz Group has a middle office function, which performs in particular the following activities with respect to price, currency and liquidity risks.

Financial forwards are concluded with the relevant brokers on the London Metal Exchange (LME) to hedge potential price fluctuations for all metals traded by subsidiaries, also referred to as the group-wide physical overall risk position. In some cases, OTC transactions are concluded additionally with banks. These transactions are based on cash settlement as opposed to the physical delivery of goods. The hedging lines used for this were calculated to be sufficient for the volumes necessary to hedge the group-wide physical overall risk position during the reporting period. Monitoring and management of the group-wide physical overall risk position and the hedge position is performed by a special risk committee.

The increasing currency risks associated with globalization of the industry are hedged using forward exchange contracts. Furthermore, individual underlying transactions were hedged using forward exchange contracts and/or currency swaps for USD, RON, CZK, PLN and GBP.

Possible liquidity risks inherent in the underlying volatility of the iron and metal prices are countered by monitoring the liquidity situation closely and carrying out supplementary scenario analyses as well as liquidity forecast calculations on a rolling basis.

Anticipatory hedging is only used in exceptional cases and if there is evidence to support the likelihood of the hedged transaction occurring and the hedge being effective.

In addition, there are indications of soil contamination on land in Denmark, the Czech Republic and Buffalo, USA. Provisions were recognized in this connection to the extent that an external obligation exists. Further costs exceeding the provisions may be incurred by the Scholz Group in the future.

<u>Risks to the Group's ability to continue as a going concern</u>

The majority of the financial liabilities of the US subsidiaries included in the consolidated financial statements of the Scholz Group were acquired by Chiho Tiande Group Ltd. in the first half of 2016. Negotiations are currently underway with the minority shareholders there on the acquisition of their shares by the Scholz Group. The continued existence of these companies included in the consolidated financial statements depends on Scholz Holding GmbH remaining indirect shareholder of these companies. Taking into account the likely options at present for the Scholz Group to acquire the minority interests, management assumes, given the requirements already met, that it is likely that the US companies will continue to operate as a going concern.

The successful conclusion of the investor and restructuring measures that have been initiated is of key significance for the Scholz Group to achieve the planned improvements in the net assets, financial position and results of operations of the group led by Scholz Holding GmbH and its group entities, including but not limited to the projected relief from the debt burden to improve the composition of the balance sheet and book equity and to improve the liquidity of the group led by Scholz Holding and its group entities. Given the fact that Chiho Tiande Group Ltd. (or a subsidiary thereof) has already acquired significant loans of Scholz Holding GmbH, initiated specific measures to secure the Group's liquidity and will implement the Scholz Group's realignment in the short term, management considers it more likely than not that the Group will be able to continue as a going concern. The conditions to be fulfilled in connection with restructuring are presented in D. Subsequent events.

3. Anticipated business development

The Group's business development depends in particular on the successful implementation of the investor and financial restructuring process, whose current progress has been explained in detail under "Subsequent events."

For fiscal year 2016, management anticipates that the Group's operating business will develop in line with 2015. Given the overall low prices on the scrap market (in particular in the first three months of 2016), revenue is expected to fall short (down by just under 25%) of the prior-year level again, with normalized EBITDA (i.e., adjusted for one-time effects) expected to increase slightly to around EUR 72m due to margin improvements. However, this assumption does not yet reflect the fact that the new investor intends to provide the Group with an improved level of capital.

Thanks also to the stronger price discipline of Chinese steel exporters, the market for secondary materials is on the path to recovery and normalization. Management also assumes that this positive trend will stabilize over the course of fiscal year 2016 and that we will see a return to less demanding market conditions.

The assessment of the suitability and feasibility of restructuring the Scholz Group has been examined by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, since fall 2015 and has been positively confirmed in a number of preliminary assessments (most recently dated 5 August 2016).

In addition, we assume that the entry of Chiho Tiande Group Ltd. and the restructuring measures planned or already initiated create the prerequisites for a positive and profitable development of net assets, financial position and results of operations in the long term and that the balance sheet and economic and financial restructuring will ensure the Scholz Group’s solvency in the medium term.

Essingen, 5 August 2016

The management

Oliver Scholz, Aalen, Chairman

Neil Robson, London, UK

Michael Thomas, London, UK