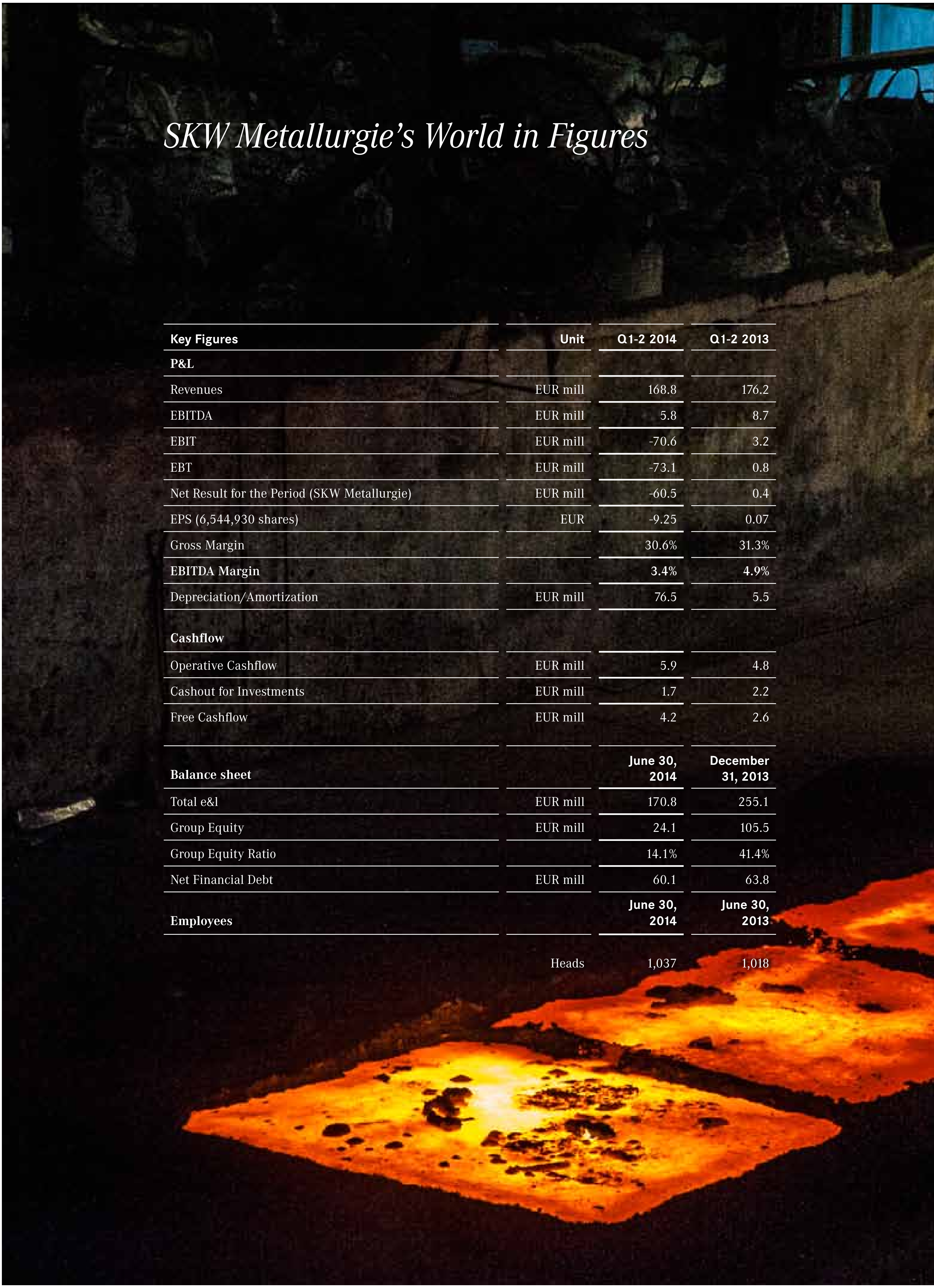
skw. metallurgie

Report for the 2nd Quarter 2014



SKW Metallurgie's World in Figures

Key Figures	Unit	Q1-2 2014	Q1-2 2013
P&L			
Revenues	EUR mill	168.8	176.2
EBITDA	EUR mill	5.8	8.7
EBIT	EUR mill	-70.6	3.2
EBT	EUR mill	-73.1	0.8
Net Result for the Period (SKW Metallurgie)	EUR mill	-60.5	0.4
EPS (6,544,930 shares)	EUR	-9.25	0.07
Gross Margin		30.6%	31.3%
EBITDA Margin		**3.4%**	**4.9%**
Depreciation/Amortization	EUR mill	76.5	5.5
Cashflow			
Operative Cashflow	EUR mill	5.9	4.8
Cashout for Investments	EUR mill	1.7	2.2
Free Cashflow	EUR mill	4.2	2.6
Balance sheet		**June 30, 2014**	**December 31, 2013**
Total e&l	EUR mill	170.8	255.1
Group Equity	EUR mill	24.1	105.5
Group Equity Ratio		14.1%	41.4%
Net Financial Debt	EUR mill	60.1	63.8
Employees		**June 30, 2014**	**June 30, 2013**
	Heads	1,037	1,018

Table of Contents

Interim management report for the SKW Stahl-Metallurgie Holding AG Group for the first six months of 2014

Economic conditions

Ad-hoc disclosure dated August 14, 2014: Significant need for write-downs and strategic reorientation program

On 14 August 2014, the SKW Metallurgie Group published an ad hoc disclosure which described the need for the write-downs presented in these consolidated interim financial statements and additional details of the Group's strategic reorientation ("ReMaKe" project). In addition, publication of these consolidated interim financial statements was postponed to August 28, 2014.

Global economy continues to grow, however at a reduced pace

In view of the reserved start to 2014 in the USA and some emerging and developing nations, the International Monetary Fund (IMF) reduced its global growth forecast in its "World Economic Outlook" to 3.4% in July 2014 compared to 3.7% in the April forecast which was used as a basis for the interim group management report on the first quarter of 2014. The moderately improved situation in some traditional industrialized nations was also not able to change this position. Developed economies are expected to grow by 1.8% this year (April: 2.2%), and developing and emerging nations are set to grow by 4.6% (April: 4.8%). In 2015, the IMF continues to forecast global economic growth of 4.0%.

In detail, the IMF expects the following regional developments: It forecasts growth in the Eurozone of 1.1% (2014) and 1.5% (2015), and it has even increased its forecast for Germany for 2014 (+1.9%); countries such as France (+0.7%) and Italy (+0.3%) can expect growth to be lower than forecast in April. The IMF has also cut its forecast for the USA significantly from +2.8% to now just +1.7%. However, it has increased this forecast slightly for 2015 to 3.0%. The Japanese economy is expected to grow by 1.6% (2014) and 1.1% (2015).

Among developing and emerging nations the People's Republic of China is driving growth at 7.4% (2014) and 7.1% (2014), although the IMF has cut its forecasts here by 0.2 percentage points in each case compared to April. In the other BRIC countries, India can expect solid growth at 5.4% (2014) and 6.4% (2015). Perspectives for Brazil have clouded significantly since the last "World Economic Outlook", and for this year only moderate growth of 1.3% is forecast, and 2.0% for 2015. The Russian economy is increasingly suffering from the sanctions imposed against the country as a result of the crisis in Ukraine. For 2014, therefore, the experts forecast only minimum growth of 0.2% (April: +1.3%) and 1.0% for 2015 (April: +2.3%).

The group management report for fiscal year 2013 (including the forecast) was based on the IMF's figures of January 2014 which, however, differ only marginally from the April forecast for 2014.

Steel production outside China up by two percent in H1

Sales of the SKW Metallurgie Group's products continues to show a highly positive correlation with the growth of the steel industry, as business with customers in this industry accounts for 85-90% of the SKW Metallurgie Group's revenues. A large proportion of SKW Metallurgie's sales has a positive correlation with the quantity of steel produced; the steel price and the earnings position of steel manufacturers continue to be less important for the SKW Metallurgie Group.

In geographic terms, the SKW Metallurgie Group's sales focus on the markets outside China, and in particular on the USA, the European Union and Brazil. The key indicator in this regard, "Steel production world without China" increased by 2.0% year-on-year. In this regard, growth is varied, at 3.8% in the 28 EU nations, 0.9% in the USA, and -1.8% in Brazil. Growth in the USA gradually normalized during the second quarter of 2014 compared to the first quarter as production in the North East, a key region for the SKW Metallurgie Group, gained pace again after the unusually hard winter. In contrast, in the EU only a moderately greater quantity was produced from April to June compared to the same period of the previous year, in Brazil growth in this period fell.

For 2014 as a whole, the World Steel Association published an update in April 2014 for its six-monthly steel consumption forecasts, which are an excellent indicator for steel production. These forecasts and the current figures for the first half of 2014 allow us to expect low single-digit growth for 2014 as a whole in the EU and North America; in Brazil further growth will also depend on the outcome of the elections in the fall of 2014. The group management report for 2013 was based on forecasts from October 2013, and compared to these figures expectations for steel production in 2014 have become slightly more positive, even if estimates for the EU are not fully comparable due to the transition from EU27 to EU28 (Croatia as a new member); first forecasts for 2015 were published in April 2014.

The SKW Metallurgie Group records an unchanged 10-15% of its revenues with customers outside the steel industry.

→ This relates, roughly 50:50 to "Quab" specialty chemicals, which are mostly sold to producers of industrial starch (pre-product for paper production).

→ The other half of revenues with non-steel customers is due to products from both core segments that are technologically related to products for the steel industry (e.g. calcium carbide for the gas industry and cored wire for the copper and casting industries).

Sales of SKW Metallurgie's products outside the steel industry are mostly in line with the general economic trends.

Organization and company structure

We already presented the key developments in the organization and company structure in the first quarter of 2014 in the group interim management report as part of the report on the first quarter of 2014. In the second quarter, i.e., the period from 1 April to 30 June, 2014, there were the following major developments with regard to our organization and company structure:

General Meeting: SKW Stahl-Metallurgie Holding AG's Ordinary General Meeting was held in Munich (Germany) on June 3, 2014. At this meeting, the management's proposals (including for the appropriation of profits for 2013) were all approved with the requisite majority. The only exception was the resolution to ratify the members of the Executive Board for business year 2013. The management had moved that the members of the Executive Board in 2013 should be ratified, however the majority of the shareholders represented did not follow this proposal.

Shareholder structure: The Group's shareholder structure continues to be characterized by being held fully in free float (Deutsche Börse's definition). During the quarter under review and in the period thereafter, the company was not aware of any shareholders with interests of 10% or more in the unchanged share capital.

Supervisory Board: The periods of office for the court-appointed members Jutta Schull and Dr. Hans Liebler ended with the General Meeting on June 3, 2014. Management had proposed to the General Meeting, that Ms. Schull and Dr. Liebler should be elected as members of the Supervisory Board. The requisite majority of the shareholders represented followed this motion.

Executive Board: Dr. Kay Michel's period of office as the Company's new CEO started on 1 April, 2014. SKW Stahl-Metallurgie Holding AG's new Executive Board now comprises Dr. Kay Michel (CEO) and Sabine Kauper (CFO), and has been fully in office since 1 April, 2014.

Group of consolidated companies:

→ There were no changes in the group of consolidated companies in the quarter under review. However, compared to the previous year, the number of companies fell by one, as one US group company was merged with another US group company as of January 1, 2014. A total of 26 group companies were consolidated in the SKW Metallurgie Group on 30 June 2014 (compared to 27 on 30 June and 31 December, 2013). These 26 companies include the parent company SKW Stahl-Metallurgie Holding AG, Unterneukirchen (Germany), and 25 subsidiaries and second-tier subsidiaries in 14 countries.

→ As part of the strategic reorientation, the Group plans to introduce a leaner group structure, and in particular to further reduce the number of group companies. In the second quarter, the Group decided to liquidate SKW Technology GmbH & Co KG and SKW Technology Management GmbH, both based in Tuntenhausen (Germany).

→ The SKW Metallurgie Group has also continued to not consolidate its participating interests in the Indian joint venture Jamipol and a company which has been in liquidation in France for some time, due to its minor importance for the company.

Production locations: The number of SKW Metallurgie's production facilities (without the Jamipol joint venture with two plants in India) did not change in the period under review and continues to total 16 plants in 10 countries.

Intra-group management: The new Executive Board has started to bring the group companies, which had previously acted very independently, closer together and manage these more centrally. In this regard, an Executive Committee has been formed, comprising members of the Group's Executive Board and managing directors of key group companies. The aims include, for example, improving regional performance beyond brand boundaries, and thus improving consolidated earnings.

No other material changes to the organization and corporate structure were made in the second quarter of 2014 (1 April to 30 June, 2014).

Corporate and business development

Steel production and SKW Metallurgie's consolidated sales both positive after H1

From January to June 2014, the global economy was characterized by a cautiously positive underlying mood, even though the political insecurity in Ukraine and the Near East has led to increased insecurity since the middle of 2014.

A key factor for sales for the SKW Metallurgie Group, which records 85-90% of its revenues with the steel industry, is not so much the global economy in general, but specifically growth in steel production in the geographic markets it serves. In the first half of 2014 this was generally slightly higher than in the first half of 2013, however it was characterized by the following special features:

→ In Brazil, a key sales market for SKW Metallurgie, steel production in the first half of 2014 was lower than in the first six months of 2013; this is due to factors including restrictions as a result of the soccer World Cup.

→ In North America, where the SKW Metallurgie Group records 50% of its revenues, there was very different growth in the various regions. In Q1 2014 and through to the start of Q2 2014 the North East of the USA and Canada was hit by a particularly hard winter. This region is home to the most important customers for the Group's companies which supply the North American steel industry.

The hard winter in North America is responsible for a key proportion of the downturn in revenues in the first half of 2014; in addition, consolidated revenues are under pressure as a result of lost orders and price pressure from key customers in the USA. The market also remained highly competitive in Brazil.

The SKW Metallurgie Group's revenues totaled EUR 168.8 million in H1 2014, and are EUR 7.4 million lower than revenues in H1 2013 (EUR 176.2 million).

However, the end of the first six months was characterized by positive figures, in particular in North America. This means that SKW Metallurgie's global revenues in June 2014 were higher than in June 2013.

Gross margin still above 30%

Revenue fluctuations for the SKW Metallurgie Group are due, to a significant extent, to fluctuations in commodities prices, with a positive correlation between revenues and the cost of materials. A key indicator for the SKW Metallurgie Group's operating performance is thus its gross margin (difference between total operating revenue and cost of materials to revenues).

In the first half of 2014, the gross margin was 30.6%, and thus only slightly lower than the high level recorded in H1 2013 (31.3%). However, the cost of materials in the second quarter include impairment on inventories at a US group company which were mostly due to the fact that a transaction with a customer outside the steel industry that had been announced failed to materialize (see comments on the corresponding impairment of property, plant and equipment). Without this factor (of EUR 1.5 million), the gross margin in H1 2014 would have been at the previous year's level. The SKW Metallurgie Group aims to continue the positive growth in its gross margin by continuing to focus on high-margin divisions, and improving the quality of its margin by active supply chain management.

Other operating income was only marginally lower than in the previous year at EUR 3.1 million (H1 2013: EUR 3.2 million). The bulk of this figure was accounted for by income from foreign currency translation (mostly unrealized). This currency translation income totaled EUR 2.0 million in H1 2014, compared to EUR 2.3 million in the same six months of the previous year.

Other operating expenses fell from EUR 27.8 million to EUR 26.4 million. Of this total, EUR 2.2 million is due to currency translation expenses (H1 2013: EUR 2.7 million); these expenses are mostly unrealized. The other operating expenses which are not due to currency translation expenses thus fell by EUR 0.9 million from EUR 25.1 million to EUR 24.2 million. These are mostly variable (sales-related) cost components such as transport costs and expenses for sales commission.

The net currency translation result (currency translation income netted with currency translation expenses) is thus practically zero, and is also very close to the previous year's figure (H1 2014: EUR -0.2 million; H1 2013: EUR -0.3 million).

Solid EBITDA in Q2 2014

In the first half of 2014 the SKW Metallurgie Group recorded EBITDA of EUR 5.8 million, and thus did not reach the figure recorded in the first half of 2013 (EUR 8.7 million) due to the sluggish start to the year. However, as is also the case for revenues, EBITDA showed an operating improvement towards the end of the reporting period: The SKW Metallurgie Group's EBITDA did not reach the previous year's figure in the second quarter of 2014 (EUR 2.8 million; Q2 2013: EUR 3.7 million). However, considering the effects of the impairment of inventories in the second quarter of 2014 detailed above (EUR 1.5 million), EBITDA for the quarter totaled EUR 4.3 million and was thus up by EUR 0.6 million compared to the previous year's figure (Q2 2013: EUR 3.7 million).

Non-cash one off factors: Significant impairment

As announced in the report on the first quarter of 2014, the SKW Metallurgie Group's new Executive Board fundamentally reviewed the entire Group's portfolio. This will lead to the strategic reorientation of the Group in order to enable a rapid return to profitable, on-track growth.

The key results of this analysis are:

→ The SKW Metallurgie Group has solid core business, which will be reinforced and expanded in future.

→ On the other hand, over the past few years loss-making activities have depressed the SKW Metallurgie Group. These are to be found in non-core activities and have mostly resulted from the vertical integration strategy.

The Executive Board has initiated a program to boost efficiency and restructure the Group entitled ReMaKe ("Business Restructuring – Efficiency Management – Growth in Key Markets"). This is dedicated to developing core business and finding solutions for non-core areas.

The Executive Board's reviews have resulted in significantly more conservative business growth and forecasts for individual group companies compared to previous forecasts. Given this background, the Executive Board has resolved to no longer drive the vertical integration strategy, and to evaluate all of possible options for the group companies concerned.

In this context, extraordinary write-downs have been made in the consolidated interim financial statements as of 30 June 2014. These result, in particular, from the amended estimates for business growth for individual group companies. Of the total amortization of intangible assets and depreciation of property, plant and equipment in the first half of 2014 of EUR 76.5 million (H1 2013: EUR 5.5 million), the major portion is due extraordinary amortization and depreciation. This relates in particular to the following items:

→ The property, plant and equipment in Bhutan (production facility for calcium silicon, Cored Wire segment) and Sweden (production facility for calcium carbide for the European market, Powder and Granules segment) were written off in full.

→ Additional extraordinary write-downs of property, plant and equipment relate to:

  → In the Powder and Granules segment the SKW Technology companies, which the Group decided to liquidate in H1 2014, and the former US subsidiary ESM-SMT (special magnesium), which was merged with the US subsidiary ESM Group Inc. as of January 1, 2014; the write-down of property, plant and equipment at the former ESM-SMT is independent of the merger and results from the fact that a major project with a customer outside the steel industry, which had been announced, failed to materialize.

  → In the Other segment SKW Verwaltungs GmbH (property in Russia).

→ In addition, corrections were required for the carrying amounts for goodwill and intangible assets. These relate, in particular to the Brazilian group company Tecnosulfur and the US group company ESM, both in the Powder and Granules segment. The Brazilian subsidiary continues to make substantially positive contributions to consolidated earnings. However, as a result of the changed situation on the market, both for suppliers of raw materials and also for competitors, these contributions will be lower than had been expected in the past. The business forecasts for the ESM group had to be adjusted due to factors including new negotiations for contracts with key accounts and additional changes to the market environment.

Further details, including the breakdown of amortization and depreciation to the individual items can be found in section C of the notes to the consolidated financial statements.

By definition, depreciation of property, plant and equipment and amortization of intangible assets are non-cash. As a result the amortization and depreciation do not have any direct impact on the Group's liquidity. However, an indirect impact is possible (e.g. impact on liquidity from changed refinancing conditions). As of 30 June corresponding financial provisions were formed (in particular by entering an expense item for waiver fees). A further consequence was that financial debt of EUR 27 million, previously classified as non-current, had to be reclassified as current.

No further extraordinary amortization/depreciation is expected in the following quarters. Scheduled amortization/depreciation (fiscal year 2013: EUR 11.1 million) will be 20-25% lower in 2014 (annualized and in local currency) as a result of the write-downs described above.

IFRS earnings characterized by one-off factors

Net interest in the first six months of 2014 totaled EUR -2.4 million, and is on a par with the previous year's figure of EUR -2.4 million.

Tax expenses for the SKW Metallurgie Group totaled EUR 9.8 million in H1 2014 (H1 2013: EUR 1.5 million). Of this increase, EUR 6.7 million are due to write-downs (one-off factor) for deferred tax assets on tax losses carried forward (i.e., without impairment of deferred tax assets on temporary differences) in Bhutan, Sweden, Russia and Germany. This impairment of tax losses carried forward (non-cash) is based on the findings gained from the past earnings growth and the current forecast earnings for fiscal years 2014 to 2018.

As a result of the extraordinary write-downs, EBIT and all of the following totals in the income statement cannot be reasonably compared with the same period of the previous year.

As a result, the following table shows the totals with the IFRS figures (second column), the amount of this figure due to extraordinary write-downs (third column) and the (operating) totals adjusted for these extraordinary factors (fourth column):

EUR million	IFRS (previous year in brackets)	Extraordinary write-downs*	Operating (adjusted) figures
EBIT	-70.6 (3.2)	71.4	0.8
EBT	-73.1 (0.8)	71.4	-1.7
Consolidated net income for the period	-82.8 (-0.6)	81.3**	-1.5

*Without extraordinary impairment of current assets

**Including extraordinary impairment of deferred tax assets on temporary differences

From an operating perspective, we can see that the previous year's figures have not been fully met, however a large proportion of the significant downturn in the IFRS figures is due to the extraordinary write-downs (EUR 71.4 million for property, plant and equipment and intangible assets, and impairment of EUR 6.7 million for deferred tax assets on tax losses carried forward).

Of the consolidated earnings for first six months of 2014 based on IFRS figures, EUR -60.5 million is due to the parent company's shareholders (H1 2013: EUR 0.4 million). EUR -22.3 million is due to non-controlling interests (in particular the joint venture partner who holds a 49% interest in the Bhutanese group company (H1 2013: EUR -1.0 million). The figure for the parent company's shareholders and the unchanged number of 6,544,930 SKW Metallurgie shares result in earnings per share (EPS) of EUR -9.25 (H1 2013: EUR 0.07).

Significant impact on SKW Metallurgie's consolidated balance sheet from write-downs

The following table shows the key figures from the SKW Metallurgie Group's balance sheet at the end of the first six months of 2014 and the end of fiscal year 2013:

In EUR million (individual figures in each case, rounded)	June 30, 2014	December 31, 2013
ASSETS	**170.8**	**255.1**
Non-current	66.5	145.8
Current	104.3	109.4
thereof: cash and cash equivalents	13.6	10.7
EQUITY AND LIABILITIES	**170.8**	**255.1**
Equity	24.1	105.5
Non-current liabilities	25.6	69.4
Thereof: Non-current financial liabilities	8.9	54.2
Current liabilities	121.1	80.2
Thereof: Current financial liabilities	64.8	20.3

The SKW Metallurgie Group's total assets totaled EUR 170.8 million at the end of the period under review, and thus fell substantially by EUR 84.3 million compared to the year-end figure of December 31, 2013 of EUR 255.1 million. This downturn is almost exclusively due to the extraordinary write-downs of property, plant and equipment (mostly in Bhutan and Sweden) and intangible assets, as well as deferred tax assets capitalized.

Under equity and liabilities, it was mostly the write-downs detailed above which led to a reduction in equity by EUR 81.4 million (from EUR 105.5 million on December 31, 2013 to EUR 24.1 million on June 30, 2014). This means that the equity ratio has fallen substantially to 14.1% as of June 30, 2014 compared to the figure of December 31, 2013 (41.3%; when calculated using rounded figures: 41.4%). The equity ratio is the ratio of equity to total assets.

Net financial debt (defined as current and non-current financial liabilities less cash and cash equivalents) at the SKW Metallurgie Group totaled EUR 60.1 million on June 30, 2014 and was thus slightly lower than on December 31, 2013 (EUR 63.8 million). The substantial increase in current financial liabilities with a simultaneous decrease in non-current financial liabilities is due to the promissory note loan in the amount of EUR 45 million. The term of this loan was reclassified in the amount of EUR 18 million due to the maturity of the first tranche in March 2015 and in the amount of EUR 27 million due to application of IAS 1.74.

Gearing, or the ratio of net financial debt to equity, increased as a result of the substantially lower equity from 0.60 (December 31, 2013) to 2.49 (June 30, 2014).

Positive free cash flow

The following table shows the changes in the SKW Metallurgie Group's cash flow from January 1 to June 30, 2014 compared to the corresponding six-month period in 2013:

EUR million	Jan. 1 - Jun. 30, 2014	Jan. 1 - Jun. 30, 2013
Consolidated net income for the period	-82.8	-0.6
Non-cash income and expense	87.5	4.7
Gross cash flow	4.7	4.1
Changes in working capital	1.2	0.7
Cash flow from operating activities	5.9	4.8

In the first six months of 2014 the gross cash flow totaled EUR 4.7 million, and was higher than in the same period of the previous year (EUR 4.1 million). Consolidated net income for the period fell substantially. In contrast, however, net earnings from non-cash income and expense are substantially higher than in the previous year at EUR 87.5 million (EUR 4.7 million), due, in particular, to the extraordinary write-downs detailed above.

Working capital (in the broadest sense) fell by EUR 1.2 million in the period under review (Q1 2013: reduction of EUR 0.7 million). However, working capital in the narrower sense (inventories plus trade receivables less trade payables) rose by EUR 0.7 million in the first six months, after having fallen by EUR 1.5 million in H1 2013.

The SKW Metallurgie Group thus recorded net proceeds from operating activities in the period under review of EUR 5.9 million in H1 2014 compared to EUR 4.8 million in the first six months of 2013. In 2014 to date, the SKW Metallurgie Group's capital expenditure has focused, in particular, on maintenance investments, as already communicated. Accordingly net cash used in investing activities in the period under review of EUR 1.7 million is clearly lower than amortization and depreciation (even after adjustment for the extraordinary write-downs) and also lower than the figure from the same period of the previous year of EUR 2.2 million, which was already low. The free cash flow as the sum of the net proceeds from operating activities and the net cash used in investing activities was positive both in the first six months of 2014 (EUR 4.2 million) and also in H1 2013 (EUR 2.6 million).

During the first six months of 2014, the free cash flow was mostly used to repay net financial debt and to reinforce cash and cash equivalents after the majority of SKW Metallurgie's shareholders passed a resolution at the General Meeting in the second quarter of 2014 to not disburse any dividend in 2014 (for 2013).

Segment reporting

The SKW Metallurgie Group currently comprises an unchanged number of three segments: the two core segments of Cored Wire and Powder and Granules and the Other segment (including Quab business). Internal revenue between the segments is eliminated in the “consolidation” column (see segment reporting in the notes); internal revenues within a segment have already been eliminated in the segment figures disclosed. The two core segments Cored Wire and Powder and Granules mainly include products and services for the steel industry, and in turn for hot metal desulfurization in furnaces (core activities for Powder and Granules) and secondary metallurgy (core activities for Cored Wire).

Growth in the two core segments during the period under review was as follows:

→ The Cored Wire segment recorded slightly lower external revenues of EUR 80.1 million in the first six months (H1 2013: EUR 81.0 million). However, operating improvements, in particular to the product mix, meant that segment EBITDA rose slightly from EUR 4.2 million to EUR 4.8 million - in contrast to the slight downturn in revenues.

→ In the Powder and Granules segment, external revenues fell during the six-month period from EUR 83.3 million to EUR 74.3 million. This led to a substantial downturn in segment EBITDA from EUR 4.2 million to EUR 2.0 million. Of this EUR 2.2 million reduction in EBITDA, EUR 1.5 million is due to effects from the revaluation of inventories (non-cash one-off effect).

The extraordinary write downs only affect the “Other” segment to a minor extent, and affect the Cored Wire segment and Powder and Granules segment roughly equally.

Staff levels practically constant

Excellently trained, highly motivated employees continue to be a key component of the SKW Metallurgie Group’s successful business operations. The number of employees worldwide totaled 1,037 on June 30, 2014 and was higher than the figure on December 31, 2013 (1,010) and also higher than the figure on June 30, 2013 (1,018). This increase was mostly due to insourcing sales functions in Brazil. An unchanged approx. 98% of our employees work outside Germany.

Report on Opportunities and Risks

The SKW Metallurgie Group attaches great importance to the constant recognition and evaluation of opportunities and risks, and to the implementation of appropriate measures where necessary to best realize those opportunities and best limit those risks. As a result, during the second quarter of 2014, the risk inventory performed at the end of 2013 (and updated on March 31, 2014) was updated in the form of a quarterly risk report. The risk report resulted in the following major changes as of June 30, 2014 compared to the statements made on opportunities and risks in the 2013 annual report and in the report on the first quarter of 2014:

→ Opportunities from ReMaKe: The ReMaKe project gives the SKW Metallurgie Group the opportunity to boost its efficiency by optimizing structures and workflows, developing new business and increasingly penetrating the strategic sales markets of India, Russia and - over the medium-term - China.

→ Impairment: The new Executive Board has taken a substantially more conservative view of the business outlook for the growth and expansion projects put in place over the past few years than was the case in previous forecasts. This applies, in particular to the low shaft furnaces in Sweden and Bhutan. These effects have been fully processed in this interim report. As a result, no further requirements for extraordinary write-downs are expected over and above the impairment shown in this interim report.

→ Continued operation of the low-shaft furnaces in Bhutan and Sweden:

  → Through to the date these consolidated interim financial statements were prepared, no activities were resolved or put in place that would lead to application of IFRS 5 (Non-current assets held for sale and discontinued operations).

  → There is a risk for the low-shaft furnaces that market prices for calcium silicon and calcium carbide could continue to fall, without any such reduction being offset by a corresponding reduction in costs. The European market for calcium carbide (primary sales market for products from the Swedish furnace) is also characterized by over-production. It is only possible to flexibly adjust the quantities produced to a limited extent due to technical issues at all of the major manufacturers.

  → Both the facility in Sweden and also, in particular, the facility in Bhutan are located outside of urban conurbations, and are thus exposed to particular challenges in hiring and retaining highly-qualified personnel. There is an increased climatic risk (risk of monsoons) in Bhutan and also in the Indian regions adjoining Bhutan through which the majority of the physical raw materials are transported, and also the products from the SKW Metallurgie plant. This means that restrictions are possible, for example with regard to the electricity supply, IT connections and transport. The political and legal situation in Bhutan and the agreements with the joint venture partner are complex, which means that additional risks could result for the SKW Metallurgie Group.

  → The Bhutanese company has negative equity and a high level of debt. If there should be any further negative developments, e.g. as a result of unforeseen production downtime, both the Bhutanese company's ability to pay and also its continued existence would no longer be certain. In addition, there is a currency translation risk (exchange rate fluctuations and the risk of restricted convertibility), as the majority of the company's current revenues are recorded in INR, however part of the liabilities have to be paid in EUR or USD.

- Human resources risk:
  - A managing director with one of the Group's companies in the USA, who has been with the Company for several years, is seriously ill. It is not certain if or when he will be able to get back to work, or with regard to his future capacity.
  - At present, many group companies are undergoing change, and some of these will also result in a change of location (in particular for administrative functions). It is not possible to rule out an above average fluctuation in staff in this regard.
  - The SKW Metallurgie Group's expertise is in the hands of a few key members of staff in some areas.
  - Short-term solutions will be required in all cases of the threatened or actual loss of key staff members - as a result there is the risk that there could be friction and a loss of expertise during the transitional period.
- Liabilities: The financial indicators reported in this interim report are not always enough to meet the agreements with lenders (so-called financial covenants). As a result of the extraordinary write-downs, as of June 30, 2014 there is a breach of covenant for a master credit agreement (violation of financial indicators). In this regard, the banks affected issued a written waiver on August 13, 2014, which is initially valid through to September 30, 2014. A corresponding expense item (waiver fee) has been formed. The SKW Metallurgie Group is currently in constructive negotiations with the financing banks with regard to a sustainable medium-term financing concept. After presenting further details of the ReMaKe project, which will be validated by an external expert opinion, a stand-still agreement is to be concluded with the lending banks for a reasonable period. According to current forecasts, the Company will continue to be able to meet its redemption and interest obligations for the entire term of the financing, and as a result Management believes that it is highly likely that it will be possible to maintain the financing, and in particular that there will be sufficient liquidity for the redemption payments due at the start of 2015. In spite of this, in future the financing banks could exercise cancellation rights with all of their consequences for the Group's overall financing by the parent company SKW Stahl-Metallurgie Holding AG, or the refinancing of expiring borrowing could be reached only at correspondingly amended conditions. The key elements of the SKW Metallurgie Group's current borrowing are a promissory note loan with a volume of EUR 45.0 million (of which EUR 18.0 million are due in March 2015), a master credit line with three German banks for a total of EUR 40.0 million which expires in March 2015 and which had been used in the amount of EUR 15.8 million (including guarantees) as of June 30, 2014, and a further credit line of EUR 5.0 million with another German bank.
- Litigation: As presented in detail in the consolidated financial statements as of December 31, 2013, the SKW Metallurgie Group is involved in European antitrust proceedings and also proceedings with the Department of Homeland Security in the USA. There are sufficient provisions for both proceedings and sufficient liquidity to make payments up to the amount of these provisions. The SKW Metallurgie Group does not currently believe that it will have to form further expense items for these issues; however there is still a risk in this regard.

Report on events after the balance sheet date

As a result of the extraordinary write-downs, as of June 30, 2014 there is a breach of covenant for a master credit agreement (violation of financial indicators). During preparation of this interim report, the banks affected issued a waiver which is initially valid through to September 30, 2014. A corresponding expense item (waiver fee) has been formed. As detailed in the report on opportunities and risks, the SKW Metallurgie Group is engaged in constructive discussions with its financing banks. The Executive Board continues to believe that the Group is a going concern.

After the end of the period under review on June 30, 2014, and up to the date on which this interim report was prepared, there were no other events of particular importance for the SKW Metallurgie Group.

Forecast

Comparison of the prior period's forecast with actual developments

In the forecast included in the group management report for fiscal year 2013, the Executive Board forecast a slight increase in the quantity of steel produced on the relevant markets. This forecast held true in the USA and the EU, and steel production fell slightly in Brazil as a result of negative impetus from the soccer World Cup. In addition, comments were made on the "adjusted operating EBITDA" in the 2013 report; as already reported in the consolidated interim report as of March 31, 2014, the new Executive Board will not maintain the calculation of this self-defined indicator. In terms of the balance sheet, the forecast was to further reduce the net financial debt - this forecast was met in H1 2014.

Outlook for 2014 as a whole: Strategic reorientation program launched

The SKW Metallurgie Group's new Executive Board has initiated a strategic reorientation program ("ReMaKe"). In particular this program aims to further reinforce the fundamentally profitable core divisions. This program's key components include top-level improvements to efficiency, stronger co-operation between individual group units to realize cross-selling effects and business growth on regional markets and new areas of technology and applications. In addition, over the medium term, it aims to substantially increase revenues in Asia (in particular in India) and in Russia.

The former Executive Board's program to improve efficiency ("EPC") will not be continued in its previous form. The parts of this program that have not yet been worked through will be integrated into the ReMaKe project, which has a substantially greater reach.

The ReMaKe project will significantly improve the SKW Metallurgie Group's earnings and free cash flow from fiscal year 2015. However, a negative impact on EBITDA is expected for the second half of 2014 due to restructuring expenses. The one-off expenses are expected to total a figure in the single-digit million euros range.

Operating outlook for 2014 as a whole: Slight increase in steel production means solid forecast for sales of SKW Metallurgie's products

The SKW Metallurgie Group will again record around 85-90% of its revenues with the steel industry in 2014. Of these revenues recorded with the steel industry, the quantities (sales) mostly depend on the quantity of steel produced in the key geographic markets for SKW Metallurgie (EU28, NAFTA, Brazil). The apparent steel use, which the World Steel Association forecasts regularly, is an excellent indicator for steel production.

Based on the updates to the World Steel Associations forecasts, as a rule steel production is expected to grow by a low single-digit percentage in all of the relevant regions in 2014.

→ In Brazil, the second half of the year will have to be positive in order to meet this forecast, as the quantity of steel produced in the first six months of 2014 was lower than in the previous year.

→ In the other geographic markets, the actual figures for the first half of the year are positive, and thus confirm the positive expectations for the year as a whole.

As a result of the anticipated increase in global steel production, sales of SKW Metallurgie's products are also expected to grow slightly. This estimate of the positive influence that the growth in steel production will have on sales corresponds to the estimate made in the 2013 consolidated financial statements, as the forecasts for steel consumption (as an approximation of steel production) have only changed to a minor extent in the interim period. In spite of this, however, the new Executive Board is taking a more conservative view of the business perspectives than the former Executive Board as competition has increased on some markets (e.g., in Brazil and the USA) over the past few years. As a result, irrespective of the quantity of steel produced, this could result in a loss of market share and pressure on margins.

Guidance: Revenues and EBITDA (without restructuring expenses) up year-on-year in second half of 2014

Taking things as a whole, the Executive Board continues to believe that the Group is a going concern. For fiscal year 2014 as a whole, the SKW Metallurgie Group's Executive Board expects revenues to be down slightly compared to the 2013 figures, and for EBITDA to be down substantially compared to the 2013 figures. The main reason for this is that, despite fundamentally positive operating expectations for the second half of the year, it is not expected that it will be possible to overcompensate for the downturns in revenues and EBITDA recorded in the first half of 2014. In addition, the one-off expenses from the ReMaKe project will have a one-off negative impact on EBITDA in the second half of 2014 in the single-digit million euros range. Without these one-off expenses, revenues and EBITDA in the second half of 2014 are expected to be higher than the figures from the second half of 2013, assuming a constant group structure and the anticipated positive growth in the steel economy and the initial positive impetus from the ReMaKe project.

From 2015, as a result of the ReMaKe project, revenues and EBITDA figures are expected to be higher compared to 2014. Further details on the strategic reorientation as a result of the ReMaKe project and the resulting anticipated quantitative impact on revenues, EBITDA and free cash flow are to be announced during the remainder of 2014, by the latest with publication of the consolidated interim report as of September 30, 2014.

Unterneukirchen (Germany), August 22, 2014

SKW Stahl-Metallurgie Holding AG
The Executive Board

Dr. Kay Michel CEO	Sabine Kauper

Consolidated interim financial statements

Consolidated income statement for the period from January 1 to June 30, 2014

EUR thousand	Q1-2/2014	Q1-2/2013
Revenues	168,750	176,160
Change in finished goods and work in progress	537	2,962
Own work capitalized	33	33
Other operating income	3,121	3,223
Cost of materials	-117,623	-123,976
Personnel expenses	-23,315	-22,329
Other operating expenses	-26,358	-27,778
Income from associated companies	680	425
EBITDA	**5,825**	8,720
Amortization of intangible assets and depreciation of property. plant and equipment	-76,452	-5,480
EBIT	**-70,627**	3,240
Net interest	-2,425	-2,393
EBT	**-73,052**	847
Income taxes	-9,783	-1,456
Consolidated net loss for the period	**-82,835**	-609
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	-60,528	437
Thereof non-controlling interests	-22,307	-1,046
Earnings per share (in EUR)*	**-9.25**	0.07

* Basic earnings per share correspond to diluted earnings per share.

Consolidated income statement
for the period from April 1 to June 30, 2014

EUR thousand	Q2/2014	Q2/2013
Revenues	84,807	88,376
Change in finished goods and work in progress	-1,623	839
Own work capitalized	16	16
Other operating income	2,050	801
Cost of materials	-57,521	-60,904
Personnel expenses	-11,764	-10,952
Other operating expenses	-13,564	-14,620
Income from associated companies	433	149
EBITDA	**2,834**	3,705
Amortization of intangible assets and depreciation of property, plant and equipment	-73,469	-2,753
EBIT	**-70,635**	952
Net interest	-1,183	-1,122
EBT	**-71,818**	-170
Income taxes	-8,589	-1,091
Consolidated net loss for the period	**-80,407**	-1,261
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	-61,813	-797
Thereof non-controlling interests	-18,594	-464
Earnings per share (in EUR)*	**-9.44**	-0.12

* Basic earnings per share correspond to diluted earnings per share.

Reconciliation to comprehensive income from January 1 to June 30, 2014

EUR thousand	Q1-2/2014	Q1-2/2013
Consolidated net loss for the period	**-82,835**	-609
Items that will not be reclassified subsequently to profit or loss:		
Change in actuarial gains and losses from defined benefit pension commitments	-1,135	-1,743
Deferred taxes on items that will not be reclassified subsequently to profit or loss	337	501
Items that will be reclassified subsequently to profit or loss		
Unrealized losses from derivatives (hedge accounting)	-190	137
Net investments in a foreign operation	237	161
Deferred taxes on items that will be reclassified subsequently to profit or loss	56	-40
Exchange rate fluctuations	2,860	-2,893
Other result	**2,165**	-3,877
Total result	**-80,670**	-4,486
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	-58,875	-2,662
Thereof non-controlling interests	-21,795	-1,824

Reconciliation to comprehensive income from April 1 to June 30, 2014

EUR thousand	Q2/2014	Q2/2013
Consolidated net loss for the period	**-80,407**	-1,261
Items that will not be reclassified subsequently to profit or loss:		
Change in actuarial gains and losses from defined benefit pension commitments	-1,135	92
Deferred taxes on items that will not be reclassified subsequently to profit or loss	337	-46
Items that will be reclassified subsequently to profit or loss		
Unrealized losses from derivatives (hedge accounting)	-113	137
Net investments in a foreign operation	250	-639
Deferred taxes on items that will be reclassified subsequently to profit or loss	33	-40
Exchange rate fluctuations	1,020	-5,377
Other result	**392**	-5,873
Total result	**-80,015**	-7,134
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	-58,982	-5,340
Thereof non-controlling interests	-21,033	-1,794

Consolidated balance sheet as of June 30, 2014

Assets in EUR thousand	Jun. 30, 2014	Dec. 31, 2013
Non-current assets		
Intangible assets	22,160	45,454
Property, plant and equipment	36,797	83,988
Interests in associated companies	5,048	4,290
Other non-current assets	579	516
Deferred tax assets	1,909	11,523
Total non-current assets	**66,493**	**145,771**
Current assets		
Inventories	42,882	47,682
Trade receivables	36,911	38,421
Income taxes	4,844	5,253
Other current assets	6,059	7,345
Cash and cash equivalents	13,577	10,673
Total current assets	**104,273**	**109,374**
Total assets	**170,766**	**255,145**

Equity and Liabilities in EUR thousand	Jun. 30, 2014	Dec. 31, 2013
Equity		
Subscribed capital	6,545	6,545
Share premium	50,741	50,741
Other comprehensive income	-22,470	36,405
	34,816	93,691
Non-controlling interests	-10,706	11,789
Total equity	**24,110**	**105,480**
Non-current liabilities		
Pension obligations	7,228	5,866
Other non-current provisions	4,871	2,929
Non-current financial liabilities	8,856	54,150
Deferred tax liabilities	4,351	6,272
Other non-current liabilities	235	252
Total non-current liabilities	**25,541**	**69,469**
Current liabilities		
Other current provisions	3,071	3,643
Current obligations from finance leases	4	19
Current financial liabilities	64,779	20,333
Trade payables	37,065	41,500
Income taxes	888	468
Other current liabilities	15,308	14,233
Total current liabilities	**121,115**	**80,196**
Total equity and liabilities	**170,766**	**255,145**

Consolidated statement of changes in equity as of June 30, 2014

EUR thousand	Subscribed capital	Share premium	Other comprehensive income	Equity before other shareholders' interests	Non-controlling interests	Total equity
Balance at Jan. 1, 2013	**6,545**	**50,741**	**48,923**	**106,209**	**15,681**	**121,890**
Consolidated net income for the period	0	0	437	437	-1,046	-609
Exchange rate fluctuations	0	0	-2,115	-2,115	-778	-2,893
Income and expense carried under equity (without exchange rate fluctuations)	0	0	-984	-984	0	-984
Total result 2013	**0**	**0**	**-2,662**	**-2,662**	**-1,824**	**-4,486**
Dividend payment	0	0	-3,272	-3,272	-468	-3,740
Balance as of June 30, 2013	**6,545**	**50,741**	**42,989**	**100,275**	**13,389**	**113,664**
Balance at Jan. 1, 2014	**6,545**	**50,741**	**36,405**	**93,691**	**11,789**	**105,480**
Consolidated net loss for the period	0	0	-60,528	-60,528	-22,307	-82,835
Exchange rate fluctuations	0	0	2,348	2,348	512	2,860
Income and expense carried under equity (without exchange rate fluctuations)	0	0	-695	-695	0	-695
Total result 2014	**0**	**0**	**-58,875**	**-58,875**	**-21,795**	**-80,670**
Dividend payment	0	0	0	0	-700	-700
Balance as of June 30, 2014	**6,545**	**50,741**	**-22,470**	**34,816**	**-10,706**	**24,110**

Consolidated cash flow statement
January 1 to June 30, 2014

EUR thousand	Jan. 1 - Jun. 30, 2014	Jan. 1 - Jun. 30, 2013
1. Consolidated net loss for the period	**-82,835**	-609
2. Write-ups/write-downs of non-current assets	76,452	5,480
3. Increase/decrease in provisions for pensions	227	279
4. Income from associated companies	-680	-149
5. Result from the disposal of non-current assets	**-40**	-430
6. Result from currency conversion	**182**	243
7. Result from deferred taxes	7,901	-761
8. Expenses from impairment of inventories and receivables	2,842	35
9. Other non-cash income and expense	664	-22
10. Gross cash flow	**4,713**	4,066
Change in working capital		
11. Increase/decrease in current provisions	1,369	-610
12. Increase/decrease in inventories (after advance payments received)	2,538	2,291
13. Increase/decrease in trade receivables	1,153	-4,526
14. Increase/decrease in other receivables	-9	4
15. Increase/decrease in receivables from income taxes	340	-269
16. Increase/decrease in other assets	1,359	1,072
17. Increase/decrease in trade payables	-4,435	3,731
18. Increase/decrease in other liabilities	-3	-15
19. Increase/decrease in other equity and liabilities	-1,108	-981
20. Net cash provided by (+)/used in (-) operating activities	**5,917**	4,763
21. Proceeds from the disposal of non-current assets	1,054	761
22. Payments for investments in non-current assets	-2,713	-2,940
23. Net cash provided by (+)/used in (-) investing activities	**-1,659**	-2,179
24. Decrease in liabilities from finance leases	-14	-20
25. Dividend payment to shareholders of the parent company	0	-3,272
26. Dividend payments to non-controlling interests	-700	-468
27. Proceeds from borrowings	2,703	1,987
28. Repayment of borrowings	-3,550	-15,945
29. Net cash provided by (+)/used in (-) financing activities	**-1,561**	-17,718
30. Cash and cash equivalents − start of period	10,673	25,330
31. Change in cash and cash equivalents	2,697	-15,134
32. Currency translation for cash and cash equivalents	207	-209
33. Cash and cash equivalents - end of period	**13,577**	9,987

Notes to the condensed consolidated interim financial statements as of June 30, 2014

A. Basis of presentation

SKW Stahl-Metallurgie Holding AG has prepared its condensed consolidated interim financial statements as of June 30, 2014 according to International Accounting Standard (IAS) 34. The same accounting principles were applied for the condensed consolidated interim financial statements as were applied for the consolidated financial statements as of December 31, 2013; IAS 34 (Interim Reporting) was also applied. SKW Stahl-Metallurgie Holding AG applied all of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) which applied on the date the condensed consolidated interim financial statements were prepared and which had been endorsed by the European Commission for application in the EU. From the perspective of the Company’s management, the six-month financial report includes all of the standard adjustments which have to be applied on an ongoing basis and which are required for true and fair presentation of the financial position, net assets and results of operations. The accounting principles and methods applied for consolidation are detailed in the notes to the consolidated financial statements as of December 31, 2013 (Section “C. Key Accounting and Valuation Principles”); this can be found online at http://www.skw-steel.com.

The new and revised accounting standards for which application has been mandatory since fiscal year 2014 are an exception. In this regard, for this interim report please refer to the comments made in the notes to the consolidated financial statements as of December 31, 2013 in Section “A. General Information and Presentation of the Consolidated Financial Statements”. In addition to this, during the period under review the following standards and interpretations of importance for the Group were published whose application will become mandatory in the future, and which have not yet been endorsed by the European Commission for application in the EU:

On May 12, 2014 the IAS published changes to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortization). The IASB provides further guidelines to define an acceptable amortization/depreciation method with these changes. The changes are to be applied prospectively for fiscal years beginning on or after January 1, 2016. It is permitted to apply them ahead of time. A review of the group-wide uniform amortization/deprecation rules did not lead to any need for adjustment.

On May 28, 2014, the IASB published IFRS 15 “Revenue from Contracts with Customers”. This new standard on the recognition of revenues is to merge the numerous regulations previously included in various standards and interpretations. At the same time, uniform basic principles have been set which can be applied in all industries and for all categories of revenue transactions. IFRS 15 will replace IAS 11 Construction Contracts and IAS 18 Revenue as well as the interpretations IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services. Application of the new regulations is mandatory for fiscal years beginning on or after January 1, 2017. Earlier application is allowed and recommended. EU endorsement is still outstanding. At present, the Company is reviewing whether these changes will have a material impact compared to current accounting practices.

With regard to the methods used for estimates the comments in the notes to the consolidated financial statements as of December 31, 2013, Section “B: Consolidated Group and Consolidation Methods” apply. There may be differences in the tables in the notes to the consolidated financial statements as a result of rounding.

The SKW Metallurgie Group’s operating business in the Cored Wires and Powder and Granules segments is not subject to major seasonal fluctuations. In spite of this, however, a comparison of periods during the course of the year can be impacted by maintenance work to be conducted by the customers and active inventory management in the steel plants. However, these activities are not conducted in the same quarters each year.

B. Group of consolidated companies and consolidation methods

The consolidation methods applied have not changed compared to the 2013 consolidated financial statements.

As of January 1, 2014, the wholly-owned US group company ESM Special Metals & Technologies Inc. was merged with its parent company ESM Group Inc. As a result, the group of consolidated companies has fallen against December 31, 2013 to a current total of 26 fully consolidated companies, without initiating a change in non-controlling interests.

In addition, since April 1, 2014 the SKW Metallurgie Group’s new Executive Board has fundamentally reviewed the entire Group’s portfolio. This will lead to the strategic reorientation of the Group in order to enable a rapid return to profitable, on-track growth. The Executive Board’s reviews have resulted in significantly more conservative business growth and forecasts for individual group companies compared to previous forecasts. Given this background, the Executive Board has resolved to no longer drive the vertical integration strategy, and to evaluate all of the possible options for the group companies concerned. In this context, extraordinary write-downs have been made in the consolidated interim financial statements as of 30 June, 2014. These result, in particular, from the amended estimates for business growth for individual group companies. Further information can be found in Section C. Balance sheet.

C. Net assets, financial position and results of operations

Balance sheet

The SKW Metallurgie Group’s total assets on June 30, 2014 amounted to EUR 170,766 thousand (December 31, 2013: EUR 225,145 thousand). The change in total assets is mainly due to the extraordinary write-downs of property, plant and equipment, intangible assets and deferred tax assets. As announced in the report on the first quarter of 2014, the SKW Metallurgie Group’s new Executive Board has fundamentally reviewed the entire Group’s portfolio since April 1, 2014. This has led to the strategic reorientation of the Group. As part of this process, the assets were reviewed for impairment.

The extraordinary write-downs on property, plant and equipment and intangible assets during the period under review in the amount of EUR 71,371 thousand were as follows:

EUR thousand	
Licenses	-559
Goodwill	-19,666
Customers	-1,439
Brand name	-3,002
Other intangible assets	-644
Intangible assets	**-25,310**
Property	-1,512
Buildings	-7,428
Technical plant and machinery	-35,034
Other property, plant and equipment	-2,087
Property, plant and equipment	**-46,061**
Total	**-71,371**

The segment-by-segment breakdown of the write-downs is presented in “Segment reporting”.

The carrying amounts of the assets with indefinite useful lives in the cash generating units developed as follows:

EUR thousand	ESM	Tecnosulfur	Gesamt
Goodwill			
Carrying amount Jan. 1, 2014	16.193	8.144	24.337
Extraordinary write-downs	-9.794	-9.872	-19.666
Subsequent acquisition costs	0	1.449	1.449
Other changes (e.g. conversion)	125	279	404
Carrying amount June 30, 2014	**6.524**	**0**	**6.524**
Brand name			
Carrying amount Jan. 1, 2014	7.250	5.630	12.880
Extraordinary write-downs	-2.314	-688	-3.002
Other changes (e.g. conversion)	64	448	512
Carrying amount June 30, 2014	**5.000**	**5.390**	**10.390**

Intangible assets

Goodwill impairment

The impairment tests performed for June 30, 2014 for the goodwill acquired as part of the acquisitions of the ESM sub-group and two thirds of Tecnosulfur S/A resulted in the need for impairment of EUR 19,666 thousand in the cash generating units ESM and Tecnosulfur S/A, which are both included in the Powder and Granules segment, as a result of the adjusted business forecast since the recoverable amounts were lower than the carrying amounts. The impairment of goodwill relates to ESM in the amount of EUR 9,794 thousand and Tecnosulfur S/A in the amount of EUR 9,872 thousand.

The cash generating unit ESM comprises the ESM sub-group without its Chinese subsidiary ESM Tianjin Co. Ltd., i.e. the US ESM Group Inc. and its subsidiary ESM Metallurgical Products Inc. in Canada, which recently took over part of the business activities identified in the original purchase price allocation. The recoverable amount was determined by calculating the value in use using the discounted cash flow method. The projected cash flows from the five-year plan newly drawn up as of June 30, 2014 were used. The value in use is generally calculated on the basis of expected inflation for the country and the estimated sales growth rate. Both past data and the forecast market performance were used in this calculation. In calculating the value in use, the perpetuity included a growth rate of 2% (2013: 2%) and a pre-tax discount rate of 13.67% (2013: 11.28%). This rate for the total cost of capital used is based on the risk-free interest rate of 3.17% (2013: 4.0%) and a market risk premium on equity of 6.0% (2013: 5.8%). In addition, a beta factor derived from the respective peer group and this group's capital structure are taken into account. The value in use based on this calculation was lower than the carrying amount on June 30, 2014.

The recoverable amount for Tecnosulfur was determined by calculating the value in use using the discounted cash flow method. The projected cash flows from the five-year plan newly drawn up as of June 30, 2014 were used. The value in use is generally calculated on the basis of expected inflation for the country and the estimated sales growth rate. Both past data and the forecast market performance were used in this calculation. In calculating the value in use, the perpetuity included a growth rate of 6% (2013: 3%) and a pre-tax discount rate of 20.76% (2013: 19.74%). This rate for the total cost of capital used is based on the risk-free interest rate for Brazil of 12.19% and a market risk premium on equity of 6.0%. In addition, a beta factor derived from the respective peer group and this group's capital structure are taken into account. As the value in use based on this calculation as of June 30, 2014 was lower than the carrying amount impairment was also required for the goodwill for Tecnosulfur.

Brand name impairment

The impairment tests at June 30, 2014 for of the brand name ESM capitalized as part of the acquisition of the ESM Group and also the brand name “Tecnosulfur” capitalized upon the acquisition of Tecnosulfur resulted in the need for impairment in the amount of EUR 3,002 thousand, as in both cases the recoverable amount was lower than the carrying amount. The impairment of brand names relates to ESM in the amount of EUR 2,314 thousand and Tecnosulfur S/A in the amount of EUR 688 thousand.

For both brand names, the recoverable amount was determined by identifying the net realizable value using the license price analogy method. The valuation parameters used for the growth rate and discount rate are identical with those used to calculate the impairment of goodwill.

Property, plant and equipment

As part of the strategic reorientation of the SKW Metallurgie Group and the associated move away from the vertical integration strategy, in particular the need for write-downs was recognized at the group companies/CGUs in Bhutan and Sweden. As a result, write-downs of EUR 46,061 thousand are included in the consolidated financial statements as of June 30, 2014. These mainly relate to the following items of property, plant and equipment:

→ The property, plant and equipment in Bhutan (production facility for calcium silicon, Cored Wire segment) and Sweden (production facility for calcium carbide for the European market, Powder and Granules segment) were written off in full.

→ Additional extraordinary write-downs of property, plant and equipment in the Powder and Granules segment relate to the former US subsidiary ESM-SMT (special magnesium), which was merged with the US subsidiary ESM Group Inc., and the SKW Technology companies for which liquidation was resolved in the reporting period and also SKW Verwaltungs GmbH (property in Russia) in the Other segment.

Deferred tax assets

The deferred tax assets of EUR 1,909 thousand (December 31, 2013: EUR 11,523 thousand) were mainly characterized year-on-year by impairment to deferred tax assets on tax losses carried forward in the amount of EUR 6,741 thousand at SKW Stahl-Metallurgie Holding AG, SKW Tashi Metals & Alloys Private Limited, SKW Sweden AB and Affival Vostock OOO. The need for impairment of losses carried forward (non-cash) is based on the findings gained from the past earnings growth and the current earnings forecast for fiscal years 2014 to 2018.

The key items of current assets are, as was the case in the previous year, inventories totaling EUR 42,882 thousand or 25.1% of total assets (December 31, 2013: EUR 47,682 thousand or 18.7% of total assets) and trade receivables in the amount of EUR 36,911 thousand or 21.6% of total assets (December 31, 2103: EUR 38,421 thousand or 15.1% of total assets).

Equity on June 30, 2014 totaled EUR 24,110 thousand (December 31, 2013: EUR 105,480 thousand); the consolidated equity ratio was 14.1% on June 30, 2014, and thus fell substantially compared to 41.3% on December 31, 2013 (all figures including non-controlling interests). The trade accounts payable of fell in the first half of 2014 by EUR 4,435 thousand to EUR 37,065 thousand. The total amount of inventories and trade receivables less trade payables thus fell by EUR 1,875 thousand compared to December 31, 2013 (EUR 44,603 thousand), to a current total of EUR 42,728 thousand. The key factor in this regard was, in particular, the extraordinary write-down of inventories in the amount of EUR 1.5 million.

The increase in liabilities for pensions by EUR 1,362 thousand from EUR 5,866 thousand as of December 31, 2013 to EUR 7,228 thousand as of June 30, 2014 is mainly due to the adjustment in line with the market, i.e., a reduction to the adequate discount rate for pensions, and was taken directly to equity.

It was possible to reduce the total amount of non-current and current liabilities from EUR 149,665 thousand in the previous year to EUR 146,656 in the period under review. Financial liabilities were repaid in the amount of EUR 848 thousand in the first half of 2014.

The financial indicators reported in this interim report are not always enough to meet the agreements with lenders (so-called financial covenants). As a result of the extraordinary write-downs, as of June 30, 2014 there is a breach of covenant for a master credit agreement (violation of financial indicators). In this regard, the banks affected issued a written waiver which is initially valid through to September 30, 2014. A corresponding expense item (waiver fee) has been formed. The SKW Metallurgie Group is currently in constructive negotiations with the financing banks. There is the risk that, in future, the financing banks could exercise cancellation rights with all of their consequences for the Group's overall financing by the parent company SKW Stahl-Metallurgie Holding AG. According to current forecasts, the Company will continue to be able to meet its redemption and interest obligations for the entire term of the financing, and as a result Management believes that it is highly likely that it will be possible to maintain the financing. The key elements of the SKW Metallurgie Group's borrowing are a promissory note loan with a volume of EUR 45,000 thousand (of which EUR 18,000 thousand is due at the start of 2015), a master credit line with three German banks for a total of EUR 40,000 thousand which has only been partially used, and a further credit line of EUR 5,000 thousand with another German bank.

As a result of the breach of covenant set out above, the financial liabilities concerned were classified as current in the amount of EUR 27,000 thousand according to IAS 1.74.

The financial liabilities disclosed as non-current relate to items outside the covenant.

Additional information on financial instruments

This section provides a comprehensive overview of the significance of financial instruments for the SKW Metallurgie Group and provides additional information on balance sheet items that include financial instruments.

The following table shows the fair values and the carrying amounts of financial assets and liabilities.

EUR thousand	June 30, 2014 Carrying amount	June 30, 2014 Fair value	Dec. 31, 2013 Carrying amount	Dec. 31, 2013 Fair value
Financial Assets				
Assets held to maturity	579	579	516	516
Loans and receivables	36,928	36,928	38,429	38,429
Financial assets held for trading	8	8	58	58
Available-for-sale financial assets	0	0	0	0
Derivative financial instruments (with hedge accounting)	0	0	16	16
Financial liabilities				
Financial liabilities at amortized cost	111,393	111,393	118,395	118,395
Derivative financial instruments with no hedge accounting	211	211	57	57
Derivative financial instruments with hedge accounting	0	0	0	0

The following table shows the individual asset items as of June 30, 2014 with their valuation categories and classes:

Assets in EUR thousand		Valuation according to IAS 39				
		Loans and receivables	Assets held to maturity	Available for sale financial assets	Financial assets at fair value through profit or loss	
	Carrying amount on balance sheet June 30, 2014	Amortized cost	Amortized cost	Fair value taken directly to equity	Fair value through profit and loss	Fair value June 30, 2014
Other assets	579	0	579	0	0	579
Receivables from construction contracts	0	0	0	0	0	0
Trade receivables	36,928	36,928	0	0	0	36,928
Derivatives without hedge accounting	8	0	0	0	8	8

Comparable figures as of December 31, 2013 are as follows:

Assets in EUR thousand		Valuation according to IAS 39				
		Loans and receivables	Assets held to maturity	Available for sale financial assets	Financial assets at fair value through profit or loss	
	Carrying amount on balance sheet Dec. 31, 2013	Amortized cost	Amortized cost	Fair value taken directly to equity	Fair value through profit and loss	Fair value Dec. 31, 2013
Other assets	524	8	516	0	0	524
Receivables from construction contracts	0	0	0	0	0	0
Trade receivables	38,421	38,421	0	0	0	38,421
Derivatives without hedge accounting	74	0	0	0	74	74

The following table shows the individual items of equity and liabilities as of June 30, 2014 with their valuation categories and classes: This includes derivatives with hedge accounting, although they do not belong to any valuation category under IAS 39:

Equity and liabilities in EUR thousand		Valuation according to IAS 39		
		Financial liabilities carried at amortized cost	Financial liabilities at fair value through profit or loss	
	Carrying amount on balance sheet June 30, 2014	Amortized cost	Fair value	Fair value June 30, 2014
Financial debt	73,635	73,635	0	73,635
Trade payables (without PoC)	37,065	37,065	0	37,065
Other liabilities	790	790	0	790
Derivatives without hedge accounting	211	0	211	211
Derivatives with hedge accounting	0	0	0	0

Comparable figures as of December 31, 2013 are as follows:

Equity and liabilities in EUR thousand		Valuation according to IAS 39		
		Financial liabilities carried at amortized cost	Financial liabilities at fair value through profit or loss	
	Carrying amount on balance sheet Dec. 31, 2013	Amortized cost	Fair value	Fair value Dec. 31, 2013
Financial debt	74,483	74,483	0	74,483
Trade payables (without PoC)	41,500	41,500	0	41,500
Other liabilities	2,527	2,527	0	2,527
Derivatives without hedge accounting	57	0	57	57
Derivatives with hedge accounting	0	0	0	0

The carrying amounts of trade receivables and other current receivables are equal to their fair values in each case.

The fair value of forward currency contracts is calculated on the basis of the average spot exchange rate as of the balance sheet date, adjusted for forward premiums and discounts for the respective residual term of the contract, as compared to the contracted forward exchange rate. Recognized models, such as the Black Scholes model, are used to identify the option price. The fair value of an option is – in addition to the residual term of an option - also influenced by other determining factors, e.g. the current level and volatility of the underlying exchange rate or the underlying base rate.

Financial instruments are measured exclusively using market data that is obtained from recognized market data providers.

The carrying amounts of trade payables and other current liabilities are equal to their fair values in each case. In the case of variable-interest liabilities, the carrying amount is the same as the fair value.

The following table shows the allocation of our financial assets and liabilities to the three stages in the fair value hierarchy as of June 30, 2014:

EUR thousand	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at market value				
Derivative financial instruments	-	8	-	8
Financial liabilities measured at market value				
Derivative financial instruments	-	211	-	211

Comparable figures as of December 31, 2013 are as follows:

EUR thousand	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at market value				
Derivative financial instruments	-	74	-	74
Financial liabilities measured at market value				
Derivative financial instruments	-	57	-	57

The stages of the fair value hierarchy and their use for the assets and liabilities are as follows:

→ Stage 1: Listed market prices for identical assets or liabilities on active markets,

→ Stage 2: Information other than listed market prices that can be observed directly (for example prices) or indirectly (for example derived from prices), and

→ Stage 3: Information for assets and liabilities that is not based on observable market data.

The Stage 2 derivative financial instruments are caps, interest rate swaps and currency futures on the asset side and currency futures on the liabilities side.

Income statement

In the first six months of 2014, the SKW Metallurgie Group recorded revenues of EUR 168,750 thousand compared to EUR 176,160 thousand in the same period of 2013. The weaker revenue is primarily due to lower sales as a result of the harsh winter in North America. The cost of materials is thus also lower and includes write-downs for inventories in the amount of EUR -2,475 thousand in the period under review (previous year: EUR -55 thousand). The gross margin is the quotient of total revenues, changes in inventories, own work capitalized and costs of materials to revenues, and totaled 30.6% in the period under review, thus down slightly compared to the same period of 2013 (31.3%).

Of the other operating income of EUR 3,121 thousand (H1 2013: EUR 3,223 thousand), EUR 1,987 thousand stem from exchange rate gains including currency translation effects resulting from the consolidation of debt (H1 2013: EUR 2,309 thousand). The currency translation gains are offset by corresponding currency translation losses (including exchange rate effects which result from debt consolidation) which are included in other operating expenses. The currency translation losses totaled EUR 2,226 thousand in the first six months of 2014 compared to EUR 2,656 thousand in the first half of the previous year. This resulted in a negative currency translation effect in the period under review of EUR -239 thousand compared to EUR -347 thousand in the first half of the previous year.

Irrespective of the currency translation effects described above, the downturn in other operating expenses is due in particular to lower transport costs and expenses for sales commission.

Net interest is lower year-on-year at EUR -2,425 thousand (previous year: EUR -2,393 thousand).

Income taxes of EUR -9,783 thousand (previous year: EUR -1.456 thousand) mainly include impairment on deferred tax assets on tax losses carried forward in the amount of EUR 6,741 thousand at SKW Stahl-Metallurgie Holding AG, SKW Tashi Metals & Alloys Private Limited, SKW Sweden AB and Affival Vostock OOO. The need for impairment of these deferred tax assets on losses carried forward (non-cash) is based on the findings gained from past earnings growth and the current earnings forecast for fiscal years 2014 to 2018.

Consolidated net earnings for first half of 2014 totaled EUR -82,835 compared to EUR -609 last year. Non-controlling interests in the first six months of 2014 totaled EUR -22.307 thousand compared to EUR -1.046 thousand in the same period of the previous year. The difference compared to the previous year's earnings is almost exclusively due to extraordinary write-downs.

Cash flow statement

Consolidated net earnings fell from EUR -609 thousand in the first half of 2013 to EUR -82,835 thousand in the period under review. In spite of this, the gross cash flow in the six months under review totaled EUR 4,713 thousand and was higher than the previous year's figure of EUR 4,066 thousand, as more cash income was recorded.

Working capital in the first six months of 2014 included an inflow of EUR 1,204 thousand (previous year: inflow of EUR 697 thousand). The SKW Metallurgie Group thus recorded net proceeds from operating activities of EUR 5,917 thousand compared to EUR 4,763 thousand in the first half of 2013.

Net cash used in investing activities amounted to EUR 1,659 thousand compared to EUR 2,179 thousand in the same period of the previous year. Net cash used in financing activities was EUR 1,561 thousand compared to EUR 17,718 thousand in the previous year. Profit disbursements to minority shareholders relate to dividend payments, mostly for the Brazilian subsidiary, in the first quarter of 2014.

During the period under review, the cash flow from operating activities included the following payments:

→ Interest paid of EUR 2,293 thousand (previous year: EUR 2,843 thousand)

→ Interest received of EUR 16 thousand (previous year: EUR 1 thousand).

→ Income taxes paid of EUR 1,799 thousand (previous year: EUR 1,806 thousand).

→ Income taxes received of EUR 849 thousand (previous year: EUR 435 thousand)

D. Segment reporting

At present the SKW Metallurgie Group is broken down into business segments in line with the regulations under IFRS 8. These segments correspond to the SKW Metallurgie Group's internal organization and reporting structure. Three segments with a reporting requirement have been identified within the SKW Metallurgie Group:

a) Cored Wire
b) Powders and Granules
c) Other

The information on the business segments for the first half of and as of June 30, 2014 is as follows:

EUR thousand	Cored Wire	Powder and Granules	Other	Conso-lidation	Group
Revenues					
Third-party revenues	80,132	74,318	14,300	0	168,750
Internal revenues	149	282	52	-483	0
Total revenues	**80,281**	**74,600**	**14,352**	**-483**	**168,750**
Income from associated companies		680			680
EBITDA	**4,847**	**1,989**	**-1,011**	**0**	**5,825**
Scheduled amortization/depreciation	-1,868	-2,587	-626	0	-5,081
Non-scheduled amortization/ depreciation	-29,535	-39,283	-2,553	0	-71,371
EBIT	**-26,556**	**-39,881**	**-4,190**	**0**	**-70,627**
Dividends from subsidiaries	-	-	8,664	-8,664	0
Transfer of profit	-	-	-	-	-
Interest income	16	43	2,201	-2,201	59
Interest expenses	-1,543	-1,450	-1,692	2,201	-2,484
Earnings before taxes	**-28,083**	**-41,288**	**4,983**	**-8,664**	**-73,052**
Income taxes					-9,783
Consolidated net loss for the period					**-82,835**
Balance sheet					
Assets					
Segment assets	63,144	89,223	125,893	-112,542	165,718
Interests in associated companies	-	5,048	-	-	5,048
Consolidated assets					**170,766**
Equity and liabilities					
Segment liabilities	90,220	81,305	70,022	-94,891	146,656
Consolidated liabilities					**146,656**
ongoing capital expenditure (property, plant and equipment, intangible assets)	480	3,549	83	0	4,112

The corresponding segment information for the corresponding period and the 2013 balance sheet date is presented in the table below:

EUR thousand	Cored Wire	Powder and Granules	Other	Conso-lidation	Group
Revenues					
Third-party revenues	81,037	83,301	11,822	0	176,160
Internal revenues	354	731	0	-1,085	0
Total revenues	**81,391**	**84,032**	**11,822**	**-1,085**	**176,160**
Income from associated companies		425			425
EBITDA	**4,224**	**4,228**	**268**	**0**	**8,720**
Scheduled amortization/depreciation	-1,932	-2,815	-668	0	-5,415
Non-scheduled amortization/ depreciation	-65	0	0	0	-65
EBIT	**2,227**	**1,413**	**-400**	**0**	**3,240**
Dividends from subsidiaries	-	-	9,898	-9,898	0
Transfer of profit	-	-	-	-	-
Interest income	44	13	2,,608	-2,615	50
Interest expenses	-1,557	-2,009	-1,492	2,615	-2,443
Earnings before taxes	**-714**	**-583**	**10,614**	**-9,898**	**847**
Income taxes					-1,456
Consolidated net loss for the period					**-609**
Balance sheet					
Assets					
Segment assets	102,852	152,525	158,812	-138,580	275,609
Interests in associated companies	-	4,577	-	-	4,577
Consolidated assets					**280,186**
Equity and liabilities					
Segment liabilities	91,322	101,214	71,620	-97,634	166,522
Consolidated liabilities					**166,522**
ongoing capital expenditure (property, plant and equipment, intangible assets)	867	1,980	60	0	2,907

E. Related parties

There were no major changes in key transactions with related parties in the period under review compared to the 2013 consolidated financial statements.

F. Contingent receivables and liabilities

The SKW Metallurgie Group's contingent receivables and liabilities did not change materially compared to December 31, 2013.

G. Key events after the balance sheet date

As a result of the extraordinary write-downs, as of June 30, 2014 there is a breach of covenant for a master credit agreement (violation of financial indicators). During preparation of this interim report, the banks affected issued a waiver which is initially valid through to September 30, 2014. A corresponding expense item (waiver fee) has been formed. As detailed in the report on opportunities and risks, the SKW Metallurgie Group is engaged in constructive discussions with its financing banks. The Executive Board continues to believe that the Group is a going concern.

After the end of the period under review on June 30, 2014 and up to the date on which this interim report was prepared, there were no other events of particular importance for the SKW Metallurgie Group.

H. Shareholder structure

The following shareholdings in SKW Metallurgie carried a reporting requirement according to the WpHG (German Securities Trading Act) (3% or more of total voting rights) on June 30, 2014: No individual shareholder held an interest of 10% or more on the balance sheet date.

Name	Registered office	Number of shares	Shares held correspond to	Date	Remarks
Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte	Tübingen, Germany	388,625	5.94%	January 11, 2013	
ETHENEA Independent Investors S.A.	Munsbach, Luxembourg	230,000	3.51%	December 18, 2013	
Kreissparkasse Biberach	Biberach, Germany	200,803	3.07%	March 27, 2013	two notifications for the same shareholding
LBBW Asset Management Investmentgesellschaft mbH	Stuttgart, Germany	331,599	5.07%	September 23, 2010	
Mellinckrodt 2	Luxembourg-Strassen, Luxembourg	424,915	6.49%	December 20, 2013	

After the end of the period under review, and before preparation of these notes, Mellinckrodt 2, Luxembourg-Strassen (Luxembourg) notified a reduction to its holding to an initial total of 325,847 shares of SKW Metallurgie (corresponds to an interest of 4.98%) as of July 14, 2014 and then to 0 shares of SKW Metallurgie (corresponds to an interest of 0%) on August 15, 2014, and ETHENEA

Independent Investors S.A. (Luxembourg), notified a reduction to its holding to 0 shares of SKW Metallurgie (corresponds to an interest of 0%) as of August 19, 2014.

The shareholdings only relate to the stated date; any possible subsequent changes only have to be reported if a reporting limit within the meaning of the Wertpapierhandelsgesetz (German Securities Trading Act) is reached, fallen below, or exceeded.

The interests stated can include allocable votes according to the German Securities Trading Act. As the same votes can, in certain cases, be allocated to more than one person, these voting rights can be included in more than one notification of voting rights.

The members of the Executive and Supervisory Boards together held less than 1% of SKW Metallurgie's shares on June 30, 2014.

Unterneukirchen (Germany), August 22, 2014

SKW Stahl-Metallurgie Holding AG
The Executive Board

Dr. Kay Michel	Sabine Kauper
CEO	

Statement of the Executive Board

To the best of our knowledge, we declare that, according to the accounting standards and principles of proper accounting applied, the interim report and the consolidated interim financial statements provide a true and fair view of the Group's net assets, financial position and results of operations, that the group management report presents the Group's business including the results and the Group's position such as to provide a true and fair view and that the major opportunities and risks of the Group's anticipated growth for the remaining fiscal year are described.

Unterneukirchen (Germany), August 22, 2014

SKW Stahl-Metallurgie Holding AG
The Executive Board

Dr. Kay Michel
CEO

Sabine Kauper

Review Report

We have reviewed the condensed interim consolidated financial statements of the SKW Stahl-Metallurgie Holding AG, Unterneukirchen, comprising the condensed income statement, the condensed balance sheet, condensed statement of changes in equity, condensed cash flow statement, condensed segment reporting and selected explanatory notes, together with the interim group management report of the SKW Stahl-Metallurgie Holding AG, Unterneukirchen, for the period from January 1, 2014, to June 30, 2014, that are part of the semi-annual financial report pursuant to § [Article] 37w Abs. [paragraph] 2 WpHG [Wertpapierhandelsgesetz: German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review. We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review 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 review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report. Based on our review no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. Without qualifying our conclusion we amendatory point out the explanation of the group's management within their report on opportunities and risks as well as within their forecast, both contained in the interim group management report, that states that the condensed interim consolidated financial statements are prepared on a going concern basis (article 252 paragraph 1 no. 2 German Commercial Code – HGB) as the group currently is in negotiation with banks to assure future liquidity, by others through entering in a stand-still-agreement (abandonment of the possibility to terminate credit contracts as a consequence of missing agreed financial covenants), and that states that management expects a significant improvement of the financial position and results of operations of the group starting 2015 as a consequence of the ReMaKe project to strategically realign the group.

München (Munich), August 22, 2014

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

gez. Dr. Reitmayr	gez. Aumann
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial Calendar 2014 (remaining)

November 14, 2014

→ Publication of business figures first nine months 2014

November 26, 2014

during “Eigenkapitalforum“ (Equity Forum) in Frankfurt/M., Germany

→ Analysts‘ Conference

May be subject to change.

Contacts

SKW Stahl-Metallurgie Holding AG
Rathausplatz 11
84579 Unterneukirchen
Germany

Phone: +49 8634 62720-0
Fax: +49 8634 62720-16
ir@skw-steel.com
www.skw-steel.com

Imprint

Publisher:

SKW Stahl-Metallurgie Holding AG
Rathausplatz 11
84579 Unterneukirchen
Germany

Editor:

Christian Schunck
Head of Investor Relations and Corporate Communications

Concept, Layout, Production:

Helmut Kremers
Cosimastrasse 111
81925 München
Germany
contact@helmut-kremers.com

Disclaimer and Notes

This report contains statements about forthcoming developments that are based on currently available information and that entail risks and uncertainties. This may result in deviations between the actual situation in the future and the forward-looking statements. These risks and uncertainties include, for example, unpredictable changes in political and economic conditions, particularly in the steel and paper industry, the competitive situation, interest and currency risks, technological development as well as other risks and unexpected circumstances. SKW Stahl-Metallurgie Holding AG, Unterneukirchen (Germany) and its group companies do not accept any responsibility to update such forward-looking statements.

When reference is made in this report to groups of people who factually or potentially include both genders (such as "shareholders" or "employees") or when gender neutral references are made to a single person (such as "the responsible officer"), the report usually only quotes one gender. This is solely done in the interest of improved readability (translator's note: in most instances this only applies to the German original, since there are no distinct terms in English for male or female shareholders, experts, employees, etc.).

SKW Stahl-Metallurgie Holding AG's group brand that is used externally is "SKW Metallurgie". For this reason "SKW Metallurgie" and "SKW Metallurgie Group" are used in this report.

Names such as "SKW Metallurgie", "Quab" and "SDAX" that are used in this report may be registered trademarks whose use by third parties for their purposes could infringe the rights of the proprietors.

This is the English translation of the German original of this report; in case of any discrepancies the German version prevails. In addition, for technical reasons (e.g., the conversion of electronic formats) there may be differences between the accounting documents included in this report and those submitted to the electronic company register.

For several cities quoted in this report, different names and/or transcriptions into the Latin alphabet are in use. The use of a certain name or transcription is for information only and is not intended to imply any political statement. Maps that may be contained in this report are for illustration only and are not intended to induce any political statements, such as the legitimacy of borders. In this report, the term "China" refers to the PR of China without its two Special Administrative Regions. In this report, the term "Hong Kong" refers to the PR of China's Special Administrative Region of Hong Kong.

References to acts of law (e.g. the Joint Stock Companies Act) without any further information relate to the German acts of law in their respective applicable version.

This report was published on August 28, 2014 and is available at www.skw-steel.com to download free of charge. On request, printed copies will be supplied free of charge.

SKW Stahl-Metallurgie Holding AG
Phone +49 8634 62720-0, Fax +49 8634 62720-16, www.skw-steel.com