Report for the 2nd Quarter 2015

skw. metallurgie

TABLE OF CONTENTS

Interim management report for the SKW Stahl-Metallurgie Holding AG Group for the first half of 2015

1. Economic conditions

Global economy continues to enjoy optimistic growth

According to the World Economic Outlook Reports published by the International Monetary Fund (IMF) in July 2015, the global economy is continuing to enjoy slow but positive growth, with growth of 3.3% expected for 2015 as a whole. A further 3.8% are forecast for 2016. Economic output is expected to grow in developed economies by 2.1% this year and 2.4% next year, with the USA enjoying above average growth of 2.5% and 3.0% respectively. The IMF believes that the key drivers for this growth are the low interest rates, mostly calm tax policies, low fuel prices and robust growth on the labor markets.

According to the IMF emerging and developing nations will grow by 4.2% (2016: 4.7%). These growth forecasts are lower than those calculated in the past for these countries. This is due to lower prices for commodities, stricter credit conditions, structural weaknesses and geopolitical risks.

Growth of between 1% and 2% per year for 2015 and 2016 is forecast for Germany and also for the eurozone as a whole. However, whether this forecast is realized also depends on the outcome of the economic uncertainties in some eurozone countries in the Mediterranean region, in particular in Greece.

Steel production fell worldwide in H1 2015 – above-average slump in the USA

The SKW Metallurgie Group records the majority of its revenues with customers in the steel industry. The sale of SKW Metallurgy Sweden AB (significant revenues with the gas industry) in November 2014 to a buyer outside the Group and the classification of two subsidiaries (with few direct sales to the steel industry) as “non-current assets held for sale” (IFRS 5) as of June 30, 2015 means that the proportion of steel producers in SKW Metallugie’s consolidated revenues has increased, now totaling more than 95% (H1 2014: 85-90%).

The SKW Metallurgie Group offers its steel industry customers a broad range of technologically demanding products and services, in particular for primary and secondary metallurgy. The quantities demanded by steel producers for most of these products depend, primarily, on the amount of steel produced. In contrast, the price of steel is less important for the SKW Metallurgie Group, as demand for steel has a low level of price elasticity over the short term, and the impact the price of steel has on the quantities produced is low. Steel manufacturers’ earnings can have an indirect impact on the SKW Metallurgie Group, for example if customers’ tense earnings lead to increased requests for conditions to be changed or to a lower credit rating for the SKW Metallurgie Group’s receivables from the customer.

According to information from World Steel Association, in 2015 global steel production fell in total by 2.0% compared to the same period of the previous year to 813,045 million tons. China is indisputably the largest producer, accounting for 50% of the global market. A major and increasing proportion of steel produced in China cannot be sold on this market. At the same time, China appears to lack the political will to adjust its production volumes to its domestic demand. As a result, steel from Chinese overcapacity is offered on the global market in large quantities and at low prices. This export pressure from China is only likely to lessen when the production capacity in China is taken out of the market. Experts believe that this adjustment to production capacity in China is likely to take place in the foreseeable future due to profitability and environmental issues.

In geographic terms, the SKW Metallurgie Group's focus is still on the sales markets in the USA/North America (more than 50% of consolidated revenues in the reporting period and in the previous year, the European Union (primarily for the Cored Wire segment) and Brazil. Steel production in these regions developed differently in the first half of 2015.

→ In the USA, the key market for the SKW Metallurgie Group's core business, steel production fell massively by -8.6%. This was due to a downturn in demand for steel used in fracking (due to the local weakness in the fracking industry and oil production due to lower oil prices) and also the fact that steel produced in the USA is being replaced by imported steel (due to the strong US dollar).

→ However, in the EU (+0.5%) and Brazil (+2.0%) the steel industry grew slightly despite the difficult macroeconomic situation.

Steel consumption and production are increasingly moving apart in the individual countries. In particular, China's net exports (and thus the net imports for countries and regions such as South Korea, North America and Europe) are increasing strongly.

Markets for SKW Metallurgie's products follow customer industries

As a rule, growth on the markets for primary and secondary metallurgy products and solutions follows growth on the markets for high and higher-quality steel production: The more steel is produced, the more primary and secondary metallurgy products are required. The amount of stocks of the SKW Metallurgie Group's products held by steel producers is not significant. There is an additional impact on demand for primary and secondary metallurgy products depending on the technical methods used (e.g., high furnace versus electric steel plants) and which additives are used to produce steel (e.g. quality stages for the carbons used).

2. Group structure

SKW Stahl-Metallurgie Holding AG's Ordinary General Meeting was held in Munich (Germany) on June 9, 2015. At this meeting, the Company's shareholders resolved various items, including to authorize the Executive board to increase the Company's share capital against cash contributions by up to 100% by December 9, 2015 (date of entry in the commercial register. On the date this management reports was prepared, work was in progress to implement this resolution, for example by preparing a securities offering prospectus to be approved by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin - German Securities Services Supervisory Authority). In addition, in view of the steel crisis, the Executive Board is reviewing whether and to what extent the announced capital increase can be performed while upholding the interests of both the Company and its shareholders.

With regard to the Company's Supervisory Board, the General Meeting elected Mr. Reto Garzetti to the Board, after Dr. Dirk Markus announced his resignation from the Company's Supervisory Board with effect from February 28, 2015 and the corresponding position on the Supervisory Board had remained vacant since.

In order to make the Group's structures leaner, during the period under review in France the interim holding company SKW France SAS was merged with the group company Affival SAS. As a result, on June 30, 2015 the SKW Metallurgie Group thus comprised 24 fully consolidated companies (23 subsidiaries and the parent company) in 13 countries. Compared to June 30, 2014 the number of fully consolidated group companies fell by two. Besides SKW France SAS this relates to the Swedish group company, sold in November 2014. Two other fully consolidated companies (SKW Quab Chemicals Inc. (USA) and SKW-Tashi Metals & Alloys Private Ltd. (Bhutan)) were identified as being "non-current assets held for sale" and are now carried in the SKW Metallurgie Group's accounts according to IFRS 5.

The Group's participating interests in the Indian company Jamipol Ltd. and a French group company which has been in liquidation for several years continue to not be fully consolidated.

There were no other material changes to the organization and corporate structure during the period under review.

The SKW Metallurgie Group's goal is still to further reduce complexity in the Group's structure. In particular it has initiated the liquidation of three inactive Group companies (two in Germany, one in Turkey). These activities are expected to be completed and these companies deconsolidated in the third quarter of 2015.

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 shareholder with an interest of 10% or more in share capital.

3. Corporate and business development

Successful adjustment of the portfolio of participating interests

In November 2014 the SKW Metallurgie Group sold its Swedish subsidiary **SKW Metallurgy Sweden AB** to a purchaser outside the Group. This adjustment to the portfolio of participating interests was a successful milestone in the implementation of ReMaKe (rapid restructuring of peripheral areas with a negative cash flow) and marks a move away from the previous strategy of vertical integration. SKW Metallurgy Sweden AB is no longer included in these financial statements (deconsolidated in November 2014) and it is carried as discontinued operations in the comparable period of the previous year (H1 2014). In the income statement, this means that the contributions made by SKW Metallurgy Sweden AB to the individual income and expense items are included neither in fiscal year 2015 nor in 2014. As a result, the comparable figures for 2014 in the income statement in this management report differ from those published in the management report and consolidated financial statements for the first half of 2014, which still included figures from SKW Metallurgy Sweden AB; this does not apply for the balance sheet.

In the second quarter of 2015 the SKW Metallurgie Group initiated activities (in particular concrete sales efforts) for its Bhutanese subsidiary **SKW-Tashi Metals & Alloys Private Ltd.** (51% interest) and its US subsidiary **SKW Quab Chemicals Inc.** (90% interest), which led to these companies being classified as "non-current assets held for sale". These companies are thus carried in these financial statements in line with IFRS 5. In the income statement, this means that the contributions made by these companies to the individual income and expense items are included neither in fiscal year 2015 nor in 2014. As a result, the comparable figures for 2014 in the income statement in this management report differ from those published in the management report and consolidated financial statements for the first half of 2014, which still included figures from these companies; this does not apply for the balance sheet.

Revenues in H1 2015 higher than in previous year

The SKW Metallurgie Group's revenues from continued operations totaled EUR 140.2 million in H1 2015, and are EUR 3.2 million higher than revenues in H1 2014 (EUR 137.0 million). However, these improved revenues include contradictory FX effects (in particular from the USD/EUR exchange rate): While currency translation effects had a positive impact on revenue growth in EUR, the stronger US dollar in the USA meant that foreign steel was increasingly used as a substitute for domestic steel, causing sales of SKW Metallurgie's products to fall in the USA. Without currency translation, consolidated revenues in the first six months would have been slightly lower than in the same period of the previous year.

In addition, growth in the the two quarters of the first six months was very different: It was possible to lift revenues substantially in the first quarter, however revenues in the second quarter totaled EUR 66.4 million, down by EUR 3.1 million on the same quarter of the previous year (EUR 69.5 million). This reserved growth in the second quarter of 2015 is due, in particular, to the slump in steel production in the USA (-9.6% in the second quarter of 2015; for details see the sub-chapter "Steel production fell worldwide in H1 2015 - above-average slump in the USA"). The quantities of steel produced in the USA fell by approx. 15% between the year's high (in the first quarter) and the year's low (in the second quarter).

Increase in gross profit margin underscores the Group's operating strength

The SKW Metallurgie Group's business demands the use of large quantities of raw materials, and in this type of business any change in the costs of raw materials and corresponding adjustments to selling prices can affect revenues, without this necessitating any change in operating output. As a result, a much more meaningful figure for the SKW Metallurgie Group is the gross profit margin (gross margin).[1]

During the first six months of 2015, the SKW Metallurgie Group increased this figure once again – with costs of materials totaling EUR 94.1 million (previous year: EUR 96.1 million) - this was up to 33.8% compared to 31.3% in the previous year, which was already a high figure. However, a material reason for this was the fact that the cost of materials in the second quarter of the previous year was depressed by extraordinary write-downs of EUR 1.5 million on inventories.

As part of its ReMaKe project, the SKW Metallurgie Group had planned to record significantly higher gross margins by selling larger quantities of a product which provides customers with particular value added, and which thus has particularly high margins. It was not possible to achieve this objective. It was much rather the case that higher quantities of a substitute product with lower margins were sold. The two key factors influencing this development were:

→ As a result of the low capacity uptake in steel plants the higher value product created less value added for customers.

→ The customers' advantage from the substitute product increased (due to lower prices).

As a result, the forecast substantial increase in the gross margin will only be reached if at least one of the above parameters is met.

Other operating income for the SKW Metallurgie Group includes, in particular, currency translation gains from currency translation (mainly non-realized); this foreign currency income totaled EUR 14.3 million in the first half of 2015, compared to EUR 1.8 million in the same period of the previous year.

Other operating expenses in the first six months include the following factors:

→ EUR 20.3 million is due to other operating expenses without expenses from foreign currency translation (H1-2014: EUR 17.6 million). This includes, in particular, variable (sales-related) cost components such as transport costs as well as expenses for sales commission at the operating group companies as well as legal and consulting costs. The legal and consulting costs include significant additional expenses for the suit for damages filed against former members of the Executive Board in the period under review.

→ EUR 7.0 million is due to exchange rate losses from foreign currency translation (H1-2014: EUR 1.5 million); these expenses are mainly non-realized.

Personnel expenses in the six months under review (EUR 20.5 million) are at the same level as in the same half of the previous year (EUR 20.6 million).

1. The gross profit margin (gross margin) is defined at SKW as the ratio of total operating revenue (total of revenues, changes in inventories and own work capitalized; EUR 141.6 million) minus costs of material to revenues.

ReMaKe activities take effect and have a positive impact on EBITDA

The SKW Metallurgie Group's EBITDA totaled EUR 16.5 million in the six-month period, and was thus substantially higher than in the same period of the previous year (H1 2014: EUR 6.4 million).

These figures no longer include the Bhutanese group company, SKW Quab Chemicals Inc. or the former Swedish group company, due to IFRS 5.

The corresponding reconciliation to EBITDA can be seen in the following table:

In EUR million	H1 2015	H1 2014
EBITDA	**16.5**	**6.4**
EBITDA from discontinued operations		
SKW Sweden	0 (deconsolidated)	0.0
SKW-Tashi (Bhutan)	-0.9	-1.7
SKW Quab (USA)	1.1	1.1
EBITDA including discontinued operations	**16.7**	**5.8**

Of this EUR 10.1 million increase in EBITDA, however, EUR 7.1 million are due to the net currency translation effect from other operating income and other operating expenses (H1 2015: EUR 7.4 million; H1 2014: EUR 0.3 million).

After adjusting for these effects, EBITDA for the first six months was up by EUR 3.0 million (from EUR 6.1 million to EUR 9.1 million).

However, the two quarters in the first six months show different developments in EBITDA, as was also the case for revenues:

→ Net currency translation effects in the first quarter totaled EUR 10.8 million (Q1 2014: EUR -0.4 million), but totaled EUR -3.5 million in the second quarter (Q2-2014: EUR 0.7 million).

→ As a result, adjusted for this effect, EBITDA in the first quarter totaled EUR 5.8 million (Q1 2014: EUR 4.0 million) and fell to EUR 3.4 million in the second quarter (Q2-2014: EUR 2.1 million).

However, EBITDA adjusted for this currency translation effect in the second quarter of 2014 included extraordinary write-downs of EUR 1.7 million (mainly on inventories; but also on receivables).

After adjustment for these extraordinary write-downs, currency-adjusted EBITDA in the second quarter of 2015 of EUR 3.4 million has a comparable figure of EUR 3.8 million.

These figures are the result of several, in some cases contradictory operational developments:

→ The success of the ReMaKe program resulted in significant improvements in earnings year-on-year.

→ However, both the volume of production and also capacity uptake in the key geographic markets for the SKW Metallurgie Group fell substantially towards the end of the first quarter and in the second quarter compared to the corresponding prior year periods. This resulted in two effects in particular:

- The lower quantity of steel produced led directly to less demand for SKW Metallurgie's products.
- The planned market-side effects from the ReMaKe program could not be realized to the extent budgeted. In particular it had been planned to achieve significantly higher sales of a product which provides customers with particular value added, and which thus has particularly

high margins. It was not possible to achieve this objective to the forecast extent. It was much rather the case that higher quantities of a substitute product with lower margins were sold. The two key factors influencing this development were:

- As a result of the low capacity uptake in steel plants the higher value product created less value added for customers.

- The customers' advantage from the substitute product increased (due to lower prices).

During the second quarter of 2015 the SKW Metallurgie Group implemented countermeasures (for example staff adjustments), which allowed the negative impact of the steel crisis on the Company's EBITDA to be at least lessened somewhat.

As a result of these effects, despite the massive slump in steel production in the USA, currency-adjusted EBITDA (including adjustment for extraordinary write-downs in the previous year) fell by just EUR 0.4 million compared to the second quarter of 2014, also due to measures actively put in place by the SKW Metallurgie Group.

Solid growth below EBITDA

Amortization/depreciation in the first six months of 205 totaled EUR 2.2 million (H1 2014: EUR 35.8 million). This improvement is due, in particular, to the extraordinary write-downs of intangible assets and property, plant and equipment in the second quarter of 2014 (one-off factor) in the amount of EUR 33.9 million, which had no corresponding measure in the first half of 2015. The figures in the first half of 2015 are an excellent indicator for the amortization and depreciation to be expected in coming periods.

Net interest in the first six months of 2015 totaled EUR -3.2 million, EUR 1.2 million lower than the figure from the same period of the previous year (H1 2014: EUR -2.0 million). This was due to expenses (in the amount of EUR 0.8 million one-off factors, such as prepayment penalties) for refinancing based on the syndicated credit agreement concluded in January 2015.

Tax expenses for the SKW Metallurgie Group totaled EUR 2.6 million in the first half of 2015 (H1-2014: EUR 4.5 million). The SKW Metallurgie Group continues to be characterized by various earnings positions in different tax jurisdictions. For example, expenses in Germany and Russia cannot be netted with income in the USA and Brazil, which is why there are tax expenses at Group level despite negative pre-tax earnings (e.g. in Q2 2015).

ReMaKe bears fruit - positive earnings per share

According to IFRS, consolidated earnings for the period from continuing operations are netted with earnings from discontinued operations (in these financial statements SKW Metallurgy Sweden (only 2014), SKW Quab and SKW-Tashi). These two individual amounts are used to calculate the consolidated earnings for the period, as shown in the following table:

In EUR million	H1 2015	H1 2014 (in parentheses without extraordinary write-downs)
Continued operations	8.5	-35.9 (3.4)
Discontinued operations	-1.0	-46.9 (-2.2)
Consolidated earnings for the period	7.5	-82.8 (1.2)

These consolidated earnings are allocated to the shareholders of SKW Stahl-Metallurgie Holding AG, and to non-controlling interests for the subsidiaries in which the SKW Metallurgie Group does not hold a 100% interest. These are the following fully-consolidated group companies.

- → Tecnosulfur (Brazil): Non-controlling interests: 33.3%
- → IFRS 5: SKW Quab (USA) Non-controlling interests: 10%
- → IFRS 5: SKW-Tashi (Bhutan): Non-controlling interests: 49%
- → SKW Technology companies (German): in liquidation; non-controlling interests: 49% in each case

EUR -0.1 million are due to these non-controlling interests (H1-2014: EUR -22.3 million); EUR 7.6 million are attributable to shareholders of SKW Stahl-Metallurgie Holding AG (of which EUR 7.8 million from continued operations), as compared to EUR -60.5 million in the first half of the previous year (of which from continued operations: EUR -31.7 million). This figure was characterized by extraordinary write-downs.

The number of issued SKW Metallurgie shares did not change and totaled 6,544,930. This results in earnings per share (EPS) from continued operations of EUR 1.19 (previous year: EUR -4.85).

Successful refinancing: Terms of financial debt are congruent once again

The following table shows the key items of the SKW Metallurgie Group's balance sheet as of June 30, 2015 compared to December 31, 2014 (and thus already without SKW Metallurgy Sweden AB):

Assets in EUR thousand	06/30/2015	12/31/2014
Non-current assets	62,694	68,838
Current assets	115,951	111,813
thereof cash and cash equivalents	11,355	17,972
Total assets	**178,645**	**180,651**
Equity and Liabilities EUR thousand		
Equity	26,523	24,440
Non-current liabilities	60,209	24,758
thereof non-current financial liabilities	45,543	6,907
Current liabilities	91,913	131,453
thereof current financial liabilities	31,389	77,142
Total assets	**178,645**	**180,651**

The SKW Metallurgie Group's total assets only changed slightly in the first six months of 2015 from EUR 180.7 million to EUR 178.6 million.

Most of the items on the assets side fell slightly. This is mostly due to the fact that the assets from both of the group companies being held for sale are now disclosed in a separate line and as a total ("assets held for sale: EUR 17.3 million (H1 2014: EUR 0)").

On the equity and liabilities side, items for both of the group companies being held for sale are now carried in a separate line and as a total ("Liabilities directly connected to assets held for sale: EUR 18.1 million (H1 2014: EUR 0)"); this total includes financial liabilities of EUR 8.9 million.

The SKW Metallurgie Group's **gross financial debt**[2] fell as of June 30, 2015 theoretically from EUR 84.0 million to EUR 76.9 million; however the change is mainly due to the reclassification according to IFRS 5 de-

2. Gross financial debt is defined as being the total of non-current and current financial liabilities as well as cash and cash equivalents; it thus does not include the portions of credit lines which have not been used or which are only used with guarantees.

tailed above. In all other respects, the key changes relate to significant shifts in maturity: As a result of the fact that the refinancing agreements were only concluded in January 2015, all of the financial liabilities for the Group's parent company SKW Stahl-Metallurgie Holding AG that were replaced by the syndicated credit agreement had to be technically qualified as "current" as of December 31, 2014. On the date this interim group management report was prepared the conclusion of the new syndicated credit agreement, which has a three-year term, means that maturities in the financial statements are congruent again.

As equity increased to slightly in the period under review and total assets fell slightly, the equity ratio (including non-controlling interests) was 14.8%, down 1.3 percentage points compared to the previous year's figure (December 31, 2014: 13.5%). At present, the SKW Metallurgie Group's equity ratio is still significantly depressed by (negative) interests by third parties (EUR -16.5 million) in consolidated equity.

The SKW Metallurgie Group aims to improve its equity ratio further.

In addition to the equity ratio, **net financial debt**[3] is a key performance indicator for the SKW Metallurgie Group. As of June 30, 2015 this figure totaled EUR 65.6 million and is thus practically unchanged compared to the comparable figure (EUR 66.1 million). By definition, the figure for the first six months of 2015 does not include net financial debt in connection with assets held for sale (June 30, 2015: EUR 8.9 million).

Gross cash flow substantially positive despite steel crisis

The following table shows the key items of the consolidated cash flow statement:

EUR thousand	01.01.-06/30/2015	01.01.-06/30/2014
Consolidated annual earnings from continuing operations	7,485	-82,835
Gross cash flow	4,536	4,858
Cash flow from operating activities	-4,380	6,792
Cash flow from investing activities	-2,070	-1,684
Cash flow from financing activities	-393	-1,842
Change in cash and cash equivalents[4]	-6,596	2,904
Cash and cash equivalents – end of period, continuing activities	11,355	11,970

Based on significantly positive consolidated net earnings for the first six months, the SKW Metallurgie Group recorded a significantly positive gross cash flow of EUR 4.5 million in the six month period under review (previous year: EUR 4.9 million).

Cash flow from operating activities (also net or operating cash flow) indicates the surplus cash generated by the operating activities in the period under review. This is calculated as the balance of gross cash flow and changes in working capital (in the wider sense, here in the sense of the total of lines 13 to 23 of the cash flow statement or the difference between the interim totals in lines 12 to 24 of the cash flow statement).

3. Net financial debt is defined as the amount by which financial liabilities exceed cash and cash equivalents.
4. Including impact of currency translation on cash and cash equivalents

This change in working capital (in the wider sense) totaled EUR -8.9 million in the first half of 2015 (previous year: EUR 1.9 million). However, part of these figures is due to currency translation effects in operating activities (H1 2015: EUR -2.1 million; H1 2014: EUR 1.6 million). After adjustment for this currency translation effect EUR 6.8 million were used in the first six months, whereas there was net cash provided in the first half of 2014 of EUR 0.3 million. However, if we consider the significant cash flows from discontinued operations in H1 2014 carried in line 23 of the cash flow statement (H1 2014: EUR 4.3 million; H1 2015 just EUR 0.6 million), the net cash used by changes in working capital in the first half of the year under review was only slightly lower than that in the same period of the previous year. In addition, we must consider the fact that there were non-operating one-off factors in the first six months of 2015 (for example payment for settlement with the US customs authority in the amount of the provision of USD 2 million in the first quarter of 2015).

As a result of these effects on the changes in working capital (in the wider sense), the cash flow from operating activities disclosed in the six months under review (EUR -4.4 million) is substantially lower than in the comparable period (EUR 6.8 million).

Working capital (in the narrower sense) comprises inventories, trade receivables and trade payables. Changes to these items resulted in a cash flow of EUR -2.4 million in the first half of 2015 (H1 2014: EUR -5.9 million). As a result the cash flow from changes in working capital (in the narrower sense) in the first half of 2015 is significantly higher than in the first half of 2014, even though this is still negative. These figures include currency translation effects (a negative figure in the first half of 2015) which do not constitute any actual outflow of funds. Without these effects, working capital (in the narrower sense) and thus the capital lock-up in the period under review fell slightly (net cash provided).

In total, the changes in working capital (in both the narrower and also in the broader sense) in the first six months were within the standard fluctuation bandwidths experienced to date in the SKW Metallurgie Group. Nevertheless, the SKW Metallurgie Group has launched a drive to cut its working capital in the remainder of 2015 (lower capital lock-up in terms of revenues) and also to further reduce the bandwidth of fluctuations - to the extent that this is not caused by corresponding fluctuations in revenues. Cutting the fluctuation bandwidth also includes avoiding currency translation effects to the greatest extent possible or disclosing these separately.

Net cash used in investing activities totaled EUR -2.1 million during the six month period under review, at around the same level as in the previous year (EUR -1.7 million). This mainly includes the following effects:

- → During the period under review, the final purchase price installment from the sale of the Swedish subsidiary in the amount of EUR 0.5 million is included. There was no corresponding item in the same period of the previous year.
- → The disposal of assets resulted in net proceeds of EUR 1.1 million in the first half of 2014 (H1 2015: EUR 0 - rounded).
- → In all other respects, in the first half of 2015 (EUR 2.1 million) and in the same period of the previous year (EUR 2.0 million) a comparable amount was invested in continued operations. This mostly relates to maintenance investments.
- → The investments planned as part of the ReMaKe project will mostly be made in the remainder of 2015 or in 2016.

This resulted in a free cash flow[5] for the SKW Metallurgie Group of EUR -6.5 million in the six months under review (H1 2014: EUR 5.1 million). This negative free cash flow in the six months under review is primarily due to the factors stated above for working capital (e.g. settlement payment for the US customs proceedings). Assuming constant working capital the free cash flow would have been substantially positive in both H1 2015 and also in H1 2014.

5. The free cash flow is defined as the net cash flow less net investments.

3.9 Segment reporting

The SKW Metallurgie Group comprised three segments in the period under review. The breakdown into these segments is in line with the previous year.

The development of the three operating segments in the year under review is set out below:

→ External sales in the **Cored Wire** segment were up slightly at EUR 77.4 million in H1 2015 compared to H1 2014 (EUR 75.4 million). The increase in segment EBITDA was even more significant - up by +9% from EUR 6.5 million to EUR 7.1 million. The contributions to revenues and EBITDA from the Bhutanese Group company which belongs to this segment are no longer included in this segment's revenues and EBITDA as a result of IFRS 5.

→ Annual revenues with non-Group customers in the **Powder and Granules** segment totaled EUR 62.9 million (H1 2014: EUR 61.8 million) are also higher than in the previous year's period. Segment EBITDA increased substantially from EUR 2.0 million to EUR 6.8 million in the six months under review. In this connection, we must consider that the previous year's period was depressed by extraordinary write-downs reflected in EBITDA of EUR 1.7 million. The SKW Metallurgie Group's participation in the Indian company Jamipol, which belongs to this segment, is less than 50%. As a result this interest is carried at equity and is included in EBITDA, however not in the segment's revenue figures.

→ The **Other** segment includes SKW Quab Chemicals Inc., which runs the operating Quab business, and also the top-level group company SKW Stahl-Metallurgie Holding AG and additional German companies which perform central Group functions. The contributions to revenues and EBITDA from SKW Quab Chemicals Inc., which belongs to this segment, are no longer included in this segment's revenues and EBITDA as a result of IFRS 5. Thus, the segment figures are exclusively based on the Group's holding company and the associated companies. As these companies do not generate any external revenues by definition, segment revenues total EUR 0. The substantial increase in segment EBITDA (from EUR -2.1 million to EUR 2.6 million) is mainly due to non-realized currency translation gains by the Group's parent company. These resulted in particular from the fact that the Group's parent company, which prepares its accounts in euros, has issued intragroup loans in USD.

4. Optimized number of employees

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 837 on March 31, 2015 as a result of activities to improve efficiency, and was slightly lower than the figure on December 31, 2014 (888) and also lower than the figure on March 31, 2014 (970).

5. 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 2015 as part of the quarterly risk report the risk inventory performed at the end of 2014 and updated in the first quarter of 2015 was updated.

This update resulted in the following changes or new risks:

As a rule, the estimates and risks reported under “Economic risks” and “Risks from the restructuring process” in the 2014 risk report continue to apply unchanged. However, the downturn in the steel economy, in the USA in particular, means that these are becoming more important. With regard to the business activities in Russia, there continues to be an unchanged specific country risk as a result of the political situation in this region.

The group company in Bhutan is now a group of assets held for sale (IFRS 5), and as a result its figures are no longer included in consolidated revenues and EBITDA. Irrespective of this the risks for this company stated in the 2015 risk report (in particular the tense liquidity situation and negative equity) not only continue to remain in place, but have become even stronger due to an unplanned maintenance stop for the low-shaft-furnace that the company operates and also a low price level for calcium silicon (the company’s main product), which is not primarily due to lower costs. The release of the exchange rate for the Chinese currency announced after the end of the reporting period, which makes Chinese exports cheaper, may further intensify competition for calcium silicon. At present, the Bhutanese company’s liquidity situation is so tense that it no longer appears certain that this company will remain solvent and continue to exist over a longer period. As a rule, bankruptcy by the Bhutanese company would not result in any cash outflow from SKW Stahl-Metallurgie Holding AG or other companies; in particular there is absolutely no obligation to make a subsequent payment for negative equity. The only exception to this is SKW Stahl-Metallurgie Holding AG’s joint liability in the amount of EUR 0.6 million for a loan for the Bhutanese company.

Financial covenants have been agreed in the SKW Metallurgie Group’s credit agreements, in particular in the syndicated credit agreement concluded in January 2015. Based on the current forecast, the Executive Board does not believe that these covenants will be violated. However, if the steel crisis heightens and/or continues for a longer period, with an associated deterioration in the SKW Metallurgie Group’s figures, this would result in such a risk, for the first time at the end of the third quarter of 2015. The Executive Board will keep a close eye on the relevant indicators and will actively implement any countermeasures that may be required. These also include, for example, negotiations with the relevant banks in order to adjust the relevant indicators to any external framework conditions which may occur unexpectedly. In summary, at present the Executive Board believes that the SKW Metallurgie Group will not breach its financial covenants.

In all other respects, the risk report did not result in any major changes as of June 30, 2015 compared to the statements made on opportunities and risks in the 2014 annual report and in the report on the first quarter of 2015.

6. Report on events after the balance sheet date

After the end of the period under review on June 30, 2015, and up to the date on which this interim report was prepared, the following events of particular importance for the SKW Metallurgie Group became known:

- There was a large explosion in the harbor area of the Chinese city of Tianjin in mid-August 2015. The SKW Metallurgie Group operates in Tianjin with two Group companies; in particular the Group's global magnesium procurement is currently processed in Tianjin. On the date this management report was prepared it was not possible to conclusively assess the consequences of the accident for the SKW Metallurgie Group, in particular with regard to the secure supply of magnesium via Tianjin. The Group believes that it will be possible to continue to ensure its supply of magnesium - via other ports if needs be.

- A penalty of MXN 53,894,328.20 (corresponds to around EUR 3,074 thousand) was imposed against the Mexican Group company Affimex Cored Wire S. de R.L. de C.V ("Affimex") in the middle of July 2015 after a customs audit was performed by the responsible Mexican authority due to a purported customs violation in the period from January 2011 to April 2014. During this period, Affimex imported calcium silicon and strip steel as part of a program to promote Mexican foreign trade (IMMEX), which allows companies to import specific goods under certain conditions without paying general import duties, VAT and, as the case may be, settlement or antidumping duties. The company believes that it cannot be accused of violating customs regulations, as the imports meet the conditions for the eased customs duties. It is in contact with the Ministry for the Economy, which has promised it a letter which confirms the company's legal opinion. The company has time until August 26, 2015 to submit an objection to the penalty notice. If the objection does not result in an amendment, the company can take legal action. The management believes that the claim made against the company is unfounded. As it appears that the objection to the penalty notice is likely to be successful, the company has only formed a provision for legal costs.

7. Forecast

Comparison of the prior period's forecast with actual developments

The Executive Board did not make any explicit statements on the first half of 2015 in either the 2014 annual report or in the report on the first quarter of 2015. It was much rather the case that positive growth in revenues and EBITDA was forecast for 2015 as a whole. In concrete terms, in the report on the first quarter of 2015 the Board made a forecast for the entire year, that based on the structure of the Group at that time, the SKW Metallurgie Group would record revenues in excess of the previous year's figure (EUR 316.0 million) and EBITDA of more than EUR 20 million (previous year: EUR 17.5 million) after currency adjustment. The actual figures recorded in the first half of 2015 are thus in line with the forecast made at that time for the year as a whole, as both the revenue and EBITDA figures are nominally higher in the first half of 2015 than in the first half of 2014. After adjustment for the net currency translation effect included in other operating income and other operating expenses, however, this increase in EBITDA was substantially lower; it is also the case that figures for the first six months, but not the second quarter of 2015, are higher than the previous year's figures.

Outlook for 2015 as a whole: ReMaKe program for strategic orientation gains pace, however it is facing a strong economic headwind

The SKW Metallurgie Group's new Executive Board is consistently continuing the strategic reorientation program ("ReMaKe"). In particular this program will further reinforce the fundamentally profitable core divisions. This program's key components include top-level improvements to efficiency, stronger cooperation 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 ReMaKe program will already have a significantly positive impact on the SKW Metallurgie Group's earnings figures and cash flow in 2015 as a whole. However, it is feared that economic developments (in particular in the USA) will have a contradictory effect.

In the report on the first quarter of 2015 the Executive Board confirmed its forecast for consolidated revenues in the SKW Metallurgie Group that are higher than the previous year's figure (based on the Group structure at that time EUR 316.0 million) based on the Group's structure at that time and the exchange rates included in the forecasting process (in particular without unrealized currency translation effects in other operating income/expenses) and EBITDA of more than EUR 20 million - without extraordinary legal issues (previous year based on the group structure at that time: EUR 17.5 million).

The Group's structure has changed since then, in particular due to the first-time application of IFRS 5 for two group companies. In all other respects the forecasts stated above and made in the first quarter of 2015 continue to apply, subject to the condition that steel production - in the USA in particular - grows as expected in the first quarter over the year as a whole (i.e., in particular that the capacity uptake recorded in the two previous years is achieved again in the second half of 2015).

In the event that steel production in North America is substantially lower than in the previous year in the remainder of the year and thus also over the year as a whole, with the developments in the second quarter of 2015 thus continuing, the Executive Board believes that the macroeconomy will curb revenues and EBITDA based on the Group's current structure.

In summary, in view of the current crisis in the steel industry, the Executive Board has adjusted the capital market guidance for the SKW Metallurgie Group for 2015 as a whole with revenues and EBITDA being clearly lower than in the previous year (2014 revenues: EUR 279.0 million; relevant 2014 EBIDTA: EUR 14.8 million), in the case of EBITDA a downturn of up to 20% can be expected if the US steel industry fails to recover.

This guidance is based on the following definitions:

→ All of the calculations are based on the Group's current structure. The revenue and EBITDA figures thus do not include the group of assets held for sale.

→ The guidance includes EBITDA without the net currency translation effects included in other operating expenses and income.

→ The guidance does not include extraordinary legal issues.

The SKW Metallurgie Group believes that there are indicators that the steel industry will recover in 2016 and beyond, in particular in the USA. This will result in positive impetus for the SKW Metallurgie Group.

Unterneukirchen (Germany), August 14, 2015

SKW Stahl-Metallurgie Holding AG
The Executive Board

Dr. Kay Michel
CEO

Sabine Kauper

Management report

Consolidated income statement for the period from January 1 – June 30, 2015 and April 1 – June 30, 2015

EUR thousand	Q1-2 2015	Q1-2 2014	Q2 2015	Q2 2014
Revenues	140,211	136,954	66,356	69,466
Change in finished goods and work in progress	1,314	2,045	-1,187	-2,196
Own work capitalized	33	33	17	16
Other operating income	16,217	2,561	410	1,592
Cost of materials	-94,117	-96,126	-42,724	-46,097
Personnel expenses	-20,472	-20,648	-10,075	-10,385
Other operating expenses	-27,287	-19,089	-13,281	-9,986
Income from associated companies	618	680	406	433
EBITDA	**16,517**	**6,410**	**-78**	**2,843**
Amortization of intangible assets and depreciation of property, plant and equipment	-2,236	-35,827	-1,065	-33,853
EBIT	**14,281**	**-29,417**	**-1,143**	**-31,010**
Net interest	-3,204	-2,009	-1,395	-996
Result from ordinary business activities	**11,077**	**-31,426**	**-2,538**	**-32,006**
Income taxes	-2,594	-4,519	-582	-3,407
Earnings from continued operations (after taxes)	**8,483**	**-35,945**	**-3,120**	**-35,413**
EBT from discontinued operations	-883	-41,626	-1,415	-39,812
Income taxes from discontinued operations	-115	-5,264	34	-5,182
Earnings from discontinued operations (after taxes)	**-998**	**-46,890**	**-1,381**	**-44,994**
Consolidated net income/loss for the period	**7,485**	**-82,835**	**-4,501**	**-80,407**
Thereof shareholders of SKW Stahl-Metallurgie Holding AG				
in earnings from continued operations	7,791	-31,728	-3,435	-31,366
in earnings from discontinued operations	-231	-28,800	-787	-30,447
	7,560	**-60,528**	**-4,222**	**-61,813**
Thereof non-controlling interests	-75	-22,307	-279	-18,594
	7,485	**-82,835**	**-4,501**	**-80,407**
Earnings per share from continued operations (in EUR)*	1.19	-4.85	-0.52	-4.79
Earnings per share from discontinued operations (in EUR)*	-0.04	-4.40	-0.12	-4.65
Consolidated earnings per share (EUR)*	1.15	-9.25	-0.64	-9.44

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

Reconciliation to comprehensive income for the period from January 1 – June 30, 2015 and April 1 – June 30, 2015

EUR thousand	Q1-2 2015	Q1-2 2014	Q2 2015	Q2 2014
Consolidated net income/loss for the period	**7,485**	**-82,835**	**-4,501**	**-80,407**
Items that will not be reclassified subsequently to profit or loss				
Change in actuarial gains and losses from defined benefit pension commitments	577	-1,135	2,035	-1,135
Deferred taxes on items that will not be subsequently reclassified to profit or loss	0	337	0	337
Items that will be reclassified subsequently to profit or loss				
Unrealized losses from derivatives (hedge accounting)	220	-190	0	-113
Net investments in a foreign operation	22	237	-90	250
Deferred taxes on items that will be reclassified subsequently to profit or loss	-73	56	0	33
Exchange rate fluctuations	-4,932	2,860	1,150	1,020
Other result	**-4,186**	**2,165**	**3,095**	**392**
Total result	**3,299**	**-80,670**	**-1,406**	**-80,015**
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	5,910	-58,875	-2,207	-58,982
Thereof non-controlling interests	-2,611	-21,795	801	-21,033

Consolidated balance sheet as of June 30, 2015

Assets in EUR thousand	06/30/2015	12/31/2014
Non-current assets		
Intangible assets	23,775	24,966
Property, plant and equipment	30,121	36,095
Interests in associated companies	6,663	5,618
Other non-current assets	514	478
Deferred tax assets	1,621	1,681
Total non-current assets	**62,694**	**68,838**
Current assets		
Inventories	41,708	43,552
Trade receivables	35,840	39,104
Income taxes	5,122	4,570
Other current assets	4,616	6,615
Cash and cash equivalents	11,355	17,972
Assets held for sale	17,310	-
Total current assets	**115,951**	**111,813**
Total assets	**178,645**	**180,651**

Equity and Liabilities in EUR thousand	06/30/2015	12/31/2014
Equity		
Subscribed capital	6,545	6,545
Share premium	50,741	50,741
Other comprehensive income	-14,274	-20,184
	43,012	37,102
Non-controlling interests	-16,489	-12,662
Total equity	**26,523**	**24,440**
Non-current liabilities		
Pension obligations	8,829	9,241
Other non-current provisions	3,243	3,429
Obligations from finance leases	162	185
Non-current financial liabilities	45,543	6,907
Deferred tax liabilities	2,206	4,740
Other non-current liabilities	226	256
Total non-current liabilities	**60,209**	**24,758**
Current liabilities		
Other current provisions	3,549	5,777
Current obligations from finance leases	46	46
Current financial liabilities	31,389	77,142
Trade payables	28,058	32,809
Income taxes	678	1,153
Other current liabilities	10,080	14,526
Liabilities directly connected to assets held for sale	18,113	-
Total current liabilities	**91,913**	**131,453**
Total equity and liabilities	**178,645**	**180,651**

Consolidated statement of changes in equity as of June 30, 2015

EUR thousand	Subscribed Capital	Share premium	Other comprehensive income	Consolidated equity of majority shareholders	Non-controlling interests	Total equity
Balance at Jan. 1, 2014	**6,545**	**50,741**	**36,405**	**93,691**	**11,789**	**105,480**
Consolidated net loss for the year	-	-	-60,528	-60,528	-22,307	-82,835
Exchange rate fluctuations	-	-	2,348	2,348	512	2,860
Income and expense carried under equity (without exchange rate changes)	-	-	-695	-695	0	-695
Total result 2014	**-**	**-**	**-58,875**	**-58,875**	**-21,795**	**-80,670**
Dividend	-	-	-	-	-700	-700
Balance as of June 30, 2014	**6,545**	**50,741**	**-22,470**	**34,816**	**-10,706**	**24,110**
Balance at Jan. 1, 2015	**6,545**	**50,741**	**-20,184**	**37,102**	**-12,662**	**24,440**
Consolidated net income for the year	-	-	7,560	7,560	-75	7,485
Exchange rate fluctuations	-	-	-2,396	-2,396	-2,536	-4,932
Income and expense carried under equity (without exchange rate changes)	-	-	746	746	0	746
Total result 2015	**-**	**-**	**5,910**	**5,910**	**-2,611**	**3,299**
Dividend	-	-	0	0	-1,216	-1,216
Balance as of Dec. 31, 2013	**6,545**	**50,741**	**-14,274**	**43,012**	**-16,489**	**26,523**

Consolidated cash flow statement for the period from January 1 to June 30, 2015

EUR thousand		01/01/2015 - 06/30/2015	01/01/2014 - 06/30/2014
1.	Consolidated net income/loss for the period	7,485	-82,835
2.	Earnings from discontinued operations (after taxes)	+998	+46,889
3.	Consolidated earnings from continued operations	8,483	-35,946
4.	Write-ups/write-downs of non-current assets	2,236	35,828
5.	Increase/decrease in provisions for pensions	164	227
6.	Income from associated companies	-618	-680
7.	Result from the disposal of non-current assets	-8	-40
8.	Result from currency conversion	-6,661	39
9.	Result from deferred taxes	33	2,924
10.	Expenses from impairment of inventories and receivables	146	1,842
11.	Other non-cash income and expense	761	664
12.	**Gross cash flow**	**4,536**	**4,858**
	Changes in working capital		
13.	Increase/decrease in current provisions	-2,586	1,086
14.	Increase/decrease in inventories (after advance payments received)	-2,187	-941
15.	Increase/decrease in trade receivables	704	-246
16.	Increase/decrease in other receivables	2	-8
17.	Increase/decrease in receivables from income taxes	-797	694
18.	Increase/decrease in other assets	2,466	1,679
19.	Increase/decrease in trade payables	-954	-4,672
20.	Increase/decrease in other liabilities	-502	-615
21.	Increase/decrease in other equity and liabilities	-3,633	-871
22.	Translation effects in operating activities	-2,061	1,567
23.	Cash flow from operating activities from discontinued operations	632	4,261
24.	**Net cash provided by (+)/used in (-) operating activities**	**-4,380**	**6,792**

EUR thousand	01/01/2015 - 06/30/2015	01/01/2014 - 06/30/2014
25. Income from the disposal of assets	27	1,054
26. Payments for investments in non-current assets	-2,112	-2,020
27. Proceeds from the sale of previously consolidated companies less cash and cash equivalents disposed of	500	-
28. Cash flow from investing activities - discontinued operations	-485	-718
29. Net cash provided by (+)/used in (-) investing activities	**-2,070**	**-1,684**
30. Decrease in liabilities from finance leases	-23	-15
31. Dividend payments to non-controlling interests	-1,216	-700
32. Income from taking out bank loans	59,068	2,340
33. Payments for the repayment of bank loans	-57,265	-1,718
34. Cash flow from financing activities - discontinued operations	-957	-1,749
35. Net cash provided by (+)/used in (-) financing activities	**-393**	**-1,842**
36. Cash and cash equivalents − start of period	17,972	10,673
37. Change in cash and cash equivalents	-6,843	3,266
38. Currency translation for cash and cash equivalents	247	-362
39. Cash and cash equivalents - end of period	**11,376**	**13,577**
of which cash and cash equivalents for discontinued operations	21	1,607

Information on the condensed consolidated interim financial statements as of June 30, 2015

A. Basis of presentation

SKW Stahl-Metallurgie Holding AG has prepared its condensed consolidated interim financial statements as of June 30, 2015 according to Section 37y No. 2 in connection with Section 37w of the Wertpapierhandelsgesetz (WpHG - German Securities Trading Act) while observing International Accounting Standard (IAS) 34. The same accounting principles as were applied for preparation of the condensed consolidated interim financial statements as were also applied for the preparation of the consolidated financial statements as of December 31, 2014 and 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 consolidated accounting are detailed in the notes to the consolidated financial statements as of December 31, 2014 (Section C. "Key Ac-counting 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 2015 form 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, 2014 in Section A. "General Information and Presentation of the Consolidated Financial Statements".

With regard to the methods used for estimates the comments in the notes to the consolidated fi-nancial statements as of December 31, 2014, Section C: "Key Accounting and Valuation Principles" apply. The same accounting and calculation methods have been applied in these financial statements as in the consolidated financial statements for 2014.

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

As a result of a merger agreement dated April 30, 2014, SKW France SAS, Solesmes/France, a wholly-owned subsidiary of SKW Stahl-Metallurgie Holding AG, was merged with its wholly-owned French subsidiary Affival SAS, Solesmes/France with retroactive effect from January 1, 2015. As a result, the group of consolidated companies has thus fallen to a current total of 24 fully consolidated companies compared to December 31, 2014 (see Section E in the notes to the consolidated financial statements as of December 31, 2014 in this regard). This merger has not impacted the consolidated financial statements.

The consolidation methods applied have not changed compared to the 2014 consolidated financial statements.

Discontinued operations

During the course of the second quarter of 2015 the SKW Metallurgie Group initated the sale of the US subsidiary SKW Quab Chemicals Inc. This company sells specialty chemical reagents to the paper and hygiene products industry. These are cationic and are thus allocated to the Other segment. As a result, they do not form part of the SKW Metallurgie Group's core business.

In addition, during the course of the second quarter of 2015 a decision was taken to end the involvement in SKW Tashi Metals & Alloys Private Ltd. in Bhutan. The strategy of vertical integration that was pursued by the former Executive Board is no longer being pursued. SKW Tashi Metals & Alloys Private Ltd. produces and sells calcium silicon (CaSi) and is part of the "Cored Wire" segment.

SKW Metallurgy Sweden AB left the group of consolidated companies in November 2014 when it was sold. It was part of the "Powder and Granules" segment.

The assets and liabilities of SKW Quab Chemicals Inc. and SKW Tashi Metals & Alloys are valued and accounted for as non-current assets held for sale and discontinued operations in line with IFRS 5. They are disclosed as follows:

→ The consolidated income statement no longer includes these companies earnings in the respective positions in the income statement for the period under review and prior year period, but rather these are disclosed separately as "Earnings from discontinued operations";

→ The assets and liabilities of SKW Quab Chemicals Inc. and SKW Tashi Metals & Alloys are presented separately in the balance sheet as "available for sale". The prior period figures have not been adjusted as the conditions for separate disclosure for these companies did not apply on the prior year's balance sheet date. No changes were required with regard to the SKW Metallurgy Sweden AB as this was not included on the balance sheet on either the reporting date nor on the prior year's reporting date;

→ The cash flow statement for the reporting and comparable periods includes the earnings or contributions from the named companies to the cash flows shown separately as cash flows from discontinued operations.

→ Segment reporting shows the contributions to the Group from the segments from continued operations. The figures for discontinued operations are shown in separate lines.

The group of assets held for sale on the balance sheet according to IFRS 5 (assets and liabilities directly connected to these assets) is composed of the following balance sheet items:

EUR thousand	June 30, 2015
Assets held for sale	
Intangible assets	2,353
Property, plant and equipment	5,889
Deferred tax assets	18
Inventories	4,089
Trade receivables	4,297
Other current assets	643
Cash and cash equivalents	21
	17,310
Liabilities directly connected to assets held for sale	
Other non-current provisions	134
Non-current financial liabilities	4,222
Deferred tax liabilities	2,599
Other provisions	225
Current financial liabilities	4,694
Trade payables	5,199
Income tax liabilities	313
Other current liabilities	727
	18,113

C. Net assets, financial position and results of operations

Balance sheet

The SKW Metallurgie Group's total assets on June 30, 2015 amounted to EUR 178,645 thousand (December 31, 2014: EUR 180,651 thousand) and thus only fell by an immaterial amount compared to the previous year.

The key items of current assets are, as was the case in the previous year, inventories totaling EUR 41,708 thousand or 23.3% of total assets (December 31, 2014: EUR 43,552 thousand or 24.1% of total assets) and trade receivables in the amount of EUR 35,840 thousand or 20.0% of total assets (December 31, 2014: EUR 39,104 thousand or 21.6% of total assets).

Equity (including non-controlling interests) on June 30, 2015 totaled EUR 26,523 thousand (December 31, 2014: EUR 24,440 thousand). As was also the case in the previous year, no dividend was paid to SKW Stahl-Metallurgie Holding AG's shareholders. The equity ratio has improved year-on-year from 13.5% to 14.8% of total assets.

At the Company's ordinary general meeting on June 9, 2015 the Company's shareholders resolved various items, including to authorize the Executive board to increase the Company's share capital against cash contributions by up to 100% by December 9, 2015 (date of entry in the commercial register. The capital increase serves to reinforce the Company's equity structure, to repay liabilities to banks and to finance further growth.

The details of the resolved capital increase are as follows:

a) The Company's share capital of EUR 6,544,930.00 will be increased by up to EUR 6,544,930.00 to up to EUR 13,089,860.00 by issuing up to 6,544,930.00 new, ordinary registered shares (the "new shares"), each with a theoretical interest in the share capital of EUR 1.00 per no-par value share. The issuing amount totals at least EUR 1.00 per ordinary share. The new shares carry profit participation rights from January 1, 2015. These must be offered to shareholders for subscription proportionately (old to new shares) in line with the number of shares issued prior to the start of the subscription period to the number of new shares to be issued as part of the capital increase.

b) Shareholders can also be granted statutory subscription rights such that the new shares are subscribed either fully or partially by one or several banks and/or one or several companies within the meaning of Section 186 (5) Sentence 1 of the Aktiengesetz (AktG - German Public Limited Companies Act) at the lowest issuing amount, and are taken over with the obligation to offer these to shareholders for subscription at the subscription prices set by the Executive Board in agreement with the Supervisory Board and to pay the proceeds - after deducting reasonable commission as well as costs and expenses - to the Company (indirect subscription right). Any new shares not subscribed within the subscription period can be exploited in line with the Executive Board's instructions. Any exploitation must be at the best possible price, however at least at the subscription price at which the new shares were offered to the holders of subscription rights for subscription.

c) The Executive Board is authorized, with the approval of the Supervisory Board, to set further details of the capital increase and its execution, in particular the subscription price and the further conditions for issuing new shares. The Executive Board must set the subscription price for each new share, with the approval of the Supervisory Board, at the best possible price considering the current situation on the market on the date the capital increase is performed, and with a reasonable placement discount. The Company bears the costs of the capital increase and its execution.

d) The resolution to increase the share capital becomes invalid if the capital increase is not entered in the Company's commercial register with Traunstein Local Court by the end of December 9, 2015.

e) The Supervisory Board is authorized to adjust the wording of the Company's Articles of Incorporation, Article 4 (1) and (2) (Capital, Shares) in line with the execution of the capital increase.

Trade accounts payable (EUR 28,058 thousand) fell in the first half of 2015 by EUR 4,751 thousand compared to December 31, 2014 (EUR 32,809 thousand). The total amount of inventories and trade receivables less trade payables thus fell marginally by EUR 357 thousand compared to December 31, 2014 (EUR 49,847 thousand), to a current total of EUR 49,490 thousand.

The year-on-year reduction in liabilities for pensions by EUR 412 thousand from EUR 9,241 thousand as of December 31, 2014 to EUR 8,829 thousand as of June 30, 2015 is mainly due to the adjustment to the interest rate for pensions in line with the market. This increased slightly as of June 30, 2015 from 2.15% to 2.45% compared to December 31, 2014; the resulting actuarial gains were taken directly to equity.

It was possible to reverse the provision for restructuring formed as of December 31, 2014 as a result of changed estimates in the amount of EUR 460 thousand.

The total amount of non-current and current liabilities fell in the period under review by EUR 4,089 thousand from EUR 156,211 thousand as of December 31, 2014 to EUR 152,122 thousand on June 30, 2015.

SKW Stahl-Metallurgie Holding AG concluded the new syndicated credit agreement with a three-year term in the amount of EUR 86 million on January 23, 2015. The syndicated credit agreement comprises two tranches. The first tranche in the amount of EUR 40 million is to be used as working capital and replaces the credit lines under the master credit agreement in the same amount. The second tranche of the syndicated credit agreement in the amount of EUR 46 million is a repayment loan which will primarily be used to repay the promissory note loan and other financial liabilities. The repayment loan also includes mandatory repayments. Collateral has been provided as part of the syndicated credit agreement. This includes pledges of interests in subsidiary companies and a guarantor concept. In this commitment, the Company has made an undertaking to its creditors to uphold its covenants. Violating these covenants gives creditors an extraordinary cancellation right. Based on the current Group forecast, the Executive Board believes that the covenants will not be breached.

This is the main reason for the change in the breakdown of financial liabilities from current to non-current as of June 30, 2015 compared to December 31, 2014.

Additional information on financial instruments

This section provides a comprehensive overview of the significance of fiThis 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.

	06/30/2015		12/31/2014	
EUR thousand	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Assets held to maturity	514	514	478	478
Loans and receivables	40,151	40,151	39,657	39,657
Financial assets held for trading	69	69	321	321
Available-for-sale financial assets	0	0	0	0
Derivative financial instruments (with hedge accounting)	0	0	0	0
Financial liabilities				
Financial liabilities at amortized cost	121,969	121,969	120,500	120,500
Derivative financial instruments with no hedge accounting	186	186	202	202
Derivative financial instruments with hedge accounting	0	0	220	220

The disclosed market value of the financial assets which are classified as held to maturity is given by level 3 of the fair value hierarchy. The carrying amount is used as the market value in this regard.

The following table shows the allocation of the balance sheet items on the assets side as of June 30, 2015 to the measurement categories:

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 and loss	
	Carrying amount 06/30/2015	Amortized cost	Amortized cost	Fair value taken directly to equity	Fair value through profit and loss	Fair value 06/30/2015
Other assets	528	14	514	0	0	528
Receivables from construction contracts	0	0	0	0	0	0
Trade receivables	40,137	40,137	0	0	0	40,137
Derivatives without hedge accounting	69	0	0	0	69	69

The corresponding allocation as of December 31, 2014 was 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 and loss	
	Carrying amount 12/31/2014	Amortized cost	Amortized cost	Fair value taken directly to equity	Fair value through profit and loss	Fair value 12/31/2014
Other assets	1,031	553	478	0	0	1,031
Receivables from construction contracts	0	0	0	0	0	0
Trade receivables	39,104	39,104	0	0	0	39,104
Derivatives without hedge accounting	321	0	0	0	321	321

The carrying amount of the trade receivables and other current receivables is equal to their fair value in each case.

The following table shows the items of equity and liabilities as of June 30, 2015 with their valuation categories and classes: This also 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 measured at amortized cost	Financial liabilities at fair value through profit or loss	
	Carrying amount 06/30/2015	Amortized cost	Fair value	Fair value 06/30/2015
Financial debt	85,848	85,848	0	85,848
Trade payables (without PoC)	33,169	33,169	0	33,169
Other liabilities	2,952	2,952	0	2,952
Derivatives without hedge accounting	186	0	186	186
Derivatives with hedge accounting	0	0	0	0

The figures for the previous year as of December 31, 2014 are as follows:

Equity and liabilities in EUR thousand	Valuation according to IAS 39			
		Financial liabilities measured at amortized cost	Financial liabilities at fair value through profit or loss	
	Carrying amount 12/31/2014	Amortized cost	Fair value	Fair value 12/31/2014
Financial debt	84,048	84,048	0	84,048
Trade payables (without PoC)	32,708	32,708	0	32,708
Other liabilities	3,744	3,744	0	3,744
Derivatives without hedge accounting	202	0	202	202
Derivatives with hedge accounting	220	0	0	220

The fair value of forward currency contracts is calculated on the basis of the average spot ex-change 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 for foreign exchange options and interest rate swaps. 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 amount of the trade payables and other current liabilities is equal to their fair value 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, 2015:

EUR thousand	Level 1	Level 2	Level 3	Total
Financial assets measured at market value				
Derivative financial instruments	-	69	-	69
Financial liabilities measured at market value				
Derivative financial instruments	-	186	-	186

Comparable figures as of December 31, 2014 are as follows:

EUR thousand	Level 1	Level 2	Level 3	Total
Financial assets measured at market value				
Derivative financial instruments	-	321	-	321
Financial liabilities measured at market value				
Derivative financial instruments	-	422	-	422

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

Level 1: Listed market prices for identical assets or liabilities on active markets.

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

Level 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 forwards on the asset side and currency forwards on the liabilities side.

The balance reported under hedge accounting within the meaning of IAS 39 in 2014 was dissolved in the first quarter of 2015 as the underlying transaction no longer applied as a result of the long-term financing being replaced by the syndicated credit agreement concluded in January 2015. The reserve under equity was recycled in profit and loss. The other derivatives which con-tinue to exist are carried as derivatives without hedge accounting. Changes resulting from measurement at fair value are recognized in income.

Information on subsidiaries

The following section presents details of the subsidiaries which are not wholly owned, and in which there are material non-controlling interests:

	Participation and voting rights for non-controlling interest		Gain/loss due to non-controlling interests		Accumulated non-controlling interests	
Company	06/30/2015	12/31/2014	01-06/2015	01-06/2014	06/30/2015	12/31/2014
	%	%	EUR thousand	EUR thousand	EUR thousand	EUR thousand
“Cored Wire” segment						
SKW Tashi Pte. Ltd., Bhutan	49%	49%	-777	-18,110	-28,270	-25,356
“Powder and Granules” segment						
Tecnosulfur S/A, Brazil	33.33%	33.33%	693	-3,982	5,189	6,415

The following table presents summarized financial information for the subsidiaries which are not wholly owned, and in which there are material non-controlling interests:

EUR thousand	SKW Tashi Pte. Ltd, Bhutan		Tecnosulfur S/A, Brazil	
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
Current assets	2,361	4,227	9,379	11,477
Non-current assets	0	0	18,514	20,353
Current liabilities	9,099	9,651	5,209	5,253
Non-current liabilities	50,957	46,322	7,117	7,331
Interest in equity allocable to shareholders of the parent company	-29,425	-26,391	10,278	12,831
Interest in equity allocable to non-controlling shareholders.	-28,288	-25,356	5,189	6,415
	01-06/2015	01-06/2014	01-06/2015	01-06/2014
Revenues	5,941	4,939	14,411	13,347
Other expenses	-7,491	-41,899	-12,330	-25,295
Consolidated net loss/income for the period	**-1,550**	**-36,960**	**2,081**	**-11,948**
Proportion of net loss/net income due to shareholders of the parent company	-791	-18,850	1,388	-7,966
Proportion of net loss/net income due to non-controlling shareholders	-759	-18,110	693	-3,982
Total net loss/net income for the period	**-1,550**	**-36,960**	**2,081**	**-11,948**
Proportion of other result due to shareholders of the parent company	-2,243	-107	-847	1,251
Proportion of other result due to non-controlling shareholders	-2,155	-103	-424	626
Total other result	**-4,398**	**-210**	**-1,271**	**1,877**
Proportion of total result due to shareholders of the parent company	-3,034	-18,957	541	-6,715
Proportion of total result due to non-controlling shareholders	-2,914	-18,213	269	-3,356
Total result	**-5,948**	**-37,170**	**810**	**-10,071**
Dividends paid to non-controlling shareholders	0	0	-1,216	-705
Net cash flows from operating activities	1,058	136	3,922	5,447
Net cash flows from investing activities	-37	-33	-241	-1,636
Net cash flows from financing activities	-1,287	-26	-4,921	-3,565
Total net cash flows	**-266**	**77**	**-1,240**	**246**

Income statement

In order to allow Q1 2015 to be compared with Q1 2014 the comparable figures in the income statement have been adjusted for the contributions from divisions held for sale in line with IFRS 5. The earnings from divisions held for sale in the comparable figures from the previous year relates to SKW Quab Chemicals Inc and SKW Tashi Alloys & Metals Pte. Ltd. as well as SKW Sweden Metallurgy AB, which left the Group in November 2014 when it was sold.

In the first six months of 2015, the SKW Metallurgie Group recorded revenues of EUR 140,211 thousand, up slightly from EUR 136,954 thousand in the same period of 2014. Revenues were higher mainly due to currency translation, in particular as a result of the stronger US dollar. The cost of materials fell slightly compared to the same period of the previous year.

The gross margin is total revenues, changes in inventories, own work capitalized and costs of materials divided by revenues, and totaled 33.8% in the period under review. This has thus improved compared to H1 2014 (31.3%), since the cost of materials fell slightly despite higher revenues. However, a material reason for this was that the cost of materials in the second quarter of 2014 included extraordinary write-downs of EUR 1,465 thousand on inventories.

Other operating income of EUR 16,217 thousand in the period under review (previous year: EUR 2,561 thousand) results mainly from currency translation gains in the amount of EUR 14,315 thousand (previous year: EUR 1,784 thousand).

Currency translation gains are offset by corresponding currency translation losses under other operating expenses (including exchange rate effects from debt consolidation). These totaled EUR -6,962 thousand in H1 2015 (previous year: EUR -1,511 thousand). When netted with the currency translation gains, this resulted in a net currency translation effect in the period under review of EUR 7,353 thousand compared to EUR 273 thousand in the same period of the previ-ous year.

Other operating expenses were up by EUR 8,198 thousand in the period under review at EUR -27,287 thousand compared to EUR -19,089 thousand in the previous year. This change is mainly due to the currency translation effects set out above as well as legal and consulting expenses.

Personnel expenses were lower year-on-year at EUR -20,472 thousand (previous year: EUR -20,648 thousand).

Net interest is lower year-on-year at EUR -3,204 thousand (previous year: EUR -2,009 thousand).

Consolidated net income for the first half of 2015, 2010 totaled EUR 7,485 compared to EUR -82,835 in the same period of the previous year. Non-controlling interests in the first six months of 2015 totaled EUR -75 thousand compared to EUR -22.307 thousand in the same period of the previous year. The year-on-year difference in earnings is mostly due to the fact that in the same period of the previous year the negative earnings were characterized by write-downs and non-scheduled impairment totaling EUR 37,868 on assets and inventoriesas well as on deferred tax assets.

Cash flow statement

Consolidated net income for the first half of 2015 totaled EUR 7,485 compared to EUR -82,835 in the same period of the previous year. Gross cash flow is down EUR 4,536 thousand (previous year: EUR 4.858 thousand).

During the first half of 2015, net cash was used from working capital in the amount of EUR 8,916 thousand (previous year: net proceeds of EUR 1,934 thousand). The SKW Metallurgie Group thus recorded net cash used in in operating activities of EUR -4,380 thousand compared to net cash provided in the amount of EUR 6,792 thousand in the first half of 2014.

Net cash used in investing activities amounted to EUR -2,070 thousand in H1 2015 compared to EUR -1.684 thousand in the same period of the previous year. Net cash provided in the first half of 2015 from the sale of previously consolidated companies relates to the second and final instalment for SKW Sweden Metallurgy AB, sold in 2014.

Net cash of EUR 393 thousand was used for financing activities (previous year: net cash used of EUR -1,842 thousand). The receipts mostly relate to cash received as part of the syndicated credit agreement concluded in January 2015; the payments mostly relate to the associated dissolution of the promissory note loan as well as the master credit agreement.

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

→ Interest expenses of EUR 1,102 thousand (previous year: EUR 1,809 thousand).

→ Interest income of EUR 0 thousand (previous year: EUR 0 thousand)

→ Income taxes paid of EUR 885 thousand (previous year: EUR 1,020 thousand).

→ Income taxes refunds of EUR 164 thousand (previous year: EUR 0 thousand).

D. Segment reporting

The segments described below correspond to the SKW Metallurgie Group's internal organizational and reporting structure. The identification of segments takes into account the Group's different products and services and is based on the steel production process. The SKW Metallurgie Group's products and services are used in two process stages within this process: In hot metal desulfurization in which various powders and granules are used, and also in steel refining, which is conducted using cored wire. As a result, two segments with a reporting requirement have been identified for the SKW Metallurgie Group's core business:

Cored Wire

The Cored Wire segment focuses on the production and sale of wire filled with specialty chemicals, so-called cored wires. The program is consistently geared to steel refining. The steel is given specific metallurgical characteristics thanks to the use of cored wire. The services offered include, in particular, advice on selecting suitable substances for the core, product-specific production of cored wire according to the customer's specific objectives and production parameters and the construction and set-up of the requisite equipment at the customer's facility and taking this into operation.

Powder and Granules

The Powder and Granules segment bundles all of the production and sales functions for hot metal desulfurization. The Powder and Granules segment supports its customers in producing top-quality end products thanks to its highly reliable deliveries, flexibility and far-reaching service. At the same time, it advises customers on selecting and implementing suitable desulfurization solutions and the use of secondary metallurgical additives for the refining process.

Other

The Other segment includes the Group's management and intra-group services.

Consolidation

Business relationships between the segments are consolidated. Revenues between the segments are performed at intragroup prices which as mostly based on the re-sale method.

Segment assets

The reported segment assets correspond to all of the assets of the respective segment, interests in associated companies being shown separately. The reported segment liabilities correspond to all of the liabilities of the respective segment.

In the following section the information on the business segments for the first half of and as of June 30, 2015 is as follows:

EUR thousand	Cored Wire	Powders and Granules	Other	Consolidation	Group
Revenues					
Third-party revenues	77,358	62,853	0	0	140,211
Internal revenues	34	89	0	-123	0
Total revenues	**77,392**	**62,942**	**0**	**-123**	**140,211**
Income from associated companies		618			618
EBITDA	**7,097**	**6,847**	**2,573**	**0**	**16,517**
Scheduled amortization/depreciation	-1,008	-1,031	-99	0	-2,138
Non-scheduled amortization/depreciation	0	-98	0	0	-98
EBIT	**6,089**	**5,718**	**2,474**	**0**	**14,281**
Dividends from subsidiaries	0	0	3,129	-3,129	0
Transfer of profit	0	-374	374	0	0
Interest income	30	259	2,468	-2,414	343
Interest expenses	-1,597	-1,452	-2,912	2,414	-3,547
Earnings before taxes	**4,522**	**4,151**	**5,533**	**-3,129**	**11,077**
Income taxes					-2,594
Earnings from discontinued operations (after taxes)					**8,483**
Earnings from discontinued operations (after taxes)					-998
Consolidated net income for the period					**7,485**
Balance sheet					
Assets					
Segment assets	68,619	101,019	146,900	-144,556	171,982
Interests in associated companies	0	6,663	0	0	6,663
Consolidated assets					**178,645**
Equity and liabilities					
Segment liabilities	104,921	69,686	58,829	-81,314	152,122
Consolidated liabilities					**152,989**
ongoing capital expenditure (property, plant and equipment, intangible assets)	**104,921**	**69,686**	**58,829**	**-81,314**	**152,122**

The following table shows segment information for the first half of and as of June 30, 2014:

EUR thousand	Cored Wire	Powders and Granules	Other	Consolidation	Group
Revenues					
Third-party revenues	75,445	61,508	0	0	136,954
Internal revenues	1	282	52	-335	0
Total revenues	**75,446**	**61,791**	**52**	**-335**	**136,954**
Income from associated companies		680			680
EBITDA	**6,522**	**1,984**	**-2,097**	**0**	**6,409**
Scheduled amortization/depreciation	-977	-1,981	-102	0	-3,060
Non-scheduled amortization/depreciation	0	-30,214	-2,553	0	-32,767
EBIT	**5,545**	**-30,211**	**-4,752**	**0**	**-29,418**
Dividends from subsidiaries			8,664	-8,664	0
Transfer of profit	-	-	-	-	-
Interest income	16	44	2,201	-2,201	60
Interest expenses	-1,236	-1,410	-1,624	2,201	-2,069
Earnings before taxes	**4,325**	**-31,577**	**4,489**	**-8,664**	**-31,427**
Income taxes					-4,519
Earnings from discontinued operations (after taxes)					**-35,946**
Earnings from discontinued operations (after taxes)					-46,889
Consolidated net income for the period					**-82,835**
Balance sheet					
Assets					
Segment assets	63,144	82,520	125,893	-112,541	159,016
Interests in associated companies		5,048			5,048
Consolidated assets					**164,064**
Equity and liabilities					
Segment liabilities	63,144	82,520	125,893	-112,541	159,016
Consolidated liabilities		**5,048**			**5,048**
ongoing capital expenditure (property, plant and equipment, intangible assets)	**447**	**2,947**	**0**	**0**	**3,394**

E. Related parties

There were no major changes in key transactions with related parties in the period under review compared to the 2014 consolidated financial statements.

F. Contingent receivables and liabilities

The following new items were added to the SKW Metallurgie Group's contingent receivables and liabilities in comparison to December 31, 2014:

Contingent receivables

On June 5, 2015 SKW Stahl-Metallurgie Holding AG sued former members of the Executive Board for compensation for damages of EUR 54,518,577. This suit is based on alleged violations of duties as members of the Executive Bodies in connection with the Joint Venture SKW-Tashi Metals and Alloys Private Ltd. in the Kingdom of Bhutan and the acquisition of a calcium carbide plant in Sundsvall, Sweden.

Contingent liabilities

A penalty of MXN 53,894,328.20 (corresponds to around EUR 3,074 thousand) was imposed against Affimex Cored Wire S. de R.L. de C.V (Manzanillo, Mexico), hereinafter also: Affimex, an SKW Metallurgie Group company, in the middle of July 2015 after a customs audit was performed by the responsible Mexican authority due to a purported customs violation in the period from January 2011 to April 2014. During this period, Affimex imported calcium silicon and strip steel as part of a program to promote Mexican foreign trade (IMMEX), which allows companies to import specific goods under certain conditions without paying general import duties, VAT and, as the case may be, settlement or antidumping duties. The company believes that it cannot be accused of violating customs regulations, as the imports meet the conditions for the eased customs duties. It is in contact with the Ministry for the Economy, which has promised it a letter which confirms the company's legal opinion. The company has time until August 26, 2015 to submit an objection to the penalty notice. If the objection does not result in an amendment, the company can take legal action. The management believes that the claim made against the company is unfounded.

As it appears that the objection to the penalty notice is likely to be successful, the Company has provided only for legal costs.

G. Key events after the balance sheet date

In addition to the contingent liability stated above (customs violation in Mexico), the following additional events of particular importance for the SKW Metallurgie Group became known after the end of the reporting period on June 30, 2015 and through to the date this interim report was prepared:

There was a large explosion in the harbor area of the Chinese city of Tianjin in mid-August 2015. The SKW Metallurgie Group operates in Tianjin with two group companies; in particular the Group's global magnesium procurement is processed in Tianjin. On the date this management report was prepared it was not possible to conclusively assess the consequences of the accident for the SKW Metallurgie Group, in particular with regard to the secure supply of magnesium.

Financial covenants have been agreed in the SKW Metallurgie Group's credit agreements, in particular in the syndicated credit agreement concluded in January 2015. Based on the current forecast, the Executive Board does not believe that these covenants will be violated. However, if the steel crisis heightens and/or continues for a longer period, with an associated deterioration in the SKW Metallurgie Group's figures, this would result in such a risk, for the first time at the end of the third quarter of 2015. The Executive Board will keep a close eye on the relevant indicators and will actively implement any countermeasures that may be required. These also include, for example, negotiations with the relevant banks in order to adjust the relevant indicators to any external framework conditions which may occur unexpectedly. In summary, at present the Executive Board believes that the SKW Metallurgie Group will not breach its financial covenants.

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, 2015:

Legal entities:

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%	01/11/2013	
Kreissparkasse Biberach	Biberach, Germany	200,803	3.07%	06/27/2013	two notifications for the same shareholding
La Muza Inversiones	Madrid, Spain	240,322	3.67%	09/18/2014	
LBBW Asset Management Investmentgesellschaft mbH	Stuttgart, Germany	331,599	5.07%	09/23/2010	
SE Swiss Equities AG	Zurich (Switzerland)	328,820	5.02%	03/23/2015	

Private individuals:

Country	Country	Number of shares	Shares held correspond to	Date	Remarks
Gerd Schepers	Singapore	201,453	3.08%	02/10/2015	

No individual shareholder held an interest of 10% or more on the balance sheet date.

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

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 may 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 14, 2015

SKW Stahl-Metallurgie Holding AG
The Executive Board

Dr. Kay Michel
CEO

Sabine Kauper

Statement of the Executive Board

To the best of our knowledge, we declare that, according to the accounting standards and principles of proper interim accounting applied, the consolidated interim financial statements as of June 30, 2015 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 14, 2015

SKW Stahl-Metallurgie Holding AG
The Executive Board

Dr. Kay Michel	Sabine Kauper
CEO	

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 managing board within their report on opportunities and risks as well as within their forecast, both contained in the interim management report for the group, whereby:

The credit agreements of the SKW Metallurgie group, especially the syndicated loan entered in January 2015, contains "financial covenants". Based on the actual forecast managing board is not of the assumption that these financial coventants might not be met. A tightening and/or temporal continuance of the steel crises within the United States of America in conjunction with a deterioration of the group's consolidated figures would bear such a risk, for the end of the third quarter 2015 at the first time. Managing board intensively will monitor the respective financial covenants and will initiate conteractive measures.

The group company in Bhutan shows a negative equity and a heavy debt burden. Currently, the liquidity position of the group company in Bhutan is rather critical such that solvency and going concern seem to be not further assured for a longer period. An insolvency of the company in Bhutan principally would not cause a cash outflow from the SKW Stahl-Metallurgie Holding AG or other group companies; especially there does not exist any additional payment liability on the negative equity. Any consequence with regard to meet the financial covenants is not to be expected.

München (Munich), August 14, 2015

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

gez. Aumann	gez. Tauber
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Financial Calendar 2015 (remaining)

November 13, 2015

→ Publication of business figures first nine months 2015

November 24, 2015

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

→ Analysts‘ Conference

May be subject to change.

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