Declaration of conformity by SKW Stahl-Metallurgie Holding AG

pursuant to Section 161 AktG

The Executive Board and the Supervisory Board of SKW Stahl-Metallurgie Holding AG, Munich (Germany) (hereinafter referred to as the "Company"), declare the following with regard to the recommendations of the German Corporate Governance Code (hereinafter referred to as "the Code") pursuant to Section 161 AktG (Stock Corporation Act):

The Company's Executive Board and Supervisory Board issued their last (updated) declaration of conformity pursuant to Section 161 AktG on December 20, 2016. The following declaration refers to the Code in the version dated February 7, 2017. The Company's Executive Board and Supervisory Board declare that they have conformed with all the recommendations of the Code to date, with the exceptions detailed below, since the last Declaration of Conformity dated December 20, 2016 has been issued, and that they intend to do so in the future as well. This does not necessarily apply to the extent that exceptions can be attributed exclusively to changes made to the Code during a year.

1. **Number of Executive Board members – Item 4.2.1 para. 1 of the Code**
   Item 4.2.1 para. 1 of the Code states that the Executive Board should be composed of more than one person and should have a Chairman or Speaker. The Company has been managed also in the short business year 2017 by Dr. Kay Michel as the sole Executive Board member until further notice. As a matter of principle, the Company believes that maintaining this situation or appointing a new Executive Board member in charge of finance in the medium-term future are both good options. In any case, appointing a new Executive Board member in the short term is not necessary because Dr. Michel possesses in-depth knowledge of finance from his previous activities. The deliberately small size or lean structure of the management levels of the SKW Metallurgie Group has proved to be advantageous up to now for the group. Not the least of reasons speaking against the appointment of a new Executive Board member is the cost savings in the current insolvency situation of the Company. Thus, the Company deviates from the recommendation in item 4.2.1 para. 1 of the Code.

2. **Benefit commitments based on the intended benefit level - Item 4.2.3 Para. 3 of the Code**
   Item 4.2.3 Para 3 of the Code stipulates that the Supervisory Board must define the respective intended benefit level – taking the length of service on the Executive Board into consideration – and that it must consider the resulting annual and long-term expenses for the Company. As the definition of defined benefits hardly applies since the period of the mandate cannot be reliably anticipated, the Supervisory Board is convinced that, due to these uncertainties, implementing the recommendations of Item 4.2.3 Para. 3 of the Code is not in the Company's interest. The Supervisory Board therefore prefers the defined contribution model and sets an annual contribution for the members of the Executive Board which is not derived from a pre-defined benefit level. The Supervisory Board believes this method to be significantly more transparent, and will give preference to defined contribution

pension models over defined benefit models in the future. Thus, the Company deviates from the recommendation in item 4.2.3 para. 3 of the Code.

3. **Templates for Executive Board compensation - Item 4.2.5 para. 3 and 4 of the Code**

Item 4.2.5 para. 3 and 4 of the Code stipulate that the compensation report must present specific information on the Executive Board’s compensation using the tables in the appendix to the Code as templates. These template tables are highly complex, and as a result do not provide the reader with any additional information value, in our view. In particular, it is not possible to verify the distinction between the contents of the respective tables for Item 4.2.5 para. 3 first bullet point of the Code and that in the second bullet point. As a result, the Company will not use these templates, but will present the information in the compensation report such that it presents transparent, comprehensible, and comprehensive information on the Executive Board’s compensation. Thus, the Company deviates from the recommendation in item 4.2.5 para. 3 and para. 4 of the Code.

4. **No long-term succession planning for the Executive Board – Item 5.1.2 para. 1 sentence 2 of the Code**

In contrast to Item 5.1.2 para. 1 sentence 2 of the Code, there are currently no long-term succession plans for members of the Executive Board. The Company’s size limits possibilities for internal succession to the Executive Board. In addition, succession plans do not appear either fitting or necessary given the ongoing restructuring (now insolvency) and the planned debt-to-equity-swap by the investor. Thus, the Company deviates from the recommendation in item 5.1.2 para. 2 sentence 2 of the Code.

5. **Committees – Item 5.3. of the Code**

In deviation from item 5.3.2. und 5.3.3. of the Code the Supervisory Board has not established an Audit or Nomination Committee. The Supervisory Board with six members is not that large that committees are mandatory to maintain an efficient workflow of the Board as requested by the Code. On the contrary, the past proved that matters were dealt with twice: in one of the committees and also in the board, which lead to higher costs and time consumption. Given the size of SKW group it lacks a degree of detail of matters which usually induce creation of committees to increase efficiency. Last but not least, the appointment of committee members, respectively their chairmen would be difficult, because of differing views of the members of the Board. In December 2016, the Supervisory Board was forced to establish a refinancing committee because of increasing collisions of interests of board members who are also potential investors, and thus subject to a conflict of interest, being excluded in certain matters from deliberations and resolutions of the board. The refinancing committee is deemed to maintain the objective, diligent und efficient workflow of the board in refinancing matters. In the short business year 2017, the refinancing committed has been responsible to evaluate and approve all relevant matters of refinancing by equity or debt as well measures that are rooted in an aligned refinancing concept. Thus, the Company deviates from the recommendation in items 5.3.2 and 5.3.3 of the Code.

6. **Development of competency profile - Item 5.4.1. para. 2 sentence 2 of the Code**
   The Supervisory Board has not developed a competency profile for the composition of the Supervisory Board. During the past short business year 2017, the Supervisory Board, respectively the refinancing committee, were nearly exclusively concerned with the principal subject of restructuring of the Company. Nevertheless, the Supervisory Board complied with the recommendation of item 5.4.1. para. 2 of the Code with the election proposal of Dr. Alexander Kirsch, an expert in restructuring processes. The criteria named in item 5.4.1. of the Code for the composition of the future Supervisory Board were thus respected, particularly in the special situation of the Company. However, the Company generally still deviates from item 5.4.1. para. 2 sentence 1 of the Code.

Munich (Germany), December 20, 2017

SKW Stahl-Metallurgie Holding AG

For the Executive Board

Dr. Kay Michel

For the Supervisory Board

Volker Stegmann (Chairman)