Corporate realignment ("ReMaKe") initiated

H1 severely affected by impairment charges

Conference Call H1-2014

August 28, 2014

Table of contents

1. Rationale for strategic realignment

- Key insights of extensive situational review of Group‘s profitability situation:
  - ↦ Sound core business with improvement potential as basis for going forward
  - ↦ High cash-burn in related businesses mainly from previous strategy of vertical integration
- Evaluation and implementation of options to “stop bleeding“ of related businesses is absolute priority of new management
- Underlying impairments of businesses as imperative and mandatory result of a complex and detailed analysis conducted by management and supported by external experts
- Valuation analysis led to:
  - ↦ Full impairment of all tangible assets of SKW Tashi and SKW Sweden
  - ↦ Goodwill and trademark of ESM partially impaired
  - ↦ Partial impairment of intangible assets of Tecnosulfur
  - ↦ Other impairments mainly in the field of tax assets
- All impairments approved by auditor’s review

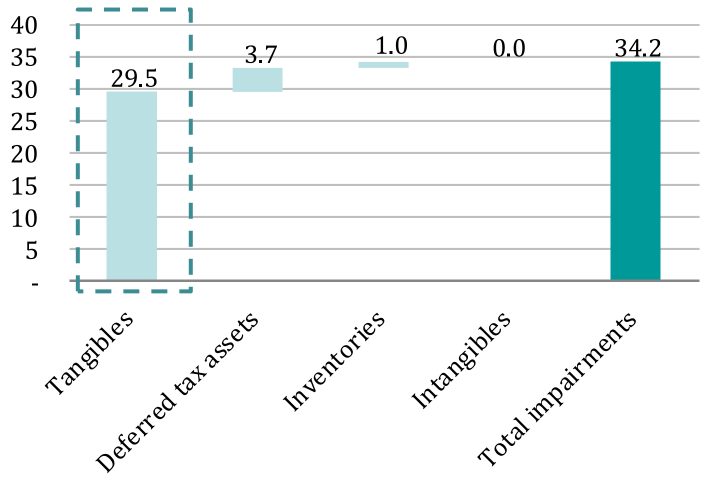
2. Performance H1 2014 – Group Impairments
Operational rationale for related businesses

SKW Tashi / Bhutan	SKW Sweden
Recovery of investments unachievable in the foreseeable future due to: • New operational business projections reflecting current situation • Country-specific risks • Overgeared balance sheet • Inability to realize positive net proceeds from asset sales	No return on a potential restructuring expected in view of industry characteristics: • Competitive intensity • Overcapacities • Low profitability Avoid further cash exposure

2. Performance H1 2014 – Group Impairments
Details for related businesses

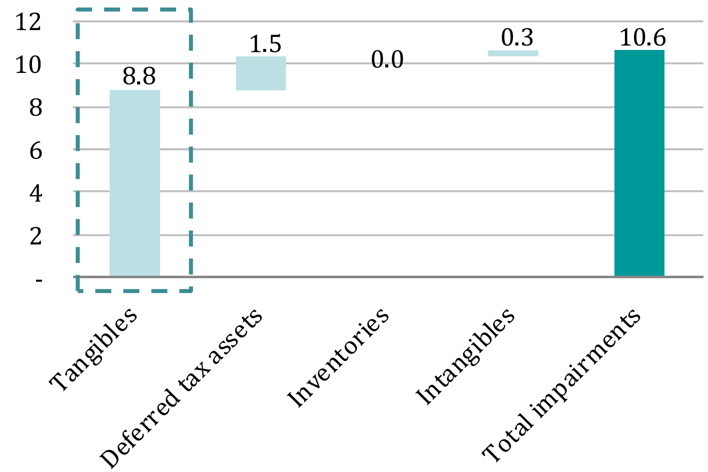
SKW Tashi / Bhutan

SKW Tashi: Impairment charges (€ in millions)



SKW Sweden

SKW Sweden: Impairment charges (€ in millions)



For both units

- Tangibles impaired to € 0
- Management evaluating all available options for asset recovery

2. Performance H1 2014 – Group Impairments
Details for core business

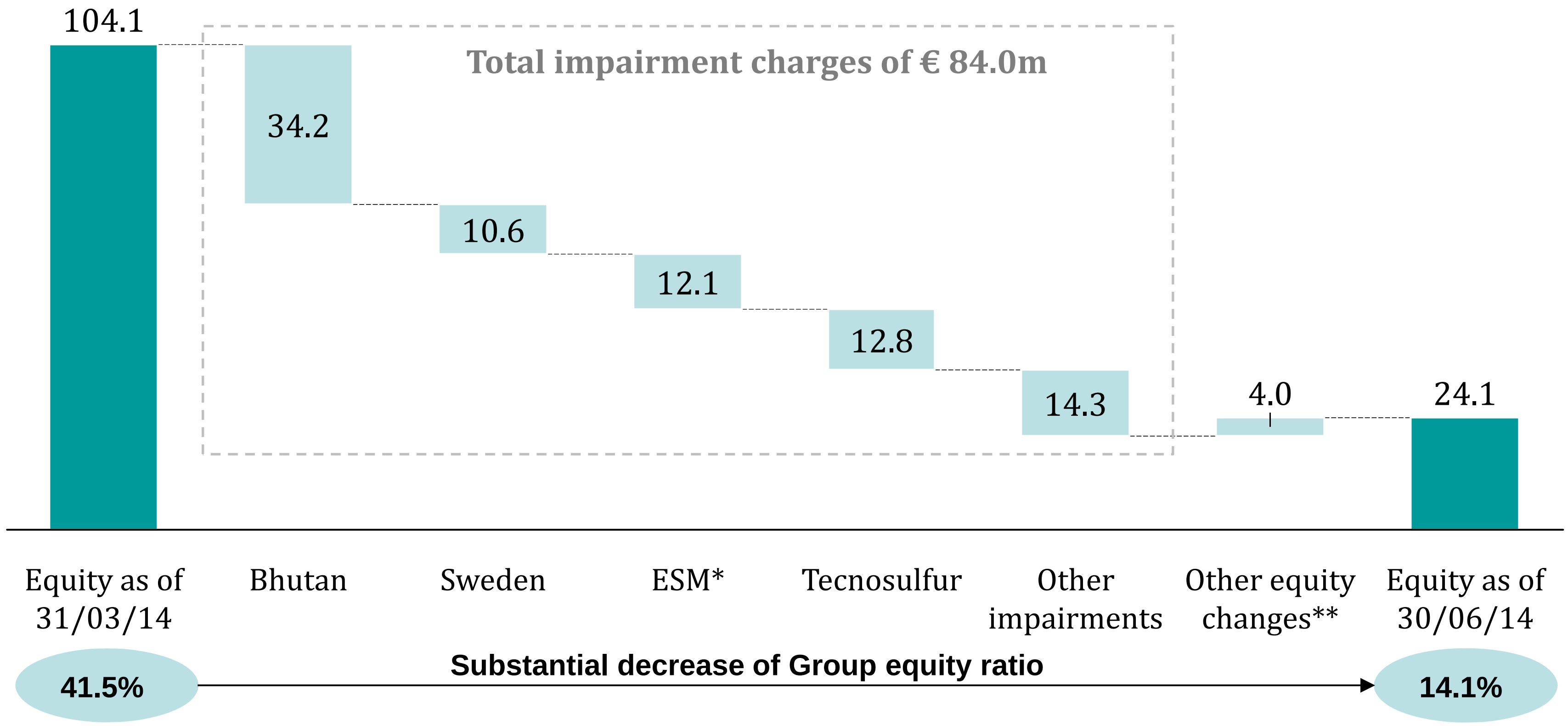
Affected: ESM and Tecnosulfur as main acquisitions of the 2007-2009 period

ESM	Tecnosulfur
• Impairments on intangibles (€ 12.1m*) due to purchase price (2007) • The ESM Group remains a solid part of the SKW Metallurgie Group, to be further strengthened by ReMaKe	• Impairments on intangibles (€ 12.8m) due to purchase price (2009) • Tecnosulfur remains a solid Group company, to be further strengthened by ReMaKe

* €12.1m reflects the ESM Inc. impairments before the former ESM-SMT (add. € 5.9m)

2. Performance H1 2014 – Group Impairments
Total effects on equity figures

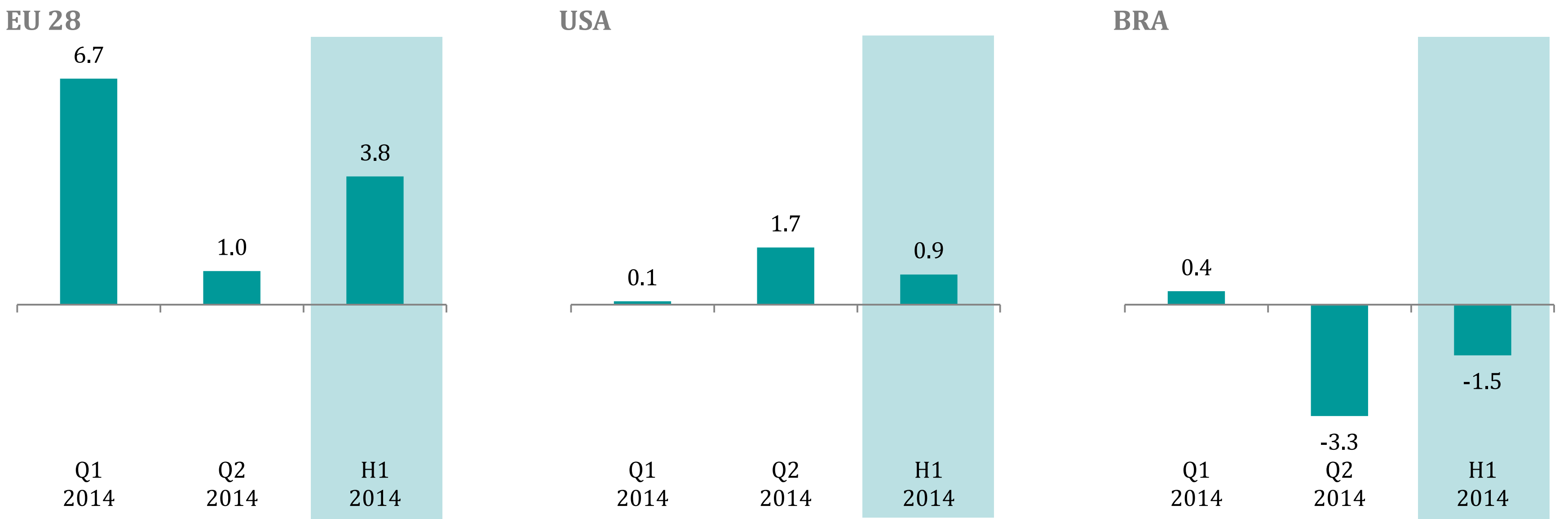
Impact on consolidated financial statements [€ in millions]



*: Excl. former ESM-SMT
**: Incl. currency changes and tax effects of impairments (both of negligible significance)

2. Performance H1 2014 – Operational Performance Upward trend in H1 steel production (except BRA)

Development of steel production volume compared to previous year in %*



Positive development, though from low base

Temporary loss of SKW Metallurgie revenues because of harsh winter in Q1-2014

Temporary economic halt due to men's soccer world cup

* Source: Worldsteel Association

2. Performance H1 2014 – Operational Performance
Upward trend in operative business expected for H2

Revenues

- Both Q2 and H1 yielded revenues below the comparable figures of 2013, mainly due to harsh winter in North America
- However: June 2014 with € 27.9m already slightly above June 2013 (€ 27.2m)
- H2-2014* revenues expected to exceed H2-2013

EBITDA

- € 3.0m in Q1/2014 ; € 2.8m in Q2/2014
- Q2/2014 adjusted for impairments of working capital of € 2.7m would have been above Q2/2013 (€ 3.7m)
- Further upward trend: H2-2014* (before ReMaKe one-offs) expected to exceed H2-2013

* Based on current corporate structure

2. Performance H1 2014 – Reported results IFRS

€ in millions	H1 2014	H1 2013	△
Revenues	168.8	176.2	-7.4
EBITDA	5.8	8.7	-2.9**
EBIT	-70.6	3.2	-73.8
EBIT adj. (by € 71.4m eo impairments in 2014) *	0.8	3.2	-2.4
EBT	-73.1	0.8	-73.9
EBT adj. (by € 71.4m eo impairments in 2014) *	-1.7	0.8	-2.5
Consolidated net result	-82.8	-0.6	-82.2
Consolidated net result adj. (by € 81.3m eo impairments in 2014) *	-1.5	-0.6	-0.9
Gross margin	30.6 %	31.3 %	-0.7 %p
EBITDA margin	*3.4 %*	*4.9 %*	-1.5 %p
EPS in €	-9.25	0.07	-9.32

* Impairment charges without impairments on working capital

** Thereof € -2.7m working capital impairments

2. Performance H1 2014 – Reported results IFRS
Free cash flow remains positive

€ in millions	H1-2014	H1-2013
Gross cash flow	4.7	4.1
+/- Cash-in/out from changes in working capital	1.2	0.7
= Net cash flow	5.9	4.8
- Cash-out for investments	-1.7	-2.2
= Free cash flow	4.2	2.6
+/- Cash-in/out from finance activities	-1.6	-17.7
= Changes in cash on hand (before FX)	2.6	-15.1

- In H1-2014, gross cash flow, net cash flow, and free cash flow were all positive and all above H1-2013
- SKW Metallurgie has **no liquidity issue** (impairment charges are all non-cash)
- Core business expected to remain continuously cash-positive; further improvements in cash flow expected through ReMaKe

3. ReMaKe – Scope of actions
ReMaKe initiated as holistic turnaround program

ReMaKe at a glance

Module 1: **Business Restructuring**	**Module 2:** **Efficiency Management**	**Module 3:** **Growth in Key Markets**
• Concept evaluation and implementation for the restructuring of cash burning activities primarily in the Group's RELATED Businesses	• Efficiency improvement program and active management of the groups CORE businesses • Realization of sales synergies, cross selling- and business development initiatives • New product introduction and diversification	• Programs to penetrate the strategic key markets 1. India 2. Russia 3. China
Rationale		
• Increasing average profitability level through exit from / restructuring of "red flag" businesses	• Improving cost position to create margin potential in competitive key markets • Recovery of key accounts, market redefinition and access to new markets	• Penetration of strategic key markets with high growth potential
RELATED	**CORE**	**CORE**

3. ReMaKe – Scope of actions
Program details in Core business

Segment	Company	Efficiency Program	Synergies/ Business Development
Powder & Granules	Tecnosulfur	Headcount Adjustment	Stabilization of Market/ Competitive Position
Powder & Granules	ESM Inc.	Supply Chain Optimization	Equipment based Account Generation
Powder & Granules	ESM Inc.	Productivity Enhancement	Market Recovery through Improved Cost Position
	US-Integration	Management/ Overhead Integration	Sales Synergies & Southern Belt Penetration
Cored Wire	Affival Inc.		HDX Business Development
Cored Wire	Affival SAS	Best Practice Overhead Structure	HDX Business Development
Cored Wire	Affival SAS	Improved Supply Management	Diversification into Copper/ Foundry Applications

Growth in Key Markets

India
Fostering the current stake in the world’s fastest growing market and striving for further market potential

Russia
Increasing market share extending decent sales and production involving local expertise

China
Late targeting the biggest steel market of the world by evaluating options for differentiation in high quality segments

4. Next steps and outlook (1)

1	**Completion of ReMaKe concept**	• Detailed documentation of action programs and measures • Incorporation into an integrated 3 years planning model • Endorsement by Supervisory Board
2	**Continuous concept implementation**	• Scrutinization of concepts for exit/recovery of related businesses • Kick off resp. continuation of efficiency improvement & business development measures in core business
3	**Finalization of debt refinancing**	• Negotiation with lenders (RKV) and bonded loan providers • Target: Transformation of waiver into stand still agreement with lenders (RKV) and two other banks • Conclusion on refinancing concept
4	**Active market communication**	• Continuous capital market communication on ReMaKe progress, refinancing status and other relevant issues • Intensified communication with equity analysts
5	**Preparation of complementary capital measures**	• Evaluation of options to raise additional equity • Equity measures in excess of the already AGM-approved capital increase would require approval by General Meeting

4. Next steps and outlook (2)

1	**Sufficient liquidity available**	• Positive operational cash flow • Sufficient liquidity under current lines, € 24m undrawn from framework credit contract (RKV) as of 30 June 2014
2	**Key issues identified – turnaround plan implemented**	• Rigorous review with no taboos to identify key issues • Sound and clear plan to address issues with concept for professional implementation
3	**Concept generated for sound CORE business**	• Credible concept to reignite core business where necessary • Combines resolving inefficiencies with fostering growth
4	**Solid market positioning**	• Well positioned in incumbent markets • Diversification, business development and penetration of new segments/strategic key markets
5	**New Management with strong turn-around experience**	• Management in place with extensive turnaround/repositioning expertise • Clear vision how to successfully realign the business
6	**Commitment from financing partners**	• Banks are in principle supportive of turnaround and waiting for concept documentation • Process of refinancing well under way

5. Financial calendar 2014 (remaining)

November 14, 2014

Publication of business figures for 9M-2014

November 26, 2014

Analysts’ Conference 2014 at “Eigenkapitalforum” in Frankfurt/Main (Germany)

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