Report for the 3rd Quarter 2015

skw. metallurgie

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Interim management report for the SKW Stahl-Metallurgie Holding AG group for the first nine months of 2015

1. Economic conditions

Forecasts for the global economy more reserved, but with continued growth impetus

The "World Economic Outlook Report" published by the International Monetary Fund (IMF) in October 2015 shows that expectations for growth are slightly lower than in July 2015 for most of the world's countries and regions. In spite of this, however, experts are continuing to forecast that the global economy will continue to enjoy positive growth in 2015 and 2016 (2015: +3.1%; 2016: +3.6%). Economic output is expected to grow in developed economies by 2.0% this year and 2.2% next year, with the USA enjoying above average growth of 2.6% or 2.8%. According to the IMF emerging and developing nations will grow by 4.0% (2016: 4.5%). 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, the degree to which 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, as well as the economic consequences of the migration of refugees.

Steel production continues to fall in the period under review – above-average slump in the USA since the start of the year and in Brazil in Q3

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 non-group buyer and the classification of two subsidiaries of 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% (first nine months ("9M") of 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, which records statistics for approx. 99% of global steel production, in the first nine months of 2015 global steel production fell in total by 2.4% compared to the same period of the previous year to 1,212.371 million tons. China is indisputably the largest producer, accounting for 50% of the global market; however, SKW Metallurgie's sales in this region continueu to be very low. A major and increasing proportion of steel produced in China cannot be sold on this market. At the same time, although in principle it has the political will to adjust its production volumes to its domestic demand, China does not appear to be able to put this into action. 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 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 nine months of 2015.

→ In the USA, the key geographic market for the SKW Metallurgie Group's core business, steel production fell massively (9M: -8.6%; Q3: -8.7%). This was due to a downturn in demand for steel used in fracking (due to the local weakness in the fracking industry and local 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).

→ In the EU (9M: -0.3%; Q3: -2.1%) growth in the steel industry was also negative, with a downwards trend in the third quarter. However, the growth rates in the previous quarters were also very low, which means that the downturn is not as strong as in the USA at the start of 2015.

→ In Brazil (9M: -1.2%; Q3: -7.2%) growth in the steel industry was substantially negative in line with the radical deterioration in the macroeconomic situation.

In summary, steel production thus fell on all of the key geographic markets for the SKW Metallurgie Group both in the third quarter of 2015 and also in the first nine months of 2015.

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., blast furnace versus electric steel plants) and which additives are used to produce steel (e.g. quality stages for the carbons used).

2. Group structure

As already presented in the H1 2015 report, on June 30, 2015 the SKW Metallurgie Group thus comprised 23 fully consolidated companies (22 subsidiaries and the parent company) in 13 countries. Two of these fully consolidated companies (SKW Quab Chemicals Inc. (USA) and SKW-Tashi Metals & Alloys Private Ltd. (Bhutan)) continue to be identified as being "non-current assets held for sale" and are carried in the SKW Metallurgie Group's accounts according to IFRS 5.

This group of consolidated companies remained unchanged as of September 30, 2015.

The Group's participating interests in the Indian company Jamipol Ltd. and an inactive Group company in France 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. Key developments after the end of the period under review are presented in the "Report on events after the balance sheet date".

The SKW Metallurgie Group's goal is to continue reducing complexity in the Group's structure. In particular it has initiated the liquidation of two inactive Group companies (one in Germany, one in Turkey). These activities are expected to be completed and these companies deconsolidated in the fourth quarter of 2015. The continued existence of two other German companies and a company in Hong Kong is being reviewed.

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 who holds an interest of 10% or more in the 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 for a positive purchase price. This adjustment to the portfolio of participating interests was a successful milestone in the implementation of the first ReMaKe module (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 was carried as discontinued operations in the comparable period of the previous year (9M 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 nine months 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 neither included 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 nine months of 2014, which still included figures from these companies; this does not apply for the balance sheet.

In addition, the liquidation of SKW Technology GmbH & Co. KG, Tuntenhausen, Germany was completed in the period under review. This company had been inactive for some time and its economic importance is thus minor.

Revenues in Q3 2015 follow steel economy

The SKW Metallurgie Group’s revenues from continued operations in the third quarter of 2015 totaled EUR 64.6 million, EUR 5.8 million (8.3%) lower than the figure recorded in the third quarter of 2014 (EUR 70.4 million). Accumulated revenues in the first three quarters of 2015 fell by just 1.2% as a result of the relatively strong first quarter (from EUR 207.4 million to EUR 204.8 million).

This revenue downturn of EUR 5.8 million in the third quarter is due in particular to the following two effects:

→ In North America all of the operating companies recorded substantially lower revenues (in particular due to quantities) in local currency due to the significant downturn in steel production than in the third quarter of 2014. Changes in the euro exchange rate had a contradictory effect for the US and Mexican companies, causing the revenues in the conbe valued at a higher amount than in Q3 2014. As a result of the steel economy, and considering these two effects, consolidated revenues in North America also fell in euros (EUR 4.7 million).

→ Revenues in Brazil increased slightly in local currency despite the difficult economy; however the weakness of the Brazilian currency means that the Brazilian group company's revenues fell by EUR 2.0 million when expressed in euros.

Gross profit margin remains at a high level

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). At SKW this margin is defined as the ratio of total operating revenue (total of revenues, changes in inventories and own work capitalized) minus costs of material to revenues. In Q3 2015 the SKW Metallurgie Group continued to keep this figure at a level significantly higher than the 30% mark at 31% (cost of materials EUR 39.6 million, Q3 2014: EUR 46.7 million); however it was not possible to fully reach the extraordinarily high level in the third quarter of 2014 (33.1%). As part of its ReMaKe project, the SKW Metallurgie Group had planned to record significantly higher gross margins in the period under review by selling larger quantities of a high-margin product. As already reported in the H1 2015 report, this target has not been reached. It is much rather the case that higher quantities of a lower-margin substitute product had to be sold, which became more competitive as a result of the slump in the price of raw materials.

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 nine months of 2015 (9M 2014: EUR 5.8 million) and EUR 0 million (rounded) in the third quarter of 2015 (Q3 2014: EUR 4.0 million).

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

→ EUR 28.4 million is due to other operating expenses without expenses from foreign currency translation in the first nine months of 2015 (9M 2014: EUR 29.0 million) and EUR 8.1 million in Q3 2015 (Q3 2014: EUR 11.4 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.

→ EUR 8.0 million is due to expenses from foreign currency translation in the first nine months of 2015 (9M 2014: EUR 1.7 million) and EUR 1.0 million in Q3 2015 (Q3 2014: EUR 0.2 million); these expenses were mainly non-realized.

Personnel expenses in the third quarter(EUR 9.3 million) were slightly lower than in the same period of the previous year (EUR 9.7 million).

ReMaKe activities take effect and have a positive impact on EBITDA

During the third quarter, the SKW Metallurgie Group recorded nominal EBITDA of EUR 2.0 million (Q3 2014: EUR 6.5 million).

However, of this EUR 4.5 million decrease in EBITDA, EUR 4.8 million is due to the net currency translation effect from other operating income and other operating expenseas (Q3 2015: EUR -1.0 million; Q3 2014: EUR 3.8 million). After adjustment for these effects EBITDA for the first nine months was up EUR 0.3 million (from EUR 2.7 million to EUR 3.0 million). This increase shows that the success of the ReMaKe program is not only compensating for the substantial downturn in revenues due to the global steel crisis, but also slightly over-compensating for this.

Solid growth below EBITDA

Amortization/depreciation totaled EUR 1.0 million in the third quarter of 2015 (Q3 2014: EUR 1.7 million) and was thus at the same level as in the previous quarters (average amortization/depreciation 2015 YTD: EUR 1.1 million/quarter). The figures in the first nine months of 2015 are an excellent indicator for the amortization and depreciation to be expected in coming periods.

Net interest in the third quarter of 2015 was lower than the comparable figure for the third quarter of 2014 (EUR -0.8 million) at EUR -1.6 million due to the refinancing concluded in January 2015 (in particular one-off factors).

Tax expenses for the SKW Metallurgie Group totaled EUR 0.5 million in the third quarter of 2015 and thus improved substantially by EUR 1.3 million (Q3 2014: EUR 1.8 million). However, 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, France and Brazil, which is why the tax expenses at a group level are faced with negative pre-tax earnings (e.g. in Q3 2015).

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	Q3 2015	Q3 2014
Continued operations	-1.1	2.3
Discontinued operations	-0.5	-0.7
Consolidated earnings for the period	-1.6	1.6

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

→ Tecnosulfur (Brazil): Non-controlling interests: 33.3%

→ IFRS 5:
- SKW Quab (USA): Non-controlling interests: 10%
- SKW-Tashi (Bhutan): Non-controlling interests: 49%

EUR -0.2 million was due to these non-controlling interests (Q3-2014: EUR 0.4 million); EUR -1.4 million is due to shareholders of SKW Stahl-Metallurgie Holding AG (of which from continued operations: EUR -1.5 million) after EUR 1.1 million (of which from continued operations: EUR 0.8 million) in the third quarter of 2014.

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 -0.22 (previous year: EUR 0.12).

SKW Metallurgie Group's borrowing continues to be secure

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

Assets in EUR thousand	09/30/2015	12/31/2014
Non-current assets	58,472	68,838
Current assets	105,659	111,813
thereof cash and cash equivalents	12,608	17,972
Total assets	**164,131**	**180,651**
Equity and Liabilities EUR thousand		
Equity	21,345	24,440
Non-current liabilities	15,791	24,758
thereof non-current financial liabilities	1,861	6,907
Current liabilities	126,995	131,453
thereof current financial liabilities	70,546	77,142
Total assets	**164,131**	**180,651**

The SKW Metallurgie Group's total assets fell substantially in the first nine months of 2015 from EUR 180.7 million to EUR 164.1 million. Almost all of the items on the assets side fell slightly. This is mainly 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 14.9 million (9M 2014: EUR 0)"). In addition to this accounting effect, in particular the SKW Metallurgie Group reduced its inventories (from EUR 43.6 million to EUR 36.9 million) and trade receivables (from EUR 39.1 million to EUR 32.7 million) as part of the optimization of its working capital.

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 16.1 million (9M 2014: EUR 0)"); this total includes financial liabilities of EUR 7.8 million.

SKW Metallurgie's financial debt from ongoing operations can be seen from its **gross financial debt**; this is defined as being the total of the three balance sheet items "non-current financial liabilities", "current financial liabilities" and "cash and cash equivalents". As a result, it does not include the proportions of credit lines that are not used or only used with guarantees, and also does not include pension obligations (September 30, 2015: EUR 9.0 million; December 31, 2014: EUR 9.2 million). The SKW Metallurgie Group's gross financial debt fell as of September 30, 2015 theoretically from EUR 84.0 million to EUR 72.4 million; after adjustment for the reclassification according to IFRS 5 detailed above its gross financial debt thus fell by EUR 3.8 million.

In all other respects, the key changes relate to significant shifts in maturity: Due to the fact that subsequent negotiations required for key financial indicators for the credit agreements as a result of the economy were only concluded after September 30, 2015, as of September 30, 2015 all of the draw-downs from the new syndicated credit agreement had to be classified as being "current". On the date these interim consolidated financial statements were prepared, the conclusion of corresponding negotiations with the banks mean that these covenants had not been violated on the balance sheet date as a result of the economic situation.

As equity fell slightly in the period under review (in particular due to currency translation effects) and total assets fell substantially, the equity ratio (including non-controlling interests) was 13.0%, down 0.5 percentage points compared to previous year's figure (December 31, 2014: 13.5%). At present, the SKW Metallurgie Group's equity ratio is still being significantly depressed by (negative) interests by third parties (EUR -18.0 million) in consolidated equity. The SKW Metallurgie Group aims to further improve its equity ratio again.

In addition to the equity ratio, **net financial debt** (defined as the amount of gross financial debt which exceeds cash and cash equivalents) is a key performance indicator for the SKW Metallurgie Group. As of September 30, 2015 this figure totaled EUR 59.8 million and is thus practically unchanged compared to the figure on December 31, 2014 (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 (September 30, 2015: EUR 7.6 million). After adjustment for this effect, the SKW Metallurgie Group's net financial debt remained practically constant in the period under review.

Free cash flow substantially positive despite steel crisis

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

EUR thousand	01.01.-09/30/2015	01.01.-09/30/2014
Consolidated annual earnings from continuing operations	7,396	-33,575
Gross cash flow	5,537	6,113
Cash flow from operating activities	4,886	-5,722
Cash flow from investing activities	-3,755	-3,075
Cash flow from financing activities	-5,301	7,967
Change in cash and cash equivalents[1]	-5,148	-1,010
Cash and cash equivalents – end of period, continuing activities	12,608	9,407

Based on positive consolidated net earnings for the first nine months, the SKW Metallurgie Group recorded a significantly positive gross cash flow of EUR 5.5 million in the nine month period under review and has thus practically achieved the figure recorded in the previous year (EUR 6.1) in spite of the strong economic headwind.

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 as discussed above 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). These changes in working capital (in the wider sense) totaled EUR -0.7 million in the first nine months of 2015 (previous year: EUR -11.8 million). As already reported, during the first quarter of the period under review, litigation with the US customs authority was concluded with payment of an amount of EUR 1.8 million, for which a provision had been formed.

After adjustment for this one-off factor, during the period under review optimizations of working capital (in the wider sense) resulted in proceeds of EUR 1.1 million for the Group. In 9M 2014 there was a substantial reduction in working capital (EUR -11.8 million). This improvement of EUR 12.9 million is due, in particular, to the following effects:

→ During the third quarter of 2015 the SKW Metallurgie Group's program to optimize working capital began to bear fruit; this program is expected to make further positive contributions in the coming quarters.

→ In the third quarter of 2014 the announcement of extraordinary write-downs led to temporary adjustments in payment conditions, which meant that more working capital was required for a transitional period (in particular increase in trade payables of EUR 14.7 million).

1. Including impact of currency translation on cash and cash equivalents

Working capital (in the narrower sense) comprises inventories, trade receivables and trade payables. Changes to these items resulted in a cash inflow of EUR 3.9 million in the period under review (9M 2014: net cash used of EUR -17.0 million). This substantial reduction in the capital locked up for traditional net current assets is primarily due to the SKW Metallurgie Group's working capital initiative; in addition, the lower revenues also meant that a lower amount of current assets were required.

The cash flow from investing activities totaled EUR -3.8 million during the period under review, at around the same level as in the previous year (EUR -3.1 million). This mainly comprised maintenance investments. Further investments planned as part of the ReMaKe project will be made in the remainder of 2015 or in 2016.

The above items resulted in a free cash flow (defined as the net cash flow less net investments) for the SKW Metallurgie Group of EUR 1.1 million in the period under review (9M 2014: EUR -8.8 million). This positive free cash flow in the period under review shows that the ReMaKe activities are having the desired effect. The SKW Metallurgie Group is recording a positive free cash flow despite the difficult situation on the market.

3.9 Segment reporting

The SKW Metallurgie Group comprised three segments in the period under review; this is also in line with the segments in the same period of 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 totalled EUR 112.0 million in 9M 2015 compared to 9M 2014 (EUR 112.2 million). However, the difficult underlying economic conditions caused segment EBITDA to fall from EUR 9.3 million to EUR 7.6 million. The contributions to revenues and EBITDA from the Bhutanese g mainly roup 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 92.8 million in the period under review (9M 2014: EUR 95.1 million) and are thus slightly lower year-on-year. Segment EBITDA increased substantially from EUR 5.3 million to EUR 9.4 million in the period 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. 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. As a result, 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 -1.9 million to EUR 1.6 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 global number of employees totaled 612 (without discontinued operations) on September 30, 2015 as a result of restructuring activities as well as optimizations and adjustments to the steel economy and was thus substantially lower than the figure on September 30, 2014 (773).

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, the quarterly risk report of the third quarter of 2015 updates the risk inventory performed at the end of 2014 and the updates of the first and second quarters of 2015. 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. 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 non-group 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. As a result of the dramatic deterioration of the steel market on the SKW Metallurgie Group's key markets, and also the strong and continued devaluation of the Brazilian Real, the Group had to inform its lending banks that it was in violation of its financial covenants.

This has now been remedied by the banks waiving their right of cancellation. Consensual and constructive discussions are being held with the banks in order to adjust the covenant structure for the medium-term future to the situation in the real economy and the additional activities in place to counteract this situation (the ReMaKe program).

From the current perspective, there is a minor risk that these negotiations will not bring sufficient results for the SKW Metallurgie Group. The Executive Board will keep a close eye on the relevant indicators and will implement any countermeasures that may be required.

As already presented in the report on the first six months of 2015, there are also opportunities and risks from a suit filed by the Company against its former Executive Board members and an unsubstantiated penalty notice for the group company concerned from the Mexican customs authority; both issues are included in these financial statements as contingent receivables or liabilities.

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

6. Report on events after the balance sheet date

After the end of the period under review on September 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:

→ The Company's Executive and Supervisory Boards resolved not to perform the capital increase resolved by the General Meeting on June 9, 2015. In view of the substantially changed underlying conditions on the steel and capital markets, the Executive and Supervisory Boards believe that the fundamental business situation on which the General Meeting's resolution on June 9, 2015 was based no longer applies.

→ Ms. Sabine Kauper (CFO) announced that she would be leaving the Company at her own request on October 31, 2015 (annoucement made on October 19), Dr. Kay Michel will be the sole member of the Executive Board from November 1, 2015.

→ Financial covenants have been agreed in the SKW Metallurgie Group's credit agreements, in particular in the syndicated credit agreement concluded in January 2015. Violating these covenants gives creditors an extraordinary cancellation right. The covenants were not met for the first time with the financial statements as of September 30, 2015. This was due to the changes in exchange rates and the substantially weaker steel economy, neither of which the Company was able to influence. Application for a waiver was filed on October 2. This includes waiving the key financial indicators through to February 29, 2016 and not asserting the associated rights. The creditors agreed to the waiver on October 23, 2015 and will not use their extraordinary cancellation right.

7. Forecast

Comparison of the prior period's forecast with actual developments

The Executive Board did not make any explicit statements on the third quarter of 2015 in either the 2014 annual report, or the reports on the first and second quarters of 2015. It is much rather the case that for 2015 as a whole revenues and EBITDA were forecast to be clearly lower than in the previous year (2014 revenues: EUR 279.0 million; relevant 2014 EBIDTA: EUR 14.8 million), the forecast was for EBITDA being down by up to 20% if the US steel industry fails to recover.

This guidance was 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.

As a result the actual figures recorded in the period under review are in line with the forecasts made for the year as a whole - in the first nine months EBITDA (adjusted for net currency translation effects) of EUR 12.2 million and revenues of EUR 204.8 million were recorded.

Outlook for 2015 as a whole: ReMaKe program is facing a strong economic headwind

The SKW Metallurgie Group's 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. Starting in November 2015, this program will be further developed with the addition of additional packages of activities to create ReMaKe 2.0. ReMaKe's strategic core objectives continue to remain in place - the focus is on expanding the Group's position on the key Indian market.

The additional impetus provided by ReMaKe 2.0 will mainly take effect from 2016. As a result, the Executive Board is continuing to uphold its capital market guidance for the SKW Metallurgie Group for 2015 as described above.

The SKW Metallurgie Group believes that there are no reliable indicators that the steel industry will recover in the first half of 2016, in particular in the USA. In addition, the steel industry is expected to deteriorate to a further, material extent in Brazil. Detailed capital market guidance for the coming year will be published together with the figures for the whole of the previous year in March 2016, in line with standard practice.

Unterneukirchen (Germany), November 13, 2015

SKW Stahl-Metallurgie Holding AG
The Executive Board

Dr. Kay Michel

Consolidated income statement for the period from January 1 – September 30, 2015 and July 1 – September 30, 2015

EUR thousand	Q1-3 2015	Q1-3 2014	Q3 2015	Q3 2014
Revenues	204,829	207,393	64,616	70,439
Change in finished goods and work in progress	-3,655	1,554	-4.971	-493
Own work capitalized	50	50	17	17
Other operating income	16,463	6,895	246	4,334
Cost of materials	-133,744	-142,798	-39,628	-46,672
Personnel expenses	-29,816	-30,316	-9,344	-9,668
Other operating expenses	-36,400	-30,727	-9,110	-11,652
Income from associated companies	835	874	217	194
EBITDA	**18,562**	**12,925**	**2,043**	**6,499**
Amortization of intangible assets and depreciation of property, plant and equipment	-3,206	-37,426	-970	-1,655
EBIT	**15,356**	**-24,501**	**1,073**	**4,844**
Net interest	-4,820	-2,806	-1,615	-796
Result from ordinary business activities	**10,536**	**-27,307**	**-542**	**4,048**
Income taxes	-3,140	-6,268	-545	-1,750
Earnings from continued operations (after taxes)	**7,396**	**-33,575**	**-1,087**	**2,298**
EBT from discontinued operations	-1,664	-42,469	-781	-772
Income taxes from discontinued operations	129	-5,195	244	70
Earnings from discontinued operations (after taxes)	**-1.535**	**-47,664**	**-537**	**–702**
Consolidated net income/loss for the period	**5,861**	**-81,239**	**-1,624**	**1,596**
Thereof shareholders of SKW Stahl-Metallurgie Holding AG				
in earnings from continued operations	6,323	-29,693	-1,468	1,964
in earnings from discontinued operations	-148	-29,689	83	-817
	6,175	**-59,382**	**-1,385**	**1,147**
Thereof non-controlling interests	-314	-21,857	-239	449
	5,861	**-81,239**	**-1,624**	**1,596**
Earnings per share from continued operations (in EUR)*	0.97	-4.53	-0.22	0.30
Earnings per share from discontinued operations (in EUR)*	-0.02	-4.54	0.01	-0.12
Consolidated earnings per share (EUR)*	0.95	-9.07	-0.21	0.18

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

Reconciliation to comprehensive income for the period from January 1 - September 30, 2015 and July 1 - September 30, 2015

EUR thousand	Q1-3 2015	Q1-3 2014	Q3 2015	Q3 2014
Consolidated net income/loss for the period	**5,861**	**-81,239**	**-1,624**	**1.596**
Items that will not be reclassified subsequently to profit or loss				
Change in actuarial gains and losses from defined benefit pension commitments	480	-1,261	-96	-126
Deferred taxes on items that will not be reclassified subsequently to profit or loss	0	374	0	37
Items that will be reclassified subsequently to profit or loss				
Unrealised gains/losses from derivatives (hedge accounting)	220	–376	0	-186
Net investments in foreign operation	-84	1,708	-106	1,471
Deferred taxes on items that will be reclassified subsequently to profit or loss	-72	112	0	56
Exchange rate fluctuations	-8,284	566	-3,353	-2,294
Other result	**-7,740**	**1,123**	**-3,555**	**-1,042**
Total result	**-1,879**	**-80,116**	**-5,179**	**554**
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	2,242	-57,028	-3,669	1,847
Thereof non-controlling interests	-4,121	-23,088	-1,510	-1,293

Financial Statements

Consolidated balance sheet as of September 30, 2015

Assets in EUR thousand	09/30/2015	12/31/2014
Non-current assets		
Intangible assets	22,426	24,966
Property, plant and equipment	27,644	36,095
Interests in associated companies	6,203	5,618
Other non-current assets	500	478
Deferred tax assets	1,699	1,681
Total non-current assets	**58,472**	**68,838**
Current assets		
Inventories	36,919	43,552
Trade receivables	32,742	39,104
Income taxes	4,780	4,570
Other current assets	3,741	6,615
Cash and cash equivalents	12,608	17,972
Assets held for sale	14,869	-
Total current assets	**105,659**	**111,813**
Total assets	**164,131**	**180,651**

Equity and Liabilities in EUR thousand	09/30/2015	12/31/2014
Equity		
Subscribed capital	6,545	6,545
Share premium	50,741	50,741
Other comprehensive income	-17,942	-20,184
	39,344	37,102
Non-controlling interests	-17,999	-12,662
Total equity	**21,345**	**24,440**
Non-current liabilities		
Pension obligations	8,987	9,241
Other non-current provisions	2,592	3,429
Obligations from finance leases	151	185
Non-current financial liabilities	1,861	6,907
Deferred tax liabilities	1,977	4,740
Other non-current liabilities	223	256
Total non-current liabilities	**15,791**	**24,758**
Current liabilities		
Other current provisions	3,329	5,777
Current obligations from finance leases	46	46
Current financial liabilities	70,546	77,142
Trade payables	26,127	32,809
Income taxes	836	1,153
Other current liabilities	10,011	14,526
Liabilities directly connected to assets held for sale	16,100	-
Total current liabilities	**126,995**	**131,453**
Total equity and liabilities	**164,131**	**180,651**

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

EUR thousand	Subscribed Capital	Share premium	Other comprehensive income	Consolidated equity of majority shareholders	Non-controlling interests	Total equity
Balance at January 1, 2014	**6,545**	**50,741**	**36,405**	**93,691**	**11,789**	**105,480**
Consolidated net loss for the period	-	-	-59,382	-59,382	-21,857	-81,239
Exchange rate fluctuations	-	-	1,797	1,797	-1,231	566
Income and expense carried under equity (without exchange rate fluctuations)	-	-	557	557	0	557
Total result 2014	**-**	**-**	**-57,028**	**-57,028**	**-23,088**	**-80,116**
Dividend payment	-	-	-	-	-700	-700
Balance at September 30, 2014	**6,545**	**50,741**	**-20,623**	**36,663**	**-11,999**	**24,664**
Balance at January 1, 2015	**6,545**	**50,741**	**-20,184**	**37,102**	**-12,662**	**24,440**
Consolidated net income for the period	-	-	6,175	6,175	-314	5,861
Exchange rate fluctuations	-	-	-4,477	-4,447	-3,807	-8,284
Income and expense carried under equity (without exchange rate fluctuations)	-	-	544	544	0	544
Total result 2015	**-**	**-**	**2,242**	**2,242**	**-4,121**	**-1,879**
Dividend payment	-	-	0	0	-1,216	-1,216
Balance at September 30, 2015	**6,545**	**50,741**	**-17,942**	**39,344**	**-17,999**	**21,345**

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

EUR thousand	01/01/2015 - 09/30/2015	01/01/2014 - 09/30/2014
1. Consolidated net income/loss for the period	5,861	-81,239
2. Earnings from discontinued operations (after taxes)	1,535	47,664
3. Consolidated earnings from continued operations	7,396	-33,575
4. Write-ups/write-downs on property, plant and equipment	3,206	37,426
5. Increase/decrease in provisions for pensions	243	362
6. Income from associated companies	-350	-495
7. Result from the disposal of non-current assets	-5	-50
8. Result from currency conversion	-5,487	-3,997
9. Result from deferred taxes	30	2,484
10. Expenses from impairment of inventories and receivables	336	3,177
11. Other non-cash income and expense	168	781
12. Gross cash flow	**5,537**	**6,113**
Change in working capital		
13. Increase/decrease in current provisions	-2,319	988
14. Increase/decrease in inventories (after advance payments received)	2,644	160
15. Increase/decrease in trade receivables	4,033	-2,371
16. Increase/decrease in other receivables	3	-7
17. Increase/decrease in receivables from income taxes	-1,334	887
18. Increase/decrease in other assets	2,090	1,282
19. Increase/decrease trade payables	-2,728	-14,748
20. Increase/decrease in other liabilities	-326	226
21. Increase/decrease in other equity and liabilities	-3.467	-1,154
22. Currency translation effects on operating activities	-936	484
23. Cash flow from operating activities from discontinued operations	1,689	2,418
24. Net cash provided by (+)/used in (-) operating activities	**4,886**	**-5,722**

EUR thousand	01/01/2015 - 09/30/2015	01/01/2014 - 09/30/2014
25. Income from the disposal of assets	52	1,042
26. Payments for investments in non-current assets	-3,731	-2,843
27. Income from the sale of previously consolidated companies less cash and cash equivalents	500	0
28. Cash flow from investing activities from discontinued operations	-576	-1,274
29. Net cash provided by (+)/used in (-) investing activities	**-3,755**	**-3,075**
30. Reduction in liabilities from finance leases	-35	-20
31. Dividend payments to non-controlling interests	-1,216	-700
32. Income from taking out bank loans	58,098	10,197
33. Payments for the repayment of bank loans	-60,093	-1,168
34. Cash flow from financing activities from discontinued operations	-2,055	-342
35. Net cash provided by (+)/used in (-) financing activities	**-5,301**	**7,967**
36. Cash and cash equivalents - start of period	17,972	10,673
37. Change in cash and cash equivalents	-4,170	-830
38. Currency translation for cash and cash equivalents	-978	-180
39. Cash and cash equivalents - end of period	**12,824**	**9,663**
of which cash and cash equivalents from discontinued operations	216	256

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

A. Basis of presentation

SKW Stahl-Metallurgie Holding AG has prepared its condensed consolidated interim financial statements as of September 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 Standards (IAS) 34. The same accounting principles were applied for preparation of the condensed consolidated interim financial statements as for the consolidated financial statements as of December 31, 2014; 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, this unaudited 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 Accounting and Valuation Principles"); this can be found online at http://www.skw-steel.com.

The new and revised accounting standards for which application has been mandatory since fiscal year 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 financial 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 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 this Company's wholly-owned French subsidiary Affival SAS, Solesmes/France with retroactive effect from January 1, 2015. In addition, the inactive subsidiary SKW Technology GmbH & Co. KG, Tuntenhausen, Germany was liquidated as of September 30, 2015. As a result, the group of consolidated companies has fallen by two companies to a current total of 23 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).

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, it does 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	September 30, 2015
Assets held for sale	
Intangible assets	2,350
Property, plant and equipment	5,972
Deferred tax assets	18
Inventories	3,455
Trade receivables	2,282
Other current assets	576
Cash and cash equivalents	216
	14,869
Liabilities directly connected to assets held for sale	
Other non-current provisions	137
Non-current financial liabilities	3,332
Deferred tax liabilities	2,486
Other provisions	225
Current financial liabilities	4,486
Trade payables	4,426
Income tax liabilities	179
Other current liabilities	829
	16,100

C. Net assets, financial position and results of operations

Balance sheet

The SKW Metallurgie Group's total assets on September 30, 2015 amounted to EUR 164,131 thousand (December 31, 2014: EUR 180,651 thousand). The downturn is mainly due to inventories and receivables on the assets side, and financial liabilities and trade payables on the equity and liabilities side.

The key items of current assets are, as was the case in the previous year, inventories totaling EUR 36,919 thousand or 22.5% of total assets (December 31, 2014: EUR 43,552 thousand or 24.1% of total assets) and trade receivables in the amount of EUR 32,742 thousand or 19.9% of total assets (December 31, 2103: EUR 39,104 thousand or 21.6% of total assets).

Equity (including non-controlling interests) on September 30, 2015 totaled EUR 21,345 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 fallen slightly year on year from 13.5% to 13.0% 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.

On October 2, 2015, the Company's Executive and Supervisory Boards resolved not to perform the capital increase resolved by the General Meeting on June 9, 2015. In view of the substantially changed underlying conditions on the steel and capital markets, the Executive and Supervisory Boards believe that the fundamental business situation on which the General Meeting's resolution on June 9, 2015 was based no longer applies.

Trade accounts payable (EUR 26,127 thousand) fell in the first nine months of 2015 by EUR 6,682 thousand compared to December 31, 2014 (EUR 32,809 thousand). The total amount of inventories and trade receivables less trade payables decreased by EUR 6,313 thousand compared to December 31, 2014 (EUR 49,847 thousand), to a current total of EUR 43,534 thousand.

The year-on-year reduction in liabilities for pensions by EUR 254 thousand from EUR 9,241 thousand as of December 31, 2014 to EUR 8,987 thousand as of September 30, 2015 is mainly due to the adjustment to the interest rate for pensions in line with the market. This increased slightly as of September 30, 2015 from 2.15% to 2.40% compared to December 31, 2014 ; the resulting actuarial gains were taken directly to equity.

As of September 30, 2015 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 515 thousand.

The total amount of non-current and current liabilities fell in the period under review by EUR 13,425 thousand from EUR 156,211 thousand as of December 31, 2014 to EUR 142,786 thousand on September 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 40,000 thousand 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 46.000 thousand 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.

The covenants were not met for the first time with the financial statements as of September 30, 2015. This was due to exchange rate fluctuations which the company is not able to influence, as well as the major slump in the global steel industry. Application for a waiver was filed on October 2. This includes waiving the key financial indicators through to February 29, 2016 and not asserting the associated rights. The creditors agreed to the waiver on October 23, 2015 and will not use their extraordinary cancellation right.

The downturn in non-current financial liabilities is due to a change in disclosure. As the covenants have not been upheld, non-current financial liabilities are disclosed under current financial liabilities.

Additional information on financial instruments

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

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

	09/30/2015		12/31/2014	
EUR thousand	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Assets held to maturity	500	500	478	478
Loans and receivables	35,037	35,037	39,657	39,657
Financial assets held for trading	14	14	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	113,294	113,294	120,500	120,500
Derivative financial instruments with no hedge accounting	124	124	202	202
Derivative financial instruments with hedge accounting	0	0	220	220

The following table shows the allocation of the balance sheet items on the assets side as of September 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 09/30/2015	Amortized cost	Amortized cost	Fair value taken directly to equity	Fair value through profit and loss	Fair value 09/30/2015
Other assets	513	13	500	0	0	513
Receivables from construction contracts	0	0	0	0	0	0
Trade receivables	35,024	35,024	0	0	0	35,024
Derivatives without hedge accounting	14	0	0	0	14	14

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 fair value of financial assets held to maturity is derived from level 3 of the fair value hierarchy. Here the carrying amount was deemed to be the fair value.

The following table shows the items of equity and liabilities as of September 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 09/30/2015	Amortized cost	Fair value	Fair value 09/30/2015
Financial debt	80,225	80,225	0	80,225
Trade payables (without PoC)	30,471	30,471	0	30,471
Other liabilities	2,598	2,598	0	2,598
Derivatives without hedge accounting	124	0	124	124
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 exchange rate as of the balance sheet date, adjusted for forward premiums and discounts for the respective residual term of the contract, as compared to the contracted forward exchange rate. Recognized models, such as the Black Scholes model, are used to identify the option price 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 levels of the fair value hierarchy as of September 30, 2015:

EUR thousand	Level 1	Level 2	Level 3	Total
Financial assets measured at market value				
Derivative financial instruments	-	14	-	14
Financial liabilities measured at market value				
Derivative financial instruments	-	124	-	124

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 Level 2 derivative financial instruments are caps, interest rate swaps and currency forwards on the asset side and currency forwards on the liabilities side.

The hedge accounting within the meaning of IAS 39 in 2014 was dissolved in early 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 continue to exist will be carried as derivatives without hedge accounting. The changes resulting from measurement at fair value will be 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 and which do not constitute discontinued operations within the meaning of IFRS 5:

	Participation and voting rights for non-controlling interest		Gain/loss due to non-controlling interests		Accumulated non-controlling interests	
Company	09/30/2015	12/31/2014	01-09/2015	01-09/2014	09/30/2015	12/31/2014
	%	%	EUR thousand	EUR thousand	EUR thousand	EUR thousand
“Powder and Granules” segment						
Tecnosulfur S/A, Brazil	33.33%	33.33%	1,078	-3,773	4,354	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 and which do not constitute discontinued operations according to IFRS 5:

EUR thousand	Tecnosulfur S/A, Brazil	
	09/30/2015	12/31/2014
Current assets	8,184	11,477
Non-current assets	14,198	20,353
Current liabilities	3,764	5,253
Non-current liabilities	5,556	7,331
Interest in equity allocable to shareholders of the parent company	8,708	12,831
Interest in equity allocable to non-controlling shareholders.	4,354	6,415
	01-09/2015	01-09/2014
Revenues	20,352	21,291
Other expenses	-17,118	-32,611
Consolidated net loss/income for the period	**3,234**	**-11,320**
Proportion of net loss/net income due to shareholders of the parent company	2,156	-7,547
Proportion of net loss/net income due to non-controlling shareholders	1,078	-3,773
Total net loss/net income for the period	**3,234**	**-11,320**
Proportion of other result due to shareholders of the parent company	-3,470	1,098
Proportion of other result due to non-controlling shareholders	-1,734	549
Total other result	**-5,204**	**1,647**
Proportion of total result due to shareholders of the parent company	-1,314	-6,449
Proportion of total result due to non-controlling shareholders	-656	-3,224
Total result	**-1,970**	**-9,673**
Dividends paid to non-controlling shareholders	-1,112	-715
Net cash flows from operating activities	4,146	7,470
Net cash flows from investing activities	-294	-1,796
Net cash flows from financing activities	-4,823	-3,847
Total net cash flows	**-971**	**1,827**

Income statement

In order to allow Q3 2015 to be compared with Q3 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. The earnings from discontinued operations stated in the comparable figures relates to SKW Sweden Metallurgy AB, which exited the Group in November 2014 when it was sold.

In the first nine months of 2015, the SKW Metallurgie Group recorded revenues of EUR 204,829 thousand, down slightly from EUR 207,293 thousand in the same period of 2014. This downturn in revenues is sales-related due to the weaker steel industry. The cost of materials also 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 32.9% in the period under review. This has thus improved compared to Q3 2014 (31.9%) as the reduction in the cost of materials has more than compensated for the downturn in revenues. However, the cost of materials in Q3 2014 was depressed in the second quarter of 2015 as a result of extraordinary write-downs on inventories of EUR 1,465 thousand.

Other operating income of EUR 16,463 thousand in the period under review (previous year: EUR 6,895 thousand) is mainly due to exchange rate gains in the amount of EUR 14,318 (previous year: EUR 5,800 thousand).

Currency translation gains are offset by corresponding currency translation losses under other operating expenses (including exchange rate effects which result from debt consolidation). In the first nine months of 2015 these totaled EUR -7,958 thousand (previous year: EUR -1,730 thousand). When netted with the currency translation gains, this resulted in a net currency translation effect in the period under review of EUR 6,360 thousand compared to EUR 4,070 thousand in the same period of the previous year.

Other operating expenses were up by EUR 5,673 thousand in the period under review at EUR -36,400 thousand compared to EUR -30,727 thousand in the previous year. This change is mainly due to the currency translation effects set out above.

Personnel expenses were slightly lower year-on-year at EUR -29,816 thousand (previous year: EUR -30,316 thousand).

Net interest is lower year-on-year at EUR -4,820 thousand (previous year: EUR -2,806 thousand).

Consolidated net earnings for the first nine months of 2015 totaled EUR 5,861 thousand compared to EUR -81,239 last year.

Non-controlling interests in the first nine months of 2015 totaled EUR -314 thousand compared to EUR -21.857 thousand in the same period of the previous year. The year-on-year difference in earnings is mainly 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 on assets and inventories totaling EUR 79,612 as well as on deferred tax assets.

Cash flow statement

The gross cash flow of EUR 5,537 thousand in the period under review was only slightly lower than the previous year's figure (EUR 6,113 thousand).

During the first nine months of 2015, net cash was used as working capital in the amount of EUR -651 thousand (previous year: net cash used of EUR -11,835 thousand). The SKW Metallurgie Group thus recorded net cash provided from operating activities of EUR 4,886 thousand compared to net cash used of EUR -5,722 thousand in the same period of 2014.

Net cash used in investing activities amounted to EUR -3,755 thousand in H1 2015 compared to EUR -3.075 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 -5.301 thousand was used by financing activities (previous year: net cash provided of EUR 7,967 thousand). The receipts mainly relate to cash received as part of the syndicated credit agreement concluded in January 2015; the payments mainly relate to the associated dissolution of the promissory note loan as well as the master credit agreement.

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

→ Interest expenses of EUR -3,119 thousand (previous year: EUR -2,666 thousand).

→ Interest income of EUR 1 thousand (previous year: EUR 27 thousand)

→ Income taxes paid of EUR -2.617 thousand (previous year: EUR -3,052 thousand).

→ Income taxes refunds of EUR 149 thousand (previous year: EUR 849 thousand)

Notes to the statements

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 desulphurization 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 desulphurization. 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 desulphurization 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 are mainly based on the re-sale method.

Segment assets

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

The following section shows information on the business segments for the first nine months of and as of September 30, 2015:

EUR thousand	Cored Wire	Powder and Granules	Other	Consolidation	Group
Revenues					
Third-party revenues	112,011	92,818	0	0	204,829
Internal revenues	10,139	4,600	0	-14,739	0
Total revenues	**122,150**	**97,418**	**0**	**-14,739**	**204,829**
Income from associated companies		835			835
EBITDA	**7,579**	**9,406**	**1,577**	**0**	**18,562**
Scheduled amortization/depreciation	-1,514	-1,471	-129	0	-3,114
Non-scheduled amortization/depreciation	0	-92	0	0	-92
EBIT	**6,065**	**7,843**	**1,448**	**0**	**15,356**
Dividends from subsidiaries	1,998	0	3,129	-5,127	0
Transfer of profit	0	-946	946	0	0
Interest income	265	363	3,562	-3,847	342
Interest expenses	-2,623	-2,123	-4,263	3,847	-5,162
Earnings before taxes	**5,705**	**5,136**	**4,822**	**-5,127**	**10,536**
Income taxes					-3,140
Earnings from discontinued operations (after taxes)					**7,396**
Earnings from discontinued operations (after taxes)					-1,535
Consolidated net income for the period					**5,861**
Balance sheet					
Assets					
Segment assets	82,299	107,798	153,299	-185,468	157,928
Interests in associated companies	0	6,203	0	0	6,203
Consolidated assets					**164,131**
Equity and liabilities					
Segment liabilities	117,199	68,642	65,977	-109,032	142,786
Consolidated liabilities					**142,786**
ongoing capital expenditure (property, plant and equipment, intangible assets)	**1,682**	**2,339**	**434**	**0**	**4,455**

The following table shows information on the business segments for the first nine months of and as of September 30, 2014:

EUR thousand	Cored Wire	Powder and Granules	Other	Consolidation	Group
Revenues					
Third-party revenues	112,248	95,145	0	0	207,393
Internal revenues	3	380	69	-452	0
Total revenues	**112,251**	**95,525**	**69**	**-452**	**207,393**
Income from associated companies		874			874
EBITDA	**9,284**	**5,555**	**-1,914**	**0**	**12,925**
Scheduled amortization/depreciation	-1,452	-2,689	-150	0	-4,291
Non-scheduled amortization/depreciation	-880	-29,702	-2,553	0	-33,135
EBIT	**6,952**	**-26,836**	**-4,617**	**0**	**-24,501**
Dividends from subsidiaries			12,864	-12,864	0
Transfer of profit	-	1,294	-1,294	-	-
Interest income	28	184	3,390	-3,390	213
Interest expenses	-1,884	-2,344	-2,181	3,390	-3,019
Earnings before taxes	**5,096**	**-27,702**	**8,162**	**-12,864**	**-27,307**
Income taxes					-6,268
Earnings from discontinued operations (after taxes)					**-33,575**
Earnings from discontinued operations (after taxes)					-47,664
Consolidated net income for the period					**-81,239**
Balance sheet					
Assets					
Segment assets	62,708	85,853	141,841	-127,800	162,602
Interests in associated companies		5,154			5,154
Consolidated assets					**167,756**
Equity and liabilities					
Segment liabilities	96,958	64,535	50,972	-80,830	131,635
Consolidated liabilities					**131,635**
ongoing capital expenditure (property, plant and equipment, intangible assets)	**978**	**3,339**	**0**	**0**	**4,317**

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 on December 31, 2014:

Contingent receivables

On June 5, 2015 SKW Stahl-Metallurgie Holding AG sued the former members of the Executive Board Ines Kolmsee and Gerhard Ertl 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 fine of MXN 53,894,328.20 was imposed against Affimex Cored Wire S. de R.L. de C.V. (Manzanillo, Mexico), hereinafter also: Affimex, An SKW Metallurgie Group company, on June 29, 2015 after the responsible Mexican authority performed a customs-law audit due to purported customs offences in the period from January 2011 to April 2014. This amount corresponds to around EUR 2,840 thousand with an exchange rate of EUR/MXN 18.98). 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.

The Company intends to have the fine reviewed in court. The objection to the penalty notice is likely to be successful, which is why the Company has only formed a provision for legal costs.

G. Key events after the balance sheet date

The Company's Executive and Supervisory Boards resolved not to perform the capital increase resolved by the General Meeting on June 9, 2015. In view of the substantially changed underlying conditions on the steel and capital markets, the Executive and Supervisory Boards believe that the fundamental business situation on which the General Meeting's resolution on June 9, 2015 was based no longer applies.

Ms. Sabine Kauper (CFO) announced that she would be leaving the Company at her own request on October 31, 2015 (annoucement made on October 19), Dr. Kay Michel will be the sole member of the Executive Board from November 1, 2015.

Financial covenants have been agreed in the SKW Metallurgie Group's credit agreements, in particular in the syndicated credit agreement concluded in January 2015. Violating these covenants gives creditors an extraordinary cancellation right. The covenants were not met for the first time with the financial statements as of September 30, 2015. This was due to exchange rate fluctuations which the Company is not able to influence, as well as the major slump in the global steel industry. Application for a waiver was filed on October 2. This includes waiving the key financial indicators through to February 29, 2016 and not asserting the associated rights. The creditors agreed to the waiver on October 23, 2015 and will not use their extraordinary cancellation right.

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 September 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 can be included in more than one notification of voting rights.

The members of the Executive and Supervisory Boards together held less than 1% of SKW Metallurgie's shares on September 30, 2015.

Unterneukirchen (Germany), November 13, 2015

SKW Stahl-Metallurgie Holding AG
The Executive Board

Dr. Kay Michel

Financial Calendar 2016

March 18, 2016

→ Publication of business figures full year 2015

June 21, 2016

in München, Germany

→ Annual General Meeting

August 12, 2016

→ Publication of business figures first half year 2016

The SKW Metallurgie Group will announce details regarding the publication of the figures for the first and third quarters of 2016 as soon as the pending legal and stock exchange ammendments are in force.

May be subject to change.

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

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

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

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

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

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