skw.

Highlights of Fiscal Year 2015

March 24, 2016

Weathering the Storm

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Restructuring Program ReMaKe Pushed Forward in 2015

Modular three-step approach

1 BUSINESS RESTRUCTURING

- Immediate actions to stop cash burning in non-core businesses
- Increase average profitability level by disposal of those activities

LARGELY COMPLETED

2 EFFICIENCY MANAGEMENT

- Actively manage core businesses
- Initiate efficiency improvement programs
- Leverage cross-selling opportunities and drive synergies
- Business development initiatives

LARGELY IMPLEMENTED

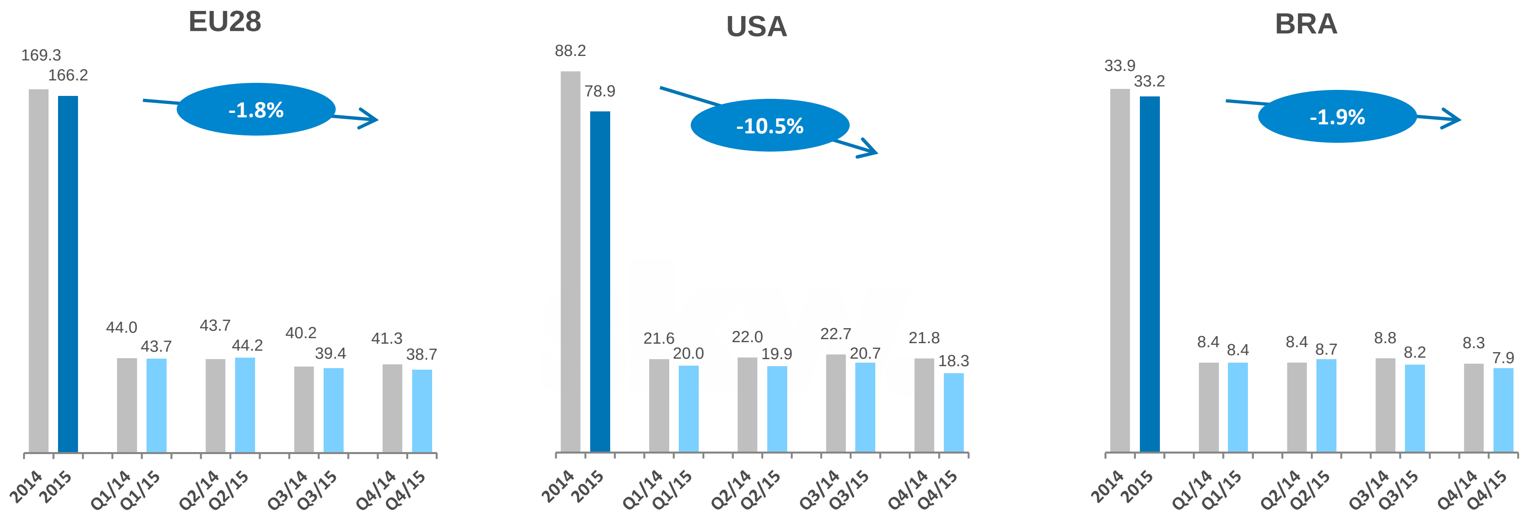
3 GROWTH IN KEY MARKETS

- Broaden product offering in relevant markets
- Further penetration of markets with volume and growth potential
- Initial focus on India

DETERMINEDLY PURSUED

FY 2015: Steel Production below 2014, deterioration in second half of the year

Crude steel production in million tons



- Pressure from overcapacities, government intervention (e.g. Italy)
- Intensifying competition from non-EU producers both inside the EU and on export markets
- Full year: slightly below previous year (-1.8%)
- Intrayear: H2 worse than H1 – both in absolute terms and relative to 2014

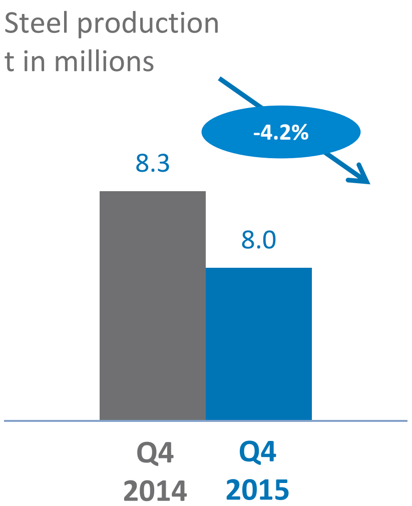
- Strong US-Dollar favors imports, mainly from China
- Low oil prices cause massive slump in demand, in particular in pipes for the oil&gas industry
- Each quarter of 2015 significantly below the respective quarter of 2014

- Strong H1 despite political and macroeconomic uncertainties
- H2 significantly worse than H1
- Low level of H2 expected to continue in 2016

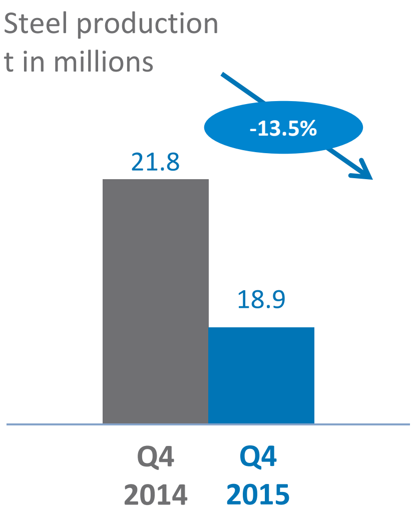
Challenging Q4 Reveals Full Magnitude of the Market Crisis

- FY figures influenced by strong H1; Q4 figures show further massive downturn in steel production and hence pressure on volumes and margins for steel consumables
- SKW entities in the US face volume decline of up to 30%, mainly due to oil&gas exposure
- Annualized H2/Q4-2015 figures are a more suitable basis for 2016 projections than FY 2015 figures

Brazil



US



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Financial Overview Fiscal Year 2015

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REVENUES of EUR 285.5 million:
Decrease of revenues from EUR 306.3 million (2014) on the back of both dramatic decline in volumes and pressure on margins; decrease smoothened by favourable EUR/USD FX-rate

2

Operating EBITDA of EUR 14.8 million:
Operating FX-adjusted EBITDA exceeds guidance and reflects positive effects of ReMaKe; previous year level almost repeated (2014: EUR 15.5 million)

3

CASH FLOW of EUR 4.0 million:
Positive cash flow from operating activities despite steel market crisis (2014: EUR 6.0 million)

FY2015 results strongly impacted by evolving steel market crisis

Operating Group performance 2015 better than most recently guided

ReMaKe is proving effective

Q4 2015 Mirrors Steel Market Crisis

1

REVENUES of EUR 62.7 million:
Sharp drop of revenues by 19.1% (2014: EUR 78.7 million) on the back of accelerating steel market crisis

2

Operating EBITDA of EUR 0.8 million:
Operating FX-adjusted EBITDA (2014: EUR 5.5 million) decreased in line with revenue decline

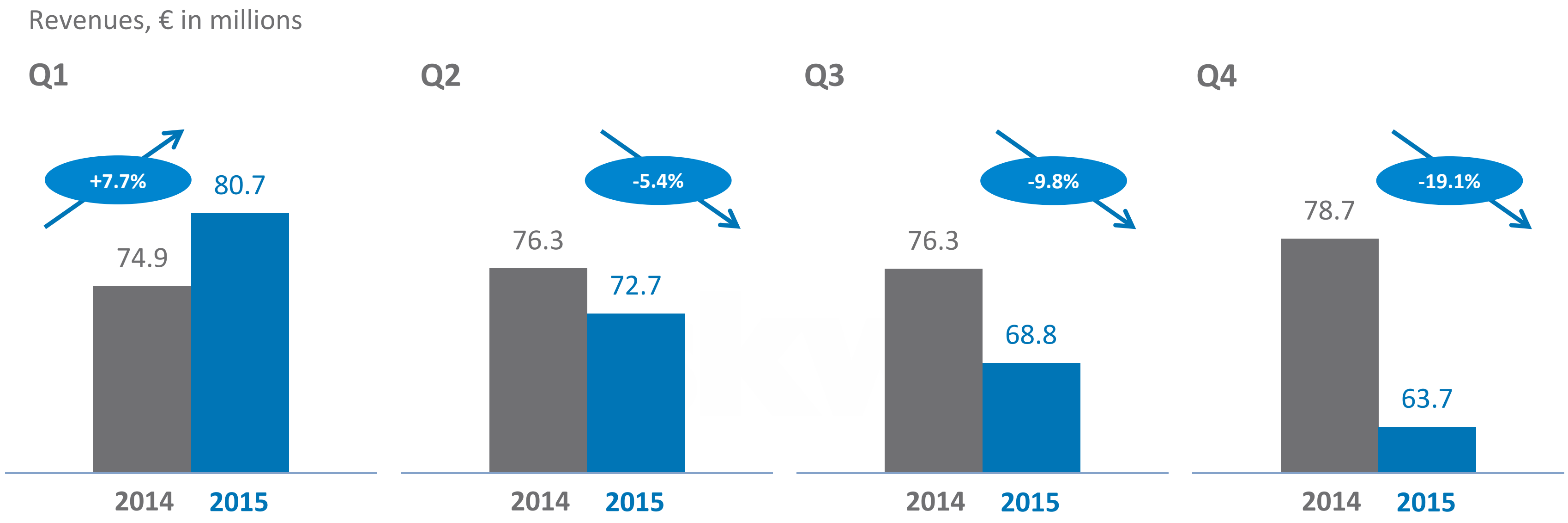
3

CASH FLOW of EUR -0.9 million:
Slightly negative cash flow from operating activities (2014: EUR 11.7 million, mainly due to extraordinarily strong Q4-2014)

Impacts of the steel market crisis fully visible since Q4

ReMaKe 2.0 will counteract

Steel Market Crisis Leads to Accelerating Revenues Deterioration



Steel market crisis became first tangible in Q2 figures

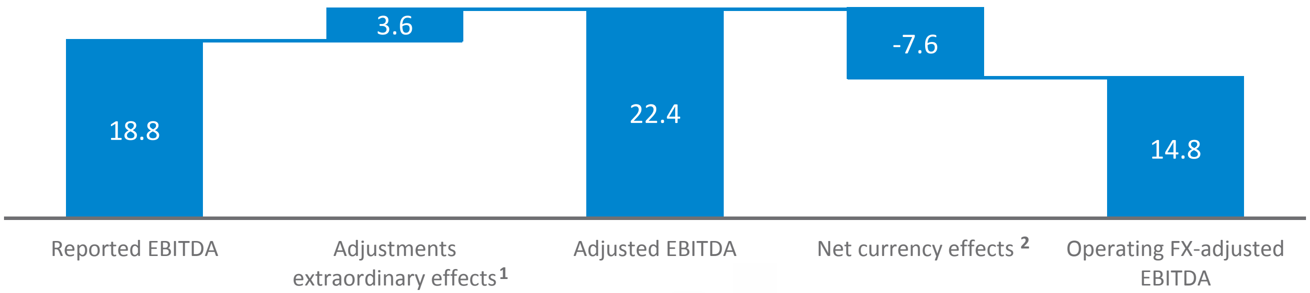
Growing negative impact on revenues in the second half of the year

Q4-2015 – 19.1% drop in revenues versus previous year

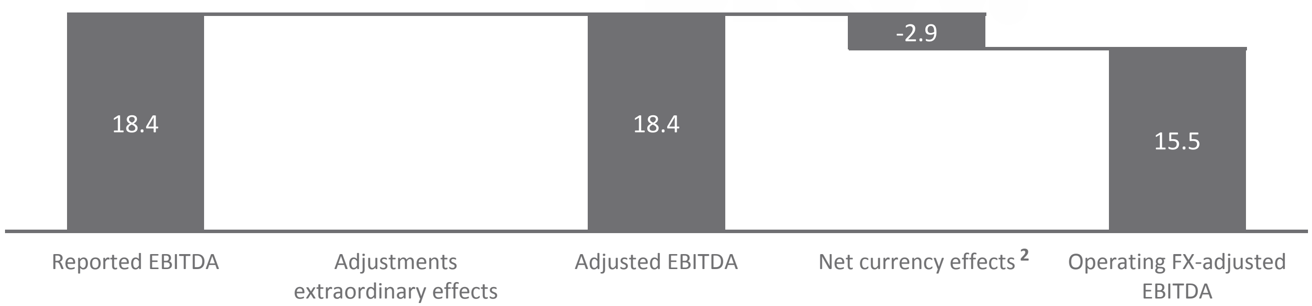
EBITDA Development 2015

EBITDA, € in millions

2015



2014



Operating FX-adjusted EBITDA exceeds previous guidance of EUR 12.9 million[3]

[1] Extraordinary effects including Bhutan deconsolidation and increase of provision for antitrust fine
[2] Unrealized net currency effects contained in other operating income and expenses
[3] Including SKW-Quab Chemicals Inc. EBITDA-contribution

New Segment Reporting in Place

Four new reportable segments of the SKW Group

1 **SKW NORTH AMERICA:**
Including
- Affival Inc. (cored wire)
- ESM Group Inc. (powder and granules)
- Respective affiliates in Mexico (cored wire), Canada (P&G), and China (Mg procurement)

2 **SKW EUROPE AND ASIA:**
Including
- French Affival SAS (Cored Wire)
- Affival SAS subsidiaries in Russia, South Korea, Japan (sales office) and China

3 **SKW SOUTH AMERICA:**
Including
- Brazilian Tecnosulfur S.A. (Powder and Granules)

4 **OTHERS & HOLDING:**
Including
- Operational companies SKW Quab Chemicals Inc., sales unit SKW Stahl-Metallurgie GmbH and a 30-percent stake in Indian Jamipol
- Non-operational German SKW Stahl-Metallurgie Holding AG and various smaller entities

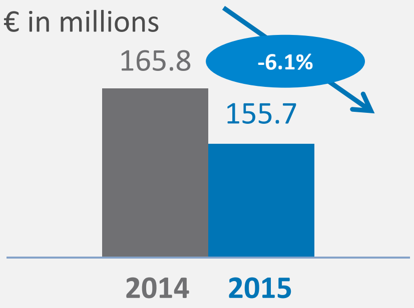
Adapted segment reporting mirrors internal management and controlling approach

Shift from product- to region-focused segmentation

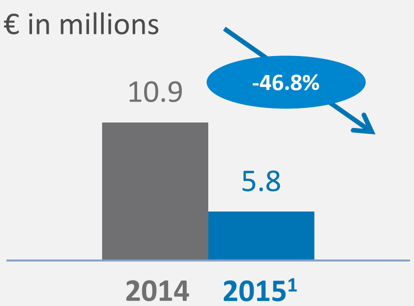
No individual entity is split into different segments

Segment “North America”

- **REVENUES** mirror sharp drop in demand; revenue decline in local currency: 22%



- **EBITDA** reflects dramatic decline in volumes and pressure on margins; EBITDA decline in local currency: 56%



Revenue and EBITDA development significantly impacted by the crisis in the oil, gas and fracking industry

Revenues in USD:

USD 172.7 million (2014: 220.3 million)

Decline of 22%

EBITDA[1] in USD:

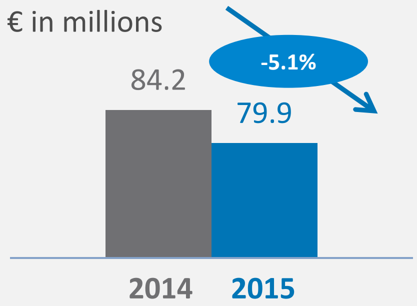
USD 6.4 million (2014: 14.5 million)

Decline of 56%

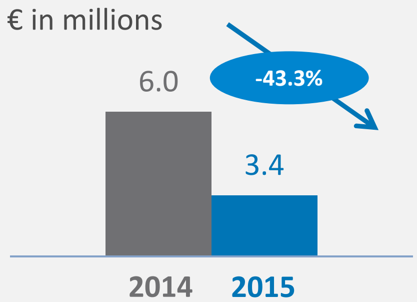
[1] Adjusted for EUR 1.8 million (USD 2.0 million) effect from Bhutan deconsolidation

Segment "Europe and Asia"

- **REVENUES** decreased due to lower intragroup revenues – external revenues stable despite several opposite effects



- **EBITDA** down due to significantly lower demand from a South Korean client[1] (and lower unrealised net currency gains, e.g. from RUR)



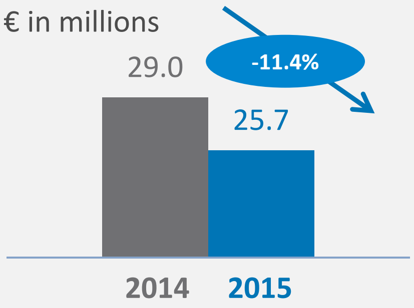
ReMaKe helps to stabilize external revenues

EBITDA adjusted by two described effects up EUR 0.7 million yoy

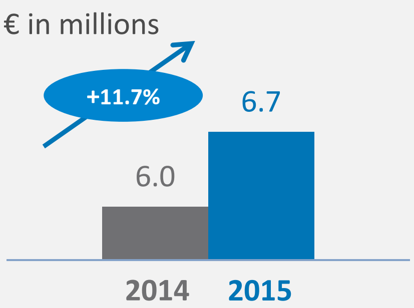
[1] Due to rising pressure from Chinese steel exports, a key South Korean customer reduced its production resulting in a drop in demand for SKW's cored wire.

Segment "South America"

- **REVENUES** down solely due to unfavourable FX-effects; solid development of revenues in local currency (+5%)



- **EBITDA** up by 11.7% despite unfavourable development of the BRL/EUR exchange rate; EBITDA in local currency +33%



Positive operating performance achieved despite deteriorating macroeconomic conditions

Revenues in BRL:

BRL 95.1 million (2014: 90.5 million)

Increase of 5%

EBITDA in BRL:

BRL 24.8 million (2014: 18.7 million)

Increase of 33%

From EBITDA to Net Result

€ in million	2015	2014	Δ
Ordinary D&A	5.4	8.0	-2.6
Extraordinary D&A	9.3	30.5	-21.2
Ordinary interest expenses	4.3	3.4	+0.7
Extraordinary interest	1.7	0.5	+1.2
Ordinary tax expenses	5.8	7.6	-1.8
Deferred tax assets	0.6	3.1	-2.5
Consol. net result (cont.)	-8.2	-31.7	+23.5

- D&A: Extraordinary D&A 2015 mainly due to US impairment tests
- Interest expenses: Higher ordinary interest mainly due to higher interest rates (margin grid); extraordinary interest mainly due to refinancing in early 2015
- Tax expenses despite negative pre-tax results due to limited legal options to offset profits and losses between different tax jurisdictions
- Consolidated net result of continued operations: adjusted by extraordinaries (antitrust, impairments etc.): Profit of EUR 4.4 million (2014: EUR 7.8 million)

Recap Article 92 par. 1 of German Stock Corporation Act (Aktiengesetz)

- Loss of "more than half of the registered capital" for the Holding company (separate financial accounts)[1]
- Loss not based on operating performance
- Main reasons for the loss:
  - Adjustment of provisions for a legal case re antitrust fines (legacy case)
  - Extraordinary impairment needs due to steel crisis (in particular in the USA) and despite massive counteraction
  - Equity-increasing effect from an extraordinary appreciation in value due to a Group-internal transaction in connection with the implementation of the growth strategy in India

- Further expansion of continuous improvement program ReMaKe 2.0
- Discussions with lenders re loan conditions of the syndicated loan well on track
- General Meeting in accordance with legal requirements to be called for May 10, 2016

[1] According to German GAAP (HGB)

Balance Sheet

€ in million	Dec.31, 2015	Dec.31, 2014	Δ
Non-current assets	59.1	68.8	-9.7
Current assets	92.1	111.8	-19.7
Total assets	151.2	180.6	-29.4
Equity	8.3	24.4	-16.1
Non-current liabilities	19.9	24.8	-5.0
Current liabilities	123.1	131.4	-8.3
Total equity and liabilities	151.2	180.6	-29.4

- Significantly reduced balance sheet volume
- Extraordinary impairment losses in non-current assets in the context of steel market crisis
- Optimization of net working capital and cash management
- Reduction of non-current and current liabilities, partly due to Bhutan deconsolidation

Discussions with Lenders Well on Track

Historic back-ground	
	• Refinancing based on syndicated loan contract concluded in January 2015 • Volume: up to EUR 86 million • Maturity: 2018 • Covenants based on pre-crisis steel economy • Steel market crisis triggered covenants breach in Q4 2015 • Initial waiver until February 29, 2016

Recent develop-ments	
	• ReMaKe 2.0 presented to the banks • Waiver extended until May 31, 2016 • Ongoing negotiations to adjust covenants to mid-term-planning • Current headroom sufficient for all foreseeable financing needs = no additional lines required • Supervisory Board and Executive Board are exploring suitable options to strengthen equity capital

Positive Operating Cash Flow Despite Headwinds

in € millions	2015	2014
Consolidated net result	-8.7	-81.0
Gross cash flow	1.7	9.6
Change in working capital	*2.3*	*-3.6*
Cash flow from operating activities	4.0	6.0
Cash flow from investing activities	-5.8	-5.2
Free cash flow	-1.8	0.8
Cash flow from financing activities	-2.9	7.2
Change in cash and equivalents (incl. FX)	-5.7	7.3
Cash and cash equivalents - end of period	12.3	18.0

Solid cash and cash equivalents of EUR 12.3 million at the end of 2015 (2014: EUR 18.0 million)

- Gross cash flow positive even in challenging economic climate
- Optimization of working capital continued:
  - cash generation by EUR 5.9 million higher than 2014
  - 2015 working capital cash flow burdened by cash-out for extraordinary provision (legal settlement in the US: cash-out of EUR 1.8 million) and termination of factoring
- Adjusted operating cash flow sufficient to cover investments
- Free cash flow (adjusted) almost reaches level of previous year despite deteriorated steel economy
- Cash flow from financing activities: cash-out due to repayments of borrowings and dividends to minority shareholder

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ReMaKe 2.0 Initiated: Measures for Almost EUR 20 million Until 2018

Regional Measures	EUR 12.4 million
Cross-regional Measures	EUR 6.8 million
Total	**EUR 19.2 million**

Sustained contribution to earnings of almost EUR 20 million[1] in the next three years

ReMaKe 2.0 will significantly overcompensate increasing pressure on margins and costs

Continuous Improvement Process - Execution well on track

[1] As of March 2016

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Short- and Medium-Term Financial Outlook

2016

- Ongoing challenges in macroeconomic steel market environment
- Shutdown of key US steel plants mirrors steel market crisis

- Group revenues between EUR 250 and 270 million [1]
- Operating EBITDA slightly above EUR 10 million [1] with positive impetus from ReMaKe 2.0

2017

- Emerging recovery in the steel market expected
- Return to 2015 levels, still below 2014 levels

- Revenues at 2014 level of around EUR 300 million [2]
- EBITDA of around EUR 20 million [2]

2018

- Improved macroeconomic conditions anticipated
- Further increase of steel production, yet still below 2014 levels

- Further revenue improvement of around five percent [2] compared to 2017
- EBITDA expected to further increase [2]

[1] Guidance 2016 based on definitions and assumptions made in FY 2015‘s financial report.
[2] Mid-term guidance based on anticipated stable exchange rate development. Further potentials from the implementation of possible additional growth initiates not included.

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Financial Calendar

2016	
Annual General Meeting (in Munich/Germany)	May 10, 2016
Publication of business figures first half year	August 12, 2016

- AGM on May 10 also to meet the requirements of § 92 (1) of German Stock Corporation Act ("Aktiengesetz"), originally announced as EGM
- AGM brought forward to May 10, 2016 (originally scheduled date: June 21, 2016), mainly to save costs
- AGM agenda to be published in the German Federal Gazette ("Bundesanzeiger") around the turn of the month March/April 2016

- Q1-2016: Details of publication to be determined (in the light of relaxed legal requirements), most likely to be published in the context of the AGM on May 10, 2016

Further Questions

PLEASE CONTACT THE INVESTOR RELATIONS DEPARTMENT

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