skw. metallurgie

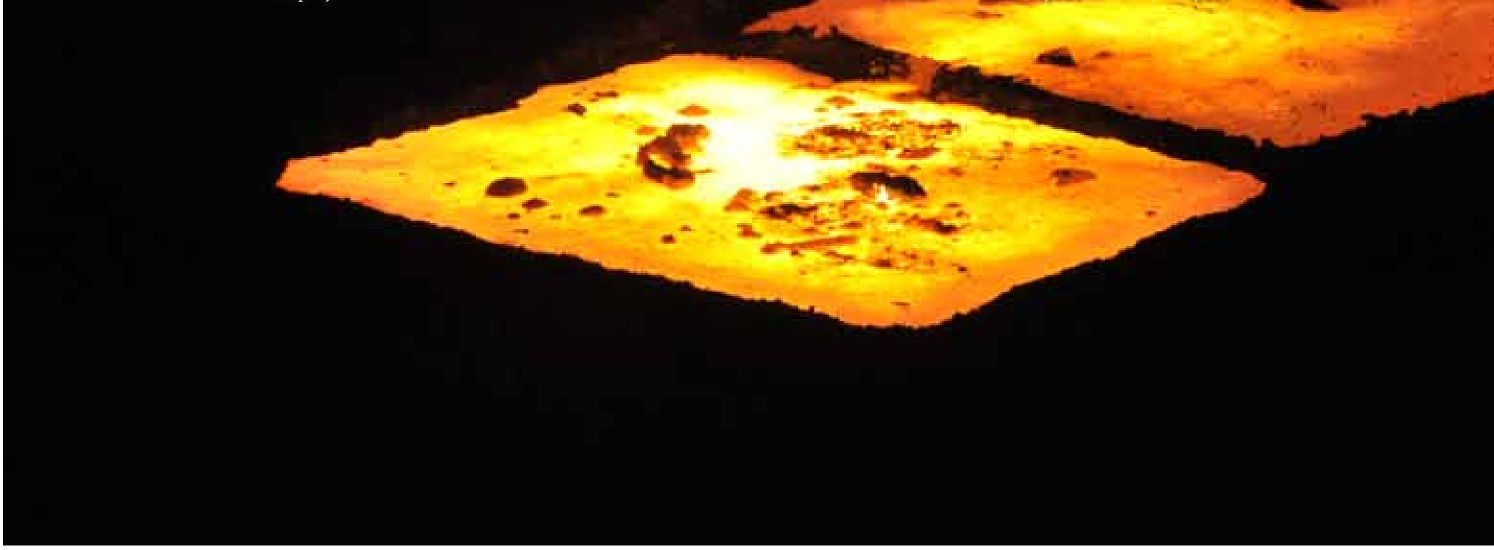
Report for the 1st Quarter 2014

Growth with Substance

SKW Metallurgie's World in Figures

Key Figures	**Unit**	**Q1 2014**	**Q1 2013**
P&L			
Revenues	EUR mill	83.9	87.8
EBITDA	EUR mill	3.0	5.0
EBIT	EUR mill	0.0	2.3
EBT	EUR mill	-1.2	1.0
Net Result for the Period (SKW Metallurgie)	EUR mill	-1.3	1.2
EPS (6,544,930 shares)	EUR	-0.20	0.19
Gross Margin		31.0%	30.6%
EBITDA Margin		**3.6%**	**5.7%**
Depreciation/Amortization	EUR mill	3.0	2.7
Cashflow			
Operative Cashflow	EUR mill	-1.1	1.4
Cashout for Investments	EUR mill	0.9	1.6
Free Cashflow	EUR mill	-2.0	-0.2

Balance sheet		**March 31, 2014**	**December 31, 2013**
Total e&l	EUR mill	250.6	255.1
Group Equity	EUR mill	104.1	105.5
Group Equity Ratio		41.5%	41.4%
Net Financial Debt	EUR Mio.	66.5	63.8
Employees	Heads	1,031	1,010



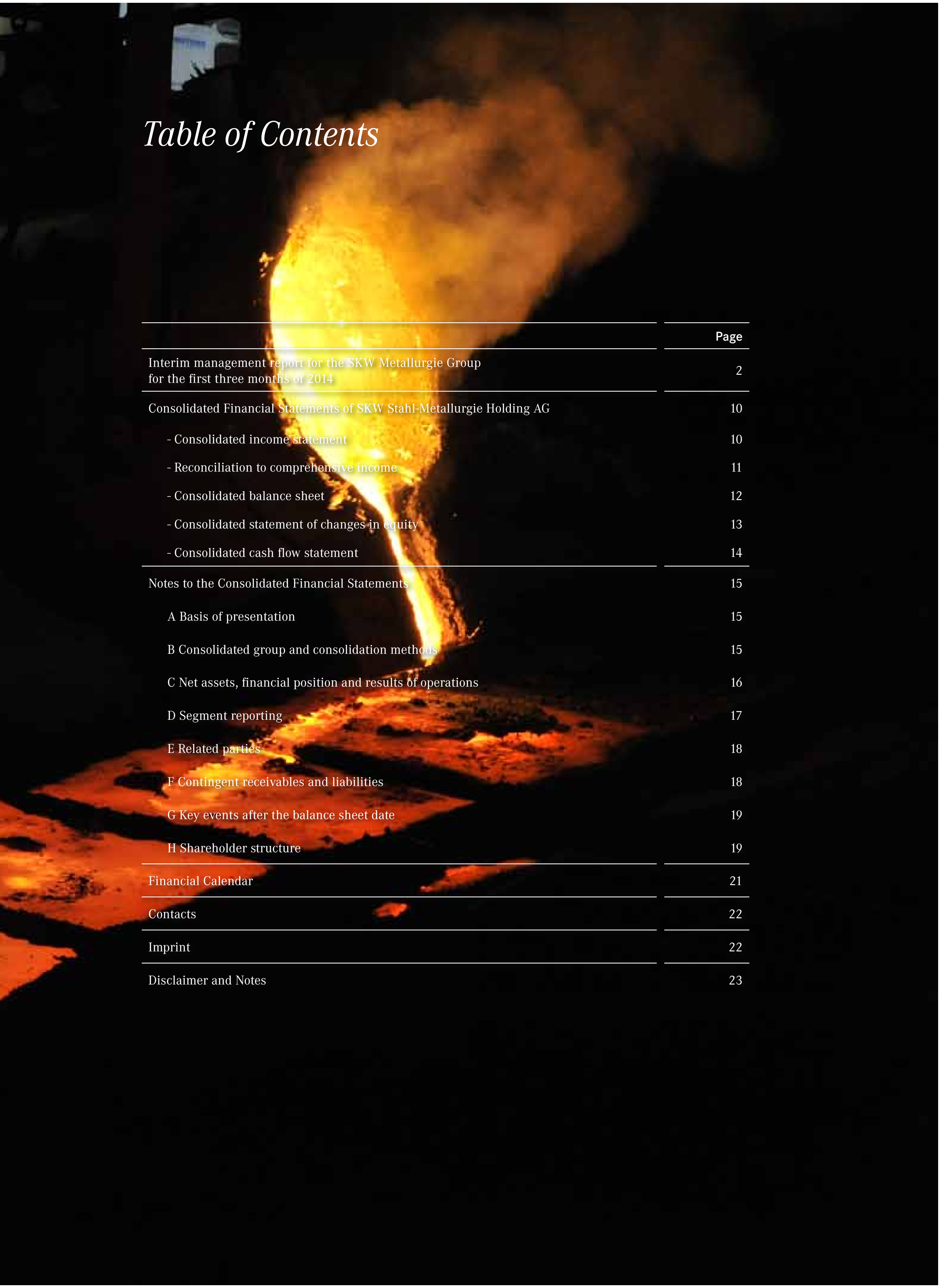


Table of Contents

Interim management report for the SKW Metallurgie Group for the first three months of 2014

Economic conditions

Global economy off to a positive start this year

In its publication "World Economic Outlook" dated April 2014, the International Monetary Fund (IMF) believes that economic growth will become more solid, and that the economy will continue to grow in the remainder of 2014 and in 2015. Industrialized nations in particular are expected to provide positive impetus. The IMF believes that actually realizing the anticipated potential growth depends, in particular, on political conditions. From the current perspective, the experts are forecasting the global economy to grow by 3.6% in 2014 and a further 3.9% in 2015; of this total, industrialized nations will account for 2.2% (2014) and 2.3% (2015). The forecasts are practically unchanged compared to the estimates made in January 2014.

In regional terms, the IMF is forecasting the following developments: In the Eurozone (still without Latvia, where the Euro only became a legal currency on January 1, 2014), growth of 1.2% (2014) and 1.5% (2015) is forecast, with Germany accounting for an above average proportion, and the Mediterranean countries in the Eurozone accounting for a lower-than-average proportion.

The USA is forecast to grow stronger than the Eurozone at 2.8% (2014) and 3.0% (2015); growth in Japan is forecast to be more reserved at 1.4% (2014) and 1.0% (2015).

Emerging and developing nations are expected to drive the global economy on the whole, with forecast growth of 4.9% (2014) and 5.3% (2015). However, growth in the various countries is expected to be highly varied:

Significant economic growth of 7.5% (2014) and 7.3% (2015) is forecast for the People's Republic of China. However, here we can see methodical weaknesses in the overall economic accounting, which, in its traditional form, insufficiently maps the likes of pollution and the consumption of resources.

In the other BRIC countries, India is a particular highlight with 5.4% (2014) and 6.4% (2015), even though the IMF notes that the Indian figures are not fully comparable with the figures from other countries due to the different methods used. The perspectives for Brazil (2014: 1.8%; 2015: 2.7%) and Russia (2014: 1.3%; 2015: 2.3%) are cautiously positive.

Steel production slightly higher year-on-year in first three months

The growth of the steel industry, and in particular the quantity of steel produced continue to be critical factors for sales of the SKW Metallurgie Group's products, as business with customers in this industry accounts for 85-90% of the SKW Metallurgie Group's revenues.

In geographic terms, steel production outside China is the decisive factor for the SKW Metallurgie Group. In the first three months of 2014, the steel production figure “World without China” increased by 2.6% year-on-year. In the SKW Metallurgie Group’s key sales regions EU28 (+6.7%, but starting from a low level), Brazil (+0.4%) and USA (+0.1%) steel production figures in the first three months were also slightly higher year-on-year. However, two contradictory effects could be observed in North America (USA and Canada): Although steel production in the South West, which is characterized by electric steel plants, enjoyed solid growth, the North East, which is a key market for the SKW Metallurgie Group, was hit by the particularly hard winter. During the first quarter, icy temperatures and snowfall had major impact on production and transport.

For 2014 as a whole, the World Steel Association published an update in April 2014 for its steel consumption forecasts, which are an excellent indicator for steel production. These forecasts show growth in steel production of a low single-digit percentage on the relevant markets.

The SKW Metallurgie Group records an unchanged 10-15% of its revenues with customers outside the steel industry.

→ This relates, roughly 50:50 to “Quab” specialty chemicals, which are mostly sold to producers of industrial starch (pre-product for paper production).

→ The other half of revenues with non-steel customers is due to products from both core segments that are technologically related to products for the steel industry (e.g. calcium carbide for the gas industry and cored wire for the copper and casting industries).

Sales of SKW Metallurgie’s products outside the steel industry are mostly in line with the general economic trends.

Organization and company structure

The following changes in SKW Stahl-Metallurgie Holding AG’s Supervisory Board took place in the quarter under review: Ms. Sabine Kauper and Dr. Christoph Schlünken both left the Supervisory Board on December 31, 2013, and the responsible local court (Traunstein Local Court, Traunstein, Germany) appointed the following persons as new members of the Company’s Supervisory Board:

→ Dr. Hans Liebler as of January 1, 2014

→ Ms. Jutta Schull as of January 14, 2014

These changes in the composition of the Supervisory Board did not lead to any changes to the Chairman or Deputy Chairman of the Supervisory Board.

The **Executive Board** was reduced from three to two members as of the end of December 31, 2013, as already presented in the management report for business year 2013. As already communicated, Ines Kolmsee was not available for an extension to her period of office as the Company’s CEO after the end of her contract on March 31, 2014 (end of the quarter under review).

SKW Stahl-Metallurgie Holding AG's new Executive Board has been in office from April 1, 2014 and comprises Dr. Kay Michel (CEO) and Ms. Sabine Kauper (CFO).

There were the following changes in the **group of consolidated companies** in the quarter under review: As of January 1, 2014, a group company in the US was merged with another US group company.

The total number of **consolidated group companies** at the closing date of the period thus fell from 27 (March 31, 2013 as well as December 31, 2013) to 26 (March 31, 2014).

These 26 group companies include the parent company SKW Stahl-Metallurgie Holding AG, Unterneukirchen (Germany), and 25 subsidiaries and second-tier subsidiaries in 14 countries. The SKW Metallurgie Group's participating interests in the Indian joint venture Jamipol and a company in liquidation in France continue to not be fully consolidated.

The number of SKW Metallurgie's production facilities (without the Jamipol joint venture with two plants in India) did not change in the period under review and continues to total 16 plants in 10 countries.

The Group's **shareholder structure** continues to be characterized by being held fully in free float (Deutsche Börse's definition). In addition, during the quarter under review, the Company was not aware of any shareholder who holds an interest of 10% or more in the unchanged share capital.

There were **no other material changes** to the organization and corporate structure during the first three months of 2014.

Corporate and business development

SKW Metallurgie Group records cautious earnings from North America in Q1 2014

From January to March 2014, the global economy was characterized by a cautiously positive underlying mood. A key factor for sales for the SKW Metallurgie Group, which records 85-90% of its revenues with the steel industry, is growth in steel production in the geographic markets it serves.

Steel production grew slightly in Q1 2014 compared to the same quarter of the previous year. In North America, where the SKW Metallurgie Group records 50% of its revenues, however, there was very different growth in the various regions. In Q1 2014 the North East of the USA and Canada were hit by a particularly hard winter. This region is home to the most important customers for the Group's companies which supply the North American steel industry. As a result, the contribution to consolidated revenues fell by more than EUR 5.0 million; the increased revenues for other group companies meant that consolidated revenues fell by just EUR 3.8 million in total (-4.3%). In addition to this downturn in revenues, Q1 2014 was characterized, in particular, by the extraordinary factor of a substantial downturn (EUR 2.3 million) in the net currency translation result. If the net currency translation result had been constant, EBITDA would have been 6% higher than in the previous year, despite lower revenues.

Gross margin up slightly

With revenues falling by EUR 3.8 million, cost of materials fell correspondingly by EUR 3.0 million; in addition, the gross margin (**difference between total operating revenue and cost of materials to revenues**) increased (with practically constant changes in inventories and own work capitalized) by 0.4 percentage points from 30.6% to 31.0%.

The downturn in **other operating income** (EUR 1.1 million after EUR 2.4 million in Q1 2013) is mostly due to lower income from currency translation (mostly not recognized). This currency translation income totaled EUR 0.8 million compared with EUR 2.7 million in the same quarter of the previous year.

Other operating expenses fell from EUR 13.2 million to EUR 12.8 million. Of this total, EUR 1.4 million is due to currency translation expenses (Q1 2013: EUR 1.0 million). The other operating expenses which are not due to currency translation expenses thus fell by EUR 0.8 million from EUR 12.2 million to EUR 11.4 million. These are mainly variable (sales-related) cost components such as transport costs and expenses for sales commission.

The net currency translation result (currency translation income netted with currency translation expenses) thus fell by EUR 2.3 million from EUR 1.7 million to EUR -0.6 million. This extraordinary factor is by far the most important reason for the substantial downturn in EBITDA.

SKW Metallurgie's financial reporting based on IFRS

The SKW Metallurgie Group strives to ensure transparent financial reporting using recognized key indicators. Given this background, the new Executive Board has decided that, in future, the SKW Metallurgie Group will only use recognized key indicators based on IFRS figures. Of course the particular effects and influencing factors which are key to understanding the SKW Metallurgie Group's key financial indicators will continue to be highlighted and discussed separately.

Earnings indicators lower than expected

The SKW Metallurgie Group recorded EBITDA in the quarter under review of EUR 3.0 million, which is thus EUR 2.0 lower than the previous year's figure of EUR 5.0 million.

The downturn in EBITDA (EUR 2.0 million) is still slightly lower than the downturn in the net currency translation result (EUR 2.3 million). This shows that, in operating terms, it was possible to compensate for the lower revenues with the improvement in the gross margin and other optimization activities.

In spite of this, however, the absolute level of EBITDA is lower than the internal and external expectations of the SKW Metallurgie Group. The Executive Board will react to this with additional measures to increase earnings.

Amortization/depreciation from January to March 2014 totaled EUR 3.0 million and was slightly higher than the previous year's figure (EUR 2.7 million). Fluctuations of this magnitude are due, in particular, to currency translation.

In the first quarter of 2014, the Group hence recorded **EBIT** of EUR 0 million (rounded) compared to EUR 2.3 million in the first three months of 2013. The key reason for this downturn of EUR 2.3 million was the net currency translation result, down by EUR 2.3 million.

Net interest totaled EUR -1.2 million, and is on a par with the previous year's figure of EUR -1.3 million.

EBT, which considers net interest, was negative in the quarter under review (EUR -1.2 million) following a positive figure (EUR 1.0 million) in the same quarter of the previous year.

The typical tax rate for the SKW Metallurgie Group is 35-40%. In Q1 2013 this target corridor was reached, with a tax rate of 35.8%. In Q1 2014, significant tax expenses were incurred (EUR 1.2 million) despite the substantially negative earnings before taxes (EUR -1.2 million). This is due, in particular, to the Group companies in Bhutan and Sweden, for which no deferred tax assets could be formed in the quarter under review due to national tax regulations.

Consolidated earnings after taxes for Q1 2014 totaled EUR -2.4 million, after EUR 0.7 million in the same period of the previous year.

Of this total, EUR -1.3 million is due to the parent company's shareholders (Q1 2013: EUR 1.2 million). This figure and the unchanged number of 6,544,930 shares give **earnings per share** (EPS) of EUR -0.20 (Q1 2013: EUR 0.19).

Balance sheet continues to be solid

The following table shows the key figures from the SKW Metallurgie Group's balance sheet at the end of the first three months of 2014 and the end of fiscal year 2013:

EUR million	Mar. 31, 2014	December 31, 2013
ASSETS	**250.6**	**255.1**
Non-current	145.5	145.8
Current	105.1	109.4
thereof: cash and cash equivalents	10.9	10.7
EQUITY AND LIABILITIES	**250.6**	**255.1**
Equity	104.1	105.5
Non-current liabilities	71.3	69.5
thereof: non-current financial liabilities	54.2	54.2
Current liabilities	75.2	80.2
thereof: current financial liabilities	23.3	20.3

The SKW Metallurgie Group's total assets totaled EUR 250.6 million at the end of the period under review, and thus fell slightly by EUR 4.5 million compared to the year-end figure in 2013 of EUR 255.1 million (December 31, 2013).

Equity fell to EUR 104.1 million compared to EUR 105.5 million on December 31, 2013 and thus to a lesser extent than total assets. This means that the **equity ratio** has increased slightly to 41.6% as of

March 31, 2014 (when calculated using rounded figures: 41.5%) compared to the figure on December 31, 2013 (41.3%, when calculated using rounded figures: 41.4%). The equity ratio is the ratio of equity to total assets.

Net financial debt (defined as current and non-current financial liabilities less cash and cash equivalents) at the SKW Metallurgie Group totaled EUR 66.5 million on March 31, 2014 and was thus slightly higher than on December 31, 2013 (EUR 63.8 million). The amount of this increase in net financial debt corresponds in its magnitude to the free cash flow of EUR -2.0 million and the profit disbursements to non-controlling shareholders of subsidiaries of EUR 0.7 million.

Gearing, or the ratio of net financial debt to equity, increased from 0.60 (December 31, 2013) to 0.64 (March 31, 2014).

Slightly negative free cash flow

The following table shows the changes in the SKW Metallurgie Group's cash flow from January 1 to March 31, 2014 compared to the corresponding three-month period of 2013:

EUR million	Jan. 1 - Mar. 31, 2014	Jan. 1 - Mar. 31, 2013
Consolidated net income for the period	-2.4	0.7
Non-cash income and expense	3.3	0.2
Gross cash flow	0.9	0.9
Changes in working capital	-2.0	0.5
Cash flow from operating activities	-1.1	1.4

In the first three months of 2014 the **gross cash flow** totaled EUR 0.9 million, and this is more or less on the same level as in the comparable period of the previous year (EUR 0.9 million). On the one hand, consolidated net income for the period fell substantially, on the other hand, net earnings from non-cash income and expenses are substantially higher than in the previous year at EUR 3.3 million (EUR 0.2 million), which is due, in particular, to the earnings from currency translation.

Working capital increased in the quarter under review by EUR 2.0 million. (Q1-2013: a reduction by EUR 0.5 million). Working Capital in the closer sense (inventories plus trade receivables less trade payables) rose by EUR 2.4 million, after having fallen by EUR 1.3 million in Q1 2013.

The SKW Metallurgie Group thus recorded net proceeds from operating activities in the period under review of EUR -1.1 million compared to EUR 1.4 million in the first three months of 2013.

In 2014 the SKW Metallurgie Group's capital expenditure is to focus, in particular, on maintenance investments, as communicated. Accordingly, net cash used in investing activities in the period under review of EUR 0.9 million is considerably below depreciation/amortization and also below the comparable figure for the same quarter of the previous year of an already low EUR 1.6 million.

Despite the lower investments the **free cash flow** as the sum of the net proceeds from operating activities and the net cash used in investing activities was negative in both the period under review (EUR -2.0 million) and in the same period of the previous year (EUR -0.2 million).

Segment reporting

The SKW Metallurgie Group currently comprises an unchanged number of three segments: the two core segments Cored Wire and Powder and Granules and the Other segment (including Quab business). Revenues between the segments are eliminated in the “consolidation” column (see segment reporting in the notes); revenues within a segment have already been eliminated in the disclosed segment figures.

The two core segments Cored Wire and Powder and Granules mainly include products and services for the steel industry, and here in turn for hot metal desulfurization in furnaces (core activities for Powder and Granules) and secondary metallurgy (core activities for Cored Wire).

Growth in the two core segments during the period under review was as follows:

→ The **Cored Wire** segment recorded lower external revenues of EUR 38.9 million in the first three months in North East America (from EUR 40.2 million in Q1 2013 to a current total of EUR 38.9 million). However, operating improvements, in particular regerding product mix, meant that segment EBITDA increased slightly from EUR 1.7 million to EUR 1.8 million - in contrast to the downturn in revenues.

→ In the **Powder and Granules** segment, external revenues fell during the three-month period from EUR 41.9 million to EUR 37.6 million. This led to a substantial downturn in segment EBITDA from EUR 2.3 million to EUR 1.4 million.

In both segments, the decrease in revenues is primarily due to the hard winter in North America.

Staff levels practically constant

Excellently trained, highly motivated employees continue to be a key component of the SKW Metallurgie Group’s successful business operations. The number of employees worldwide totaled 1,031 on March 31, 2014 and was higher than the figure on December 31, 2013 (1,010) but lower than the figure on March 31, 2013 (1,034). An unchanged approx. 98% of the employees work outside Germany.

Report on Opportunities and Risks

The SKW Metallurgie Group attaches great importance to constantly recognizing and evaluating opportunities and risks, and implementing appropriate measures where necessary to best realize those opportunities and best limit those risks. As a result, as is standard practice, during the first quarter of 2014, the risk inventory from the end of 2013 was updated in the form of a quarterly risk report, also with regard to the increased macroeconomic risks from the political instability in Russia and Ukraine. On March 31, 2014, the risk report did not include any major changes compared to the statements made on opportunities and risks in the 2013 annual report. At present, the Executive Board is fundamentally reviewing the SKW Metallurgie Group’s strategy and structure in order to obtain a sustained improvement in profitability. This review could also lead to changes in the appraisal of risks.

Report on events after the balance sheet date

Dr. Kay Michel became the SKW Metallurgie Group's new CEO on April 1, 2014.

The invitation to the Company's Annual General Meeting on June 3, 2014 in München (Germany) was published in the Federal Gazette on April 23, 2014.

After the end of the period under review on March 31, 2014, and up to the date on which this interim report was prepared, there were no other events of particular importance for the SKW Metallurgie Group.

Outlook 2014: Slight increase in steel production means solid forecast for sales of SKW Metallurgie's products

The SKW Metallurgie Group records around 85-90% of its revenues with the steel industry. Of the revenues recorded with the steel industry, the quantities (sales) mostly depend on the quantity of steel produced in the key geographic markets for SKW Metallurgie (EU28, NAFTA, Brazil). Apparent steel use, which the World Steel Association forecasts regularly, is an excellent indicator for steel production.

Based on the updates to the World Steel Association's forecasts, steel production is expected to grow by a low single-digit percentage in all of the relevant regions in 2014. As a result, sales of SKW Metallurgie's products are also expected to grow slightly.

At present, the Executive Board is fundamentally reviewing the SKW Metallurgie Group. The medium-term objective continues to be recording improved EBITDA as well as a higher, positive free cash flow. One-off effects from the coming activities to improve efficiency and restructure the Company could, however, have a short-term negative impact on EBITDA.

Unterneukirchen (Germany), May 2014

SKW Stahl-Metallurgie Holding AG
The Executive Board

Dr. Kay Michel
CEO

Sabine Kauper

Consolidated income statement for the period from January 1 to March 31, 2014

EUR thousand	Q1/2014	Q1/2013
Revenues	83,943	87,785
Change in finished goods and work in progress	2,159	2,123
Own work capitalized	16	17
Other operating income	1,071	2,422
Cost of materials	-60,102	-63,072
Personnel expenses	-11,551	-11,377
Other operating expenses	-12,792	-13,159
Income from associated companies	247	276
EBITDA	**2,991**	5,015
Amortization of intangible assets and depreciation of property, plant and equipment	-2,982	-2,727
EBIT	**9**	2,288
Interest and similar income	33	5
Interest and similar expenses	-1,276	-1,277
EBT	**-1,234**	1,016
Income taxes	-1,194	-364
Consolidate net loss for the year (previous year: net income)	**-2,428**	652
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	-1,285	1,234
Thereof non-controlling interests	-1,143	-582
Earnings per share (in EUR)*	**-0.20**	0.19

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

Reconciliation to comprehensive income from January 1 to March 31, 2014

EUR thousand	Q1/2014	Q1/2013
Consolidated net loss for the period (previous year: net income)	**-2,428**	652
Items that will not be reclassified subsequently to profit or loss		
Change in actuarial gains and losses from defined benefit pension commitments	0	-1,835
Deferred taxes on items that will not be reclassified subsequently to profit or loss	0	547
Items that will be reclassified subsequently to profit or loss		
Unrealized losses from derivatives (hedge accounting)	-77	0
Net investments in a foreign operation	-13	800
Deferred taxes on items that will be reclassified subsequently to profit or loss	23	0
Income and expenses recognized directly under equity	-67	-488
Exchange rate fluctuations	1,840	2,484
Other result	**1,773**	1,996
Total result	**-655**	2,648
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	107	2,678
Thereof non-controlling interests	-762	-30

Consolidated balance sheet as of March 31, 2014

Assets in EUR thousand	Mar. 31, 2014	Dec. 31, 2013
Non-current assets		
Intangible assets	46,059	45,454
Property, plant and equipment	82,624	83,988
Interests in associated companies	4,653	4,290
Other non-current assets	550	516
Deferred tax assets	11,598	11,523
Total non-current assets	**145,484**	**145,771**
Current assets		
Inventories	45,282	47,682
Trade receivables	38,612	38,421
Income taxes	4,795	5,253
Other assets	5,473	7,345
Cash and cash equivalents	10,933	10,673
Total current assets	**105,095**	**109,374**
Total equity and liabilities	**250,579**	**255,145**

Equity and Liabilities in EUR thousand	Mar. 31, 2014	Dec. 31, 2013
Equity		
Subscribed capital	6,545	6,545
Share premium	50,741	50,741
Other comprehensive income	36,512	36,405
	93,798	93,691
Non-controlling interests	10,327	11,789
Total equity	**104,125**	**105,480**
Non-current liabilities		
Pension obligations	5,952	5,866
Other non-current provisions	4,681	2,929
Non-current obligations from finance leases	0	0
Non-current financial liabilities	54,195	54,150
Deferred tax liabilities	6,194	6,272
Other non-current liabilities	238	252
Total non-current liabilities	**71,260**	**69,469**
Current liabilities		
Other current provisions	2,600	3,643
Current obligations from finance leases	12	19
Current financial liabilities	23,255	20,333
Trade payables	36,886	41,500
Income taxes	490	468
Other current liabilities	11,951	14,233
Total current liabilities	**75,194**	**80,196**
Total equity and liabilities	**250,579**	**255,145**

Consolidated statement of changes in equity as of March 31, 2014

EUR thousand	Sub-scribed capital	Share premium	Other com-prehensive income	Consolida-ted equity of majority shareholders	Non-control-ling in-terests	Total equity
Balance at Jan. 1, 2013	**6,545**	**50,741**	**48,923**	**106,209**	**15,681**	**121,890**
Consolidated net income for the period	0	0	1,234	1,234	-582	652
Exchange rate fluctuations	0	0	1,932	1,932	552	2,484
Income and expense carried under equity (without exchange rate fluctuations)	0	0	-488	-488	0	-488
Total result 2013	**0**	**0**	**2,678**	**2,678**	**-30**	**2,648**
Balance as of March 31, 2013	**6,545**	**50,741**	**51,601**	**108,887**	**15,651**	**124,538**
Balance at Jan. 1, 2014	**6,545**	**50,741**	**36,405**	**93,691**	**11,789**	**105,480**
Consolidated net loss for the period	0	0	-1,285	-1,285	-1,143	-2,428
Exchange rate fluctuations	0	0	1,459	1,459	381	1,840
Income and expense carried under equity (without exchange rate fluctuations)	0	0	-67	-67	0	-67
Total result 2014	**0**	**0**	**107**	**107**	**-762**	**-655**
Dividend payments	0	0	0	0	-700	-700
Balance as of March 31, 2014	**6,545**	**50,741**	**36,512**	**93,798**	**10,327**	**104,125**

Consolidated cash flow statement
January 1 to March 31, 2014

EUR thousand		Jan. 1, 2014 - Mar. 31, 2014	Jan. 1, 2013 - Mar. 31, 2013
1.	Consolidated net loss/income for the period	**-2,428**	652
2.	Write-ups/write-downs of non-current assets	2,982	2,727
3.	Increase/decrease in provisions for pensions	86	136
4.	Income from associated companies	-247	0
5.	Result from currency conversion	**786**	-1,701
6.	Result from deferred taxes	**-247**	-613
7.	Own work capitalized	-17	-17
8.	Expenses from impairment of inventories and receivables	53	21
9.	Other non-cash income and expense	-52	-354
10.	**Gross cash flow**	**916**	851
	Change in working capital		
11.	Increase/decrease in other provisions	709	759
12.	Increase/decrease in inventories (after advance payments received)	2,418	-50
13.	Increase/decrease in trade receivables	-235	-4,028
14.	Increase/decrease in other receivables	-3	3
15.	Increase/decrease in receivables from income taxes	388	-1,027
16.	Increase/decrease in other assets	1,944	634
17.	Increase/decrease in trade payables	-4,614	5,377
18.	Increase/decrease in other liabilities	-215	-123
19.	Increase/decrease in other equity and liabilities	-2,393	-1,016
20.	**Net cash provided by (+)/used in (-) operating activities (Net cash flow)**	**-1,085**	1,380
21.	Proceeds from the disposal of non-current assets	0	50
22.	Payments for investments in non-current assets	-904	-1,607
23.	**Net cash provided by (+)/used in (-) investing activities**	**-904**	-1,557
24.	Increase/decrease in liabilities from finance leases	-7	-6
25.	Dividend payments to non-controlling interests	-700	0
26.	Proceeds from borrowings	4,877	1,539
27.	Repayment of borrowings	-1,910	-6,838
28.	**Net cash provided by (+)/used in (-) financing activities**	**2,260**	-5,305
29.	Cash and cash equivalents – start of period	10,673	25,330
30.	Change in cash and cash equivalents	271	-5,482
31.	Currency translation for cash and cash equivalents	-11	535
32.	**Cash and cash equivalents - end of period**	**10,933**	20,383

Notes to the consolidated financial statements for the Interim report as of March 31, 2014

A. Basis of presentation

SKW Stahl-Metallurgie Holding AG prepares its interim report according to International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). This interim report of SKW Stahl-Metallurgie Holding AG was prepared in line with International Financial Reporting Standards (IFRS) as these are to be applied in the European Union and the interpretations of the IFRS Interpretations Committee and the Standing Interpretations Committee. With regard to the methods used for estimates in this unaudited interim report as of March 31, 2014, the comments in the notes to the consolidated financial statements as of December 31, 2013, Section “C. Key Accounting and Valuation Principles” apply. The SKW Metallurgie Group’s 2013 annual report can be found online at www.skw-steel.com. For further information on the accounting and valuation principles applied, please refer to the consolidated financial statements as of December 31, 2013, which form the basis for these interim financial statements.

The new and revised accounting standards for which application has been mandatory since fiscal year 2014 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, 2013 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, 2013, Section “B. Consolidated Group and Consolidation Methods” apply. In addition, there may be differences in the tables in the notes to the consolidated financial statements as a result of rounding.

The SKW Metallurgie Group’s operating business in the Cored Wire and Powder and Granules segments is not subject to major seasonal fluctuations. In spite of this, however, a comparison of periods during the course of the year can be impacted by maintenance work to be conducted by the customers and active inventory management in the steel plants. However, these activities are not conducted in the same quarters each year.

B. Consolidated group and consolidation methods

The consolidation methods applied have not changed compared to the 2013 consolidated financial statements.

As of January 1, 2014, the US group company ESM Special Metals & Technologies Inc. was merged with its parent company ESM Group Inc. The group of consolidated companies has thus fallen compared to December 31, 2013 to a current total of 26 fully consolidated companies.

C. Net assets, financial position and results of operations

Balance sheet

The SKW Metallurgie Group's total assets on March 31, 2014 amounted to EUR 250,579 thousand (December 31, 2013: EUR 255,145 thousand). The change in total assets is due to a reduction in inventories, and also to a reduction in other assets. Cash and cash equivalents did not change greatly in the period under review.

The key items of current assets are, as was the case in the previous year, inventories totaling EUR 45,282 thousand or 18% of total assets and trade receivables in the amount of EUR 38,612 thousand or 15% of total assets.

Equity on March 31, 2014 totaled EUR 104,125 thousand (December 31, 2013: EUR 105,480 thousand); the consolidated equity ratio was 41.6% on March 31, 2014, and thus improved slightly compared to 41.3% on December 31, 2013 (all figures including non-controlling interests). Trade accounts payable fell in the first quarter of 2014 by EUR 4,614 thousand to EUR 36,886 thousand. The sum of inventories and trade receivables minus trade payables increased by EUR 2,405 thousand compared to December 31, 2013 (EUR 44,603 thousand), to a current total of EUR 47,008 thousand. The key factor here is the reduction in liabilities compared to the end of the previous year as a result of payments.

Income statement

In the first quarter of 2014, the SKW Metallurgie Group recorded revenues of EUR 83,943 thousand compared to EUR 87,785 thousand in the same period of 2013. The weaker revenues are primarily due to lower sales as a result of the harsh winter in North America. The cost of materials is thus also lower. The gross margin, being the quotient of total revenues, changes in inventories, own work capitalized and costs of materials to revenues, totaled 31.0% in the period under review and has thus improved slightly compared to the same period of 2013 (30.6%).

Other operating income of EUR 1,071 thousand (Q1 2013: EUR 2,422 thousand), was mostly due to exchange rate gains of EUR 762 thousand (Q1 2013: EUR 2,709 thousand), which include exchange rate effects from debt consolidation. The currency translation gains are offset by corresponding currency translation losses, which are included in other operating expenses. The currency translation losses totaled EUR 1,400 thousand in the first three months of 2014 compared to EUR 1,008 thousand in the first quarter of the previous year. This resulted in a negative currency translation effect in the period under review of EUR -637 thousand compared to a positive effect of EUR 1,701 thousand in the first quarter of the previous year.

Besides the currency translation effects described above, the downturn in other operating expenses is due in particular to lower transport costs and expenses for sales commission.

Net interest is slightly higher year-on-year at EUR -1,243 thousand (previous year: EUR -1,272 thousand).

Consolidated net earnings for the first quarter of 2014 totaled EUR -2,428 compared to EUR 652 last year. Non-controlling interests in the first three months of 2014 totaled EUR -1,143 thousand compared to EUR -582 thousand in the same period of the previous year. The difference compared to the previous year's earnings is mainly due to lower currency translation gains.

Cash flow statement

Consolidated net earnings fell from EUR 652 thousand in the first quarter of 2013 to EUR -2,428 thousand in the quarter under review. In spite of this, gross cash flow in the quarter under review totaled EUR 916 thousand and was higher than the previous year's figure of EUR 851 thousand, as more cash income was recorded.

Funds of EUR 2,001 thousand were spent in working capital in the first quarter of 2014 (Q1 2013: net proceeds of EUR 529 thousand); this is mostly due to the fact that settlement of trade liabilities in the amount of EUR 4,614 thousand was higher than the reduction in inventories by EUR 2,418 thousand. The SKW Metallurgie Group thus recorded net outflow of cash used in operating activities of EUR 1,085 million compared to net proceeds of EUR 1,380 million in the first quarter of 2013.

Net cash used in investing activities amounted to EUR 904 thousand compared to EUR 1,557 thousand in the same period of the previous year. Financing activities provided net cash of EUR 2,260 thousand, compared to net cash used in financing activities of EUR 5,305 thousand in the same period of the previous year.

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

→ Interest totaling EUR 1,809 thousand

→ Income taxes totaling EUR 1,020 thousand

D. Segment reporting

At present the SKW Metallurgie Group is broken down into business segments in line with the regulations under IFRS 8. These segments correspond to the SKW Metallurgie Group's internal organization and reporting structure. Three segments with a reporting requirement have been identified within the SKW Metallurgie Group:

a) Cored Wire

b) Powder and Granules

c) Other

The information on the business segments in 2014 is as follows:

Q1 2014 in EUR thousand	Cored Wire	Powder and Granules	Other	Consolida-tion	Group
Revenues					
Third-party revenues	38,890	37,603	7,450	0	83,943
Internal revenues	99	236	17	-352	0
Total revenues	**38,989**	**37,839**	**7,467**	**-352**	**83,943**
EBITDA	**1,806**	**1,423**	**-238**	**0**	**2,991**
Amortization/depreciation	**-929**	**-1,740**	**-313**	**0**	**-2,982**
EBIT	**877**	**-317**	**-551**	**0**	**9**

The corresponding segment information for the previous year is presented in the table below:

Q1 2013 in EUR thousand	Cored Wire	Powder and Granules	Other	Consolida-tion	Group
Revenues					
Third-party revenues	40,154	41,918	5,713	0	87,785
Internal revenues	-58	302	0	-244	0
Total revenues	**40,096**	**42,220**	**5,713**	**-244**	**87,785**
EBITDA	**1,723**	**2,291**	**1,001**	**0**	**5,015**
Amortization/depreciation	**-1,006**	**-1,402**	**-319**	**0**	**-2,727**
EBIT	**717**	**889**	**682**	**0**	**2,288**

E. Related parties

There were no major changes in key transactions with related parties in the period under review compared to the 2013 consolidated financial statements.

F. Contingent receivables and liabilities

The SKW Metallurgie Group's contingent receivables and liabilities did not change materially compared to December 31, 2013.

G. Key events after the balance sheet date

Dr. Kay Michel became the SKW Metallurgie Group's new CEO on April 1, 2014.

The invitation to the Company's Annual General Meeting on June 3, 2014 in München (Germany) was published in the Federal Gazette on April 23, 2014.

After the end of the period under review on March 31, 2014, and up to the date on which these notes for the interim report were prepared, there were no events of particular importance for the SKW Metallurgie Group.

H. Shareholder structure

The following shareholdings in SKW Metallurgie carry a reporting requirement according to the WpHG (German Securities Trading Act) (3% or more of total voting rights) on March 31, 2014: No individual shareholder held an interest of 10% or more on the balance sheet date.

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%	January 11, 2013	
EQMC Europe Development Capital Fund plc.	Dublin, Ireland	336,340	5.14%	November 16, 2012	
ETHENEA Independent Investors S.A.	Munsbach, Luxembourg	230,000	3.51%	December 18, 2013	
Kreissparkasse Biberach	Biberach, Germany	200,803	3.0681%	March 27, 2013	two notifications for the same shareholding
LBBW Asset Management Investmentgesellschaft mbH	Stuttgart, Germany	331,599	5.067%	September 23, 2010	
Mellinckrodt 2	Luxembourg-Strassen, Luxembourg	424,915	6.49%	December 20, 2013	
N más Uno IBG, S.A.	Madrid, Spain	360,051	5.50%	November 7, 2012	two notifications for the same shareholding

The shareholdings only relate to the stated date; any subsequent changes only have to be reported if a reporting limit 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 March 31, 2014.

Unterneukirchen (Germany), May 2014
SKW Stahl-Metallurgie Holding AG

The Executive Board

Dr. Kay Michel
CEO

Sabine Kauper

Financial Calendar 2014 (remaining)

June 3, 2014
in München, Germany

→ Annual General Meeting

August 14, 2014

→ Publication of business figures first half year 2014

November 14, 2014

→ Publication of business figures first nine months 2014

November 24-26, 2014
during “Eigenkapitalforum“ (Equity Forum) in Frankfurt/M., Germany

→ Analysts‘ Conference

May be subject to change.

Contacts

SKW Stahl-Metallurgie Holding AG
Rathausplatz 11
84579 Unterneukirchen
Germany

Phone: +49 8634 62720-0
Fax: +49 8634 62720-16
ir@skw-steel.com
www.skw-steel.com

Imprint

Publisher:

SKW Stahl-Metallurgie Holding AG
Rathausplatz 11
84579 Unterneukirchen
Germany

Editor:

Christian Schunck
Head of Investor Relations and Corporate Communications

Concept, Layout, Production:

Helmut Kremers
Cosimastrasse 111
81925 München
Germany
contact@helmut-kremers.com

Disclaimer and Notes

This report contains statements about forthcoming developments that are based on currently available information and that entail risks and uncertainties. This may result in deviations between the actual situation in the future and the forward-looking statements. These risks and uncertainties include, for example, unpredictable changes in political and economic conditions, particularly in the steel and paper industry, the competitive situation, interest and currency risks, technological development as well as other risks and unexpected circumstances. SKW Stahl-Metallurgie Holding AG, Unterneukirchen (Germany) and its group companies do not accept any responsibility to update such forward-looking statements.

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.

This is the English translation of the German original of this report; in case of any discrepancies the German version prevails. In addition, for technical reasons (e.g., the conversion of electronic formats) there may be differences between the accounting documents included in this report and those submitted to the electronic company register.

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.

This report was published on May 15, 2014 and is available at www.skw-steel.com to download free of charge. On request, printed copies will be supplied free of charge.

Growth with Substance

SKW Stahl-Metallurgie Holding AG
Phone +49 8634 62720-0, Fax +49 8634 62720-16, www.skw-steel.com