Report for the
1st Quarter 2018

Interim Group Management Report of SKW Stahl-Metallurgie Holding AG from December 1, 2017 to February 28, 2018

1. General economic conditions

Self-administered insolvency proceedings were opened for the parent company of the SKW Stahl-Metallurgie Holding AG Group on December 1, 2017. In accordance with German law, financial year 2017 ended on November 30, 2017 due to the opening of insolvency proceedings on December 1, 2017 pursuant to Section 155 InsO. In accordance with the statutory regulations, it is a shortened financial year for purposes of the financial reporting of SKW Stahl-Metallurgie Holding AG. Therefore, the quarterly consolidated financial statements were prepared at the reporting date of February 28, 2018. Because the prior financial year 2017 was a shortened financial year (January 1 to November 30, 2017), the comparability of the corresponding statements is limited.

1.1. Strengthened recovery of the global economy predicted for 2018

In January, the International Monetary Fund (IMF) updated its forecasts (www.imf.org) by predicting that the global economy will grow at a rate of 3.9% in 2018, representing a modest upward revision to the forecast published in the autumn of 2017. Therefore, global economic growth will be somewhat more dynamic in 2018 than in 2017 (+3.7%). The IMF cites favorable financing conditions and generally positive sentiment as the basis for the higher year-over-year growth forecast. Business investment in particular will have an appreciable effect on exporting countries. The US tax reform will provide a temporary boost to growth, which will extend to the key trading partners of the United States, especially Canada and Mexico.

For the Eurozone, the IMF predicts growth of 2.2% in 2018, slightly below the level of 2017. Much faster economic growth of 2.7% is predicted for the US economy. The aggregate growth of all industrialized nations is estimated at 2.3%.

Developing and emerging-market countries are expected to grow at a somewhat stronger rate of 4.9% in 2018, with China‘s economic output expanding by 6.6%, which would be appreciably slower than in the prior years. Whereas India can expect its economy to expand at the upwardly revised rate of 7.4%, growth of only 1.9% is predicted for Brazil. Russia’s economic output is predicted to expand by only 1.7% in 2018, roughly the same as in 2017.

1.2. Global steel production still supported by worldwide economic growth in the reporting period

The SKW Metallurgie Group generates most of its revenues with customers in the steel industry; most revenues generated with other customer industries involve Quab specialty chemicals. The SKW Metallurgie Group offers its customers in the steel industry a broad portfolio of technologically advanced products and services, mainly for primary and secondary metallurgy. For most of these products, the quantities demanded by steel manufacturers are mainly dependent on the quantity of steel they produce. On the other hand, the price of steel is less directly important for the SKW Metallurgie Group because steel demand has little price elasticity in the short term, so that the effects of the steel price on production quantities are minor. However, the profit situation of steel manufacturers (which is also affected by the price of steel) can have indirect effects on the SKW Metallurgie Group. For example, customers facing profit pressure may increasingly demand changes in terms and conditions or the credit quality of receivables due from customers of the SKW Metallurgie Group could deteriorate.

According to the World Steel Association, demand in the global steel market increased by 3.7% to 414.7 million tons in the first three months of the reporting period, compared to the same period in the prior year. In the international steel markets, moreover, prices remained on a comparably high level as a result of anti-dumping measures in various regions and extremely volatile iron ore prices, which declined by 12% in the reporting period. The global steel industry is confronted with serious trade and adjustment problems, perhaps the gravest in its history. The rapid expansion of production capacities in the last years has led to substantial shifts in global trade flows and an increase in protectionist measures. The G-20 heads of state and government assembled at the G-20 summit in Hangzhou in September 2016 recognized excess capacities in the steel industry and in other industries as a global problem that requires collective answers.

The import situation in the European market remains tense as declining steel imports from China have been replaced with disproportionately rising imports from other countries (Ukraine, South Korea and even India), so that the import situation did not ease in terms of quantities in the first quarter of 2018. As a result of growing protectionism tendencies in the global steel industry, there is an additional risk of further trade diversions to the relatively open EU steel market.

Despite the current worldwide uncertainties, the change of sentiment among both steel producers and steel processors is striking. Most enterprises consider their economic situation to be good. Rising prices for steel products since the beginning of the year have enabled steel manufacturers to increase their margins, which was urgently needed. Furthermore, the key indicators for the first three quarters of 2018 paint a positive picture in that crude steel production and market supply increased modestly.

China is still the world's largest producer by far, with a world market share of approximately 50%, as before. A large share of Chinese steel production cannot be sold permanently in the home market. Moreover, it has been shown in the past that it is not probable in the short term that Chinese production volumes can be appreciably and sustainably adapted to the reduced level of domestic demand. Consequently, large quantities of steel produced by Chinese surplus capacities are being offered and will be offered in the world market at low prices. The export pressure from China will only ease when actual production quantities are reduced or adapted better to local demand. Based on profitability and environmental concerns, experts believe that such a production quantity adjustment could take place in China in the medium term; the first signs of such an adjustment have been the (temporary) closures of steel mills as an air-pollution reduction measure during the meeting of the heads of state and government of the 20 leading industrialized and developing nations (G-20) in August/September last year. In SKW's estimation, the steel being exported from China to Western countries is increasingly of good, competitive quality, therefore intensifying the price pressure on Western steel producers.

This growing pressure on Western steel makers leads in turn to rising price pressure on their suppliers, including the SKW Metallurgie Group. However, this situation also presents an opportunity for SKW to enhance the competitiveness of steel manufacturers with its higher-quality products.

Geographically, the SKW Metallurgie Group continues to focus on the sales markets of USA/North America (accounting for more than 50% of the Group's revenues in both the reporting year and the previous year), the European Union (primarily for the "Cored Wires" segment at the present time), and Brazil. The SKW Metallurgie Group currently has only a negligible value-added share of the steel produced in China.

The development of steel production in the main sales regions of the SKW Metallurgie Group was mixed in the reporting period:

- In the United States (including Canada), the key market for the SKW Metallurgie Group, steel production had stabilized on a low level by the end of the third quarter of 2016. Since this time, steel production has recovered in this region in terms of both production quantities and capacity utilization rates. Production in the first three months of the reporting period rose by 1.4% from the level of the prior-year comparison period. In addition to expectations for fiscal policy measures such as tax cuts, public-sector investments, etc., the protective tariffs imposed on dumping exports also contributed to this result.

- In the EU (+4.0%), the increase in steel production continues. Reasons for this development include the effect of protective trade policy measures by the EU and a subdued, though increasingly stable economic upturn. Nonetheless, it appears as though the import crisis in the EU has not been overcome, as declining steel imports from China have been offset by disproportionate increases in imports from other countries. As a result of growing protectionist tendencies in the global steel industry, the relatively open EU steel market is threatened by further trade diversion effects.

- In Brazil, the steel industry again performed better (+8.2%) than had been expected given the difficult macroeconomic situation in that country and the uncertain outcome of the upcoming Presidential elections. Although the biggest economy in Latin America experienced the deepest recession in the country's history in the last two years, steel production exhibited a countervailing development. However, there are justifiable doubts concerning the sustainability of this trend because economists have little hope that the Brazilian economy will recover anytime soon.

1.3 The markets for SKW Metallurgie's core products follow the lead of the steel industry

The development of markets for primary and secondary metallurgy products is essentially dependent on the development of produced steel volumes, especially for high-quality and higher-quality steel grades. The more steel is produced, the more primary and secondary metallurgy products are needed. Another factor influencing the quantities sold by SKW is the means by which steel is produced (blast furnace with primary metallurgy or electro-steel plant. A shift towards electro-steel plant production would have a greater impact on the primary metallurgy business (desulfurization). Such a shift can only be partly observed in the United States at the present time.

2. Structure of the Group

The scope of consolidation of the SKW Metallurgie Group has not changed between November 30, 2017 and February 28, 2018 and therefore corresponds to November 30, 2017; for further information, please refer to the comments in the 2017 Annual Report as at 30 November 2017; for further information, we refer to the details cited in the November 30, 2017 report.

3. Company and business developments

3.1. Revenues within expectations in the first three months of business year

Revenues of the SKW Metallurgie Group in the first three months of the reporting period 2018, which started on 1 December 2017 due to the abbreviated financial year 2017, amounted EUR 65.0 million, down 7.4% on the previous year (EUR 70,2 million). A weak start into 2018 business year was expected and budgeted as two distinct winter months opened this first quarter; in addition, the much harsher and frosty winter in the Steel Belt region of the USA is reflected in the figures, too.

3.2. Competition burdens distinctly gross margin

Particularly in a raw materials-intensive business like that of the SKW Metallurgie Group, revenues can be influenced simply by changes in the cost of raw materials and by the corresponding adjustment of sales prices, even though the operating performance may not have changed. Therefore, the gross profit margin (gross margin) is a much more meaningful indicator. In the SKW Metallurgie Group, the gross profit margin (gross margin) is defined as the percentage of revenues represented by the difference between the total operating performance (sum of revenues, changes in inventory, and internal production capitalized) and the cost of materials. In the first three months of this reporting period, the gross profit margin of 28.9% – calculated on the basis of a EUR 45.5 million cost of materials (PY: EUR 48.1 million) – was clearly littler than the prior-period figure of 32.7%.This negative change is due to the massive pressure on prices in SKW's customer industries as well as the decline in some high-margin product lines, despite successful increases in efficiency, especially for standard products.

3.3. Other operating results shaped by SKW contributions related to the financial restructuring

In contrast to the previous year, other operating income was not affected by any one-off effects. Significant income resulted from foreign currency income in the amount of EUR 0.5 million (previous year: EUR 1.0 million). But, in the previous year, two special effects also determined this position: the sale of the impaired majority stake in SKW Tashi Metals and Alloys Pvt./Bhutan (Asset Recovery) and the 50% reduction of the pension commitment to the former CEO resolved by the Supervisory Board. At the time, these facts had a positive impact on other operating income at SKW of around EUR 3.9 million.

Other operating expenses particularly include variable, revenue-dependent cost components (such as shipping costs and sales commissions) in the operating Group companies, as well as legal and consulting expenses. Foreign currency effects of intragroup dealings caused negative foreign currency effects of EUR 0.7 million (PY: EUR 0.9 million).

Thanks to the optimization measures implemented as part of the ReMaKe program, the personnel expenses of EUR 8.3 million in the reporting period has been reduced by nearly 12,6% compared to prior-year figure (EUR 9.5 million) despite an 3.1% increase in the production quantity.

3.4. Adjusted EBITDA meets expectations: positive market momentum bolster results of ReMaKe measures

The stated EBITDA of the SKW Metallurgie Group for the first three months of the business year amounted to EUR 0.9 million, which was considerably lower than the prior-period comparison figure (Q1-2017: EUR 6.9 million). However, the stated EBITDA is not a very useful indicator of the Group's operating performance in this period until it is adjusted for non-recurring effects, non-operating effects and foreign currency effects.

After adjusting for the non-recurring effects 2017 of the "Bhutan asset recovery" and the "settlement with former Executive Board members" in the amount of EUR 3.9 million, both of which are recognized in other operating income in 2017, as well as the non-recurring restructuring expenses (12/2017-02/2018: EUR 1.3 million; Q1-2017: EUR0.9 million) and the unrealized currency effects included in other operating income and expenses (12/2017-02/2018: EUR -0.4 million; Q1-2017: EUR +0.1 million), the EBITDA for the first three months of the business year 2018 came to EUR 2.6 million (Q1-2017: EUR 3.8 million).

Thus, this adjusted operating indicator confirms the original full-year guidance of an adjusted EBITDA of approximately EUR 15 million; assuming a sustainably positive development of basic operating conditions, SKW continues to expect an increase in operating EBITDA.

3.5. Financial situation: financial restructuring program runs at full speed

In the first three months, the balance sheet total of the SKW Metallurgie Group declined slightly by 1.6%, from EUR 140.4 million to EUR 138.2 million.

Cash and cash equivalents stayed almost unchanged and declined only by EUR 0.1 million, from EUR 11.2 million to EUR 11.1 million.

Accumulated other comprehensive income declined by EUR 2.9 million, from EUR -73.8 million to EUR -76.7 million; the main reasons for this decrease were the negative consolidated net loss attributable to the majority shareholders of EUR -2.3 million. Furthermore, it has been influenced by non-cash foreign exchange rate fluctuations, the negative currency translation effect recognized in equity (EUR 0.6 million).

Further effects on the liability side of the balance sheet have been similar to the ones as at November 30, 2017 and were explained in the full-year reporting.

Gross financial debt and net financial debt are the key indicators used to analyze the financial position and cash flows of the SKW Metallurgie Group. Gross financial debt is defined as the sum of noncurrent and current financial liabilities. Net financial debt is defined as gross financial debt less cash and cash equivalents. The net financial debt of the SKW Metallurgie Group rose from EUR 71.5 million to EUR 79.8 million at September 30, 2017.

Besides the amount of net financial debt, the maturity is also significant: Both at the reporting date of February 28, 2018 and at the comparison date of November 30, 2017, the drawdowns under former and in last fall refinanced syndicated loan agreement, which represented the principal financing instrument for the Group's parent company and therefore parts of the Group as well, and the furnished guarantees are classified as "current" for technical reasons since the current insolvency plan, yet, has not been approved by the appropriate creditors meeting.

3.6. Cash flow on even terms

The following table shows important items of the consolidated statement of cash flows:

EUR'000s	01/01-09/30/2017	01/01-09/30/2016
Consolidated net loss	-2,366	3,419
Gross cash flow	-1,260	795
Cash inflow/outflow from operating activities	-490	-677
Cash inflow/outflow from investing activities	-386	-734
Cash inflow/outflow from financing activities	925	-1,802
Changes in Cash and cash equivalents[1]	-109	-1,751
Cash and cash equivalents at end of period	11,125	13,043

Based on the negative consolidated net loss, the SKW Metallurgie Group even up gross cash flow (rounded EUR -1.3 million; Q1-2017: EUR 0.8 million) despite significant cash-effective, non-recurring restructuring expenses of EUR 1.3 million (PY: EUR 0.9 million). The cash flow from operating activities (also known as net cash flow) indicates the cash flow generated in operating activities during the period under consideration. It is calculated as the balance of gross cash flow and changes in working capital (in the broader sense, understood here to mean the sum of lines 11 to 20 of the cash flow statement, or the difference of the sub- total lines 10 and 20 of the cash flow statement). These changes in working capital (in the broader sense) amounted to EUR 0.8 million (PY: EUR -1.5 million) in the reporting period. The higher cash inflow from working capital resulted from reductions of temporary inventory positions for largely contracted supply commitments and from negative currency effects.

In the first three months of the financial year 2018, the changes in working capital (in both the narrower and the broader sense) remained within fluctuation margins that have been normal for the SKW Metallurgie Group to date. Nonetheless, SKW Metallurgie Group will continue to pursue the working capital optimization initiative that was begun in financial year 2015 in order to further reduce working capital (lower capital tie-up as a percentage of revenues) in the remainder of financial year 2018 and also to further reduce the range of variation, to the extent that it is not induced by corresponding revenue volatility.

The cash flow from investing activities is influenced by one-off effects in the first three months of the financial year 2018 as well as in prior year: Firstly, proceeds from the disposal of property, plant and equipment in connection with the divestment of ESM Group Inc.'s Specialty Magnesium business and the production facility in Saxonburg (Pennsylvania / USA) were recognized in December 2017; on the other hand, in the previous year, the agreed selling price from the sale of the equity investment in Bhutan of EUR 1.9 million was due in March. Adjusted for these effects, the cash outflow for investing activities in the reporting period of EUR -1.6 million is roughly at the level of the previous year (EUR -1.2 million). This amount comprises investments (essentially maintenance investments), which were nearly unchanged from the comparison figure and were also on the level of depreciation and amortization. The cash flows from operating activities and from investing activities yielded a free cash flow of EUR -0.9 million in the reporting period (PY: EUR -1.4 million).

1. Including currency effects under cash and cash equivalents

4. Segment report

According to IFRS, segments are to be formed on the basis of the enterprise's operating divisions, as determined by the internal organization and reporting structure of the SKW Metallurgie Group. Therefore, the segment report has been aligned with the new, regionalized internal management system since the consolidated financial statements at December 31, 2015. This new segment report format is more transparent particularly with regard to regional market developments, the evaluation of the effects resulting from the ReMaKe continuous improvement program, and the evaluation of exchange rate effects.

The reporting segments have not changed since the full-year reporting 2017; therefore, they are called unchanged: "North America," "Europe and Asia," "South America," and "Other and Holding Company".

The results of the reportable segments in the reporting period are detailed in the following:

- In the "**North America**" segment, total revenues decreased by 14.0 %, from EUR 35.5 million (Q1 2017) to EUR 30.5 million (Q1-2018). The corresponding segment EBITDA dropped by 69.4 %, from EUR 2.1 million (Q1-2017) to EUR 0.6 million (Q1-2018). This deviation is mainly due to the fact that during the period under review the extremely cold winter in the Steel Belt region had a negative impact on sales, particularly in terms of logistics, and thus postponed production campaign. Due to the temporary and above all short-term effects, the fixed costs were not adjusted. In addition, the cored wire sector encountered above-average aggressive price competition, which had a negative impact on the gross margin and ultimately on the EBITDA.

- In the "**Europe and Asia**" segment, the total first three months' revenues of EUR 21.4 million were likewise significantly higher than the prior-year comparison figure (EUR 19.6 million). The corresponding segment EBITDA developed disproportional and below expectation due to an unfavorable product mix in the reporting period.

- The segment "**South America**" segment generated total revenues of EUR 5.8 million, which were 18.3% lower than the comparison figure (Q1 2017: EUR 7.1 million). The EBITDA declined disproportionately from EUR 1.5 million (Q1 2017) to EUR 0.8 million (Q1-2018). This negative development has been budgeted since prior year performance was winged by extraordinary business opportunities and a better, higher margin product mix.

- The result of the "**Other and Holding**" segment is composed of the results of two operating companies, on the one hand, and the results of the Group parent company and other non-operating companies, on the other hand:

  - The two operating companies SKW Quab Chemicals Inc. and SKW Stahl-Metallurgie GmbH generated total revenues of EUR 7.2 million in the first three months of the business year (Q1-2017: EUR 8.0 million) and an EBITDA of EUR 0.4 million (Q1-2017: EUR 0.5 million).

  - The Group parent company SKW Stahl-Metallurgie Holding AG and the other non-operating companies assigned to this segment do not generate revenues, by definition, and usually post a negative EBITDA. In the reporting period, EBITDA amounted to EUR -0.9 million and -2.1 million in the same period of prior year - after adjusting two special effects: Asset Recovery Bhutan (EUR 1.9 million) and the reduction in the pension commitment of the former CEO (EUR 2.0 million).

5. Further optimization of the number of employees

As always, well trained and highly motivated employees are an important prerequisite for the business success of the SKW Metallurgie Group. As a result of restructuring measures, optimization measures, and adjustments to reflect the current state of the steel industry, the worldwide number of employees at February 28, 2018 was 552, that being fewer than the number of 559 at March 31, 2017.

About 97% of employees work outside of Germany; most employees are full-time workers.

No employees were affected by short-time work schedules at the end of the reporting period.

6. Report on opportunities and risks

The SKW Metallurgie Group attaches great importance to the continuous detection and evaluation of opportunities and risks, in order to take suitable measures to optimally exploit opportunities and limit risks. In 2018, the Group updated the risk inventory conducted and updated at November 30, 2017 in the form of quarterly risk reports. These updates did not lead to any significant changes or new risks compared to the 2017 Risk Report. Nonetheless, we wish to point out the following risks again:

Risks of debt financing

The financial situation of the SKW Metallurgie Group was stabilized initially in January 2015 with the signing of a syndicated loan agreement for up to EUR 86 million, with a term until the beginning of 2018. This syndicated loan agreement covers 100% (aside from overdraft facilities) of the external financing needs of SKW Stahl-Metallurgie Holding AG and part of the external financing needs of the SKW Metallurgie Group. As a result of the steel crisis that began in 2015, it was necessary to conclude supplementary agreements (particularly including waivers of termination rights) in view of the non-fulfillment of the financial covenants stipulated in the loan agreement. A standstill agreement concluded in the first quarter of 2017 confirmed that the syndicated loan agreement will still be available, subject only to customary market adjustments, until January 31, 2018. Concurrently with this agreement, the parties agreed on a fundamental financial restructuring of the SKW Metallurgie Group in order to assure the Group's financing also beyond January 31, 2018.

After purchasing the receivables under the syndicated loan agreement, Speyside S.à r.l. entered into a loan agreement ("Restructuring Loan Agreement") with the Company on December 14, 2017. The loan agreement is for approx. EUR 35 million plus an amount that corresponds to the total interest accrued in the time from October 17, 2017 to the entry into effect of this loan agreement. This loan agreement is subject to the legal validity of the plan confirmation and the purchase of all new shares and thus 100% of the Company's shares by Speyside S.à r.l. as conditions precedent. Thanks to this loan agreement, the Company will dispose of sufficient liquidity during the term of the agreement, i.e. until December 31, 2020, to settle the liabilities expected to come due in this time (including the liabilities to the insolvency creditors to be satisfied during this time under the insolvency plan). Therefore, the implementation of this insolvency plan will assure the future financing of the Company.

Nonetheless, it must be pointed out that the implementation of any future plan is fraught with uncertainties. Parts of the planned financial restructuring measures depend on the cooperation of third parties (shareholders, other stakeholders and investors), who cannot be influenced by the SKW Stahl-Metallurgie Holding AG. In the event of a significant negative variance from the planned business performance and/or the unsuccessful implementation of operational measures under the ReMaKe program and/or a failure of the financial structuring plan or the inability to obtain financing to replace the syndicated loan agreement, the liquidity of the Company and the Group would no longer be assured. In this case, the going-concern status of the Company and the Group would be endangered. Therefore, the future going-concern status of the SKW Metallurgie Group and the parent company SKW Stahl-Metallurgie Holding AG is mainly dependent on the successful implementation of the insolvency plan. A foreseeable or actual failure of the insolvency plan would entail an extraordinarily high risk that the financing of the SKW Metallurgie Group and the parent company SKW Stahl-Metallurgie Holding

AG would no longer be assured, meaning that the transition of the Company to regular insolvency proceedings would be inevitable and thus the going-concern status of the Group would be endangered.

Positive continuance prognosis of SKW expired

SKW Stahl-Metallurgie Holding AG has received motions for additional topics on the agenda for the scheduled ordinary general assembly on October 10, 2017 as of § 122 Abs. 2 AktG on September 10, 2017. Applicant is MCGM GmbH, Munich, together with other shareholders of the company. The managing director of MCGM GmbH, Dr. Olaf Marx, is also member of the Supervisory Board of SKW Stahl-Metallurgie Holding AG. CEO and all remaining five members of the Supervisory Board emphatically reject the motions. They regard such as an attempt to jeopardize the financial restructuring of the Company agreed with the finance investor Speyside (see our press release August 25, 2017).

Since the petitioners hold more than 10% of the registered share capital of the Company, the average presents on prior ordinary general assembly has been approximately 35% of the registered share capital, and registered shareholder to the formerly planed (but not held) ordinary general assembly dated August 31, 2017 has been even lower, the CEO has come to the conclusion that it is not predominantly likely that the agenda items of the management regarding the capital reduction and the capital increase against contribution in kind (debt-to-equity-swap) will reach the necessary majority of ¾ of the votes in the rescheduled ordinary general assembly as of October 10, 2017.

Thereby, the positive continuance prognosis of SKW Stahl-Metallurgie Holding AG has expired and the insolvency reason of over-indebtedness is applicable to the Company. During the legally binding 3-week period the CEO will strive to sustainably eliminate the insolvency reason of over-indebtedness to avoid having to file for insolvency.

Insolvency court grants SKW's request for protective shield and (preliminary) self-administration

Since all efforts to sustainably eliminate the insolvency reason of over-indebtedness failed, the management board of SKW Stahl-Metallurgie Holding AG was forced to file for an in-court insolvency proceeding under self-administration at the competent insolvency court in Munich on September 27, 2017. The local court of Munich being the competent insolvency venue has appointed Dr. jur. Christian Gerloff, Partner of Law Firm Gerloff Liebler Rechtsanwälte, Munich, to be the preliminary custodian of SKW Stahl-Metallurgie Holding AG and has ordered preliminary self-administration plus protective shield on September 28, 2017. The preliminary custodian accompanies and controls the CEO in the interest of the creditors.

As expected, the competent insolvency court opened insolvency proceedings on the assets of SKW Stahl-Metallurgie Holding AG on December 1, 2017. At the same time, the court appointed lawyer Dr. Christian Gerloff (Gerloff Liebler lawyers, Munich) to the custodian.

This uncertainty, the current equity situation and the associated rating of the SKW Stahl-Metallurgie Group may have a negative impact on the valuation of bilateral business relationships.

Apart from that, the opportunity and risk report as of February 28, 2018 did not reveal any material changes to the statements made in the 2017 Annual Report on opportunities and risks.

7. Events after the reporting date

On the basis of the decision of the district court of Munich by resolution of March 19, 2018 granted authorization pursuant to section 122 (3) AktG admitted MCGM GmbH, Munich, and the La Muza Inversiones SICAV, S.A., Madrid, Spain, as shareholders of the Company SKW, to summon a shareholder meeting of Stahl-Metallurgie Holding AG to be held on Friday, May 18, 2018 at 10:00 a.m. (admission from 9:00 a.m.).

The shareholder meeting will be held at the

Kaufmanns Casino,
Odeonsplatz 6
Galeriestraße, 80539 Munich.

No transactions and events of particular importance for the SKW Metallurgie Group became known after close of the reporting period on February 28, 2018 and before issuing this quarterly report.

8. Forecast report: Comparison of forecasts made in the prior period with actual developments

As usual, the Forecast Report for the year 2018, which was published in the 2017 Annual Report, referred to the full year 2018 and therefore did not include explicit statements concerning separate quarters of 2018. Subject to certain assumptions and definitions, the forecast called for revenues of approximately EUR 270 million and an adjusted EBITDA of approximately EUR 15 million in the core business for the full year 2018.

The actually reported values confirm the full-year forecasts made at the time insofar as the revenues generated in the reporting period were nearly proportionate to the full-year revenue forecast and the adjusted EBITDA generated in the first three months of 2018 slightly deceeded the proportionate share of the seasonalized forecast amount.

The SKW Metallurgie Group is now set up in an operationally efficient manner and is therefore confident of being able to take advantage of opportunities in its core markets and improve its competitive position. Assuming a sustainably positive development of all basic operating conditions, the Company predicts that it will be able to achieve operating EBITDA at the level of the guidance given for financial year 2018.

To achieve this goal, the Executive Board of the SKW Metallurgie Group will continue to systematically implement the "ReMaKe" continuous improvement program. Key elements of this program include comprehensive efficiency enhancements, increased collaboration between individual Group entities to realize cross-selling effects, the further business performance in regional markets, but also new technology and application areas. The successes of this program are meant to offset and in some cases more than offset exogenous developments, particularly including the consequences of the steel crisis.

Notwithstanding the foregoing, it should be noted that the 2017 financial year has ended due to the termination of the current provisional insolvency proceedings in self-administration and the associated opening of the actual insolvency plan proceedings in own administration in an abbreviated financial year as at November 30, 2017. As similar fade will face the financial year 2018 unless the insolvency proceedings last less than 12 months; in such a case, an additional abbreviated financial year would have to be reported for 2018.

9. Declaration according to Par. 37w Sec. 5 WpHG

The consolidated financial statements and this interim group management report has not been reviewed by an auditor.

Munich (Germany), April 20, 2017

SKW Stahl-Metallurgie Holding AG

The Executive Board

Dr. Kay Michel
Sole member of the Executive Board (CEO)

Financial Statements of SKW Stahl-Metallurgie Holding AG for the first Quarter of 2018

Consolidated income statement for the period from December 1, 2017 to February 28, 2018

EUR thousand	Q1 2018	Q1 2017*
Revenues	64,964	70,167
Change in inventories of finished and semi-finished goods	-702	791
Internal production capitalized	-12	17
Other operating income	1,334	5,148
Cost of materials	-45,471	-48,060
Personnel expenses	8,321	9,521
Other operating expenses	-11,022	-11,828
Income from associated companies	92	225
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**862**	**6,939**
Amortization, depreciation, and impairments of intangible assets and property, plant and equipment	-1,392	-1,124
Earnings before interest and income taxes (EBIT)	**-530**	**5,815**
Interest income and similar income	81	95
Interest and similar expenses	-1,436	-1,367
Other financial result	-933	-256
Earnings before taxes (EBT)	**-2,818**	**4,287**
Income taxes	452	-868
Loss/Earnings from continuing operations (after taxes)	**-2,366**	**3,419**

* The prior-year values have been adjusted due to the reclassification of SKW Quab as a continuing operation.

Consolidated income statement for the period from December 1, 2017 to February 28, 2018

EUR thousand	Q1 2018	Q1 2017*
Loss/Earnings before taxes (EBT) from discontinued operations	-2,366	3,419
Income taxes for discontinued operations	0	0
Loss/Earnings from discontinued operations (after taxes)	-2,366	3,419
Consolidated net loss/earnings for the year	**-2,366**	**3,419**
thereof attributable to shareholders of SKW Stahl-Metallurgie Holding AG		
Earnings from continuing operations	-2,310	3,094
Earnings from discontinued operations	0	0
	-2,310	3,094
thereof attributable to non-controlling interests	-56	325
	-2,366	3,419
Loss/Earnings per share from continuing operations (EUR)**	**-0,35**	**0,47**
Consolidated loss/earnings per share (EUR)**	**-0,35**	**0,47**

* The prior-year values have been adjusted due to the reclassification of SKW Quab as a continuing operation.

**Diluted earnings per share are equal to basic earnings per share.

Statement of Comprehensive Income for the periods from December 1, 2017 to February 28, 2018

EUR thousand	Q1 2018	Q1 2018*
Consolidated net loss/earnings for the year	**-2,366**	**3,419**
Items that will not be subsequently reclassified to profit or loss		
Change in actuarial gains and losses from defined benefit pension commitments	0	425
Other comprehensive income/loss from associated companies, not recognized in profit or loss	-3	-10
Items that will be subsequently reclassified to profit or loss		
Deferred taxes on items that will be subsequently reclassified to profit or loss		
Other comprehensive income/loss from associated companies, not to be subsequently reclassified to profit or loss	0	18
Currency differences	-770	744
Other comprehensive income	**-773**	**1,177**
Total comprehensive income	**-3,139**	**4,596**
thereof attributable to shareholders of SKW Stahl-Metallurgie Holding AG	-2,954	4,201
thereof attributable to non-controlling interests	185	395

* The prior-year values have been adjusted due to the reclassification of SKW Quab as a continuing operation.

Consolidated Balance Sheet as of February 28, 2018

ASSETS in EUR thousand	02/28/2018	11/30/2017
Noncurrent assets		
Intangible assets	11,042	11,433
Property, plant and equipment	31,306	31,239
Interests in associated companies	4,706	5,061
Other noncurrent assets	968	981
Deferred tax assets	1,434	1,405
Total noncurrent assets	**49,456**	**50,119**
Current assets		
Inventories	33,740	32,353
Trade receivables	32,616	30,746
Income tax refund claims	922	6,317
Other current assets	10,310	6,610
Cash and cash equivalents	11,125	11,234
Assets held to sale	0	3,001
Total current assets	**88,713**	**90,261**
Total assets	**138,169**	**140,380**

EQUITY AND LIABILITIES in EUR thousand	02/28/2018	11/30/2017
Equity		
Subscribed capital	6,545	6,545
Additional paid-in capital	50,741	50,741
Other comprehensive income	-76,746	-73,792
	-19,460	**-16,506**
Non-controlling interests	10,324	10,509
Total equity	**-9,136**	**-5,997**
Noncurrent liabilities		
Pension obligations	7,837	7,805
Other noncurrent provisions	0	0
Noncurrent liabilities under finance leases	39	50
Noncurrent financial liabilities	3,170	3,031
Deferred tax liabilities	3,447	4,705
Other noncurrent liabilities	222	215
Total noncurrent liabilities	**14,715**	**15,806**
Current liabilities		
Other current provisions	1,302	1,381
Current liabilities under finance leases	46	46
Current financial liabilities	87,699	87,400
Trade payables	25,508	25,363
Income tax liabilities	363	840
Other current liabilities	17,672	15,425
Liabilities related to assets held for sale	0	116
Total current liabilities	**132,590**	**130,571**
Total equity and liabilities	**138,169**	**140,380**

Consolidated Statement of Changes in Equity as of February 28, 2018

EUR thousand	Subscribed capital	Share premium	Other comprehensive income	Consolidated equity of majority shareholders	Non-controlling interests	Total equity
Balance at 01/01/2017	**6,545**	**50,741**	**-73,112**	**-15,826**	**10,382**	**-5,444**
Consolidated net loss for the year	0	0	3,094	3,094	325	3,419
Currency differences	0	0	674	674	70	7444
Income and expenses recognized in equity (excluding currency differences)	0	0	433	433	0	433
Total comprehensive loss 2017	**0**	**0**	**4,201**	**4,201**	**395**	**-4,596**
Dividend payments	0	0	0	0	0	0
Balance sheet at 03/31/2017	**6,545**	**50,741**	**-68,911**	**-11,625**	**10.777**	**-848**
Balance at 12/01/2017	**6,545**	**50,741**	**-73,792**	**-16,506**	**10,509**	**-5,997**
Consolidated net income for the year	0	0	-2,310	-2,310	-56	-2,366
Currency differences	0	0	-641	-641	-129	-770
Income and expenses recognized in equity (excluding currency differences)	0	0	-3	-3	0	-3
Total comprehensive loss 2018	**0**	**0**	**-2,954**	**-2,954**	**-185**	**-3,139**
Dividend payments	0	0	0	0	0	0
Balance sheet at 02/28/2018	**6,545**	**50,741**	**-76,746**	**-19,460**	**10,324**	**-9,136**

Consolidated Cash Flow Statement
for the period from December 1, 2017 to February 28, 2018

EUR thousand	Q1/2017	Q1/2017*
1. Consolidated earnings from continuing operations	-2,366	3,419
2. Write-ups/write-downs of noncurrent assets	1,392	1,124
3. Increase/decrease in pension provisions	39	-2,008
4. Earnings from associated companies	-92	-225
5. Gain/loss from disposal of noncurrent assets	-61	-1,874
6. Gain/loss from currency translation	1,331	159
7. Gain/loss from deferred taxes	-1,251	-227
8. Expenses from value adjustments of inventories and receivables	-4	80
9. Other non-cash expenses and income	-248	347
10. Gross cash flow	**1,260**	**795**
Changes in working capital		
11. Increase/decrease in current provisions	259	-173
12. Increase/decrease in inventories (after down payments received)	-1,841	-3,352
13. Increase/decrease in trade receivables	-2,385	408
14. Increase/decrease in income tax refund claims	1,021	59
15. Increase/decrease in other assets	444	84
16. Increase/decrease in trade payables	520	2,675
17. Increase/decrease in other liabilities	-481	8
18. Increase/decrease in other equity and liabilities	3,984	-394
19. Current translation effects in operating activities	-751	-787
20. Cash inflow (+)/outflow (-) from operating activities	**-490**	**-677**

* The prior-year values have been adjusted due to the reclassification of SKW Quab as a continuing operation.

Consolidated Cash Flow Statement for the period from December 1,2017 to February 28, 2018

EUR thousand	Q1/2018	Q1/2017*
21. Proceeds on disposal of noncurrent assets	1,260	6
22. Payments for investments in noncurrent assets	-1,646	-1,146
23. Proceeds on the sale of financial assets	0	1,874
24. Cash inflow (+)/outflow (-) from investing activities	**-386**	**-734**
25. Decrease in liabilities under finance leases	-12	-12
26. Proceeds from the borrowing of bank loans	1,127	5,430
27. Payments for the repayment of bank loans	-190	-7,220
28. Cash inflow (+)/outflow (-) from financing activities	**925**	**-1,802**
29. Cash and cash equivalents at beginning of period	11,234	14,794
30. Change in cash and cash equivalents	49	-1,745
31. Currency translation of cash and cash equivalents	-158	-6
32. Cash and cash equivalents at end of period	**11,125**	**13,043**

* The prior-year values have been adjusted due to the reclassification of SKW Quab as a continuing operation.

Segment report

EBITDA is the most important financial indicator for managing the operating segments; other information is applied to reconcile earnings before taxes to consolidated net income/loss.

The SKW Metallurgie Group manages its worldwide activities on the basis of geographical regions. The profit indicator by which the segments are managed is EBITDA, which accords with the consolidated financial statements. Other information is applied to reconcile the earnings before taxes with consolidated net income/loss. All product groups and services of the SKW portfolio are offered in the segments, as a general rule; depending on the industry circumstances and market needs, both primary and secondary metallurgy products are distributed.

North America

All business activities managed from North America are bundled within the North America segment. A Chinese subsidiary that supplies products to the U.S. companies is also assigned to this segment.

Europe and Asia

This segment comprises the jointly managed activities in the European and Asian markets; they are coordinated by the French subsidiary.

South America

This segment comprises the business activities in Latin America; they are coordinated by the Brazilian subsidiary.

Other operating segments

The other operating activities that do not belong to the Group's core business are bundled within this segment. This segment is mainly characterized by the activity of SKW Quab Chemicals Inc., which produces and distributes special chemical reagents (referred to as cationizing reagents) in more than 40 countries. Furthermore, SKW Stahl-Metallurgie GmbH is one of them; it is a trading unit for powders and granules, primarily in the European market.

Other non-operating segments and holding

This segment comprises the non-operating activities beyond the core business that do not generate revenues with third parties, as well as the expenses for the Group's headquarters and the income it earns from providing services to the subsidiaries.

Consolidation

The consolidation of business dealings between the segments is presented in the consolidation column. The revenues generated between the segments are priced at intercompany transfer prices, which are mainly based on the resale price method.

Segment assets

Segment assets correspond to all the assets of the respective segment; shares in associated companies are presented separately. Segment liabilities correspond to all liabilities of the respective segment.

To clarify the presentation of the segment report, the segments have been divided into operating and non-operating segments in this interim report.

The activities of the segments in the reporting period are presented in the table below:

11/2017-02/2018 in EUR'000	North America	Europe and Asia	South America	Other operating segments	Other non-operating segments and holding	Consolidation	Group
Revenues							
External revenues	30,504	21,440	5,800	7,220	0	0	64,964
Internal revenues	28	88	0	0	0	-116	0
Total revenues	**30,532**	**21,528**	**5,800**	**7,220**	**0**	**-116**	**64,964**
Income from associated companies	0	0	0	0	92	0	92
EBITDA	**630**	**521**	**809**	**393**	**-876**	**-615**	**862**
Depreciation and amortization	-476	-231	-269	-358	-37	0	-1,371
Impairments	-8	0	-13	0	0	0	-21
EBIT	**146**	**290**	**527**	**35**	**-913**	**-615**	**-530**
Dividends collected from subsidiaries	0	0	0	0	0	0	0
Profit transfer	0	0	0	0	0	0	0
Interest income	0	1	80	0	669	-669	81
Interest expenses	-614	-5	-462	-115	-3,644	3,404	-1,436
Other financial result	-361	321	0	0	1,402	-1,935	-933
Earnings before taxes	**-829**	**607**	**145**	**-80**	**-2,846**	**-185**	**-2,818**
Income taxes							452
Earnings from continuing operations (after taxes)							**-2,366**
Earnings before taxes from discontinued operations							0
Income taxes of discontinued operations							0
Earnings from discontinued operations (after taxes)							**0**
Consolidated net loss							**-2,366**
Balance sheet as of 02/28/2018							
Assets							
Segment assets	54,802	37,338	28,439	25,517	60,160	-72,793	133,463
Shares in associated companies	0	0	0	0	4,706	0	4,706
Group assets	**54,802**	**37,338**	**28,439**	**25,517**	**64,866**	**-72,793**	**138,169**
Liabilities							
Segment liabilities	55,818	18,991	12,237	18,126	58,081	-15,948	147,305
Group liabilities	**55,818**	**18,991**	**12,237**	**18,126**	**58,081**	**-15,948**	**147,305**
Acquisitions of property, plant and equipment and intangible assets in 11/2017-02/28/2018	**38**	**216**	**1,174**	**112**	**0**	**0**	**1,540**

The prior-period segment information is presented in the table below:

01-03/2017 in EUR'000	North America	Europe and Asia	South America	Other operating segments	Other non-operating segments and holding	Consolidation	Group
Revenues							
External revenues	35,452	19,612	7,140	7,963	0	0	70,167
Internal revenues	71	651	0	164	1	-884	0
Total revenues	**35,523**	**20,263**	**7,140**	**8,127**	**0**	**-886**	**70,167**
Income from associated companies	0	0	0	0	225	0	255
EBITDA	**2,060**	**1,208**	**1,511**	**499**	**1,786**	**-125**	**6,339**
Depreciation and amortization	-425	-304	-312	-1	-401	0	-1078
Impairments	0	0	-46	0	0	0	-46
EBIT	**1,639**	**904**	**1,153**	**498**	**1,746**	**-125**	**5,815**
Dividends collected from subsidiaries	0	132	0	0	1,800	-1932	0
Profit transfer	0	0	0	0	0	0	0
Interest income	0	337	89	10	510	-815	95
Interest expenses	-1,903	-38	-41	-50	-939	740	-1,367
Other financial result	0	269	0	0	-425	-73	-256
Earnings before taxes	**600**	**1,604**	**1,201**	**458**	**2,665**	**-2,241**	**4,287**
Income taxes							-868
Earnings from continuing operations (after taxes)							**3,419**
Earnings before taxes from discontinued operations							0
Income taxes of discontinued operations							0
Earnings from discontinued operations (after taxes)							**0**
Consolidated net earnings							**3,419**
Balance sheet as of 03/31/2017							
Assets							
Segment assets	62,089	39,748	29,377	31,978	59,978	-80,458	142,028
Shares in associated companies	0	0	0	0	5,939	0	5,939
Group assets	**62,089**	**39,748**	**29,377**	**31,978**	**65,917**	**-80,548**	**147,967**
Liabilities							
Segment liabilities	65,265	20,931	11,742	23,957	50,770	-23,850	148,815
Group liabilities	**65,265**	**20,931**	**11,742**	**23,975**	**50,770**	**-23,850**	**148,815**
Acquisitions of property, plant and equipment and intangible assets in 01-03/2017	**345**	**96**	**114**	**442**	**1**	**0**	**1,098**

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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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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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Report forthe
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