skw. metallurgie

Growth with Substance

Report for the first half of 2011

The World of SKW Metallurgie in Figures

Key Figures	Unit	1-6/2011	1-6/2010
Revenues	EUR mill.	215.6	188.8
EBITDA	EUR mill.	19.7	16.1
EBIT	EUR mill.	13.0	10.3
EBT	EUR mill.	11.9	8.9
Consolidated net profit (share of parent company's shareholders)	EUR mill.	7.4	4.9
EPS (6,544,930 shares)	EUR	1.13	0.75
Gross margin		28.4%	27.5%
EBITDA Margin		**9.1%**	**8.5%**
Depreciation/amortization	EUR mill.	6.7	5.8
Operating Cash Flow	EUR mill.	-1.6	-3.9
		June 30, 2011	Dec. 31, 2010
Total assets/Total e&l	EUR mill.	305.4	275.8
Corporate equity	EUR mill.	122.3	122.3
Corporate equity ratio		40.0%	44.3%
Net financial debt	EUR mill.	71.5	47.3
Employees		972	790

Interim management report for the SKW Metallurgie Group for the first six months of fiscal year 2011

Economic Conditions

Strong global economic growth in 2011, however increasing macroeconomic complexity

According to statements from the International Monetary Fund (IMF), the global economy is set to continue its on-track growth in 2011 and will expand by 4.3% in 2011 as a whole. The experts are not only taking a positive view of the global economy as a whole, but also for most of the individual industrial and emerging nations. However, some experts are forecasting increasing macroeconomic complexity (in particular with regard to government debt in Europe and the USA), which may cause the pace of growth to slow somewhat in the second half of the year. For the year as a whole, a moderate increase in gross domestic product of 2.2% is being forecast, and IMF is expecting 6.6% growth in emerging markets. The US economy is expected to grow by 2.5% in 2011, with the Euro zone growing by 2.0%. The European economy will be driven by Germany, where the economy is forecast to grow by 3.2%. In contrast, Japan will suffer from the consequences of the major earthquake and tsunami in March 2011. As a result, the most recent forecasts from the IMF include the Japanese economy falling by 0.7%. Growth drivers in the emerging nations are again expected to be the two major Asian economies of China (up 9.6%) and India (up 8.2%).

The IMF believes that there will be risks for the global economy in particular from the insecurities on the financial markets. These are primarily due to the growing challenges that the Euro zone is facing as a result of the massive government debt for some of its members, in particular in Southern Europe. The high levels of government debt in the USA (both the USA as a whole and some of its individual states) are also significant.

Steel sector enjoys stable growth in 2011

Driven by the positive growth in the global economy, global steel production increased significantly in the first half of 2011. Global steel production increased year-on-year by 7.6% from 704.1 million tons to 757.8 million tons at the end of June according to figures from the World Steel Association. Steel producers recorded growth in all key regions. This also affected the regions that are of key relevance for the SKW Metallurgie Group. Production increased by 4.1% in the EU, by 4.3% in the USA and 8.2% in Brazil. China is the world's largest steel-producing nation, and it increased its share of the global market from 45.4% to 46.3% over twelve months as the quantities produced increased by 9.6%.

The growth to date in 2011 as a whole confirms the experts' forecasts that this year will again break records in the steel industry. During 2011 as a whole, the World Steel Association is forecasting global steel consumption to increase by 5.9% to a historic high of 1.36 billion tons (forecast as of April 2011). The fastest-paced growth will stem, as is the case for general economic growth, and in absolute figures also in the steel sector, from the high demand in emerging nations. These are set to grow significantly this year at 967 million tons (up 6.2%) compared to the forecast steel consumption for industrial nations of 392 million tons (up

5.1%). Economic programs to increase infrastructure mean that the increase in demand in the NAFTA region is disproportionately high at 10.9%. Demand for steel in the EU (up 4.9%) will primarily be driven by the strong economies in Germany and France. However, the quantities consumed in most industrial nations will still significantly lag the levels that were demanded prior to the onslaught of the economic and financial crisis. After the strong growth in the previous years, steel consumption in the BRIC countries of Brazil, Russia, India and China in 2011 will be more moderate – accumulated growth in these countries is forecast to total 5.7%.

Customers from the steel industry continue to account for an unchanged approx. 90% of the SKW Metallurgie Group's revenues. In terms of its revenues with the steel industry, sales of SKW Metallurgie's products correlate positively with the quantity of steel produced. This quantity generally grows in line with the growth in steel demand. In addition to pure quantity-based growth in accumulated steel production, the percentage of high-quality steel is also continuing to enjoy above-average growth, in particular on the geographic markets that are particularly important for the SKW Metallurgie Group. As the SKW Metallurgie Group's products are used to an above-average extent for these high-quality steels, this offers additional growth potential for the group.

As a result, demand for the SKW Metallurgie Group's products is also expected to benefit from the developments in the steel industry described above during the remainder of 2011.

Organization and Company Structure

There were no changes in the group of consolidated companies in the second quarter of 2011 compared to March 31, 2011. The total number of **consolidated group companies** thus totaled 27 on June 30, 2011 (26 subsidiaries and the parent company).

In the second quarter of 2011, the number of SKW Metallurgie **production facilities** (without the Jamipol joint venture with two plants in India) increased from 15 (March 31, 2011) in nine countries to 16 (June 30, 2011) in ten countries as a result of the opening of the cored wire plant in Kolomna (Russia). The ongoing investments in additional new production facilities (such as a capacity increase for sintered synthetic slag in Brazil) are being made at existing production locations, with the result that completion of these projects will not change the number of production facilities.

The general meeting of shareholders for the Group's parent company SKW Stahl-Metallurgie Holding AG was held on June 8, 2011 in Muenchen (Munich), Germany. All of the management's motions were accepted.

In particular, the following motions were passed:

- A **dividend** of EUR 0.50 per dividend-entitled share for fiscal year 2010 (on the date of the general meeting all shares were dividend-entitled), payable immediately after the general meeting (after deduction of the corresponding withholding tax), is to be paid to shareholders.

- The company's former bearer shares will be transformed to become **registered shares**. This resolution will be implemented in the third quarter of 2011.

- The former **Authorized Capital**, which was mostly consumed as a result of the capital increase performed at the end of 2009, will be replaced by new Authorized Capital totaling 50% of the company's current share capital.

- All of the members of the **Supervisory Board** were re-elected by the general meeting on June 8, 2011. In its constitutive meeting, the re-elected Supervisory Board confirmed Mr. Titus Weinheimer as its Chairperson and Mr. Jochen Martin as its Deputy Chairperson.

There were no other material changes to the organization and corporate structure during the period under review.

In particular, the Group's shareholder structure continues to be characterized by being held fully in free float: Since July 2007, no shareholder has held an interest of 10% or more in the share capital of SKW Stahl-Metallurgie Holding AG, which has remained unchanged since the capital increase in 2009. Only the banks engaged to execute the capital increase held stocks of more than 10% of SKW Metallurgie's shares in order to technically process the capital increase in 2009. However, they reduced these holdings to 0% when the capital increase was concluded in December 2009.

Corporate and Business Development

SKW Metallurgie enjoys clear on-track growth

The SKW Metallurgie Group's operating business enjoyed very positive growth from January to June 2011. All of the key performance indicators in the income statement are higher than the figures from the first half of 2010.

The operating structure of the SKW Metallurgie Group changed in the first half of 2011 compared to the first six months of 2010 in particular as a result of the new plants in Bhutan, Russia and Sweden. This should be taken into account when comparing figures from the six months under review with the previous year's figures:

The calcium carbide plant in **Sweden** has been consolidated in the SKW Metallurgie Group since February 1, 2011:

- This first-time consolidation has resulted in a bargain purchase which is reflected in EBITDA (income from the reversal of negative differences) in the amount of EUR 2.7 million. This is due in full to the first quarter of 2011 (one-off factor).

- The operating contribution to EBITDA from the plant in Sweden is expected to be negative in the six months under review and also in 2011 as a whole, as it will only be possible to rectify the investment backlog which had already been recognized prior to the purchase and which was reflected in the purchase price, during the course of 2011 and 2012.

The newly built calcium silicon plant in **Bhutan** was inaugurated in March 2011. However, the contribution to EBITDA made by the plant in Bhutan was negative in the six months under review as the first half of 2011 is characterized by start-up costs at the Bhutanese plant.

The situation in **Russia** is similar: The cored wire plant which has just been built there was inaugurated in May 2011. Here too, the contribution to EBITDA was still negative as the first half of 2011 is also characterized by start-up costs at the Russian plant.

Revenue continues to grow

The SKW Metallurgie Group's revenues increased substantially in the first six months of 2011 compared to the first half of the previous year from EUR 188.8 million to EUR 215.6 million. This increase is due to the (pro rata) additional external sales from the acquisition of the customers from the calcium carbide plant in Sweden (substantial increase in market position with customers from the gas industry and the Scandinavian steel industry). Steel production on the SKW Metallurgie Group's geographic core markets has also increased (European Union: +4.1%; USA: +4.3%; Brazil: 8.2%) which has also had a positive impact on demand for SKW Metallurgie's products. The SKW Metallurgie Group records around 90% of its revenues with the steel industry, and depends to a great extent on the volume of steel produced.

A particularly meaningful figure for the SKW Metallurgie Group's operating performance to date has been the growth in the gross profit margin (gross margin), which is defined as the ratio of the difference between revenues and the cost of materials to revenues. This increased again during the period under review to 28.4% compared to the same period of the previous year (27.5%), although the cost of materials in the new plant in Sweden could be further optimized. The increasing capital intensity and vertical integration (e.g., increased vertical integration as a result of the calcium silicon plant in Bhutan) for the SKW Metallurgie Group's business activities mean that the gross profit margin for the SKW Metallurgie Group is expected to grow still further.

Possible changes to commodities prices are reflected proportionately in changes to selling prices, with the result that the SKW Metallurgie Group's earnings are mostly unaffected by changes in commodities prices. The SKW Metallurgie Group believes that the supply of all of the raw materials which are relevant for the Group continues to be secure.

Personnel expenses in the first six months of 2011 totaled EUR 21.5 million, and were thus higher than in the previous year (EUR 18.6 million). This increase is due, in particular, to the following factors:

- The number of employees world wide has increased from 734 (June 30, 2010) to 972 (June 30, 2011). This increase in the number of employees is mostly due to the transfer of the workforce at the Swedish calcium carbide plant to the SKW Metallurgie Group and also to setting up the workforce in Bhutan and Russia.

- As a result of the increases in revenues and earnings compared to the previous year, the performance-related remuneration components have also increased.

Other operating income was also substantially higher than in the previous year at EUR 7.8 million (EUR 5.3 million). The key factor in this regard was the bargain purchase from the acquisition of the calcium carbide plant in Sweden in the amount of EUR 2.7 million. The other operating income totaled EUR 5.1 million, slightly lower than the previous year's level (EUR 5.3 million).

Other operating income includes currency translation gains of EUR 2.7 million (previous year: EUR 5.2 million). After netting with the currency translation losses included in other operating expenses of EUR 3.1 million (previous year: EUR 2.9 million), this results in a net currency translation loss of (rounded) EUR 0.5 million (previous year: net currency translation gain of EUR 2.2 million).

Other operating expenses increased from EUR 24.3 million to EUR 29.3 million. This increase is due, in particular, to the high percentage of revenue related expenses (e.g. outbound freight and sales commission).

Income from associated companies, which stems exclusively from the Indian joint venture Jamipol, was practically constant in the period under review at EUR 0.4 million compared to the same period of the previous year (EUR 0.5 million).

EBITDA: Right on track to meet full-year guidance of EUR 32 million

The SKW Metallurgie Group's improved revenues in the six month period meant that the SKW Metallurgie Group recorded EBITDA of EUR 19.7 million as of June 30, 2011 (previous year: EUR 16.1 million).

The contributions to EBITDA from the new facilities in Bhutan and Russia were negative in the first half of 2011. This is due to the fact that significant revenues are only planned for the second half of 2011 (in the case of Bhutan these will mostly be internal revenues), but that start-up costs are incurred prior to these revenues being recorded and these costs are reflected in EBITDA. This effect will be significantly stronger in the first six months of 2011 compared to the first half of 2010. Positive contributions to EBITDA are forecast from Bhutan and Russia for the second half of 2011, however these locations are only forecast to make full contributions to EBITDA in 2012.

The new facility in Sweden (consolidated from February 1, 2011) also recorded negative EBITDA in the first half of 2011 (operational, i.e., without considering the bargain purchase) and is expected to continue to do so for the remainder of 2011. This plant has been generating revenues since it was acquired; however, the restructuring that were recognized prior to the purchase and which was reflected in the purchase price (e.g., optimizing the materials input) will only be reflected in earnings the remainder of 2011 and 2012.

On the whole, the SKW Metallurgie Group believes that the figures from the first six months of 2011 confirm its guidance for the year as a whole (EBITDA) of EUR 32 million.

The **EBITDA margin** (ratio of EBITDA to revenues), which is a key performance indicator for the SKW Metallurgie Group's operating performance, totaled 9.1% in the 2011 six-month period (previous year: 8.5%). In particular the excellent operating growth and the bargain purchase from the acquisition of calcium carbide production in Sweden contributed to this improvement. The start-up losses from the new plants in Russia and Bhutan and the temporary operating losses in Sweden had a contradictory effect.

When comparing the first half of 2011 with the first half of 2010 we must also note that EBITDA in the first six months of 2010 includes a positive effect from currency translation (net currency translation gains) of EUR 2.2 million, whereas EBITDA in the first half of 2011 includes a negative effect from currency translation (net currency translation expenses) of EUR 0.5 million.

Amortization and depreciation during the period under review totaled EUR 6.7 million, slightly higher than in the previous year (EUR 5.8 million). Of the total amortization and depreciation, EUR 3.1 million is due to the amortization of intangible assets; these are mostly due to purchase price allocations (PPA) from corporate acquisitions, which in turn mostly stem from the acquisition of a two thirds interest in the Brazilian company Tecnosulfur.

EBIT totaled EUR 13.0 million and is substantially higher than the previous year's earnings of EUR 10.3 million.

Net interest in the period under review was a net expense of EUR 1.1 million, was lower than the figure in the first six months of 2010 (net expense of EUR 1.4 million) despite the increase in net financial debt. This is due, in particular, to expenses similar to interest in 2010 for the provision of a Norwegian export loan to finance the low-shaft furnace set up in Bhutan.

Taking interest into account, the earnings before taxes for the period under review totaled EUR 11.9 million (previous year: EUR 8.9 million).

During the period under review, the SKW Metallurgie Group's expenses for income taxes totaled EUR 3.9 million (previous year: EUR 3.2 million). The arithmetic group tax rate (ratio of income taxes to EBT) is thus 32.6% and lower than the previous year's tax rate of 35.4%. In spite of this, however, the SKW Metallurgie Group believes that a rate of 35-40% is representative for the current breakdown of its activities in various tax jurisdictions. In some countries in which the SKW Metallurgie Group operates, the total tax rate includes federal taxes as well as significant taxes from states (e.g., in Brazil and the USA) and other units, with the result that comparing the nominal tax rates purely at a national level is not particularly meaningful.

Consolidated earnings for the period under review comprised consolidated net income of EUR 8.0 million. During the first three months of 2010 consolidated net income for the period was significantly lower at EUR 5.8 million. This increase in 2011 is mostly due to the impact of the bargain purchase agreement from the acquisition of a calcium carbide production facility in Sweden and also to the positive economic growth.

Of the net income for the period in the first six months of 2011, EUR 7.4 million is due to the parent company's shareholders (previous year: EUR 4.9 million) and EUR 0.7 million (previous year: EUR 0.9 million) is due to minority shareholders (so-called non-controlling interests). Minority interests are due, in particular, to non-group shareholders of the Brazilian subsidiary Tecnosulfur (one-third owned by third parties) and the group company in Bhutan (49% owned by third parties). In the first half of 2011 the continued positive growth in Brazil was more than compensated by start-up losses in Bhutan, which led to a net downturn in minority interests.

The consolidated net income for the period due to the parent company's shareholders and the unchanged number of 6,544,930 shares result in earnings per share (EPS) of EUR 1.13 (previous year: EUR 0.75).

SKW Metallurgie Group's net assets continue to be very solid

The following table shows the key figures from the SKW Metallurgie Group's balance sheet at the end of the first six months of 2011 and the end of fiscal year 2010:

EUR million	June 30, 2011	Dec. 31, 2011
ASSETS	305.4	275.8
Non-current	153.9	147.9
Current	151.6	127.9
Thereof cash and cash equivalents	9.1	11.0
EQUITY AND LIABILITIES	305.4	275.8
Equity	122.3	122.3
Non-current liabilities	58.5	64.6
Thereof non-current financial liabilities	27.1	31.3
Current liabilities	124.7	88.9
Thereof current financial liabilities	53.5	27.0

The SKW Metallurgie Group's total assets increased from EUR 275.8 million (December 31, 2010) to EUR 305.4 million (June 30, 2011). The increase is due, in particular, to high-growth projects (primarily the acquisition of calcium carbide production in Sweden with corresponding working capital, further expansion of calcium silicon production in Bhutan).

Equity remained constant at EUR 122.3 million compared to the end of 2010. In this regard, in particular, the dividend disbursement in June 2011 of EUR 3.3 million and the weakening of the relevant foreign currencies for the SKW Metallurgie Group compared to the Euro during the period under review have to be taken into account.

The increased total assets and the constant level of equity resulted in a slight reduction in the **equity ratio** which had been anticipated by management. The equity ratio is defined as the ratio of equity to total assets. It thus fell from 44.3% as of December 31, 2010 to a still very solid 40.0% on June 30, 2011.

Net financial debt (defined as current and non-current financial liabilities less cash and cash equivalents) at the SKW Metallurgie Group totaled EUR 71.5 million on June 30, 2011 and was thus higher than on December 31, 2010 (EUR 47.3 million). This increase is mostly due to the increase in current financial liabilities (up from EUR 27.0 million to EUR 53.5 million). Gearing, or the ratio of net financial debt to equity, thus increased correspondingly from 0.39 to 0.58, which is still very conservative for a manufacturing company.

Strong gross cash flow

The following table shows the changes in the SKW Metallurgie Group's cash flow from January 1 to June 30, 2011 compared to the corresponding six-month period in 2010:

EUR million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010
Consolidated net income for the period	8.0	5.8
Non-cash income and expense	2.4	1.5
Gross cash flow	10.4	7.3
Changes in working capital	-12.0	-11.2
Net cash flow	-1.6	-3.9

The **gross cash flow** in the first six months of 2011 was significantly higher than in the previous year at EUR 10.4 million (EUR 7.3 million). The increase in the gross cash flow is mostly due to the increased consolidated net income (up EUR 2.2 million) for the period compared to the first six months of 2010.

The changes in working capital in the first six months of 2011 were characterized by the upswing after the economic and financial crisis, which lead to substantial changes in inventories, trade receivables and trade payables and also, in total, to a cash outflow of EUR 11.2 million (increase in net working capital).

The first half of 2011 was characterized by effects similar in quantity and quality; during this period the cash outflow for working capital totaled EUR 12.0 million (increase in net working capital). This was due, in particular, to the increased revenues and the additional increase in working capital in connection with taking new production facilities into operation.

As a rule, the amount of working capital in the SKW Metallurgie Group correlates positively with the amount of revenues. On the whole, the increase in working capital and the associated negative cash flow from operating activities are typical characteristics of a period of expansion and growth.

In addition, the period under review was also characterized by a continued strong capital expenditure (outflow of funds: EUR 18.7 million compared to EUR 12.1 million in H1 2010). Capital expenditure in the first six months of 2011 related, in particular, to the new plant in Bhutan (EUR 6.0 million). A purchase price of EUR 5.6 million is carried on the books for the calcium carbide plant in Sweden; as working capital was acquired in a similar amount the economic purchase price was EUR 0, which reflects the capital expenditure required for the acquired plant.

In parallel to the increase in working capital and the high level of capital expenditure in the group, net financial debt was increased, which led to net cash provided by financing activities in the amount of EUR 18.7 million (H1 2010: EUR 16.5 million).

Segment reporting

The SKW Metallurgie Group currently comprises three segments: the two core segments of Cored Wire and Powder and Granules and also the Other segment (including Quab business). Internal revenue between the segments is eliminated in the “consolidation” column (see segment reporting in the notes); internal revenues within a segment are already eliminated in the disclosure of the segment figures.

The two core segments Cored Wire and Powder and Granules mostly include products and services for the steel industry, and there in turn mostly for hot metal desulfurization and secondary metallurgy.

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

- The Cored Wire segment recorded a substantial increase in external revenues in the first six months due to the positive growth on the target markets for the segment’s products (up from EUR 88.0 million to EUR 101.2 million). This segment recorded EBITDA of EUR 6.8 million from these revenues (previous year: EUR 6.6 million). That means that this segment’s EBITDA margin fell slightly; however this theoretical downturn is due, in particular, to the start-up costs in Bhutan and Russia.

- In the Powder and Granules segment, external revenues increased slightly during the six-month period from EUR 90.3 million to EUR 98.5 million. This is due to additional external revenues at the new plant in Sweden from February 1, 2011, and also to positive growth in steel production. Segment EBITDA totaled EUR 14.6 million (previous year: EUR 11.0 million). The segment EBITDA for the first half of 2011 includes two contradictory extraordinary factors: The bargain purchase from the acquisition of the calcium carbide plant in Sweden increased EBITDA, yet there were also negative contributions to EBITDA from Sweden, as forecast. Those effects notwithstanding, this increase in segment EBITDA confirms the successful positioning of this segment’s companies on their target markets.

Focus on further developing strong technical competence

Excellently trained, highly motivated employees were once again a key component of the SKW Metallurgie Group’s successful business operations during the period under review. The number of employees worldwide totaled 972 at the end of the six-month period, significantly higher than the figure on December 31, 2010 (790). The increase in the number of employees is mostly due to new hires in Bhutan and Russia, and also to taking over the employees at the acquired calcium carbide plant in Sweden.

Research and development (R&D) were also a key USP for the Group during the period under review; the successful business policy from 2010 was also continued in this area. The new plants in Sweden, Bhutan and Russia will also contribute to increasing the SKW Metallurgie Group's technology competence.

An additional production line for specialty magnesium was taken into operations in the USA in April 2011 at an existing facility. The SKW Metallurgie Group's magnesium products are mostly used in hot metal desulfurization in steel production. As was the case in the past, in addition specialty magnesium products are produced and sold, for example, for use in diving torches or in the aviation sector. This area of business will be reinforced substantially by the new production line.

Using opportunities and limiting risks

At the SKW Metallurgie Group, managing opportunities and risks is an integral part of the company's management. Recognizing and evaluating opportunities and risks and also putting suitable activities in place to be able to make optimum use of opportunities and to limit risks is an ongoing process at the SKW Metallurgie Group. As a result, during the second quarter of 2011, the risk inventory performed in 2010 was updated in the form of a quarterly risk report. The risk report did not otherwise include any major changes compared to the statements made on opportunities and risks made in the 2010 annual report and in the report on the first quarter of 2011.

Report on events after the balance sheet date

After the end of the period under review on June 30, 2011, and up to the date on which this interim management report was prepared, no events of particular importance for the SKW Metallurgie Group have become known.

Outlook

Solid global economic growth to continue in 2012

The forecasts published through to the middle of 2011 remain positive for the global economy in 2012. Experts are forecasting global economic output to increase by 4.5%. Emerging and developing markets are forecast to enjoy continued dynamic growth, up 6.4%, with industrial nations continuing their moderate growth, up 2.6%. On the date this quarterly report was prepared, however, experts are increasingly noting macroeconomic risks which will also result in the coming year, in particular as a result of fact that in some cases no solution can be seen for the high levels of government debt in many industrial nations. In addition, there is uncertainty with regard to the threatened continued inflation and the tendency to overheating in many emerging nations.

A critical factor for demand for the SKW Metallurgie Group's products is the growth of the steel industry, where the company generates approx. 90% of its revenues. Depending on the economic environment, the boom in the steel industry is expected to continue in 2012 according to information from the World Steel Association. As a result the WSA's most recent forecast (from April 2011) includes an increase of 6.0% for global steel consumption in the coming year, and thus a record level of 1.44 billion tons. Growth of 6.3% is being forecast for the NAFTA region, and 3.7% for the EU. Europe and North America are key sales regions for the SKW Metallurgie Group – it still records around three quarters of its revenues there. Steel producers in BRIC countries can expect growth of 6.2%. These estimates at least implicitly assume continued growth in the global economy and do not yet take into account the macroeconomic risk factors that increasingly came to the fore in the summer of 2011, in particular from the high levels of government debt in the USA and Europe.

Guidance confirmed

As a result of the excellent business in the first half of 2011 and positive impetus from Q3 2011 to date, the SKW Metallurgie Group is confirming its guidance for the year as a whole for EBITDA of EUR 32 million.

Unterneukirchen (Germany), August 2011

SKW Stahl-Metallurgie Holding AG
The Executive Board

Ines Kolmsee
Chairperson (CEO)

Gerhard Ertl

Reiner Bunnenberg

Consolidated income statement for the period from January 1 - June 30, 2011 and April 1 - June 30, 2011

EUR thousand	QI-II 2011	QI-II 2010	QII 2011	QII 2010
Revenues	215,635	188,822	114,638	105,007
Change in finished goods and work in progress	1,165	1,242	323	825
Other operating income	7,808	5,289	3,104	2,549
Cost of materials	-154,470	-136,820	-82,354	-75,995
Personnel expenses	-21,481	-18,621	-10,898	-9,741
Other operating expenses	-29,334	-24,333	-15,225	-13,039
Income from associated companies	411	500	161	250
EBITDA	**19,733**	**16,079**	**9,748**	**9,856**
Amortization of intangible non-current assets and depreciation of property, plant and equipment	-6,705	-5,805	-3,726	-3,094
EBIT	**13,029**	**10,274**	**6,024**	**6,762**
Net interest	-1,093	-1,364	-573	-1,012
Result from ordinary business activities	**11,935**	**8,910**	**5,450**	**5,750**
Income taxes	-3,889	-3,151	-2,091	-1,756
Consolidated net result for the period	**8,047**	**5,759**	**3,360**	**3,994**
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	*7,379*	*4,885*	*3,124*	*3,760*
Thereof non-controlling interests	*668*	*874*	*236*	*234*
Earnings per share (in EUR)	1.13	0.75	0.48	0.57

Reconciliation to comprehensive income from January 1 - June 30, 2011 and April 1 - June 30, 2011

EUR thousand	QI-II 2011	QI-II 2010	QII 2011	QII 2010
Consolidated net result for the period	**8,047**	**5,759**	**3,360**	**3,994**
Net investments in a foreign operation	-2,105	3,525	-509	1,923
Unrealized losses from derivatives (hedge accounting)	109	-43	127	86.
Exchange rate fluctuations	-2,917	6,229	-476	3,610
Taxes on income and expenses carried directly under equity	-43	17	-50	-33
Income and expenses recognized directly under equity	**-4,956**	**9,728**	**-908**	**5,586**
Comprehensive income	**3,091**	**15,487**	**2,452**	**9,580**
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	*2,718*	*13,819*	*2,002*	*8,830*
Thereof non-controlling interests	*373*	*1,668*	*450*	*750*

Consolidated balance sheet as of June 30, 2011

ASSETS IN EUR thousand	June 30, 2011	Dec. 31, 2010
Non-current assets		
Intangible assets	62,504	64,868
Property, plant and equipment	72,853	63,852
Interests in associated companies	5,169	4,703
Other non-current assets	539	536
Deferred tax assets	12,800	13,893
Total non-current assets	**153,865**	**147,852**
Current assets		
Inventories	64,531	50,276
Trade receivables	65,432	53,489
Income taxes	3,681	2,161
Other assets	8,829	10,425
Non-current assets held for sale	0	598
Cash and cash equivalents	9,101	10,956
Total current assets	**151,574**	**127,905**
Total assets	**305,439**	**275,757**

EQUITY AND LIABILITIES IN EUR thousand	June 30, 2011	Dec. 31, 2010
Equity		
Subscribed capital	6,545	6,545
Share premium	50,741	50,741
Other comprehensive income	46,000	46,554
	103,286	**103,840**
Non-controlling interests	18.984	18,418
Total equity	**122,270**	**122,258**
Non-current liabilities		
Pension obligations	3,056	2,891
Other provisions	2,162	1,958
Non-current financial liabilities	27,136	31,336
Deferred tax liabilities	15,349	16,784
Other non-current liabilities	10,792	11,593
Total non-current liabilities	**58,495**	**64,562**
Current liabilities		
Provisions	7,538	7,608
Obligations from finance leases	0	27
Current financial liabilities	53,465	26,966
Trade payables	43,697	37,988
Other liabilities from taxes	1,979	789
Other current liabilities	17,995	15,559
Total current liabilities	**124,674**	**88,937**
Total equity and liabilities	**305,439**	**275,757**

Consolidated cash flow statement as of June 30, 2011

EUR thousand	Jan. 1, 2011 - June 30, 2011	Jan. 1, 2010 - June 30, 2010
1. Consolidated net income for the period	8,047	5,759
2. Write-ups/write-downs of non-current assets	6,705	5,805
3. Increase/decrease in provisions for pensions	165	97
4. Income from associated companies	-411	-500
5. Result from the disposal of non-current assets	-477	74
6. Result from currency conversion	97	-2,711
7. Result from deferred taxes	-726	-595
8. Income from the reversal of negative differences	-2,708	0
9. Other non-cash expense	-297	-588
10. Gross cash flow	**10,395**	**7,341**
Change in working capital		
11. Increase/decrease in current provisions	134	151
12. Increase/decrease in inventories (after advance payments received)	-9,835	-9,354
13. Increase/decrease in trade receivables	-8,346	-12,086
14. Increase/decrease in other receivables	-1,750	573
15. Increase/decrease in other assets	2,192	-1,526
16. Increase/decrease in trade payables	4,308	8,041
17. Increase/decrease in other liabilities	1,190	-141
18. Increase/decrease in other equity and liabilities	114	3,131
19. Net cash received from (+)/used by (-) operating activities (Net cash flow)	**-1,598**	**-3,870**
20. Income from the disposal of assets	506	0
21. Payments for investments in non-current assets	-16,652	-12,144
22. Payments for investments in current assets from acquisitions	-2,585	0
23. Net cash provided by (+)/used in (-) investing activities	**-18,731**	**-12,144**
24. Decrease in liabilities from finance leases	-27	-114
25. Additions to equity from non-controlling interests	0	386
26. Increase/decrease in financial liabilities	22,299	16,481
27. Dividend payments to non-controlling interests	-304	0
28. Dividend payment to shareholders of the parent company	-3,272	0
29. Net cash provided by (+)/used in (-) financing activities	**18,696**	**16,753**
30. Cash and cash equivalents – start of period	10,956	11,052
31. Change in cash and cash equivalents	-1,633	739
32. Currency translation for cash and cash equivalents	-222	478
33. Cash and cash equivalents – end of period	**9,101**	**12,269**

Statement of changes in consolidated equity for fiscal years 2010 and 2011

EUR thousand	Subscribed capital	Equity reserve	Other accumulated equity	Consolidated equity of the controlling shareholder	Non-controlling interests	Total equity
Balance at Jan. 1, 2010	**6,545**	**50,741**	**41,463**	**98,749**	**10,277**	**109,026**
Consolidated net result for the period	0	0	4,885	4,885	874	5,759
Exchange rate fluctuations	0	0	5,435	5,435	794	6,229
Income and expense carried under equity (without exchange rate changes)	0	0	3,499	3,499	0	3,499
Total result 2010	**0**	**0**	**13,819**	**13,819**	**1,668**	**15,487**
Balance as of June 30, 2010	**6,545**	**50,741**	**55,282**	**112,568**	**11,945**	**124,513**
Balance at Jan. 1, 2011	**6,545**	**50,741**	**46,554**	**103,840**	**18,418**	**122,258**
Consolidated net result for the period	0	0	7,379	7,379	668	8,047
Exchange rate fluctuations	0	0	-2,622	-2,622	-295	-2,917
Income and expense carried under equity (without exchange rate changes)	0	0	-2,039	-2,039	0	-2,039
Total result 2011	**0**	**0**	**2,718**	**2,718**	**373**	**3,091**
Non-controlling interest in capitalization of a shareholder loan	0	0	0	0	15	15
Request of return of dividend from non-controlling interests	0	0	0	0	178	178
Dividend payment to shareholders of SKW Stahl-Metallurgie Holding AG	0	0	-3,272	-3,272	0	-3,272
Balance as of June 30, 2011	**6,545**	**50,741**	**46,000**	**103,286**	**18,984**	**122,270**

Notes to the consolidated financial statements for the interim report as of June 30, 2011

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 International Financial Reporting Interpretation Committee (IFRIC). With regard to the methods used for estimates the comments in the notes to the consolidated financial statements as of December 31, 2010, Section “C. Consolidated Group and Consolidation Methods“ also apply for this unaudited quarterly report as of June 30, 2011. The SKW Metallurgie Group‘s 2010 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, 2010, which form the basis for these interim financial statements.

The new and revised accounting standards for which application has been mandatory since fiscal year 2011 form an exception. In this regard, for the interim report as of June 30, 2011 please refer to the comments made in the notes to the consolidated financial statements as of December 31, 2010 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, 2010, 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 differences.

The SKW Metallurgie Group‘s operating business in the “Cored Wire” and “Powder and Granules” segments is not subject to 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

The consolidation methods applied have not changed compared to the 2010 consolidated financial statements. The group of consolidated companies grew compared to December 31, 2010 with the addition of ESM SMT, USA, SKW Technology GmbH & Co. KG, Germany, and SKW Technology Management GmbH, Germany, which were newly formed in 2011.

C. Information on acquisitions

At the start of February, 2011, as part of an asset deal, the SKW Metallurgie Group acquired a calcium carbide production plant in Sweden from the Dutch coatings and chemicals company AkzoNobel. It has acquired land, production facilities, inventories, receivables and liabilities. The purchased price totaled EUR 5,599 thousand after the net working capital had been conclusively determined. The purchase price is broken down into the acquired assets, liabilities and contingent liabilities at fair values according to the purchase price allocation in IFRS 3 (2008).

This transaction substantially expands the SKW Metallurgie Group's European hot metal desulfurization activities along its value chain. It secures the Group's internal supply of raw materials. It also creates additional sales potential, in particular in Northern Europe, for the SKW Metallurgie Group for both calcium carbide-based hot metal desulfurization solutions and also for other Group products. In addition, the new plant will also sell calcium carbide products to the gas industry; the SKW Metallurgie Group has not previously supplied this market to any significant extent.

As a result of the still provisional purchase price allocation, there have been the following adjustments to assets and liabilities:

Adjustments to assets and liabilities In EUR thousand	Feb. 1, 2011
Non-tangible assets	-50
Equipment	-3,934
Inventories	-64
Liabilities	-358
Deferred taxes - net	808
	-2,883

The assets and liabilities were as follows:

Acquired net assets in EUR thousand	Carrying amounts	Adjustment	Fair value
ASSETS			
Intangible assets	**83**	**-50**	**34**
Property, plant and equipment	**6,827**	**-3,934**	**2,893**
Inventories	**4,606**	**-64**	**4,542**
Trade receivables	**3,617**	**0**	**3,617**
Receivables and other assets	**371**	**0**	**371**
Deferred tax assets	**0**	**19**	**19**
	15,504	**-4,029**	**11,475**
EQUITY AND LIABILITIES			
Trade payables	1,401	0	1,401
Other liabilities	621	357	978
Deferred tax liabilities	0	789	789
	2,022	**1,146**	**3,168**
Acquired net assets			**8,307**
Identification of goodwill			
Purchase price			5,599
Less net assets acquired measured at fair value			-8,307
Total goodwill			**-2,708**

The negative goodwill totaled EUR 2,708 thousand and is carried under other operating income. This mostly stemmed from property, plant and equipment, as there was a major investment backlog over the past few years.

From the date of acquisition through to June 30, 2011, revenues from the acquired calcium carbide business totaled EUR 9,614 thousand, EBITDA totaled EUR 1,320 thousand and net income for the period amounted to EUR 1,426 thousand. In the period from January 1 to January 31, 2011, there would have been revenues of EUR 2.214 thousand EBITDA of EUR -261 thousand and a monthly net loss of EUR 353 thousand. The figures shown for the contribution to earnings in January 2011 do not include any PPA adjustments.

D. Financial position and results of operations

Balance sheet

The SKW Metallurgie Group's total assets on June 30, 2011 amounted to EUR 305,439 thousand (December 31, 2010: EUR 275,757 thousand). The increase in total assets is mostly due to investments in property, plant and equipment as part of establishing the new production facility in Bhutan and other growth projects, the increase in trade receivables and the increase in inventories in connection with the increased business activities in the first six months of 2011.

The key items of current assets are, as was the case in the previous year, inventories totaling EUR 64,531 thousand or 21.1% of total assets and trade receivables in the amount of EUR 65,432 thousand or 21.4% of total assets.

Equity on June 30, 2011 totaled EUR 122,270 thousand (December 31, 2010: EUR 122,258 thousand); the consolidated equity ratio fell from 44.3% on December 31, 2010 to 40.0% on June 30, 2011 (all figures incl. non-controlling interests). Current financial liabilities totaled EUR 53,465 thousand, an increase of EUR 26,499 thousand compared to the previous year's figure (EUR 26,966 thousand). Non-current financial liabilities fell by EUR 4,200 thousand in 2011 to EUR 27,136 thousand compared to EUR 31,336 thousand in 2010. Net debt increased in the first six months of 2011 by a total of EUR 24,154 thousand from EUR 47,346 thousand as of December 31, 2010 to EUR 71,500 thousand as of June 30, 2011.

Income statement

In the first six months of 2011, the SKW Metallurgie Group recorded revenues of EUR 215,635 thousand compared to EUR 188,822 thousand in the same period of 2010. The revenue increase is mostly due to higher demand by steel manufacturers for the SKW Metallurgie Group's products rather than the contributions to revenues which were recorded for the first time in 2011 from the acquisition in Sweden.

Of the other operating income of EUR 7,808 thousand (H1 2010: EUR 5.289 thousand), EUR 2,664 thousand stems from exchange rate gains (H1 2010: EUR 5,154 thousand), EUR 442 thousand is due to the sale of land in Brazil, EUR 2,708 thousand is due to negative goodwill from the acquisition of the calcium carbide business in Sweden, EUR 725 thousand is due to a claim to compensation for damage for an event in Sweden, and EUR 713 thousand is due to a settlement as part of litigation with the ESM Group Inc. The currency translation gains are offset by corresponding currency translation losses, which are included in other operating expenses. The currency translation losses in the first half of the year totaled EUR 3,142 thousand compared to the figure from the first six months of 2010 of EUR 2,917 thousand, which, at the end of the day, resulted in a negative currency translation effect in the period under review of EUR 478 thousand compared to a positive net currency translation effect of EUR 2,237 thousand in the previous year.

In total, expenses in 2011 increased compared to the previous year. Personnel expenses in the first six months totaled EUR 21,481 thousand compared to EUR 18,621 thousand for the same period of the previous year. Other operating expenses in 2011 were also significantly higher than the 2010 figure at EUR 29,334 thousand (EUR 24,333 thousand).

Net interest is lower year-on-year at EUR -1,093 thousand (previous year: EUR -1,364 thousand). This is due, in particular, to expenses similar to interest in 2010 for the provision of a Norwegian export loan to finance the low-shaft furnace set up in Bhutan.

The consolidated net earnings for the period to June 30, 2011 totaled EUR 8,047 compared to EUR 5,759 last year. Non-controlling interests in the first six months of 2011 totaled EUR 668 thousand compared to EUR 874 thousand in the same period of the previous year.

Cash flow statement

Gross cash flow increased to EUR 10,395 thousand (previous year: EUR 7,341 thousand).

The Group recorded a cash outflow from operating activities of EUR 1,598 thousand compared to EUR 3.870 thousand in the previous year. This resulted in net cash used of EUR 11,993 thousand in the first six months of 2011 compared to EUR 11,211 thousand in the previous year as a result of the change in net working capital.

During the period under review, the SKW Metallurgie Group recorded net cash used in investing activities in the amount of EUR 18,731 thousand compared to EUR 12,144 thousand in the previous year. There was net cash provided by financing activities in the amount of EUR 18,696 thousand compared to EUR 16,753 thousand in the previous year.

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

- Interest paid to third parties totaling EUR 357 thousand
- Interest received from third parties totaling EUR 21 thousand
- Income tax payments totaling EUR 397 thousand
- Income tax refunds totaling EUR 6 thousand

E. 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. As a result, three segments with a reporting segment have been identified within the SKW Metallurgie Group:

a) Cored Wire

b) Powder and Granules

c) Other

The segment information on the business segments in 2011 is as follows:

Q1-2 2011 in EUR thousand	Cored Wire	Powder and Granules	Other*	Elimination	Group
Revenues					
External revenues	101,246	98,525	15,864	0	215,635
Internal revenues	36	14,389	0	-14,425	0
Total revenues	101,282	112,914	15,864	-14,425	215,635
EBITDA	**6,762**	**14,551**	**-1,579**	**0**	**19,733**
Depreciation/amortization	-1,025	-5,078	-602	0	-6,705
EBIT	**5,737**	**9,473**	**-2,181**	**0**	**13,029**

* The Other segment includes consolidation and reconciliation effects in the amount of EUR -740 thousand.

The following table shows the corresponding primary segment information for the previous year:

Q1-2 2010 in EUR thousand	Cored Wire	Powder and Granules	Other*	Elimination	Group
Revenues					
External revenues	87,971	90,330	10,521	0	188,822
Internal revenues	229	14,893	0	-15,122	0
Total revenues	88,200	105,223	10,521	-15,122	188,822
EBITDA	**6,588**	**10,968**	**-1,477**	**0**	**16,079**
Depreciation/amortization	-994	-4,291	-520	0	-5,805
EBIT	**5,594**	**6,677**	**-1,997**	**0**	**10,274**

* The Other segment includes consolidation and reconciliation effects in the amount of EUR -219 thousand.

F. Translation effects on consolidated earnings

The following table shows the translation effects on revenues and EBITDA given a change of +/-5% in all exchange rates compared to the actual average exchange rate in the first six months of 2011 ceteris paribus:

Q1-2 2011 in EUR thousand	Average exchange rates 2011 -5%	Average exchange rates 2011	Average exchange rates 2011 +5%
Revenues	224,245	215,635	207,845
EBITDA	20,770	19,733	18,796

The following table shows the corresponding sensitivity analysis for the comparable period of the previous year.

Q1-2 2010 in EUR thousand	Average exchange rates 2011 -5%	Average exchange rates 2011	Average exchange rates 2011 +5%
Revenues	196,208	188,822	182,132
EBITDA	17,158	16,079	15,483

G. Related parties

There were no major changes in key transactions with related parties in the period under review compared to the 2010 consolidated financial statements.

H. Contingent liabilities

The contingent liability from litigation with ESM Group Inc. that still existed in 2010 was removed in 2011 as a result of the out-of-court settlement and the associated payment to ESM Group Inc. The SKW Metallurgie Group's contingent liabilities did not otherwise change materially compared to December 31, 2010.

I. Key events after the balance sheet date

There were no events of particular importance for the Group after the end of the period under review and before this interim report was prepared.

J. Shareholder structure

There were the following shareholdings in SKW Metallurgie that carry a reporting requirement according to the WpHG (German Securities Trading Act) (3% or more of total voting rights) on June 30, 2011 (listed alphabetically):

Name	Head office	Stock	Shares held correspond to	Date	Remarks
BT Pension Scheme Trustees Limited/Hermes	London, United Kingdom	318,886	4.87%	Mar. 15, 2010	5 individual notifications for the same shareholding
LBBW Asset Management Investmentgesellschaft mbH	Stuttgart, Deutschland	331,599	5.067%	Sept. 23, 2010	
Universal-Investment-Gesellschaft mbH	Frankfurt/M., Germany	201,515	3.08%	Jan. 5, 2010	
	Total	**852,000**	**13.02%**		

The shareholdings only relate to the stated date; any possible subsequent changes only have to be reported if a reporting limit within the meaning of the Wertpapierhandelsgesetz (German Securities Trading Act) is reached, exceeded or fallen below.

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.

Both of these characteristics of notifications of voting rights significantly restrict the meaningfulness of the totals included in the above table.

During the period under review, the Company received a notification of voting rights from Otus Capital Management L. P., London (United Kingdom) and related parties. Since May 24, Otus Capital Management L.P has held an interest of less than 3% in SKW Metallurgie. In all other respects, the voting rights held did not change between December 31, 2010 and June 30, 2011.

The members of the Executive and Supervisory Boards together held less than 1% of SKW Metallurgie's shares on June 30, 2011 (no change compared to December 31, 2010).

After the end of the period under review, however before this quarterly report was prepared, the Company received a notification of voting rights from BT Pension Scheme Trustees Limited, London (United Kingdom) and related parties. Since July 19, 2011, BT Pension Scheme Trustees Limited has held an interest of less than 3% in SKW Metallurgie.

Unterneukirchen (Germany), August 2011

SKW Stahl-Metallurgie Holding AG
The Executive Board

Ines Kolmsee
Chairperson (CEO)

Gerhard Ertl

Reiner Bunnenberg

Affirmation by the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the fiscal year.

Unterneukirchen (Germany), August 2011

SKW Stahl-Metallurgie Holding AG
The Executive Board

Ines Kolmsee
Chairperson (CEO)

Gerhard Ertl

Reiner Bunnenberg

Financial Calendar 2011 (remaining)

November 14, 2011

- Publication of business figures first nine months 2011

November 22, 2011

- Analysts' Conference
  at „Eigenkapitalforum“ in Frankfurt/M., Germany

May be subject to change.

Contacts

SKW Stahl-Metallurgie Holding AG
Fabrikstrasse 6
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
Fabrikstrasse 6
84579 Unterneukirchen
Germany

Editor:

Christian Schunck
Head of Investor Relations and Corporate Communications

Concept, Layout, Production:

Helmut Kremers
Cosimastrasse 111
81925 Muenchen
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 Public Limited Companies Act) without any further information relate to the German acts of law in their respective applicable version.

This report was published on August 16, 2011 and is available at www.skw-steel.com to download free of charge.

SKW Stahl-Metallurgie Holding AG

Phone +49 8634 62720-0, Fax +49 8634 62720-16, www.skw-steel.com