REPORT FOR THE 1ST QUARTER 2013

Growth with Substance

SKW Metallurgie Key Figures

Key figures	Unit	Q1 2013	Q1 2012
Consolidated revenues	EUR mill.	87.8	113.2
EBITDA	EUR mill.	5.0	6.0
EBIT	EUR mill.	2.3	3.5
Earnings before taxes	EUR mill.	1.0	2.0
Consolidated net income for the period	EUR mill.	0.7	0.1
Earnings per share	EUR	0.19	0.13
Gross margin		30.6%	27.7%
EBITDA margin		5.7%	5.3%
Amortization/depreciation	EUR mill.	2.7	2.4
Cash flow from operating activities	EUR mill.	1.4	0.6

		03/31/2013	12/31/2012
Total assets	EUR mill.	303.4	299.6
Consolidated equity	EUR mill.	124.5	120.6
Consolidated equity ratio		41.0%	40.2%
Net financial debt	EUR mill.	73.6	73.9
Employees		1,034	1,011

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Interim management report for the SKW Metallurgie Group for Q1 2013

Economic conditions

No economic recovery in Europe yet

The International Monetary Fund (IMF) is forecasting a renewed improvement in the perspectives for the global economy in its most recent forecast from April 2013; however, it notes that the recovery in industrialized nations is very cautious. the IMF is forecasting the global economy to grow by 3.3% in 2013. The forecast for the current year has thus been cut for the fourth successive year. To date, two different paces had been anticipated: a strong upswing in emerging nations and a slower pace of growth in industrialized nations. However, we can now see that the USA and the Eurozone are performing differently. The economy in the Eurozone has been cut from the previous -0.2% to -0.3%, the forecast for the growth of the US economy has been cut by 0.2 percentage points compared to January, however the forecast for economic growth in the USA is still for 1.9% in 2013.

Slight growth of 0.6% is forecast for Germany, with France (-0.1%), Italy (-1.5%) and Spain (-1.6%) being in recession. Economic growth of 5.3% is forecast for emerging and developing nations. China is expected to continue to be the growth driver, with forecast growth of 8.0% in the current year, even if the IMF can perceive a slower pace. Of the other BRIC countries, India is expected to record the strongest growth at 5.7%, whereas the economy in Russia (+3.4%) and Brazil (+3.0%) are expected to grow at a more moderate pace.

The IMF believes that the greatest risks for the global economy are to be found in the Eurozone. The continuing debt crisis in many countries, the economic problems in France, the political stalemate in Italy and the most recent problems in Cyprus do not give much ground for hope that the situation will improve in the near future. What is more, the IMF believes that the high budget deficits and the debt issues in the USA and Japan are additional risk factors for the future global economy.

Weak start to the year for the steel industry in EU and North America

Around 90% of the SKW Metallurgie Group's revenues are generated with customers in the steel industry; as a result, the growth of this customer industry and in particular the quantities of steel produced are critical factors for sales of the group's products. Here we can see that global steel production was up slightly in the first quarter of 2013 compared to the same quarter of the previous year. According to information from the World Steel Association, 388.8 million tons of steel were produced world wide in Q1 2013. This figure is thus up 2.3% compared to the same period of the previous year.

The moderate global growth is due, in particular, to growth in Asia, and in particular to a renewed expansion of production in China. Accordingly, China increased steel production in the quarter under review by 9.1%, once again underscoring its position as the world's largest steel nation: This country's share of global steel production thus increased again to 49.4%.

During the same period, the European Union and the USA, which are the key sales regions for the SKW Metallurgie Group, recorded substantial downturns in production figures year-on-year (USA: -7.6%, EU: -5.4%). The steel production in Brazil also fell significantly in the first three months of the year (-4.4%).

For 2013 as a whole, the World Steel Association is forecasting global steel consumption to increase by 2.9% to 1.45 billion tons according to its most recent outlook update from the middle of April. Growth in the first quarter is thus still lower than this forecast for the year as a whole, as the production figures are expected to revitalize in the second half of the year. In spite of this, however, experts believe that the fragile financial markets are still causing uncertainty. As a result, steel consumption in the European Union is forecast to fall by 0.5%. In the USA, the World Steel Association continues to see difficulties with regard to fiscal policy, and is only forecasting steel production to grow by a moderate 2.7%. Emerging nations will continue to play a leading role in steel demand. Demand is forecast to grow by 3.9% in these countries. Steel consumption is forecast to grow by a total of 3.7% in the four BRIC countries (without China by 4.3%).

The SKW Metallurgie Group records around 10% of its revenues with customers outside the steel industry. This relates roughly 50:50 to "Quab" specialty chemicals, which are mostly sold to producers of industrial starch (pre-product for paper production). The other half is due to products that are technologically related to products for the steel industry (e.g. calcium carbide for the gas industry and cored wire for the copper and foundry industries).

Organization and company structure

There were no material changes to the organization and corporate structure during the first quarter of 2013. This also relates to changes in the group of consolidated companies. The total number of **consolidated group companies** thus continued to total 27 on March 31, 2013 (26 subsidiaries and the parent company) in 14 countries. The number of the SKW Metallurgie Group's p**roduction facilities** (without the Jamipol joint venture with two plants in India) did not change in the period under review and continues to total 16 plants (including one facility with production by two group companies) in 10 countries.

The Group's **shareholder structure** continues to be characterized by being held in free float: However, within the free float according to Deutsche Börse's definition there has been one shareholder (Mellinckrodt 1 fund) which has held an interest of more than 10% in the share capital of SKW Stahl-Metallurgie Holding AG, which has remained unchanged since the capital increase in 2009.

Corporate and business development

SKW Metallurgie enjoys solid growth in Q1

In view of notable economic uncertainties in the steel industry, which is key for the SKW Metallurgie Group, and in this regard in particular on the European market, which is depressed by the continuing financial and debt crisis, the company got off to a solid start in 2013. Consolidated revenues are lower than the same period of the previous year; however, these have practically stabilized compared to the previous quarter. The gross margin – defined as the quotient between the sum of revenues, changes in inventories and own work capitalized to revenues - is at 30.6% substantially higher than the corresponding figure in the first quarter of 2012 (27.7%). Accordingly, the SKW Metallurgie Group has recorded very solid operating results with EBITDA of EUR 5.0 million. In terms of revenues, this means that profitability increased from 5.3% to 5.7%. This was due to renewed improvements in cost efficiency, and in particular to the forecast substantial improvement in earnings for the new plant in Bhutan and the plant in Sweden. Given this background, the SKW Metallurgie Group has confirmed its forecast for 2013 as a whole which it made at the financials press conference in March. At present, revenues are not expected to revitalize notably in the following months; however, over the year as a whole the aim is to record moderate revenue growth. The improved earnings to be expected from the new plants will have a positive impact on profits for the year.

Revenues characterized by weaker steel demand

In particular the substantial downturn in steel production in Europe and the USA caused the SKW Metallurgie Group's **revenues** to fall compared to the first quarter of the previous year from EUR 113.2 million to EUR 87.8 million. The volume of business leapt in Q1 2012 by 9% compared to the last quarter of 2011; however, at the start of the second quarter of 2012 demand from the steel industry already stared to slow. After further significant reductions in revenues in the third and fourth quarters of last year, during the quarter under review we can now see that demand has stabilized at a level that is only slightly lower than in the previous quarter.

The **gross profit margin** (gross margin) totaled a substantial 30.6%, in particular due to the advantageous mix of products and customers in the quarter under review. In many cases, fluctuations in prices are passed on to our customers based on the supply agreements, with the result that the gross margin also remains comparatively stable even in the face of such influences. Moreover, positive results with a simultaneous strong downturn in the volume of business demand a high proportion of variable components in the entire cost volume. This continues to be the case at the SKW Metallurgie Group, irrespective of the extensive investments in property, plant and equipment over the past few years.

The SKW Metallurgie Group believes that the supply of all of the raw materials which are relevant for the Group continues to be secure. Possible changes to the prices of commodities that are not used in the SKW Metallurgie Group's production, however which are used in steel production (e.g., iron ore) also do not have a significant impact on the SKW Metallurgie Group.

Other operating income of EUR 2.4 million (Q1 2012: EUR 3.0 million) is mostly due to exchange rate gains, including currency translation effects resulting from the consolidation of debt. The currency translation gains are offset by corresponding currency translation losses, which are included in other operating expenses. This results in a positive net currency translation effect of EUR 1.7 million compared with EUR 0.6 million in the first quarter of the previous year. Irrespective of these currency translation effects, the downturn in **other operating expenses** results in particular to lower variable and, in particular revenue-dependent cost components such as transport costs and expenses for sales commission.

EBITDA: Solid operating result despite lower revenues

In the quarter under review, the SKW Metallurgie Group recorded solid EBITDA of EUR 5.0 million despite the sluggish economy and substantially lower revenues (Q1-2012: EUR 6.0 million).

Amortization/depreciation from January to March 2013 totaled EUR 2.7 million and was slightly higher than the previous year's figure (EUR 2.4 million), in particular as a result of taking the equipment in the new plants into operations (and the corresponding start of amortization/depreciation for this equipment).

As a result, the company recorded **EBIT** totaled EUR 2.3 million and is substantially higher than the figure in Q1 2012 of EUR 3.5 million.

Net interest totaled EUR -1.3 million, and is lower than the previous year's figure of EUR -1.5 million. This is due, in particular, to the fact that the previous year's figure includes one-off expenses in connection with the restructuring of the SKW Metallurgie Group's financing, which were only partially compensated for by capitalizing interest in connection with the investment projects in Bhutan and Brazil.

Taking interest into account, the earnings before taxes (EBT) for the three-month period totaled EUR 1.0 million (previous year: EUR 2.0 million). The consolidated earnings for the period totaled EUR 0.7 million in the first quarter of 2013, after EUR 0.1 million in the same period of the previous year. This substantial increase is due to the lower group tax rate of 36% in the quarter under review. In the same period of the previous year, the group tax rate was distorted, in particular, by uncertainties with regard to the tax treatment of start-up costs in Bhutan, and was thus not meaningful.

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 0.19 (Q1 2012: EUR 0.13).

Quality of the SKW Metallurgie Group's financial statements improves further

The following table shows the key figures from the SKW Metallurgie Group's balance sheet at the end of the first three months of 2013 and the end of fiscal year 2012:

Assets in EUR million	03/31/2013	12/31/2012
Non-current	171.5	167.2
Current	131.9	132.4
thereof: Cash and cash equivalents	20.4	25.3
Total assets	**303.4**	**299.6**

Equity and liabilities in EUR million	03/31/2013	12/31/2012
Equity	124.5	120.6
Non-current liabilities	80.6	80.9
thereof: Non-current financial liabilities	58.2	58.5
Current liabilities	98.3	98.1
thereof: Current financial liabilities	35,8	40,8
Total equity and liabilities	**303.4**	**299.6**

The SKW Metallurgie Group's total assets totaled EUR 303.4 million at the end of the first quarter (March 31, 2013), and thus only changed to a minor extent compared to the year-end figure in 2012. The slight increase is based on an increase in non-current assets, partially as a result of exchange rates. The downturn in cash and cash equivalents is due to the redemption of financial liabilities in the first quarter of 2013. Furthermore, the SKW Metallurgie Group has adjusted the figures reported for the previous year for the effects from the changes to IAS 19.

Equity increased slightly compared to December 31, 2012 (EUR 120.6 million) to EUR 124.5 million, which is due to the consolidated net income for the period and also, in particular, to currency translation effects.

This resulted in a slight improvement to the **equity ratio**, which is defined as the ratio of equity to total assets. It lifted from 40.2% as of December 31, 2012 to 41.0% on March 31, 2013.

Net financial debt (defined as current and non-current financial liabilities less cash and cash equivalents) at the SKW Metallurgie Group totaled a practically unchanged EUR 73.6 million. **Gearing**, or the ratio of net financial debt to equity, thus fell correspondingly from 0.61 (December 31, 2012) to 0.59 (March 31, 2013). As a result, the company has succeeded in improving its traditionally excellent financials even further, despite the difficult underlying economic conditions.

Cashflow: Investment phase mostly completed

The following table shows the changes in the SKW Metallurgie Group's cash flow from January 1 to March 31, 2013 compared to the corresponding three-month period in 2012:

In EUR million	01/01/-03/31/2013	01/01/-03/31/2012
Consolidated net income for the period	0.7	0.1
Non-cash income and expense	0.2	1.1
Gross cash flow	0.9	1.2
Changes in working capital	0.5	-0.6
Cash flow from operating activities	1.4	0.6

The **gross cash flow** in the first three months of 2013 totaled EUR 0.9 million, and was thus slightly lower than in the previous year (EUR 1.2 million), primarily due to the lower consolidated net income as a result of exchange rates.

In view of working capital, in Q1 2013 we recorded an inflow of funds of EUR 0.5 million, after a cash outflow of EUR 0.6 million in Q1 2012. In particular net working capital in the closer sense (inventories plus trade receivables less trade payables) of EUR 1.3 million was released in the first quarter of 2013, after the capital lock-up increased in the same quarter of the previous year by EUR 0.4 million.

The SKW Metallurgie Group thus recorded net proceeds from operating activities of EUR 1.4 million compared to just EUR 0.6 million in the first quarter of 2012.

As announced, the most company's most recent phase of expansion and investment has mostly been completed. As a result, in 2013 the SKW Metallurgie Group has been focusing, in particular, in maintenance investments. Accordingly the net cash used in investing activities in the period under review of EUR 1.6 million is clearly below the comparable figure in Q1 2012 of EUR 4.6 million. It was thus also possible to improve the free cash flow as the sum of the net proceeds from operating activities and the net cash used in investing activities by EUR 3.8 million. Financing activities resulted in net cash used of EUR 5.3 million as part of the partial redemption of financial liabilities. In the first quarter of 2012 there were net proceeds of EUR 13.6 million.

Segment reporting

The SKW Metallurgie Group currently comprises an unchanged number of 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, here mainly for hot metal desulfurization in furnaces (core activities for Powder and Granules) and secondary metallurgy (core activities for Cored Wire).

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

The **Cored Wire** segment recorded significantly lower external revenues of EUR 40.2 million in the first three months due to the tepid demand as a result of the economy (Q1-2012: EUR 51.7 million). As a result of the improved earnings, in particular for the new plant in Bhutan, it was possible to improve the segment EBITDA from EUR 1.4 million to EUR 1.7 million. This means that the EBITDA margin in this segment has increased substantially from 2.7% to 4.2%.

In the **Powder and Granules** segment, external revenues fell slightly during the three-month period as a result of the economy from EUR 54.3 million to EUR 41.9 million. This led to a downturn in segment EBITDA from EUR 5.6 million to EUR 2.3 million and the EBITDA margin fell from 10.3% to 5.5%.

Slight increase in number of employees

Excellently trained, highly motivated employees are a key component of the SKW Metallurgie Group’s successful business operations. The number of employees worldwide totaled 1,034 on March 31, 2013 was slightly higher than the comparable figure from 2012 (1,021). Around 98% of our employees work outside Germany.

Report on opportunities and risks

The SKW Metallurgie Group and SKW Stahl-Metallurgie Holding AG attach great importance to the constant recognition and evaluation of opportunities and risks, and to the implementation of appropriate measures where necessary to best realize those opportunities and best limit those risks. As a result, as is standard practice, during the first quarter of 2013, the risk inventory performed in 2012 was updated in the form of a quarterly risk report, in particular with regard to the possible impact of the increased macroeconomic risks. The risk report did not include any major changes compared to the statements made on opportunities and risks made in the 2012 annual report.

Report on events after the balance sheet date

After the end of the period under review on March 31, 2013, and up to the date on which this interim report was prepared, there were no events of particular importance for the SKW Metallurgie Group.

Confirmation of the cautiously optimistic outlook for 2013

The economic uncertainties, which could be seen in the first few months of 2013 and which had increased once more, as well as what are mostly still unresolved problems in the sovereign debt crisis in key European countries mean that it is still difficult to forecast business. A large number of experts believe that there are increasingly high risks as to whether the anticipated recovery in the global economy will actually occur in the second half of 2013, which would also have major consequences for the forecast from the World Steel Association industry analysts for steel production. Accordingly, The SKW Metallurgie Executive Board believes that there will be no notable impetus from Europe in the current fiscal year. A moderate increase is forecast for the North American steel market for the full year, despite the weaker start to the year. In addition, above-average growth in emerging nations might also have a positive effect. However, in Brazil, as announced and irrespective of macroeconomic developments, competition has become more intense for key sales markets for the SKW Metallurgie Group.

On the whole, in view of the solid start to fiscal year, the Executive Board is forecasting moderate revenue and sales growth - assuming that economic activities recover during the course of the year. Earnings potential is seen in growing earnings contributions from the new plants in Bhutan, Russia and Sweden and from the plant expansion in Brazil. In terms of the balance sheet, in 2013 as a result of the preliminary conclusion of the group’s expansion and corresponding lower capital expenditure, the Executive Board is forecasting a positive free cash flow, which might, inter alia, lead to a further reduction in net financial debt.

Unterneukirchen (Germany), May 2013

SKW Stahl-Metallurgie Holding AG
The Executive Board

Ines Kolmsee CEO	Oliver Schuster	Reiner Bunnenberg

Consolidated income statement for the period from January 1 to March 31, 2013

EUR thousand	Q1 2013	Q1 2012
Revenues	87,785	113,196
Change in finished goods and work in progress	2,123	1,130
Own work capitalized	17	11
Other operating income	2,422	2,975
Cost of materials	-63,072	-83,007
Personnel expenses	-11,377	-12,069
Other operating expenses	-13,159	-16,482
Income from associated companies	276	213
EBITDA	**5,015**	5,967
Amortization of intangible assets and depreciation of property, plant and equipment	-2,727	-2,446
EBIT	**2,288**	3,521
Interest and similar income	5	84
Interest and similar expenses	-1,277	-1,625
Result from ordinary business activities	**1,016**	1,980
Income taxes	-364	-1,897
Consolidated net income/loss for the period	**652**	83
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	1,234	848
Thereof non-controlling interests	-582	-765
Earnings per share (in EUR)*	**0.19**	0.13

* Basic EPS corresponds to diluted earnings per share.

Reconciliation to comprehensive income from January 1 to March 31, 2013

EUR thousand	Q1 2013	Q1 2012*
Consolidated net income for the period	**652**	83
Items that were not reclassified to the income statement at a later date:		
Change in actuarial gains and losses from defined benefit pension commitments	-1,835	-733
Deferred taxes on items that were not reclassified to the income statement at a later date	547	218
Items that were reclassified to the income statement at a later date:		
Exchange rate fluctuations	2,484	-1,321
Net investments in a foreign operation	800	-768
Unrealized gains/losses from derivatives (hedge accounting)	0	438
Deferred taxes on items that were reclassified to the income statement at a later date	0	-171
Other result	**1,996**	-2,337
Total result	**2,648**	-2,254
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	2,678	-1,375
Thereof non-controlling interests	-30	-879

* Adjusted as a result of the impact of application of IAS 19R, see Basis of Presentation, Item A in the Notes

Consolidated balance sheet as of March 31, 2013

Assets in EUR thousand	03/31/2013	12/31/2012*
Non-current assets		
Intangible assets	53,716	52,389
Property, plant and equipment	95,132	92,816
Interests in associated companies	4,959	4,793
Other non-current assets	504	536
Deferred tax assets	17,175	16,709
Total non-current assets	**171,486**	**167,243**
Current assets		
Inventories	54,951	54,904
Trade receivables	43,978	39,949
Income taxes	6,865	5,839
Other assets	5,733	6,370
Cash and cash equivalents	20,383	25,330
Total current assets	**131,910**	**132,392**
Total assets	**303,396**	**299,635**

Equity and liabilities in EUR thousand	03/31/2013	12/31/2012*
Equity		
Subscribed capital	6,545	6,545
Share premium	50,741	50,741
Other comprehensive income	51,601	47,633
	108,887	104,919
Non-controlling interests	15,651	15,681
Total equity	**124,538**	**120,600**
Non-current liabilities		
Pension obligations	5,555	5,419
Other non-current provisions	3,070	2,787
Obligations from finance leases	14	22
Non-current financial liabilities	58,157	58,466
Deferred tax liabilities	13,479	13,535
Other non-current liabilities	324	660
Total non-current liabilities	**80,599**	**80,889**
Current liabilities		
Other current provisions	2,650	2,174
Obligations from finance leases	37	36
Current financial liabilities	35,785	40,774
Trade payables	43,828	38,450
Income taxes	626	709
Other current liabilities	15,333	16,003
Total current liabilities	**98,259**	**98,146**
Total equity and liabilities	**303,396**	**299,635**

*Adjusted as a result of the impact of application of IAS 19R, see Basis of Presentation, Item A in the Notes

Consolidated statement of changes in equity as of March 31, 2013

EUR thousand	Sub-scribed capital	Share premium	Other compre-hensive income	Consolida-ted equity of majority shareholders	Non-cont-rolling interests	Total equity
Balance at Jan. 1, 2012	**6,545**	**50,741**	**53,462**	**110,748**	**17,608**	**128,356**
Consolidated net income for the period	0	0	848	848	-765	83
Exchange rate fluctuations	0	0	-1,240	-1,240	-81	-1,321
Income and expense carried under equity (without exchange rate changes)	0	0	-983	-983	-33	-1,016
Total result 2012	**0**	**0**	**-1,375**	**-1,375**	**-879**	**-2,254**
Balance as of March 31, 2012*	**6,545**	**50,741**	**52,087**	**109,373**	**16,729**	**126,102**
Balance at Jan. 1, 2013	**6,545**	**50,741**	**48,923**	**106,209**	**15,681**	**121,890**
Consolidated net income for the period	0	0	1,234	1,234	-582	652
Exchange rate fluctuations	0	0	1,932	1,932	552	2,484
Income and expense carried under equity (without exchange rate changes)	0	0	-488	-488	0	-488
Total result 2013	**0**	**0**	**2,678**	**2,678**	**-30**	**2,648**
Balance as of March 31, 2013	**6,545**	**50,741**	**51,601**	**108,887**	**15,651**	**124,538**

*Adjusted as a result of the impact of application of IAS 19R, see Basis of Presentation, Item A in the Notes

Consolidated cash flow statement January 1 to March 31, 2013

EUR thousand		01/01/2013 - 03/31/2013	01/01/2012 - 03/31/2012
1.	Consolidated net income for the period	**652**	83
2.	Write-ups/write-downs of non-current assets	2,727	2,446
3.	Increase/decrease in provisions for pensions	136	96
4.	Income from associated companies	0	-213
5.	Result from the disposal of non-current assets	0	-7
6.	Result from currency conversion	**-1,701**	-617
7.	Result from deferred taxes	**-613**	-126
8.	Own work capitalized	-17	-11
9.	Expenses from impairment of inventories and receivables	21	0
10.	Other non-cash income and expense	-354	-424
11.	**Gross cash flow**	**851**	1,227
	Change in working capital		
12.	Increase/decrease in current provisions	759	121
13.	Increase/decrease in inventories (after advance payments received)	-50	3,174
14.	Increase/decrease in trade receivables	-4,028	-2,164
15.	Increase/decrease in other receivables	3	-275
16.	Increase/decrease in trade receivables	-1,027	0
17.	Increase/decrease in other assets	634	3,201
18.	Increase/decrease in trade payables	5,377	-1,416
19.	Increase/decrease in other liabilities	-123	-481
20.	Increase/decrease in other equity and liabilities	-1,016	-2,768
21.	**Net cash provided by (+)/used in (-) operating activities**	**1,380**	619
22.	Income from the disposal of assets	50	83
23.	Payments for investments in non-current assets	-1,607	-3,835
24.	Downstream purchase price paid for corporate acquisitions	0	-857
25.	**Net cash provided by (+)/used in (-) investing activities**	**-1,557**	-4,609
26.	Decrease in liabilities from finance leases	-6	0
27.	Income from taking out bank loans	1,539	13,596
28.	Payments for the repayment of bank loans	-6,838	0
29.	**Net cash provided by (+)/used in (-) financing activities**	**-5,305**	13,596
30.	Cash and cash equivalents – start of period	25,330	10,382
31.	Change in cash and cash equivalents	-5,482	9,606
32.	Currency translation for cash and cash equivalents	535	-167
33.	**Cash and cash equivalents - end of period**	**20,383**	19,821

Notes to the interim report as of March 31, 2013

A. Basis of presentation

SKW Stahl-Metallurgie Holding AG prepares its interim report according to International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). This interim report of SKW Stahl-Metallurgie Holding AG was prepared in line with International Financial Reporting Standards (IFRS) as these are to be applied in the European Union and the interpretations of the IFRS Interpretations Committee. With regard to the methods used for estimates the comments in the notes to the consolidated financial statements as of December 31, 2012, Section “C. Accounting and Valuation Principles“ also apply to this unaudited interim report. The SKW Metallurgie Group‘s 2012 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, 2012, which form the basis for these interim financial statements.

The new and revised accounting standards for which application has been mandatory since fiscal year 2013 form an exception. In this regard, for the interim report as of March 31, 2013 please refer to the comments made in the notes to the consolidated financial statements as of December 31, 2012 in Section “A. General Information and Presentation of the Consolidated Financial Statements”. IASB published changes to IAS 19 Employee benefits in June 2011, which were endorsed by the EU in June 2012. The changes to IAS 19 are, as a rule, to be applied with retroactive effect for financial statements for fiscal years beginning on or after January 1, 2013. The SKW Metallurgie Group has adjusted the figures reported for the previous year for the effects from the changes to IAS 19.

With regard to the methods used for estimates the comments in the notes to the consolidated financial statements as of December 31, 2012, 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 major seasonal fluctuations. In spite of this, however, a comparison of periods during the course of the year can be impacted by maintenance work to be conducted by the customers and active inventory management in the steel plants. However, these activities are not conducted in the same quarters each year.

B. Consolidated group

The consolidation methods applied have not changed compared to the 2012 consolidated financial statements.

C. Net assets, financial position and results of operations

Balance sheet

The SKW Metallurgie Group's total assets on March 31, 2013 amounted to EUR 303,396 thousand (December 31, 2012: EUR 299,635 thousand). The increase in total assets is due to an increase in non-current assets. In addition to net capital expenditure of EUR 1,557 thousand, consolidation-related exchange rate effects contributed to this growth. In addition, a higher amount of trade receivables also increased total assets. Cash and cash equivalents fell in the quarter under review by EUR 4,947 thousand, which is primarily due to the fact that it was possible to reduce financial liabilities by EUR 5,298 thousand at the end of fiscal year 2012 to EUR 93,942 thousand.

The key items of current assets are, as was the case in the previous year, inventories totaling EUR 54,951 thousand or 18.1% of total assets and trade receivables in the amount of EUR 43,978 thousand or 14.5% of total assets.

Equity on March 31, 2013 totaled EUR 124,538 thousand (December 31, 2012: EUR 120,600 thousand); the consolidated equity ratio was 41.0% on March 31, 2013, and thus practically constant compared to 40.2% on December 31, 2012 (all figures incl. non-controlling interests). The trade accounts payable increased in the first quarter of 2013 by EUR 5,378 thousand to EUR 43,828 thousand. It was thus possible to reduce the total amount of inventories, trade receivables and trade payables once again by EUR 1,302 thousand compared to December 31, 2012, to a current total of EUR 55,101 thousand.

Income statement

In the first quarter of 2013, the SKW Metallurgie Group recorded revenues of EUR 87,785 thousand compared to EUR 113,196 thousand in the same period of 2012. As a result, after the substantial reductions in revenue since the second quarter of 2012, one can see that demand has stabilized at a level only slightly lower than in the previous quarter. The gross margin – defined as the quotient between the sum of revenues, changes in inventories and own work capitalized to revenues – amounts to 30.6% in the quarter under review and has thus improved substantially compared to the first quarter of 2012 (27.7%).

Of the other operating income of EUR 2,422 thousand (Q1 2012: EUR 2,975 thousand), EUR 2,709 thousand mostly stems from exchange rate gains including exchange rate fluctuations which resulted as part of the consolidation of debt (Q1 2012: EUR 3,239 thousand). The currency translation gains are offset by corresponding currency translation losses, which are included in other operating expenses. The currency translation losses totaled EUR 1,008 thousand in the first three months of 2013 compared to EUR 2,372 thousand in the first quarter of the previous year. This resulted in a positive currency translation effect in the period under review of EUR 1.701 thousand compared to EUR 302 thousand in the first quarter of the previous year.

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

Net interest is lower year-on-year at EUR -1,272 thousand (previous year: EUR -1,541 thousand).This is due, in particular, to the fact that the previous year's figure includes one-off expenses of EUR 651 thousand in connection with the restructuring of the SKW Metallurgie Group's financing. In addition, the figure for the first quarter of 2012 includes capitalized interest of EUR 332 thousand in connection with our investment projects in Bhutan and Brazil, and there were no capitalizations in the quarter under review.

Consolidated net earnings for first quarter of 2013 totaled EUR 652 compared to EUR 83 last year. The group tax rate in the quarter under review totaled 36%. Non-controlling interests in the first three months of 2013 totaled EUR -582 thousand compared to EUR -765 thousand in the same period of the previous year.

Cash flow statement

The currency-adjusted consolidated net income in the first quarter of 2013 totaled EUR -1,049 thousand, higher than the corresponding figure from the first quarter of 2012 (EUR -534 thousand). Accordingly, the gross cash flow in the quarter under review totaled EUR 851 thousand and was lower than the previous year's figure of EUR 1,227 thousand.

In view of working capital, in Q1 2013 an inflow of funds of EUR 529 million was recorded, after a cash outflow of EUR 608 thousand in Q1 2012. The SKW Metallurgie Group thus recorded net proceeds from operating activities of EUR 1,380 million compared to EUR 619 million in the first quarter of 2012.

Net cash used in investing activities amounted to EUR 1,557 thousand compared to EUR 4,609 thousand in the same period of the previous year. There was net cash used in financing activities in the amount of EUR 5,305 thousand compared to net cash provided by financing activities of EUR 13,596 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 2,585 thousand

→ Income tax payments totaling EUR 925 thousand

D. Segment reporting

At present the SKW Metallurgie Group is broken down into business segments in line with the regulations under IFRS 8. These segments correspond to the SKW Metallurgie Group's internal organization and reporting structure. 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 2013 is as follows:

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

In the subsequent table, the relevant segement data are shown for the previous year:

Q1 2012 in EUR thousand	Cored Wire	Powder and Granules	Other	Conso-lidation	Group
Revenues					
Third-party revenues	51,735	54,313	7,148	0	113,196
Internal revenues	121	4,274	0	-4,395	0
Total revenues	**51,856**	**58,587**	**7,148**	**-4,395**	**113,196**
EBITDA	**1,376**	**5,577**	**-986**	**0**	**5,967**
Amortization/depreciation	-573	-1,518	-355	0	-2,446
EBIT	**803**	**4,059**	**-1,341**	**0**	**3,521**

E. Related parties

There were no major changes in key transactions with related parties in the period under review compared to the 2012 consolidated financial statements.

F. Contingent receivables and liabilities

The SKW Metallurgie Group's contingent receivables and liabilities did not change materially compared to December 31, 2012.

G. 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.

H. Shareholder structure

There were the following shareholdings in the SKW Metallurgie Group that carry a reporting requirement according to the WpHG (German Securities Trading Act) (3% or more of total voting rights) on March 31, 2013:

Name	Registered office	Number of shares	Shares held correspond to	Date	Remarks
LBBW Asset Management Investmentgesellschaft mbH	Stuttgart, Germany	331,599	5.07%	September 23, 2010	
N más Uno IBG, S.A.	Madrid, Spain	360,051	5.50%	November 7, 2012	two notifications for the same shareholding
EQMC Europe Development Capital Fund plc.	Dublin, Ireland	336,340	5.14%	November 16, 2012	
Mellinckrodt 1	Luxemburg-Strassen, Luxembourg	654,915	10.01%	December 28, 2012	
Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte	Tübingen, Germany	388,625	5.94%	January 11, 2013	
Kreissparkasse Biberach	Biberach, Germany	200,803	3.0681%	March 27, 2013	two notifications for the same shareholding

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.

The notifications of voting rights were disseminated throughout Europe by the service provider DGAP/Equity Story The original wording of the notifications can be viewed online at www.dgap.de.

The members of the Executive and Supervisory Boards together held less than 1% of SKW Metallurgie shares on March 31, 2013.

Unterneukirchen (Deutschland), May 2013

SKW Stahl-Metallurgie Holding AG
The Executive Board

Ines Kolmsee	Oliver Schuster	Reiner Bunnenberg
CEO		

Financial Calendar 2013 (remaining)

June 11, 2013
in München, Germany

→ Annual General Meeting

August 14, 2013

→ Publication of business figures first half year 2013

November 15, 2013

→ Publication of business figures first nine months 2013

November 2013
during “Eigenkapitalforum“ (Equity Forum) in Frankfurt/M., Germany

→ Analysts‘ Conference

May be subject to change.

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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 May 15, 2013 and is available at www.skw-steel.com to download free of charge.

Growth with Substance

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