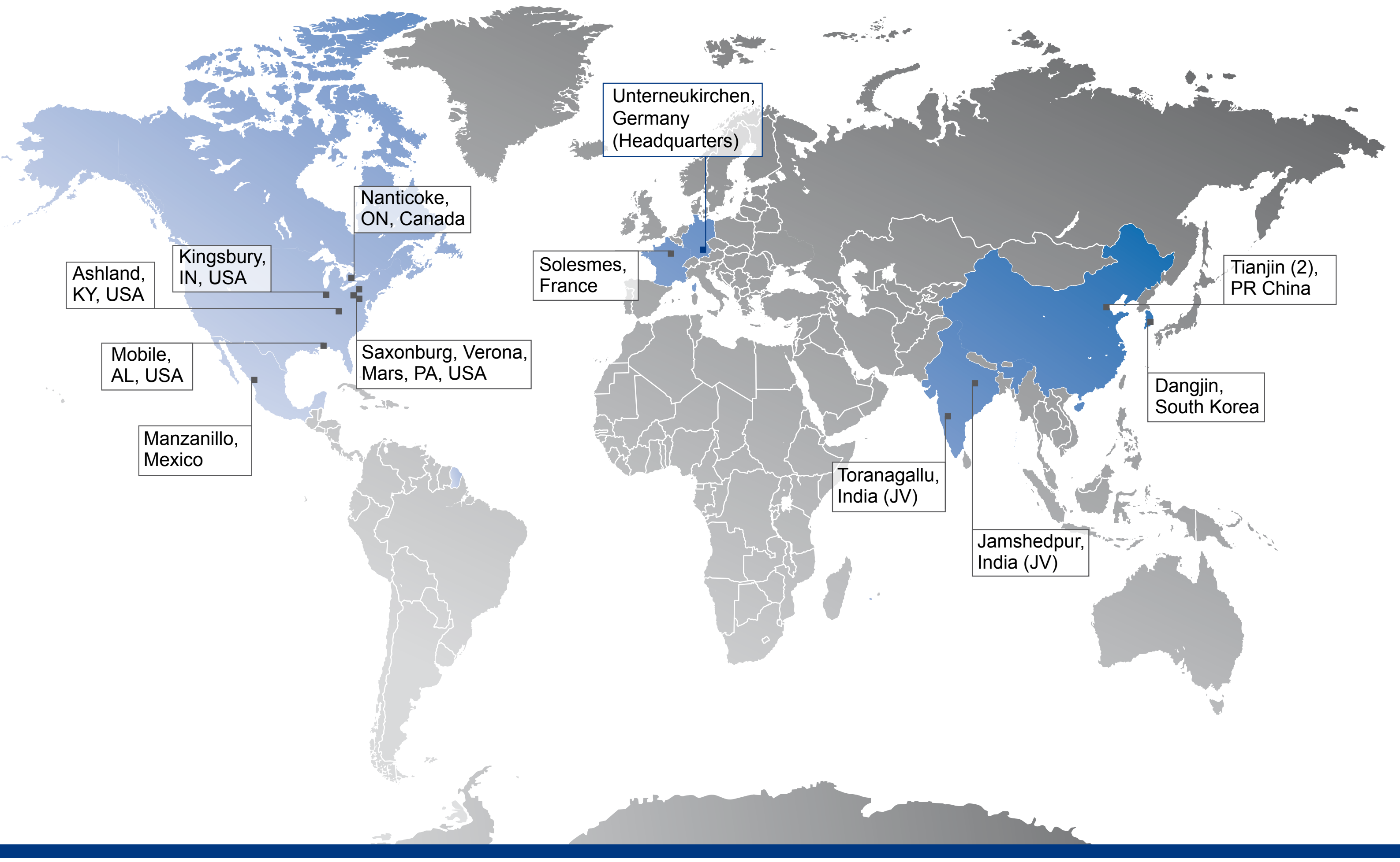
Financial Report for the 1st Half of 2009

Growth with Substance

skw. metallurgie



Shown are the locations of the production plants and of corporate headquarters, as at June 30, 2009.

THE SKW METALLURGIE WORLD IN FIGURES

Key Figures	Unit	H1 2009	H1 2008
Revenues	EUR million	93.2	183.4
EBITDA	EUR million	0.8	16.6
EBIT	EUR million	-2.2	13.2
EBT	EUR million	-3.5	12.0
Consolidated net income (before min.)	EUR million	-2.7	7.9
EPS	EUR	-0.60	1.78
Gross margin		26.4%	25.2%
EBITDA margin		0.9%	9.1%
Amortization and depreciation	EUR million	2.9	3.4
Gross cash flow	EUR million	-0.7	11.0
Net cash from operating activities	EUR million	18.4	-8.5
		June 30, 2009	**Dec. 31, 2008**
Total equity&liabilities	EUR million	166.6	196.8
Equity (incl. min.)	EUR million	78.5	83.8
Equity ratio (incl. min.)		47.1%	42.6%
Net financial debt	EUR million	32.6	44.9

INTERIM MANAGEMENT REPORT FOR THE SKW METALLURGIE GROUP FOR THE FIRST SIX MONTHS OF 2009

UNDERLYING ECONOMIC CONDITIONS 2009

GLOBAL RECESSION COMING TO AN END

Experts at the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD) are unanimous in their opinion that the global recession is coming to an end. The economy is expected to bottom out in the second half of 2009. The OECD has lifted its forecasts for individual regions such as the USA or emerging nations such as China, compared to its most recent, very pessimistic estimates. However, the IMF still does not see much positive impetus for the euro zone and Germany.

Gross domestic product in all of the industrial nations is expected to fall by 3.8% in 2009. The US economy is expected to record a downturn of 2.6%. The current crisis will have a much stronger impact on countries which depend to a particularly great degree on exports, including Japan (-6.0%) and Germany (-6.2%). According to the IMF, the entire euro zone will have to take a downturn in economic output of 4.8% in 2009. The extensive economic programs put in place by the Chinese government mean that this economy will again enjoy dynamic 7.5% growth this year. India will also enjoy disproportionately high growth at 5.4%. In general, growth in almost all of the so-called emerging nations will be very robust. The exceptions will be the commodities-dependent BRIC states of Russia (-6.5%) and Brazil (-1.3%), where economic performance is expected to decrease in 2009.

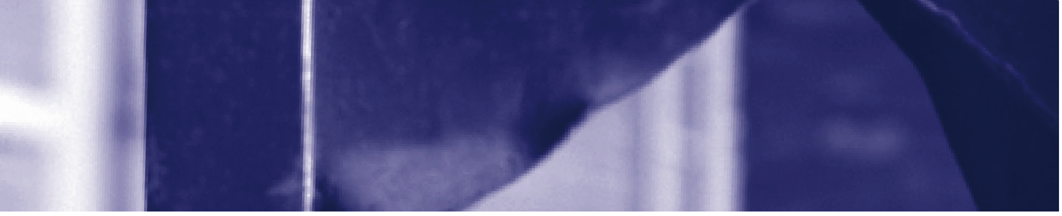
However, according to statements by the OECD the global economic recovery has weak foundations. The situation is getting back to normal in the financial sector; however, there are still unquantifiable risks from additional threatened write-downs in this sector. The issue of new credit is thus correspondingly slow, with some loans carrying high risk premiums. Experts are also not ruling out social unrest as a result of the anticipated increases in unemployment figures, including in many industrial nations.

GLIMMER OF HOPE FOR STEEL PRODUCTION

Steel is the most important customer industry for the SKW Metallurgie Group; more than 90% of consolidated revenues stem from steel producers. Broken down into steel types, the SKW Metallurgie Group's top quality products tend to be used in high and higher-quality steels. In terms of geographic markets, steel production in Europe and North America in particular is key for the SKW Metallurgie Group.

After massive slumps in steel production, some of which exceeded 50%, in the first six months of the year, there is an initial glimmer of hope for traditional steel-producing countries in Europe, North America and Japan as order intake is starting to pick up again.

Global steel production slumped by 21% through to the end of June. If we remove the stable (+1.2%) growth in China, the largest steel-producing country, from these figures, the downturn was even 35%, and 52% in the USA, which was particularly heavily affected (EU: -43%). However, in June an increasing number of steel producers noted that capacity uptake was increasing. Steel prices are also increasing slightly, with the result that they are cautiously optimistic again for the second half of the year. Experts believe that capacity uptake in the steel sector in industrial nations will increase from less than 50% in some cases to up to 65% by the end of the year. An increasing number of furnaces that had been taken out of operations are starting production again. As a result of the global



recession, according to information by the World Steel Association (most recently available information from the end of April 2009), there is still expected to be a massive downturn of around 15% to 1,019 million tons in 2009. The organization believes that there will be substantially disproportionate downturns in the USA and Europe, and that there will be a comparatively moderate downturn in the BRIC countries (Brazil, Russia, India and China). China's share of global steel consumption could pass the 40% mark in 2009 for the first time (2008: 35.6%).

DEMAND FOR SKW METALLURGIE'S PRODUCTS MOSTLY IN LINE WITH STEEL PRODUCTION

As a result of the very weak growth in the global economy in general described above, and more specifically in the steel industry, demand for the SKW Metallurgie Group's products in the year to date has fallen greatly compared to the previous year. The forecasts for the markets that SKW Metallurgie serves are also for a downturn over 2009 as a whole compared to the record-breaking 2008. During the first six months of 2009, the KPIs for the second quarter were down again compared to the first quarter. In view of the increase in demand recorded from the middle of 2009, there is potential for SKW Metallurgie for the second half of the year to record increases in revenues and earnings compared to the first half of the year.

ORGANIZATION AND COMPANY STRUCTURE

The company's annual general meeting was held in München (Germany) on June 4, 2009. This meeting agreed to enlarge the company's non co-determined Supervisory Board from three to six members. This became effective when it was entered in the commercial register. At the same time, the general meeting elected new members to the Supervisory Board. Since June 15, 2009, the company's Supervisory Board thus comprises Ms. Sabine Kauper, and Messr. Armin Bruch, Jochen Martin, Dr. Dirk Markus, Dr. Christoph Schlünken and Titus Weinheimer. In the inaugural meeting of the new Supervisory Board, it elected Titus Weinheimer as its Chairman and Jochen Martin as its Deputy Chairman.

In addition, the general meeting resolved to pay a dividend of EUR 0.50 (gross) per dividend-entitled share for business year 2008. This was paid on June 5, 2009.

The group's shareholder structure continues to be characterized by the fact that the shares are almost entirely held in free float. At the end of the first six months, the UK pension fund BriTel Fund Nominees Limited continued to hold an interest in the group of between 5% and 10%; all of the other shareholders hold interests of less than 5% in SKW Stahl-Metallurgie Holding AG's unchanged share capital.

COMPANY AND BUSINESS GROWTH

COURSE OF BUSINESS IMPACTED BY GLOBAL ECONOMIC CRISIS

The figures published for the first half of 2009 include an extraordinary factor of EUR 0.4 million (H1 2008: no extraordinary factors). This is due to the increase in the provision for a possible fine in the European antitrust proceedings in the calcium carbide and magnesium sector. After a provision of EUR 6.2 million was already formed in this regard in 2008, the total provision now amounts to EUR 6.7 million. This amount comprises the total fine detailed in the penalty notice of EUR 13.3 million, as well as an assumed 50/50 split between SKW Metallurgie and the former parent Groups ARQUES and Evonik, which are in part jointly liable. In addition, the provisions for legal advice were also increased by EUR 0.4 million in this connection. This is due to a notice by the European Commission which was received at the end of July, i.e., after the end of the period under review, but prior to preparation of these interim financial statements, and which is thus an adjusting event. SKW Metallurgie does not accept all of the points of the argument in the penalty notice, and is currently investigating legal action against the notice, in particular regarding the amount of the fine.

Irrespective of this extraordinary provision, and thus focusing on the SKW Metallurgie Group's operating structure, it is possible to make a reasonable comparison of the first half of 2008 and the first half of 2009, because, with the exception of the plant which opened in Mexico in the third quarter of 2008, the group of consolidated entities was identical in terms of the production facilities and the operating companies.

This shows that the SKW Metallurgie Group's business was marred significantly by the global economic and financial crisis in the period from January to June 2009; all of the KPIs from the income statement are lower than the comparable figures for the first half of 2008. Within the first half of the year, we can see that all of the KPIs in the income statement in the second quarter of 2009 were down again compared to the first quarter of the year. At the same time, the balance sheet and the cash flow statement at the end of the first half of the year show that the company has a solid financial footing with high cash generation, and is able to finance the group's intended expansion into high-growth regions during the scheduled periods.

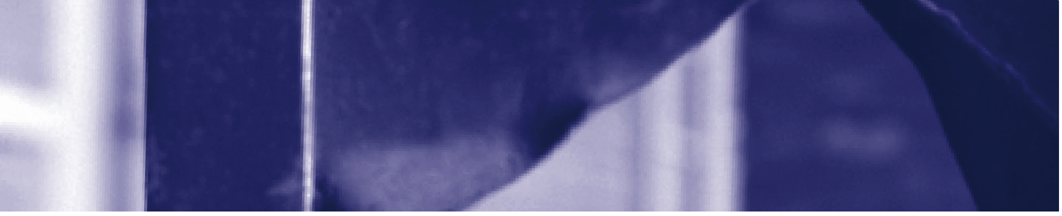
REVENUES SIGNIFICANTLY LOWER

The SKW Metallurgie Group's revenues fell significantly in the first six months of 2009 compared to the previous year – from EUR 183.4 million to EUR 93.2 million. This downturn is due to sales volumes, as fewer of SKW Metallurgie's products were required as a result of the greatly throttled global steel production. In addition, the SKW Metallurgie Group's selling prices developed in line with the prices of commodities that the SKW Metallurgie Group requires (passing on changes in commodity prices). In the first six months of 2009 these prices were lower than in the first half of 2008.

A regional analysis shows that steel production in Q1 was down approx. 50% year-on-year on SKW Metallurgie's core markets of the European Union and USA (EU: -43.2%; USA: -51.8%), while the other regions in the world recorded significantly lower downturns and in part even slight increases. However, as the SKW Metallurgie Group records the bulk (approx. 90%) of its revenues with customers in the EU and USA, consolidated revenues in these countries developed in line with steel production in these countries and was down by approx. 50% in H1 2009 compared to H1 2008.

These figures confirm that developments in steel production, in particular on the geographic markets which are relevant for the SKW Metallurgie Group, are an excellent indicator for the quantities of SKW Metallurgie's products, as demand by steel plants goes practically hand-in-hand with the quantity of steel produced, and also because stocks of SKW Metallurgie's products at the steel plants are relatively low.

These figures also underscore the SKW Metallurgie Group's clear dependence on countries in the EU and on the USA, and thus confirm the SKW Metallurgie Group's strategy of penetrating new markets outside Central Europe and North America. This increase in the SKW Metallurgie Group's market position in the so-called BRIC countries (Brazil, Russia, India and China) will be consistently continued despite the economic and financial crisis. As a result, at the latest in 2010 there will be a significant increase in the group's presence in Brazil, Russia and India/Bhutan; the group's presence on the Chinese market with two plants dates back to 2007.



A figure which is particularly relevant for the SKW Metallurgie Group's operating output is the development of its gross margin. This totaled 26.4% in the first half of 2009, and continues to be higher than in the previous year (25.2%). However, as had been expected it was not possible to maintain the extraordinarily high gross profit margin in the first quarter (27.1%) in the second quarter (24.7%). In addition, it must be noted that write-downs have been made for inventories which date from before the economic and financial crisis. At present it is possible to sell some of these inventories only at prices below purchase price.

Personnel expenses were clearly lower than in the previous year at EUR 11.3 million (EUR 15.6 million). This downturn is due in particular to the lower variable remuneration components, the lower number of employees resulting from staff cuts and the implementation of short-time work in Germany (from May 2009) and France.

Other operating income is significantly higher than in the previous year at EUR 2.9 million (EUR 0.6 million). Of this total, EUR 1.5 million (previous year: EUR 0.4 million) is due to currency translation gains, which were compensated for by corresponding currency translation losses of EUR 1.3 million (previous year: EUR 0.6 million), which are carried under other operating expenses. The net effect from currency translation is thus just EUR +0.2 million (previous year: EUR -0.2 million).

Including these currency translation losses, other operating expenses fell from EUR 17.4 million to EUR 14.2 million. After adjustment for the increase in the provision for a possible antitrust fine of EUR 0.4 million, other operating expenses even fell to EUR 13.8 million. This downturn is due, in particular, to the high proportion of revenue-related expenses (e.g., freight and sales commission).

The income from associated companies which result exclusively from the Indian joint venture Jamipol, totaled EUR 0.4 million in H1 2009, on a par with the previous year's figure (EUR 0.5 million).

H1 EBITDA REMAINS POSITIVE

As a result of the high variability that the SKW Metallurgie Group has for its cost items above its EBITDA, it was possible to still record positive operating EBITDA during the period under review of EUR 1.2 million despite the significant downturn in revenues caused by the global economic and financial crisis, however this is significantly lower than the previous year's figure of EUR 16.6 million. The downturn in revenues was so significant in the second quarter, that it was no longer possible to fully cover the at least current fixed costs, resulting in negative operating EBITDA for the quarter of EUR -0.8 million – the first negative EBITDA for a quarter since the IPO.

The disclosed (non-operating) EBITDA for the first six months of 2009 totals EUR 0.8 million, as this includes the increase in the provision for a possible antitrust fine of EUR 0.4 million.

Amortization and depreciation in the period under review totaled EUR 2.9 million, less than the previous year's figure of EUR 3.4 million. This downturn is due, in particular, to the amortization of advantageous supply agreements in the first quarter of 2008. These had to be capitalized as part of the first consolidation of the ESM Group.

EBIT totaled EUR -2.2 million in the first six months (of which operating: EUR -1.8 million), significantly lower than in the previous year (EUR 13.2 million).

Net interest is on a par with the previous year (EUR 1.2 million), with net interest expense of EUR 1.3 million.

Taking interest into account, earnings from ordinary activities (EBT) totaled EUR -3.5 million (previous year: EUR 12.0 million).

Tax income in the first half of the year totaling EUR 0.8 million (previous year: tax expenses of EUR 4.1 million), with the result that the consolidated earnings for the period totaled EUR -2.7 million (previous year: EUR 7.9 million). Of this total, EUR -2.6 million is due to the parent company's shareholders (previous year: EUR 7.8 million). The number of shares remains unchanged at 4,422,250, which results in earnings per share (EPS) of EUR -0.60 in the first six months of the year (previous year: EUR 1.78).

SKW METALLURGIE GROUP'S BALANCE SHEET CONTINUES TO BE SOLID

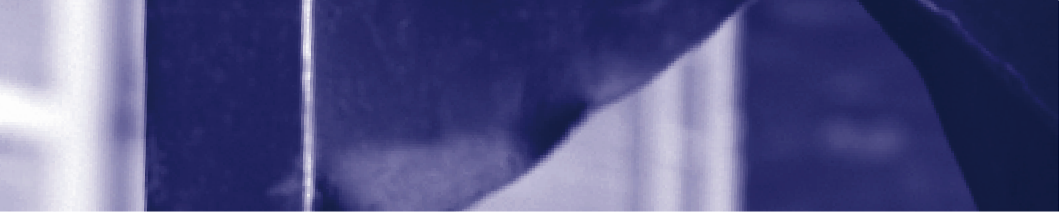
The following table shows the SKW Metallurgie Group's KPIs from its balance sheet at the end of the first six months of 2009 and at the end of business year 2008:

IN EUR MILLION	JUNE 30, 2009	DEC. 31, 2008
ASSETS	**166.6**	**196.8**
Non-current	69.4	68.6
Current	97.2	128.2
Thereof cash and cash equivalents	11.3	9.6
EQUITY AND LIABILITIES	**166.6**	**196.8**
Equity	78.5	83.8
Non-current liabilities	26.0	28.9
Thereof non-current financial liabilities	14.9	17.1
Current liabilities	62.1	84.0
Thereof current financial liabilities	29.0	37.4

The impact of the economic and financial crisis and the focus on reducing debt have lead to a significant 15% reduction in total assets to EUR 166.6 million as of June 30, 2009 compared to EUR 196.8 million at the end of 2008. Equity (including minority interests) fell from EUR 83.8 million (December 31, 2008) to EUR 78.5 million (June 30, 2009). The reduction in borrowing was much greater; in this regard, financial liabilities in particular were reduced, and also trade accounts payable as a result of the downturn in operating business. On the assets side, in particular the total current assets have fallen: Both inventories and also trade receivables were lower.

The **equity ratio** (incl. minority interests) increased significantly from 42.6% as of December 31, 2008 to 47.1% as of June 30, 2009.

This was primarily due to the fact that the SKW Metallurgie Group's **net financial debt** at the end of June 2009 fell significantly by EUR 12.1 million from EUR 44.9 million as of December 31, 2008 to EUR 32.6 million as of June 30, 2009. This was due to the reduction in net current assets and thus also to the requirements for current borrowing and the further reduction in non-current loans. This means that SKW Metallurgie's management was able to successfully continue its focus on optimizing the balance sheet structure and generating cash that it declared at the start of the fourth quarter of 2008. The SKW Metallurgie Group's net financial debt almost halved between September 30, 2008 (EUR 55.0 million) and June 30, 2009 (EUR 32.6 million) by EUR 22.2 million.



BORROWING SECURED LONG-TERM - LINES OF CREDIT FAR FROM BEING EXHAUSTED

The net financial debt of EUR 32.6 million as of June 30, 2009 comprises non-current financial liabilities of EUR 14.9 million, current financial liabilities of EUR 29.0 million and offsetting cash and cash equivalents totaling EUR 11.3 million.

Current loans are used, in particular, to finance working capital. SKW Metallurgie has lines of credit with several banks to finance these current borrowing requirements. These Group-wide lines of credit totaled approx. EUR 40 million on June 30, 2009. It was possible to extend the current lines of credit indefinitely despite the economic and financial crisis. The amount of the lines of credit is fixed in the contracts, and continues to apply with no restrictions even during the economic and financial crisis. Just approx. 50% of these current lines of credit have been used, with the result that the SKW Metallurgie Group will not be hit by the so-called credit crunch in its further operating growth, even in the event of increases in commodity prices.

By far the bulk of the non-current credit comprises the as yet unredeemed portions of two acquisition loans from 2007. The larger portion is due to a bank loan to finance the acquisition of the ESM Group, and the smaller portion is due to a loan from the seller (Evonik Group) to finance the acquisition of the Quab business.

In the case of the bank loan to finance the acquisition of the ESM Group, and thus the larger portion of the non-current financial liabilities, it was possible that the so-called financial covenants could have been breached as a result of the economic and financial crisis. As a precautionary measure, SKW Metallurgie thus re-negotiated the credit conditions; this ruled out the possibility that this loan could become due prematurely as a result of the economic and financial crisis. The interest rate increased slightly as a result of these negotiations, however it continues to be very much in line with the markets.

A provision totaling EUR 6.7 million has now been formed as a result of the increase in the provision for a possible antitrust fine. This amount assumes that the former parent Groups ARQUES and Evonik, who are also each jointly liable for part of the fine to be paid by the SKW Metallurgie Group, will bear 50% of the total fine of EUR 13.3 million. These amounts would fall if it is possible to reduce the fine to be paid to the European Commission. As already discussed in the 2008 annual financial statements, the SKW Metallurgie Group carries the amount of a possible fine as a gross amount; if it is possible to successfully take recourse to a third party, be this an individual or legal entity, the net charges would be correspondingly lower.

STRONG CASH FLOW FROM OPERATING ACTIVITIES

The following table shows the changes in the SKW Metallurgie Group's cash flow from January 1 to June 30, 2009 compared to the first corresponding six months of 2008:

IN EUR MILLION	JAN. 1 – JUNE 30, 2009	JAN. 1 – JUNE 30, 2008
Consolidated net income for the period	-2.7	7.9
Non-cash income and expense	2.0	3.1
Gross cash flow	-0.7	11.0
Change in working capital	19.1	-19.5
Net cash provided by operating activities	18.4	-8.5

The gross cash flow of EUR -0.7 million is substantially lower than the previous year's figure of EUR 11.0 million. This downturn is mostly due to the significant reduction in consolidated net income for the period as a result of the financial and economic crisis.

The first half of 2009 was characterized, in particular, by marked cash generation. The net cash provided by operating activities totaled EUR 18.4 million (previous year: EUR -8.5 million) despite the negative gross cash flow of EUR -0.7 million. This is due, in particular, to the downturn in net current assets of EUR 19.1 million since the start of 2009.

SEGMENT REPORTING

The SKW Metallurgie Group currently comprises three segments: The two core segments of "Cored Wire" and "Powder and Granules" as well as the "Other" segment (including Quab business). Intra-group sales between the segment are eliminated in the Consolidation column (see segment reporting in the Notes).

The two segments "Cored Wire" and "Powder and Granules" mostly include products and services for the steel industry and their composition remains unchanged compared to the first half of the previous year.

The "Other" segment was increased compared to the previous year to include the non-steel Quab business. This division still formed its own segment in 2008. As a result of the application of IFRS 8 and the fact that the size criteria were not met, the Quab business is no longer presented as a stand-alone segment.

The two core segments grew as follows during the six months under review:

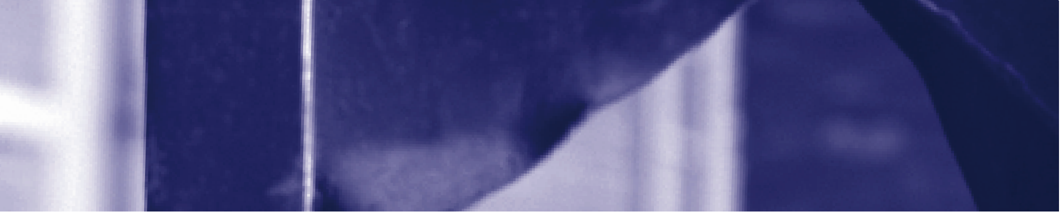
- The "Cored Wire" segment recorded segment EBITDA in the first six months of EUR 0.2 million (previous year: EUR 5.0 million) as a result of the lower external revenues caused by the economic and financial crisis (change from EUR 75.1 to EUR 38.6 million).

- In the Powder and Granules segment, external revenues in the first six months fell from EUR 96.6 million to EUR 47.0 million as a result of the significant slump in steel production. Segment EBITDA fell from EUR 12.0 million to EUR 0.6 million.

Both segment results reflect the high cost variability (above EBITDA) and the results of the cost optimization programs that the SKW Metallurgie Group has already put in place. Management has succeeded in realizing positive EBITDA despite massive reductions in income thanks to successful cost management.

FOCUS ON FURTHER DEVELOPMENT OF HIGH TECHNICAL COMPETENCE

Well-trained, highly motivated employees were again a key foundation for the SKW Metallurgie Group's successful business activities during the six months under review, in particular given the difficult economic environment. In spite of this, however, the SKW Metallurgie Group was not able to avoid reacting to the significant reduction in demand via HR activities. After the number of employees had already been cut from 563 at the end of 2007 to 516 as of December 31, 2008, staff



levels were reduced still further to 463 employees as of June 30, 2009. Most of the staff cuts were made in North America. In addition, SKW Metallurgie employees in Germany and at the French plant in Solesmes were on short-time work in the first half of 2009.

In the six months under review, research and development (R&D) was once again a key USP for the Group; the successful business policy employed in 2008 was also continued in this division. In particular, new areas of application for the SKW Metallurgie Group's products were developed during the period under review with specialty cored wires for the foundry industry and also for the copper industry. In the foundry sector, a strategic alliance was concluded with the Norwegian Elkem group, which also includes in-depth R&D cooperation. Initial revenues will already be recorded in the second half of 2009 with this increased product range.

REALIZING OPPORTUNITIES – LIMITING RISKS

Managing opportunities and risks is an integral part of the SKW Metallurgie Group's management. Recognizing and evaluating opportunities and risks, and putting suitable activities in place if required to make optimum use of opportunities and limit risks is an ongoing process in the SKW Metallurgie Group. As a result, the risk inventory performed in 2008 was further updated in the first six months of 2009 in the form of the quarterly risk report. This report analyzed, in particular, the impact of the economic and financial crisis. Current developments with regard to the antitrust investigations by the European Commission are described in the report on events after the balance sheet date. The risk report did not result in any other material changes compared to the statements on opportunities and risks made in the 2008 annual report.

REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

The European Commission outlined its decision in the antitrust investigations against European suppliers of calcium carbide and magnesium on July 22, 2009. The affected companies in the SKW Metallurgie Group were provided with the full decisions together with the reasons on July 27, 2009. A fine totaling EUR 13.3 million (joint liability) has been imposed against SKW Metallurgie Group companies. Of this total, EUR 1.0 million is due to the joint liability with the former parent Group Evonik.

These fine notices were received prior to preparation of these interim financial statements, and were thus classified as being an adjusting factor. As a result, the provision for a possible fine under antitrust law has been increased by EUR 0.4 million. As a result of this increase the provision now totals EUR 6.7 million. This amount assumes that the former parent Groups ARQUES and Evonik, who are also each jointly liable for part of the fine to be paid by the SKW Metallurgie Group, will bear 50% of the total fine of EUR 13.3 million. These amounts would be lower if it is possible to reduce the fine to be paid to the European Commission. As already discussed in the 2008 annual financial statements, the SKW Metallurgie Group carries the amount of a possible fine as a gross amount; if it is possible to successfully take recourse to a third party, be this an individual or legal entity, the net charges would be correspondingly lower.

After the end of the six months under review on June 30, 2009, there were no further transactions and events of significance to the group which occurred before this interim management report was prepared.

OUTLOOK FOR 2010

FORECASTS FOR GLOBAL ECONOMY PICKING UP AGAIN

In its most recent study dated July 2009, the International Monetary Fund (IMF) has forecast that the global economy will recover significantly faster than in its previous forecasts. The IMF has increased its forecast for global economic growth in 2010 from its previous figure of 1.9% to 2.5%. The organization has stated that the stabilization of the financial markets, the massive economic programs in almost all industrial nations and intervention by central banks are the key reasons for this development. The Organization for Economic Cooperation and Development (OECD) is also significantly more confident about 2010. It is forecasting an increase in GDP in the US of 0.9%. However, recovery from the economic and financial crisis will be slower in the euro zone, and it is thus only possible to forecast stagnation. According to the OECD forecast, Germany can expect a slight recovery of 0.2%, other experts believe that the recovery will be even stronger. The increase in demand from emerging nations will drive this recovery. According to the OECD and the IMF, growth in BRIC countries will again by very dynamic in 2010: Brazil (up 4.0%) and Russia (up 3.7%) will enjoy notable growth again after the economic dip in 2009. Even stronger growth rates are being forecast for China (up 9.3%) and India (up 7.3%) and also for most of the other Eastern and South-Eastern Asian emerging nations.

EXPERTS BELIEVE DEMAND FOR STEEL WILL RECOVER IN 2010

In mid-2009, the forecasts for global demand for steel in calendar year 2010 are currently still associated with major insecurities. In view of the significantly more confident forecasts for the global economy's growth and in view of the anticipated positive impact of the economic programs from the second half of 2009, in particular with regard to infrastructure, global steel consumption is also expected to increase again substantially. Industry experts believe that a further increase in steel producers' capacity utilization to 75% to 80% is possible. The umbrella organization, the World Steel Association, has announced a detailed annual forecast for 2010, albeit only in October 2009. The SKW Metallurgie Group expects demand for its products to continue to grow more or less in step with demand for steel.

GUIDANCE FOR 2011 CONFIRMED

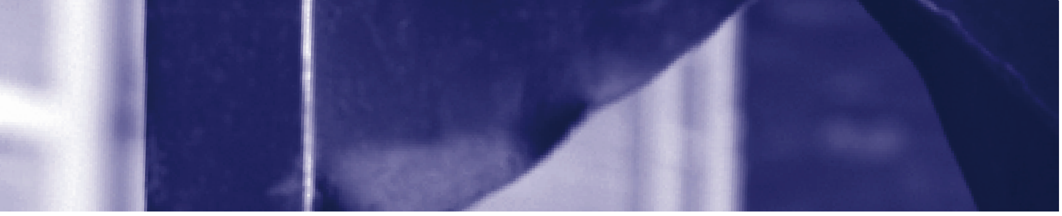
The World Steel Association has forecast a downturn in global steel production by 14.9% to 1,019 million tons for 2009. This downturn will impact industrial nations at a disproportionately high level. Revenues and operating EBITDA for the SKW Metallurgie Group will thus be significantly lower than the figures for business year 2008. However, the Managing Board believes that it will still be possible to record positive net operating results.

Assuming an economic recovery from 2010, the Managing Board is confident that, at the latest in 2011, it will again be able to return to the profitable growth enjoyed before the economic and financial crisis. As a result, the Managing Board has confirmed the SKW Metallurgie Group's medium-term targets of recording revenues of EUR 360 million and an operating EBITDA margin of 9% in 2011.

Unterneukirchen (Germany), August 2009

SKW Stahl-Metallurgie Holding AG
The Managing Board

Ines Kolmsee Gerhard Ertl



RESPONSIBILITY STATEMENT BY THE MANAGEMENT

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 business year.

Unterneukirchen (Germany), August 2009

SKW Stahl-Metallurgie Holding AG
The Managing Board

Ines Kolmsee

Gerhard Ertl

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 – JUNE 30, 2009 AND APRIL 1 – JUNE 30, 2009

EUR THOUSAND	Q1-2 2009	Q1-2 2008	Q2 2009	Q2 2008
Revenues	93,157	183,360	43,156	102,399
Change in finished goods and work in progress	-1,455	2,132	-158	2,522
Other operating income	2,863	635	1,308	156
Cost of materials	-68,580	-137,115	-32,476	-78,128
Personnel expenses	-11,344	-15,576	-5,360	-8,429
Other operating expenses	-14,248	-17,371	-7,747	-9,255
Income from associated companies	360	500	120	250
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**753**	**16,565**	**-1,157**	**9,515**
Amortization of intangible fixed assets				
and depreciation of property, plant and equipment	-2,935	-3,389	-1,464	-1,429
Earnings before interest and taxes (EBIT)	**-2,182**	**13,176**	**-2,621**	**8,086**
Other interest and similar income	41	108	23	49
Interest and similar expenses	-1,338	-1,289	-713	-639
Result from ordinary activities	**-3,479**	**11,995**	**-3,311**	**7,496**
Taxes on income	828	-4,145	597	-2,986
Consolidated net profit/loss for the period	**-2,651**	**7,850**	**-2,714**	**4,510**
Thereof parent company	*-2,579*	*7,838*	*-2,670*	*4,504*
Thereof minority interests	*-72*	*12*	*-44*	*6*
Earnings per share (in EUR)	-0.60	1.78	-0.61	1.02

RECONCILIATION TO NON-OWNER MOVEMENTS IN EQUITY FROM JANUARY 1 TO JUNE 30, 2009

EUR THOUSAND	Q1-2 2009	Q1-2 2008	Q2 2009	Q2 2008
Consolidated net profit/loss for the period	**-2,651**	**7,850**	**-2,714**	**4,410**
Net investments in a foreign operation	-730	-1,491	-1,225	-72
Unrealized losses from derivatives (hedge accounting)	405	0	446	0
Changes in exchange rates	-295	-1,665	-1,782	518
Put option minority interests	0	-625	56	0
Taxes on income and expenses carried directly under equity	-158	0	-174	0
Income and expenses recognized directly under equity	**-778**	**-3,781**	**-2,679**	**446**
Non-owner movements in equity	**-3,429**	**4,069**	**-5,393**	**4,856**
Thereof parent company	*-3,352*	*4,100*	*-5,298*	*4,849*
Thereof minority interests	*-77*	*-31*	*-95*	*7*

SKW STAHL-METALLURGIE HOLDING AG
CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2009

ASSETS IN EUR THOUSAND	JUNE 30, 2009	DEC. 31, 2008
Noncurrent assets		
Intangible assets	31,201	32,195
Property, plant and equipment	28,448	27,115
Interests in associated companies	4,375	3,960
Other non-current assets	495	458
Deferred tax assets	4,834	4,863
Total non-current assets	**69,353**	**68,591**
Current assets		
Inventories	53,610	72,559
Trade accounts receivable	25,394	38,987
Income taxes	1,073	1,349
Other assets	5,814	5,689
Cash and cash equivalents	11,333	9,577
Total current assets	**97,224**	**128,161**
Total assets	**166,577**	**196,752**

EQUITY AND LIABILITIES IN EUR THOUSAND	JUNE 30, 2009	DEC. 31, 2008
Equity		
Subscribed capital	4,422	4,422
Share premium	29,144	29,144
Other accumulated equity	42,628	48,191
	76,194	**81,757**
Minority interest	2,292	2,085
Total equity	**78,486**	**83,842**
Non-current liabilities		
Pension obligations	1,778	1,677
Non-current provisions	103	0
Obligations from finance leases	51	175
Non-current financial liabilities	14,921	17,116
Deferred tax liabilities	9,105	9,339
Other non-current liabilities	25	566
Total non-current liabilities	**25,983**	**28,873**
Current liabilities		
Current provisions	8,091	7,289
Obligations from finance leases	252	242
Current financial liabilities	28,992	37,397
Trade accounts payable	16,537	26,597
Other tax liabilities	2,222	2,523
Other current liabilities	6,014	9,989
Total current liabilities	**62,108**	**84,037**
Total equity and liabilities	**166,577**	**196,752**

SKW STAHL-METALLURGIE HOLDING AG
CONSOLIDATED CASH FLOW STATEMENT AS OF JUNE 30, 2009

EUR THOUSAND	JAN. 1, 2009 - JUN. 30, 2009	JAN. 1, 2008 - JUN. 30, 2008
1. Consolidated net income/loss for the period	-2,651	7,850
2. Write-ups/write-downs for non-current assets	2,935	3,389
3. Increase/decrease in provisions for pensions	101	97
4. Net income from associates	-360	-500
5. Gains on the disposal of non-current assets	19	9
6. Gain/loss from currency translation	-248	232
7. Income/expense from deferred taxes	-107	288
8. Other non-cash income/expenses	-392	-354
9. Gross cash flow	**-703**	**11,011**
Change in working capital		
10. Increase/decrease in current provisions	905	443
11. Increase/decrease in inventories (after advance payments received)	19,030	-12,471
12. Increase/decrease in trade accounts receivable	13,853	-13,902
13. Increase/decrease in other receivables	4	1
14. Increase/decrease in other assets	-7	-181
15. Increase/decrease in trade payables	-10,415	12,461
16. Increase/decrease in other liabilities	-302	648
17. Increase/decrease in other equity and liabilities	-3,964	-6,504
18. Net cash received from (+)/used by (-) operating activities (net cash flow)	**18,401**	**-8,494**
19. Payments for investments in non-current assets	-3,721	-1,568
20. Purchase price paid for corporate acquisitions	0	-29
21. Capitalization of incidental acquisition costs	0	-130
22. Net cash provided by (+)/used in (-) investing activities	**-3,721**	**-1,727**
23. Decrease in liabilities from finance leases	-114	-112
24. Decrease/increase in financial liabilities	-10,599	9,647
25. Dividend payment - SKW Stahl-Metallurgie Holding AG	-2,211	-2,211
26. Net cash provided by (+)/used in (-) financing activities	**-12,924**	**7,324**
27. Cash and cash equivalents – start of period	9,577	6,811
28. Change in cash and cash equivalents	1,756	-2,897
29. Currency translation for cash and cash equivalents	0	-193
30. Cash and cash equivalents - end of period	**11,333**	**3,721**

SKW STAHL-METALLURGIE HOLDING AG
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR BUSINESS YEARS 2008 AND 2009

EUR THOUSAND	SUBSCRIBED CAPITAL	SHARE PREMIUM	OTHER RESERVES	CONSOLIDATED EQUITY OF THE CONTROLLING SHAREHOLDER	MINORITY INTERESTS	TOTAL EQUITY
Balance at Jan. 1, 2008	**4,422**	**29,144**	**40,924**	**74,490**	**1,680**	**76,170**
Consolidated net income for the period	0	0	7,838	7,838	12	7,850
Changes in exchange rates	0	0	-1,622	-1,622	-43	-1,665
Income and expense carried under equity (without exchange rate changes)	0	0	-2,116	-2,116	0	-2,116
Other changes	0	0	-352	-352		-352
Dividend payment	0	0	-2,211	-2,211	0	-2,211
Balance as of June 30, 2008	**4,422**	**29,144**	**42,461**	**76,027**	**1,649**	**77,676**
Balance at Jan. 1, 2009	**4,422**	**29,144**	**48,191**	**81,757**	**2,085**	**83,842**
Consolidated net loss for the period	0	0	-2,579	-2,579	-72	-2,651
Changes in exchange rates	0	0	-290	-290	-5	-295
Income and expense carried under equity (without exchange rate changes)	0	0	-483	-483	0	-483
Dividend payment	0	0	-2,211	-2,211	0	-2,211
Changes from minority interests	0	0	0	0	284	284
Balance as of June 30, 2009	**4,422**	**29,144**	**42,628**	**76,194**	**2,292**	**78,486**

NOTES TO THE INTERIM REPORT AS OF JUNE 30, 2009

A. BASICS

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). The information provided in the notes to the consolidated financial statements as of December 31, 2008 in Section "C. Key accounting policies" also apply to this unaudited interim report as of June 30, 2009. The SKW Metallurgie Group's 2008 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, 2008 which form the basis for these interim financial statements.

The new and revised accounting standards for which application has been mandatory since business year 2009 form an exception. Application of IAS 1 "Presentation of Financial Statements" (Revised 2007) means that the interim report as of June 30, 2009 includes the income statement and also a reconciliation to non-owner movements in equity which shows the components of the other comprehensive income. For the interim report as of June 30, 2009, for information on the other standards, revisions and interpretations for which application is also mandatory as of January 1, 2009, please refer to the comments made in the notes to the consolidated financial statements as of December 31, 2008 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, 2008, Section "C. Key Accounting and Valuation Principles" 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 group of consolidated companies and the consolidation methods applied have not changed compared to the 2008 consolidated financial statements

C. FINANCIAL POSITION AND RESULTS OF OPERATIONS

BALANCE SHEET

The SKW Metallurgie Group's total assets on June 30, 2009 amounted to EUR 166,577 thousand (December 31, 2008: EUR 196,752 thousand). The reduction in total assets is mostly due to the reduction in current assets. Both inventories and also trade receivables were lower.

The key items on the assets side are inventories totaling EUR 53,610 thousand or 32.2% of total assets, intangible assets totaling EUR 31,201 thousand or 18.7% of total assets, and property, plant and equipment of EUR 28,448 thousand or 17.1% of total assets.

Equity on June 30, 2009 totaled EUR 78,486 thousand (December 31, 2008: EUR 83,842 thousand). The group's equity ratio increased from 42.6% on December 31, 2008 to 47.1 % as of June 30, 2009 (incl. minority interests). Current financial liabilities totaling EUR 28,992 thousand were substantially lower than the figure on the previous year's balance sheet date of EUR 37,397 thousand. Non-current financial liabilities also fell to EUR 14,921 thousand compared to EUR 17,116 thousand in 2008. Net debt fell in the first half of 2009 by a total of EUR12,356 thousand from EUR 44,936 thousand as of December 31, 2008 to EUR 32,580 thousand as of June 30, 2009.

In July 2009, the European Commission informed SKW Stahl-Metallurgie Holding AG and its subsidiary SKW Stahl-Metallurgie GmbH that it would impose a fine of EUR 13,300 thousand jointly against ARQUES Industries AG, SKW Stahl-Metallurgie Holding AG and SKW Stahl-Metallurgie GmbH as part of the antitrust investigations against various European companies in the calcium carbide and magnesium sector. Of this total, EUR 1,040 thousand applies jointly to Evonik Degussa GmbH, AlzChem Hart GmbH and SKW Stahl-Metallurgie GmbH. As a result of its joint liability, the SKW Metallurgie Group has based the adjustment of its related provision on half of this amount, and has increased the provision formed in 2008 of EUR 6,232 thousand by EUR 418 thousand to EUR 6,650 thousand. In connection with the EU proceedings, the provision for the legal fees have also been increased by EUR 350 thousand. As a result, current provisions have increased from EUR 7,289 thousand in 2008 to EUR 8,091 thousand in 2009. The fine that has been jointly imposed could result in a maximum payment of EUR 13,300 thousand by the SKW Metallurgie Group.

INCOME STATEMENT

In the first half of 2009, the SKW Metallurgie Group recorded revenues of EUR 93,157 thousand compared to EUR 183,360 thousand in the same period of 2008. The downturn in revenues is mostly due to the lower demand for the SKW Metallurgie Group's products by steel manufacturers, which have had to drastically reduce the quantities of crude steel that they produce as a result of the difficult market.

Of the other operating income of EUR 2,863 thousand (H1 2008: EUR 635 thousand), EUR 1,539 thousand stems from exchange rate gains (H1 2008: EUR 408 thousand). These are offset by corresponding currency translation losses, which are included in other operating expenses. The exchange rate losses totaled EUR –1,292 thousand compared to the previous year's figure of EUR –639 thousand, which, at the end of the day, resulted in a positive currency translation effect in the quarter under review of EUR 247 thousand compared to a negative net currency translation effect of EUR –231 thousand in the previous year.

In total, expenses in 2009 fell compared to the previous year. It was possible to reduce expenses by cutting staff levels in the USA, by short-time work in France and Germany and by lower variable remuneration components in personnel expenses. These totaled EUR 11,344 thousand in 2009 compared to EUR 15,576 thousand in 2008. Other operating expenses totaled EUR 14,248 thousand in 2009, down significantly on the 2008 figure of EUR 17,317 thousand. This is mostly due to lower transport costs. These totaled EUR 3,727 thousand in 2009 compared to EUR 7,561 thousand in the previous year.

The financial result is down slightly year-on-year at EUR -1,297 thousand (previous year: EUR -1,181 thousand).

The consolidated net loss for the period totaled EUR –2,651 thousand as of June 30, 2009, compared to consolidated net income of EUR 7,850 thousand in the previous year. Minority interests in the first six months of 2009 totaled EUR -72 thousand compared to EUR 12 thousand last year.

CASH FLOW STATEMENT

Gross cash flow was down significantly year-on-year at EUR -703 thousand (previous year: EUR 11,011 thousand).

Despite its negative gross cash flow, the group recorded net cash provided by operating activities of EUR 18,401 thousand compared to net cash used in operating activities last year in the amount of EUR -8,494 thousand. This resulted in net cash provided of EUR 19,104 thousand in the first half of 2009 compared to net cash used of EUR –19,505 thousand in the previous year as a result of the change in net working capital.

During the first six months, the SKW Metallurgie Group recorded net cash used in investing activities in the amount of EUR -3,721 thousand. Financing activities used net cash totaling EUR -12,924 thousand. This cash was used exclusively to repay liabilities to third parties and to pay the dividend.

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

- Interest paid to third parties totaling EUR 1,118 thousand
- Interest received from third parties totaling EUR 37 thousand
- Income tax payments totaling EUR 1,279 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 2009 is as follows:

Q1-2 2009 IN EUR THSD	CORED WIRE	POWDER AND GRANULES	OTHER	CONSOLIDATION	GROUP
Revenues					
External revenues	38,623	47,030	7,504	0	93,157
Internal revenues	1	2,371	0	-2,372	0
Total revenues	38,624	49,401	7,504	-2,372	93,157
EBITDA	**241**	**594**	**-82**	**0**	**753**
Depreciation	-1,028	-1,393	-514	0	-2,935
EBIT	**-787**	**-799**	**-596**	**0**	**-2,182**

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

Q1-2 2008 IN EUR THSD	CORED WIRE	POWDER AND GRANULES	OTHER	CONSOLIDATION	GROUP
Revenues					
External revenues	75,112	96,609	11,639	0	183,360
Internal revenues	32	12,200	0	-12,232	0
Total revenues	75,144	108,809	11,639	-12,232	183,360
EBITDA	**4,970**	**11,988**	**-393**	**0**	**16,565**
Depreciation	-896	-2,088	-405	0	-3,389
EBIT	**4,074**	**9,900**	**-798**	**0**	**13,176**

E. TRANSLATION EFFECTS ON CONSOLIDATED EARNINGS

The following table shows the translation effects on revenues and EBITDA given a change of +/-5% in the EUR/USD exchange rate compared to the actual average exchange rate in the first half of 2009 ceteris paribus:

AVERAGE RATE Q1-2 2009	-5% (EUR/USD 1.2662)	(EUR/USD 1.3328)	+5% (EUR/USD 1.3994)
Revenues in EUR thousand	95.907	93.157	90.666
EBITDA in EUR thousand	812	753	699

F. RELATED PARTIES

There were no major changes in key transactions with related parties in the first six months compared to the 2008 consolidated financial statements.

G. CONTINGENT LIABILITIES

The SKW Metallurgie Group's contingent liabilities did not change materially compared to December 31, 2008.

H. KEY EVENTS AFTER THE BALANCE SHEET DATE

After the end of the first six months but before this interim report was prepared, the SKW Metallurgie Group has received decisions by the European Commission, which have been deemed an adjusting factor and which are further detailed in section C.

After the end of the first six months but before this interim report was prepared, no other events of particular importance for the Group have become known.

I. NOTIFICATIONS OF VOTING RIGHTS AND SHAREHOLDER STRUCTURE

There were the following shareholdings in SKW Metallurgie that carry a reporting requirement on January 1, 2009:

NAME	REGISTERED OFFICE	SHARES HELD	SHARES HELD CORRESPOND TO	DATE	REMARKS
Universal-Investment-Gesellschaft mbH	Frankfurt/M., Deutschland	134.500	3.04%	Sept. 24, 2007	
BriTel Fund Nominees Limited	London, United Kingdom	247,464	5.60%	Dec. 20, 2007	5 individual notifications for the same shareholding
Maga Smaller Companies Master Fund Limited	George Town, Cayman Islands	136,500	3.09%	Jan. 25, 2008	5 individual notifications for the same shareholding
Baden-Württembergische Investmentgesellschaft mbH	Stuttgart, Germany	148,613	3.36%	May 27, 2008	
	Total	**807,077**	**15.08%**		

The company received additional notifications of voting rights in the first six months of 2009. There were thus the following shareholdings in SKW Metallurgie that carry a reporting requirement on June 30, 2009:

NAME	REGISTERED OFFICE	SHARES HELD	SHARES HELD CORRESPOND TO	DATE	REMARKS
BriTel Fund Nominees Limited	London, United Kingdom	247,464	5.60%	Dec. 20, 2007	5 individual notifications for the same shareholding
Baden-Württembergische Investmentgesellschaft mbH	Stuttgart, Germany	148,613	3.36%	May 27, 2008	
	Total	**396,077**	**8.96%**		

The shareholdings shown in the above table 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* (WpHG, German Securities Trading Act) is reached, exceeded or fallen below. According to the WpHG, the shareholdings stated can include allocable voting rights; 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 two tables above.

All of the above information is based on the information available when the financial statements were prepared; it may be the case that retroactive notices or corrections are received, which means that it cannot be ruled out that there may still be retroactive changes to the above information after the financial statements have been prepared.

Unterneukirchen (Germany), August 2009

SKW Stahl-Metallurgie Holding AG
The Managing Board

Ines Kolmsee

Gerhard Ertl

FINANCIAL CALENDAR

NOVEMBER 9-11, 2009 ("EIGENKAPITALFORUM")
Publication of business figures for Q3 2009 and Analysts' Conference

DECEMBER 31, 2009
End of business year 2009

May be subject to modifications

The current financial calendar may be viewed at: www.skw-steel.com

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DISCLAIMER AND NOTES

This interim 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 interim 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 not 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 proprietary name for the Group that is used externally is “SKW Metallurgie”. For this reason “SKW Metallurgie” and “SKW Metallurgie Group” are used in this interim report.

Names such as “SKW Metallurgie”, “Quab” and “SDAX” that are used in this interim report may be registered trademarks whose use by third parties for their purposes could infringe the rights of the proprietors.

The number of employees is based on the respective national definitions (e.g., for whether or not to include in calculations executive body members or trainees). Due to the low number of part-time employees in the group and the different definition and calculation standards, the group refrains from breaking the headcount figure down into the pure number of employees (heads) and the number of full-time equivalents.

This interim report is also published as an English translation; 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 interim report and those submitted to the electronic company register.

For several cities quoted in this interim 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 contained in this interim report are for illustration only and are not intended to induce any political statements, such as the legitimacy of borders. In this interim report, the term “China” refers to the PR of China without its two Special Administrative Regions. In this interim 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 German Public Limited Companies Act) without any further information relate to the German acts of law in its respective applicable version.

This interim report was published on August 14, 2009 and is available at www.skw-steel.com to download free of charge. On request, printed copies will be supplied.

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