Growth with Substance

Financial Report for the First Nine Months of 2010

The SKW Metallurgie World in Figures

Key Figures	Unit	1-9/2010	1-9/2009
Revenues	EUR mill.	285.2	147.6
EBITDA	EUR mill.	22.3	1.7
EBIT	EUR mill.	13.4	-2.6
EBT	EUR mill.	11.2	-4.3
Consolidated Net Result (before min.)	EUR mill.	6.8	-3.3
Consolidated Net Result (after min.)	EUR mill.	5.7	-3.1
EPS (6,544,930 shares)	EUR	0.88	-0.48
Gross Margin		28.2%	24.9%
EBITDA Margin		**7.8%**	**1.2%**
Depreciation/Amort.	EUR mill.	8.8	4.3
Gross Cash Flow	EUR mill.	13.7	0.4
Income from Operating Activities	EUR mill.	-0.1	19.7
		Sept. 30, 2010	Dec. 31, 2009
Total Assets	EUR mill.	270.6	231.7
Total Equity (incl. min.)	EUR mill.	119.5	109.0
Equity Ratio (incl. min.)		44.2%	47.0%
Net Financial Debt	EUR mill.	50.6	32.8

Interim management report for the SKW Metallurgie Group for the first nine months of 2010

Underlying economic conditions

Emerging markets drive global economic recovery

Even though the global economy is currently well on the way to recovery, according to information by the International Monetary Fund (IMF), the upswing is still going hand in hand with a degree of uncertainty. This is primarily due to the increasing imbalance between the highly dynamic growth in emerging nations compared to the reserved upswing in industrialized nations, which have mostly paid the price for this recovery with high budget deficits. Economic experts are forecasting global economic growth of 4.8% in 2010. According to the IMF's calculations, industrial nations will grow by 2.7%, however the forecast growth in emerging nations will by much more dynamic at 7.1%. The Organization for Economic Cooperation and Development (OECD) believes that this growth will primarily be driven by the BRIC countries of Brazil (+6.5%), Russia (+5.5%), India (+8.3%) and China (+11.1%). According to the IMF, the EU can only expect growth of 1.7% despite Germany's increasingly positive growth – which experts believe will be in excess of three percent. Growth in the USA and Japan (+2.6% and +2.8% respectively) appears better at first glance, however this is on a very weak footing in view of the massive budget deficits and structural problems. A key factor for the sustainability of the recovery process in the global economy will be the extent to which the industrial nations succeed in shifting the impetus for growth from the public to the private sector and driving fiscal consolidation. At the same time, emerging markets are to make increased efforts to feed their growth from domestic demand, thus reducing their high percentage of exports.

Forecasts for global steel production up substantially

Global steel demand is set to be significantly higher than originally forecast in 2010. According to information from the World Steel Association, the steel market is driven by an improving economic environment and is enjoying a constant and stable recovery, which is showing no signs of a renewed slide into recession. The WSA originally forecast that global steel demand would grow by 8% in 2010, and is currently forecasting an increase of 13% to 1.27 billion tons. This quantity is even higher than the previous record-breaking figure in 2007 – and is driven by China's share of the global market, which has increased to more than 45%. However, figures for industrialized nations continue to be significantly lower. Global steel production in the current year totaled 1,067 million tons through to the end of September (reported figure: 1,046 million tons for the 66 countries which together accounted for more than 98% of steel production in 2009), up approx. 20% compared to the same period of the previous year. The recovery on the steel market in 2010 is due, in particular, to Europe and North America, which were hit particularly badly in the previous year. However, growth in the BRIC countries continues to be positive, primarily in Brazil. Brazil, Russia and India and also Mexico are particularly important, high-growth markets for the SKW Metallurgie Group. At the same time, the traditional markets in Europe and North America continue to remain important for the SKW Metallurgie Group. Here, growth rates of 19% are being forecast for the EU countries over the year as a whole, and 33% in the USA. On the whole, the SKW Metallurgie Group will benefit from this positive growth on the steel markets across the board in 2010. Brazil, which has been particularly important for the SKW Metallurgie Group since the Tecnosulfur acquisition, has the strongest growth in demand among the BRIC nations with growth set to hit 35%.

As a result of the fact that the SKW Metallurgie Group records more than 90% of its revenues with customers from the steel industry, we can assume that demand for the company's products will tally closely with growth in steel production.

Organization and company structure

The company's organization and structure did not change materially during the period under review.

The SKW Metallurgie Group's shareholder structure continues to be characterized by being fully held in free float. As of September 30, 2010, no shareholder holds a stake of 10% or more in the share capital of SKW Stahl-Metallurgie Holding AG, which was unchanged in the period under review.

Company and business growth

SKW Metallurgie enjoys clear on-track growth

The SKW Metallurgie Group's operating structure was practically identical in the first nine months of 2009 and 2010 and these periods can thus be compared. The only exception is the new group company Tecnosulfur S/A in Brazil, which was acquired in the fourth quarter of 2009 and is thus included in the nine-month figures for 2010, but not in the previous year's figures.

Operating business recovered significantly from the lows of the global economic and financial crisis in Brazil and on the SKW Metallurgie Group's other geographic markets from January to September 2010. All of the key figures in the income statement were up substantially compared to the figures from the 2009 nine-month period. However, it was not yet possible to reach the record-breaking figures from before the start of the global recession across the board.

As forecast, during the course of 2010 to date the SKW Metallurgie Group's results have not been hit by any one-off factors, such as the bad stock effect in 2009 (from one-off effects from the valuation of stocks of raw materials); nor are such effects expected for the remainder of business year 2010. EBITDA for the whole of 2009 was depressed by these extraordinary factors in the amount of EUR 9.5 million.

Revenues up significantly

The SKW Metallurgie Group's revenues nearly doubled in the first nine months of 2010 compared to the previous year – from EUR 147.6 million to EUR 285.2 million. This rise is attributable to the acquisition of Tecnosulfur and also to increased steel production in the SKW Metallurgie Group's existing core geographical markets (European Union: +33%; USA: +50%). The SKW Metallurgie Group generates over 90% of its sales with customers from the steel industry and is thus particularly dependent on their production volumes.

A particularly meaningful figure for the SKW Metallurgie Group's operating performance is currently still the gross profit margin (gross margin), which is the ratio of the difference between revenues and the cost of materials to revenues. This increased significantly in the period under review to 28.2% compared to 24.9% in the same period of the previous year. The increasing capital intensity and vertical integration (e.g., increasing vertical integration from the calcium silicon plant in Bhutan) in the SKW Metallurgie Group's activities mean that the meaningfulness of the gross profit margin for the SKW Metallurgie Group will fall from 2011.

Possible changes in raw material prices are reflected proportionately in changes in sales prices,which means that the SKW Metallurgie Group's business success is mostly independent of changes in raw material prices. The SKW Metallurgie Group believes that supply is secure for all of its relevant raw materials.

Personnel expenses in the first nine months totaled EUR 29.2 million, and were thus clearly higher in the year under review than in the previous year (EUR 16.9 million). This increase is due, in particular, to the following factors:

- The number of employees worldwide has increased from 538 (September 30, 2009) to 759 (September 30, 2010). The increase in the workforce is primarily due to the acquisition of Tecnosulfur and also to the rehiring of employees in North America who were forced to leave the company on the outbreak of the financial and economic crisis, as well as the start of hiring in Bhutan.

- As a result of the fact that revenues and earnings were significantly higher year-on-year, the performance-related remuneration components were also higher.

- There has been no short-time work in the SKW Metallurgie Group in 2010; this relates to France in particular.

Other operating income is also significantly higher than in the previous year at EUR 7.0 million (EUR 3.8 million). This includes significantly higher currency translation gains (EUR 6.8 million) compared to the same period of the previous year (EUR 1.6 million). However these are partially compensated for by corresponding currency translation losses which are included in other operating expenses. These currency translation losses amounted to EUR 5.6 million (comparable period: EUR 1.5 million), resulting ultimately in a positive currency translation effect of EUR 1.3 million (comparable period: EUR 0.1 million) in the period under review. As of June 30, a significantly higher net currency translation effect was reported (EUR 2.2 million in 2010 compared to EUR 0.2 million in 2009). Volatility has increased on the whole, and this is due to the fact that currencies which are subject to relatively strong fluctuations, such as the Brazilian Real and the Indian Rupee (or the Bhutanese Ngultrum, which is linked to the Indian Rupee 1:1) are becoming increasingly important for the SKW Metallurgie Group. The SKW Metallurgie Group continues to operate in a large number of currency regions; the most important foreign currency for the group continues to be the US Dollar.

The other operating income in the period under review is not materially important.

Other operating expenses increased from EUR 21.0 million to EUR 37.6 million. This increase is due, in particular, to currency translation losses totaling EUR 5.6 million (comparable period: EUR 1.5 million) and the high proportion of revenue-related expenses (e.g. outbound freight and sales commission). The bulk of production costs for Quab products continues to be carried as other operating expenses, as these are bought in from the Evonik Group as part of a chemical park concept in Mobile, AL (USA).

The income from associated companies, which results exclusively from the Indian joint venture Jamipol, totaled EUR 0.8 million in the period under review. This slight improvement compared to the same period of 2009 (EUR 0.5 million) is due to the economic recovery.

EBITDA: Right on track to meet full-year guidance of at least EUR 24 million

The strong increase in the SKW Metallurgie Group's sales figures in the nine month period meant that the group recorded EBITDA of EUR 22.3 million as of September 30, 2010 (previous year: EUR 1.7 million), and is thus only slightly lower than the lower threshold of the guidance for the year as a whole of at least EUR 24 million. All of the key group companies contributed to this result; the Brazilian company Tecnosulfur (part of the "Powder and Granules" segment) was not included in the previous year's figures. In the third quarter alone, the group recorded consolidated EBITDA of EUR 6.2 million, compared to EBITDA of EUR 1.0 million in the same period of 2009.

The EBITDA margin (EBITDA to revenues), a highly informative ratio for the SKW Metallurgie Group's operating performance, was distinctly above the prior year's figure of 1.2% in the first nine months of 2010 at 7.8%.

Depreciation and amortization of EUR 8.8 million in the period under review also lay distinctly above the prior year's figure of EUR 4.3 million. The increase is attributable in particular to depreciation and amortization of the Brazilian company Tecnosulfur's assets. This company was acquired in the fourth quarter of 2009.

EBIT totaled EUR 13.4 million, and was thus EUR 16.0 million higher than in the crisis-hit previous year (EUR -2.6 million).

Net interest in the period under review totaled EUR -2.2 million and was slightly lower than the figure in the same period of 2009 (EUR -1.8 million). This increase in net interest expenses is due, in particular, to the higher financial liabilities, which are discussed in greater detail below.

Taking interest into account, earnings from ordinary activities (EBT) in the period under review totaled EUR 11.2 million (previous year: EUR -4.3 million).

Whereas tax income amounting to EUR 1.1 million was still recorded in the first nine months of 2009, the SKW Metallurgie Group spent EUR 4.4 million on income taxes in the period under review. As a result, the SKW Metallurgie Group had a group tax rate (EBT to income taxes) in the first nine months of 2010 of 39.1%. Tax refunds and extraordinary factors mean that the comparable figure for 2009 is not meaningful. The group believes that a ratio of approx. 35% accurately reflects the current breakdown of its activities in various tax jurisdictions. In some countries in which the SKW Metallurgie Group operates, the total tax rate includes federal taxes as well as also significant taxes from states (e.g. in Brazil and the USA) and other entities.

The consolidated earnings for the period under review comprised consolidated net income of EUR 6.8 million, after a consolidated loss for the period of EUR 3.3 million was recorded in the first nine months of 2009. Of this, EUR 5.7 million relate to the shareholders of the parent company (prior year: EUR -3.1 million) and EUR 1.1 million (prior year: EUR -0.1 million) to minority shareholders. In 2010, the proportion of consolidated net income for the period due to minority interests reflected, in particular, the increased importance of the activities in Brazil (SKW Metallurgie's interest in Tecnosulfur: two thirds) and Bhutan (SKW Metallurgie's interest: 51%) as well as the earnings due to minority interests for SKW Quab Chemicals (SKW Metallurgie's interest: 90%).

The portion of the group net income for the period which relates to the parent company's shareholders and the number of shares, 6,544,930 (as of September 30, 2010), result in earnings per share (EPS) of EUR 0.88. EPS for the 2009 nine-month period, based on the number of shares in 2010 and thus the comparable figure, totaled EUR -0.48.

SKW Metallurgie Group's assets continue to be solid

The following table shows the SKW Metallurgie Group's KPIs from its balance sheet at the end of the first nine months of 2010 and at the end of business year 2009:

EUR million	Sept. 30, 2010	Dec. 31, 2009
ASSETS	**270.6**	**231.7**
Non-current	134.1	116.7
Current	136.5	114.9
Thereof cash and cash equivalents	15.6	11.1
EQUITY AND LIABILITIES	**270.6**	**231.7**
Equity	119.5	109.0
Non-current liabilities	57.7	41.2
Thereof non-current financial liabilities	33.0	14.6
Current liabilities	93.4	81.5
Thereof current financial liabilities	33.2	29.2

The SKW Metallurgie Group's total assets increased from EUR 231.7 million (as of December 31, 2009) to EUR 270.6 million (as of September 30, 2010). Equity (including minority interests) increased from EUR 109.0 million at the end of 2009 to EUR 119.5 million. These two effects resulted in a slight downturn in the equity ratio (including minority interests), as the management has anticipated from 47.1% as of December 31, 2009 to a still very solid 44.2% as of September 30, 2010. This ratio is defined as equity (including minority interests) to total assets.

Current liabilities increased between December 31, 2009 and September 30, 2010 from EUR 81.5 million to EUR 93.4 million, however they fell significantly compared to June 30, 2010 (EUR 103.8 million). Current liabilities continue to primarily comprise working capital. The amount of working capital correlates positively with business growth. Non-current financial liabilities are due exclusively to financing growth projects. Are financial liabilities are with well-known banks.

Net financial debt (current and non-current financial liabilities less cash and cash equivalents) at the SKW Metallurgie Group totaled EUR 50.6 million on September 30, 2010. This figure was lower than on June 30, 2010 (EUR 55.1 million), however it was higher than the figure on December 31, 2009 (EUR 32.8 million). Over the nine-month period, in particular non-current financial liabilities increased as a result of the growth projects (e.g., Bhutan) from EUR 14.6 million to EUR 33.0 million. Gearing, or the ratio of net financial debt to equity (including minority interests), increased correspondingly from 0.30 to 0.42, which is very conservative for a manufacturing company.

Cash flow: Increase in working capital slows significantly

The following table shows the changes in the SKW Metallurgie Group's cash flow from January 1 to September 30, 2010 compared to the corresponding first three quarters of 2009:

EUR million	Jan. 1 - Sept. 30, 2010	Jan. 1 - Sept. 30, 2009
Consolidated net income for the period	6.8	-3.3
Non-cash income and expense	6.9	3.7
Gross cash flow	13.7	0.4
Change in working capital	-13.8	19.3
Net cash flow	-0.1	19.7

The gross cash flow of EUR 13.7 million is significantly higher than the previous year's figure of EUR 0.4 million; this increase is mostly due to the higher consolidated net income for the period, which increased by EUR 10.1 million.

The stronger demand for the SKW Metallurgie Group's products led to the working capital developing distinctly contrary to the first nine months of 2009 in the first nine months of 2010. Thus inventories (after advance payment) increased by EUR 9.5 million (first nine months of 2009: decrease amounting to EUR 24.3 million), trade accounts receivable by EUR 6.7 million (first nine months of 2009: decrease amounting to EUR 3.0 million) and trade accounts payable by EUR 1.2 million (first nine months of 2009: decrease amounting to EUR 4.5 million).

As a rule, the amount of the SKW Metallurgie Group's working capital correlates positively with its revenues. As a result, working capital has been increased at the SKW Metallurgie Group in those subsidiaries where increased revenues are being recorded that are expected to be sustainable. For example, inventories are typically measured such that they cover the anticipated requirements for a fixed period; lower sales would then lead to lower inventories, higher sales to higher inventories. In addition, measuring inventories in Euros also depends on exchange rates (in particular USD/EUR).

On the whole, the strong increase in working capital and the associated net cash used in operating activities are typical features of an upswing after a crisis.

However, this increase in working capital, caused by the upswing, was mostly already completed in the first six months of 2010. In the third quarter of 2010, SKW Metallurgie even succeeded in significantly reducing its trade accounts receivable compared to June 30, 2010 thanks to its active credit control.

As a result, working capital has thus increased substantially compared to December 31, 2009 by EUR 13.8 million, however the increase compared to June 30, 2010 is slight.

The period under review was also characterized by strong capital expenditure (net cash used: EUR 17.8 million compared to EUR 7.7 million in the first nine months of 2009), in particular for the further construction of the plant in Bhutan.

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). Internal revenues between the segments is eliminated in the “consolidation” column (see segment reporting in the notes); internal revenues within a single segment are already eliminated in the segment figures disclosed.

The two core segments “Cored Wire” and “Powder and Granules” mostly comprise products and services for the steel industry.

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

- The “Cored Wire” segment recorded segment EBITDA in the first nine months of EUR 9.1 million (previous year: EUR 0.2 million) as a result of the significantly higher external revenues as a result of the recovery from the economic and financial crisis (change from EUR 62.0 to EUR 134.9 million). That means that the EBITDA margin in this segment increased substantially from almost 0% to 6.8%. The North American cored wire plants in particular benefited from the increased demand in the steel industry for high-quality cored wire in the period under review.

- In the “Powder and Granules” segment, revenues with third parties increased by approx. 80% from EUR 73.5 million to EUR 133.1 million during the first nine months. Segment EBITDA increased accordingly from EUR 1.6 million to EUR 16.0 million. As a result, the segment’s EBITDA margin increased arithmetically from 2.2% to 12.0%. This substantial increase is due to the acquisition of the Brazilian company Tecnosulfur and also to the positive business growth in other areas of the segment.

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 period under review. At the end of the first nine months of 2010, the group had a total of 759 employees worldwide, up significantly compared to the figure on September 30, 2009 (538). The increase in the workforce is primarily due to the acquisition of Tecnosulfur (163 employees as of September 30, 2010) and also to the rehiring of employees in North America who were forced to leave the SKW Metallurgie Group on the outbreak of the financial and economic crisis.

In the remainder of 2010, the SKW Metallurgie Group anticipates a further increase in the workforce owing to hires for the new works in Russia and especially in Bhutan.

In the period under review, research and development (R&D) was once again a key USP for the group; the successful business policy employed in 2009 was also continued in this division. The plants in Bhutan and Russia, which are under construction, will also play a part in increasing the SKW Metallurgie Group's technology competence. The SKW Metallurgie Group continues to be convinced that both plants will open in 2011.

In the USA, work started on setting up an additional production facility for specialty magnesium. In the SKW Metallurgie Group, magnesium products are primarily used in hot metal desulphurization in steel production. As has been the case to date, specialty magnesium products are also produced and sold for use, for example, in diving torches or in aviation. This branch of business will be significantly reinforced thanks to the new facility.

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 2009 was further updated in the first, second and third quarters of 2010 in the quarterly risk report. The risk report did not result in any material changes compared to the statements on opportunities and risks made in the 2009 annual report. The internal control system was further optimized in the period under review.

Report on events after the balance sheet date

After the end of the period under review on September 30, 2010, there were no transactions and events of significance to the SKW Metallurgie Group which occurred before this interim management report was prepared.

Outlook

Global economic growth set to continue in 2011

In 2010 and 2011 the global economic recovery will mostly be driven by the strong, constant growth in emerging nations. Forecasts by the International Monetary Fund (IMF) are for an intact growth trend. Global economic output is expected to increase by 54.8% in 2010, and experts are forecasting global growth of 4.2% in 2011. There are no signs of a sharper correction in the economic upswing. The domestic product in emerging economies is forecast to grow by 7.1% in 2010 and 6.4% in 2011. China will continue to enjoy the strongest growth. On the whole, growth in industrialized nations will depend on gearing monetary policy activities closely to promoting further growth, and accelerating fiscal consolidation. According to the IMF, EU countries are forecast to grow by 1.7% in 2010 and 1.5% in 2011. Forecasts are for growth to be slightly stronger in the USA (2.6% and 2.3%).

Global economic growth drives demand for steel up

The SKW Metallurgie Group records more than 90% of its revenues with customers in the steel sector. Accordingly, the company's sales grow almost proportionately to the production of high-quality steel on the relevant geographic markets. The World Steel Association is the top-level organization in the steel industry, and is forecasting global steel consumption to grow by a further 5% in 2011 to a record-breaking

1.34 billion tons. The World Steel Association believes that steel demand in industrialized nations will not yet reach the levels enjoyed before the crisis in 2011 as a result of the fact that economic subsidization programs are expiring. However, EU countries are expected to reach 75% of the 2007 level, up 6% to 147 million tons. Experts are forecasting an increase in 2011 by 9% to 86 million tons in the NAFTA region. This means that steel demand in North America will reach almost 80% of the 2007 level. The emerging nations with their dynamic economies are also forecast to grow. Brazil is primarily responsible for steel demand in South America, and this country will ensure that this region exceeds the pre-crisis level by an anticipated 14% in 2011. India will become the country with the third-strongest demand after China and the USA. Although China can expect the boom to cool off, with government subsidies expiring, it is expected that the "Middle Kingdom" will require significantly more steel in 2011 than before the economic crisis erupted. Forecasts for 2011 are, on the whole, pointing towards a favorable situation for the SKW Metallurgie Group, as more than 90% of revenues are generated with customers from the steel industry, and sales of SKW Metallurgie's products are thus determined in particular by the quantities of steel produced.

In addition, the SKW Metallurgie Group believes that the new facilities in Bhutan and Russia will make significant contributions to earnings for the first time in business year 2011. In terms of revenues, it must be noted that the bulk of revenues from the Bhutanese group company will be intra-group revenues, which thus will not impact the group's revenues.

Increase of EBITDA guidance 2010 to EUR 27 million

Confirmed by the sound development in the first nine months as well as in Q3 of business year 2010 in particular, the Executive Board of the SKW Metallurgie Group expects for full year 2010 an EBITDA figure of EUR 27 million. Thus, the EBITDA guidance has been raised already two times during the course of the year. In March 2010, at least EUR 20 million, and in August 2010, at least EUR 24 million were forecast.

Unterneukirchen (Germany), in November 2010

SKW Stahl-Metallurgie Holding AG

The Executive Board

Ines Kolmsee   Gerhard Ertl

Consolidated income statement for the period January 1 - September 30, 2010 and July 1 - September 30, 2010

EUR thousand	QI-III 2010	QI-III 2009	QIII 2010	QIII 2009
Revenues	**285,189**	**147,554**	**96,367**	**54,397**
Changes in stocks of finished goods and work in progress	936	-1,344	-306	111
Other operating income	7,028	3,814	1,739	951
Cost of materials	-204,797	-110,841	-67,977	-42,261
Personnel expenses	-29,247	-16,875	-10,626	-5,531
Other operating expenses	-37,598	-21,039	-13,265	-6,791
Income from associated companies	750	480	250	120
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**22,261**	**1,749**	**6,182**	**996**
Amortization of intangible fixed assets and depreciation of property, plant and equipment	-8,828	-4,313	-3,023	-1,378
Earnings before interest and taxes (EBIT)	**13,433**	**-2,564**	**3,159**	**-382**
Net interest	-2,222	-1,777	-858	-480
Profit before tax	**11,211**	**-4,341**	**2,301**	**-862**
Income tax	-4,387	1,083	-1,236	255
Consolidated net profit/loss for the period	**6,824**	**-3,258**	**1,065**	**-607**
Thereof parent company	*5,735*	*-3,109*	*850*	*-530*
Thereof minority interests	*1,089*	*-149*	*215*	*-77*
Earnings per share in EUR*	0.88	-0.70	0.13	-0.12

* Calculation based on 6,544,930 shares in 2010 and 4,422,250 shares in 2009

Reconciliation to non-owner movements in equity January 1 - September 30, 2010 and July 1 - September 30, 2010

EUR thousand	QI-III 2010	QI-III 2009	QIII 2010	QIII 2009
Consolidated net profit/loss for the period	**6,824**	**-3,258**	**1,065**	**-607**
Net investments in a foreign operation	1,191	-1,355	-2,334	-625
Unrealized gains/losses from derivatives (hedge accounting)	-228	168	-185	-237
Exchange rate fluctuations	2,512	-1,048	-3,717	-753
Taxes on income and expenses carried directly under equity	89	-65	72	93
Income and expenses recognized directly under equity	**3,564**	**-2,300**	**-6,164**	**-1,522**
Non-owner movements in equity	**10,388**	**-5,558**	**-5,099**	**-2,129**
Thereof parent company	*8,876*	*-5,318*	*-4,943*	*-1,966*
Thereof minority interests	*1,512*	*-240*	*-156*	*-163*

Consolidated balance sheet as of September 30, 2010

Assets

EUR thousand	Sept. 30, 2010	Dec. 31, 2009
Non-current assets		
Intangible assets	58,824	59,045
Property, plant and equipment	58,971	42,554
Interests in associated companies	4,461	4,477
Other non-current assets	704	601
Deferred tax assets	11,133	10,050
Total non-current assets	**134,093**	**116,727**
Current assets		
Inventories	55,223	45,922
Trade accounts receivable	53,437	46,780
Income taxes	2,499	2,037
Other assets	9,771	9,146
Cash and cash equivalents	15,571	11,052
Total current assets	**136,501**	**114,937**
Total assets	**270,593**	**231,664**

Consolidated balance sheet as of September 30, 2010

Equity and liabilities

EUR thousand	Sept. 30, 2010	Dec. 31, 2009
Equity		
Subscribed capital	6,545	6,545
Share premium	50,741	50,741
Other accumulated equity	50,339	41,463
	107,625	**98,749**
Minority interest	11,897	10,277
Total equity	**119,522**	**109,026**
Non-current liabilities		
Pension obligations	2,944	1,854
Other provisions	208	170
Obligations from finance leases	0	27
Non-current financial liabilities	32,961	14,597
Income taxes	447	683
Deferred tax liabilities	15,019	15,411
Other non-current liabilities	6,105	8,436
Total non-current liabilities	**57,684**	**41,178**
Current liabilities		
Provisions	10,512	8,089
Obligations from finance leases	39	158
Current financial liabilities	33,213	29,236
Trade accounts payable	34,624	32,520
Other tax liabilities	1,303	302
Other current liabilities	13,696	11,155
Total current liabilities	**93,387**	**81,460**
Total equity and liabilities	**270,593**	**231,664**

Consolidated cash flow statement as of September 30, 2010

EUR thousand	Jan. 1, 2010 - Sept. 30, 2010	Jan. 1, 2009 - Sept. 30, 2009
1. Consolidated net income for the period	6,824	-3,258
2. Write-ups/write-downs for non-current assets	8,828	4,313
3. Increase/decrease in provisions for pensions	1,090	118
4. Net income from associates	190	-118
5. Gains on the disposal of non-current assets	77	16
6. Result from currency conversion	-983	-138
7. Results from deferred taxes	-1,400	104
8. Other non-cash expense	-953	-641
9. Gross cash flow	**13,673**	**396**
Change in working capital		
10. Increase/decrease in current provisions	2,460	723
11. Increase/decrease in inventories (after advance payments received)	-9,477	24,346
12. Increase/decrease in trade accounts receivable	-6,687	3,035
13. Increase/decrease in other receivables	-585	4
14. Increase/decrease in other assets	-1,056	221
15. Increase/decrease in trade accounts payable	-1,154	-4,488
16. Increase/decrease in other liabilities	-538	-979
17. Increase/decrease in other equity and liabilities	3,223	-3,608
18. Net cash received from (+)/used by (-) operating activities (net cash flow)	**-141**	**19,650**
19. Payments for investments in fixed assets	-17,792	-7,674
20. Net cash provided by (+)/used in (-) investing activities	**-17,792**	**-7,674**
21. Decrease in liabilities from finance leases	-147	-171
22. Additions to equity from minority shareholders	386	0
23. Decrease/increse in financial liabilities	21,939	-15,592
24. Dividend payment - SKW Stahl-Metallurgie Holding AG	0	-2,211
25. Net cash provided by (+)/used in (-) financing activities	**22,178**	**-17,974**
26. Cash and cash equivalents – start of period	11,052	9,576
27. Change in cash and cash equivalents	4,245	-5,998
28. Currency translation for cash and cash equivalents	274	-8
29. Cash and cash equivalents – end of period	**15,571**	**3,570**

Statement of changes in consolidated equity for the period from January 1 - September 30, 2010

EUR thousand	Subscribed capital	Equity reserve	Other accumulated equity	Consolidated equity of the controlling shareholder	Minority interests	Total equity
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	-3,109	-3,109	-149	-3,258
Exchange rate fluctuations	0	0	-957	-957	-91	-1,048
Income and expense carried under equity (without exchange rate changes)	0	0	-1,253	-1,253	0	-1,253
Dividend payment	0	0	-2,211	-2,211	0	-2,211
Change from minority interests	0	0	0	0	1,438	1,438
Balance as of Sept. 30, 2009	**4,422**	**29,144**	**40,661**	**74,227**	**3,283**	**77,510**
Balance as of Jan. 1, 2010	**6,545**	**50,741**	**41,463**	**98,749**	**10,277**	**109,026**
Consolidated net income for the period	0	0	5,735	5,735	1,089	6,824
Exchange rate fluctuations	0	0	2,089	2,089	423	2,512
Income and expense carried under equity (without exchange rate changes)	0	0	1,052	1,052	0	1,052
Change from minority interests	0	0	0	0	108	108
Balance as of Sept. 30, 2010	**6,545**	**50,741**	**50,339**	**107,625**	**11,897**	**119,522**

Notes to the interim report as of September 30, 2010

A. Basis of presentation

SKW Stahl-Metallurgie Holding AG prepares its interim report according to International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). This interim report of SKW Stahl-Metallurgie Holding AG was prepared in line with International Financial Reporting Standards (IFRS) as these are to be applied in the European Union and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC). The information provided in the notes to the consolidated financial statements as of December 31, 2009 in Section “C. Key Accounting Policies” also applies to this unaudited interim report as of September 30, 2010. The SKW Metallurgie Group’s 2009 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 Dec. 31, 2009 which form the basis for these interim financial statements.

The new and revised accounting standards for which application has been mandatory since business year 2010 form an exception. In this regard, for the interim report as of Sept. 30, 2010 please refer to the comments made in the notes to the consolidated financial statements as of December 31, 2009 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 Dec. 31, 2009, Section “B. Consolidated Group and Consolidation Methods” applies. 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 2009 consolidated financial statements.

C. Financial position and results of operations

Balance sheet

The SKW Metallurgie Group’s total assets on September 30, 2010 amounted to EUR 270,593 thousand (December 31, 2009: EUR 231,664 thousand). The increase in total assets is mostly due to investments in property, plant and equipment as part of establishing the new production facility in Bhutan, the increase in trade accounts receivable and the increase in inventories in connection with the increased business activities in the first nine months of 2010.

The key items of current assets are, as was the case in the previous year, inventories totaling EUR 55,223 thousand or 20.4% of total assets and trade receivables in the amount of EUR 53,437 thousand or 19.7% of total assets.

Equity on September 30, 2010 totaled EUR 119,522 thousand (December 31, 2009: EUR 109,026 thousand); the consolidated equity ratio fell from 47.1% on December 31, 2009 to 44.2% on September 30, 2010 (all figures incl. minority interests). Current financial liabilities totaled EUR 33,213 thousand, a slight increase compared to the previous year's figure (EUR 29,236 thousand). Non-current financial liabilities increased by EUR 18,364 thousand in 2010 to EUR 32,961 thousand compared to EUR 14,597 thousand in 2009. This is mostly due to taking out longer-term loans in the amount of EUR 14,000 thousand in connection with the acquisition of a 66.67% interest in Tecnosulfur S/A. Net debt increased in the first nine months of 2010 by a total of EUR 17,822 thousand from EUR 32,781 thousand as of December 31, 2009 to EUR 50,603 thousand as of September 30, 2010.

Income statement

In the first nine months of 2010, the SKW Metallurgie Group recorded revenues of EUR 285,189 thousand compared to EUR 147,554 thousand in the same period of 2009. The increase in revenues is mostly due to higher demand for the SKW Metallurgie Group's products from steel producers, and to the Brazilian company Tecnosulfur S/A, which was acquired in December 2009. This company did not form part of the consolidated group in the same period of 2009.

Of the other operating income of EUR 7,028 thousand (Q3 2009: EUR 3,814 thousand), EUR 6,826 thousand stems from exchange rate gains (Q3 2009: EUR 1,539 thousand). These are offset by corresponding currency translation losses, which are included in other operating expenses. The exchange rate losses totaled EUR 5,566 thousand compared to the figure from the first nine months of 2009 of EUR 1,292 thousand, which, at the end of the day, resulted in a positive currency translation effect in the period under review of EUR 1,260 thousand compared to a positive net currency translation effect of EUR 247 thousand in 2009.

In total, expenses in 2010 increased compared to the previous year. Personnel expenses in the first nine months totaled EUR 29,247 thousand compared to EUR 16,875 thousand for the same period of the previous year. Other operating expenses in 2010 were also significantly higher than the 2009 figure at EUR 37,598 thousand (EUR 21,039 thousand).

Net interest is lower year-on-year at EUR -2,222 thousand (previous year: EUR -1,777 thousand).

The consolidated net income for the period to September 30, 2010 totaled EUR 6,824 compared to EUR -3,258 last year. Minority interests in the first nine months of 2010 totaled EUR 1,089 thousand compared to EUR -149 thousand in the same period of the previous year.

Cash flow statement

Gross cash flow is up significantly to EUR 13,673 thousand (previous year: EUR 396 thousand).

The group recorded net cash used in operating activities at a total of EUR -141 thousand compared to net cash provided by operating activities last year in the amount of EUR 19,650 thousand. This resulted in net cash used of EUR 13,814 thousand in the first nine months of 2010 compared to net cash provided of EUR 19,254 thousand in the previous year as a result of the change in net working capital.

During the period under review, the SKW Metallurgie Group recorded net cash used in investing activities in the amount of EUR 17,792 thousand compared to EUR 7,674 in the previous year. There was net cash provided by financing activities in the amount of EUR 22,178 thousand compared to net cash used in financing activities of EUR 17,974 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 1,229 thousand
- Interest received from third parties totaling EUR 41 thousand
- Income tax payments totaling EUR 1,156 thousand
- Income tax refunds totaling EUR 1,010 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 2010 is as follows:

Q1-3 2010 in EUR thousand	Cored Wire	Powder and Granulates	Other	Consolidation	Group
Revenues					
External revenues	134,942	133,111	17,136	0	285,189
Internal revenues	229	18,540	0	-18,769	0
Total revenues	**135,171**	**151,651**	**17,136**	**-18,769**	**285,189**
EBITDA	**9,144**	**15,950**	**-2,833**	**0**	**22,261**
Depreciation/amort.	-1,494	-6,534	-800	0	-8,828
EBIT	**7,650**	**9,416**	**-3,633**	**0**	**13,433**

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

Q1-3 2009 in EUR thousand	Cored Wire	Powder and Granulates	Other	Consolidation	Group
Revenues					
External revenues	62,920	73,475	11,159	0	147,554
Internal revenues	1	5,303	0	-5,304	0
Total revenues	**62,921**	**78,778**	**11,159**	**-5,304**	**147,554**
EBITDA	**171**	**1,623**	**-45**	**0**	**1,749**
Depreciation/amort.	-1,515	-2,033	-765	0	-4,313
EBIT	**-1,344**	**-410**	**-810**	**0**	**-2,564**

E. Translation effects on consolidated earnings

The following table shows the translation effects on revenues and EBITDA given a change of +/-5% in all exchange rates compared to the actual average exchange rate in the first nine months of 2010 ceteris paribus:

Q1-3 2010 in EUR thousand	exchange rate -5%	exchange rate	exchange rates +5%
Revenues	296,481	285,189	274,960
EBITDA	23,515	22,261	21,127

The following table shows the corresponding sensitivity analysis for the comparable period of the previous year. This only includes the effect of a change in the EUR/USD currency pair:

Q1-3 2009 in EUR thousand	exchange rate -5%	exchange rate	exchange rates +5%
Revenues	151,945	147,554	143,580
EBITDA	1,866	1,749	1,644

F. Related parties

There were no major changes in key transactions with related parties in the period under review compared to the 2009 consolidated financial statements.

G. Contingent liabilities

The SKW Metallurgie Group's contingent liabilities did not change materially compared to December 31, 2009.

H. 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.

I. Shareholder structure

There were the following shareholdings in SKW Metallurgie that carry a reporting requirement according to the WpHG (German Securities Trading Act) (3% or more of total voting rights) on September 30, 2010:

Name	Head office	Shares held	Shares held correspond to	Date	Remarks
Universal-Investment-Gesellschaft mbH	Frankfurt/M., Germany	201,515	3.08%	Jan. 5, 2010	
BriTel Fund Nominees Limited	London, United Kingdom	318,886	4.87%	Mar. 15, 2010	5 individual notifications for the same shareholding
LBBW Asset Management Investmentgesell-schaft mbH	Stuttgart, Germany	331,599	5.067%	Sep. 23, 2010	
Total		**852,000**	**13.017%**		

On October 4, 2010, just after the balance sheet date for this interim report, Otus Capital Management L.P., Otus Capital Management Ltd. and Mr. Andrew Gibbs (three individual notifications for the same shareholding) reported a holding of 196,847 shares (3.008%).

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 WpHG (German Securities Trading Act) is reached, exceeded or fallen below.

The interests stated can include allocable votes according to the WpHG (German Securities Trading Act). As the same votes can, in certain cases, be allocated to more than one person, these voting rights can be included in more than one notification of voting rights.

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

Unterneukirchen (Germany), in November 2010

SKW Stahl-Metallurgie Holding AG

The Executive Board

I. Kolmsee G. Ertl

Ines Kolmsee Gerhard Ertl

Financial Calendar 2010 (remaining)

November 23, 2010
- Analysts' Conference
  at „Eigenkapitalforum" in Frankfurt/M., Germany

Financial Calendar 2011

March 25, 2011
- Publication of business figures full year 2010
  (including Year-End Press Conference in Muenchen, Germany)

May 16, 2011
- Publication of business figures first quarter 2011

June 8, 2011
- Annual General Meeting
  in Muenchen, Germany

August 12, 2011
- Publication of business figures first half 2011

November 14, 2011
- Publication of business figures first nine months 2011

November 2011
- Analysts' Conference
  at „Eigenkapitalforum" in Frankfurt/M., Germany

May be subject to change.

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 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 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.

The number of employees is based on the respective national definitions (e.g., for whether or not to include in calculations board 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 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 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 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 German Public Limited Companies Act) without any further information relate to the German acts of law in its respective applicable version.

This report was published on Novenber 12, 2010 and is available at www.skw-steel.com to download free of charge.

Contacts

SKW Stahl-Metallurgie Holding AG
Fabrikstrasse 6
84579 Unterneukirchen
Germany

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

Imprint

Publisher:

SKW Stahl-Metallurgie Holding AG
Fabrikstrasse 6
84579 Unterneukirchen
Germany

Editor:

Christian Schunck
Head of Investor Relations and Corporate Communications

Concept, Layout, Production:

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

SKW Stahl-Metallurgie Holding AG

Fabrikstr. 6, 84579 Unterneukirchen, Germany. Phone +49 8634 62720-0, Fax +49 8634 62720-16, www.skw-steel.com