skw. metallurgie

Growth with Substance

Report for the first nine months of 2011

The World of SKW Metallurgie in Figures

Key Figures	Unit	1-9/2011	1-9/2010
Revenues	EUR mill.	324.7	285.2
EBITDA	EUR mill.	25.8	22.3
EBIT	EUR mill.	16.0	13.4
EBT	EUR mill.	14.2	11.2
Consolidated net profit (share of parent company's shareholders)	EUR mill.	8.0	5.7
EPS (6,544,930 shares)	EUR	1.22	0.88
Gross margin		27.5%	28.2%
EBITDA Margin		**7.9%**	**7.8%**
Depreciation/amortization	EUR mill.	9.8	8.8
Operating Cash Flow	EUR mill.	9.7	-0.1
		Sept. 30, 2011	Dec. 31, 2010
Total assets/Total e&l	EUR mill.	305.0	275.8
Corporate equity	EUR mill.	122.4	122.3
Corporate equity ratio		40.1%	44.3%
Net financial debt	EUR mill.	67.8	47.3
Employees		1006	790

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

Economic Conditions

Global economy continues to grow at a moderate level

According to information from the International Monetary Fund (IMF), the global economy will grow by 4.0% taken over the whole of 2011 despite a substantial downturn in dynamism in industrial nations. Growth will continue to be primarily driven by emerging nations, for which the IMF is forecasting economic growth of 6.4%. Among the emerging nations, the two major Asian economies of China (up 9.5%) and India (up 7.8%) continue to enjoy the strongest growth. The two other BRIC countries, Brazil (up 3.8%) and Russia (up 4.3%), were both able to record solid growth. The experts' forecast for industrialized nations is not as positive. They will also continue to grow in 2011; however, at a substantially lower level of 1.6%. The IMF was still forecasting growth of 2.2% in June. The main reason for the weaker growth is to be found in structural problems which the major economies on both sides of the Atlantic are seen to be exposed to, and which have become increasingly apparent over the past few months. In Europe, growth is also being depressed by the government debt crisis, which continues to smoulder, and the uncertainty surrounding the success of the rescue activities for the Euro, which have been resolved throughout the EU or which are still outstanding in some cases. Only very low growth is being forecast for most of the Eurozone countries (in total +1.6%), with Germany being a positive exception - GDP in this country is expected to grow by 2.7% in 2011 thanks to its strong exports. In the USA, the signs for new government economic support are increasing, as the economic data so far in 2011 have mostly been weak. The forecasts for the USA are for GDP to increase by 1.5%; however, this will depend, to a great extent, on whether the fiscal activities are able to deliver the intended positive impact on the economy and the budget.

The IMF believes that the problems faced by the industrialized nations are currently the greatest risk for the global economy. If the situation heightens, it could also impact major Asian countries in the emerging nations. Their dependency on exports makes them susceptible to economic turbulence in the West despite their robust growth.

Steel industry enjoys dynamic growth in 2011

The SKW Metallurgie Group records around 90% of its revenues with customers from the steel industry. Sales of SKW Metallurgie's products are thus closely related to the quantity of steel produced, and this quantity generally grows in line with steel demand.

In the **first nine months of 2011** the global economy's on-track growth was a strong driver for the global steel industry. According to information from the World Steel Association, which records more than 98% of global steel production, 1,134 million tons of steel were produced worldwide through to the end of September. This figure is thus up 8.2% compared to the same period of the previous year. The expansion in the steel industry spanned all of the key steel-producing regions. Steel production increased by 4.3% in the European Union, by 6.2% in the USA and by 7.4% in Brazil. China is the world's largest steel producer and increased the quantity of steel it produced by 10.7%, thus taking its share of global steel production to 46.4%. The growth in steel production to date has confirmed the experts' forecasts for another record-breaking year for steel.

For **2011 as a whole**, the World Steel Association is forecasting global steel consumption to increase by 6.5% to a historic high of around 1.4 billion tons according to figures published in October 2011. The intensity of steel demand in emerging nations differs to that in industrialized nations, mirroring general economic growth. For example, steel consumption in China is expected to grow by 7.5% to 643 million tons in 2011 as a whole. This means that the Middle Kingdom accounts for almost half of global demand for steel. Forecasts for the EU are for 155 million tons in 2011 (up 7%), which is mostly accounted for by demand for steel in Germany and Poland. In the USA, government support programs (e.g. for infrastructure) are having a continued positive impact on steel production. Demand here is expected to lift by 11.6%. Growth in Central and South America is also positive; the World Steel Association believes that steel demand in this region will reach a new historic high (up 4.7%).

Organization and Company Structure

During the quarter under review, in order to implement the corresponding resolution by the Annual General Meeting on June 8, 2011, the former bearer shares of SKW Stahl-Metallurgie Holding AG were exchanged 1:1 for registered shares.

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

There were no changes in the group of consolidated companies in the third quarter of 2011 compared to June 30, 2011. Affival do Brasil Indústria e Comércio de Metais e Serviços Ltda., Brazil, was liquidated in the third quarter of 2011. This company had been inactive for an extended period and it was not consolidated in the consolidated financial statements for 2010 as a result of its negligible importance for the Group. The total number of **consolidated group companies** thus amounted to 27 on September 30, 2011 (26 subsidiaries and the parent company).

The number of SKW Metallurgie **production facilities** (without the Jamipol joint venture with two plants in India) remained constant in the third quarter of 2011 compared to June 30, 2011, with 16 plants in 10 countries. The ongoing investments in new production facilities (in particular a capacity increase for sintered synthetic slag in Brazil) are being made at existing production locations, with the result that completion of these projects will not change the number of production facilities.

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

Corporate and Business Development

SKW Metallurgie enjoys clear on-track growth

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

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

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

- This first-time consolidation has resulted in a bargain purchase which is reflected in EBITDA (income from the reversal of negative differences) in the amount of EUR 2.6 million. This figure is fully due to the first quarter of 2011 (one-off factor), with the exception of some minor adjustments, for example due to the final calculation of working capital.

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

The newly built calcium silicon plant in **Bhutan** was inaugurated in March 2011. However, the contribution to EBITDA made by the plant in Bhutan was negative in the nine months under review, as the first nine months of 2011 are characterized by start-up costs at the Bhutanese plant. There is a similar situation in **Russia**, where a new cored wire plant was inaugurated in May 2011.

Revenue continues to grow

The SKW Metallurgie Group's **revenues** increased substantially in the first nine months of 2011 compared to the first three quarters of the previous year from EUR 285.2 million to EUR 324.7 million. This increase is due to the (pro rata) additional external sales from the acquisition of the customer base from the calcium carbide plant in Sweden (substantial increase in market position with customers from the gas industry and the Scandinavian steel industry). Steel production on the SKW Metallurgie Group's geographic core markets has also increased (European Union: +4.3%; USA: +6.2%, Brazil: 7.4%) which has also had a positive impact on demand for SKW Metallurgie's products. The SKW Metallurgie Group records around 90% of its revenues with the steel industry, and depends to a great extent on the volume of steel produced.

A particularly meaningful figure for the SKW Metallurgie Group's operating performance to date has been the growth in the **gross profit margin** (gross margin), which is defined as the ratio of the difference between revenues and the cost of materials to revenues. This remained practically constant during the period under review compared to the same period of the previous year at 27.5% (28.2%). The slight downturn was due, in particular to a change in the product mix in the Cored Wire segment. The increasing capital intensity and vertical integration (e.g., increased vertical integration as a result of the calcium silicon plant in Bhutan) for the SKW Metallurgie Group's business activities mean that the gross profit margin for the SKW Metallurgie Group is expected to grow further.

Possible changes to the prices of raw materials that are used in the SKW Metallurgie Group's production are reflected proportionately in changes to selling prices, with the result that the SKW Metallurgie Group's earnings are mostly unaffected by changes in raw material prices. The SKW Metallurgie Group believes that the supply of all of the raw materials which are relevant for the Group continues to be secure. Possible changes to the prices of raw materials that are not used in the SKW Metallurgie Group's production, but which are used in steel production (e.g., iron ore) do not have a significant impact on the SKW Metallurgie Group either.

Personnel expenses in the first nine months of 2011 totaled EUR 32.1 million, and were thus higher than in the previous year (EUR 29.2 million). This increase is due, in particular, to the following factors:

- The number of employees worldwide has increased from 759 (September 30, 2010) to 1006 (September 30, 2011). This increase in the number of employees is mostly due to the transfer of the workforce at the Swedish calcium carbide plant to the SKW Metallurgie Group and also to setting up the workforce in Bhutan and Russia.

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

Other operating income was also substantially higher than in the previous year at EUR 9.9 million (EUR 7.0 million). The key factor in this regard was the bargain purchase from the acquisition of the calcium carbide plant in Sweden in the amount of EUR 2.6 million. The remaining other operating income totaled EUR 6.8 million, slightly lower than the previous year's level (EUR 7.0 million).

Other operating income includes currency gains of EUR 4.3 million. (previous year: EUR 6.8 million). After netting with the foreign currency losses included in other operating expenses of EUR 4.7 million (previous year: EUR 5.6 million), this results in a net currency translation loss (rounded) of EUR 0.4 million (previous year: net currency translation gain of EUR 1.3 million).

Other operating expenses increased from EUR 37.6 million to EUR 44.5 million. This increase is due, in particular, to the high percentage of revenue-related expenses (e. g. outbound freight and sales commission).

Income from associated companies, which stems exclusively from the Indian joint venture Jamipol, was practically constant in the period under review at EUR 0.6 million compared to the same period of the previous year (EUR 0.8 million).

EBITDA: Substantial improvement compared to first nine months of 2010

The SKW Metallurgie Group's improved revenues in the nine month period meant that the Group recorded EBITDA of EUR 25.8 million as of September 30, 2011 (previous year: EUR 22.3 million).

The contributions to EBITDA from the new facilities in Bhutan and Russia were negative in the first nine months of 2011. This is due to the fact that significant revenues are planned only for year-end 2011 (in the case of Bhutan these will mostly be internal revenues), but that start-up costs are incurred prior to these revenues being recorded and these costs are reflected in EBITDA. This effect was significantly stronger in the first nine months of 2011 compared to the first nine months of 2010. Earnings at the new plants will continue to improve in the fourth quarter of 2011, even if full contributions to EBITDA are only forecast for 2012.

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

The **EBITDA margin** (ratio of EBITDA to revenues), which is a key performance indicator for the SKW Metallurgie Group's operating performance, totaled 7.9% in the 2011 nine-month period, up slightly compared to the previous year's figure of 7.8%. In 2012, ceteris paribus, the EBITDA margin is forecast to increase as a result of what will then be positive contributions to EBITDA from Sweden, Russia, Bhutan and the new sintering plant at the existing facility in Brazil.

In addition, when comparing the first nine months of 2011 with the first nine months of 2010 we must also note that EBITDA in the first nine months of 2010 includes a positive effect from currency translation (net currency translation gains) of EUR 1.3 million, whereas EBITDA in the first nine months of 2011 includes a negative effect from currency translation (net currency translation expenses) of EUR 0.4 million.

Amortization and depreciation during the period under review totaled EUR 9.8 million, slightly higher than in the previous year (EUR 8.8 million). Of the total amortization and depreciation in the first nine months of 2011, EUR 4.6 million is due to the amortization of intangible assets; these are mostly due to adjustments as part of purchase price allocations (PPA) from corporate acquisitions, and in turn mostly from the acquisition of a two thirds interest in the Brazilian company Tecnosulfur. Accordingly, the average requirements for maintenance investments in the SKW Metallurgie Group have been significantly lower than the total amount of amortization/depreciation.

EBIT totaled EUR 16.0 million and is EUR 2.6 million higher than the previous year's earnings of EUR 13.4 million.

Net interest in the period under review was a net expense of EUR 1.9 million, and was lower than the figure in the first nine months of 2010 (net expense of EUR 2.2 million) despite the increase in net financial debt. This is due, in particular, to expenses similar to interest in 2010 for the provision of a Norwegian export subsidy loan to finance the low-shaft furnace set up in Bhutan.

Taking interest into account, the earnings before taxes for the period under review totaled EUR 14.2 million (previous year: EUR 11.2 million).

During the period under review, the SKW Metallurgie Group's expenses for income taxes totaled EUR 5.2 million. (previous year: EUR 4.4 million). The theoretical group tax rate (ratio of income taxes to EBT) is thus 36.7% and lower than the previous year's tax rate of 39.3%. The SKW Metallurgie Group continues to believe that a rate of 35-40% is representative for the current breakdown of its activities into various tax jurisdictions. In some countries in which the SKW Metallurgie Group operates, the total tax rate includes national taxes as well as significant taxes from sub-states (e.g., in Brazil and the USA) and other corporations, which means that comparing the nominal tax rates solely at a national level is not particularly meaningful.

Consolidated earnings for the period under review comprised consolidated net income of EUR 9.0 million. During the first nine months of 2010 consolidated net income for the period was significantly lower at EUR 6.8 million. This increase in 2011 is mostly due to the impact of the bargain purchase from the acquisition of a calcium carbide production facility in Sweden and also to the positive economic growth.

Of the net income for the period in the first nine months of 2011, EUR 8.0 million is due to the parent company's shareholders (previous year: EUR 5.7 million) and EUR 1.0 million (previous year: EUR 1.1 million) is due to minority shareholders (so-called non-controlling interests). Minority interests are due, in particular, to non-group shareholders of the Brazilian subsidiary Tecnosulfur (one-third owned by third parties) and the group company in Bhutan (49% owned by third parties). In the first nine months of 2011 the continued positive growth in Brazil was more than compensated by start-up costs in Bhutan, which led to a net downturn in minority interests.

The consolidated net income for the period due to the parent company's shareholders and the unchanged number of 6,544,930 shares result in earnings per share (EPS) of EUR 1.22 (previous year: EUR 0.88).

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

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

EUR million	Sept. 30, 2011	Dec. 31, 2010
ASSETS	305.0	275.8
Non-current	150.5	147.9
Current	154.5	127.9
Thereof cash and cash equivalents	10.3	11.0
EQUITY AND LIABILITIES	305.0	275.8
Equity	122.4	122.3
Non-current liabilities	45.4	64.6
Thereof non-current financial liabilities	24.4	31.3
Current liabilities	137.3	88.9
Thereof current financial liabilities	53.7	27.0

The SKW Metallurgie Group's total assets increased from EUR 275.8 million (December 31, 2010) to EUR 305.0 million (September 30, 2011). The increase is due, in particular, to growth projects (primarily the acquisition of calcium carbide production in Sweden and completion of the calcium silicon production in Bhutan, each with corresponding working capital).

Equity (as of September 30, 2011: EUR 122.4 million) only increased slightly compared to the end of 2010. In this regard, in particular, the dividend disbursement in June 2011 of EUR 3.3 million and the weakening of the foreign currencies relevant for the SKW Metallurgie Group compared to the Euro during the period under review have to be taken into account.

The increased total assets and the almost constant level of equity resulted in a slight reduction in the **equity ratio** which had been anticipated by management. The equity ratio is defined as the ratio of equity to total assets. It thus fell from 44.3% as of December 31, 2010 to a still very solid 40.1% on September 30, 2011.

Net financial debt (defined as current and non-current financial liabilities less cash and cash equivalents) at the SKW Metallurgie Group totaled EUR 67.8 million on September 30, 2011 and was thus higher than on December 31, 2010 (EUR 47.3 million). However, compared to June 30, 2011 (EUR 71.5 million), debt has been reduced as planned. The increase compared to December 31, 2010 is mostly due to the increase in current financial liabilities (up from EUR 27.0 million to EUR 53.7 million). Gearing, or the ratio of net financial debt to equity, thus increased correspondingly from 0.39 (December 31, 2010) to 0.55 (September 30, 2011), which is still very conservative for a manufacturing company.

Cash flow: still characterized by global expansion

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

EUR million	Jan. 1 - Sept. 30, 2011	Jan. 1 - Sept. 30, 2010
Consolidated net income for the period	9.0	6.8
Non-cash income and expense	4.0	6.9
Gross cash flow	13.0	13.7
Changes in working capital	-3.3	-13.8
Net cash flow	9.7	-0.1

The **gross cash flow** in the first nine months of 2011 totaled EUR 13.0 million, and was thus at around the same level as in the previous year (EUR 13.7 million). The consolidated net profit for the period (up EUR 2.2 million) is compensated for, in particular, by the non-cash bargain purchase from the acquisition in Sweden (EUR 2.6 million).

The **changes in working capital** in the first nine months of 2010 were characterized by the upswing after the economic and financial crisis, which lead to substantial changes in inventories, trade receivables and trade payables and also, in total, to a cash outflow of EUR 13.8 million (increase in working capital).

Working capital management was further optimized in the first nine months, and in particular in the third quarter of 2011, with the result that, in the first nine months of 2011 and despite additional production facilities in Sweden, Bhutan and Russia, and higher revenues, the outflow of funds for working capital was just EUR 3.3 million (lower increase in net working capital).

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

In addition, the period under review was also characterized by a continued strong **capital expenditure** (outflow of funds: EUR 26.7 million compared to EUR 17.8 million in the first nine months of 2010). Capital expenditure in the first nine months of 2011 related, in particular, to the new plant in Bhutan and the expansion of the existing plant in Brazil. A purchase price of EUR 5.6 million is carried on the books for the calcium carbide plant in Sweden; as working capital was acquired in a similar amount, the economic purchase price was EUR 0, which reflects the capital expenditure required for the acquired plant.

In parallel to the slight increase in working capital and the Group's high capital expenditure, net financial debt has also been increased. The amount of financial liabilities drawn down is at roughly the same level as in the previous year. Taking the dividend payments to the parent company's shareholders into account, and also some smaller items, the first nine months of 2011 resulted in net cash provided by **financing activities** in the amount of EUR 16.6 million (Q3 2010: EUR 22.2 million).

Segment reporting

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

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

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

- The **Cored Wire** segment recorded a substantial increase in external revenues in the first nine months due to the positive growth on the target markets for the segment's products (up from EUR 134.9 million to EUR 153.1 million). This segment recorded EBITDA of EUR 7.8 million from these revenues (previous year: EUR 9.1 million). That means that this segment's EBITDA margin fell; however, this theoretical downturn is due, in particular, to the start-up costs in Bhutan and Russia and an adjustment to the product mix.

- In the **Powder and Granules** segment, external revenues increased slightly during the nine-month period from EUR 133.1 million to EUR 148.4 million. This is due to additional external revenues at the new plant in Sweden from February 1, 2011, and also to positive growth in steel production. Segment EBITDA totaled EUR 19.3 million (previous year: EUR 16.0 million). The segment EBITDA for the first nine months of 2011 includes two contradictory extraordinary factors: The bargain purchase from the acquisition of a calcium carbide plant increased EBITDA, while there were also negative operative contributions to EBITDA from Sweden, as forecast. Other than that, this increase in segment EBITDA confirms the successful positioning of this segment's companies on their target markets.

Focus on further developing strong technical competence

Excellently trained, highly motivated employees were once again a key component of the SKW Metallurgie Group's successful business operations during the period under review. The number of employees worldwide totaled 1,006 at the end of the nine-month period, significantly higher than the figure on December 31, 2010 (790). The increase in the number of employees is mostly due to new hires in Bhutan and Russia, and also to taking over the employees at the acquired calcium carbide plant in Sweden.

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

Using opportunities and limiting risks

At the SKW Metallurgie Group, managing opportunities and risks is an integral part of the Group's management. Recognizing and evaluating opportunities and risks and also putting suitable activities in place to be able to make optimum use of opportunities and to limit risks is an ongoing process at the SKW Metallurgie Group. As a result, during the third quarter of 2011, the risk inventory performed in 2010 was updated in the form of a quarterly risk report. In particular, the companies and production facilities newly added to the group were taken into account. The risk report did not otherwise result in any major changes compared to the statements made on opportunities and risks in the 2010 annual report and in the reports on the first and second quarters of 2011.

Report on events after the balance sheet date

On October 4, 2011, the SKW Metallurgie Group's Supervisory Board announced that Mr. Gerhard Ertl was no longer a member of the Executive Board of SKW Stahl-Metallurgie Holding AG with immediate effect. His duties as CFO will be performed by the CEO, Ms. Ines Kolmsee, until a successor is appointed. In a legal dispute between SKW Stahl-Metallurgie GmbH and AlzChem AG, OLG München on October 17, 2011 rendered a default judgment, thereby, according to the company, misjudging the legal situation. SKW Stahl-Metallurgie GmbH paid to AlzChem AG the pertaining amount of EUR 1.3 million in order to avoid further disadvantage; however, they appealed already on October 20, 2011 against the judgment of OLG München.

Otherwise, after the end of the period under review on September 30, 2011, and up to the date on which this interim management report was prepared, there were no events of particular importance for the SKW Metallurgie Group.

Outlook

Global growth in 2012 with increasing risks

The latest forecasts from the International Monetary Fund (IMF) assume that the global economy in 2012 will maintain the pace of growth recorded in 2011 (4.0% p. a.), however the uncertainties surrounding the non-foreseeable impact of the financial crisis on the real economy are making forecasting increasingly difficult. The IMF believes that emerging and developing nations will grow slightly more slowly than in 2011 (6.4%) with forecast growth of 6.1%. The experts are forecasting GDP in industrial nations to grow by 1.9% compared to 1.6% in 2011. In Europe, where economists are now only forecasting very low growth of 1.1%, a lot depends on whether or not it will be possible to sustainably master the euro and government debt crisis. In the USA, the experts are forecasting renewed fiscal stimuli in the election year; in spite of this, however, economic output in the USA is not expected to exceed a plus of 1.9%. However, forecasts for US growth are currently subject to particularly strong uncertainties, which can be seen, for example, in the fact that the IMF was still expecting growth of 2.7% in its previous forecast. In Japan, after the economic slump caused by natural catastrophes in 2011, domestic product is forecast to increase again by 2.3% in the coming year.

Cautious optimism for the steel industry in 2012

A major factor driving demand for the SKW Metallurgie Group's products is the growth of the steel industry - the company generates approx. 90% of its revenues with steel producers. As part of the further expansion of the global economy, according to estimates published in 2011, the World Steel Association is forecasting growth in the steel industry to continue in 2012, and global steel consumption will increase by a further 5.4% to 1,474 million tons (world without China: 792 million tons or 5.0% growth). Given the uncertainties which prevail and which are currently impacting the further growth of the global economy, the Association has gauged its forecast for 2012 as being "cautiously optimistic".

Growth has also been forecast for the regions that are of key relevance for the SKW Metallurgie Group. Steel consumption is forecast to rise by 2.5% in the EU, by 4.9% in NAFTA countries and by 4.9% in Central and South America. Emerging nations will continue to be the driving force behind steel demand. Renewed dynamic growth of 6.6% is forecast for these countries. The increase in steel consumption in the BRIC countries is set to total 6.4%.

Guidance confirmed

Based on the first three quarters of fiscal year 2011 as well as on first impressions from the course of the fourth quarter 2011 so far, the SKW Metallurgie Group confirms its operative full-year guidance subject to the assumption that steel production volumes remain at least stable in the geographical markets of particular importance for the SKW Metallurgie Group.

Unterneukirchen (Germany), November 2011

SKW Stahl-Metallurgie Holding AG
The Executive Board

Ines Kolmsee
Chairperson (CEO)

Reiner Bunnenberg

Consolidated income statement for the period from January 1 - September 30, 2011 and July 1 - September 30, 2011

EUR thousand	QI-III 2011	QI-III 2010	QIII 2011	QIII 2010
Revenues	324,726	285,189	109,091	96,367
Change in finished goods and work in progress	2,427	936	1,262	-306
Other operating income	9,891	7,028	2,083	1,739
Cost of materials	-235,362	-204,797	-80,892	-67,977
Personnel expenses	-32,056	-29,247	-10,574	-10,626
Other operating expenses	-44,468	-37,598	-15,134	-13,265
Income from associated companies	635	750	224	250
EBITDA	**25,793**	**22,261**	**6,060**	**6,182**
Amortization of intangible non-current assets and depreciation of property, plant and equipment	-9,776	-8,828	-3,072	-3,023
EBIT	**16,017**	**13,433**	**2,988**	**3,159**
Net interest	-1,866	-2,222	-773	-858
Result from ordinary business activities	**14,151**	**11,211**	**2,215**	**2,301**
Income taxes	-5,189	-4,387	-1,300	-1,236
Consolidated net income/loss for the period	**8,962**	**6,824**	**915**	**1,065**
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	*7,962*	*5,735*	*583*	*850*
Thereof non-controlling interests	*1,000*	*1,089*	*-332*	*215*
Earnings per share (in EUR)	1.22	0.88	0.09	0.13

Reconciliation to comprehensive income from January 1 - September 30, 2011 and July 1 - September 30, 2011

EUR thousand	QI-III 2011	QI-III 2010	QIII 2011	QIII 2010
Consolidated net result for the period	**8,962**	**6,824**	**915**	**1,065**
Net investments in a foreign operation	-1,549	1,191	556	-2,334
Unrealized losses from derivatives (hedge accounting)	63	-228	-46	-185
Exchange rate fluctuations	-4,433	2,512	-1,516	-3,717
Taxes on income and expenses carried directly under equity	-25	89	18	72
Income and expenses recognized directly under equity	**-5,944**	**3,564**	**-987**	**-6,164**
Comprehensive income	**3,018**	**10,388**	**-72**	**-5,099**
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	*3,914*	*8,876*	*1,196*	*-4,943*
Thereof non-controlling interests	*-896*	*1,512*	*-1,268*	*-156*

Consolidated balance sheet as of September 30, 2011

ASSETS IN EUR thousand	Sept. 30, 2011	Dec. 31, 2010
Non-current assets		
Intangible assets	57,882	64,868
Property, plant and equipment	75,672	63,852
Interests in associated companies	4,359	4,703
Other non-current assets	565	536
Deferred tax assets	12,048	13,893
Total non-current assets	**150,526**	**147,852**
Current assets		
Inventories	67,765	50,276
Trade receivables	63,367	53,489
Income taxes	2,820	2,161
Other assets	10,242	10,425
Non-current assets held for sale	0	598
Cash and cash equivalents	10,306	10,956
Total current assets	**154,500**	**127,905**
Total assets	**305,026**	**275,757**

EQUITY AND LIABILITIES IN EUR thousand	Sept. 30, 2011	Dec. 31, 2010
Equity		
Subscribed capital	6,545	6,545
Share premium	50,741	50,741
Other comprehensive income	47,196	46,554
	104,482	**103,840**
Non-controlling interests	17,888	18,418
Total equity	**122,370**	**122,258**
Non-current liabilities		
Pension obligations	3,202	2,891
Other provisions	2,148	1,958
Non-current financial liabilities	24,358	31,336
Deferred tax liabilities	14,833	16,784
Other non-current liabilities	862	11,593
Total non-current liabilities	**45,403**	**64,562**
Current liabilities		
Provisions	8,469	7,608
Obligations from finance leases	65	27
Current financial liabilities	53,710	26,966
Trade payables	49,699	37,988
Other liabilities from taxes	1,873	789
Other current liabilities	23,437	15,559
Total current liabilities	**137,253**	**88,937**
Total equity and liabilities	**305,026**	**275,757**

Consolidated cash flow statement as of September 30, 2011

EUR thousand	Jan. 1, 2011 - Sept. 30, 2011	Jan. 1, 2010 - Sept. 30, 2010
1. Consolidated net income for the period	8,962	6,824
2. Write-ups/write-downs of non-current assets	9,776	8,828
3. Increase/decrease in provisions for pensions	310	1,090
4. Income from associated companies	-68	190
5. Result from the disposal of non-current assets	-477	77
6. Result from currency conversion	45	-983
7. Result from deferred taxes	-781	-1,400
8. Income from the reversal of negative differences	-2,563	0
9. Other non-cash expense	-2,249	-953
10. Gross cash flow	**12,955**	**13,673**
Change in working capital		
11. Increase/decrease in current provisions	1,083	2,460
12. Increase/decrease in inventories (after advance payments received)	-13,089	-9,477
13. Increase/decrease in trade receivables	-6,288	-6,687
14. Increase/decrease in other receivables	-891	-585
15. Increase/decrease in other assets	757	-1,056
16. Increase/decrease in trade payables	10,310	-1,154
17. Increase/decrease in other liabilities	1,083	-538
18. Increase/decrease in other equity and liabilities	3,805	3,223
19. Net cash received from (+)/used by (-) operating activities (Net cash flow)	**9,725**	**-141**
20. Income from the disposal of assets	1,253	31
21. Payments for investments in non-current assets	-25,414	-17,823
22. Payments for investments in current assets from acquisitions	-2,585	0
23. Net cash provided by (+)/used in (-) investing activities	**-26,746**	**-17,792**
24. Decrease in liabilities from finance leases	38	-147
25. Additions to equity from non-controlling interests	0	386
26. Increase/decrease in financial liabilities	20,108	21,939
27. Dividend payments to non-controlling interests	-304	0
28. Dividend payment to shareholders of the parent company	-3,272	0
29. Net cash provided by (+)/used in (-) financing activities	**16,570**	**22,178**
30. Cash and cash equivalents – start of period	10,956	11,052
31. Change in cash and cash equivalents	-451	4,245
32. Currency translation for cash and cash equivalents	-199	274
33. Cash and cash equivalents – end of period	**10,306**	**15,571**

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

EUR thousand	Subscribed capital	Share premium	Other comprehensive income	Consolidated equity of the majority shareholders	Non-controlling interests	Total equity
Balance at Jan. 1, 2010	**6,545**	**50,741**	**41,463**	**98,749**	**10,277**	**109,026**
Consolidated net result for the period	0	0	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 in non-controlling interests	0	0	0	0	108	108
Total result 2010	**0**	**0**	**8,876**	**8,876**	**1,620**	**10,496**
Balance as of September 30, 2010	**6,545**	**50,741**	**50,339**	**107,625**	**11,897**	**119,522**
Balance at Jan. 1, 2011	**6,545**	**50,741**	**46,554**	**103,840**	**18,418**	**122,258**
Consolidated net result for the period	0	0	7,962	7,962	1,000	8,962
Exchange rate fluctuations	0	0	-2,974	-2,974	-1,459	-4,433
Income and expense carried under equity (without exchange rate changes)	0	0	-1,074	-1,074	-437	-1,511
Total result 2011	**0**	**0**	**3,914**	**3,914**	**-896**	**3,018**
Addition of non-controlling interests	0	0	0	0	293	293
Request of return of dividend from non-controlling interests	0	0	0	0	73	73
Dividend payment to shareholders of SKW Stahl-Metallurgie Holding AG	0	0	-3,272	-3,272	0	-3,272
Balance as of September 30, 2011	**6,545**	**50,741**	**47,196**	**104,482**	**17,888**	**122,370**

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

A. Basis of presentation

SKW Stahl-Metallurgie Holding AG prepares its interim report according to International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). This interim report of SKW Stahl-Metallurgie Holding AG was prepared in line with International Financial Reporting Standards (IFRS) as these are to be applied in the European Union and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC). The information provided in the notes to the consolidated financial statements as of December 31, 2010 in Section „C. Key Accounting Policies“ also apply to this unaudited interim report as of September 30, 2011. The SKW Metallurgie Group‘s 2010 annual report can be found online at www.skw-steel.com. For further information on the accounting and valuation principles applied, please refer to the consolidated financial statements as of December 31, 2010, which form the basis for these interim financial statements.

The new and revised accounting standards for which application has been mandatory since fiscal year 2011 form an exception. In this regard, for the interim report as of September 30, 2011 please refer to the comments made in the notes to the consolidated financial statements as of December 31, 2010 in Section “A. General Information and Presentation of the Consolidated Financial Statements”.

With regard to the methods used for estimates the comments in the notes to the consolidated financial statements as of December 31, 2010, Section „B. Consolidated Group and Consolidation Methods“ apply. In addition, there may be differences in the tables in the notes to the consolidated financial statements as a result of rounding differences.

The SKW Metallurgie Group‘s operating business in the Cored Wire and Powder and Granules segments is not subject to seasonal fluctuations. In spite of this, however, a comparison of periods during the course of the year can be impacted by maintenance work to be conducted by the customers and active inventory management in the steel plants. However, these activities are not conducted in the same quarters each year.

B. Consolidated group

The consolidation methods applied have not changed compared to the 2010 consolidated financial statements. The group of consolidated companies grew compared to December 31, 2011 with the addition of ESM Special Metals & Technology Inc., USA, SKW Technology GmbH & Co. KG, Germany, and SKW Technology Management GmbH, Germany, which were newly formed in 2011. Affival do Brasil Indústria e Comércio de Metais e Serviços Ltda., Brazil, was liquidated in the third quarter of 2011. It was already not consolidated in the consolidated financial statements for 2010 as a result of its negligible importance for the SKW Metallurgie Group.

C. Information on acquisitions

At the start of February, 2011, as part of an asset deal, the SKW Metallurgie Group acquired a calcium carbide production plant in Sweden from the Dutch coatings and chemicals group Akzo-

Nobel. It has acquired land, production facilities, inventories, receivables and liabilities. The purchase price totaled EUR 5,599 thousand after the net working capital had been conclusively determined. The purchase price is broken down into the acquired assets, liabilities and contingent liabilities at fair values according to the purchase price allocation in IFRS 3 (2008).

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

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

Adjustments to assets and liabilities In EUR thousand	Feb. 1, 2011
Intangible assets	-50
Property, plant and equipment	-3,850
Inventories	-148
Liabilities	359
Deferred taxes - net	971
	-2,718

The assets and liabilities were as follows:

Acquired net assets in EUR thousand	Carrying amounts	Adjustment	Fair value
ASSETS			
Intangible assets	83	-50	34
Property, plant and equipment	6,827	-3,850	2,978
Inventories	4,606	-148	4,458
Trade receivables	3,617	0	3,617
Receivables and other assets	371	0	371
Deferred tax assets	0	28	28
	15,504	**-4,020**	**11,486**
EQUITY AND LIABILITIES			
Trade payables	1,401	0	1,401
Other liabilities	621	359	980
Deferred tax liabilities	0	943	943
	2,022	**1,300**	**3,324**
Acquired net assets			**8,162**

Identification of goodwill in EUR thousand			Fair value
Purchase price			5,599
Less net assets acquired measured at fair value			-8,162
Total goodwill			**-2,563**

The negative goodwill totaled EUR 2,563 and is carried under other operating income. This mostly stemmed from property, plant and equipment, as there was a major investment backlog over the past few years.

From the date of acquisition through to September 30, 2011, revenues from the acquired calcium carbide business totaled EUR 15,073 thousand, EBITDA totaled EUR 241 thousand and net income for the period amounted to EUR 291 thousand. In the period from January 1 to January 31, 2011, there would have been revenues of EUR 2.214 thousand, EBITDA of EUR -261 thousand and a net loss of EUR 353 thousand. The figures shown for the contribution to earnings in January 2011 do not include any PPA adjustments.

D. Financial position and results of operations

Balance sheet

The SKW Metallurgie Group‘s total assets on September 30, 2011 amounted to EUR 305,026 thousand (December 31, 2010: EUR 275,757 thousand). The increase in total assets is mostly due to investments in property, plant and equipment as part of establishing the new production facility in Bhutan and the other growth projects, the increase in trade accounts receivable and the increase in inventories in connection with the increased business activities in the first nine months of 2011.

The key items of current assets are, as was the case in the previous year, inventories totaling EUR 67,765 thousand or 22.2% of total assets and trade receivables in the amount of EUR 63,367 thousand or 20.8% of total assets.

The SKW Metallurgie Group‘s equity on September 30, 2011 totaled EUR 122,370 thousand (December 31, 2010: EUR 122,258 thousand); the consolidated equity ratio fell from 44.3% on December 31, 2010 to 40.1% on September 30, 2011 (all figures incl. non-controlling interests). Current financial liabilities totaled EUR 53,710 thousand, an increase of EUR 26,744 thousand compared to the previous year’s figure (EUR 26,966 thousand). Non-current financial liabilities fell by EUR 6,978 thousand in 2011 to EUR 24,358 thousand compared to EUR 31,336 thousand as of December 31, 2010. Net debt increased in the first nine months of 2011 by a total of EUR 20,416 thousand from EUR 47,346 thousand as of December 31, 2010 to EUR 67,762 thousand as of September 30, 2011.

Income statement

In the first three quarters of 2011, the SKW Metallurgie Group recorded revenues of EUR 324,726 thousand compared to EUR 285,189 thousand in the same period of 2010. The revenue increase is mostly due to higher demand by steel manufacturers for the SKW Metallurgie Group‘s products and also to the contributions to revenues which were recorded for the first time in 2011 from the acquisition in Sweden.

Of the other operating income of EUR 9,891 thousand (Q3 2010: EUR 7,028 thousand), EUR 4,288 thousand stems from exchange rate gains (Q3 2010: EUR 6,826 thousand), EUR 442 thousand is from the sale of a plot of land in Brazil, EUR 2,563 is from negative goodwill from the acquisition of the calcium carbide business in Sweden, EUR 725 thousand is from an entitlement to damage compensation for damage in Sweden, and EUR 713 thousand from a settlement as part of litigation with the ESM Group Inc., USA. The currency translation gains are offset by corresponding currency translation losses, which are included in other operating expenses. The currency translation losses totaled EUR 4,712 thousand compared to the figure from the first nine months of 2010 of EUR 5,566 thousand, which, at the end of the day, resulted in a negative currency translation effect in the period under review of EUR 424 thousand compared to a positive net currency translation effect of EUR 1,260 thousand in the previous year.

In total, expenses in 2011 increased compared to the previous year. Personnel expenses in the first nine months totaled EUR 32,056 thousand compared to EUR 29,247 thousand for the same period of the previous year. Other operating expenses in 2011 were also significantly higher than the 2010 figure at EUR 44,468 thousand (EUR 37,598 thousand).

Net interest is lower year-on-year at EUR -1,866 thousand (previous year: EUR -2,222 thousand). This is due, in particular, to expenses similar to interest in 2010 for the provision of a Norwegian export subsidy loan to finance the low-shaft furnace set up in Bhutan.

The consolidated net earnings for the period to September 30, 2011 totaled EUR 8,962 compared to EUR 6,824 last year. Non-controlling interests in the first nine months of 2011 totaled EUR 1,000 thousand compared to EUR 1.089 thousand in the same period of the previous year.

Cash flow statement

Gross cash flow totaled EUR 12,955 thousand, lower than the previous year's figure of EUR 13,673 thousand.

The SKW Metallurgie Group recorded a cash flow from operating activities of EUR 9,725 thousand compared to a cash outflow of EUR 141 thousand in the previous year. This resulted in net cash used of EUR 3,230 thousand in the first nine months of 2011 compared to EUR 13,814 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 26,746 thousand compared to EUR 17,792 thousand in the previous year. There was net cash provided by financing activities in the amount of EUR 16,570 thousand compared to EUR 22,178 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 396 thousand
- Interest received from third parties totaling EUR 18 thousand
- Income tax payments totaling EUR 1,810 thousand
- Income tax refunds totaling EUR 6 thousand

E. Segment reporting

At present the SKW Metallurgie Group is broken down into business segments in line with the regulations under IFRS 8. These segments correspond to the SKW Metallurgie Group's internal organization and reporting structure. As a result, three segments with a reporting requirement have been identified within the SKW Metallurgie Group:

a) Cored Wire

b) Powder and Granules

c) Other

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

QI-III 2011 in EUR thousand	Cored Wire	Powder and Granules	Other*	Elimination	Group
Revenues					
Third-party revenues	153,105	148,423	23,198	0	324,726
Internal revenues	36	17,690	0	-17,726	0
Total revenues	153,141	166,113	23,197	-17,726	324,726
EBITDA	**7,799**	**19,300**	**-1,306**	**0**	**25,793**
Depreciation/amortization	-1,497	-7,375	-904	0	-9,776
EBIT	**6,302**	**11,925**	**-2,210**	**0**	**16,017**

* The Other segment includes consolidation and reconciliation effects in the amount of EUR -724 thousand.

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

QI-III 2010 in EUR thousand	Cored Wire	Powder and Granules	Other*	Elimination	Group
Revenues					
Third-party 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/amortization	-1,494	-6,534	-800	0	-8,828
EBIT	**7,650**	**9,416**	**-3,633**	**0**	**13,433**

* The Other segment includes consolidation and reconciliation effects in the amount of EUR 321 thousand.

F. Translation effects on consolidated earnings

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

QI-III 2011 in EUR thousand	Average exchange rates 2011 -5%	Average exchange rates 2011	Average exchange rates 2011 +5%
Revenues	313,013	324,726	337,671
EBITDA	24,637	25,793	27,078

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

QI-III 2010 in EUR thousand	Average exchange rates 2011 -5%	Average exchange rates 2011	Average exchange rates 2011 +5%
Revenues	296,481	285,189	274,960
EBITDA	23,515	22,261	21,127

G. Related parties

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

H. Contingent liabilities

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

I. Key events after the balance sheet date

On October 4, 2011, the SKW Metallurgie Group’s Supervisory Board announced that Mr. Gerhard Ertl was no longer a member of the Executive Board of SKW Stahl-Metallurgie Holding AG with immediate effect. His duties as CFO will be performed by the CEO, Ms. Ines Kolmsee, until a successor is appointed. In a legal dispute between SKW Stahl-Metallurgie GmbH and AlzChem AG, OLG München on October 17, 2011 rendered a default judgment, thereby, according to the company, misjudging the legal situation. SKW Stahl-Metallurgie GmbH paid to AlzChem AG the pertaining amount of EUR 1.3 million in order to avoid further disadvantage; however, they appealed already on October 20, 2011 against the judgment of OLG München.

Otherwise, after the end of the period under review on September 30, 2011, and up to the date on which this interim management report was prepared, there were no events of particular importance for the SKW Metallurgie Group.

J. Shareholder structure

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

Name	Head office	Shares held	Shares held correspond to	Date
Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte	Tübingen, Germany	210,000	3.21%	Sept, 28, 2011
LBBW Asset Management Investmentgesellschaft mbH	Stuttgart, Germany	331,599	5.07%	Sept. 23, 2010
Universal-Investment-Gesellschaft mbH	Frankfurt/M., Germany	201,515	3.08%	Jan. 5, 2010

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

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

The members of the Executive and Supervisory Boards together held less than 1% of SKW Metallurgie's shares on September 30, 2011.

Unterneukirchen (Germany), November 2011

SKW Stahl-Metallurgie Holding AG
The Executive Board

Ines Kolmsee
Chairperson (CEO)

Reiner Bunnenberg

Financial Calendar 2012

March 21, 2012

(incl. Year-end Press Conference in Muenchen, Germany)

- Publication of business figures full year 2011

May 15, 2012

- Publication of business figures first quarter 2012

June 14, 2012

in Muenchen, Germany

- Annual General Meeting

August 16, 2012

- Publication of business figures first half year 2012

November 15, 2012

- Publication of business figures first nine months 2012

November 2012

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

- Analysts‘ Conference

May be subject to change.

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Imprint

Publisher:

SKW Stahl-Metallurgie Holding AG
Fabrikstrasse 6 (as of November 28, 2011: Rathausplatz 11)
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Disclaimer and Notes

This report contains statements about forthcoming developments that are based on currently available information and that entail risks and uncertainties. This may result in deviations between the actual situation in the future and the forward-looking statements. These risks and uncertainties include, for example, unpredictable changes in political and economic conditions, particularly in the steel and paper industry, the competitive situation, interest and currency risks, technological development as well as other risks and unexpected circumstances. SKW Stahl-Metallurgie Holding AG, Unterneukirchen (Germany) and its group companies do not accept any responsibility to update such forward-looking statements.

When reference is made in this report to groups of people who factually or potentially include both genders (such as “shareholders” or “employees”) or when gender neutral references are made to a single person (such as “the responsible officer”), the report usually only quotes one gender. This is solely done in the interest of improved readability (translator’s note: in most instances this only applies to the German original, since there are no distinct terms in English for male or female shareholders, experts, employees, etc.).

SKW Stahl-Metallurgie Holding AG’s Group brand that is used externally is “SKW Metallurgie”. For this reason “SKW Metallurgie” and “SKW Metallurgie Group” are used in this report.

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

This is the English translation of the German original of this report; in case of any discrepancies the German version prevails. In addition, for technical reasons (e.g., the conversion of electronic formats) there may be differences between the accounting documents included in this report and those submitted to the electronic company register.

For several cities quoted in this report, different names and/or transcriptions into the Latin alphabet are in use. The use of a certain name or transcription is for information only and is not intended to imply any political statement. Maps that may be contained in this report are for illustration only and are not intended to induce any political statements, such as the legitimacy of borders. In this report, the term “China” refers to the PR of China without its two Special Administrative Regions. In this report, the term “Hong Kong” refers to the PR of China’s Special Administrative Region of Hong Kong.

References to acts of law (e.g. the Public Limited Companies Act) without any further information relate to the German acts of law in their respective applicable version.

This report was published on November 11, 2011 and is available at www.skw-steel.com to download free of charge.

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