skw. metallurgie

REPORT FOR THE 1ST QUARTER 2012

SKW Metallurgie Key Figures

Key figures	Unit	Q1 2012	Q1 2011
Revenues	EUR mill.	113.2	100.1
EBITDA (reported)	EUR mill.	6.0	10.0
EBITDA (without Bargain Purchase)	**EUR mill.**	**6.0**	7.3
EBIT	EUR mill.	3.5	7.0
EBT	EUR mill.	2.0	6.5
Consolidated net profit (share of parent company's share-holders)	EUR mill.	0.8	4.3
EPS (6,544,930 shares)	EUR	0.13	0.65
Gross margin		26.7%	28.6%
EBITDA Margin (reported)		5.3%	10.0%
EBITDA Margin (without Bargain Purchase)		**5.3%**	7.3%
Depreciation/amortization	EUR mill.	2.4	3.0
Operating Cash Flow	EUR mill.	0.6	-1.1

		03/31/2012	12/31/2011
Total assets/Total e&l	EUR mill.	320.8	315.7
Corporate equity	EUR mill.	126.6	128.4
Corporate equity ratio		39.5%	40.7%
Net financial debt	EUR mill.	82.2	78.0
Employees		1,022	1,025

Interim management report for the SKW Metallurgie Group for the first three months of business year 2012

Economic conditions

Global economic growth is on a wobbly footing

In its most recent forecast in April 2012, the International Monetary Fund (IMF) is of the opinion that the global economy is recovering slowly; however, it regards the risks as continuing to be high as a result of the unresolved problems, in particular with regard to the sovereign debt crisis. Experts are forecasting the global economy to grow by 3.5% this year. Growth in emerging nations is once again responsible for this increase - GDP in these countries is forecast to lift by 5.7%. In contrast, the industrialized world can only hope for the economy to grow by 1.4%. The IMF has increased its forecast for economic growth in the eurozone from the previous -0.5% to -0.3%. Germany and France are expected to record slight growth of 0.6% or 0.5% respectively; in contrast, Italy (-1.9%) and Spain (-1.8%) are in a deep recession. The forecasts are more confident for the USA and Japan, where the economy is set to increase by 2.1% or 2.0% respectively. The IMF also believes that growth in the Chinese economy will continue to be dynamic, albeit at a slightly slower pace than previously, and that it will expand by 8.2% in 2012. Of the other BRIC countries, India recorded the strongest growth at 6.9%, whereas the economy in Russia (+4.0%) and Brazil (+3.0%) grew at a more moderate pace.

The IMF believes that the unchanged high level of government debt continues to be the greatest risk, in particular in key European industrialized nations, and the unforeseeable impact that this may have on the real economy. Initial steps have been taken to solve or to restrict the problem; however, an end to the debt problems is not in sight by any means. The weakening that can be seen in China is also a reason for prudence. If developments become more intense, in Europe in particular, the experts believe that it is probable that the global economy will slump into recession.

Steel industry enjoys moderate growth in Q1 2012

As around 90% of the SKW Metallurgie Group's revenues are generated with customers in the steel industry, sales of the group's products are closely linked to the growth of this customer industry. A decisive factor in this regard is, in particular, the quantity of steel produced. The moderate upswing in the global economy at the start of 2012 is also reflected in steel production in the first quarter. According to information from the World Steel Association (which records more than 98% of global steel production, albeit using estimates for some countries), 376.8 million tons of steel were produced worldwide from January through to the end of March. This figure is thus up 1.1% compared to the same period of the previous year. In the countries that are particularly relevant for the SKW Metallurgie Group - the European Union and the USA - where the company records around three quarters of its revenues, growth was highly varied. Steel production in the USA enjoyed dynamic growth, up by 8.3%; however, in the EU it fell by 3.9% as expected. This downturn relates, in particular, to lower-quality steels, for which comparatively few SKW Metallurgie products are used.

Steel industry production in Brazil was up by 2.4% in the first three months. China is the world's largest steel nation, and it increased its steel production by 2.5%; this country's share of global steel production thus increased again slightly to 46.2%. As a result of the special characteristics of the Chinese steel market, the SKW Metallurgie Group continued to only supply small quantities to China.

Steel production growth in the first quarter means that this is lagging the forecasts for the year as a whole from the World Steel Association - in its most recent outlook update from the end of April the WSA forecast global steel consumption to increase by 3.6% to 1.42 billion tons. In this regard, we should note that the definition used for raw steel production (looking backwards) and the consumption of finished steel products (looking forward) is not exactly identical, and that a recovery is expected in the second half of the year in particular. However, in view of the uncertainties associated with the further development of the global economy, some experts believe that this type of recovery in the second half of the year bears notable risks. The Association is forecasting steel consumption in the European Union to fall by 1.2% in 2012, in contrast it is forecasting steel consumption to grow by 5.7% in the USA. Emerging nations will continue to be the driving force behind steel demand. Demand is forecast to grow by 4.6% in these countries. Steel consumption is forecast to grow by a total of 4.3% in the four BRIC countries.

Organization and company structure

During the quarter under review, Mr. Oliver Schuster (formerly an executive with the DAX30 group Infineon) became the SKW Metallurgie Group's CFO. The CEO had been provisionally responsible for Finance through to February 29.

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 first quarter of 2012 compared to December 31, 2011. The total number of **consolidated group companies** thus continued to total 27 on March 31, 2012 (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 first quarter of 2012 compared to December 31, 2011, with 16 plants in 10 countries. All of the investments in 2012 that relate to production facilities are being made at existing production locations, with the result that completion of these projects will not change the number of production facilities.

In particular, the Group's **shareholder structure** continues to be characterized by being held fully in free float: Since the capital increase in July 2009, no shareholder has held an interest of 10% or more in the share capital of SKW Stahl-Metallurgie Holding AG, which has remained unchanged.

Corporate and business development

SKW Metallurgie enjoys clear on-track growth

The SKW Metallurgie Group's operating business enjoyed fundamentally positive growth from January to March 2012; however, results continue to be depressed by start-up costs from the new plants.

The operating structure of the SKW Metallurgie Group changed in the first quarter of 2012 compared to the first three months of 2011 in particular as a result of what is now almost full completion of the new plants and plant extensions:

- The newly built calcium silicon plant in **Bhutan** continues to be characterized by start-up costs; the SKW Metallurgie Group is forecasting positive contributions to EBITDA from the second half of 2012.

- Supply of customers in **Russia** with high-quality cored wire produced in Russia commenced during the quarter under review.

In addition, the Group acquired a plant in **Sweden** in the first quarter of 2011. When comparing the first quarter of 2012 with the first quarter of 2011, the following aspects in particular should be considered with regard to Sweden:

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

- The operating contribution to EBITDA from the plant in Sweden is expected to be negative in the three months under review, as was already the case 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 2012.

Revenue continues to grow

The SKW Metallurgie Group's revenues increased substantially in the first three months of 2012 compared to the first quarter of the previous year from EUR 100.1 million to EUR 113.2 million. This increase is due to the additional external sales in January 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) as well as initial revenues from the new plants and plant expansions. Steel production on the SKW Metallurgie Group's geographic core markets has also increased (USA: 8.3%, Brazil: 2.4%) 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.

In particular as a result of the learning curves and start-up costs in Sweden and, in particular, Bhutan, the **gross profit margin** (gross margin), which is defined as the ratio of the difference between revenues and material costs to revenues, fell to 26.7% in the period under review (Q1 2011: 28.6%, 2011: 27.6%).

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 commodities which are not used in the SKW Metallurgie Group's production, and which are, however, 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 three months of 2012 totaled EUR 12.1 million, and were thus clearly higher than in the previous year (EUR 10.6 million). This increase is due, in particular, to the increase in the number of employees worldwide - from 912 (March 31, 2011) to 1,022 (March 31, 2012). This increase in the number of employees is mostly due to the workforce being built up in connection with the expansion projects.

Other operating income was substantially lower than in the previous year at EUR 3.0 million (EUR 4.7 million). The key factor in this regard was the bargain purchase from the acquisition of the calcium carbide plant in Sweden in the amount of EUR 2.7 million as a one-off factor in the first quarter of 2011.

Other operating income includes currency gains of EUR 2.6 million (previous year: EUR 1.4 million). After netting with the foreign currency losses included in other operating expenses of EUR 2.3 million (previous year: EUR 1.8 million) this results in a net currency translation profits of EUR 0.3 million (previous year: net currency translation loss of EUR 0.4 million).

Other operating expenses increased from EUR 14.1 million to EUR 16.5 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 0.2 million compared to the same period of the previous year (EUR 0.3 million).

EBITDA: Solid result despite start-up costs in Bhutan

Despite the SKW Metallurgie Group's improved revenues in the three month period, the Group recorded EBITDA of EUR 6.0 million as of March 31, 2012. If we consider the bargain purchase, this figure is also lower than the previous year's figure (EUR 7.3 million without bargain purchase). This downturn is due, in particular, to the start-up costs for new plants.

Significant revenues are planned for the new plants (in the case of Bhutan these will mostly be internal revenues) during the course of 2012; however, as is usual for new plants, start-up costs reflected in EBITDA are incurred before revenues are generated.

Amortization and depreciation during the period under review totaled EUR 2.4 million, slightly lower than in the previous year (EUR 2.9 million) due to lower amortization of intangible assets. During the remainder of 2012, as a result of equipment in the new plants going live, a slight increase in amortization and depreciation is forecast compared to the quarter under review. The total amount of amortization and depreciation continues to include the amortization of intangible assets; as a result, the average requirements for maintenance investments in the SKW Metallurgie Group continue to be lower than the total amount of amortization/depreciation.

EBIT totaled EUR 3.5 million and is EUR 3.5 million lower than the previous year's earnings of EUR 7.0 million. Adjusted for the bargain purchase of EUR 2.7 million, the difference to the same quarter of the previous year is low, and can be explained, in particular, by the higher start-up costs for the new plants.

Net interest in the period under review was a net expense of EUR 1.5 million, which is significantly higher than the level in the same period of the previous year (net expense of EUR 0.5 million). This is due to the increase in net financial debt compared to the previous year; in addition, the interest result for the quarter under review includes one-off finance expenses in the amount of EUR 0,7 million in connection with the redesign (completed in the quarter under review) of the mid- and long-term debt capital.

Taking interest into account, the earnings before taxes for the period under review totaled EUR 2.0 million (previous year: EUR 6.5 million; without bargain purchase: EUR 3.8 million).

During the period under review, the SKW Metallurgie Group's expenses for income taxes totaled EUR 1.9 million (previous year: EUR 1.8 million). Tax in both quarters is characterized by extraordinary factors (2012: start-up costs; 2011: bargain purchase), with the result that the theoretical tax rate for the quarter is not particularly meaningful. As a rule, the SKW Metallurgie Group continues to believe that a rate of 35-40% is representative for the current breakdown of its activities in various tax jurisdictions. In some countries in which the SKW Metallurgie Group operates, the total tax rate includes federal taxes as well as significant taxes from member states (e.g., in Brazil and the USA) and other corporations, which means that comparing the nominal tax rates solely at a federal level is not particularly meaningful.

Consolidated net income in the period under review totaled EUR 0.1 million; the most important reason for this was the start-up costs for the new plants. During the first three months of 2011 consolidated net income for the period totaled EUR 4.7 million. This was mostly due to the impact of the non-cash bargain purchase.

Of the net income for the period in the first three months of 2012, EUR 0.8 million is due to the parent company's shareholders (previous year: EUR 4.3 million) and EUR -0.8 million (previous year: EUR 0.4 million) is due to minority shareholders (so-called non-controlling interests). These non-controlling interests are due, in particular, to non-group shareholders for the Brazilian subsidiary

Tecnosulfur (one-third owned by third parties) and the group company in Bhutan (49% owned by third parties). In the first three months of 2012 the continued positive growth in Brazil was more than compensated by start-up costs in Bhutan, which led to a net downturn in non-controlling interests in consolidated earnings.

The consolidated net income for the period due to the parent company's shareholders and the unchanged number of 6,544,930 shares result in **earnings per share** (EPS) of EUR 0.13 (previous year: EUR 0.65).

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 three months of 2012 and the end of fiscal year 2011:

EUR million	03/31/2012	12/31/2011
ASSETS	320.8	315.7
Non-current	164.0	163.3
Current	156.7	152.4
Thereof cash and cash equivalents	19.8	10.4
EQUITY AND LIABILITIES	320.8	315.7
Equity	126.6	128.4
Non-current liabilities	83.7	57.5
Thereof non-current financial liabilities	62.1	34.8
Current liabilities	110.5	129.9
Thereof current financial liabilities	39.9	53.6

The SKW Metallurgie Group's total assets increased slightly from EUR 315.7 million (December 31, 2011) to EUR 320.8 million (March 31, 2012).

Equity fell slightly to EUR 126.6 million at the end of March 2011 compared to EUR 128.4 million on December 31, 2011.

The increased total assets and a slightly lower 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 40.7% as of December 31, 2011 to a still very solid 39.5% on March 31, 2012.

Net financial debt (defined as current and non-current financial liabilities less cash and cash equivalents) in the SKW Metallurgie Group totaled EUR 82.2 million on March 31, 2012 and was thus only slightly higher than on December 31, 2011 (EUR 78.0 million). However, there was a significant improvement in matching maturities (as a result of the restructuring of borrowing in the quarter under review, including using a promissory-note loan). **Gearing**, or the ratio of net financial debt to equity, thus increased correspondingly from 0.61 (December 31, 2011) to 0.65 (March 31, 2012), which is still very conservative for a manufacturing company.

Cash flow: Investment phase mostly completed

The following table shows the changes in the SKW Metallurgie Group's cash flow from January 1 to March 31, 2012 compared to the corresponding three-month period in 2011:

EUR million	01/01/-03/31/2012	01/01/-03/31/2011
Consolidated net income for the period	0.1	4.7
Non-cash income and expense	1.1	-1.4
Gross cash flow	1.2	3.3
Changes in working capital	-0.6	-4.4
Cash flow from operating activities:	0.6	-1.1

The **gross cash flow** in the first three months of 2012 totaled EUR 1.2 million, and was thus slightly lower than in the previous year (EUR 3.3 million). In addition to the consolidated net income for the period in the first quarter of 2012, which was characterized by start-up costs for the new plants, this also includes non-cash income and expense. This differs, in particular, by the bargain purchase not recognized in income from the acquisition in Sweden (EUR 2.7 million in the first quarter of 2011), as there was no comparable item in the first quarter of 2012.

The **changes in working capital** in the first three months of both 2011 and 2012 were relatively low.

Working capital management was further optimized in the first three months of 2012, with the result that working capital could be reduced by EUR 0.6 million despite increased revenues.

As a rule, however, the amount of working capital in the SKW Metallurgie Group continues to correlate positively with the amount of revenues.

As announced, the period under review also showed lower **capital expenditure** (outflow of funds: EUR 4.6 million compared to EUR 12.5 million in Q1 2011). The SKW Metallurgie Group is also forecasting capital expenditure for 2011 as a whole to be significantly lower than in 2011.

Capital expenditure in the first quarter of 2012 and the increase in cash and cash equivalents were mostly debt-financed, with the result that the cash flow statement for the period under review includes an outflow of funds from **financing activities** in the amount of EUR 13.6 million (Q1 2011: EUR 11.9 million).

Segment reporting

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

The two core segments Cored Wire and Powder and Granules mostly include products and services for the steel industry, and 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 an increase in external revenues in the first three months due to the positive growth on the target markets for the segment's products (up from EUR 47.8 million to EUR 51.9 million). This segment recorded EBITDA of EUR 1.4 million from these revenues (previous year: EUR 3.3 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.

- In the **Powder and Granules** segment, external revenues increased significantly during the three-month period from EUR 45.6 million to EUR 58.6 million. This is due to additional external revenues at the new plant in Sweden (in 2011 revenues were only consolidated from February 1), and also to positive growth in steel production. Segment EBITDA totaled EUR 5.6 million (previous year: EUR 8.0 million; without bargain purchase: EUR 5.3 million). The downturn in the segment EBITDA recorded for the first three months of 2012 is due to the bargain purchase from the acquisition of a calcium carbide plant (EUR 2.7 million); after adjustment for this effect, segment EBITDA increased by EUR 0.3 million.

Focus on further developing strong technical expertise

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 1,022 at the end of the three-month period, on a par with the figure on December 31, 2011 (1,025).

Research and development (R&D) were also a key USP for the Group during the period under review; the successful business policy from 2011 was also continued in this area. The new plants in Sweden, Bhutan and Russia will also contribute to increasing the SKW Metallurgie Group's technical expertise.

Using opportunities and limiting risks

At the SKW Metallurgie Group, managing opportunities and risks is an integral part of the company's management. Recognizing and evaluating opportunities and risks and also putting suitable activities in place to be able to make optimum use of opportunities and to limit risks is an ongoing process at the SKW Metallurgie Group. As a result, during the first quarter of 2012, the risk inventory performed in 2011 was updated in the form of a quarterly risk report. The risk report did not include any major changes compared to the statements made on opportunities and risks made in the 2011 annual report.

Report on events after the balance sheet date

After the end of the period under review on March 31, 2012, and up to the date on which this interim report was prepared, there were no events of particular importance for the SKW Metallurgie Group.

Guidance characterized by global economic growth

Experts' estimates on global economic growth in general and steel production in particular are presented in the section "Economic Conditions". In addition to reserved optimism, the experts also describe increasing macroeconomic uncertainties. Based on this general economic situation as well as the start-up costs for the new plants, the SKW Metallurgie Group believes that its EBITDA in the current fiscal year 2012 will operatively be on a par with the previous year, however below the reported figure of 2011. Full earnings contributions from the new plants (extensions to plants in Brazil and the USA, acquisition of a plant in Sweden, new plants constructed in Russian and Bhutan) are expected in 2013.

Unterneukirchen (Germany), May 2012

SKW Stahl-Metallurgie Holding AG

The Executive Board



Ines Kolmsee
Chairperson (CEO)

Oliver Schuster

Reiner Bünnenberg

Consolidated income statement for the period from January 1 to March 31, 2012

EUR thousand	Q1 2012	Q1 2011
Revenues	113,196	100,997
Change in finished goods and work in progress	1,130	842
Own work capitalized	11	0
Other operating income	2,975	4,704
Cost of materials	-83,007	-72,116
Personnel expenses	-12,069	-10,583
Other operating expenses	-16,482	-14,109
Income from associated companies	213	250
EBITDA	**5,967**	9,985
Amortization of intangible assets and depreciation of property, plant and equipment	-2,446	-2,979
EBIT	3,521	7,005
Interest and similar income	84	59
Interest and similar expenses	-1,625	-579
Earnings before taxes	1,980	6,485
Income taxes	-1,897	-1,798
Consolidated net income for the period	**83**	4,687
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	848	4,255
Thereof non-controlling interests	-765	432
Earnings per share (in EUR)*	0.13	0.65

*Basic earnings per share corresponds to diluted earnings per share.

Reconciliation to comprehensive income from January 1 to March 31, 2012

EUR thousand	Q1 2012	Q1 2011
Consolidated net income for the period	**83**	4,687
Net investments in a foreign operation	-768	-1,596
Unrealized gains/losses from derivatives (hedge accounting)	438	-18
Exchange rate fluctuations	-1,321	-2,441
Taxes on other result	-171	7
Other result	**-1,822**	-4,048
Total result	**-1,739**	639
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	-860	716
Thereof non-controlling interests	-879	-77

Consolidated balance sheet as of March 31, 2012

Assets in EUR thousand	03/31/2012	12/31/2011
Non-current assets		
Intangible assets	56,541	58,146
Property, plant and equipment	87,494	85,297
Interests in associated companies	4,727	4,514
Other non-current assets	640	623
Deferred tax assets	14,632	14,728
Total non-current assets	**164,034**	163,308
Current assets		
Inventories	60,762	65,100
Trade receivables	64,980	62,848
Income taxes	3,837	3,564
Other current assets	7,319	10,546
Non-current assets held for sale	0	0
Cash and cash equivalents	19,821	10,382
Total current assets	**156,719**	152,440
Total assets	**320,753**	**315,748**

Equity and Liabilities in EUR thousand	03/31/2012	12/31/2011
Equity		
Subscribed capital	6,545	6,545
Share premium	50,741	50,741
Other comprehensive income	52,602	53,462
	109,888	110,748
Non-controlling interests	16,729	17,608
Total equity	**126,617**	128,356
Non-current liabilities		
Pension obligations	3,459	3,363
Other provisions	2,562	2,415
Obligations from finance leases	0	0
Non-current financial liabilities	62,102	34,753
Income taxes	0	0
Deferred tax liabilities	15,459	15,743
Other non-current liabilities	87	1,236
Total non-current liabilities	**83,669**	57,510
Current liabilities		
Other provisions	2,456	2,482
Obligations from finance leases	0	0
Current financial liabilities	39,877	53,562
Trade payables	44,045	45,462
Income taxes	2,133	2,614
Other current liabilities	21,956	25,762
Total current liabilities	**110,467**	129,882
Total equity and liabilities	**320,753**	**315,748**

Consolidated statement of changes in equity as of March 31, 2012

EUR thousand	Subscribed Capital	Share premium	Other comprehensive income	Consolidated equity of majority shareholders	Non controlling interests	Total equity
Balance at Jan. 1, 2011	6,545	50,741	46,554	103,840	18,418	122,258
Consolidated net income for the period	0	0	4,255	4,255	432	4,687
Exchange rate fluctuations	0	0	-1,932	-1,932	-509	-2,441
Income and expense carried under equity (without exchange rate changes)	0	0	-1,607	-1,607	0	-1,607
Total result 2011	0	0	716	716	-77	639
Balance as of March 31, 2011	**6,545**	**50,741**	**47,270**	**104,556**	**18,341**	**122,897**
Balance at Jan. 1, 2012	6,545	50,741	53,462	110,748	17,608	128,356
Consolidated net income for the period	0	0	848	848	-765	83
Exchange rate fluctuations	0	0	-1,240	-1,240	-81	-1,321
Income and expense carried under equity (without exchange rate changes)	0	0	-468	-468	-33	-501
Total result 2012	0	0	-860	-860	-879	-1,739
Balance as of March 31, 2012	**6,545**	**50,741**	**52,602**	**109,888**	**16,729**	**126,617**

Consolidated cash flow statement as of March 31, 2012

EUR thousand		01/01/2012 - 03/31/2012	01/01/2011 - 03/31/2011
1.	Consolidated net income for the period	**83**	4,687
2.	Amortization of intangible assets and depreciation of property, plant and equipment	2,446	2,979
3.	Increase/decrease in provisions for pensions	96	36
4.	Income from associated companies	-213	-250
5.	Gains/losses on the disposal of non-current assets	-7	-448
6.	Gain/loss from currency translation	**-617**	240
7.	Income/expense from deferred taxes	**-126**	-341
8.	Own work capitalized	-11	0
9.	Income from the reversal of negative differences	0	-2,708
10.	Other non-cash income/expense	-424	-903
11.	**Gross cash flow**	**1,227**	3,292
	Change in working capital		
12.	Increase/decrease in other provisions	121	300
13.	Increase/decrease in inventories (after advance payments received)	3,174	-3,483
14.	Increase/decrease in trade receivables	-2,164	-2,459
15.	Increase/decrease in other receivables	-275	-242
16.	Increase/decrease in other assets	3,201	-2,517
17.	Increase/decrease in trade payables	-1,416	1,425
18.	Increase/decrease in other liabilities	-481	770
19.	Increase/decrease in other equity and liabilities	-2,768	1,819
20.	**Net cash provided by (+)/used in (-) operating activities**	**619**	-1,095
21.	Income from the disposal of assets	83	0
22.	Payments for investments in non-current assets	-3,835	-8,506
23.	Payments for investments in current assets from acquisitions	0	-2,585
24.	Downstream purchase price paid for corporate acquisitions	-857	-1,382
25.	**Net cash provided by (+)/used in (-) investing activities**	**-4,609**	-12,473
26.	Decrease in liabilities from finance leases	0	-18
27.	Dividend payments to non-controlling interests	0	-304
28.	Increase/decrease in financial liabilities	13,596	12,259
29.	**Net cash provided by (+)/used in (-) financing activities**	**13,596**	11,937
30.	Cash and cash equivalents – start of period	10,382	10,956
31.	Change in cash and cash equivalents	9,606	-1,631
32.	Currency translation for cash and cash equivalents	-167	-214
33.	**Cash and cash equivalents - end of period**	**19,821**	9,111

Notes to the interim report as of March 31, 2012

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, 2011 in Section "C. Key accounting policies" also apply to this unaudited interim report as of March 31, 2012. The SKW Metallurgie Group's 2011 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, 2011, which form the basis for these interim financial statements.

The new and revised accounting standards for which application has been mandatory since fiscal year 2012 form an exception. In this regard, for the interim report as of March 31, 2012 please refer to the comments made in the notes to the consolidated financial statements as of December 31, 2011 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, 2011, 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 Wires 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 2011 consolidated financial statements

C. Net assets, financial position and results of operations

Balance sheet

The SKW Metallurgie Group's total assets on March 31, 2012 amounted to EUR 320,753 thousand (December 31, 2011: EUR 315,748 thousand). The increase in total assets is mostly due to the net effect from the reduction in inventories and the increase in cash and cash equivalents in connection with the issue of a promissory note loan in the first quarter of 2012.

The key items of current assets are, as was the case in the previous year, inventories totaling EUR 60,762 thousand or 19.0% of total assets and trade receivables in the amount of EUR 64,980 thousand or 20.3% of total assets.

Equity on March 31, 2012 totaled EUR 126,617 thousand (December 31, 2011: EUR 128,356 thousand); the consolidated equity ratio fell from 40.7% on December 31, 2011 to 39.5% on March 31, 2012 (all figures incl. non-controlling interests). Current financial liabilities totaled EUR 39,877 thousand, a reduction of EUR 13,685 thousand compared to the previous year's figure (EUR 53,562 thousand). Non-current financial liabilities increased by EUR 27,349 thousand in 2012 to EUR 62,102 thousand compared to EUR 34,753 thousand as of December 31, 2011. These changes reflect the result of the restructuring of financing, which aimed to give financing a greater long-term orientation. Net financial debt increased in the first quarter of 2012 by a total of EUR 4,225 thousand from EUR 77,933 thousand as of December 31, 2011 to EUR 82,158 thousand as of March 31, 2012.

Income statement

In the first quarter of 2012, the SKW Metallurgie Group recorded revenues of EUR 113,196 thousand compared to EUR 100,997 thousand in the same period of 2011. The revenue increase is mostly due to higher demand by steel manufacturers for the SKW Metallurgie Group's products and also the acquisition in Sweden, which is included in full in the first quarter of 2012 compared to the first quarter of 2011.

Of the other operating income of EUR 2,975 thousand (Q1 2011: EUR 4,704 thousand), EUR 2,603 thousand stems from exchange rate gains (Q1 2011: EUR 1,352 thousand). The currency translation gains are offset by corresponding currency translation losses, which are included in other operating expenses. The currency translation losses totaled EUR 2,301 thousand compared to the figure from the first three months of 2011 of EUR 1,848 thousand, which, at the end of the day, resulted in a positive currency translation effect in the period under review of EUR 302 thousand compared to a negative net currency translation effect of EUR 496 thousand in the previous year.

In total, expenses in 2012 increased compared to the previous year. Personnel expenses in the first three months totaled EUR 12,069 thousand compared to EUR 10,583 thousand for the same period of the previous year. Other operating expenses in 2012 were also significantly higher than the 2011 figure at EUR 16,482 thousand (2011: EUR 14,109 thousand).

Net interest is lower year-on-year at EUR -1,541 thousand (previous year: EUR -590 thousand). This is due, in particular, to one-off expenses similar to interest in connection with the restructuring of the SKW Metallurgie Group's financing and the increase in financial liabilities, including in connection with investment financing for Brazil, Bhutan and Sweden.

Consolidated net earnings for the period to March 31, 2012 totaled EUR 83 thousand compared to EUR 4,687 thousand last year. Non-controlling interests in the first three months of 2012 totaled EUR -765 thousand compared to EUR 432 thousand in the same period of the previous year.

Cash flow statement

Gross cash flow totaled EUR 1,227 thousand, lower than the previous year's figure of EUR 3,292 thousand.

The SKW Metallurgie Group recorded a cash flow from operating activities of EUR 619 thousand compared to a cash outflow of EUR 1,095 thousand in the previous year. The change in net working capital in the first three months of 2012 resulted in net cash used of EUR 608 thousand in the first three months of 2012, compared to EUR 4,387 thousand in the previous year.

During the period under review, the SKW Metallurgie Group recorded net cash used in investing activities in the amount of EUR 4,609 thousand compared to EUR 12,473 thousand in the previous year. There was net cash provided by financing activities in the amount of EUR 13,596 thousand compared to EUR 11,937 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 638 thousand
- Interest received from third parties totaling EUR 1 thousand
- Income tax payments totaling EUR 937 thousand
- Income tax refunds totaling EUR 5 thousand

E. Segment reporting

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

a) Cored Wire

b) Powders and Granules

c) Other

The segment information on the business segments in 2012 is as follows:

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

* The Other segment includes consolidation and reconciliation effects in the amount of EUR 44 thousand.

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

Q1 2011 in EUR thousand	Cored Wire	Powder and Granules	Other*	Consoli-dation	Group
Revenues					
Third-party revenues	47,820	45,574	7,603	0	100,997
Internal revenues	2	7,336	0	-7,338	0
Total revenues	47,822	52,910	7,603	-7,338	100,997
EBITDA	**3,267**	**7,956**	**-1,238**	**0**	**9,985**
Amortization/depreciation	-497	-2,177	-306	0	-2,980
EBIT	**2,770**	**5,779**	**-1,544**	**0**	**7,005**

* The Other segment includes consolidation and reconciliation effects in the amount of EUR -455 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 three months of 2012 ceteris paribus:

EUR thousand	Average exchange rates Q1 2012 -5%	Average exchange rates Q1 2012	Average exchange rates Q1 2012 +5%
Revenues	117,979	113,196	108,865
EBITDA	6,308	5,967	5,660

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

EUR thousand	Average exchange rates Q1 2011 -5%	Average exchange rates Q1 2011	Average exchange rates Q1 2011 +5%
Revenues	105,083	100,997	97,301
EBITDA	10,538	9,985	9,484

G. Related party disclosures

There were no major changes in key transactions with related parties in the period under review compared to the 2011 consolidated financial statements.

H. Contingent receivables and liabilities

In the first quarter of 2012, the contingent liability which still existed in 2011 from a guarantee indemnification received in connection with the acquisition of the Quab business was removed when this expired on January 16, 2012. The SKW Metallurgie Group's contingent receivables and liabilities did not otherwise change materially compared to December 31, 2011.

I. Key events after the balance sheet date

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

J. Shareholder structure

There were the following shareholdings in SKW Metallurgie that carry a reporting requirement according to the WpHG (German Securities Trading Act) (3% or more of total voting rights) on March 31, 2012:

Name	Registered office	Number of shares	Shares held correspond to	Date	Remarks
LBBW Asset Management Investmentgesellschaft mbH	Stuttgart, Germany	331,599	5.067%	September 23, 2010	
Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte	Tübingen, Germany	210,000	3.21%	September 28, 2011	
N más Uno IBG, S.A.	Madrid, Spain	207,714	3.174%	February 3, 2012	two notifications for the same shareholding

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

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

The members of the Executive and Supervisory Boards together held less than 1% of SKW Metallurgie's shares on March 31, 2012.

Unterneukirchen (Germany), May 2012

SKW Stahl-Metallurgie Holding AG

The Executive Board

Ines Kolmsee
Chairperson (CEO)

Oliver Schuster

Reiner Bunnenberg

Financial Calendar 2012 (remaining)

June 14, 2012

in München (Munich), Germany

- Annual General Meeting

August 16, 2012

- Publication of business figures first half year 2012

November 12, 2012

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

- Analysts‘ Conference

November 15, 2012

- Publication of business figures first nine months 2012

May be subject to change.

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Disclaimer and Notes

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

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

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

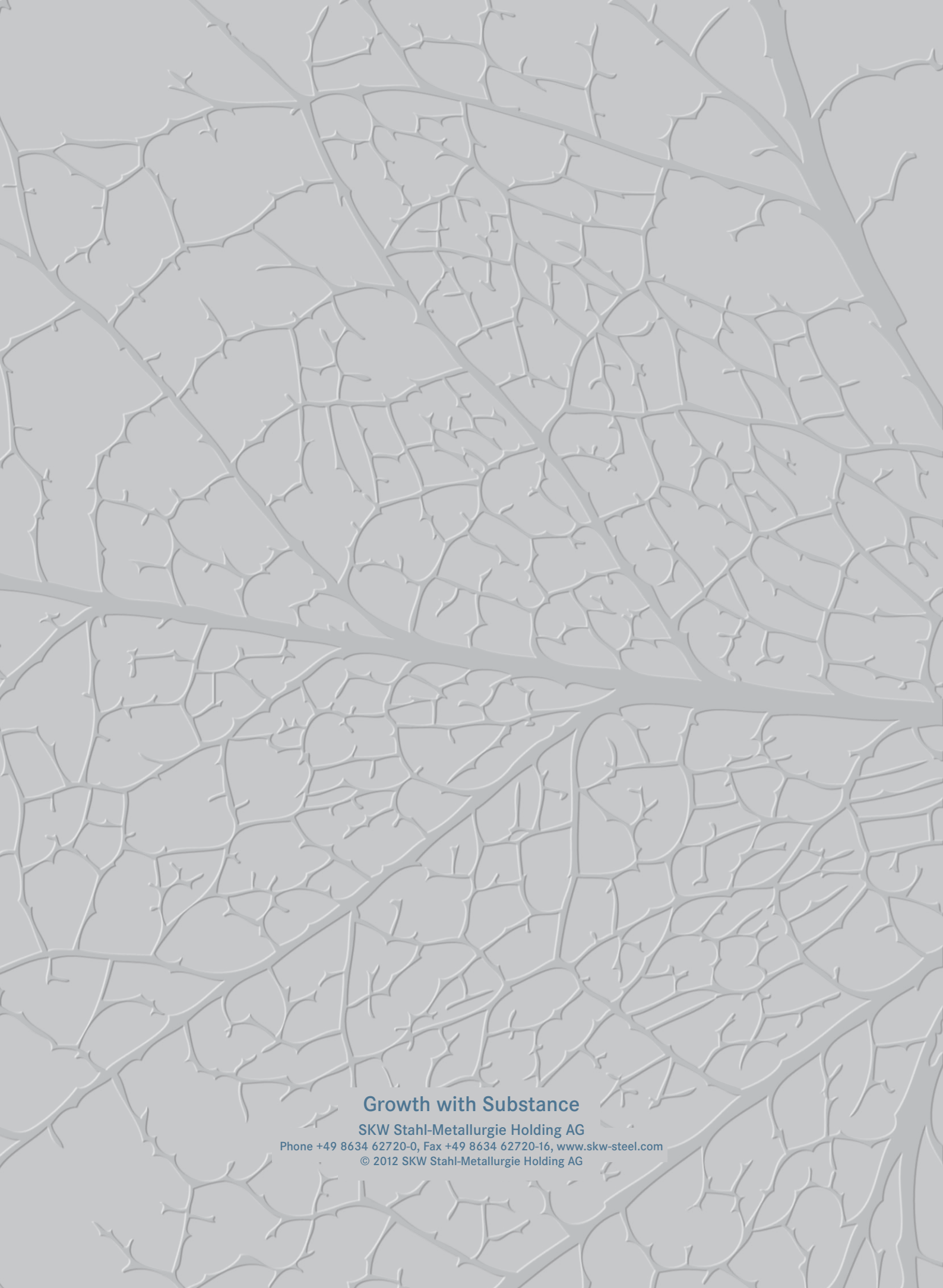
Names such as “SKW Metallurgie”, “Quab” and “SDAX” that are used in this report may be registered trademarks whose use by third parties for their purposes could infringe the rights of the proprietors.

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

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

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

This report was published on May 15, 2012 and is available at www.skw-steel.com to download free of charge.



Growth with Substance

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