H1

Interim Report | 1st Half 2010

SALZGITTER AG
Stahl und Technologie

Contents

Salzgitter Group in Figures

		H1 2010	H1 2009	+/-
Crude steel production[1]	**kt**	**3,375.0**	**2,043.4**	**1,331.6**
External sales	**€ million**	**4,034.2**	**4,125.7**	**-91.5**
Steel Division	€ million	1,081.6	799.9	281.6
Trading Division	€ million	1,409.2	1,683.7	-274.5
Tubes Division	€ million	892.0	1,107.9	-215.8
Services Division	€ million	195.3	146.4	48.9
Technology Division	€ million	429.7	367.5	62.3
Others	€ million	26.4	20.5	6.0
Export share	%	50.6	52.6	-2.0
EBITDA[2)3)]	**€ million**	**177.2**	**-0.5**	**177.7**
EBIT[3)4)]	**€ million**	**39.3**	**-159.6**	**199.0**
Earnings before tax (EBT)	**€ million**	**-5.1**	**-195.2**	**190.1**
Steel Division	€ million	-76.2	-190.2	114.0
Trading Division	€ million	43.4	-57.7	101.1
Tubes Division	€ million	13.1	96.0	-82.9
Services Division	€ million	11.4	-5.4	16.8
Technology Division	€ million	-15.7	-43.7	28.0
Others/Consolidation	€ million	18.9	5.8	13.1
Earnings after tax	**€ million**	**-3.5**	**-165.0**	**161.6**
Earnings per share (undiluted)	**€**	**-0.11**	**-3.07**	**2.96**
ROCE[5)6)]	**%**	**0.4**	**-8.1**	**8.5**
Operating cash flow[7)]	**€ million**	**148.6**	**811.6**	**-662.9**
Capital expenditure[8)]	**€ million**	**208.0**	**311.5**	**-103.6**
Depreciation and amortization[8)]	**€ million**	**136.6**	**152.1**	**-15.5**
Balance sheet total	**€ million**	**8,438.7**	**8,005.0**	**433.7**
Fixed assets	**€ million**	**3,301.5**	**3,135.1**	**166.3**
Current assets	**€ million**	**5,137.2**	**4,869.9**	**267.3**
of which inventories	€ million	1,589.6	1,768.1	-178.6
of which cash and cash equivalents	€ million	1,591.9	1,481.8	110.1
Equity	**€ million**	**3,908.0**	**4,115.4**	**-207.5**
Liabilities	**€ million**	**4,530.7**	**3,889.6**	**641.1**
Non-current liabilities	€ million	2,535.6	2,328.6	207.0
Current liabilities	€ million	1,995.1	1,561.0	434.1
of which due to banks[9)]	€ million	93.1	98.7	-5.6
Net position to banks	**€ million**	**1,491.1**	**1,415.6**	**75.5**
Employees	**€ million**			
Personnel expenses	€ million	730.5	682.4	48.1
Core workforce	30/06/	23,310	23,920	-610
Total workforce	30/06/	25,085	25,595	-510

Disclosure of financial data in compliance with IFRS

1) In regard of the participation in Hüttenwerke Krupp Mannesmann
2) EBITDA = EBT + interest paid/ - interest income + depreciation and amortization
3) changed definition from 01.01.2010 on, retrospectively adapted
4) EBIT = EBT + interest paid/ - interest income
5) ROCE = EBIT in relation to the total of shareholders' equity (without calculation of accrued and deferred taxes), tax provisions, interest-bearing liabilities (excluding pension provisions) and liabilities from financial leasing, forfaiting
6) Annualized
7) Description changed as against previous year
8) Excluding financial assets
9) Current and non-current liabilities to banks

Summary

The positive earnings trend of the Salzgitter Group continued in the second quarter of the financial year 2010 in the form of a pre-tax profit. Contributing factors included the satisfactory capacity utilization situation of most product segments and the sharp increase in selling prices in steel trading operations. Particularly when compared with the crisis-ridden previous year's period, the business of the Group has clearly stabilized. The majority of leading indicators support a more confident assessment of the outlook for business in the second half-year.

The **consolidated external sales** of the Group, which came to € 4,034.2 million (first half of 2009: € 4,125.7 million), fell marginally short of the year-earlier level mainly due to selling price effects. In the second quarter of 2010, the Salzgitter Group generated an operating pre-tax profit of € 18.6 million (second quarter of 2009: € -96.9 million), bringing the first half of 2010 to a close with an **operating profit before tax** of € 21.2 million (first half of 2009: € -158.6 million). This half-yearly operating result already includes € 13.2 million in provisions for onerous contracts in connection with project orders booked and confirmed where the costs of production are presumably no longer covered due to the exorbitant increases in the price of raw materials. The reported **pre-tax result** of the first half-year came to € -5.1 million (first half of 2009: € -195.2 million) and includes an additional € 26.3 million in provisions for streamlining measures. Profit after tax stood at € -3.5 million (first half of 2009: € -165.0 million), and earnings per share posted € -0.11 (first half of 2009: € -3.07). Return on capital employed (ROCE) of an annualized 0.4 % was in the black again (first half of 2009: € -8.1 %).

The production capacities of the **Steel Division** were generally sufficiently utilized in the first six months of the current financial year. The situation varied across the individual product segments: Whereas capacity utilization of flat steel was good and plate production showed a satisfactory level, sections production was again weak due to the volatile situation in the construction industry. Accordingly, the division's external sales rose by 35 % to € 1,081.6 million (first half of 2009: € 799.9 million) against the backdrop of weaker average selling prices in comparison with the previous year and considerable growth in shipment tonnage. The operating result before tax stood at € -58.6 million which was mainly attributable to the unsatisfactory selling price level measured against the raw materials price trend. Including provisions of € 17.6 million for restructuring measures at Peiner Träger GmbH, the division disclosed a pre-tax loss of € -76.2 million (first half of 2009: € -190.2 million).

The destocking process meanwhile completed in almost all industry sectors and the rapid uptrend in steel prices from the second quarter onwards in the spot market were factors exerting a positive influence on the business environment of the **Trading Division**. Shipment volumes recorded in the first six months of 2009 were almost matched in the first half of the current financial year. Owing to the extremely low level from which selling prices staged their recovery and weaker international trading in terms of volume, external sales came in at € 1,409.2 million, which is lower than the year-earlier figure (first half of 2009: € 1,683.7 million). Pre-tax profit of a very gratifying € 43.4 million was substantially higher than a year ago (first half of 2009: € -57.7 million).

The product segments of the **Tubes Division** recorded partly considerable declines in selling prices accompanied by generally steady volumes, bringing external sales to € 892.0 million, which is lower than the still flourishing business of the previous year’s period (first half of 2009: € 1,107.9 million). The division generated a positive operating profit of € 21.8 million in the first half of the year. This result was achieved exclusively by the large-diameter tubes segment and includes provisions for onerous contracts of € 13.2 million. Taking account of € 8.7 million in restructuring expenses, the pre-tax result comes to € 13.1 million (first half of 2009: € 96.0 million).

The results of the **Services Division** are first and foremost a reflection of the Steel Division's brisker production activities. With segment sales of € 520.0 million (first half of 2009: € 340.9 million) and a profit before tax of € 11.4 million (first half of 2009: € -5.4 million), the division achieved a result which was much higher than the previous year's figure. External sales climbed to € 195.3 million (first half of 2009: € 146.4 million).

The course of business of the **Technology Division** resulted in an increase of more than 40 % in new orders booked in the first six months of the financial year, but was also dominated by still unsatisfactory selling price levels for beverage filling and packaging plants. With the extensive streamlining and cost-cutting program increasingly taking effect, the KHS Group nonetheless delivered a positive pre-tax result in the second quarter. In comparison with the weak year-earlier figure, the external sales of the Technology Division rose by 17 % to € 429.7 million (first half of 2009: € 367.5 million), and the pre-tax result climbed to € -15.7 million (first half of 2009: € -43.7 million).

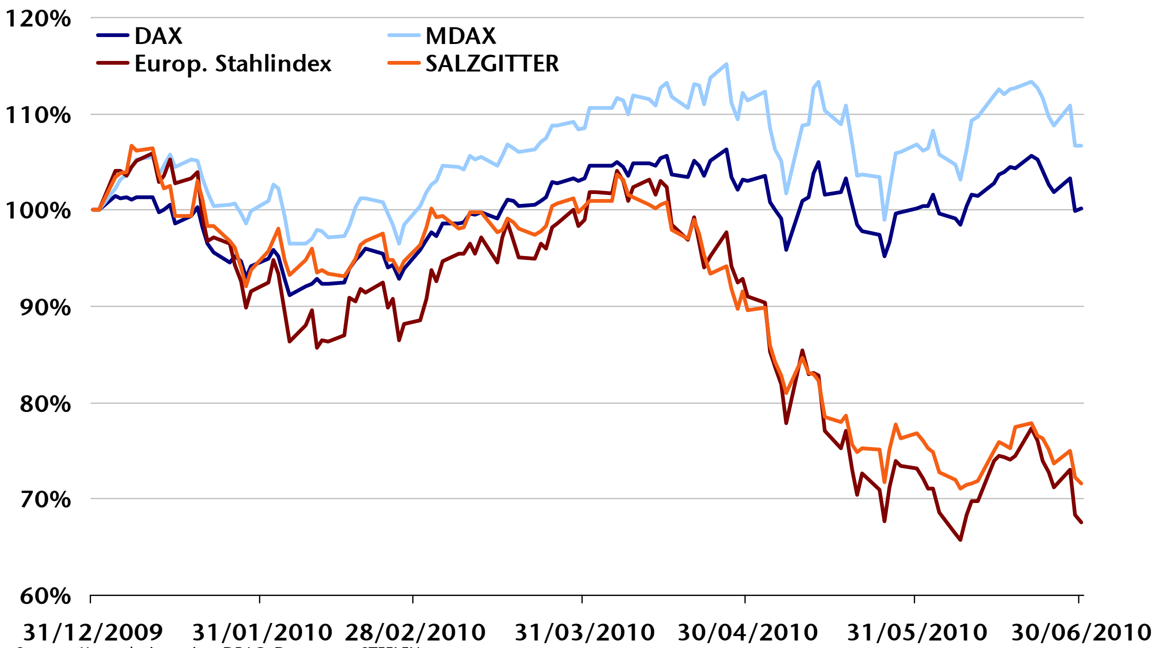
The external sales of the **Others/Consolidation** segment, generated through business in semi-finished products with external parties, advanced to € 26.4 million in the first six months (first half of 2009: € 20.5 million). The pre-tax result came in at € 18.9 million (first half of 2009: € 5.8 million). The stake in Aurubis AG, a company included at equity since 2009, contributed a pleasing € 22.0 million in profit after tax.

Intragroup sales of the Salzgitter Group increased by 4 % to € 1,017.7 million (first half of 2009: € 980.4 million).

Forecast: The short-lived fluctuations in the price of raw materials are a hindrance to any planning certainty. For this reason alone, it is currently not possible to arrive at an accurate, quantitative forecast for sales and profit of the Salzgitter Group. In consideration of the currently discernible risks and potential, we nonetheless believe that a pre-tax result above breakeven is achievable in the current financial year.

Investor Relations

Capital market and the performance of the Salzgitter stock



Sources: Xetra closing prices DBAG, Datastream STEELEU

Uncertainties about the macroeconomic situation and the debt crisis of a number of countries caused extreme volatility in the **equities market** throughout the whole of the first half year of 2010. Following a short upswing at the start of the year, news about the possible national bankruptcy of Greece triggered an initial phase of consolidation. The subsequent recovery was followed by a second countermovement from the end of April onwards. This development was attributable to the dramatic price hikes of many raw materials and anxiety resurfacing about the economic situation in the eurozone. No clear trend emerged during the remaining reporting period because of the persistent uncertainty. By June 30, 2010, the DAX had remained virtually unchanged overall as against its closing price at year-end 2009; the MDAX gained just under 7 %.

The price performance of the **Salzgitter share** was mainly influenced by two factors in the first six months of 2010: macroeconomic uncertainties about the issue of Greece and dramatic increases in the price of raw materials. After a good start, our share peaked as early as January 11, at € 74.32. In the following two months it generally tracked the DAX. As from the end of March, the drastic shift in contractual structures between producers of raw materials and steel, the resulting great uncertainties about how the prices of ore and coal would develop and possibilities for compensation via higher sales prices, exerted strong pressure on steel equities. As a result, the price of the Salzgitter share fell to € 47.50 on June 9 and has subsequently mirrored the overall market which was characterized by high volatility. Having closed at € 48.99 on June 30, the Salzgitter share shed around 28 % in the reporting period compared with its price at year-end 2009.

Towards the end of the reporting period, Deutsche Börse AG decided to admit HeidelbergCement AG on June 21, 2010, in accordance with the rules and regulations governing the composition of the index. Consequently, Salzgitter AG became part of the MDAX again.

The **average daily turnover** of our share on German stock exchanges was just under 675,000 units in the first six months of 2010. In comparison with the previous year's period, the trading volume has therefore fallen by around 15 %. On June 30, 2010, Salzgitter AG came first in the MDAX index ranking of Deutsche Börse and took 11th place measured in terms of free-float market capitalization, which came to € 1.9 billion.

As part of our **capital market communication**, we presented our company at investor conferences and road shows in New York, Frankfurt and London in the first six months of the financial year 2010. In addition, analysts and investors visited the plants in Salzgitter, Peine and Muelheim an der Ruhr. In mid-May, the results of the first quarter of 2010 were presented as part of a telephone conference and discussed with the capital market. We are delighted to have won 8th place in the DAX in the context of the Capital Investor Relations Prize 2010, organized by the magazine Capital and DVFA, and that, in respect of the quality of our investor relations work, the participants in this ranking have placed us in the upper third of all DAX equities for the second time in a row.

In the analyst survey recently conducted the Salzgitter share was assessed by 24 banks which gave it the following **ratings** (as per June 30, 2010): 8 buy/outperform, 11 hold/market perform, 5 sell/underperform.

Treasury Shares

Salzgitter AG's portfolio of treasury shares came to 5,798,239 as per June 30, 2010. As against December 31, 2009 (5,795,252 units), there was an increase of 2,987 units. Members of the workforce received 13 shares as a bonus for improvement suggestions. Conversely, we purchased 3,000 shares at an average price of € 47.79.

Information for investors

		H1 2010	H1 2009
Nominal capital as of 30/06/	€ million	161.6	161.6
Number of shares as of 30/06/	million	60.1	60.1
Number of shares outstanding as of 30/06/	million	54.3	54.1
Market capitalization as of 30/06/[1)2)]	€ million	2,660	3,376
Price as of 30/06/[1)]	**€**	**48.99**	**62.42**
High 01/01/ - 30/06/[1)]	€	74.32	71.62
Low 01/01/ - 30/06/[1)]	€	47.50	40.22
Security identification number	620200		
ISIN	DE0006202005		

1) All data based on prices from XETRA trading

2) Calculated on the basis of the respective closing price at the end of the period multiplied by the number of shares outstanding per this date

Earnings, Financial Position and Net Worth

Economic environment

In the first half of 2010, the **world economy** appeared to have staged a broad-based recovery from the great turbulence. Exports in particular rallied from their slump, both in the industrial nations and in the emerging markets. Despite this global upswing, the longer term impact of the financial crisis is now emerging. The effect of the fiscal policy of the economic stimulus programs launched to counteract the significant downturn in demand was reflected in the soaring national debt of a number of eurozone countries. The resulting insecurity had an impact first and foremost on confidence in the euro in the face of Greece's potential bankruptcy. By contrast, the economic recovery in North America was somewhat more positive, with the possibility of growth rates above 3 %. Even more promising is the development in Asia and South America. China in particular is likely to achieve double-digit growth rates. According to the International Monetary Fund (IMF), this trend is evidence of a prospering global economy which is set to grow by 4.6 % in spite of the euro crisis.

The aforementioned problems in the **euro area** took on a certain critical impetus in the first half of the year. The European Union secured Greece’s solvency with an infusion of liquidity amounting to 750 billion euros on condition that Greece systematically reduces its national debt. At present, countries facing similar challenges, such as Spain and Italy, have also begun to consolidate their finances, and the UK and Germany also intend to make savings in the double-digit billion range in the years ahead. How negative an impact the restrictive fiscal policy will have on the goods sector remains to be seen. These factors underpin the forecasts of a number of research institutes which have calculated a growth in the euro area of between 0.9 % and 1.2 % for 2010 as a whole.

The **German economy** has proven to be relatively robust, particularly regarding the positive situation in the industrial sector and foreign trade. Economic expectations are somewhat dampened by domestic and foreign consolidation measures, as another shock to demand would have negative consequences for German companies with their strong export orientation. This is the reason why growth figures for 2010 have been set at between 1.2 to 2.0 %.

Interim Management Report

Earnings situation within the Group

		Q2 2010	Q2 2009	H1 2010	H1 2009
Crude steel production[1]	kt	1,730.1	1,038.7	3,375.0	2,043.4
External sales	**€ million**	**2,109.4**	**1,931.1**	**4,034.2**	**4,125.7**
EBITDA[2)3)]	€ million	104.4	-12.5	177.2	-0.5
EBIT[2)3)]	€ million	34.1	-78.1	39.3	-159.6
Earnings before tax (EBT)	**€ million**	**12.0**	**-96.9**	**-5.1**	**-195.2**
Earnings after tax	**€ million**	**9.8**	**-90.9**	**-3.5**	**-165.0**
ROCE[4)5)]	**%**	**1.7**	**-8.1**	**0.4**	**-8.1**
Capital expenditures[6]	€ million	113.4	150.8	208.0	311.5
Depreciation and amortization[6]	€ million	69.1	65.6	136.6	152.1
Operating cash flow[7]	€ million	129.5	432.8	148.6	811.6
Net position to banks[8]	**€ million**	**1,491.1**	**1,415.6**	**1,491.1**	**1,415.6**
Equity ratio	%			46.3	51.4

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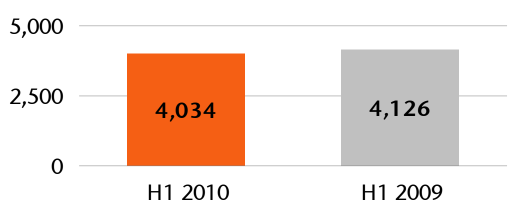
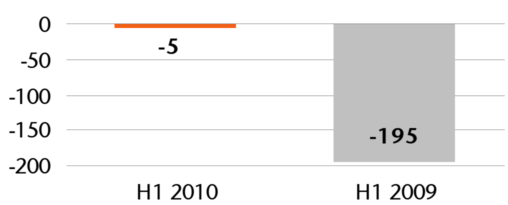
5) Annualized
6) Excluding financial assets
7) Description changed as against previous year
8) Including investments, e.g. securities and structured investments

The positive earnings trend of the Salzgitter Group continued in the second quarter of the financial year 2010 in the form of a pre-tax profit. Contributing factors included the satisfactory capacity utilization situation of most product segments and the sharp increase in selling prices in steel trading operations. Particularly when compared with the crisis-ridden previous year's period, the business of the Group has clearly stabilized. The majority of leading indicators support a more confident assessment of the outlook for business in the second half-year. The consolidated external sales of the Group, which came to € 4,034.2 million (first half of 2009: € 4,125.7 million), fell marginally short of the year-earlier level mainly due to selling price effects.

Group-External Sales (in € million)



Group-EBT (in € million)



In the second quarter of 2010, the Salzgitter Group generated an operating pre-tax profit of € 18.6 million (second quarter of 2009: € -96.9 million), bringing the first half of 2010 to a close with an operating profit before tax of € 21.2 million (first half of 2009: € -158.6 million). This half-yearly operating result already includes € 13.2 million in provisions for onerous contracts in connection with project orders booked and confirmed where the costs of production are presumably no longer covered due to the exorbitant increases in the price of raw materials. The reported pre-tax result of the first half-year came to € -5.1 million (first half of 2009: € -195.2 million) and includes an additional € 26.3 million in provisions for streamlining measures. Profit after tax stood at € -3.5 million (first half of 2009: € -165.0 million), and earnings per share posted € -0.11 (first half of 2009: € -3.07). Return on capital employed (ROCE) of an annualized 0.4 % was in the black again (first half of 2009: € -8.1 %).

Steel Division

		Q2 2010	Q2 2009	H1 2010	H1 2009
Order bookings	kt	1,065.7	1,054.9	2,412.4	1,768.9
Order backlog as of 30/06/[1]	kt			910.1	859.5
Crude steel production	kt	1,325.7	881.2	2,604.9	1,670.5
LD steel (SZFG)	kt	1,098.9	674.2	2,157.3	1,383.1
Electric steel (PTG)	kt	226.8	207.0	447.6	287.4
Rolled steel production	kt	1,201.5	863.5	2,510.0	1,618.8
Shipments	kt	1,266.7	891.7	2,570.6	1,715.2
Sales[2]	**€ million**	**777.6**	**554.0**	**1,498.1**	**1,206.3**
External sales	**€ million**	**565.5**	**372.2**	**1,081.6**	**799.9**
Earnings before tax (EBT)	**€ million**	**-45.2**	**-60.5**	**-76.2**	**-190.2**

[1] changed definition (disclosure including finished materials SZFG) from 01.01.2010 on; retrospectively adapted
[2] Incl. sales to other corporate divisions

The ongoing recovery of the **international steel markets**, evident since the summer of last year, firmed up notably in the period under review. For instance, global crude steel production of 706 million tons exceeded the previous year's output by more than a quarter. All regions recorded growth to varying degrees. Only Asia and the Middle East were able to deliver higher growth rates than before the crisis, with China's steel production proceeding at a record level again. In contrast, Europe, the USA and Canada, as well as the CIS countries, fell more than 15% below the output rates posted in 2007. In April, the utilization of global crude steel capacity reached its highest level since July 2008 (82.6 %), but went back into decline again over the course of the period under review.

The **steel producers of the EU 27** nations smelted 90 million tons of crude steel in the reporting period, thereby exceeding the year-earlier figure by 45 %. The higher growth rates are, on the one hand, a reflection of the trough in production in the first half year of 2009 and, on the other, indicate that the upswing has gained a more broad-based footing and is accelerating faster than expected.

The positive development was more pronounced in the **German steel market** than in the markets of other European countries. Strong impetus came especially from the automotive industry and, with a time lag, the mechanical engineering sector. In the first half of 2010, crude steel output climbed to 22.7 million tons, which corresponds to an increase of almost two thirds compared with a year ago. Measured by this criterion, the steel industry’s recovery is well ahead of the recovery in most steel processing sectors. The fact that capacity utilization is receiving support from high steel net exports and that inventories had recently settled at a moderate level must nonetheless be taken into account. These ranges more or less tally with the long-term average.

Against the background of the tense situation in the raw materials markets in particular and a more restrictive financial policy steered by most countries, the economic situation of the steel industry nevertheless remains difficult and beset with uncertainties.

By the middle of the second quarter, the global recovery in the steel industry caused the price of many raw materials to soar, a situation which did not ease until the first half year.

A paradigm shift took place in the global **iron ore market** within the space of a few months. VALE, BHPBilliton and Rio Tinto, the three largest producers of iron ore, put an end to the decade-old system of agreeing prices on an annual basis. Since April 2010, the pricing of iron ore has been fixed for the most part on a quarterly basis. Against the resistance of customers throughout the world, the Brazilian company Vale has, for instance, implemented a price model which is based on spot quotations for ore dust traded in the Chinese market. Solely one European pellet producer has concluded long-term price agreements with several major customers. The spot market prices for iron ore accelerated swiftly in the period from December 2009 to April 2010, driven by the surge in demand for iron ore emanating from the Far East. It reached its highest level for the time being at the end of April at USD 186 per dry metric ton (dmt) CFR China. Prices have been in a clear downtrend since May and, at the start of July, fell below 130 USD/dmt.

Similar to the development in the ore market, the established benchmark price system for **coking coal** has also been abolished. BHPBilliton and Teck Coal as the largest exporters of coking coal now only offer quarterly prices which, however, are not fixed on daily spot market quotations. Instead, the prices valid in the second and third quarter ascertained in negotiation rounds between the market leader BHPBilliton and its major Asian customers are fixed and applied to the European market. The price level set for the second quarter of 2010 stands at 200 USD/t FOB Australia, which is an increase on last year's prices of around 55%.

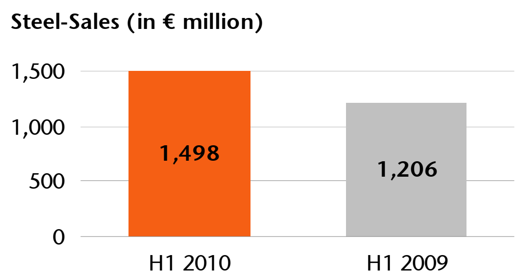
Trends on the **international sea freight markets** in recent months have resembled a rollercoaster ride. Following a phase when demand dominated the market at the end of 2009 (approximately 20 USD/t for the Tubarao-Rotterdam reference rate), prices were initially quoted the start of the new year at a level of around 15 USD/t. Following a downturn in rates in the spring, they climbed again to just under 18 USD/t in May. Since then the quotations for all customary trading routes have been slipping. The aforementioned reference rate was approaching 10 USD/t mark at the start of July.

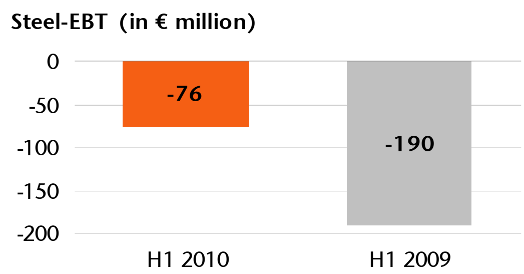
At the beginning of the year, higher steel production naturally triggered a sharp increase in **scrap prices**. Along with healthy domestic demand, flourishing export markets also underpinned this trend. Above all, large quantities of shredder scrap were shipped to India. From the second quarter onwards, the higher volume of orders placed in Germany and abroad and a weak supply of scrap sent prices up again. With an increase of between 60 and 80 €/t since the start of the year, they temporarily peaked in mid-April. The demand of Turkish plants, which are particularly important for the scrap price and which had increasingly been buying up scrap in Europe since the beginning of March, subsequently declined and then petered out altogether. Despite interest in buying running at a high level in Germany, this caused prices to fall. German demand then also faltered in June, pushing prices down further.

In the first half year of 2010, the development of **metals and alloys** in the market was very disparate, depending on the individual groups of materials. The price of bulk and quality alloys rose sharply in response to the improved economic environment and the surge in demand for raw materials throughout the world. For the time being, no temporary counter movement can be expected in this market segment. In contrast, since mid-April 2010, zinc, nickel, copper and aluminum, all metals quoted on the stock exchange, have been extremely volatile in a falling market.

Against this backdrop, the development of the **Steel Division** was as follows:

Consolidated **new orders and orders in hand** were considerably higher than the tonnage of the year-earlier periods. Accordingly, the production of **crude steel** (+56 %) and **rolled steel** (+55 %) by the steel companies was considerably higher than a year ago. **Shipments** (+ 50%) also rose notably and were the determinant factor for **segment and external sales** exceeding the previous year's figures.





The generally unsatisfactory selling price level and capacity underutilization in the section product segment resulted in a negative operating pre-tax result for the division (€ -58.6 million). The disclosed result also includes provisions for restructuring measures of € 17,6 million at Peiner Träger GmbH (PTG), bringing the overall pre-tax loss to € 76.2 million (first half of 2009: € -190.2 million).

Further analyses of the individual companies provide more in-depth explanations:

The capacity utilization of **Salzgitter Flachstahl GmbH**'s **(SZFG)** production facilities improved noticeably in the first half of 2010 as compared with a year ago. Both blast furnaces and the steel mill were running at their capacity limits; moreover, 100 tons of slabs were purchased externally and rolled. A mechanical breakdown caused 16 days of downtime of hot rolling strip operations in April. The resulting production shortfall had been virtually made up for by the end of the reporting period. In comparison to the previous years period, order intake and the order book have risen sharply, which is evidence of the sustained recovery of import and steel-processing sectors, in particular in the automotive and mechanical engineering industries. Despite the increases implemented at the beginning of April, average sales prices ranged substantially below those of the first six months of 2009. Shipment volumes staged a good recovery and, as opposed to the previous year's period, were instrumental in lifting sales above the one billion euro mark again. SZFG generated positive earnings before tax during the period under review and has therefore notably outperformed the year-earlier result.

At the end of the first quarter, the heavy plate market was still under pressure primarily from selling prices. The subsequent uptrend in volume and prices held steady through to May, but enquiries tailed away again at the end of the reporting period. Despite inventories remaining at normal levels, trading was reticent because it was not possible to pass on the hikes in factory prices in full to end consumers. Rerollers and eastern European suppliers attempted to counteract weaker demand by slashing prices in part, which fueled uncertainty in the market. Against this backdrop, the volume of order intake by **Ilsenburger Grobblech GmbH (ILG)** rose sharply in the first quarter of 2010 and regained a satisfactory level. The contract volume of new orders also improved but, given the lower price level, the scope was only moderate. In terms of volume and contract value, the order book also exceeded the year-earlier figure. In the reporting period, rolled steel output and shipment volumes were considerably higher than the weak first half of 2009 which was partly impacted by short-time work. Sales were boosted primarily by higher shipment volumes but fell around one fifth short of the previous year's level due to the sharp decline in selling prices. A negative result was recorded due to the parallel increase in input material costs.

At the start of the year, the demand of stockholding steel traders for sections rallied. Owing to the rapid uptrend in steel scrap prices, traders assumed further increases in selling prices and attempted to book volumes under the old conditions. As from mid-May, there was a discernible slowdown in order activities again. This was caused by slack consumer demand particularly due to the still volatile situation in the construction industry, high inventory levels of trade and southern European producers, and a downturn in scrap prices. Nonetheless **Peiner Träger GmbH (PTG)** raised its order intake marginally in this environment but the volumes ordered fell short of the first half year of 2009 which was influenced by upfront effects internal to the company. The production of crude steel and rolled steel, as well as shipments, were markedly higher than the tonnage in the extremely weak first half of 2009. Sales, which were higher in a year-on-year comparison, were nonetheless unable to match the increase in shipments, as average selling prices were below those commanded in the first six months of 2009, despite further price increases. Margins, which had narrowed due to selling prices and the price of scrap, and provisions for restructuring measures led to a substantially negative result.

The still lackluster market and dampened propensity to invest in public-sector infrastructure projects, such as ports and waterways, permitted an only partial capacity utilization of the production facilities of **HSP Hoesch Spundwand and Profil GmbH (HSP)**. The increase in sales as against the year-earlier period was exclusively attributable to higher shipment volumes, which were offset by downward average selling price trends. Under these circumstances it was not possible to achieve a positive result.

In the second quarter, the shipment volumes of **Salzgitter Bauelemente GmbH**’s **(SZBE)** roof and wall cladding recovered from their slump, induced by the weather conditions at the start of the year. Consequently, sales were able to compensate for the shortfall recorded at the end of the first quarter and reached the previous year's level. The reporting period closed with a positive result.

In tandem with the sustained uptrend experienced by automotive manufacturers, the business of **Salzgitter Europlatinen GmbH (SZEP)** also recovered. This was reflected in a distinct improvement in the shipment volumes and higher sales in comparison with a year ago. Profit was also raised as against the first half of 2009.

Trading Division

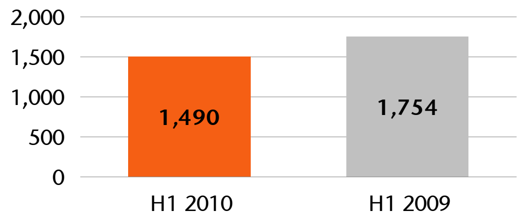
		Q2 2010	Q2 2009	H1 2010	H1 2009
Shipments	kt	1,114.3	1,143.4	2,181.6	2,217.1
Sales[1)]	**€ million**	**792.0**	**758.3**	**1,489.6**	**1,754.1**
External Sales	**€ million**	**751.4**	**756.8**	**1,409.2**	**1,683.7**
Earnings before tax (EBT)	**€ million**	**39.4**	**-37.1**	**43.4**	**-57.7**

[1)] Incl. sales to other corporate divisions

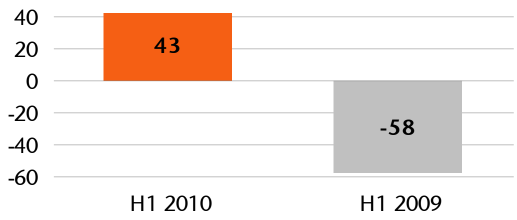
The process of destocking, which has been completed for the most part, as well as an uptrend in steel prices, which commenced in the second quarter, were the main factors favoring **steel trading** in the first half of 2010. European stockholding steel traders in particular benefited from this development. In contrast, international trading had comparatively little stimulus to report: whereas a number of markets rallied, the impact of the previous year's economic crisis was still being felt in other countries. Despite massive increases in the prices of raw materials, there were price corrections at the end of the second quarter which caused many customers to plan cautiously and, at best, to place orders only for urgently needed materials. Products were sourced mainly from the respective local suppliers due to shorter delivery times.

This environment had the corresponding effects on the activities of the **Trading Division** and were reflected in its overall result. Whereas the volume of shipments in the period under review almost re-attained the level seen in the first half of 2009, the selling price trend, which started from a lower basis this year, and weaker international trading measured by volume caused a discernible downturn in segment and external sales. Thanks mainly to the recovery in the stockholding steel business, the division recorded a gratifying pre-tax profit of € 43.4 million, which was approximately € 100 million higher than in the first six months of 2009.

Trading-Sales (in € million)



Trading-EBT (in € million)



The **Salzgitter Mannesmann Trading Group** developed well in the first half of 2010, especially at the start of the second quarter. Although shipment volumes, as well as segment and external sales, were below the year-earlier figures due to the slow start to the recovery of international trading, pre-tax profit clearly exceeded the previous year’s figure.

The **stockholding steel trade** was the main driver of these developments which reaped the benefit of the sudden surge in steel prices mainly in the second quarter. This had quite a considerable impact on the results because of the temporary, but significant, widening of margins. Shipments also made a notable recovery in comparison with the first six months of 2009. Sales were only slightly above the previous year's figures as the average selling price level in 2009 was higher, and the division made a very pleasing contribution to profit.

In the **international trading business**, brisker activities on the Indian market, deliveries to the Middle East and Africa had a positive effect on the trading volume. However, still restrained demand from Europe and the Far East and the as yet modest project business braked the recovery. Moreover, the after-effects of the economic slump in North America were still being felt by the trading companies operating in this region. All in all, the pre-tax profit generated in the first half year of 2010 was therefore marginally below that of the first six months of 2009, with a notable shortfall shipment volumes and sales.

The business activities of **Universal Eisen und Stahl GmbH (UES)** came under the influence of the at best moderate recovery of the plate market during the first half year of 2010. On the customer side, the sectors of mechanical engineering, container construction and energy technology experienced a revival in their activities. This development was, however, unable to compensate for the lack of economic stimulus in steel construction, construction machinery and shipbuilding. As a result, the shipment volume as well as segment and external sales fell below the previous year's figures. The pre-tax result was positive.

The steel service center **Hövelmann & Lueg GmbH (HLG)** achieved a trend reversal in the reporting period: shipments and sales rose in a year-on-year comparison. The pre-tax result grew by just under € 16 million, thus delivering a contribution to profit again.

Tubes Division

		Q2 2010	Q2 2009	H1 2010	H1 2009
Order bookings	€ million	561.3	318.6	1,238.1	618.8
Order backlog as of 30/06/[1]	€ million			1,028.4	1,249.3
Sales[1]	**€ million**	**506.8**	**648.3**	**1,023.4**	**1,336.6**
External sales	**€ million**	**442.6**	**555.8**	**892.0**	**1,107.9**
Earnings before tax (EBT)	**€ million**	**10.6**	**45.2**	**13.1**	**96.0**

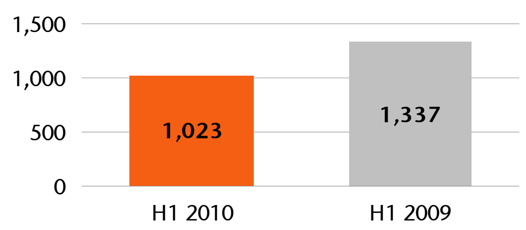
[1] Incl. sales to other corporate divisions

Following the plunge in demand on the global **steel tubes market** in the second half of 2008, the ensuing period of weakness, to the exception of China, lasted through to the third quarter of 2009. The level of new orders has subsequently stabilized but has not, however, been able to match the level of the boom years of 2007/2008. This development reflects the recovery in the global economy and the rising demand of customer sectors operating in the energy sector owing to price hikes for crude oil. In addition, the order activities of the automotive sector recovered at a much swifter and stronger pace than anticipated at the start of the year. With a certain time lag, the mechanical engineering sector also recently experienced a global upswing. Finally, the sale of tubes through stockholding steel traders was supported by a resumption of inventory stockpiling.

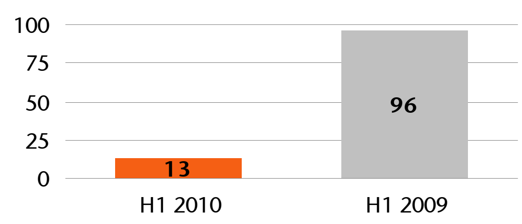
The **order intake** of the **Tubes Division** doubled in the first half of the financial year 2010 as against the year-earlier period, boosted above all by the successful acquisition of EUROPIPE GmbH (EP) major Nord Stream 2 and some smaller projects. All other product segments also delivered increases, the most notable of which was the precision tubes segment. **Consolidated orders** in hand, however, fell short (-18 %) of the high figure posted on June 30, 2009, which was mainly attributable to consecutive processing of large-diameter pipes projects and the weakness of the seamless stainless steel tubes segment.

As the decline in respect of HFI-welded tubes and stainless steel tubes was compensated by higher deliveries of precision tubes, **shipments** remained at the year-earlier level.

Tubes-Sales (in € million)



Tubes-EBT (in € million)



The Tubes Division's **segment sales** were 23 % lower in a year-on-your comparison. Whereas, in terms of volume, the precision tubes segment lifted sales slightly again, the other product groups sustained partly considerable declines. The Tubes Division’s **external sales** therefore fell by 19 %.

The division generated a positive operating profit of € 21.8 million in the first half of the year. This result was achieved exclusively by the large-diameter tubes segment and includes provisions for onerous contracts of € 13.2 million. Taking account of € 8.7 million in restructuring expenses, the **pre-tax result** comes to € 13.1 million. The precision tubes segment improved its results as opposed to all other product segments which sustained declines.

Business performance of the product segments:

As against the first half of 2009, new orders received by the **large-diameter** tubes segment rose in the first six months of 2010, mainly due to the awarding of the major Nord Stream 2 and further projects to EUROPIPE GmbH (EP). Having acquired only smaller volumes in the first five months of 2010, Salzgitter Mannesmann Großrohr GmbH (MGR) won a larger contract in June. All in all, the division only succeeded in attaining the volume of the weaker year-earlier period. Salzgitter Mannesmann Grobblech GmbH (MGB) did not repeat the level of the previous year because of lower selling prices. Despite the discernible increase in demand and the more frequent conclusion of contracts, the order book of the large-diameter tubes segment was almost a third less by the end of the first half year. The shipments of large-diameter tubes were marginally above the previous year's tonnage, which was mainly attributable to the US companies. The downtrend in selling prices resulted in sales falling short of the level achieved a year ago. As a consequence of delivering high-margin orders booked before the advent of the crisis, the product segment achieved a result which, albeit below the previous year's figure, was nonetheless positive despite extensive provisions for onerous contracts.

The **HFI-welded tubes** business saw a recovery in enquiries in projects business at the beginning of 2010 and orders were booked at short notice. New orders were very satisfactory in the first six months, above all owing to larger orders placed in March and April, and were almost 50 % higher than the below-average year-earlier period. At the end of the first half-year, the order book was considerably above the figures recorded a year ago. At the same time, there was a notable volume- and selling-price-induced decline in sales. Significantly burdened by markups on the price of input materials resulting from raw materials price hikes and provisions for onerous contracts, the pre-tax result was negative.

Compared with the weak year-earlier period, the product segment **precision tubes** saw demand running high in the automotive industry which, after expiry of the government subsidy programs, benefited most particularly from the export business. The economic recovery of mechanical engineering and the energy sectors also triggered a considerable increase in bookings. All in all, new orders more than doubled in comparison with the first half of 2009 (+155 %), resulting in capacity being already reserved through to October thanks to the full order book. Shipments and sales rose swiftly, thereby putting an end to short-time work. Although the pre-tax result came under pressure from a two-week strike, on the one hand, and provisions for restructuring expenses in France, on the other, the precision tubes product segment more than halved the loss made in the first six months of 2009.

After one and a half years of slack demand, there are no signs of a sustainable and significant market recovery in the **stainless steel tubes** product segment, even though recent months have seen a moderately improved inflow of orders. New orders were nonetheless considerably higher than the year-earlier figure (+72 %) but failed to leave their historically low level. Although the segment did not repeat the 2009 figure, it has recorded a moderate increase in its order book in recent months which, however, is not a guarantee of full capacity utilization in the months ahead. In the second quarter, it was possible for the most part to end the phase of short-time work implemented in the Montbard and Remscheid plants in the first quarter of the year. The American plant in Houston continues to suffer from the harsh market conditions in the local stainless steel tubes market. Shipments of the MST Group were therefore far below the level reached a year ago (-44 %). The pre-tax result achieved in the first half year of 2009 was not repeated due to a notable decline in volume and price-induced discounts and was negative.

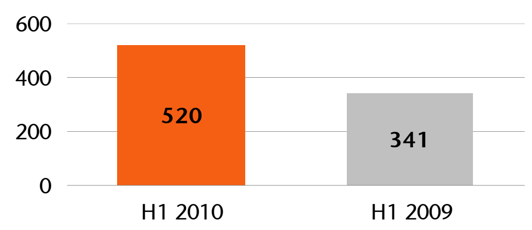
Services Division

		Q2 2010	Q2 2009	H1 2010	H1 2009
Sales[1)]	€ million	289.4	163.1	520.0	340.9
External sales	€ million	107.4	63.0	195.3	146.4
Earnings before tax (EBT)	€ million	6.3	-2.2	11.4	-5.4

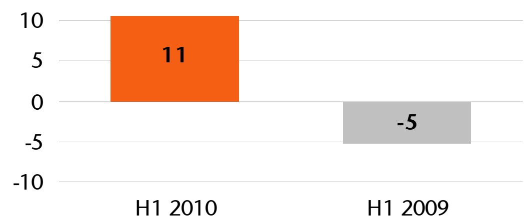
1) Incl. sales to other corporate divisions

The **Services Division** benefited from the general economic recovery in the first half of 2010 and, in particular, from the return of the steel companies' production activities to normal levels. In comparison, the year-earlier period marked the emergence of the producing companies from the trough of the crisis-ridden business of the manufacturers.

Services-Sales (in € million)



Services-EBT (in € million)



In the course of this recovery, **segment sales** rose by 53 % to € 520 million in a year-on-year comparison. The raw materials trading company **DEUMU Deutsche Erz- und Metall-Union GmbH (DMU)** recorded its strongest growth (+115 %), driven by the significantly higher trading volume and better price level. Thanks to the considerably higher crude steel production and the resulting increase in the volume of freight traffic, the **Verkehrsbetriebe Peine-Salzgitter GmbH (VPS)** and **Hansaport Hafenbetriebsgesellschaft mbH (HAN)** saw their revenues increase (+19 % and +46 % respectively). German automotive manufacturers recorded robust demand from abroad, with corresponding positive effects on the revenue figure (+27%) of **Salzgitter Hydroforming GmbH & Co. KG (SZHF),** a company consolidated at the start of the financial year 2009. The division's **external sales** grew by 33 %.

The Services Division generated a pleasing **pre-tax profit** of € 11.4 million (+311 %). In contrast to the difficult first half-year of 2009, DMU, SZST and VPS were again making contributions to profit. HAN was also able to raise its results significantly. By contrast, SZAE was unable to bring about a trend reversal.

Technology Division		Q2 2010	Q2 2009	H1 2010	H1 2009
Order bookings	€ million	210.3	163.9	468.4	332.2
Order backlog as of 30/06/[1]	€ million			284.2	256.8
Sales[1]	**€ million**	**230.1**	**175.0**	**430.1**	**367.7**
External sales	**€ million**	**229.9**	**174.9**	**429.7**	**367.5**
Earnings before tax (EBT)	**€ million**	**-2.4**	**-20.4**	**-15.7**	**-43.7**

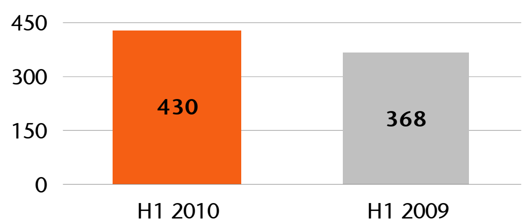
[1] Incl. sales to other corporate divisions

Thanks to growing demand in Germany and abroad, German mechanical engineering recorded an increase in new orders of 32 % in the first six months of 2010 in comparison with the year-earlier period. With orders from customers in Asia and Latin America first picking up momentum, the North American market recently followed suit with brisker purchasing activities. In contrast, the uptrend in Europe was sluggish.

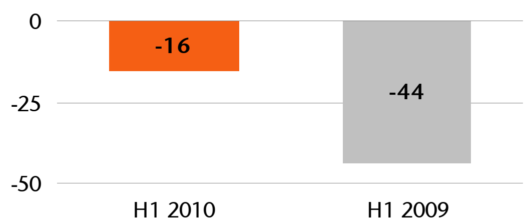
The companies of the **Technology Division** operate mainly in mechanical engineering and plant construction. The business is dominated by the filling and packaging technology of the KHS Group which generates more than 90 % of revenues. Dortmund-based KHS AG was renamed as KHS GmbH through a resolution passed by the Annual General Meeting of Shareholders on June 9, 2010. The company remains a wholly-owned subsidiary of Klöckner-Werke AG (KWAG).

After the difficult year 2009, the business of the Technology Division took a turn for the better. The enormous reluctance of customer sectors to invest, which caused the companies problems in 2009, gradually eased. Foreign trade, which is critical to export-oriented companies in the mechanical engineering sector, also gained momentum. Moreover, Klöckner DESMA Elastomertechnik GmbH (KDE) and Klöckner DESMA Schuhmaschinen GmbH (KDS), both special machinery companies, recorded a gratifying recovery in demand. In spite of the unmistakable stabilizing of new orders, these companies did not match the level in the years achieved prior to the financial crisis.

Technology-Sales (in € million)



Technology-EBT (in € million)



Order intake rose more than 40 % and the **order book** grew by 11 %. Despite the still unsatisfactory selling price levels for beverage filling and packaging plants, **sales** revenues recorded an increase of 17 % as against the weak previous year's period.

With the extensive streamlining and cost-cutting program increasingly taking effect, the KHS Group nonetheless delivered a positive **pre-tax result** in the second quarter. In total the result increased to € -15.7 million in the first half of the financial year 2010.

The extensive restructuring program launched in 2009 continues to be rigorously pursued. The package of measures is concentrated on managing projects in Germany and abroad efficiently in addition to sustainably reducing materials, non-personnel and personnel expenses. In this context, the German production sites are focused on streamlining transport and communication channels. Smaller individual locations are attached and integrated into larger ones and a number of process workflows simplified in this process.

More information on Klöckner-Werke and its performance can be obtained from the company website at the following address: www.kloecknerwerke.de

Others/Consolidation

		Q2 2010	Q2 2009	H1 2010	H1 2009
Sales[1]	€ million	52.0	36.7	90.7	100.5
External sales	€ million	12.7	8.4	26.4	20.5
Earnings before tax (EBT)	€ million	3.4	-21.9	18.9	5.8

[1] Incl. sales to other corporate divisions

Sales in the **Others/Consolidation segment**, based on business in semi-finished products with subsidiaries and external parties, fell to € 90.7 million during the period under review. **External sales** climbed slightly to € 26.4 million (first half-year of 2009: € 20.5 million).

Pre-tax profits stood at € 18.9 million. The stake in Aurubis AG (NAAG), a company included at equity since 2009, contributed € 22.0 million earnings after tax.

Explanations on the Financial Position and Net Worth

As against December 31, 2009, the total assets of the Salzgitter Group rose by almost 5 % (+€ 387 million) in the first half of 2010. Non-current assets climbed by € 118 million as the investment activities in the Steel Division were considerably higher than depreciation and amortization.
The increase in current assets (+€ 269 million) was due to a volume- and price-induced rise in trade receivables (+€ 259 million) and inventories (+€ 124 million). This is offset by lower Income tax assets (-€ 47 million) and a decrease in cash and cash equivalents.

On the liabilities side, the improvement in business is mainly reflected by current liabilities (+€ 401 million). Trade payables (+€ 272 million) rose in tandem with trade receivables/inventories. Given that equity capital remained virtually unchanged, the equity ratio came to sound to 46.3 %.
The gratifying cash flow from operating activities (+€ 149 million) is attributable to a discernible improvement in the profit trend, as shown in a positive EBITDA, and an only moderate increase in working capital at the same time. In the year-earlier period, cash inflows were generated exclusively through the drastic paring down of inventories. The net credit balance, including investments, which is not disclosed under financial investments, had fallen slightly to € 1.5 billion by the end of the reporting period (December 31, 2009: € 1.6 billion).

Investments

Investments in plant, property and equipment and intangible assets came to € 208 million in the first six months of the current financial year, which is considerably lower than the year-earlier figure (€ 311.5 million). The reason behind this is that the major investments of the Steel Division have been realized for the most part. Depreciation and amortization fell to € 136.6 million (first half of 2009: € 152.1 million).

Investment activity in the first half of 2010 was focused on the **Steel Division** where efforts were directed mainly towards the continuation of major projects being implemented in line with planning.

The **“Power Plant 2010”** project is geared towards raising the volume of Salzgitter Flachstahl GmbH’s (SZFG) own electricity supply by achieving greater efficiency through recycling reusable gas. The first block installed had already reached its nominal maximum output during test operations. The second block is due to go into operation shortly. The new Continuous Casting Line 4, which is part of the "**SZS 2012**" investment program, has successfully taken up test production across the full range of dimensions and grades. All important installations and conversions on the hot rolling strip line have been completed. At the same time, the main new driver has been installed on Finishing Stand 1 and taken into operation. The main drives of the other six stands are to be replaced by the end of 2011. Once these measures have been completed, SZFG’s hot rolling strip line will boast the world’s most powerful group of stands.

A major order for the new "**Belt Casting Technology**" has been placed. The “casting” part located at Peine and the “rolling” part in Salzgitter are in the phase of project implementation in accordance with deadlines. An invitation to tender has been issued for the heating furnace of the rolling mill.

The go-ahead for the production and sale of the extended product range of **Ilsenburger Grobblech GmbH (ILG)**, which includes the future production of heavy plate based on slabs which are 350 mm thick, was given at the end of June.

Owing to the current market situation, especially in view of the greater demand for input materials within the Group and rising prices for buying in these materials, the Executive Board made the decision at the start of March 2010 to continue the "**PTG 2010**" project in order to enable parallel operation of both electric arc furnaces in future. Production has been scheduled to commence at the end of February 2011.
After the successful start to production in September 2009, the **medium section mill (UMIT)** is ramping up, as planned. The target parameters for the specific output and operationality are to have been achieved by the beginning of the third quarter of 2010. The **oxygen pipeline** between Salzgitter and Peine was completed on March 19, 2010. When it becomes operational operation in late summer, Peiner Träger GmbH (PTG) can be supplied with oxygen from Salzgitter.

An additional roll stand to modernize the rolling mill is currently being installed at **HSP Hoesch Spundwand und Profil GmbH (HSP)**. The investment enables the production of additional Z section series alongside U sections which have made up the bulk of production to date in the sheet piling product range. The housing and the driver of the roll stand have already been installed. The preparatory work for the saw and the tractor as well as other peripherals are under way and proceeding according to schedule.

In the Tubes Division of **Salzgitter Mannesmann Line Pipe GmbH (MLP)** the “Renewal of the Hydrostatic Water Tester” investment project was awarded at the Siegen plant and is progressing to plan.

Research and Development

Salzgitter Mannesmann Forschung GmbH (SZMF) is the central research unit for the Steel and Tubes divisions of the Salzgitter Group. The R&D activities are concentrated mainly on the key areas of developing materials and materials processing, application and coating technologies, as well as test engineering. Along with the companies of Salzgitter AG, external companies, for instance from the steel processing industry, automotive industry, the machinery and plant construction sector, energy technology and the construction industry, rank as customers.

The R&D spend of SZMF in 2010 is likely to remain at the previous year's level, as will the number of employees which is roughly the same.

Modeling of grain growth in the submerged arc welding process
In the submerged arc welding process, longitudinally welded large-diameter tubes are subject to the formation of grain growth around the fusion line from extreme exposure to heat. This results in the loss of material stability in the welding seam. Together with Europipe GmbH (EP), SZMF has developed a model which can simulate grain growth for large-diameter tube steel based on the initial structure and the temperature-time history. This model permits grain growth to be simulated for any temperature/time profile, on the one hand, while, on the other, allowing variations of welding parameters to be applied in order to achieve an optimum structure of the welding seam. The simulation results tally excellently with results achieved through experimentation. The model can be used to predict the effect of welding parameters on the grain size, depending on the content of micro-alloy elements such as titanium and niobium. The project therefore serves to enhance the quality of EP's large-diameter tube products.

New empty bottle inspection of glass bottles
The consistent quality assurance of products for consumption and their packaging has top priority in the food and beverages industry. With this in mind, KHS GmbH continued its work on developing the Innocheck® inspection system. This system enables glass bottles to be dependably inspected while being economic on space and, at the same time, guarantees maximum inspection assurance before the bottles are refilled. KHS has set a new benchmark with the introduction of its automated cleaning concept for bottle base inspection, combined with optional redundancy in respect of inspection units. KHS's innovative image processing can dependably identify the tiniest flaws in bottles, reaching even the most difficult spots. For instance, the bottle thread is shown in high contrast in its full length by a lens and mirror system. Software specially designed by KHS uses the data for reliably identifying any damage to the bottle thread.
Innovative high-frequency sensors, which carry out the remote, non-contact inspection of the washed bottles, are used to check for dirt, damage and residual liquids. In addition, the sophisticated InfraRot device is used for checking on residual liquid and ensures that non-electroconductive liquids in empty bottles, such as oil, fat or fuel, are reliably identified and extracted. An optical system which simultaneously sends images of the sidewalls and the base of the bottle to the camera system is used to inspect the bottle base. The end-to-end inspection system was successfully taken into operation in an existing plant concept within a very short period of time.

Employees

	30/06/2010	31/12/2009	+/-
Core workforce	**23,310**	**23,378**	**-68**
of which Steel Division	6,962	6,816	146
of which Trading Division	1,898	1,931	-33
of which Tubes Division	5,671	5,791	-120
of which Services Division	4,145	4,181	-36
of which Technology Division	4,470	4,513	-43
of which Others	164	146	18
Apprentices, students, trainees	1,181	1,484	-303
Passive age-related part-time employment	594	530	64
Total workforce	**25,085**	**25,392**	**-307**

The core workforce of the Salzgitter Group came to 23,310 employees on June 30, 2010, which is a decrease of 68 people. In the first half-year, 300 trainees were hired by the company, 280 of whom were given limited contracts. The number of employees affected by short-time work fell from 2,395 to 1,034 in the first six months.

Forecast, Opportunities and Risks Report

As sectors lagging the economic cycle also recently reported rising order intake, most steel processing sectors are meanwhile manufacturing at a relatively good level again. The overall situation is, however, very disparate and many market participants still plan from a primarily short-term standpoint and exercise caution. The main cause of this behavior is the high volatility of raw materials and material costs, which considerably raises the risk inherent in large-volume transactions. Moreover, as the redefinition of long-term supplier relationships and the respective price fixing models have not yet been finalized with a number of steel processors, the course steel business will take in the coming months is likely to remain beset with uncertainty. This may, however, also take a positive turn. All in all, we are relatively confident as to the outlook for the second half year given the current situation with regard to order intake and capacity utilization in our plants. As partly discernible from today's standpoint, the current, seasonally-induced lull in demand should generally come to an end towards the end of the summer break.

We therefore assume that capacity utilization of the **Steel Division** will remain satisfactory, accompanied by relatively stable sales figures, in the months ahead, with the flat steel and plate product segments likely to perform better on the back of selling prices than the sections segment. However, it is highly unlikely that the result of the second half year will be able to fully compensate for the loss sustained in the first six months.

Thanks to its broad-based position in the relevant markets, the **Trading Division** expects business is to develop steadily. Gross earnings in the stockholding steel trade, which rose sharply for a short period, will return to normal again due to a more moderate selling price trend. We anticipate that business in international trading will develop well, albeit notably below the level recorded in recent boom years. A profit in the upper double-digit million range should be achievable in the financial year 2010.

Despite the clearly discernible uptrend in order intake, the **Tubes Division** is expecting results to fall considerably short of the previous year owing to the hesitant recovery in selling prices. This is attributable to input material price hikes resulting in margins narrowing, especially in the case of major projects already booked. We nonetheless believe it possible for the division to achieve breakeven provided that the positive economic development continues.

Revenues and the pre-tax result of the **Services Division** are likely to settle at the level achieved, also in the months ahead, as a result of the higher production volumes of the steel companies.

In connection with recovering markets and boosted by the increasingly positive effect of measures implemented in 2009 geared to improving processes and enhancing efficiency, the earnings situation of the **Technology Division** will recover significantly in comparison with the year ended. Although the impact of adverse seasonal effects will be felt in the second half of the year, the improvement in the pre-tax loss in the financial year 2010 is expected to be most considerable.

The short-lived fluctuations in the price of raw materials are a hindrance to any planning certainty. For this reason alone, it is currently not possible to arrive at an accurate, quantitative forecast for sales and profit of the Salzgitter Group. In consideration of the currently discernible risks and potential, we nonetheless believe that a pre-tax result above breakeven is achievable in the current financial year.
As in recent years, we make special reference to the fact that opportunities and risks from currently unforeseeable trends in selling prices, input materials and capacity utilization developments, as well as changes in the currency

parity, may still affect performance considerably over the course of the financial year 2010. The resulting fluctuation in the consolidated pre-tax result may, as events in the first half year have shown, be within a considerable range, either to the positive or to the negative. The dimensions of this range become clear if one considers that, with around 4 million tons of steel products to be sold by the end of this year by the Steel, Trading and Tubes divisions, an average difference of € 30 in the margin per ton is sufficient to cause a variation in the annual result of more than € 120 million.

As regards the individual **opportunities and risks**, we make reference to the Annual Report 2009. At the time when the report was drawn up there were no risks that could endanger the Salzgitter Group as a going concern. We counteract the risk currently inherent in commodity price hikes and the probability of the term of annual contracts being curtailed to quarterly contracts by raising the selling prices of our products. The increase in procurement costs identified, as well as assumptions made for pricings yet undetermined, have already been factored into the results forecast by the companies. The results also take account of what we currently deem to be realistic potential for passing on the costs in the selling prices of our products. We do not anticipate any fundamental changes in the risk situation from today's standpoint.

Events of Significance

Squeeze-out of Klöckner Werke AG

In a letter dated March 10, 2010, Salzgitter Mannesmann GmbH (SMG), which holds 95.8 % of the shares in Klöckner Werke AG (KWAG), requested KWAG to have the Annual General Meeting of the shareholders of KWAG approve the assignment of the shares of all remaining shareholders (minority shareholders) to SMG against the granting of appropriate cash compensation (squeeze out). At the end of June 2010, SMG provided KWAG with a report (Assignment Report) on the conditions precedent for the assignment of the shares held by the minority shareholders in which the compensation per share had been set at € 14.33; this corresponds to a settlement amount totaling around € 33 million. The appropriateness of the settlement to be paid to the minority shareholders was confirmed by an expert auditor appointed by a court of law. The Annual General Meeting of the shareholders of KWAG to approve the transfer of the shares of the remaining shareholders to SMG will be convened on August 25, 2010.

Salzgitter AG publishes its CR Report

Salzgitter AG published its first Corporate Responsibility Report (CR Report) on February 15, 2010. The Report is intended to supplement the Annual Report by providing information in a condensed form on the Group's ecological, business and social activities. The 60-page report documents the multi-faceted commitment of Salzgitter AG in the key areas of "Strategy & Values", "Market & Innovation", "Environment & Energy", "Employees" and "Company" and describes the company's basic understanding of corporate responsibility.

Listing of the Salzgitter AG share on the MDAX

The process of reviewing the composition of the top indices DAX, MDAX, SDAX, TecDAX) by Deutsche Börse on June 4, 2010, in application of the stock exchange criteria of market capitalization and share turnover revealed that HeidelbergCement AG has fulfilled all the conditions for fast entry into the DAX. The company was admitted to the DAX on June 21. As a result, Salzgitter AG, which, at the time, ranked 30th in terms of its market capitalization, is now included in the MDAX.

Supervisory Board appoints a new Chairman of the Executive Board

In an extraordinary meeting held on July 14, 2010, Salzgitter AG's Supervisory Board unanimously appointed Prof. Dr.-Ing. Heinz Jörg Fuhrmann to the position of Chairman of the Executive Board of Salzgitter AG for the period from July 1, 2011 until June 30, 2016. Prof. Fuhrmann will be the successor of Prof. Dr.-Ing. E. h. Wolfgang Leese who is to leave the company in June 2011. To date, Prof. Fuhrmann has headed up the Finance Department and the Technology Division. He has been active as Vice Chairman of the Executive Board since December 2007.

Interim Financial Statements

I. Consolidated Income Statement

in € million	2nd Quarter 2010	2nd Quarter 2009	1st Half 2010	1st Half 2009
Sales	2,109.4	1,931.1	4,034.2	4,125.7
Increase or decrease in finished goods and work in process and other own work capitalized	35.1	-121.2	48.7	-170.7
	2,144.5	1,809.8	4,082.9	3,955.0
Other operating earnings	56.7	36.6	136.6	161.4
Cost of materials	1,492.7	1,275.2	2,825.5	2,905.8
Personnel expenses	365.2	333.3	730.5	682.4
Amortization and depreciation	69.1	65.6	136.6	152.1
Other operating expenses	255.3	256.1	516.6	556.0
Income from shareholdings	2.9	0.1	3.6	-0.3
Income from associated companies	13.4	5.6	26.7	27.6
Impairment losses of financial assets	1.2	0.0	1.2	7.0
Financing income	5.5	7.5	11.3	18.7
Financing expenses	27.5	26.3	55.7	54.3
Earnings before tax (EBT)	**12.0**	**-96.9**	**-5.1**	**-195.2**
Income taxes	2.2	-6.0	-1.6	-30.2
Consolidated net income	**9.8**	**-90.9**	**-3.5**	**-165.0**
Appropriation of profit				
Consolidated net income	9.8	-90.9	-3.5	-165.0
Profit carried forward from the previous year			15.1	84.2
Minority interests			2.5	0.5
Dividend payment			-13.6	-75.7
Appropriation to other retained earnings			6.0	165.5
Unappropriated retained earnings	**9.8**	**-90.9**	**1.5**	**8.4**
Undiluted earnings per share (in €)	**0.16**	**-1.69**	**-0.11**	**-3.07**
Diluted earnings per share (in €)	**0.16**	**-1.69**	**-0.11**	**-3.07**

II. Statement of Comprehensive Income

in € million	2nd Quarter 2010	2nd Quarter 2009	1st Half 2010	1st Half 2009
Consolidated net income for the period	9.8	-90.9	-3.5	-165.0
Changes in the financial year recorded directly in equity				
Changes in currency translation	15.6	-7.1	26.8	-0.8
Changes in value reserve from hedging transactions				
Changes in current value recorded directly in equity	0.7	1.8	-2.2	13.6
Recognition of settled hedging transactions with effect on income	0.0	0.0	2.6	-11.0
Changes in value of financial assets in the "available-for-sale assets" category				
Changes in current value recorded directly in equity	-2.1	7.7	-0.4	5.4
Actuarial gains and losses	0.0	-2.9	0.0	-0.1
Deferred tax on changes without effect on income	0.0	2.2	0.0	1.3
Other changes without effect on income	-2.0	-0.8	-3.9	-0.4
Changes directly recorded in equity	**12.2**	**0.8**	**22.9**	**8.0**
Total profit	**22.1**	**-90.1**	**19.4**	**-157.0**
Total profit due to Salzgitter AG shareholders	21.1	-90.2	17.4	-157.5
Total profit due to minority interests	1.0	0.1	2.0	0.5
	22.1	**-90.1**	**19.4**	**-157.0**

III. Consolidated Balance Sheet

Assets in € million	30/06/2010	31/12/2009
Non-current assets		
Intangible assets		
Other intangible assets	122.7	123.8
	122.7	**123.8**
Property, plant and equipment	2,507.5	2,423.5
Investment property	26.0	25.9
Financial assets	78.5	77.4
Associated companies	419.6	400.8
Deferred tax assets	144.8	129.0
Other receivables and other assets	2.3	3.3
	3,301.5	**3,183.7**
Current assets		
Inventories	1,589.6	1,465.6
Trade receivables	1,315.5	1,056.6
Other receivables and other assets	289.1	283.7
Income tax assets	62.3	109.4
Securities	288.8	159.5
Cash and cash equivalents	1,591.9	1,793.0
	5,137.2	**4,867.8**
	8,438.7	**8,051.5**

Equity and liabilities in € million	30/06/2010	31/12/2009
Equity		
Subscribed capital	161.6	161.6
Capital reserve	238.6	238.6
Retained earnings	3,852.7	3,835.4
Unappropriated retained earnings	1.5	15.1
	4,254.5	**4,250.8**
Treasury shares	-359.6	-359.4
	3,894.9	**3,891.3**
Minority interests	13.1	13.0
	3,908.0	**3,904.3**
Non-current liabilities		
Provisions for pensions and similar obligations	1,845.5	1,857.6
Deferred tax liabilities	0.0	3.8
Income tax liabilities	202.7	200.5
Other provisions	197.3	184.8
Financial liabilities	290.1	306.0
	2,535.6	**2,552.7**
Current liabilities		
Other provisions	537.4	515.3
Financial liabilities	98.5	81.4
Trade payables	813.6	541.3
Income tax liabilities	46.5	75.3
Other liabilities	499.2	381.2
	1,995.1	**1,594.5**
	8,438.7	**8,051.5**

IV. Cash Flow Statement

in € million	1st Half 2010	1st Half 2009
Earnings before tax (EBT)	-5.1	-195.2
Deprecreciation, write-downs (+)/write-ups (-) on fixed assets	137.2	159.1
Income tax refunded (+) / paid (-)	35.6	21.9
Other non-payment-related expenses (+)/income (-)	76.8	124.5
Interest expenses	55.7	54.3
Profit (-)/loss (+) from the disposal of fixed assets	0.8	-0.4
Increase (-)/decrease (+) in inventories	-124.0	794.5
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-247.8	380.6
Use of provisions affecting payments, excluding income tax provisions	-141.1	-133.5
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	360.5	-394.3
Cash flow from operating activities	**148.6**	**811.6**
Cash inflow from the disposal of fixed assets	26.2	2.5
Cash outflow for investments in intangible and tangible fixed assets	-208.3	-312.7
Cash inflow (+)/outflow (-) for short-term loans against borrower´s notes/bonds	0.0	500.0
Cash outflow for current financial investments	-150.0	0.0
Cash inflow from the disposal of financial assets	2.0	0.6
Cash outflow for investments in financial assets	-4.0	-27.6
Cash flow from investment activities	**-334.1**	**162.9**
Cash inflow (+)/outflow (-) as a result of sale and repurchase of treasury shares	-0.1	0.0
Cash outflow in payments to company owners	-13.6	-75.7
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilites	-0.9	-2.4
Interest paid	-4.2	-7.2
Cash flow from financing activities	**-18.8**	**-85.3**
Cash and cash equivalents at the start of the period	1,793.0	592.1
Cash and cash equivalents referring to changes of the consolidated group	0.0	0.5
Gains and losses from changes in foreign exchange rates	3.2	0.1
Payment-related changes in cash and cash equalities	-204.3	889.1
Cash and cash equivalents at the end of the period	**1,591.9**	**1,481.8**

V. Statement of Changes in Equity

in € million	Subscribed capital	Capital reserve	Purchase/ repurchase of treasury shares	Other retained earnings	Reserve from currency translation
As of December 31, 2008	161.6	184.2	-372.8	4,474.3	**-27.1**
First-time consolidation of affiliated companies hithero not consolidated due to materiality				11.4	
Goodwill resulting from IFRS 3				-2.8	
Net income				0.0	-0.8
Dividend					
Group transfers to retained earnings				-165.5	
Other				-1.3	
As of June 30, 2009	**161.6**	**184.2**	**-372.8**	**4,316.1**	**-28.0**
As of December 31, 2009	**161.6**	**238.6**	**-359.4**	**4,097.0**	**-24.9**
Net income				0.5	26.8
Dividend					
Repurchase of traesury shares			-0.1		
Withdrawals from retained earnings				-6.0	
Other				-0.1	
As of June 30, 2010	**161.6**	**238.6**	**-359.6**	**4,091.4**	**1.9**

Changes in the value of the reserve from hedging transactions	Changes in the value reserve from available for-sale assests	Other changes in equity with no effect on income	Unappropriated retained earnings	Equity (excluding minority interests)	Minority interests	Equity
-2.2	**-13.5**	**-169.8**	**84.2**	**4,318.8**	**27.2**	**4,346.1**
				11.4		11.4
				-2.8	-2.2	-5.0
2.6	5.4	0.8	-165.5	-157.5	0.5	-157.0
			-75.7	-75.7		-75.7
			165.5	0.0		0.0
				-1.3	-3.0	-4.4
0.4	**-8.1**	**-169.0**	**8.4**	**4,092.9**	**22.5**	**4,115.4**
0.4	**-1.8**	**-235.3**	**15.1**	**3,891.3**	**13.0**	**3,904.3**
0.4	-0.4	-3.9	-6.0	17.4	2.0	19.4
			-13.6	-13.6		-13.6
				-0.1		-0.1
			6.0	0.0		0.0
				-0.1	-1.9	-2.0
0.8	**-2.2**	**-239.2**	**1.5**	**3,894.9**	**13.1**	**3,908.0**

Notes

Segment Reporting

in € million	Steel		Trading		Tubes	
	H1 2010	H1 2009	H1 2010	H1 2009	H1 2010	H1 2009
External sales	1,081.6	799.9	1,409.2	1,683.7	892.0	1,107.9
Sales to other segments	416.6	405.3	80.4	62.0	131.0	228.4
Sales to Group companies that cannot be allocated to an operating segment	0.0	1.1	0.0	8.4	0.3	0.3
Segment sales	1,498.1	1,206.3	1,489.6	1,754.1	1,023.4	1,336.6
Interest income (consolidated)	0.7	1.2	2.7	3.2	0.3	0.9
Interest income to other segments	0.0	0.0	0.0	0.0	0.0	0.0
Interest income to Group companies that cannot be allocated to an operating segment	0.2	0.1	0.4	0.0	0.9	0.7
Segment interest income	0.8	1.3	3.0	3.3	1.2	1.6
Interest expenses (consolidated)	5.4	5.4	3.6	4.2	3.5	3.7
Interest expenses to other segments	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses to Group companies that cannot be allocated to an operating segment	29.2	23.9	3.2	10.9	4.0	9.0
Segment interest expenses	34.6	29.3	6.8	15.1	7.5	12.7
of which interest portion of allocations to pension provisions	4.6	4.5	1.7	1.8	2.9	2.8
Depreciation/amortization of tangible and intangible fixed assets	86.4	77.3	5.2	5.7	20.7	21.4
thereof scheduled depreciation of tangible fixed assets and amortization of intangible assets	86.4	77.3	5.2	5.7	20.7	21.4
EBITDA[1)]	44.0	-84.9	52.4	-40.2	41.2	135.5
EBIT[1)]	-42.4	-162.2	47.2	-45.9	19.3	107.2
Earnings before tax (EBT)	-76.2	-190.2	43.4	-57.7	13.1	96.0
of which from associated companies	0.3	1.3	0.0	0.0	4.3	-3.4
Investments in tangible and intangible fixed assets	172.6	251.3	3.5	6.4	15.9	26.5

[1)]changed definition from 01.01.2010 on, retrospectively adapted

Services		Technology		Total segments		Others/ Consolidation		Group	
H1 2010	H1 2009	H1 2010	H1 2009	H1 2010	H1 2009	H1 2010	H1 2009	H1 2010	H1 2009
195.3	146.4	429.7	367.5	4,007.8	4,105.3	26.4	20.5	4,034.2	4,125.7
323.0	191.6	0.3	0.1	951.3	887.4	64.3	80.1	1,015.6	967.4
1.7	2.9	0.1	0.1	2.1	12.9	0.0	0.0	2.1	12.9
520.0	340.9	430.1	367.7	4,961.2	5,005.6	90.7	100.5	5,051.9	5,106.1
0.3	0.3	1.4	1.1	5.3	6.7	5.9	11.8	11.3	18.4
0.0	0.0	0.0	0.0	0.0	0.0	38.6	45.8	38.6	45.8
6.5	6.2	0.2	0.1	8.1	7.1	0.0	0.0	8.1	7.1
6.8	6.4	1.6	1.3	13.5	13.8	44.6	57.5	58.0	71.4
6.9	7.1	5.0	5.1	24.4	25.5	31.3	28.8	55.7	54.3
0.0	0.0	0.0	0.0	0.0	0.0	8.1	7.1	8.1	7.1
1.1	1.3	1.1	0.8	38.6	45.8	0.0	0.0	38.6	45.8
7.9	8.4	6.1	5.9	63.0	71.4	39.5	35.9	102.4	107.3
6.5	6.7	3.6	3.9	19.4	19.7	23.3	24.8	42.7	44.5
11.0	11.0	12.2	15.2	135.5	130.6	1.1	21.5	136.6	152.1
11.0	11.0	12.2	15.2	135.5	130.6	1.1	1.0	136.6	131.5
23.5	7.5	1.2	-23.8	162.3	-5.9	14.9	5.3	177.2	-0.5
12.5	-3.5	-11.1	-39.1	25.5	-143.5	13.8	-16.2	39.3	-159.6
11.4	-5.4	-15.7	-43.7	-24.0	-201.0	18.9	5.8	-5.1	-195.2
0.0	0.0	0.0	0.0	4.6	-2.0	22.0	29.7	26.7	27.6
8.2	11.4	7.8	15.9	208.0	311.5	0.0	0.0	208.0	311.5

Further Information

Principles of accounting and consolidation, balance sheet reporting and valuation methods

1. The consolidated financial report of Salzgitter AG, Salzgitter, for the reporting period from January 1 to June 30, 2010, has been prepared as a condensed report with selected notes. The report has been drawn up, as before, in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) in consideration of the requirements contained in IAS 34 for condensed interim reports.
2. In comparison with the annual financial statements as at December 31, 2009, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statements for the period ended June 30, 2010.

Selected explanatory notes to the income statement

1. Sales by division are shown in the segment report.
2. Earnings per share are calculated pursuant to IAS 33. The undiluted **earnings per share** based on the weighted number of shares of Salzgitter AG came to € -0.11 in the period under review.

There would be a case of dilution if earnings per share were to be lowered by the issuing of potential shares from option and conversion rights. Such rights existed as per June 30, 2010. Including these rights in calculations, however, results in a reduction of the loss per share from continued operations. The option and conversion rights do not therefore cause dilution. For this reason, diluted earnings per share also come to € -0.11.

Related Party Disclosures

In addition to business relationships with companies that are consolidated fully and proportionately in the consolidated financial statements, relationships also exist with associated companies and shareholdings that must be designated as related companies in accordance with IAS 24. All business transactions with related companies are conducted on terms that also customarily apply among third parties. Deliveries and services rendered for related companies primarily concern deliveries of sheet piling to ThyssenKrupp GfT Bautechnik GmbH for resale and crude steel products supplied for processing. The deliveries and services rendered essentially comprise deliveries of input material for the manufacture of large-diameter pipes and precision tubes. Their volumes are shown in the table below:

in T€	Sale of goods and services	Purchase of goods and services	Trade receivables	Trade payables
	1.1. - 30.06.2010	1.1. - 30.06.2010	30/06/2010	30/06/2010
Thyssen Krupp GfT Bautechnik GmbH, Essen	40,838	0	21,813	0
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	550	185,795	11,943	20,650

Information pursuant to Section 37w para. 5 of the German Securities Trading Act (WpHG)
The interim financial statement and interim management report have not been subjected to an auditor’s review.

Affirmation by the legally authorized representatives

"To the best of our knowledge, we hereby affirm that, pursuant to the generally accepted accounting principles for interim reporting, the consolidated financial statements give a true and fair view of the net assets, financial position and the results of operations of the Group, and that the Interim Management Report gives a true and fair reflection of the development of the Group's business, including its performance and situation, as well as accurately describing the material risks and opportunities inherent in the development of the Group during the remaining financial year."

Salzgitter, August 2010
The Executive Board of Salzgitter AG

Prof. Dr.-Ing. E.h. Wolfgang Leese	Prof. Dr.-Ing. Heinz Jörg Fuhrmann	Wolfgang Eging
Heinz Groschke	Johannes Nonn	Peter-Jürgen Schneider

Financial calendar 2010

March 5, 2010	Key data for financial year 2009
March 26, 2010	Publication of consolidated financial statements for 2009
	Annual press conference
March 29, 2010	Analyst conference in Frankfurt/Main
March 30, 2010	Analyst conference in London
May 12, 2010	Interim report for the first quarter 2010
June 8, 2010	Ordinary Shareholders' Meeting
August 12, 2010	Interim report for the first half 2010
	Analyst conference in Frankfurt/Main
August 13, 2010	Analyst conference in London
November 12, 2010	Interim report for the first nine months 2010
December 31, 2010	End of financial year 2010

For computational reasons, rounding-off differences of +/- one unit (€, % etc.) may occur in the tables.

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