Q1

Interim Report | 1st Quarter 2010

SALZGITTER AG
Stahl und Technologie

Contents

Salzgitter Group Figures

		Q1 2010	Q1 2009	+/-
Crude steel production[1]	**kt**	**1,644.9**	**1,004.7**	**640.2**
External sales	**€ million**	**1,924.8**	**2,194.7**	**-269.9**
Steel Division	€ million	516.1	427.7	88.3
Trading Division	€ million	657.7	926.9	-269.2
Tubes Division	€ million	449.4	552.0	-102.6
Services Division	€ million	88.0	83.4	4.6
Technology Division	€ million	199.8	192.5	7.3
Others	€ million	13.8	12.1	1.6
Export share	%	49.0	54.9	-5.9
EBITDA[2)3)]	**€ million**	**72.8**	**12.0**	**60.8**
EBIT[3)4)]	**€ million**	**5.3**	**-81.5**	**86.8**
Earnings before tax (EBT)	**€ million**	**-17.1**	**-98.3**	**81.2**
Steel Division	€ million	-31.0	-129.7	98.7
Trading Division	€ million	4.0	-20.6	24.6
Tubes Division	€ million	2.6	50.8	-48.2
Services Division	€ million	5.1	-3.2	8.3
Technology Division	€ million	-13.3	-23.3	10.0
Others/Consolidation	€ million	15.5	27.7	-12.2
Earnings after tax	**€ million**	**-13.3**	**-74.1**	**60.8**
Earnings per share (undiluted)	**€**	**-0.27**	**-1.38**	**1.11**
ROCE[5)6))]	**%**	**-1.0**	**-7.7**	**6.7**
Operating cash flow[7]	**€ million**	**19.2**	**378.7**	**-359.6**
Capital expenditure[8]	**€ million**	**94.6**	**160.7**	**-66.2**
Depreciation and amortization[8]	**€ million**	**67.6**	**86.5**	**-19.0**
Balance sheet total	**€ million**	**8,320.4**	**8,404.9**	**-84.5**
Fixed assets	**€ million**	**3,231.6**	**3,037.9**	**193.7**
Current assets	**€ million**	**5,088.8**	**5,367.0**	**-278.2**
of which inventories	€ million	1,506.2	2,194.3	-688.1
of which cash and cash equivalents	€ million	1,566.1	1,187.0	379.1
Equity	**€ million**	**3,901.3**	**4,283.6**	**-382.4**
Liabilities	**€ million**	**4,419.1**	**4,121.2**	**297.9**
Non-current liabilities	€ million	2,526.0	2,349.0	177.1
Current liabilities	€ million	1,893.1	1,772.3	120.8
of which due to banks[9]	€ million	99.3	167.1	-67.9
Net position to banks	**€ million**	**1,483.3**	**1,147.2**	**336.0**
Employees	**€ million**			
Personnel expenses	€ million	365.3	349.1	16.2
Core workforce	31/03/	23,371	23,378	-7
Total workforce	31/03/	25,177	25,392	-215

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 and asset-backed securitization

6) Annualized

7) Description changed as against previous year

8) Excluding financial assets

9) Current and non-current liabilities to banks

Summary

In the first quarter of the financial year 2010, the ongoing economic recovery supported both the current order and capacity utilization situation as well as the further business outlook of the **Salzgitter Group**. The selling price trend for rolled steel and tubes products, however, failed to keep pace with the swift increase in the price of commodities. Moreover, the sale of products destined for the construction sector was hampered by the protracted wintry weather conditions. Given these generally favorable conditions, which were not without their limitations, the Group achieved an operating profit, thereby concluding the first quarter with a result much improved in comparison with a year ago.

The only slow recovery in selling prices in the Steel, Trading and Tubes divisions seen in the first months of 2010 from their lowest levels in the previous year resulted in Group **external sales** of € 1,924.8 million, which is still below the year-earlier figure (first quarter of 2009: € 2,194.7). The Salzgitter Group closed the first quarter with an operating pre-tax profit of € 2.6 million. This figure factors in accounting-related measures of € 27.7 million for project orders which have been booked and where the costs are no longer likely to be covered due to soaring commodity prices. The Group's **pre-tax loss** of € -17.1 million (first quarter of 2009: € -98.3 million) includes € 19.7 million worth of provisions formed for streamlining measures. The after-tax loss stood at € -13.3 million (first quarter 2009: € -74.1 million), bringing earnings per share to € -0.27. Return on capital employed (ROCE) was still marginally negative (-1.0 %; first quarter of 2009: -7.7 %).

The comparatively good capacity utilization situation of the **Steel Division** is a reflection of the sustained recovery in the global steel markets. External sales rose by 21 % to € 516.1 million in a year-on-year comparison (first quarter of 2009: € 427.7 million) on the back of a considerable increase in shipments tonnage, accompanied by an only hesitant and disparate improvement in selling prices across the whole product range. The operating pre-tax result came to € -20.0 million. Whereas the flat steel products segment generated a presentable profit, the plate product segment and, in particular, the beams segment, which is oriented to the construction sector, sustained losses. The consolidated financial statements for the quarter also include additional provisions for restructuring measures of € 11.0 million at Peiner Träger GmbH (PTG), bringing the overall pre-tax loss to € -31.0 million (first quarter of 2009: € -129.7 million).

The improved economic environment, the process of destocking by steel consumers, concluded in 2009, and signs of rising steel prices led to a recovery in the business activity of the **Trading Division**. However, the still notably lower selling prices as compared with a year ago were the reason behind the decline in external sales by around a third to € 657.7 million (first quarter of 2009: € 926.9 million). A pre-tax profit of € 4.0 million was recorded which, compared with the first quarter of 2009, is a gratifying trend reversal of € 24.6 million (first quarter of 2009: € -20.6 million).

As in the preceding quarters, the results of the **Tubes Division** received positive impetus from the delivery of major orders for large-diameter tubes booked before the advent of the crisis with comfortable margins. Nonetheless, the otherwise notably lower selling price level resulted in external sales falling considerably short of the year-earlier figure (€ 449.4 million; first quarter of 2009: € 552.0 million). After deduction of € 27.7 million in provisions for contingent losses for project orders mainly acquired in the previous year, pre-tax earnings from operations came to € 11.3 million in the first quarter of 2010. Taking account of restructuring expenses of € 8.7 million, pre-tax profit posted € 2.6 million (first quarter of 2009: € 50.8 million).

The **Services Division** benefited from the return of production activities to normal levels in the other Group companies, above all in the Steel Division. Segment sales climbed by 30 % to € 230.5 million (first quarter of 2009: € 177.8 million). External sales also grew slightly (+6 %). The division achieved a pleasing pre-tax profit of € 5.1 million (first quarter of 2009: € -3.2 million).

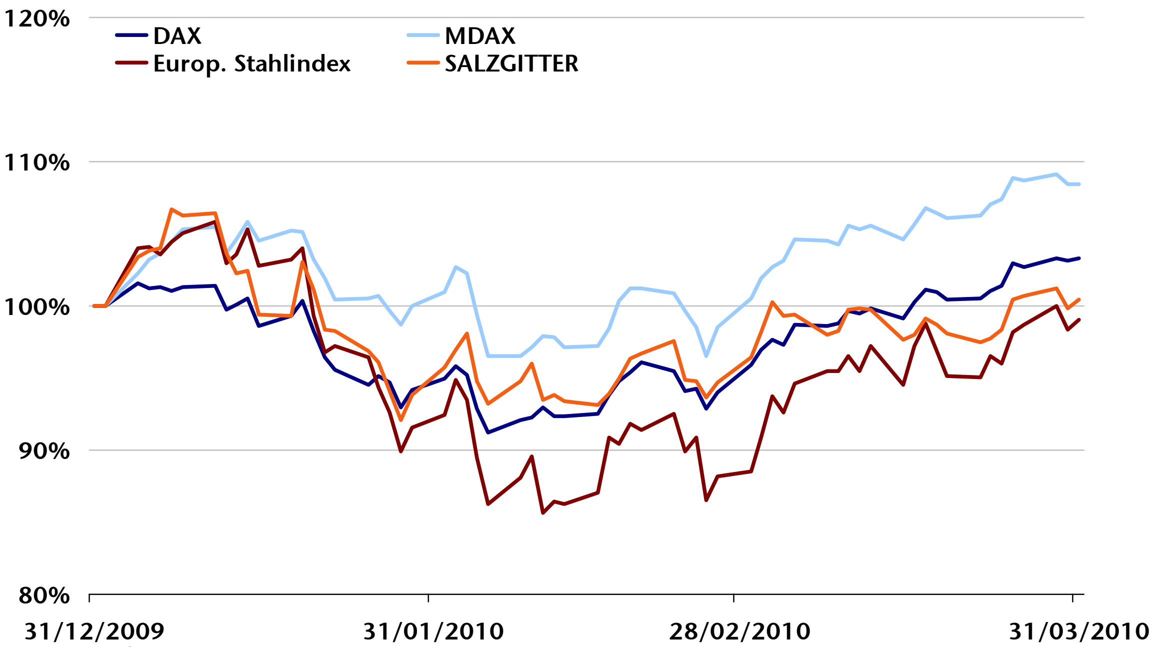
Despite notably brisker activities in the beverages filling and packaging plant business since the fall of 2009 and an order intake which recently rose by more than 50 %, orders placed in the previous year, when competition was fierce and margins therefore low, left their mark on the results of the **Technology Division**. External sales rose by 4 % to € 199.8 million (first quarter of 2009: € 192.5 million). With the extensive restructuring program clearly taking effect, the first quarter closed with a pre-tax loss of € -13.3 million which had virtually halved in comparison with the year-earlier figure (first quarter of 2009: € -23.3 million).

The external sales of the **Others/Consolidation segment**, generated through business in semi-finished products with external parties, advanced to € 13.8 million in the first three months (first quarter of 2009: € -12.1 million). Pre-tax profit stood at € 15.5 million (first quarter of 2009: € 27.7 million). After the deduction of the purchase price allocation (€ -1.2 million) obligatory under IFRS, the 25 % stake in Aurubis AG contributed a gratifying profit after tax of € 11.2 million. The result also benefited from the positive effects from the reporting date-related valuation of derivatives and price gains realized on financial investments.
The internal sales of the Salzgitter Group declined by 17% to € 479.1 million in the first three months of 2010 (first quarter of 2009: € 576.0 million).

Forecast: The immense and rapid fluctuations in the cost and price of commodities have reduced planning certainty to a minimum. Irrespective of the sustained global recovery in the steel markets, a reliably quantified outlook for sales and the results of the Salzgitter Group cannot therefore be given for the financial year 2010. In consideration of the currently discernible risks and potential, we nonetheless believe that achieving near breakeven may be possible in the current financial year.

Investor Relations

Capital market and the performance of the Salzgitter stock



Sources: Xetra closing prices DBAG, Datastream STEELEU

In the first three months of 2010 the **stock markets** displayed pronounced volatility. Following an uptrend, which set in a year ago and held steady through to January thanks to good economic data emanating from the USA and an upward revision to growth forecasts, the recovery came to an end in the wake of news of the possibility of Greece falling into bankruptcy, the huge debt problems of other EU member states and the modest outlook of American companies. The weeks which followed saw share prices declining, a trend which came to a halt only in mid-February. On the reporting date, the stock markets had already compensated for losses sustained. All in all, the DAX had improved by around 3 % on March 31, 2010, as against the closing price in 2009; the MDAX was 8 % higher.

The price of the **Salzgitter share** virtually mirrored the DAX as Germany's leading index through to the end of February and had already reached its highest point for the current financial year of € 74.32 on January 11. The releasing of the key data for the financial year 2009, which took place during this period, did not place a sustained burden on the share price performance despite the considerable accounting-related precautionary measures included in the result, as the capital market factored in the easing effect of these measures in the future. As from mid-March, cyclically sensitive shares came under pressure from worries about the potentially more stringent monetary policy in China and the associated impact on global economic development. Moreover, the explosion in the cost of the most important raw materials used in steel production, which became apparent at the end of the first quarter, had an additional adverse impact. The Salzgitter share was last quoted at € 68.73 on March 31 2010, which is a slight improvement in comparison with the closing price 2009 of € 68.44.

In the first three months of the financial year 2010, the **daily turnover** of the Salzgitter share on German stock exchanges averaged around 615,000 units, thus falling markedly below the previous-year's figure which reflected the great uncertainty prevailing at that time. In terms of stock market turnover, Salzgitter AG took 25th place in the index ranking of Deutsche Börse AG as per March 31, 2010. Free-float market capitalization came to € 2.6 billion, which puts the company at 30th place in the DAX.

As part of our **capital market communication**, we presented the company at a series of investor conferences and road shows in New York, London and Frankfurt during the period under review. A number of analysts and investors visited the plants in Salzgitter and Peine. The results of the financial year 2009 were presented at the end of March at well-attended analyst events in Frankfurt and London and discussed in detail with the capital market. We were especially delighted that our investor relations work has also been acknowledged this year through the good positions in the rankings published to date, which are evidence of appreciation by the capital market.

In the analyst survey recently conducted the Salzgitter share was assessed by 21 banks, which issued the following ratings (as per March 31, 2010): 9 buy/outperform, 6 hold/market perform, 6 sell/underperform.

Treasury Shares
Salzgitter AG's portfolio of treasury shares came to 5,795,240 as per March 31, 2010. As against December 31, 2009 (5,795,252 units), shares decreased by 12 units which were given to members of the workforce as a bonus for improvement suggestions.

Information for investors

		Q1 2010	Q1 2009
Nominal capital as of 31/03/	€ million	161.6	161.6
Number of shares as of 31/03/	million	60.1	60.1
Number of shares outstanding as of 31/03/	million	54.3	54.1
Market capitalization as of 31/03/[1)2)]	€ million	3,732	2,276
Price as of 31/03/[1)]	**€**	**68.73**	**42.08**
High 01/01/ - 31/03/[1)]	€	74.32	69.50
Low 01/01/ - 31/03/[1)]	€	63.00	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 spring of 2010, the **world economy** continued its recovery, indicating that the global financial and economic crisis may have gradually been overcome. As early as mid-2009, industrial production, first and foremost global trade, was recording significant growth. The pace of the expansion, however, varied greatly depending on the geographical region: Whereas growth was exceptionally high, especially in the Asian emerging markets, production capacity utilization remained low in the industrial nations. It became evident that the upswing had not yet gained a firm foothold here and that it was still being carried to a great extent by governmental support measures. Therefore, the Study Group of German Institutes of Economic Research predicts only moderate growth in the real global gross domestic product (GDP) of 2.9 % in 2010, which is likely to remain considerably below the growth rates recorded prior to the crisis.

In the winter half-year, the already hesitant recovery in the **European Union** (EU) has faltered. Following growth in the third quarter, real GDP stagnated over the course of the following quarter. Domestic demand remained slack and investment activity was still very modest. At the start of the year 2010, anxiety about the medium-term consequences of the extremely expansive economic policy came to the fore, as the rescue and support measures initiated by governments caused the government debt of a number of EU member states to swell strongly. The necessary consolidation measures to be expected are unlikely to be conducive to the ongoing recovery. Consequently, the consensus forecast in 2010 in the EU 27 for gross domestic product growth is only a moderate 0.9 %.

As the economic situation continued to be fragile, the uptrend in the **German economy** remained unsteady throughout. The upswing has been carried to date by improved exports and an increase in warehouse stock levels. By contrast, domestic demand made virtually no contribution at all. Owing to the good order intake at the start of the year, the sentiment of companies is, however, basically confident at present, which has had the effect of raising capacity utilization. The Project Group is expecting gross domestic product to grow by 1.5 % in 2010.

Interim Management Report

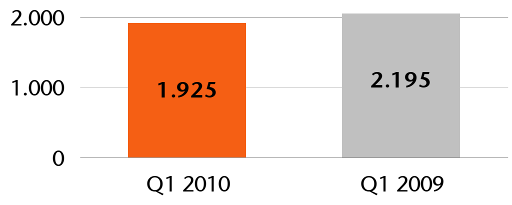
Earnings situation within the Group

		Q1 2010	Q1 2009
Crude steel production[1]	kt	1,644.9	1,004.7
External sales	**€ million**	**1,924.8**	**2,194.7**
EBITDA[2)3)]	€ million	72.8	12.0
EBIT[2)3)]	€ million	5.3	-81.5
Earnings before tax (EBT)	**€ million**	**-17.1**	**-98.3**
Earnings after tax	**€ million**	**-13.3**	**-74.1**
ROCE[4)5)]	**%**	**-1.0**	**-7.7**
Capital expenditures[6]	€ million	94.6	160.7
Depreciation and amortization[6]	€ million	67.6	86.5
Operating cash flow[7]	€ million	19.2	378.7
Net position to banks[8]	**€ million**	**1,483.3**	**1,147.2**
Equity ratio	%	46.9	51.0

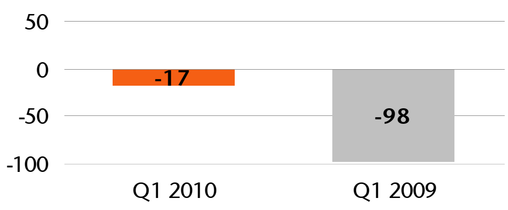
[1] In regard of the participation in Hüttenwerke Krupp Mannesmann
[2] EBIT = EBT plus interest paid (excluding interest element in allocations to pension provisions); EBITDA = EBIT plus depreciation and amortization
[3] changed definition from 01.01.2010 on, retrospectively adapted
[4] EBIT in relation 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 and asset-backed securitization
[5] Annualized
[6] Excluding financial assets
[7] Description changed as against previous year
[8] Including investments, e.g. securities and structured investments

In the first quarter of the financial year 2010, the ongoing economic recovery supported both the current order and capacity utilization situation as well as the further business outlook of the **Salzgitter Group**. The selling price trend for rolled steel and tubes products, however, failed to keep pace with the swift increase in the price of commodities. Moreover, the sale of products destined for the construction sector was hampered by the protracted wintry weather conditions. Given these generally favorable conditions, which were not without their limitations, the Group achieved an operating profit, thereby concluding the first quarter with a result much improved in comparison with a year ago.

Group-External Sales (in € million)



Group-EBT (in € million)



The only slow recovery in selling prices in the Steel, Trading and Tubes divisions seen in the first months of 2010 from their lowest levels in the previous year resulted in Group **external sales** of € 1,924.8 million, which is still below the year-earlier figure (first quarter of 2009: € 2,194.7).The Salzgitter Group closed the first quarter with an operating pre-tax profit of € 2.6 million. This figure factors in accounting-related measures of € 27.7 million for project orders which have been booked and where the costs are no longer likely to be covered due to soaring commodity prices. The Group's **pre-tax loss** of € -17.1 million (first quarter of 2009: € -98.3 million) includes € 19.7 million worth of provisions formed for streamlining measures. The after-tax loss stood at € -13.3 million (first quarter 2009: € -74.1 million), bringing earnings per share to €-0.27. Return on capital employed (ROCE) was still marginally negative (-1.0 %; first quarter of 2009: -7.7 %).

Steel Division

		Q1 2010	Q1 2009
Order bookings	kt	1,346.7	714.0
Order backlog as of 31/03/[1]	kt	1,115.4	696.3
Crude steel production	kt	1,279.2	789.3
LD steel (SZFG)	kt	1,058.4	708.9
Electric steel (PTG)	kt	220.8	80.4
Rolled steel production	kt	1,308.5	755.3
Shipments	kt	1,304.0	823.5
Sales[2]	**€ million**	**720.6**	**652.3**
External sales	**€ million**	**516.1**	**427.7**
Earnings before tax (EBT)	**€ million**	**-31.0**	**-129.7**

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

There has been a notable recovery in the global steel markets since mid-year 2009. At the end of the first quarter, the moving three-month average of **global crude steel production** was only 5 % short of the record level seen in 2008. This process of catching up was driven first and foremost by rapidly growing demand in the developing and emerging markets, with China and India in the lead. By contrast, production in the industrial nations is still considerably below the record level posted at that time, despite the basically positive trend.

The steel markets of the **European Union (EU)** have recovered moderately, the primary cause being an easing of the considerable braking effect from destocking. In the meantime, inventories of traders, steel service centers and steel processors are presumed to be low. The general recovery in the markets was therefore reflected in a notable improvement in the order situation. Orders for flat steel from European producers in the first two months of 2010, for instance, rose by more than 9 % as compared with the already improved situation in the second half of 2009. Mirroring this development, the production of crude steel has been on the rise for a few months now. With an annualized 168 million tons, production exceeded the year-earlier figure in the reporting period by 37 % but nonetheless fell short of the long-term average by almost 14 %.

The **German steel market** developed in line with events in Europe. In the first quarter, orders across all rolled steel products soared by 90 %. There is, however, a base effect which must be taken into account, as the previous year's quarter marked the nadir of the recession. In the seasonally-adjusted course of business new orders are still below the long-term trend. With 10.9 million tons of crude steel, production in Germany in the first three months of 2010 exceeded the 10 million ton threshold for the second time in a row, which corresponds to a capacity utilization of just under 80 %.

In the wake of the global increase in steel production, the **international procurement markets** also recovered notably. Especially with regard to basic raw materials, unabated demand by China led to pronounced steep movements in the spot markets.

A paradigm shift took place in the global market for **iron ore** within the space of a few months. The Brazilian company VALE, the world's largest producer of ore, was successful in its contract negotiations with Asian and European steel companies, negotiating a price markup of 70 % in Europe and up to 90 % in Asia for fine ore in comparison with a year ago. Moreover, the system of agreeing prices on an annual basis which had lasted for several decades came to an end. In future, only quarterly prices will be offered based on developments in the Chinese spot market. This will entail sharp price fluctuations with lower planning security not only for the steel industry but also rather for the whole steel-based value chain. As a consequence of increasingly short-term pricing there is a growing threat of raw materials becoming the target of financial speculation, with the result that additional volatility and considerable cost markups can be expected.

Similar to the development in the ore market, the traded benchmark price system for **coking coal** has also been abolished. In March BHP Billiton was able to replace contracts negotiated on an annual basis by those based on shorter-term price commitments with its customers worldwide. A price level of 200 USD/t FOB Australia was fixed for the second quarter, which corresponds to an increase as against the previous year's price of around 55 %. Other suppliers have only followed this lead to a certain extent and, supported by rising spot market prices, have partly succeeded in realizing contracts with even higher prices.

International **sea freights** were quoted at considerably lower rates in the first quarter of 2010. The average benchmark for the Tubarao-Rotterdam reference rate fell compared with the first quarter of 2009 by around 20 USD/t to 15 USD/t. Newly built ships continue to flood the market and exert pressure on rates despite a rise in freight volumes.

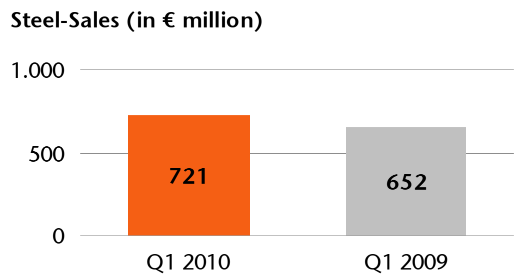
An increase in **steel scrap prices** was a natural consequence of the growth in steel production. Shredded scrap above all made its way in large volumes to the harbors for shipment, mainly to be exported to India while higher value baled scrap even became scarce in Germany. At the end of the reporting period, higher order volumes with concurrently weak supply of steel scrap in Germany and abroad caused steel scrap prices to rise markedly.

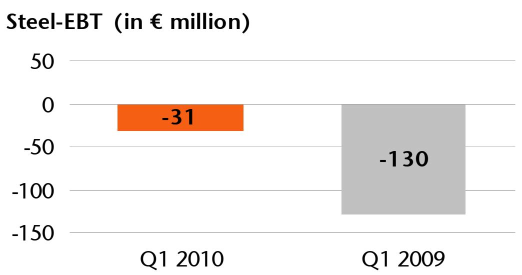
The price of **bulk and quality alloys** as well as many metals also rose sharply. This trend received additional momentum from the buying interest of financial investors who used the lower level of prices of the year 2009 for reentry into the markets. The price of zinc, for instance, climbed steeply despite rising stocks on the London Metal Exchange.

Against this backdrop, the development of the **Steel Division** proceeded as follows:
Consolidated volume-related order intake exceeded the previous year's figure by almost 90 %; the level of orders in hand was also far higher in a year-on-year comparison (+60%).

The production of crude steel (+62 %) and rolled steel (+73 %) of the division was significantly higher than a year ago. It should be noted that the first three months of 2009 marked the lowest point of the recession and must therefore be considered a base effect, also in relation to the analysis below.

Owing to stronger demand and the first inventory building by steel traders and processors, shipments exceeded tonnage by more than 58 % in the first three months of 2009. The increase in shipments resulted in segments and external sales which were notably higher year on year, and which reflected varying tendencies at the companies of the division.





The operating pre-tax earnings of the steel companies posted € -20.0 million. The result also included provisions for restructuring measures at Peiner Träger GmbH (PTG) of € 11.0 million, bringing the overall loss before tax to € -31.0 million (Q1/2009:€ -129.7 million).

An analysis of the individual companies provides more in-depth explanations:
Capacity utilization of the production facilities of **Salzgitter Flachstahl GmbH (SZFG)** improved noticeably in the reporting period as compared with the year-earlier period. The two blast furnaces in operation and the steel mill were, for instance, running at full production capacity. The hot rolling strip line was in continuous three-furnace operation and was fed with stockpiled slabs and the materials bought in externally. At the end of March, four-furnace operation was successfully tested. Shipments rose by almost 50 % in comparison with a year ago. Despite the sharp increase in order intake and the order book, which are evidence of the ongoing recovery in the steel industry, orders from a number of important sectors were still beneath the very low figures posted in the first quarter of 2009. This shows that the situation remains fragile and that a broad-based recovery will still take time. The slump in selling prices, which set in at the end of 2008, persisted through until the fall of last year since which time prices have remained relatively constant. By contrast, shipment figures made a significant recovery and regained the comfortable level of the first half of 2008. In as much, the sharp rise in sales by around a quarter in comparison with the previous year's period is exclusively due to the much higher volume of shipments. SZFG generated positive earnings before tax, and its performance is therefore greatly improved in comparison with the record loss sustained in year-earlier quarter.

At the start of the year, the heavy plate market was still under pressure, primarily in regards to selling prices. Only at the end of the first quarter was there an uptrend, both in terms of volume-related demand and in prices. In anticipation of a sharp rise in raw material costs and of an ensuing foreseeable increase of plate selling prices, the interest of traders, end consumers and export in buying gained swift momentum. In effect, current demand appears to be potentially higher than the actual consumption of plate. Against this background, **Ilsenburger Grobblech GmbH (ILG)** performed as follows: Compared with the year-earlier period, the volume of new orders reached a satisfactory level again in the first quarter of 2010. Nonetheless, tumbling prices in the first months led to order intake in terms of value settling at the previous-year's level, with the order book developing analogously. The production of rolled steel and shipments rose slightly in comparison with a year ago. The sharp downturn in selling prices, however, drove revenues down below the previous year's figure. A negative result had to be absorbed, also caused by the concurrent increase in the cost of input materials.

Back at the start of the year there was a recovery in the demand of stockholding steel traders for sections. Due to the surge of steel scrap prices, traders were counting on rising selling prices and attempted to book volumes under the old conditions. By contrast, the market situation in respect of end customers remained difficult. Against this backdrop, **Peiner Träger GmbH (PTG)** raised the volume of its orders and order book considerably in comparison to the very weak first quarter of 2009 during which the electric arc furnace operation had to be restricted for weeks. It nonetheless remained notably under the long-term average. The production of crude steel and rolled steel as well as shipments were markedly higher than the tonnage in the extremely weak first quarter of 2009. Sales, higher in a year-on-year comparison, were unable to match the increase in shipments as average selling prices were around one third below those commanded in the first three months of 2009. The price increases implemented by producers in the reporting period of between 15 and 30 €/t were unable to fully compensate for the higher price of steel scrap, as the scrap surcharge successful up until now has been suspended by the market leader for the time being. This development led to a negative operating result which was additionally burdened by provisions of € 11 million for restructuring measures.

The still ailing market and dampened propensity to invest in infrastructure projects such as ports and waterways permitted an only temporary capacity utilization of the production facilities of **HSP Hoesch Spundwand and Profil GmbH (HSP)**. The gradual increase in shipments was unable to compensate for the decrease in average selling prices, bringing sales to below the level of the year-earlier quarter. Achieving a positive result was not possible under these circumstances.

Due to the influence of the weather, shipment volumes of roof and wall claddings of **Salzgitter Bauelemente GmbH (SZBE)** fell markedly short of the previous year's figures. Despite a corresponding decline in sales, the company succeeded in closing the reporting quarter at breakeven.

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 revenues in comparison with a year ago. The positive result was also raised as against the first quarter of 2009.

Trading Division

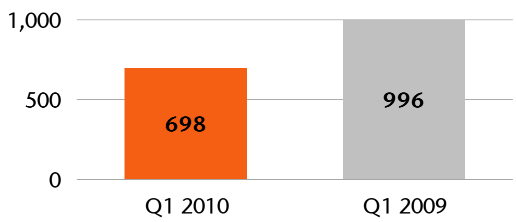
		Q1 2010	Q1 2009
Shipments	kt	1,067.3	1,073.7
Sales[1)]	**€ million**	**697.6**	**995.7**
External Sales	**€ million**	**657.7**	**926.9**
Earnings before tax (EBT)	**€ million**	**4.0**	**-20.6**

1) Incl. sales to other corporate divisions

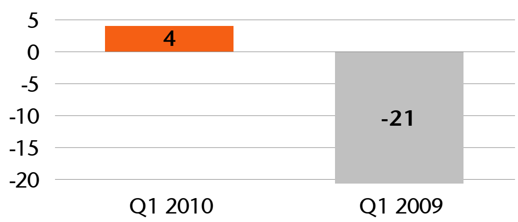
The starting point for international **steel trading** was generally better in the first months of 2010 as compared with a year ago. The harsh winter in January and February, however, initially led to a downturn in steel trading in orders from the construction sector, against the backdrop of still modest demand from industry. March then brought a clear recovery in business. Many customers began to replenish inventories which had been scaled back in 2009, leading to a stronger inflow of new orders. This growth in demand was, however, also triggered by anticipations of a sharp increase in steel prices, which suggests a certain upfront buying effect.

The improved economic conditions, the process of paring down inventories, completed for the most part, and signs of an upturn in steel prices were the main factors influencing the situation of the **Trading Division** in the first quarter of 2010 and enabling it to return to the profit zone. Shipments almost reached the level of the previous year. The much lower level of selling prices, however, caused segment and external sales to fall by just under a third.

Trading-Sales (in € million)



Trading-EBT (in € million)



The development described above also impacted the business of **Salzgitter Mannesmann Handel** Group (SMHD Group) in the first quarter of 2010, as reflected by the figures. Shipments almost attained the year-earlier level. Sales were, however, 30 % lower than a year ago, impacted by tumbling prices, an effect which has not yet been compensated for. Consequently, the company delivered a small pre-tax profit.

In the first three months of 2010, Western European companies in **stockholding steel trading** above all benefited from the economic recovery and the end to destocking of many customers. As a result, shipments climbed by more than 10 % as against the year-earlier period. Revenues were almost a fifth lower than the previous year's figures due to price-induced effects, but nonetheless allowed for a positive pre-tax profit. The situation also improved for companies in Eastern Europe although they were not yet contributing to profit.

Similarly, with lower shipment volumes and considerable price-induced decline in revenues, SMHD Group's **international trading** also delivered a positive result again, which nevertheless fell short of the previous year's figure. Brisker activities in the Indian market and the Middle East, as well as steady business in Africa had a gratifyingly positive effect. The companies operating in North America, however, were still feeling the effects of the slump in the economy in 2009.

The heavy plate market, which was impacted by weak prices and low level of enquiries at the start of 2010, initially hampered the recovery of Universal **Eisen und Stahl GmbH (UES). Onl**y with the cyclically-induced replenishing of inventories by traders and consumers, as well as the foreseeable input material price trend, was additional stimulus registered in March that was driven by demand emanating from a number of customer sectors. Steel and mechanical engineering recorded a moderate upswing, while the situation in the shipbuilding industry continued to be most unsatisfactory. Whereas, as per March 31, 2010, the decline in shipments was still moderate in a year-on-year comparison, the downtrend in prices in 2009 caused sales to dip by more than 40 %. Although the result was negative, the uptrend discernible as from the third quarter of 2009 held steady.

The steel service center **Hövelmann & Lueg GmbH (HLG)** was able to lift its figures as against the previous year thanks to stable business with industrial customers. Shipments and sales rose, and breakeven was achieved.

Tubes Division

		Q1 2010	Q1 2009
Order bookings	€ million	676.8	300.2
Order backlog as of 31/03/1)	€ million	926.0	1,565.5
Sales[1)]	**€ million**	**516.5**	**688.3**
External sales	**€ million**	**449.4**	**552.0**
Earnings before tax (EBT)	**€ million**	**2.6**	**50.8**

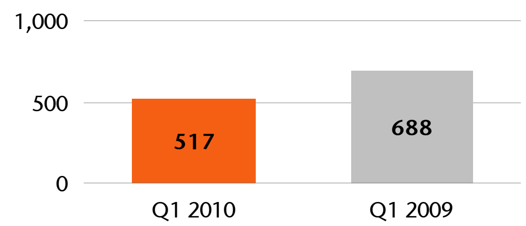
[1)] Incl. sales to other corporate divisions

The global **production of steel tubes** slumped by an overall 14% in 2009, except for Chinese manufacturers who even raised their output. China anticipates an increase in production in 2010, boosted by dynamic growth in its domestic market. Supported by the stable and relatively high price of oil, other countries have seen a notable recovery in demand in the energy sector that dominates the business of tubes producers. In contrast, the ongoing growth in orders expected from the automotive and, above all, in the mechanical engineering industries is likely to be at a lower level. Brisker end consumer demand is being accompanied by a rising number of orders placed by stockholding steel traders, where speculative purchasing appears to be fairly restricted to date owing to the bad experience made over the last 18 months. The economic situation of steel tube manufacturers is nonetheless overshadowed by events in the commodities market and the resulting pressure of the need to pass on cost increases.

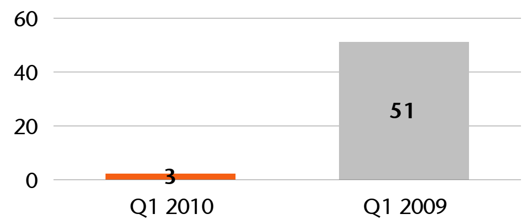
Order intake of the Tubes Division more than doubled in the first three months of the financial year 2010 owing to the acquisition of the major Nord Stream 2 project of EUROPIPE GmbH (EP). Consolidated **orders in hand** nonetheless fell from the high level recorded on March 31, 2009, especially due to the notably lower selling price level (-41 %). All products were affected, with the exception of precision tubes.

As the downturn in HFI welded tubes and stainless steel tubes was almost compensated for by higher deliveries of large-diameter and precision tubes, **shipments** remained virtually unchanged from the previous year's level.

Tubes-Sales (in € million)



Tubes-EBT (in € million)



The Tubes Division's **segment sales** fell by 25 % in comparison with the first quarter of 2009 due to lower selling prices. Whereas the precision tubes achieved a volume-induced increase in sales, the other product segments had to absorb partly significant price-induced declines. The Tubes Division's **external sales** dropped by 19 %.

After deduction of € 27.7 million in provisions for contingent losses for project orders mainly acquired in the previous year, pre-tax earnings from operations came to € 11.3 million in the first quarter of 2010. Taking account of restructuring expenses of € 8.7 million, **pre-tax profit** posted € 2.6 million

Business performance of the product segments:

Order intake of **the large-diameter pipes** product segment climbed noticeably in the first three months of 2010 versus the year-earlier figure. The main driver of this was EP's winning of the major Nord Stream 2 project. Salzgitter Mannesmann Großrohr GmbH (MGR) only acquired smaller volumes; some major projects in Europe are still at the proposals stage and will in all likelihood be bindingly assigned at the end of the first half year at the earliest. The order intake of Salzgitter Mannesmann Grobblech GmbH (MGB) also fell below the previous year's level, as the orders for plate production are placed by EP consecutively. In view of the lower number of agreements signed overall and tumbling selling prices, the order book has almost halved despite a notable recovery in demand at the end of the quarter. Shipments were higher year on year. The downtrend in selling prices prevented sales from attaining the figure posted in the first quarter of 2009. The delivery of high-margin orders placed before the advent of the crisis enabled the large-diameter tubes segment to achieve a positive result despite provisions for contingent losses.

At the start of 2010, the segment of **HFI welded pipes** recorded brisker enquiry activity which has led to orders being placed in the project business in particular. During the first quarter, new orders reached a satisfactory level and were around 40% higher than in the year-earlier quarter which was, however, far below average. At the same time, there were notable declines in orders in hand, shipments and sales. Additionally burdened by supplemental claims to payment by internal suppliers of input materials and provisions for contingent losses, the pre-tax result came in negative.

Buoyed by strong demand from the automotive sector and by the improved situation in the mechanical engineering and energy industries, the **precision tubes** products segment saw order intake almost quadruple, bringing it to record levels. At the same time, shipments rose by 22 %, while the lower level of selling prices nonetheless resulted in a more moderate increase in sales (+8 %). The orders in hand remained stable. Short-time work in the precision tubes plants that predominantly produce for customers in the automotive industry was phased out. The SMP Group halved its operating loss in a year-on-year comparison but had, on the one hand, to absorb the negative impact of a strike and, on the other, expenses incurred by restructuring measures at the French company.

For a period of now more than one and a half years the order intake of the **seamless stainless steel tubes** segment has stagnated at less than half the level which would correspond to full capacity utilization. Even though recent weeks have seen an increase in orders placed, there is still no firm market recovery in sight. The trend of new orders, which remained weak in the first three months, has resulted in a drastic downturn in orders in hand (-63 %), leading to the introduction of partial short-time work in the Montbard and Remscheid plants in the first quarter. Shipments were therefore way below the level reached a year ago (-50 %). The pre-tax result achieved in the previous year was not matched owing to decline in volume and price-induced discounts and was negative.

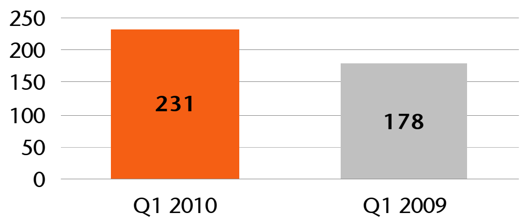
Services Division

		Q1 2010	Q1 2009
Sales[1]	€ million	230.5	177.8
External sales	€ million	88.0	83.4
Earnings before tax (EBT)	€ million	5.1	-3.2

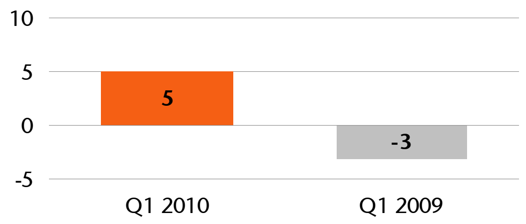
[1] Incl. sales to other corporate divisions

In the first quarter, the **Services Division** benefited from the ongoing recovery in general economic activity and most particularly from the return of production activities of the other Group companies to normal levels.

Services-Sales (in € million)



Services-EBT (in € million)



As a result, **segment sales** rose by 30 % in comparison with the first three months of 2009. **DEUMU Deutsche Erz- und Metall-Union GmbH (DMU),** the raw materials trading company, recorded the strongest growth due to a significant improvement in shipments and the sharp rise of steel scrap prices. On the back of noticeably higher production of crude steel, **Hansaport Hafenbetriebsgesellschaft GmbH (HAN)** raised its volume of ore and coal handling, which was reflected in an increase in sales. **Verkehrsbetriebe Peine-Salzgitter** GmbH (VPS) also participated in the higher volumes of merchandise requiring transport. Although the sentiment in the German automotive industry has improved discernibly, **Salzgitter Automotive Engineering GmbH (SZAE)** was still feeling the effects of harsh competition which resulted in fierce price wars in the acquisition of new projects. Sales fell accordingly below the level of the year-earlier period. A slight 6 % rise in the **external sales** of the division was registered.

The Services Division generated thoroughly satisfactory **earnings before tax** of € 5.1 million.

Technology Division		Q1 2010	Q1 2009
Order bookings	€ million	258.1	168.3
Order backlog as of 31/03/1)	€ million	296.0	276.0
Sales[1)]	**€ million**	**200.0**	**192.6**
External sales	**€ million**	**199.8**	**192.5**
Earnings before tax (EBT)	**€ million**	**-13.3**	**-23.3**

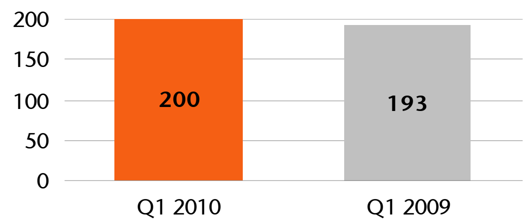
1) Incl. sales to other corporate divisions

Following a phase during which German mechanical engineering sustained production declines of almost 25 percent in 2009, orders gained strong momentum in the first quarter of 2010, delivering an increase of 14 % as compared with the weak previous year's figures. Positive stimulus came first and foremost from international demand, which grew by 18 %.

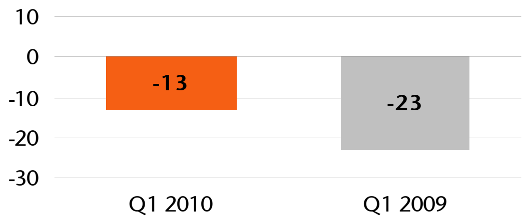
The companies of the **Technology Division** operate first and foremost in mechanical engineering and plant construction. The business is dominated by the beverage filling and packaging technology of the KHS Group that generates more than 90 % of revenues.

Since the industry trade fair "drinktec" in September 2009, demand has increased in the wake of a recovery in customers' willingness to invest in beverage filling and packaging plants. This was the reason why KHS AG outperformed the German mechanical engineering sector in first three months of the year 2010. Klöckner DESMA Elastomertechnik GmbH (KDE) and Klöckner DESMA Schuhmaschinen GmbH (KDS) also recorded a recovery in their specialized markets. Business in machinery and plants has thus picked up momentum again. As against the weak year-earlier period, **order intake** grew by 53 %; **orders in hand** remained virtually unchanged.

Technology-Sales (in € million)



Technology-EBT (in € million)



The closely contested orders from last year has had an impact on revenues currently invoiced. As a result, **segment and external sales** rose by a mere 4 % in comparison with a year ago.

Inadequate selling prices in orders invoiced meant that margins were still unsatisfactory, especially in the project business. The Technology Division closed the first quarter by delivering a **pre-tax loss** of € 13.3 million.

The Technology Division set up an extensive reorganization project in 2009 which was consistently pursued in 2010. At the heart of the program is the professional carrying out of projects in Germany and abroad, along with the reduction of material, personnel and non-personnel expenses on a long-term basis. In this context, German production locations will be concentrating on optimizing transport and communication channels. Individual smaller locations will be joined up with larger ones and a number of different operational processes simplified. This will serve not only to reduce costs..

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

Others/Consolidation

		Q1 2010	Q1 2009
Sales[1]	€ million	38.7	63.9
External sales	€ million	13.8	12.1
Earnings before tax (EBT)	€ million	15.5	27.7

[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 € 38.7 million during the period under review. **External sales** climbed slightly to € 13.8 million (first quarter of 2009: € 12.1 million).

Earnings before tax came to € 15.5 million. This figure also comprises the stake in Aurubis AG (NAAG), a company included at equity since 2009. After deduction of the purchase price allocation of € 1.2 million, obligatory under IFRS, NAAG contributed a pleasing € 11.2 million in profit after tax to the consolidated result.

Explanations on the Financial Position and Net Worth

In the first three months of 2010, the total assets of the Salzgitter Group came to € 8.3 billion, which is an increase of 3 % as against December 31, 2009. The rise in current assets (€ 221 million) was mainly attributable to the volume and price-induced growth in trade receivables (+€ 262 million) and inventories (+€ 41 million), accompanied by a slight decrease in cash and cash equivalents (-€ 73.5 million).
Non-current assets advanced by € 48 million primarily due to capital investment in property, plant and equipment, in particular in the Steel Division.

On the liabilities side, non-current liabilities declined marginally by € 27 million, with equity remaining virtually unchanged (€ 3.90 billion). Current liabilities increased noticeably mainly due to the high level of trade payables (+€ 299 million). The equity ratio was recorded at a sound 46.9 %.
The cash flow from operating activities (+€ 19 million) reflects the funds committed to the to date only moderate increase in working capital.
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 came to € 94.6 million in the first three months of the current financial year, which is considerably lower than in the year-earlier period (€ 160.7 million). This is due to the fact that the major investments of the Steel Division have been realized for the most part. Depreciation and amortization fell to € 67.6 million (Q1/2001: € 86.5 million).

Investment activity was focused on the Steel Division where efforts were directed in the first quarter of 2010 to securing the progress of major projects being implemented in line with planning.

Progress was made with the commissioning of the first block of the **"Power Plant 2010"** project which will raise the volume of Salzgitter Flachstahl GmbH's (SZFG) own supply of electricity by achieving greater efficiency through recycling reusable byproduct gases. Key sections of the assembly for the second block have been completed.

Function testing was carried out on the new continuous casting line as part of the **"SZS 2012"** investment program. Moreover, the third coiler of the hot rolling mill was taken into operation.

Following the approval of EU subsidies, tenders for the new **belt casting technology** are being prepared in accordance with public procurement law.

Owing to the current market situation, especially in view of the greater need for input materials within the Group and rising prices for buying in these materials, the decision was made at the start of March 2010 to continue the **"PTG 2010"** project in order to enable parallel operation of both electric arc furnaces. Start of production has been scheduled for the end of February 2011.

Following its conversion, **Continuous Casting Line 2** was used to cast slabs for the first time. It thus provided technical proof of its use as a combined plant for slabs and beam blanks.

After the successful start to production in September 2009, the **medium section mill** (UMIT) ramp-up curve is accelerating as planned.

The **oxygen pipeline** between Salzgitter and Peine has been completed on March 19, 2010.

HSP Hoesch Spundwand und Profil GmbH (HSP) is currently in the process of setting up a roll stand for the production of a Z section series. Volumes and section types that cater to market demands will be produced at the start of the new financial year. HSP produces sheet piling and hot rolled flat bulb steel. Z sections represent a special type of sheet piles.

Research and Development

Salzgitter Mannesmann Forschung GmbH (SZMF) is the central research company for the Steel and Tubes divisions of the Salzgitter Group. The R&D activities are concentrated mainly on the key areas of the development and processing of materials, as well as application, coating, surface finishing technologies and 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, are customers.
SZMF's R&D expenses in 2010 are likely to remain at the year-earlier level. No important changes with the number of employees have been planned.

Ongoing development of the high frequency induction (HFI) welding process
The HFI welding process is used for the production of longitudinally welded precision steel tubes for use in automotive construction as cardans and camshafts, shock absorber tubes and hydroformed components.
Salzgitter Mannesmann Precision GmbH (SMP) has initiated a project with SZMF to expand the current limitations of the HFI welding process and improve the mechanical-technological properties of welded seams. Within the project a welding simulator has been built, enabling a detailed insight into the process. As a result, the welding process has become even more robust. In addition, methods for evaluating the quality of welded seam have been developed. The tests have not yet been concluded and further progress is expected.

Stroncoat® - a new generation of anti-corrosion coating
Salzgitter Flachstahl GmbH (SZFG) and SZMF have developed a new zinc based anti-corrosion coating in a three-year successful cooperation with the steel manufacturer Corus. Involving only a small proportion of aluminum and magnesium, the new coating achieves a significantly higher degree of corrosion protection in connection with the same processing properties. As a result, the thickness of the coating can be reduced and other corrosion protection measures become redundant. This coating is qualified for serial production in February 2010 in SZFG's galvanizing line 1 and is available for ordering with immediate effect under the name of Stroncoat®. The main area of application will be coil-coated material in the construction industry, but also household devices and the automotive industry will benefit from this innovation. The official start to serial production has been scheduled for the second half of 2010. A Stahl-Eisen Materials Guideline has already been prepared with other European steel manufacturers and the Steel Institute VDEh. It should be available from the third quarter of 2010.

"SPASS", a swift testing facility control system in precision tubes production
In SMP's production of precision tubes, the tubes are checked consecutively on a test track for defects and compliance with the specifications. In order to guarantee checking speeds of up to 3 m/s, the inspection in end-by-end operation without interruption as well as the detection of errors to the exact millimeter, SZMF has implemented a decentrally composed control system from standard components. This system monitors and controls not only the drive elements, taking account of slip, reaction times, acceleration and braking phases with the required precision, but also manages the data produced.
In addition, the functions of the drives and sensors and the throughput of each tube are visually displayed on a user interface for the first time. This makes it possible to assess the system status at any time, which simplifies the troubleshooting of maintenance significantly. Owing to its universal design, the system can be easily adapted to different testing tracks and changing requirements. The first facilities were successfully taken into operation at the Holzhausen plant, and the gradual implementation of the system in all plants of the precision tubes Group has been planned.

Employees

	31/03/2010	31/12/2009	+/-
Core workforce	**23,371**	**23,378**	**-7**
of which Steel Division	6,890	6,816	74
of which Trading Division	1,891	1,931	-40
of which Tubes Division	5,714	5,791	-77
of which Services Division	4,172	4,181	-9
of which Technology Division	4,542	4,513	29
of which Others	162	146	16
Apprentices, students, trainees	1,263	1,484	-221
Passive age-related part-time employment	543	530	13
Total workforce	**25,177**	**25,392**	**-215**

The core workforce of the Salzgitter Group came to 23,371 employees on March 31, 2010, which is a decline of 7 members of staff as against December 31, 2009.
In the reporting period 212 trainees were offered full-time positions, 197 of whom were given limited contracts.
The number of employees affected by short-time work fell to 1,775.

Forecast, Opportunities and Risks Report

The sharp increase in new orders and the orders on hand of the steel companies are evidence of the ongoing recovery in the steel industry, which has held steady since mid-2009. There is, however, currently a special challenge to be mastered in the form of the consequences of suppliers of iron ore and coking coal turning their backs on the customary annual fixing of prices practiced for decades in favor of negotiating contracts on a quarterly basis. The fundamental shift in contractual structures on the purchasing side will of necessity lead to a redefining of long-term delivery relationships and a corresponding price fixing model with a majority of steel processors. This process of adaptation is likely to take several weeks. In the case of deliveries of rolled steel and tubes closed on the basis of the old conditions, there may well be quite considerable gaps in the coming months between the recent acceleration in commodity costs and selling prices. This may have an effect on results, especially in the second quarter, as well as beyond this period in the some cases.

Moreover, the question as to the sustainability of the recovery remains open, as order activities in the customer branches vary widely and as it must be partly assumed that orders have been placed upfront due to speculative influences. Nonetheless, we anticipate that capacity utilization in the **Steel Division** will remain good in the next few months, with rising sales figures. We consider that the division could achieve breakeven over the course of the current financial year but believe this to be rather unlikely.

Thanks to optimized inventories, appropriate cost structures and its presence in the global market, the **Trading Division** is expecting the situation to improve further. The strong uptrend in selling prices will ensure notably higher gross earnings in the stockholding business in the short term. With the exception of the weak North American market, international trading should also have scope for a recovery in margins owing to the most recent price increases. If the steel market remains firm, a profit in the upper double-digit million range will be possible in the financial year 2010.

The **Tubes Division** assumes a substantial downturn in the results versus the previous year despite the notable recovery that is also discernible here. It is, for instance, meanwhile foreseeable that the drastic increase in the price of input materials will have a substantial impact on the profitability of major projects booked on a fixed price basis. In our opinion, breakeven is only possible if there is sustained economic recovery.

Revenues and the pre-tax result of the **Services Division** will continue to rise in the months ahead thanks to the higher production volume of the steel companies.

In the wake of a recovery in the markets and boosted by measures implemented in 2009 to improve processes and enhance efficiency becoming increasingly effective, the earnings situation of the **Technology Division** will also improve substantially in comparison with the year ended. A drastically reduced pre-tax loss is anticipated for the financial year 2010. The aim of KHS AG of closing the first individual months with a profit also appears to be possible at a point earlier than originally expected.

The immense and rapid fluctuations in the cost and price of commodities have reduced planning certainty to a minimum. Irrespective of the sustained global recovery in the steel markets, a reliably quantified outlook for sales and the results of the Salzgitter Group cannot therefore be given for the financial year 2010. In consideration of the currently discernible risks and potential, we nonetheless believe that achieving near breakeven may be possible in the current financial year.

As in recent years, we make special and explicit reference this time to the fact that **opportunities and risks** from currently unforeseeable trends in selling prices, input materials and capacity level developments, as well as changes in the currency parity, may considerably affect performance in the course of the financial year 2010. The resulting fluctuation in the consolidated pre-tax result may, as current events show, 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 6 million tons of steel products left to be sold this year by the Steel, Trading and Tubes divisions, an average € 30 deviation in the margin per ton is sufficient to cause a variation in the annual result of more than € 180 million.

As regards the individual opportunities and risks, we make reference to the Annual Report 2009. There were no risks that could endanger the Salzgitter Group as a going concern at the time the report was drawn up. We partly counteract the risk arising from the current increase in the price of commodities and the envisaged shortening of annual contracts to quarterly contracts by raising the selling prices of our products. Higher procurement costs have been – insofar as they are foreseeable – taken account of in the anticipated results of the companies. These results factor in not only the aforementioned burdens on earnings, but also the realistic possibilities of passing on the increases in the selling prices of our products as seen from today’s perspective. From today's standpoint, we do not expect a fundamental change in the risk of the Group in the short term.

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Events of Significance

Klöckner Werke AG squeeze-out

By a letter dated March 10, 2010, Salzgitter Mannesmann GmbH (SMG) put a request to Klöckner Werke AG (KWAG) to have the General Meeting of Shareholders of KWAG approve the transfer of the shares of all remaining shareholders (minority shareholders) to SMG against the granting of appropriate cash compensation (squeeze out). SMG holds 95.7 % of the shares in KWAG. The compensation per share is likely to be in the region of € 14.33, which is the equivalent of approximately € 33 million in total. A valuation of KWAG, commissioned by SMG and currently being carried out, will include an assessment of this figure. The KWAG General Meeting of Shareholders has been planned in August 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.

Interim Financial Statements

I. Consolidated Income Statement

in € million	1st Quarter 2010	1st Quarter 2009
Sales	1,924.8	2,194.7
Increase or decrease in finished goods and work in process and other own work capitalized	13.6	-49.5
	1,938.4	2,145.2
Other operating earnings	80.0	124.8
Cost of materials	1,332.9	1,630.6
Personnel expenses	365.3	349.1
Amortization and depreciation	67.6	86.5
Other operating expenses	261.4	299.9
Income from shareholdings	0.7	-0.4
Income from associated companies	13.2	22.0
Impairment losses of financial assets	0.0	7.0
Financing income	5.8	11.2
Financing expenses	28.2	28.0
Earnings before tax (EBT)	**-17.1**	**-98.3**
Income taxes	-3.8	-24.3
Consolidated net income	**-13.3**	**-74.1**
Appropriation of profit		
Consolidated net income	-13.3	-74.1
Profit carried forward from the previous year	15.1	84.2
Minority interests	1.3	0.3
Appropriation to other retained earnings	14.6	74.4
Unappropriated retained earnings	**15.1**	**84.2**
Undiluted earnings per share (in €)	**-0.27**	**-1.38**
Diluted earnings per share (in €)	**-0.27**	**-1.38**

II. Statement of Comprehensive Income

in € million	1st Quarter 2009	1st Quarter 2010
Consolidated net income for the period	-13.3	-74.1
Changes in the financial year recorded directly in equity		
Changes in currency translation	11.2	6.3
Changes in value reserve from hedging transactions		
Changes in current value recorded directly in equity	-2.9	11.8
Recognition of settled hedging transactions with effect on income	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	1.7	-2.2
Actuarail gains and losses	0.0	2.8
Deferred tax on changes without effect on income	0.0	-0.9
Other changes without effect on income	-1.9	0.3
	10.7	**7.1**
Total profit	**-2.6**	**-67.0**
Total profit due to Salzgitter AG shareholders	-3.7	-67.3
Total profit due to minority interests	1.0	0.3
	-2.6	**-67.0**

III. Consolidated Balance Sheet

Assets in € million	31/03/2010	31/12/2009
Non-current assets		
Intangible assets		
Other intangible assets	122.5	123.8
	122.5	123.8
Property, plant and equipment	2,457.5	2,423.5
Investment property	25.9	25.9
Financial assets	77.6	77.4
Associated companies	408.4	400.8
Deferred tax assets	137.5	129.0
Other receivables and other assets	2.3	3.3
	3,231.6	**3,183.7**
Current assets		
Inventories	1,506.2	1,465.6
Trade receivables	1,318.5	1,056.6
Other receivables and other assets	267.9	283.7
Income tax assets	117.2	109.4
Securities	312.9	159.5
Cash and cash equivalents	1,566.1	1,793.0
	5,088.8	**4,867.8**
	8,320.4	**8,051.5**

Equity and liabilities in € million	31/03/2010	31/12/2009
Equity		
Subscribed capital	161.6	161.6
Capital reserve	238.6	238.6
Retained earnings	3,831.1	3,835.4
Unappropriated retained earnings	15.1	15.1
	4,246.4	4,250.8
Treasury shares	-359.4	-359.4
	3,887.0	3,891.3
Minority interests	14.3	13.0
	3,901.3	**3,904.3**
Non-current liabilities		
Provisions for pensions and similar obligations	1,851.4	1,857.6
Deferred tax liabilities	0.0	3.8
Income tax liabilities	201.2	200.4
Other provisions	184.9	184.8
Financial liabilities	288.5	306.0
	2,526.0	**2,552.7**
Current liabilities		
Other provisions	549.2	515.3
Financial liabilities	103.5	81.4
Trade payables	688.4	541.3
Income tax liabilities	75.7	75.3
Other liabilities	476.4	381.2
	1,893.1	**1,594.5**
	8,320.4	**8,051.5**

IV. Cash Flow Statement

in € million	1st Quarter 2010	1st Quarter 2009
Earnings before tax (EBT)	-17.1	-98.3
Deprecreciation, write-downs (+)/write-ups (-) on fixed assets	67.1	93.5
Income tax refunded (+) / paid (-)	-10.4	-15.3
Other non-payment-related expenses (+)/income (-)	65.2	56.4
Interest expenses	28.2	28.0
Profit (-)/loss (+) from the disposal of fixed assets	0.7	1.0
Increase (-)/decrease (+) in inventories	-40.6	368.4
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-257.9	278.1
Use of provisions affecting payments, excluding income tax provisions	-78.2	-73.9
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	262.2	-259.2
Cash flow from operating activities	**19.2**	**378.7**
Cash inflow from the disposal of fixed assets	0.3	0.2
Cash outflow for investments in intangible and tangible fixed assets	-94.6	-158.3
Cash inflow (+)/outflow (-) for short-term loans against borrower´s notes/bonds	0.0	400.0
	-150.0	0.0
Cash inflow from the disposal of financial assets	0.6	0.7
Cash outflow for investments in financial assets	-2.1	-22.8
Cash flow from investment activities	**-245.7**	**219.8**
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilites	-0.6	-1.0
Interest paid	-1.7	-3.9
Cash flow from financing activities	**-2.3**	**-4.9**
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	2.0	0.7
Payment-related changes in cash and cash equalities	-228.9	593.6
Cash and cash equivalents at the end of the period	**1,566.1**	**1,187.0**

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				11.2	
Goodwill resulting from IFRS 3				-0.4	
Net income				0.0	6.3
Group transfers to retained earnings				-74.4	
Other				-5.3	
As of March 31, 2009	**161.6**	**184.2**	**-372.8**	**4,405.4**	**-20.8**
As of December 31, 2009	**161.6**	**238.6**	**-359.4**	**4,097.0**	**-24.9**
Net income				0.2	11.2
Withdrawals from retained earnings				-14.6	
Other				-0.7	
As of March 31, 2010	**161.6**	**238.6**	**-359.4**	**4,082.0**	**-13.7**

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**
				11.2		11.2
				-0.4	-1.0	-1.4
0.8	-2.2	2.3	-74.4	-67.3	0.3	-67.0
			74.4	0.0		0.0
				-5.3	0.0	-5.3
-1.4	**-15.8**	**-167.5**	**84.2**	**4,257.1**	**26.6**	**4,283.6**
0.4	**-1.8**	**-235.3**	**15.1**	**3,891.3**	**13.0**	**3,904.3**
-0.3	1.7	-1.9	-14.6	-3.7	1.0	-2.6
			14.6	0.0		0.0
				-0.7	0.2	-0.4
0.1	**-0.1**	**-237.2**	**15.1**	**3,887.0**	**14.3**	**3,901.3**

Notes

Segment Reporting

in € million	Steel		Trading		Tubes	
	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009
External sales	516.1	427.7	657.7	926.9	449.4	552.0
Sales to other segments	204.5	223.5	39.9	60.4	67.0	136.1
Sales to Group companies that cannot be allocated to an operating segment	0.0	1.1	0.0	8.4	0.1	0.2
Segment sales	720.6	652.3	697.6	995.7	516.5	688.3
Interest income (consolidated)	0.3	0.7	1.8	1.8	0.5	0.5
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	0.1	0.1	0.0	0.0	0.4	0.4
Segment interest income	0.3	0.7	1.8	1.8	1.0	0.9
Interest expenses (consolidated)	2.8	2.7	1.8	2.4	1.7	1.7
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	13.9	11.8	1.9	5.9	2.3	5.2
Segment interest expenses	16.7	14.5	3.7	8.2	4.0	6.9
of which interest portion of allocations to pension provisions	2.4	2.2	0.9	0.9	1.5	1.4
Depreciation/amortization of tangible and intangible fixed assets	42.5	38.8	2.6	2.8	10.4	10.7
thereof scheduled depreciation of tangible fixed assets and amortization of intangible assets	42.5	38.8	2.6	2.8	10.4	10.7
EBITDA[1)]	27.9	-77.2	8.5	-11.3	16.0	74.5
EBIT[1)]	-14.6	-116.0	5.9	-14.1	5.7	56.8
Earnings before tax (EBT)	-31.0	-129.7	4.0	-20.6	2.6	50.8
of which from associated companies	0.1	0.7	0.0	0.0	1.9	0.6
Investments in tangible and intangible fixed assets	78.4	126.9	2.5	1.9	6.8	13.8

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

Services		Technology		Total segments		Others/ Consolidation		Group	
Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009
88.0	83.4	199.8	192.5	1,911.0	2,182.6	13.8	12.1	1,924.8	2,194.7
141.7	92.7	0.1	0.0	453.2	512.7	24.9	51.8	478.1	564.4
0.8	1.8	0.1	0.1	1.0	11.6	0.0	0.0	1.0	11.6
230.5	177.8	200.0	192.6	2,365.2	2,706.8	38.7	63.9	2,403.9	2,770.7
0.1	0.1	0.9	0.4	3.6	3.5	2.2	7.5	5.8	11.0
0.0	0.0	0.0	0.0	0.0	0.0	19.3	23.9	19.3	23.9
3.2	3.1	0.2	0.1	3.9	3.7	0.0	0.0	3.9	3.7
3.3	3.2	1.1	0.5	7.5	7.2	21.5	31.4	29.0	38.6
3.4	3.5	2.4	2.3	12.2	12.6	16.0	15.4	28.2	28.0
0.0	0.0	0.0	0.0	0.0	0.0	3.9	3.7	3.9	3.7
0.6	0.7	0.6	0.5	19.3	24.0	0.0	0.0	19.3	24.0
4.0	4.2	3.0	2.7	31.5	36.6	19.9	19.0	51.4	55.6
3.3	3.3	1.8	1.9	9.8	9.8	12.1	12.4	21.8	22.2
5.5	5.5	6.1	7.6	67.1	65.5	0.5	21.0	67.6	86.5
5.5	5.5	6.1	7.6	67.1	65.5	0.5	0.5	67.6	66.0
11.3	3.3	-5.3	-13.5	58.5	-24.2	14.3	36.2	72.8	12.0
5.8	-2.2	-11.3	-21.1	-8.6	-96.6	13.9	15.1	5.3	-81.5
5.1	-3.2	-13.3	-23.3	-32.6	-126.0	15.5	27.7	-17.1	-98.3
0.0	0.0	0.0	0.0	2.0	1.3	11.2	20.7	13.2	22.0
2.9	6.9	4.1	11.2	94.6	160.7	0.0	0.0	94.6	160.7

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 March 31, 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 March 31, 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 € -0,27 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 March 31, 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 € -0.27.

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. - 31.03.2010	1.1. - 31.03.2010	3/31/2010	3/31/2010
Thyssen Krupp GfT Bautechnik GmbH, Essen	16,700	0	19,099	0
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	274	136,201	5,310	24,495

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.

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

Legal disclaimer

Some of the statements made in this report possess the character of forecasts or may be interpreted as such. They are made upon the best of information and belief and by their nature are subject to the proviso that no unforeseeable deterioration occurs in the economy or in the specific market situation pertaining to the Division companies, but rather that the underlying bases of plans and outlooks prove to be accurate as expected in terms of their scope and timing. The company undertakes no obligation to update any forward-looking statements. The official financial report for the period under review in this document is the German-language hardcopy version of the Salzgitter AG Interim Report. In case of ambiguity between this document and any other version of the interim report, information provided in the German-language hardcopy version shall supersede information provided in any other form.

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