

9M

Interim Report | **9 Months 2010**





## Contents

|   |    |
|---|----|
| Salzgitter Group in Figures.....                          | 2  |
| Summary .....   | 3  |
| Investor Relations.....                                   | 4  |
| Earnings, Financial Position and Net Worth .....          | 6  |
| Economic environment .....                                | 6  |
| Earnings situation within the Group .....                 | 7  |
| Steel Division .....                                      | 8  |
| Trading Division.....                                     | 12 |
| Tubes Division .....                                      | 14 |
| Services Division .....                                   | 16 |
| Technology Division .....                                 | 17 |
| Others/Consolidation.....                                 | 18 |
| Explanations on the Financial Position and Net Worth..... | 18 |
| Investments .....   | 19 |
| Research and Development .....                            | 20 |
| Employees .....   | 22 |
| Forecast, Opportunities and Risks Report .....            | 23 |
| Events of Significance.....                               | 25 |
| Interim Financial Statements .....                        | 26 |
| Notes .....   | 32 |
| Further Information .....                                 | 34 |
| Financial calendar 2011 .....                             | 35 |

## Salzgitter Group in Figures

|   |                  | 9M 2010        | 9M 2009        | +/-             |
|---|------------------|----------------|----------------|-----------------|
| <b>Crude steel production<sup>1)</sup></b>        | <b>kt</b>        | <b>5,059.3</b> | <b>3,381.4</b> | <b>1,677.9</b>  |
| <b>External sales</b>                             | <b>€ million</b> | <b>6,192.6</b> | <b>5,960.3</b> | <b>232.2</b>    |
| Steel Division                                    | € million        | 1,672.4        | 1,231.1        | 441.2           |
| Trading Division                                  | € million        | 2,230.5        | 2,397.3        | -166.7          |
| Tubes Division                                    | € million        | 1,304.0        | 1,541.6        | -237.6          |
| Services Division                                 | € million        | 301.7          | 224.7          | 77.0            |
| Technology Division                               | € million        | 645.5          | 531.6          | 113.8           |
| Others  | € million        | 38.5           | 33.9           | 4.5             |
| Export share                                      | %                | 49.9           | 51.7           | -1.8            |
| <b>EBITDA<sup>2)3)</sup></b>                      | <b>€ million</b> | <b>283.7</b>   | <b>24.2</b>    | <b>259.6</b>    |
| <b>EBIT<sup>3)4)</sup></b>                        | <b>€ million</b> | <b>71.3</b>    | <b>-205.4</b>  | <b>276.7</b>    |
| <b>Earnings before tax (EBT)</b>                  | <b>€ million</b> | <b>5.7</b>     | <b>-261.3</b>  | <b>267.0</b>    |
| Steel Division                                    | € million        | -67.6          | -213.4         | 145.8           |
| Trading Division                                  | € million        | 63.9           | -90.5          | 154.4           |
| Tubes Division                                    | € million        | 17.7           | 121.7          | -104.0          |
| Services Division                                 | € million        | 18.8           | -1.7           | 20.4            |
| Technology Division                               | € million        | -21.0          | -75.5          | 54.5            |
| Others/Consolidation                              | € million        | -6.1           | -1.9           | -4.1            |
| <b>Earnings after tax</b>                         | <b>€ million</b> | <b>3.9</b>     | <b>-232.1</b>  | <b>236.0</b>    |
| <b>Earnings per share (undiluted)</b>             | <b>€</b>         | <b>0.01</b>    | <b>-4.33</b>   | <b>4.34</b>     |
| <b>ROCE<sup>5)6)</sup></b>                        | <b>%</b>         | <b>0.8</b>     | <b>-7.3</b>    | <b>8.1</b>      |
| <b>Operating cash flow<sup>7)</sup></b>           | <b>€ million</b> | <b>8.5</b>     | <b>1,176.9</b> | <b>-1,168.4</b> |
| <b>Capital expenditure<sup>8)</sup></b>           | <b>€ million</b> | <b>352.5</b>   | <b>505.7</b>   | <b>-153.2</b>   |
| <b>Depreciation and amortization<sup>8)</sup></b> | <b>€ million</b> | <b>211.0</b>   | <b>222.5</b>   | <b>-11.5</b>    |
| <b>Balance sheet total</b>                        | <b>€ million</b> | <b>8,365.0</b> | <b>8,075.2</b> | <b>289.8</b>    |
| <b>Fixed assets</b>                               | <b>€ million</b> | <b>3,374.3</b> | <b>3,263.9</b> | <b>110.4</b>    |
| <b>Current assets</b>                             | <b>€ million</b> | <b>4,990.7</b> | <b>4,811.3</b> | <b>179.4</b>    |
| of which inventories                              | € million        | 1,673.1        | 1,535.2        | 137.9           |
| of which cash and cash equivalents                | € million        | 1,276.2        | 1,656.7        | -380.5          |
| <b>Equity</b>                                     | <b>€ million</b> | <b>3,881.5</b> | <b>4,063.1</b> | <b>-181.6</b>   |
| <b>Liabilities</b>                                | <b>€ million</b> | <b>4,483.4</b> | <b>4,012.2</b> | <b>471.2</b>    |
| Non-current liabilities                           | € million        | 2,573.4        | 2,285.0        | 288.4           |
| Current liabilities                               | € million        | 1,910.0        | 1,727.2        | 182.8           |
| of which due to banks <sup>9)</sup>               | € million        | 89.7           | 96.5           | -6.8            |
| <b>Net position to banks</b>                      | <b>€ million</b> | <b>1,245.9</b> | <b>1,609.9</b> | <b>-364.0</b>   |
| <b>Employees</b>                                  | <b>€ million</b> |                |                |                 |
| Personnel expenses                                | € million        | 1,079.2        | 1,020.8        | 58.4            |
| Core workforce                                    | 30/09/           | 23,130         | 23,660         | -530            |
| Total workforce                                   | 30/09/           | 25,207         | 25,684         | -477            |

### Disclosure of financial data in compliance with IFRS

<sup>1)</sup> In regard of the participation in Hüttenwerke Krupp Mannesmann

<sup>2)</sup> EBITDA = EBT + interest expense/ - interest income + depreciation and amortization

<sup>3)</sup> changed definition from 01.01.2010 on, retrospectively adapted

<sup>4)</sup> EBIT = EBT + interest paid/ - interest income

<sup>5)</sup> Return on Capital Employed (ROCE) = EBIT (- EBT + interest expense excluding the interest portion of allocations to pension provisions) 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, forfeiting

<sup>6)</sup> Annualized

<sup>7)</sup> Description changed as against previous year

<sup>8)</sup> Excluding financial assets

<sup>9)</sup> Current and non-current liabilities to banks

## Summary

### Salzgitter Group back in the profit zone

The wide-ranging business activities of the **Salzgitter Group** have reaped tangible benefit from the general economic recovery in the first nine months of the financial year 2010. Although the Group had to absorb the surging costs of raw materials and burdens from currency-induced valuations, it closed the third quarter as well with a profit. The Steel, Trading, Tubes and Services divisions all made positive contributions to this result, along with the Technology Division which delivered a near-breakeven result. Consolidated **external sales** of the Group stood at around 4 % above the previous year's figure. The amount of € 5.7 million in **pre-tax profit** of the first nine month 2010 already includes expenses for streamlining measures, negative effects from the reporting date-related valuation of the US dollar, and out-of-period income. The **after-tax result** was positive as well.

The development of the **Steel Division** was a general reflection of the brighter economic outlook. The uptrend in the individual product segments, however, varied greatly: Flat steel and plate reported satisfactory capacity utilization again and, since mid-year, a very positive selling price trend as opposed to the section product segment that was still burdened by the only hesitant recovery of the construction industry. The Steel Division's external sales reported a notable volume-induced increase. Pressured by the extreme uptrend in the price of raw materials, low capacity utilization in the beam and sheet piling product segment, and by provisions for restructuring measures, the result remained in the red. The pre-tax loss was nonetheless a considerable improvement over previous year's period.

The **Trading Division** benefited from restocking in almost all customer sectors. The steep increase in selling prices in the second quarter benefited the European stockholding steel trade in particular. External sales dropped slightly due to the lower level of average prices in international trading. The division generated an extremely gratifying pre-tax profit which was attributable in the main to the pronounced turnaround in the warehousing business.

Despite the significant recovery in orders placed in almost all product segments, the companies belonging to the **Tubes Division** were unable to match the excellent results achieved in the year-earlier period which was hallmarked by project business acquired before the crisis. As a result, external sales declined slightly. The pre-tax profit was generated above all by the comparatively stable performance of the large-diameter tubes segment.

In line with the higher output of the steel companies, the **Services Division** also reported improved results. Segment revenues, external sales and also pre-tax profit were notably higher year-on-year.

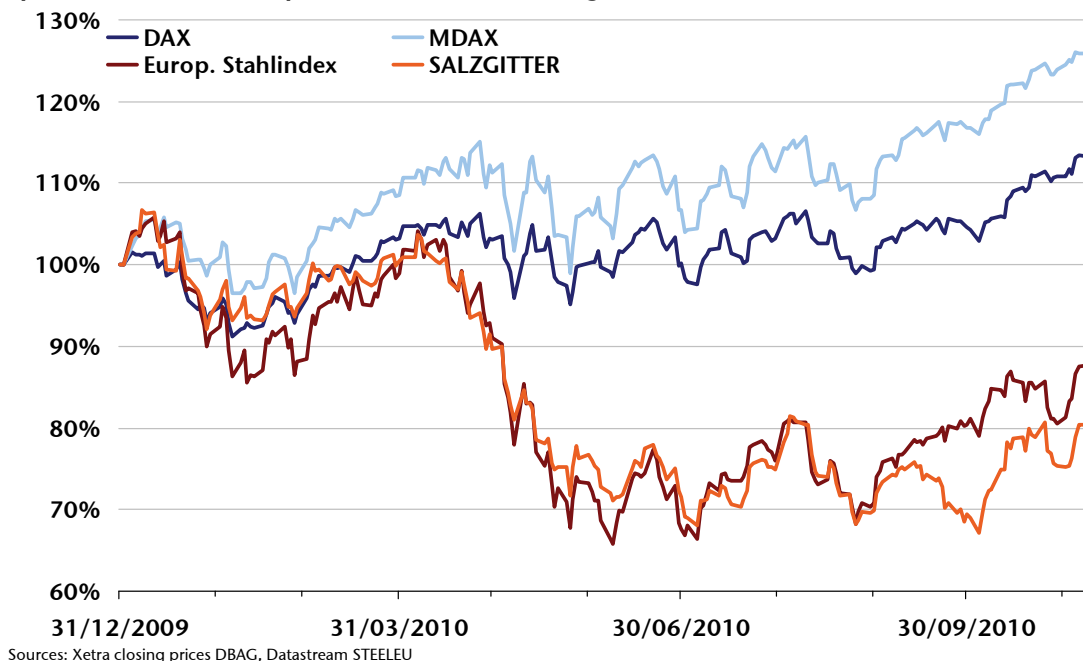
The uptrend in the **Technology Division** continued. The division's order book has climbed by almost 40 % in comparison with the first nine months of 2009. Whereas the selling price level of beverage filling and packaging facilities still remains unsatisfactory, the measures implemented under an extensive restructuring and cost-cutting program in the KHS Group are taking effect. External sales increased notably and the pre-tax loss was significantly lower.

The external sales of the **Others/Consolidation** segment, generated through business in semi-finished products with external parties, rose slightly in the first three quarters of 2010. The pre-tax result came in negative and, along with effects from the reporting date-related valuation of the US dollar, included a pleasing profit after tax of € 31.8 million from its stake in Aurubis AG, a participating interest included at equity since 2009.

**Forecast:** Having considered all currently discernible risks and potential, we believe that a pre-tax result in the lower double-digit million range is achievable in the current financial year.

## Investor Relations

### Capital market and the performance of the Salzgitter share



The **stock markets** were exposed to a great deal of volatility in the first nine months of 2010, without any clear trend emerging. Following a brief upswing at the start of the year, which was followed by a phase of correction triggered by reports on the threat of Greece's bankruptcy, partly sharp fluctuations were in evidence from the end of February through to the reporting date. These fluctuations each lasted several weeks and were mainly prompted by news about the state of the economy. This type of pattern is symptomatic of the jitteriness which continues to prevail on the stock exchanges. At the end of September, the DAX and MDAX were in an uptrend and had gained 5% (DAX) and 17% (MDAX) respectively as against the year-end of 2009.

Two factors exerted considerable influence on the price performance of the **Salzgitter share** in the first three quarters of the year 2010: Initially, the sustainability of the economic recovery in Europe was called into question by the financial crisis in Greece. Following swiftly on from this, the news of surging prices for raw materials and the discontinuation of the proven raw materials pricing system that had been in place for around 50 years. As a result, our share reached its highest level for the year of € 74.32 back on January 11, 2010. The announcement of the new pricing system emerging for ore and coal coupled with the dramatic increases in the price of raw materials caused all steel equities to tumble across the board as from the start of April. In the subsequent period, the Salzgitter share moved in line with the indices, as did other equities in our sector, but with a considerable markdown. Over the first nine months of 2010, overall performance of the Salzgitter share, which closed at the end of the period under review at € 47.52 on September 30, representing a decline of -31 % and, taking account of the dividend reduction of € 0.25 following the Annual General Meeting of Shareholders on June 8, 2010, a decrease of -30 %.

The **average daily turnover** of our share on the German stock market fell, as expected, in response to the switch to the MDAX at the end of June and came to around 557,000 units in the period under review. On September 30, 2010, Salzgitter AG nonetheless continued to hold the first place measured by turnover, and twelfth place in terms of free-float market capitalization, which posted € 1.9 billion, in the MDAX index ranking of Deutsche Börse.

We presented our company at investor conferences and road shows in New York, Frankfurt, London, Sydney, Tokyo, Vienna and Munich as part of our **capital market communication**. In addition, analysts and investors visited our plants in Salzgitter, Peine and Muelheim an der Ruhr. In mid-August, we presented and discussed the results of the first half-year of 2010 at analyst conferences in Frankfurt and London that met with lively interest on the part of the capital markets.

In our most recent analyst survey, the Salzgitter share was assessed by 26 banks that accorded the following **ratings** (as per September 30, 2010): 8 buy/outperform, 12 hold/market perform, 6 sell/underperform.

### Treasury Shares

Salzgitter AG's portfolio of treasury shares came to 6,009,700 as per September 30, 2010. As against December 31, 2009 (5,795,252 units), there was an increase of 214,448 units. Thirteen shares were received by members of the workforce as a bonus for improvement suggestions. As a countermeasure, we purchased 214,461 shares at an average price of € 47.83.

### Information for investors

|  |              | 9M 2010      | 9M 2009      |
|--|--------------|--------------|--------------|
| Nominal capital as of 30/09/                       | € million    | 161.6        | 161.6        |
| Number of shares as of 30/09/                      | million      | 60.1         | 60.1         |
| Number of shares outstanding as of 30/09/          | million      | 54.1         | 54.3         |
| Market capitalization as of 30/09/ <sup>1)2)</sup> | € million    | 2,570        | 3,557        |
| <b>Price as of 30/09/<sup>1)</sup></b>             | <b>€</b>     | <b>47.52</b> | <b>65.50</b> |
| High 01/01/ - 30/09/ <sup>1)</sup>                 | €            | 74.32        | 73.40        |
| Low 01/01/ - 30/09/ <sup>1)</sup>                  | €            | 46.09        | 40.22        |
| Security identification number                     | 620200       |              |              |
| ISIN   | DE0006202005 |              |              |

<sup>1)</sup> All data based on prices from XETRA trading

<sup>2)</sup> 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

## Interim Management Report

### Earnings, Financial Position and Net Worth

#### Economic environment

The **global economy** improved considerably in the first nine months of 2010 in comparison with the previous year which was marked by the economic crisis. The economies of the industrial nations and emerging markets rallied discernibly, especially in the first half-year. As the year progressed, however, trends varied according to the economic areas: Most industrial nations reported a tangible recovery in economic output, which is nonetheless far from re-attaining levels seen before the crisis. The economic upswing in the USA and Japan, however, had already started to slow in the second quarter. Persistently high unemployment and deflationary tendencies put a damper on consumer confidence. Consequently, domestic demand remained modest in both these countries. By contrast, the industrial production of many emerging markets in Asia and Latin America has meanwhile resumed its long-term growth trend. China's economic upswing proved so dynamic that its government has meanwhile had to once again implement measures to avoid a potential overheating of a number of sectors. The International Monetary Fund (IMF) anticipates an overall global growth rate of 4.8 % for the year 2010.

The **Eurozone** also recorded a general economic recovery. There were, however, very substantial regional differences: The export-oriented countries experienced partly strong growth as opposed to other countries such as Italy, Spain and Portugal where production output remained weak. Ireland and Greece even sustained a decline in economic performance, which is also the outcome of measures initiated to consolidate their budgets in the wake of the impact of the financial crisis. France and Great Britain experienced a moderate economic recovery. As a result, growth anticipated in 2010 by the IMF for countries in the eurozone stood at 1.7 %, which is below that of other economic regions.

The economic upswing in **Germany**, by contrast, was decidedly robust. Both export activities and the domestic economy gained considerable momentum, while sentiment indicators are running at a high level. Export business proved the main driver behind these developments. Moreover, the unexpectedly healthy constitution of the labor market throughout the entire crisis and the absence of a property bubble allowed domestic demand to reap the full benefits of the low interest rate levels. The German gross domestic product is likely to achieve the swiftest growth of all G7 countries in 2010 despite a slowing of the uptrend in the second half of the year. All in all, the IMF expects the German economy to grow by 3.3 % this year.



## Interim Management Report

### Earnings situation within the Group

|   |                  | Q3 2010        | Q3 2009        | 9M 2010        | 9M 2009        |
|---|------------------|----------------|----------------|----------------|----------------|
| Crude steel production <sup>1)</sup>        | kt               | 1,684.3        | 1,338.0        | 5,059.3        | 3,381.4        |
| <b>External sales</b>                       | <b>€ million</b> | <b>2,158.4</b> | <b>1,834.6</b> | <b>6,192.6</b> | <b>5,960.3</b> |
| EBITDA <sup>2)3)</sup>                      | € million        | 106.6          | 24.7           | 283.7          | 24.2           |
| EBIT <sup>2)3)</sup>                        | € million        | 32.0           | -45.8          | 71.3           | -205.4         |
| <b>Earnings before tax (EBT)</b>            | <b>€ million</b> | <b>10.8</b>    | <b>-66.1</b>   | <b>5.7</b>     | <b>-261.3</b>  |
| <b>Earnings after tax</b>                   | <b>€ million</b> | <b>7.4</b>     | <b>-67.0</b>   | <b>3.9</b>     | <b>-232.1</b>  |
| ROCE <sup>4)5)</sup>                        | %                | 1.6            | -5.5           | 0.8            | -7.3           |
| Capital expenditures <sup>6)</sup>          | € million        | 144.6          | 194.2          | 352.5          | 505.7          |
| Depreciation and amortization <sup>6)</sup> | € million        | 74.4           | 70.4           | 211.0          | 222.5          |
| Operating cash flow <sup>7)</sup>           | € million        | -140.1         | 365.4          | 8.5            | 1,176.9        |
| <b>Net position to banks<sup>8)</sup></b>   | <b>€ million</b> | <b>1,245.9</b> | <b>1,609.9</b> | <b>1,245.9</b> | <b>1,609.9</b> |
| Equity ratio                                | %                |                |                | 46.4           | 50.3           |

<sup>1)</sup> In regard of the participation in Hüttenwerke Krupp Mannesmann

<sup>2)</sup> EBIT = EBT + interest expense/- interest income; EBITDA = EBIT plus depreciation and amortization

<sup>3)</sup> changed definition from 01.01.2010 on, retrospectively adapted

<sup>4)</sup> Return on Capital Employed (ROCE) = EBIT (= EBT + interest expense excluding the interest portion of allocations to pension provisions) 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, forfeiting

<sup>5)</sup> Annualized

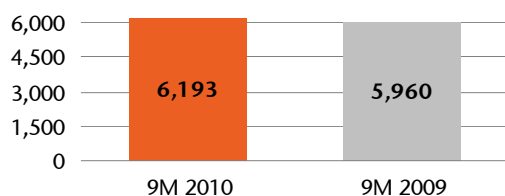
<sup>6)</sup> Excluding financial assets

<sup>7)</sup> Description changed as against previous year

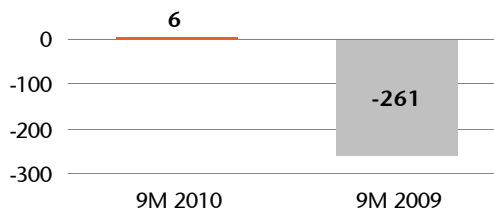
<sup>8)</sup> Including investments, e.g. securities and structured investments

The wide-ranging business activities of the Salzgitter Group have reaped tangible benefit from the general economic recovery over the course of the first nine months of the financial year 2010. Although the Group had to absorb the surging costs of raw materials and burdens from currency-induced valuations, it closed the third quarter as well with a profit. The Steel, Trading, Tubes and Services divisions all made positive contributions to this result, along with the Technology Division which delivered a near-breakeven result. In line with expectations, the Group thus generated a pre-tax profit in the first nine months of the financial year 2010.

Group-External Sales (in € million)



Group-EBT (in € million)



**Consolidated external sales** of the Group came in at € 6,192.6 million (first nine months of 2009: € 5,960.3 million), which is around 4 % above the previous year's figure. Pre-tax profit rose by € 267 million to € 5.7 million (first nine months of 2009: € -261.3 million). This figure already includes € 26.3 million for streamlining measures, € 30.0 million in negative effects from the reporting date-related valuation of the US dollar, and € 19.9 million in out-of-period income. **Profit after tax** stood at € 3.9 million (first nine months of 2009: € -232.1 million). Return on capital employed (ROCE) came to an annualized 0.8 % (first nine months of 2009: -7.3 %).

## Interim Management Report

### Steel Division

|  |           | Q3 2010 | Q3 2009 | 9M 2010 | 9M 2009 |
|--|-----------|---------|---------|---------|---------|
| Order bookings                           | kt        | 1,239.5 | 1,296.4 | 3,651.8 | 3,065.4 |
| Order backlog as of 30/09/ <sup>1)</sup> | kt        |         |         | 951.5   | 825.8   |
| Crude steel production                   | kt        | 1,313.2 | 1,110.9 | 3,918.1 | 2,781.4 |
| LD steel (SZFG)                          | kt        | 1,089.9 | 930.6   | 3,247.2 | 2,313.7 |
| Electric steel (PTG)                     | kt        | 223.3   | 180.3   | 670.9   | 467.7   |
| Rolled steel production                  | kt        | 1,240.2 | 1,050.7 | 3,750.2 | 2,669.4 |
| Shipments                                | kt        | 1,200.9 | 1,036.5 | 3,771.5 | 2,751.7 |
| Sales <sup>2)</sup>                      | € million | 845.2   | 604.4   | 2,343.3 | 1,810.7 |
| External sales                           | € million | 590.8   | 431.2   | 1,672.4 | 1,231.1 |
| Earnings before tax (EBT)                | € million | 8.7     | -23.2   | -67.6   | -213.4  |

<sup>1)</sup> changed definition (disclosure including finished materials SZFG) from 01.01.2010 on; retrospectively adapted

<sup>2)</sup> Incl. sales to other corporate divisions

The recovery in the **international steel markets**, observable since mid-2009, firmed up discernibly in the reporting period. The production of crude steel reported by the 66 member countries of the World Steel Association rose to 1.05 billion tons during the period from January to September, which is almost 20 % more than the production volume a year ago. Although all regions posted double-digit growth rates, only Asia and the Middle East delivered higher figures than before the crisis. China, which meanwhile accounts for almost half of the world's steel production, generated growth of 12.7 % in a nine-month comparison. By contrast, the volume of steel produced in September fell 5.9 % short of the previous year's month. The decline can be interpreted as a consequence of local economic programs having expired and indicates a slowdown in the development of the Chinese steel economy at a high level. Nonetheless, the World Steel Association has forecasted an increase of the apparent steel consumption of 13.1 % to a record level of 1.27 billion tons in 2010.

Following an unexpectedly good first half year, the **European steel market** weakened again in the summer months. Order intake, which has been in a downturn since April, suggests, on the one hand, that warehousing effects and upfront buying in anticipation of rising prices played a major part in the very strong demand in the first months of the year. On the other hand, seasonal effects also play a role. The deterioration in new orders has ultimately also manifested in the production of crude steel and rolled steel. Since June, crude steel output in the European Union has been ranging approximately 9 % below the high level recorded in the first five months of the year. All in all, 130 million tons were produced which, in comparison with the first three quarters of 2009 marking the height of the crisis, corresponds to an increase of one third.

The recovery of **German steel processors** has gained momentum and a broader based foothold. To the exception of the construction industry, along with German steel construction and shipbuilding, all important customer sectors have recorded growth. Apart from the sustained strong upswing in vehicle construction and metal goods, production in mechanical engineering and steel tubes manufacturing has also improved in the meantime. As a result, capacity utilization in German steel mills exceeded the 80-percent threshold (84 %) for the fourth quarter in a row and has therefore reached a significantly higher level than most other European countries. Between January and September, crude steel production, which came to 33 million tons, was almost 50 % above the crisis-ridden first nine months of 2009.

Over the course of the year to date, the **international procurement markets** have stood under the influence of the global recovery in the steel industry. The price of a large share of raw materials almost reached the level prevailing before the economic and financial crisis set in.

## Interim Management Report

A paradigm shift took place in the global market for **iron ore** within the space of a few months: VALE, BHP Billiton and Rio Tinto, the three largest producers of iron ore, put an end to the decade-old system of annual price agreements. Since April 2010, the pricing of iron ore has been fixed for the most part on a quarterly basis. One European pellet producer is the notable exception, and has concluded annual price agreements with a number of major customers.

The strong demand for iron ore from the Far East and China in particular drove the spot market prices to their highest level to date of USD 186 per dry metric ton (dmt) CFR China in mid-April. Following a phase of correction in the summer, prices stabilized at a level of around USD/dmt 140. The price of the Carajas ore dust reference rate derived from these quotations came to an average of 139 USD/dmt FOB Brazil in the second and third quarter of 2010, which is 109 % higher than last year's benchmark price.

Matching the developments in the ore market, the established benchmark price system for **coking coal** has also been abolished. As a result, BHP Billiton and Teck Coal, the largest exporters of coking coal, have been offering prices only on a quarterly basis since April. These prices were fixed in the round of negotiations between market leader BHP Billiton and major Asian customers and now apply to the European market. The price level set for the second and third quarter of 2010 comes to an average 213 USD/t FOB Australia, which is an increase of around two thirds on last year's prices.

The **changes in contractual structures** for Salzgitter AG's most important raw materials of iron ore and coking coal initially resulted in an imbalance of the now near-term variable raw materials costs, on the one hand, and partly long-term shipment contracts, on the other. We met this challenge by swiftly and fully bringing about transparency on purchasing and sales structures tailored to the new situation throughout the whole Group. We were subsequently successful in establishing an almost balanced relationship between volumes contractually agreed on the purchasing and on the sales side: on the procurement side, more than 50 % of iron ore was secured on the basis of annual contracts; on the sales side, existing annual contracts were replaced for the most part by nearer-term contracts, thereby minimizing the economic risk arising from swift commodity price fluctuations.

The developments on the **international sea freight markets** in recent months 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 at a level of around 15 USD/t at the start of the new year. After an initial downturn, rates subsequently climbed again to just under 18 USD/t in May and then fell to their lowest point to date of 10 USD/t in July. Late summer brought a worldwide recovery in the rates charged on the most important trading routes.

At the beginning of the year, higher steel production naturally triggered a sharp increase in **scrap prices** until the decline in order volumes from consumers abroad caused prices to fall again through to July. The member steel mills of the German Steel Association reported the lowest purchasing volume of the year of 730 ktons of scrap (average figure for 2010: 902 ktons a month). This was due to downtime for the vacation period as well as traders' unwillingness to sell. In expectation of scrap prices rising further, despite increases of 20 €/t up to 35 €/t, they were increasingly unwilling to conclude contracts at unchanged conditions. The situation was similar in the neighboring countries. The demand for quality scrap received additional impetus due to the fact that many electric steelworks have geared their production to higher grade steel qualities, as far as they can, in order to benefit from the healthy order situation of the European manufacturers of flat steel. Accordingly, depending on the grade and region, prices rose in September by between 15 €/t and 25 €/t.

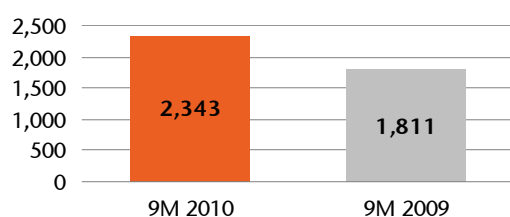
## Interim Management Report

The international **metal and alloy markets** presented a very disparate picture in terms of the individual groups of materials in the first nine months of the year: Whereas, in the first half-year, the prices of bulk and quality alloys climbed sharply on the back of the improved economic environment and brisker global demand for raw materials, they were very volatile in the third quarter. In contrast, the price of listed metals such as zinc, nickel, copper and aluminum, declined notably over the period from April to June, only to rally sharply again during the third quarter of 2010.

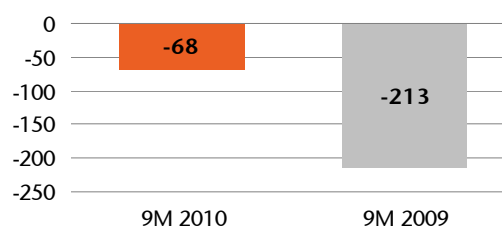
Against this backdrop, the development of the **Steel Division** was as follows:

Consolidated **new orders and orders in hand** exceeded the tonnage of the first nine months of 2009. Accordingly, the production of **crude steel** (+41 %) and **rolled steel** (+40 %) by the steel companies was considerably higher than the volumes of a year ago. **Shipments** (+37 %) also rose notably and were the determinant factor for **segment** (+29 %) and **external** (+36 %) **sales** being much higher than the previous year's figures.

Steel-Sales (in € million)



Steel-EBT (in € million)



Owing to the extreme raw material price development, low utilization of the sections and sheet piling business as well as provisions for restructuring measures of € 17.6 million at Peine Träger GmbH (PTG), the result stayed negative. The **pre-tax loss** of € 67.6 million (first nine months of 2009: € -213.4) nonetheless represents a noticeable improvement measured against the previous year's period.

### A further analysis of the individual companies provides more in-depth explanations:

The capacity utilization of **Salzgitter Flachstahl GmbH's** (SZFG) production facilities has improved considerably compared with a year ago. Both blast furnaces and the steel mill were running at their capacity limits in the first half of the year. In mid-July, the third blast furnace went into operation again. The downtime of two converters in August caused production losses that had been largely compensated for by the end of September. In comparison to the previous year's period, order intake and the order book have risen sharply, which mirrors the sustained recovery of key steel processing sectors, in particular in the automotive and mechanical engineering industries. The price increases implemented in the market at the beginning of the second and third quarter were clearly reflected in rising selling prices which remained, however, below the average level posted in 2009. Shipments recovered well and almost achieved the comfortable level of 2007 and were the sole reason for the sharp increase in sales. As per September 30, 2010, SZFG generated a gratifying pre-tax profit, which is thus a considerable improvement in a year-on-year comparison. This increase originated mainly from the meanwhile satisfactory capacity utilization situation.

## Interim Management Report

At the end of the first quarter, the heavy plate market was still under pressure, primarily in terms of selling prices. The subsequent uptrend in volume and prices held steady through to May, but enquiry activity subsequently tailed off again due to seasonal influences. Steel traders above all then attempted to hold shipments steady by making price concessions. As the capacity of many steelworks was not primarily utilized in the range of basic grades, price hikes of any note were only achieved for extreme dimensions. A sub-project under the "SZS 2012" investment program, which went online at mid-year, therefore proved advantageous in the upper thickness range. The volume of order intake of **Ilseburger Grobblech GmbH (ILG)** rose to a comfortable level in the market environment described, but orders in hand remain slightly below the tonnage of the first nine months of 2009. In the reporting period, rolled steel output and shipment volumes were considerably higher than the weak year-earlier period that was partly impacted by short-time work. Sales were boosted first and foremost by higher shipment volumes, but fell short of the previous year's level due to the relatively weak selling price level. A negative result was recorded due to the concurrent, considerably higher increase in input material costs. Thanks to continued efforts to reduce costs, the negative result of the third quarter was nonetheless a notable improvement on the preceding quarters, in spite of planned downtime for maintenance.

Impetus from the European construction industry has remained extremely weak during the whole year. At the start of the year, demand for sections by the stockholding steel trade initially recovered. By mid-May, order activity had slowed again. Slack consumer demand, short producer delivery times, and a downturn in scrap prices were the reasons for this development. In order to avoid impairment losses, stockholding steel traders trimmed down their inventories with the result that it was not possible to top up the already curbed capacities of beam producers at the beginning of the third quarter. Demand rallied for a short time in August as trading expected higher invoice prices from the steel mills due to the increase in the cost of scrap. In September, however, sections producers once more suffered from the general lackluster demand. Against this background, new orders of **Peiner Träger GmbH (PTG)** almost reached the tonnage of the previous year, although orders in hand fell short of the first nine months of 2009 which were still affected by exceptional effects within the company. The production of crude steel and rolled steel as well as shipments and sales were markedly higher than volumes seen in the crisis-ridden year-earlier period. Lower margins, mainly due to the price of scrap steel, and provisions of € 17.6 million for restructuring led to a negative result for the period under review.

Continued pronounced weakness in the markets and the subdued 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)**. Against the backdrop of a decline in average selling prices, the increase in sales as against the year-earlier period was exclusively attributable to marginally higher shipment volumes. In view of poor capacity utilization it was not possible to achieve breakeven.

The recovery in shipments of **Salzgitter Bauelemente GmbH (SZBE)** held steady in the third quarter. Consequently, the volume of roofing and cladding elements produced exceeded the year-earlier figure and sales more than made up for the backlog at the end of March. The reporting period closed with profit that was greatly improved compared with last year's result.

In line 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 over the prior year. Compared with last year's reporting period, a notable improvement in the profit delivered was also achieved.

## Interim Management Report

### Trading Division

|                           |           | Q3 2010 | Q3 2009 | 9M 2010 | 9M 2009 |
|---------------------------|-----------|---------|---------|---------|---------|
| Shipments                 | kt        | 1,085.0 | 1,068.0 | 3,266.6 | 3,285.1 |
| Sales <sup>1)</sup>       | € million | 864.2   | 716.7   | 2,353.8 | 2,470.8 |
| External Sales            | € million | 821.4   | 713.6   | 2,230.5 | 2,397.3 |
| Earnings before tax (EBT) | € million | 20.5    | -32.8   | 63.9    | -90.5   |

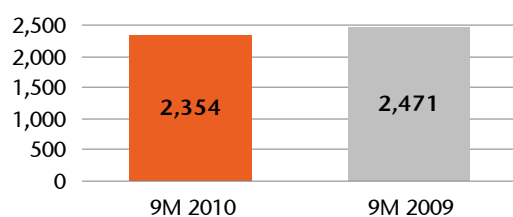
<sup>1)</sup> Incl. sales to other corporate divisions

The process of streamlining inventories was virtually completed in almost all industries so that the recovery in demand for manufactured goods of the most important steel processing sectors resumed, benefiting first and foremost from brisk exports. Following initial difficulties due to weather conditions, demand in the construction industry also picked up slightly in the second quarter. From the third-quarter onwards, however, the underpinning influence of stockpiling and stimulus from economic programs gradually began to lose their effect.

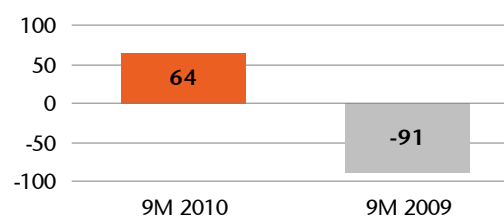
European **steel trading** especially participated in this situation as opposed to international trading which was still feeling the effects of the economic crisis. Following the initial demand-driven increase in spot market prices, the end of the second quarter saw another phase of correction with many customers holding back on their orders in the hope of prices continuing to fall.

These framework conditions had an impact on the **Trading Division's** performance and its result. Whereas overall shipment tonnage virtually matched the previous year's level, the on average lower volume of international trading and generally weaker average selling prices resulted in a decline in **segment and external sales**. With a very gratifying **pre-tax profit** of € 63.9 million as per September, the Division notably exceeded the previous year's result (+171 %). This was mainly attributable to the strong turnaround of the stockholding business.

Trading-Sales (in € million)



Trading-EBT (in € million)



The **Salzgitter Mannesmann Trading Group** performed well in the first nine months of 2010, especially in the second quarter. Although shipment volumes and sales fell slightly short of the year-earlier figures owing to the reticent recovery of international trading, pre-tax profit was much higher than a year ago.

The development of European **stock holding steel trade** varied: Shipments in Germany rose in comparison to the Netherlands where the competitive situation resulted in declining shipments and sales figures. The eastern European companies expanded their business in comparison to the first nine months of 2009. Thanks to considerably improved margins and the significant "windfall effects" of the second quarter, an excellent overall result was generated in the period under review.

## Interim Management Report

As a consequence of economic, tax-related and legal considerations, the Dutch companies Deltastaal B.V., (DSO) and Friesland Staal B.V., (FSD) were combined with Salzgitter Mannesmann Handel B.V. (SHN) with effect from September 1, 2010. As part of the transaction, SHN as the absorbing company was renamed as Salzgitter Mannesmann Staalhandel B.V. (SMNL). The brand names of Deltastaal and Friesland Staal continued to be used externally for image purposes.

**International trading** participated in the brisker activities on the South American market, made deliveries to the Middle East, and benefited from consistently good business in Africa. Braking effects came from the project business, which remained modest, and weak demand emanating from North America. This resulted in an overall downturn in shipments and sales. Owing to margin-induced effects, the pre-tax result was considerably higher than the year-earlier figure.

Despite improved capacity utilization across a major part of heavy plate consumer industries during the reporting period, the business activities of **Universal Eisen und Stahl GmbH (UES)** did not match the level achieved in the previous year. It was therefore not possible to fully pass on the price increases envisaged to the markets. Many customers only made purchases when absolutely necessary in expectation of falling prices after the summer break. Consequently, shipment volumes and sales fell short of the level posted in the first nine months of 2009. On the back of higher earnings generated by subsidiaries, the company returned to the profit zone again.

The steel service center **Hövelmann & Lueg GmbH (HLG)** continued to report positive developments in the third quarter of 2010 as well, bringing about an improvement in both shipments and sales in comparison with the year-earlier period. Pre-tax profit was clearly above the previous year's figure.

## Interim Management Report

### Tubes Division

|  |                  | Q3 2010      | Q3 2009      | 9M 2010        | 9M 2009        |
|--|------------------|--------------|--------------|----------------|----------------|
| Order bookings                           | € million        | 416.5        | 188.3        | 1,654.6        | 807.1          |
| Order backlog as of 30/09/ <sup>1)</sup> | € million        |              |              | 1,012.6        | 967.3          |
| <b>Sales<sup>1)</sup></b>                | <b>€ million</b> | <b>471.2</b> | <b>515.3</b> | <b>1,494.6</b> | <b>1,851.9</b> |
| <b>External sales</b>                    | <b>€ million</b> | <b>412.0</b> | <b>433.8</b> | <b>1,304.0</b> | <b>1,541.6</b> |
| <b>Earnings before tax (EBT)</b>         | <b>€ million</b> | <b>4.5</b>   | <b>25.7</b>  | <b>17.7</b>    | <b>121.7</b>   |

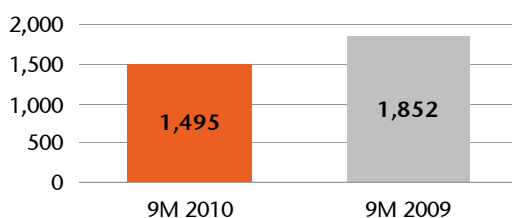
<sup>1)</sup> Incl. sales to other corporate divisions

Following on from the gratifying recovery in orders placed on the global **steel tubes market** in the second quarter of 2010, the trend slowed somewhat due to seasonal influences in the third quarter, in line with expectations. The order level was, however, partly significantly higher than that seen in 2009, though still a long way off from the levels in the pre-crisis boom phase. The fact that the growth prospects in the most important customer sectors of the (German) tube industry have been continuously revised upwards as time progresses can be viewed as positive. There is, however, still not a great deal of confidence that this upswing is self-supporting and of a longer term nature. Along with concerns about the persistently unstable situation in the financial markets, high price volatility in the upstream raw materials and steel markets are likely determining factors here. Although the personnel-based production capacities were reduced as a result of the crisis, the range of orders in hand, barring individual cases, is still relatively short. Against this background, the approach of the stockholding trade in particular continues to be cautious and focused on the short term.

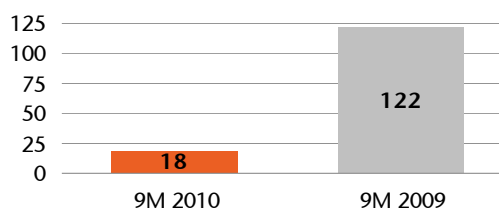
As against the still extremely weak first nine months of 2009, the **order intake** of the **Tubes Division** has more than doubled in the period under review owing especially to the successful acquisition of the major Nord Stream 2 and North European Natural Gas Pipeline (NEL) contracts of EUROPIPE GmbH (EP). The other product segments also recorded an uptrend in new orders, with the precision tubes segment achieving the greatest growth. The consolidated **order book** rose slightly in a year-on-year comparison, as precision tubes in particular were able to compensate for the decline in the large-diameter tubes segment. The pre-crisis level was, however, not re-attained.

**Shipments** were marginally above the previous-year's level as, given the stable pipeline business, the volume of precision tubes deliveries was much higher, which served to compensate for the decline in other product segments.

Tubes-Sales (in € million)



Tubes-EBT (in € million)



Compared with a year ago, the **sales** of the Tubes Division were 19 % lower. With the exception of the precision tubes segment that raised its sales by a quarter on the back of volumes, the other product groups sustained partly considerable losses, which was mainly attributable to substantially lower average selling prices. The Tubes Division's **external sales** contracted by 15 %.



## Interim Management Report

In the first nine months of 2010, the Division delivered a **pre-tax profit** of € 17.7 million generated mainly by the sound performance of the large-diameter tubes segment. This result includes restructuring expenses of € 8.7 million as well as € 9.1 million out-of-period income from the sale of tube semis written down in 2009. Excluding the precision tubes segment, which was already affected by market turbulence back at the start of 2009, all other product segments reported declines

### **Business performance of the product segments:**

As against the year-earlier period, the order intake of the **large-diameter pipes** segment nearly doubled, which was mainly due to the awarding of the major Nord Stream 2 and NEL projects to EUROPIPE GmbH (EP). Salzgitter Mannesmann Großrohr GmbH (MGR) outperformed the weak year-earlier level and bookings placed with Salzgitter Mannesmann Grobblech GmbH (MGB) were slightly higher than a year ago. Orders in hand of the large-diameter tubes segment were still below the volume posted on September 30, 2009. Shipments of large-diameter pipes improved slightly compared with the corresponding period in 2009. Project-induced lower selling prices prevented sales from reaching the year-earlier level. Thanks to the delivery of high-margin orders at the start of the current financial year, booked before the advent of the crisis, the large-diameter pipes segment achieved a positive result which was nonetheless lower than the result posted a year ago.

Price-led competition remained fierce regarding orders for **HFI-welded pipes** both in the project and standard business. New orders in the first nine months of the year did not reach a satisfactory level despite the greater volume of bookings in March and April but were substantially higher than the extremely low average of the year-earlier period. As against the figure posted in the first nine months of 2009 orders in hand also increased significantly. In contrast, sales declined notably due to volume and selling prices. Burdened by price markups on input materials caused by the high cost of raw materials, the pre-tax result was negative.

In the first nine months of 2010, the **precision tubes** segment benefited from strong demand in the automotive industry which, following the expiry of government promotion programs, resulted primarily from export business. Compared with the previous year's period, order intake also doubled due to the recovery in business in the mechanical engineering and the energy industries. Thanks to the healthy order book, capacities have already been reserved through to the year 2011. All in all, around a third more precision tubes were shipped than in the first nine months of 2009. Owing to lower selling price levels, sales did not rise to the same extent. Despite the burden on profit due to a strike and the forming of restructuring provisions, the loss sustained in the year-earlier period was reduced by two thirds.

For more than two years, new orders in the **seamless stainless steel tubes** segment have been around 40 % below the level representing full capacity utilization. Although recent months have seen increasing order bookings, there is still no sign of a lasting recovery of the market. New orders were much higher than a year ago but were still at a very low level. A moderate increase in orders has been recorded in the past months, resulting in good capacity utilization in the European mills, although the level of the previous year was not repeated. Owing to the still extremely difficult conditions in the local stainless steel tubes market of the American mill in Houston, shipments of the MST Group fell noticeably short of the year-earlier period. The pre-tax result reported for the first nine months of 2009 was not achieved due to the discernible decline in volume and price markdowns and was negative.

## Interim Management Report

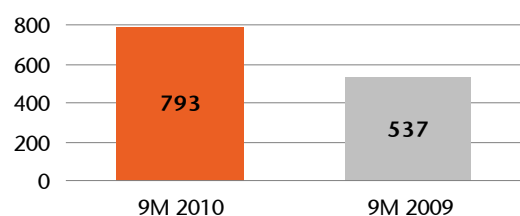
### Services Division

|                           |           | Q3 2010 | Q3 2009 | 9M 2010 | 9M 2009 |
|---------------------------|-----------|---------|---------|---------|---------|
| Sales <sup>1)</sup>       | € million | 272.7   | 195.7   | 792.7   | 536.7   |
| External sales            | € million | 106.4   | 78.4    | 301.7   | 224.7   |
| Earnings before tax (EBT) | € million | 7.4     | 3.7     | 18.8    | -1.7    |

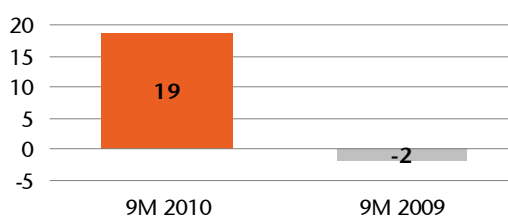
<sup>1)</sup> Incl. sales to other corporate divisions

Buoyed by the improved economic environment and by the production activities of the steel companies that have returned to normal levels, the **Services Division** recorded a notable recovery in the demand for its services.

Services-Sales (in € million)



Services-EBT (in € million)



**Segment sales** climbed by 48 % to € 792.7 million over the first nine months of 2010 in a year-on-year comparison. The raw materials trading company **DEUMU Deutsche Erz- und Metall-Union GmbH (DMU)** benefited from considerably higher trading volumes and a higher price level. As the mainstay of the Division, it succeeded in virtually doubling its sales as against the previous year. On the back of the increase in the production of crude steel, resulting in higher volumes of freight traffic, **Hansaport Hafenbetriebsgesellschaft mbH (HAN)** and **Verkehrsbetriebe Peine-Salzgitter GmbH (VPS)** also succeeded in raising their sales. Brisk demand, also from customers outside of the automotive sector, enabled **Salzgitter Hydroforming GmbH & Co. KG (SZHF)** to lift sales notably by. The Division's **external sales** increased by 34 % as against the year-earlier period.

The Division delivered a significant improvement in its results, with a gratifying **pre-tax profit** of € 18.8 million as per September 30, 2010. To the exception of **Salzgitter Automotive Engineering GmbH & Co. KG (SZAE)**, all companies belonging to the Division made positive contributions to profit. Along with **SZHF**, the companies closely associated with steel production recorded the highest growth rates in comparison with a year ago.

## Interim Management Report

### Technology Division

|  |                  | Q3 2010      | Q3 2009      | 9M 2010      | 9M 2009      |
|--|------------------|--------------|--------------|--------------|--------------|
| Order bookings                           | € million        | 222.9        | 172.7        | 691.3        | 504.9        |
| Order backlog as of 30/09/ <sup>1)</sup> | € million        |              |              | 286.2        | 250.4        |
| <b>Sales<sup>1)</sup></b>                | <b>€ million</b> | <b>216.0</b> | <b>164.3</b> | <b>646.1</b> | <b>532.0</b> |
| <b>External sales</b>                    | <b>€ million</b> | <b>215.7</b> | <b>164.2</b> | <b>645.5</b> | <b>531.6</b> |
| <b>Earnings before tax (EBT)</b>         | <b>€ million</b> | <b>-5.4</b>  | <b>-31.8</b> | <b>-21.0</b> | <b>-75.5</b> |

<sup>1)</sup> Incl. sales to other corporate divisions

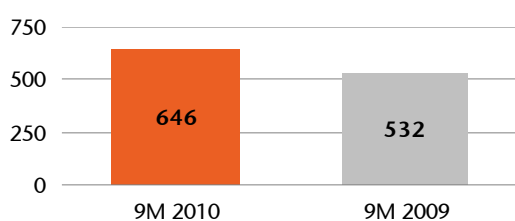
Order intake of German mechanical engineering grew on the back of an improved economy in the first nine months of 2010. Both foreign demand and domestic business expanded swiftly. The greatest stimulus came from the largest developing and emerging markets such as Brazil, China and India.

The companies of the **Technology Division** operate first and foremost 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 (KHSDE) 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).

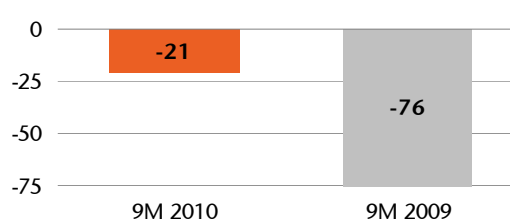
KWAG's Annual General Meeting of Shareholders held on August 25, 2010, approved the transfer of the shares of minority shareholders to Salzgitter Mannesmann GmbH (SMG) as the majority shareholder. Upon entry of the transfer resolution into the Commercial Register, KWAG will become a wholly-owned subsidiary of SMG.

Following on from the crisis year of 2009, the expansion in business volume and the concurrent improved capacity utilization set a positive signal for a fundamental trend reversal in the Technology Division. The pace of growth seen in the first half of the year continued in the third quarter of 2010: KHSDE and Klöckner DESMA Elastomertechnik GmbH (KDE), as well as Klöckner DESMA Schuhmaschinen GmbH (KDS), recorded a gratifying recovery in demand.

Technology-Sales (in € million)



Technology-EBT (in € million)



**New orders** increased by almost 40 % and **orders in hand** by 14 %.

Buoyed by the project business in turnkey facilities for the beverages industry, **segment and external sales** advanced considerably (+21 %) as against the previous year's period.

Owing to the effects of the extensive restructuring and cost-cutting program filtering through, the KHF Group had delivered a **pre-tax profit** by the second quarter. All in all, the pre-tax result of the Division improved to € -21 million as against the first nine months of 2009.

## Interim Management Report

The extensive restructuring program launched in 2009 continues to be rigorously pursued. The package of measures is currently concentrated on handling projects efficiently in Germany and abroad, along with the ongoing reduction of materials, non-personnel and personnel expenses. In this context, the German production sites are focused on streamlining transport and communication channels. In this process, smaller individual locations were integrated into larger ones and a number of process workflows simplified.

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

### Others/Consolidation

|                           |           | Q3 2010 | Q3 2009 | 9M 2010 | 9M 2009 |
|---------------------------|-----------|---------|---------|---------|---------|
| Sales <sup>1)</sup>       | € million | 47.1    | 49.1    | 137.8   | 149.6   |
| External sales            | € million | 12.0    | 13.5    | 38.5    | 33.9    |
| Earnings before tax (EBT) | € million | -24.9   | -7.7    | -6.1    | -1.9    |

<sup>1)</sup> Incl. sales to other corporate divisions

Sales in the **Others/Consolidation segment**, which is mainly based on business in semi-finished products with subsidiaries and external parties, fell to €137.8 million during the period under review (first nine months of 2009: €149.6 million). **External sales** climbed slightly to €38.5 million (first nine months of 2009: €33.9 million).

The **pre-tax loss** stood at €6.1 million. Although a result after tax of €31.8 million from the shareholding in Aurubis AG (NAAG), a company included at equity since 2009, was recorded, this was offset by the negative effect of the reporting-date related valuation of the US dollar (€-30.0 million) and the operating expenses of the holding companies.

## Explanations on the Financial Position and Net Worth

The **total assets** of the Salzgitter Group had risen by just under 4 % (€+313 million) as per September 30, 2010, in comparison with December 31, 2009. **Non-current assets** climbed by €191 million as investment activities in the Steel Division were considerably higher than depreciation and amortization.

The rise in **current assets** (€+123 million) was due to a volume- and price-induced increase in trade receivables (€+334 million) and inventories (€+208 million). Cash and cash equivalents/Securities (€-320 million) as well as income tax assets (€-77 million) were declining.

On the liabilities side, the improved business situation was mainly reflected by **non-current liabilities** (€+315 million). In line with the increase in trade receivables/inventories, trade payables (€+150 million) along with other liabilities (€+195 million) rose, the latter due especially to received prepayments on orders (€+94 million). With equity capital remaining virtually unchanged, the **equity ratio** amounted to a sound 46.4 %.

Despite positive profit trend, the increase in **working capital** resulted in a cash flow from operating activities of only €8.5 million. In the year-earlier period, cash inflows were generated exclusively through the drastic paring down of inventories. The **net credit balance**, including investments which are not disclosed under financial investments, had fallen to €1.25 billion by the end of the reporting period (December 31, 2009: €1.6 billion). As mentioned, this decline is due to a higher level of working capital and payments for investments made.

## Interim Management Report

### Investments

**Investments in plant, property and equipment** came to € 352.5 million in the first nine months of the current financial year, which is considerably lower than the figure posted in the year-earlier period (€ 505.7 million). The amount of the Group's investments is set to rise significantly in the fourth quarter of 2010 due to the completion of major investments in the Steel Division. Depreciation and amortization fell slightly to € 211.0 million (first nine months of 2009: € 222.5 million incl. 20.6 million in goodwill impairment).

Investment activity in the first nine months of 2010 was again focused on the **Steel Division** and directed towards securing the progress of the timely implementation of ongoing major projects.

The "**Power Plant 2010**" project is aimed at improving Salzgitter Flachstahl GmbH's (SZFG) own supply of electricity by raising the degree of effectiveness through recycling reusable gas. After an interruption caused by the inadequate scope of delivery and performance of the turbines, Block 1 and Block 2 are now undergoing test operation again and are currently being prepared for the upcoming acceptance.

The new Continuous Casting Line 4, which is part of the "**SZS 2012**" investment program, has successfully taken up production across the range of all dimensions and grades. All key installations and conversions on the hot strip mill have been taken into operation, as scheduled, and the manufacturing of the first 2000 mm-wide hot-rolled strips has been successful. The next replacement of the motors on the finishing stands has been planned for December 2010. Once these measures have been completed, SZFG's hot strip mill will rank as the world's most powerful group of finishing stands.

Work on the new "**Belt Casting Technology**" is progressing apace in accordance with the deadlines. The necessary extension of the existing hall to accommodate the plant technology in the "casting" section of production has commenced at the Peine location.

The contract for realizing the **top gas recovery turbine** project for Blast Furnace B has meanwhile been placed and is progressing to plan.

Owing to the current market situation, especially given the greater need for input materials within the Group and higher prices for buying in these materials, the Executive Board made the decision at the start of March 2010 to continue the "**PTG 2010**" project with a view to henceforth enabling parallel operation of both electric arc furnaces. The new electric arc furnace was fired up for the first time in July and produced its first charge. Regular production is due to commence at the end of February 2011.

The facilities of the **medium section mill (UMIT)** were successfully taken into operation in September 2009. Target values for productivity, the time needed to change the rollers and the tolerances of rolled sections were ascertained during the ramping up phase over the quarter, as planned. The measure has thereby been completed.

The **oxygen pipeline** between Salzgitter and Peine was completed on March 19, 2010. PTG has been supplied with oxygen from Salzgitter since August 1, 2010.

## Interim Management Report

At the end of the first half-year, the go-ahead was given for the production and sale of the extended supply program of **Ilsenburger Grobblech GmbH (ILG)** in connection with the production of heavy plate based on 350 mm thick slabs.

**HSP Hoesch Spundwand und Profil GmbH (HSP)** is installing an additional roll stand as part of thorough modernization the rolling mill. The company is responding to requirements in the market through this measure and extending its product range to include the Z section series. The roll stand has already been installed and the first trial rolls have taken place. A modernized sawing facility is also in use.

The "Renewal of the Hydrostatic Water Tester" at the Siegen location of **Salzgitter Mannesmann Line Pipe GmbH (MLP)** is proceeding according to plan. The most important conversion measures are to be carried out during production downtime at the turn of the year 2010/2011. The date scheduled for commissioning is in the second quarter of 2011.

## 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 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.

SZMF's R&D expenses in 2010 are likely to remain at the level of the previous year and significant changes in terms of the number of employees are not to be expected.

### **The effect of residual stress on the resistance of HFI-welded pipelines to hydrogen-induced cracking**

In a joint project with Salzgitter Mannesmann Line Pipe GmbH (MLP) SZMF has tested residual stress levels to determine the critical level for hydrogen-induced cracking (HIC). Residual stress levels are defined as those occurring in a body without being exposed to external forces. Such stress results in pipelines from the pipe forming process, for example. Hydrogen-induced cracking can develop when acidic mineral oil or acidic natural gas are transported due to contamination of these substances with hydrogen sulphide which encourages cracking in pipelines.

In order to simulate residual stress, test objects with different levels of prestress were age-hardened in a rich hydrogen oxide test solution and then examined in a quantitative ultrasonic process to determine the level of HIC damage, based on different steel grades and partly on steel grades which are not resistant to acid gas. Results disclosed that the properties of the stock material and particularly the steel grades and their chemical composition are critical factors for HIC resistance. The tests did not deliver proof of any influence of macroscopic residual stress.

### **Optimized furnace control at the hot-dip galvanization plant of Salzgitter Flachstahl GmbH (SZFG)**

The annealing treatment in the hot-dip galvanization process has a decisive influence on the mechanical technology and finish properties of the galvanized steel sheet. Conventional furnace controls do not return satisfactory results when processing unfavorable strip geometries (thin-walled narrow strip, or thick-walled broad strip).

## Interim Management Report

Based on the methods of statistic process data analysis, SZFG and SZMF calculated the burners' energy input in the steel sheet to be galvanized along the furnace section, and used these results to develop a new control system. This allows the thermal energy input for the respective material to be optimized while taking account of specific process conditions. The measures taken have led to a significant improvement in the mechanical-technological, microstructural, and finish properties. In future, the results of these activities will be also be transferred to other furnace controls of SZFG.

### **News from the Technology Division: New future-oriented operator concept for filling and packaging plants**

In close cooperation with the Fraunhofer Institute IAO, KHS GmbH (KHSDE) has developed a new Human Machine Interface (HMI) that is used to monitor and control the process sequences. Of decisive advantage in terms of this HMI device is the unification of formerly heterogeneous user interfaces of the machines belonging to a production line with a view to providing a homogeneous solution. It is now possible to monitor and control individual machinery and production lines for the first time using a single interface. Effective communication between man and machine is the key factor for the development of the interface: The optimal combination of ergonomics, navigation and design displays complex processes in a comprehensible manner. Simple operator input is supported with the help of icons, colored views and interactive instructions. Electronic staff IDs are used to access user-based profiles that display the relevant user data. In the future, mobile hand-held devices will enable operation and diagnosis of systems independent of the location.

KHSDE received the coveted "red dot: best of the best 2010" quality award in the "Interface Design" category for the conception and design of this innovative user interfaces. The "red dot design award" is one of the most renowned design competitions in the world.

## Interim Management Report

### Employees

|  | 30/09/2010    | 31/12/2009    | +/-         |
|--|---------------|---------------|-------------|
| <b>Core workforce</b>                    | <b>23,130</b> | <b>23,378</b> | <b>-248</b> |
| of which Steel Division                  | 6,969         | 6,816         | 153         |
| of which Trading Division                | 1,919         | 1,931         | -12         |
| of which Tubes Division                  | 5,552         | 5,791         | -239        |
| of which Services Division               | 4,102         | 4,181         | -79         |
| of which Technology Division             | 4,425         | 4,513         | -88         |
| of which Others                          | 163           | 146           | 17          |
| Apprentices, students, trainees          | 1,451         | 1,484         | -33         |
| Passive age-related part-time employment | 626           | 530           | 96          |
| <b>Total workforce</b>                   | <b>25,207</b> | <b>25,392</b> | <b>-185</b> |

The core workforce of the Salzgitter Group came to 23,130 employees on September 30, 2010, which is a decrease of 248 people since the start of the year. In the first three quarters of the year, 359 trainees were hired by the company, of which 327 were given limited contracts.

The steady improvement in the capacity utilization situation has reduced the number of employees in short-time work from 2,395 to 527 since the start of the year.

A collective wage agreement for the West German steel industry was concluded on September 30, 2010. The agreement has meanwhile been extended to cover the tariff area in the east. Almost 50 % of the Group's employees in Germany are subject to this agreement.

The recent agreement provides for a one-off payment of € 150.00 for September 2010, a 3.6 % increase in wages and salaries as from October 1, 2010, as well as a rise in training allowances of € 40.00 a month. Moreover, under a collective wage agreement for the payment of temporary employees outsourced, employers are required to work towards ensuring that temporary staff active in the steel industry is paid by their agencies in an amount that corresponds to the wages and salary tables valid in the steel industry.



## Interim Management Report

### Forecast, Opportunities and Risks Report

The capacity utilization situation of most steel processing industries in Europe should remain stable through to the end of the year as the general economic recovery and the good export situation are likely to hold steady. An important exception is Europe's construction industry where demand remains at a very low level. The producers supplying this industry are therefore still exposed to low capacity utilization and weak selling prices. Steel trading, for which the construction industry is also an important customer, has adopted a mainly short-term approach to business due to volatile raw materials and steel prices, and is keen to keep its inventory levels down as the end of the year approaches.

The development of the steel business will therefore remain subject to the influence of disparate trends in the coming months as well. The current slight downturn in demand is, in our opinion, primarily due to seasonal effects incurred by the imminent turn of the year and tactical reasons. In principle, the current level of new orders and the capacity utilization situation in our steel mills can be generally viewed as satisfactory.

We anticipate that sales will remain relatively stable in the **Steel Division** through to the end of the year, although the flat steel and plate product segments will deliver considerably better results than the beam and sheet piling segment. Particularly in view of the persistently weak capacity utilization in these product segments, we assume that the result of the Steel Division in the fourth quarter will not be able to compensate for the loss aggregated over the first nine months.

The **Trading Division's** sound performance looks set to continue. Gross earnings in the warehousing business are likely to decline towards the end of the year owing to replacement prices which have meanwhile risen. In contrast, international trading will continue to develop at a stable level. The division will close the financial year 2010 with a presentable double-digit million profit.

Although new orders in the **Tubes Division** have boosted business in most product segments, improved selling prices were, however, only achievable in individual cases from the second half of the year onwards. Longer-term delivery contracts in the project and automotive business included in the order book are still having a discernibly braking effect on the division's profit. All in all, the division is likely to deliver breakeven at minimum.

Revenues and the pre-tax result of the **Services Division** will settle at the level achieved, also in the months ahead, as a result of the steady and satisfactory production activities of the steel companies.

The recovery in the sales market and support from the positive effects of a program comprising measures to enhance efficiency will improve the **Technology Division's** results, which should approach breakeven in the fourth quarter. As against the financial year 2009, a pre-tax loss is therefore anticipated for 2010 as a whole, but at a greatly reduced level.

In summary, and having considered all currently discernible risks and potential, we believe that a pre-tax result in the lower double-digit million range is achievable in the current financial year.

## Interim Management Report

As in recent years, we make reference 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 and metal prices, may still affect the annual accounts of the financial year 2010. Additional positive or negative effects may emanate from changes of a structural and methodological nature, especially, for instance, measurement under IFRS standards and their treatment. The resulting fluctuation in the consolidated pre-tax result may be within a considerable range, either to the positive or to the negative.

As regards the individual **opportunities and risks**, we make reference to the Annual Report 2009. At the time the report was drawn up there were no risks which could endanger the Salzgitter Group as a going concern.

Contrary to expectations at the start of the year, the commodity risk arising from the extreme price volatility and the associated impaired planning capability was counteracted through a significant proportion of ore still being sourced on the basis of annual contracts, as opposed to coking coal which is now supplied on the basis of quarterly contracts. As with the price adjustments to the selling prices of our products, the higher procurement costs have also been factored into the results anticipated for the companies. From today's standpoint, we do not expect a fundamental change in the risk situation of the Group.

## Interim Management Report

### Events of Significance

#### **Changes to the Supervisory Board**

Upon application by Salzgitter AG, Mr. Hartmut Möllring, Minister of Finance of the Federal State of Lower Saxony, has been appointed by the Local Court of Braunschweig to the Supervisory Board of Salzgitter AG in September 2010. Mr. Möllring is succeeding Dr. Lothar Hageböling who, as a former head of the State Chancellery of Lower Saxony, laid down his Supervisory Board mandate having left the service of the Federal State to take up the position of Head of the Office of the Federal President.

#### **Squeeze-out of Klöckner Werke AG**

On August 25, 2010, the Annual General Meeting (AGM) of the shareholders of Klöckner-Werke AG (KWAG), in which Salzgitter Mannesmann GmbH (SMG) holds a stake of 95.8%, approved a resolution through which the shares of all the remaining shareholders are to be transferred to SMG in return for compensation of € 14.33 per share. The resolution has been contested under the law by a shareholder. There will therefore be a delay in the entry of the squeeze-out into the KWAG's Commercial Register.

#### **Salzgitter AG issues a bond that is exchangeable into Aurubis AG shares**

On October 28, 2010, Salzgitter Finance B.V. (SZFBV), a wholly-owned Dutch subsidiary of Salzgitter AG, placed a senior unsecured bond worth approximately € 275 million exchangeable into existing, ordinary bearer shares in Aurubis AG (NAAG) and guaranteed by Salzgitter AG. The bond was placed exclusively with international institutional investors outside the USA and was oversubscribed multiple times. Salzgitter AG intends to diversify its funding sources through this transaction and will use the proceeds from the sale of the exchangeable bond for general corporate purposes. The bonds will have a majority of seven years, starting on November 8, 2010. The annual coupon has been fixed at 2.00 % and has been placed in the market in a range of between 1.75 % and 2.50 %. The exchange price was set at € 46.9019 which represents an exchange premium of 25 % above the reference price of € 37.5215. The Joint Bookrunners and Joint Lead Managers partially exercised their greenshoe option on November 3. The transaction volume rose by another € 20.5 million through this measure. The overall transaction volume of placement therefore comes to € 295.5 million. Settlement took place on November 8, 2010. More information can be found in the press releases published on October 28, 2010 and November 3, 2010.

## Interim Financial Statements

### I. Consolidated Income Statement

| in € million   | 3rd Quarter<br>2010 | 3rd Quarter<br>2009 | 9 Months<br>2010 | 9 Months<br>2009 |
|--|---------------------|---------------------|------------------|------------------|
| Sales  | 2,158.4             | 1,834.6             | 6,192.6          | 5,960.3          |
| Increase/decrease in finished goods and work in process/other own work capitalized | 42.7                | -40.7               | 91.4             | -211.5           |
|  | 2,201.0             | 1,793.9             | 6,284.0          | 5,748.9          |
| Other operating earnings   | 35.3                | 60.6                | 171.9            | 222.0            |
| Cost of materials  | 1,539.1             | 1,252.0             | 4,364.6          | 4,157.8          |
| Personnel expenses   | 348.7               | 338.4               | 1,079.2          | 1,020.8          |
| Amortization and depreciation  | 74.4                | 70.4                | 211.0            | 222.5            |
| Other operating expenses   | 244.7               | 244.8               | 761.3            | 800.8            |
| Income from shareholdings  | 1.5                 | 0.3                 | 5.1              | 0.0              |
| Income from associated companies   | 1.2                 | 5.0                 | 27.9             | 32.7             |
| Impairment losses of financial assets  | 0.2                 | 0.0                 | 1.4              | 7.1              |
| Finance income   | 6.9                 | 5.8                 | 18.2             | 24.5             |
| Finance expenses   | 28.1                | 26.1                | 83.8             | 80.4             |
| <b>Earnings before tax</b>   | <b>10.8</b>         | <b>-66.1</b>        | <b>5.7</b>       | <b>-261.3</b>    |
| Income taxes   | 3.4                 | 1.0                 | 1.7              | -29.3            |
| <b>Consolidated net income/loss for the period</b>                                 | <b>7.4</b>          | <b>-67.0</b>        | <b>3.9</b>       | <b>-232.1</b>    |
| <b>Appropriation of profit</b>   |                     |                     |                  |                  |
| Consolidated net income/loss for the period  | 7.4                 | -67.0               | 3.9              | -232.1           |
| Profit carried forward from the previous year                                      |                     |                     | 15.1             | 84.2             |
| Minority interests   |                     |                     | 3.6              | 1.9              |
| Dividend payment   |                     |                     | -13.6            | -75.7            |
| Appropriation to other retained earnings   |                     |                     | -0.3             | 234.0            |
| <b>Unappropriated retained earnings</b>  |                     |                     | <b>1.5</b>       | <b>8.4</b>       |
| <b>Basic earnings per share (in €)</b>   | <b>0.12</b>         | <b>-1.26</b>        | <b>0.01</b>      | <b>-4.33</b>     |
| <b>Diluted earnings per share (in €)</b>   | <b>0.24</b>         | <b>-1.26</b>        | <b>0.13</b>      | <b>-4.33</b>     |

## II. Statement of Comprehensive Income

| in € million   | 3rd<br>Quarter<br>2010 | 3rd<br>Quarter<br>2009 | 9 Months<br>2010 | 9 Months<br>2009 |
|--|------------------------|------------------------|------------------|------------------|
| <b>Consolidated net income/loss for the period</b>                               | 7.4                    | -67.0                  | 3.9              | -232.1           |
| Changes in currency translation  | -18.2                  | -1.0                   | 8.6              | -1.8             |
| Changes in value reserve from hedging transactions                               |                        |                        |                  |                  |
| Changes in current value recorded directly in equity                             | 0.1                    | 0.0                    | -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                             | 1.6                    | 4.1                    | 1.2              | 9.5              |
| Actuarial gains and losses   | 0.0                    | 0.0                    | 0.0              | -0.1             |
| Deferred tax on changes without effect on income                                 | -1.9                   | -0.1                   | -1.9             | 1.3              |
| Other changes without effect on income   | -4.5                   | 3.4                    | -8.4             | 2.9              |
| Changes directly recorded in equity  | -22.9                  | 6.4                    | 0.0              | 14.4             |
| <b>Total profit</b>  | <b>-15.5</b>           | <b>-60.6</b>           | <b>3.9</b>       | <b>-217.7</b>    |
| Total profit due to Salzgitter AG shareholders                                   | -17.0                  | -61.9                  | 0.5              | -219.4           |
| Total profit due to minority interests   | 1.4                    | 1.3                    | 3.4              | 1.7              |
|  | <b>-15.5</b>           | <b>-60.6</b>           | <b>3.9</b>       | <b>-217.7</b>    |

### III. Consolidated Balance Sheet

| Assets in € million                             | 30/09/2010        | 31/12/2009        |
|---|-------------------|-------------------|
| <b>Non-current assets</b>                       |                   |                   |
| Intangible assets                               |                   |                   |
| Other intangible assets                         | 121.5             | 123.8             |
|   | <b>121.5</b>      | <b>123.8</b>      |
| Property, plant and equipment                   | 2,567.4           | 2,423.5           |
| Investment property                             | 25.9              | 25.9              |
| Financial assets                                | 78.6              | 77.4              |
| Associated companies                            | 433.2             | 400.8             |
| Deferred income tax assets                      | 143.4             | 129.0             |
| Other receivables and other assets              | 4.2               | 3.3               |
|   | <b>3,374.3</b>    | <b>3,183.7</b>    |
| <b>Current assets</b>                           |                   |                   |
| Inventories                                     | 1,673.1           | 1,465.6           |
| Trade receivables                               | 1,390.7           | 1,056.6           |
| Other receivables and other assets              | 262.8             | 283.7             |
| Income tax assets                               | 32.0              | 109.4             |
| Securities                                      | 355.8             | 159.5             |
| Cash and cash equivalents                       | 1,276.2           | 1,793.0           |
|   | <b>4,990.7</b>    | <b>4,867.8</b>    |
|   | <b>8,365.0</b>    | <b>8,051.5</b>    |
| <b>Equity and liabilities in € million</b>      | <b>30/09/2010</b> | <b>31/12/2009</b> |
| <b>Equity</b>                                   |                   |                   |
| Subscribed capital                              | 161.6             | 161.6             |
| Capital reserve                                 | 238.6             | 238.6             |
| Retained earnings                               | 3,835.6           | 3,835.4           |
| Unappropriated retained earnings                | 1.5               | 15.1              |
|   | <b>4,237.3</b>    | <b>4,250.8</b>    |
| Treasury shares                                 | -369.7            | -359.4            |
|   | <b>3,867.6</b>    | <b>3,891.3</b>    |
| Minority interests                              | 13.9              | 13.0              |
|   | <b>3,881.5</b>    | <b>3,904.3</b>    |
| <b>Non-current liabilities</b>                  |                   |                   |
| Provisions for pensions and similar obligations | 1,839.0           | 1,857.6           |
| Deferred tax liabilities                        | 0.5               | 3.8               |
| Income tax liabilities                          | 200.7             | 200.5             |
| Other provisions                                | 195.6             | 184.8             |
| Financial liabilities                           | 337.5             | 306.0             |
|   | <b>2,573.4</b>    | <b>2,552.7</b>    |
| <b>Current liabilities</b>                      |                   |                   |
| Other provisions                                | 507.5             | 515.3             |
| Financial liabilities                           | 105.0             | 81.4              |
| Trade payables                                  | 691.8             | 541.3             |
| Income tax liabilities                          | 29.8              | 75.3              |
| Other liabilities                               | 575.9             | 381.2             |
|   | <b>1,910.0</b>    | <b>1,594.5</b>    |
|   | <b>8,365.0</b>    | <b>8,051.5</b>    |

## IV. Cash Flow Statement

| in € million   | 9 Months<br>2010 | 9 Months<br>2009 |
|--|------------------|------------------|
| Earnings before tax (EBT)  | 5.7              | -261.3           |
| Depreciation, write-downs (+)/write-ups (-) on fixed assets  | 211.7            | 229.6            |
| Income tax refunded (+) / paid (-)   | 61.0             | 66.2             |
| Other non-payment-related expenses (+)/income (-)  | 105.0            | 150.5            |
| Interest expenses  | 83.8             | 80.4             |
| Profit (-)/loss (+) from the disposal of fixed assets  | 4.3              | 3.9              |
| Increase (-)/decrease (+) in inventories   | -207.5           | 1,027.5          |
| Increase (-)/decrease (+) in trade receivables<br>and other assets not attributable to investment<br>or financing activities   | -327.7           | 449.4            |
| Use of provisions affecting payments, excluding income tax provisions  | -194.0           | -190.6           |
| Increase (+)/decrease (-) in trade payables<br>and other liabilities not attributable to<br>investment or financing activities | 266.2            | -378.7           |
| <b>Cash flow from operating activities</b>   | <b>8.5</b>       | <b>1,176.9</b>   |
| Cash inflow from the disposal of fixed assets  | 26.8             | 0.4              |
| Cash outflow for investments in intangible and tangible fixed assets   | -302.4           | -506.8           |
| Cash inflow (+)/outflow (-) for short-term loans against borrower's notes/bonds  | 0.0              | 500.0            |
| Cash outflow for current financial investments   | -194.7           | 0.0              |
| Cash inflow from the disposal of financial assets  | 3.0              | 0.9              |
| Cash outflow for investments in financial assets   | -26.5            | -31.5            |
| <b>Cash flow from investment activities</b>  | <b>-493.8</b>    | <b>-37.1</b>     |
| Cash inflow (+)/outflow (-) as a result of sale and repurchase of treasury shares  | -10.3            | 13.8             |
| 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<br>financial liabilities                 | -3.3             | -5.0             |
| Interest paid  | -6.0             | -9.6             |
| <b>Cash flow from financing activities</b>   | <b>-33.2</b>     | <b>-76.6</b>     |
| 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  | 1.7              | 0.8              |
| Payment-related changes in cash and cash equalities  | -518.5           | 1,063.2          |
| <b>Cash and cash equivalents at the end of the period</b>  | <b>1,276.2</b>   | <b>1,656.7</b>   |

## V. Statement of Changes in Equity

| in € million  | Subscribed<br>capital | Capital<br>reserve | Purchase/<br>repurchase of<br>treasury shares | Other retained<br>earnings | Reserve from<br>currency<br>translation |
|---|-----------------------|--------------------|---|----------------------------|---|
| <b>As of December 31, 2008</b>  | 161,6                 | 184,2              | -372,8  | 4.474,3                    | -27,1                                   |
| First-time consolidation of affiliated<br>companies hitherto not consolidated<br>due to materiality |                       |                    |   | 11,6                       |   |
| Goodwill resulting from IFRS 3  |                       |                    |   | -2,4                       |   |
| Net income  |                       |                    |   | 0,2                        | -1,8                                    |
| Dividend  |                       |                    |   |                            |   |
| Disposal of treasury shares   |                       |                    | 15,5  |                            |   |
| Repurchase of treasury shares   |                       |                    | -2,2  |                            |   |
| Group transfers to retained earnings  |                       |                    |   | -234,0                     |   |
| Other   |                       |                    |   | -6,7                       |   |
| <b>As of September 30, 2009</b>   | <b>161,6</b>          | <b>184,2</b>       | <b>-359,4</b>                                 | <b>4.243,0</b>             | <b>-28,9</b>                            |
| <b>As of December 31, 2009</b>  | <b>161,6</b>          | <b>238,6</b>       | <b>-359,4</b>                                 | <b>4.097,0</b>             | <b>-24,9</b>                            |
| Goodwill resulting from IFRS 3  |                       |                    |   | -0,6                       |   |
| Total income  |                       |                    |   | 0,2                        | 8,6                                     |
| Dividend  |                       |                    |   |                            |   |
| Repurchase of treasury shares   |                       |                    | -10,3   |                            |   |
| Group transfers to retained earnings  |                       |                    |   | 0,3                        |   |
| Other   |                       |                    |   | 0,2                        |   |
| <b>As of September 30, 2010</b>   | <b>161,6</b>          | <b>238,6</b>       | <b>-369,7</b>                                 | <b>4.097,2</b>             | <b>-16,3</b>                            |



| Changes in the value of the reserve from hedging transactions | Changes in the value reserve from available for-sale assets | 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 |
|   |   |  |                                  | 11,6                                  |                    | 11,6    |
|   |   |  |                                  | -2,4                                  | -2,5               | -5,0    |
| 2,6   | 9,5   | 4,0  | -234,0                           | -219,4                                | 1,7                | -217,7  |
|   |   |  | -75,7                            | -75,7                                 |                    | -75,7   |
|   |   |  |                                  | 15,5                                  |                    | 15,5    |
|   |   |  |                                  | -2,2                                  |                    | -2,2    |
|   |   |  | 234,0                            | 0,0                                   |                    | 0,0     |
|   |   |  |                                  | -6,7                                  | -2,8               | -9,6    |
| 0,5   | -4,0  | -165,8   | 8,4                              | 4.039,5                               | 23,6               | 4.063,1 |
| 0,4   | -1,8  | -235,3   | 15,1                             | 3.891,3                               | 13,0               | 3.904,3 |
|   |   |  |                                  | -0,6                                  | -0,2               | -0,8    |
| 0,4   | 1,2   | -10,3  | 0,3                              | 0,5                                   | 3,4                | 3,9     |
|   |   |  | -13,6                            | -13,6                                 |                    | -13,6   |
|   |   |  |                                  | -10,3                                 |                    | -10,3   |
|   |   |  | -0,3                             | 0,0                                   |                    | 0,0     |
|   |   |  |                                  | 0,2                                   | -2,2               | -2,0    |
| 0,9   | -0,6  | -245,6   | 1,5                              | 3.867,6                               | 13,9               | 3.881,5 |

## Notes

## Segment Reporting

| in € million  | Steel   |         | Trading |         | Tubes   |         |
|---|---------|---------|---------|---------|---------|---------|
|   | 9M 2010 | 9M 2009 | 9M 2010 | 9M 2009 | 9M 2010 | 9M 2009 |
| External sales  | 1,672.4 | 1,231.1 | 2,230.5 | 2,397.3 | 1,304.0 | 1,541.6 |
| Sales to other segments   | 671.0   | 578.5   | 123.2   | 65.1    | 190.1   | 309.8   |
| Sales to Group companies that cannot be allocated to an operating segment                     | 0.0     | 1.1     | 0.0     | 8.4     | 0.5     | 0.4     |
| Segment sales   | 2,343.3 | 1,810.7 | 2,353.8 | 2,470.8 | 1,494.6 | 1,851.9 |
| Interest income (consolidated)  | 0.9     | 1.2     | 5.4     | 5.0     | 0.9     | 1.3     |
| Interest income to other segments   | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Interest income from Group companies that cannot be allocated to an operating segment         | 0.2     | 0.2     | 0.5     | 0.0     | 1.4     | 0.0     |
| Segment interest income   | 1.1     | 1.4     | 6.0     | 5.0     | 2.3     | 1.3     |
| Interest expenses (consolidated)  | 9.0     | 8.3     | 5.8     | 6.4     | 5.1     | 5.2     |
| 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         | 47.6    | 36.8    | 4.4     | 14.3    | 5.9     | 10.0    |
| Segment interest expenses   | 56.6    | 45.0    | 10.3    | 20.8    | 11.0    | 15.2    |
| of which interest portion of allocations to pension provisions                                | 7.3     | 6.7     | 2.6     | 2.7     | 4.4     | 4.2     |
| Depreciation/amortization of tangible and intangible fixed assets                             | 135.5   | 120.3   | 7.8     | 8.5     | 31.3    | 32.1    |
| thereof scheduled depreciation of tangible fixed assets and amortization of intangible assets | 135.5   | 120.3   | 7.8     | 8.5     | 31.3    | 32.1    |
| EBITDA <sup>1)</sup>  | 123.5   | -49.5   | 75.9    | -66.3   | 58.8    | 174.7   |
| EBIT <sup>1)</sup>  | -12.0   | -169.8  | 68.2    | -74.8   | 26.4    | 135.6   |
| Earnings before tax (EBT)   | -67.6   | -213.4  | 63.9    | -90.5   | 17.7    | 121.7   |
| of which from associated companies  | 0.8     | 3.2     | 0.0     | 0.0     | -4.8    | -5.2    |
| Investments in tangible and intangible fixed assets   | 299.4   | 416.2   | 4.5     | 10.0    | 22.8    | 38.4    |

<sup>1)</sup>changed definition from 01.01.2010 on, retrospectively adapted

| Services |         | Technology |         | Total segments |         | Others/ Consolidation |         | Group   |         |
|----------|---------|------------|---------|----------------|---------|-----------------------|---------|---------|---------|
| 9M 2010  | 9M 2009 | 9M 2010    | 9M 2009 | 9M 2010        | 9M 2009 | 9M 2010               | 9M 2009 | 9M 2010 | 9M 2009 |
| 301.7    | 224.7   | 645.5      | 531.6   | 6,154.1        | 5,926.4 | 38.5                  | 33.9    | 6,192.6 | 5,960.3 |
| 488.4    | 307.6   | 0.5        | 0.2     | 1,473.2        | 1,261.1 | 99.3                  | 115.7   | 1,572.5 | 1,376.8 |
| 2.6      | 4.4     | 0.2        | 0.2     | 3.2            | 14.5    | 0.0                   | 0.0     | 3.2     | 14.5    |
| 792.7    | 536.7   | 646.1      | 532.0   | 7,630.5        | 7,202.0 | 137.8                 | 149.6   | 7,768.3 | 7,351.7 |
| 0.5      | 0.4     | 1.9        | 1.6     | 9.5            | 9.6     | 8.6                   | 14.6    | 18.2    | 24.2    |
| 0.0      | 0.0     | 0.0        | 0.0     | 0.0            | 0.0     | 61.3                  | 65.0    | 61.3    | 65.0    |
| 9.9      | 9.2     | 0.3        | 0.1     | 12.3           | 9.6     | 0.0                   | 0.0     | 12.3    | 9.6     |
| 10.4     | 9.6     | 2.1        | 1.8     | 21.9           | 19.2    | 69.9                  | 79.6    | 91.8    | 98.8    |
| 10.3     | 10.6    | 7.3        | 7.7     | 37.5           | 38.2    | 46.3                  | 42.3    | 83.8    | 80.4    |
| 0.0      | 0.0     | 0.0        | 0.0     | 0.0            | 0.0     | 12.3                  | 10.6    | 12.3    | 10.6    |
| 1.6      | 1.9     | 1.8        | 1.1     | 61.3           | 64.1    | 0.0                   | 0.0     | 61.3    | 64.1    |
| 11.9     | 12.5    | 9.1        | 8.8     | 98.8           | 102.3   | 58.6                  | 52.8    | 157.5   | 155.1   |
| 9.8      | 10.0    | 5.4        | 6.0     | 29.6           | 29.6    | 34.2                  | 37.2    | 63.7    | 66.8    |
| 16.4     | 16.5    | 18.4       | 23.2    | 209.4          | 200.5   | 1.6                   | 22.0    | 211.0   | 222.5   |
| 16.4     | 16.5    | 18.4       | 23.2    | 209.4          | 200.5   | 1.6                   | 1.4     | 211.0   | 202.0   |
| 36.6     | 17.6    | 4.7        | -45.2   | 299.5          | 31.2    | -15.8                 | -7.1    | 283.7   | 24.2    |
| 20.2     | 1.2     | -14.1      | -68.5   | 88.7           | -176.4  | -17.4                 | -29.1   | 71.3    | -205.4  |
| 18.8     | -1.7    | -21.0      | -75.5   | 11.7           | -259.4  | -6.1                  | -1.9    | 5.7     | -261.3  |
| 0.0      | 0.0     | 0.0        | 0.0     | -4.0           | -2.0    | 31.8                  | 34.7    | 27.9    | 32.7    |
| 13.3     | 15.2    | 12.6       | 25.8    | 352.5          | 505.6   | 0.0                   | 0.1     | 352.5   | 505.7   |

## 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 September 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 September 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 € 0.01 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 September 30, 2010. Including these rights in calculations, diluted earnings per share came to € 0.13.

### 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. - 30.09.2010          | 1.1. - 30.09.2010              | 30/09/2010        | 30/09/2010     |
| Thyssen Krupp GfT Bautechnik GmbH, Essen    | 66,265                     | 0                              | 37,929            | 74             |
| Hüttenwerke Krupp Mannesmann GmbH, Duisburg | 942                        | 249,238                        | 12,055            | 15,792         |

### 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 2011

|                   |   |
|-------------------|---|
| March 7, 2011     | Key data for financial year 2010              |
| March 25, 2011    | Annual press conference                       |
| March 28, 2011    | Analyst conference in Frankfurt/Main          |
| March 29, 2011    | Analyst conference in London                  |
| May 12, 2011      | Interim report for the first quarter 2011     |
| May 26, 2011      | Ordinary Shareholders' Meeting                |
| August 11, 2011   | Interim report for the first half 2011        |
| August 11, 2011   | Analyst conference in Frankfurt/Main          |
| August 13, 2011   | Analyst conference in London                  |
| November 12, 2011 | Interim report for the first nine months 2011 |
| December 31, 2011 | End of financial year 2011                    |

**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.

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

The Interim Report of Salzgitter AG is also available in German. In the event of any discrepancy, the German version shall prevail.



**Contact:**

Salzgitter AG  
Eisenhüttenstraße 99  
38239 Salzgitter  
Germany  
Tel.: +49 5341 21-01  
Fax: +49 5341 21-2727

**Editorial office:**

Salzgitter AG  
Investor Relations  
Tel.: +49 5341 21-3783  
Fax: +49 5341 21-2570  
E-Mail: [ir@salzgitter-ag.de](mailto:ir@salzgitter-ag.de)

**Postal address:**

38223 Salzgitter  
Germany

[www.salzgitter-ag.de](http://www.salzgitter-ag.de)