Interim Report | 9 Months 2009

SALZGITTER AG
Stahl und Technologie

Contents

Salzgitter Group Figures

		9M 2009	9M 2008	+/-
Crude steel production[1]	**kt**	**3,381.4**	**5,315.7**	**-1,934.3**
External sales	**€ million**	**5,960.3**	**9,638.7**	**-3,678.4**
Steel Division	€ million	1,231.1	2,441.6	-1,210.5
Trading Division	€ million	2,397.3	4,271.6	-1,874.3
Tubes Division	€ million	1,541.6	1,604.1	-62.5
Services Division	€ million	224.7	428.5	-203.8
Technology Division	€ million	531.6	787.0	-255.4
Others	€ million	33.9	105.9	-72.0
Export share	%	51.7	52.3	-0.6
EBITDA[2]	**€ million**	**-18.1**	**1,247.6**	**-1,265.7**
EBIT[3]	**€ million**	**-247.7**	**1,063.0**	**-1,310.7**
Earnings before tax (EBT)	**€ million**	**-261.3**	**1,013.9**	**-1,275.2**
Steel Division	€ million	-213.4	520.3	-733.7
Trading Division	€ million	-90.5	222.5	-313.0
Tubes Division	€ million	121.7	234.1	-112.4
Services Division	€ million	-1.7	25.6	-27.3
Technology Division	€ million	-75.5	15.4	-90.9
Others/Consolidation	€ million	-1.9	-4.0	2.1
Earnings after tax	**€ million**	**-232.1**	**689.0**	**-921.1**
Earnings per share (undiluted)	**€**	**-4.33**	**12.30**	**-16.63**
ROCE[4] [5]	**%**	**-7.3**	**28.0**	**-35.3**
Operating cash flow	**€ million**	**1,176.9**	**389.1**	**787.8**
Capital expenditure[6]	**€ million**	**505.7**	**459.8**	**45.9**
Depreciation and amortization[6]	**€ million**	**222.5**	**184.5**	**38.0**
Balance sheet total	**€ million**	**8,075.2**	**9,192.4**	**-1,117.2**
Fixed assets	**€ million**	**3,263.9**	**2,827.0**	**437.0**
Current assets	**€ million**	**4,811.3**	**6,365.4**	**-1,554.1**
of which inventories	€ million	1,535.2	2,554.9	-1,019.7
of which cash and cash equivalents	€ million	1,656.7	705.4	951.3
Equity	**€ million**	**4,063.1**	**4,401.0**	**-337.9**
Liabilities	**€ million**	**4,012.2**	**4,791.4**	**-779.2**
Non-current liabilities	€ million	2,285.0	2,378.5	-93.5
Current liabilities	€ million	1,727.2	2,412.9	-685.7
of which due to banks	€ million	96.5	127.2	-30.7
Net position to banks	**€ million**	**1,609.9**	**1,111.5**	**498.4**
Employees	**€ million**			
Personnel expenses	€ million	1,020.8	1,106.7	-85.9
Core workforce	30/09/	23,660	24,093	-433
Total workforce	30/09/	25,684	26,026	-342

Disclosure of financial data in compliance with IFRS

[1] In regard of the participation in Hüttenwerke Krupp Mannesmann

[2] EBITDA = EBT + interest paid (excluding interest element in allocations to pension provisions) + depreciation and amortization

[3] EBIT = EBT + interest paid (excluding interest element in allocations to pension provisions)

[4] ROCE = EBIT in relation to the total of shareholders' equity (without calculation of accrued and deferred taxes), tax provisions, interest-bearing liabilities (excluding pension provisions) and liabilities from financial leasing, forfaiting and asset-backed securitization

[5] Annualized

[6] Excluding financial assets

Summary

The Salzgitter Group records an improvement in results in the third quarter of 2009

Since the general economic conditions started to brighten over the course of the first half year 2009, the **Salzgitter Group** achieved a notable improvement in results in the third quarter. The impact of the global financial crisis, however, was still evident so that the Group's broad and equally sound business base has proven extremely advantageous against this backdrop. Positive contributions of the Tubes Division, the Aurubis participation and financial investments were unable to compensate for the results of the Steel, Trading and Technology divisions that were particularly hard hit. The extensive program of short-term cost-cutting measures had a notably easing effect.

Consolidated external sales dropped 38 % in the first three quarters and the **pre-tax loss** came to € 261.3 million, with a modest uptrend in the summer quarter. In interpreting the third-quarter pre-tax result, the fact that a number of larger plants in the Steel and Tubes divisions as well were shut down for a period of several weeks for planned maintenance and investment measures, along with lower capacity utilization due to market conditions, must be taken into account. From its first-time consolidation in January 2009, the 23 % stake in the copper producer Aurubis AG, a company consolidated at equity, contributed a gratifying € 38.7 million in profit to the consolidated **after-tax result** of € -232.1 million.

The unfavorable market environment placed the greatest burden on the companies of the **Steel Division**. In the first half-year, longer periods of significant underutilization of capacity in the mills had to be absorbed. The situation only improved from mid-year onwards after the excessive inventories of steel traders and processors had been pared down. The dramatic nosedive of selling prices across all product groups came to a halt, and it was possible to implement price increases in strip steel for the first time again on July 1, an effect only reflected by the figures with a time lag. As a result, external sales halved. The pre-tax results were negative.

The business performance of the **Trading Division** was also hugely hampered by the reticent demand of many steel processors, the ubiquitous reduction in inventories and falling selling prices. As from mid-year, product segments with a high inventory turnover showed the first signs of improvement. Consolidated external sales declined 44 % and a pre-tax loss was recorded.

The **Tubes Division** set a positive note, above all thanks to the continued stable course of the large-diameter tubes business. External sales fell by a mere 4 % despite the low level of capacity utilization in the precision tube segment. A sound pre-tax profit was achieved.

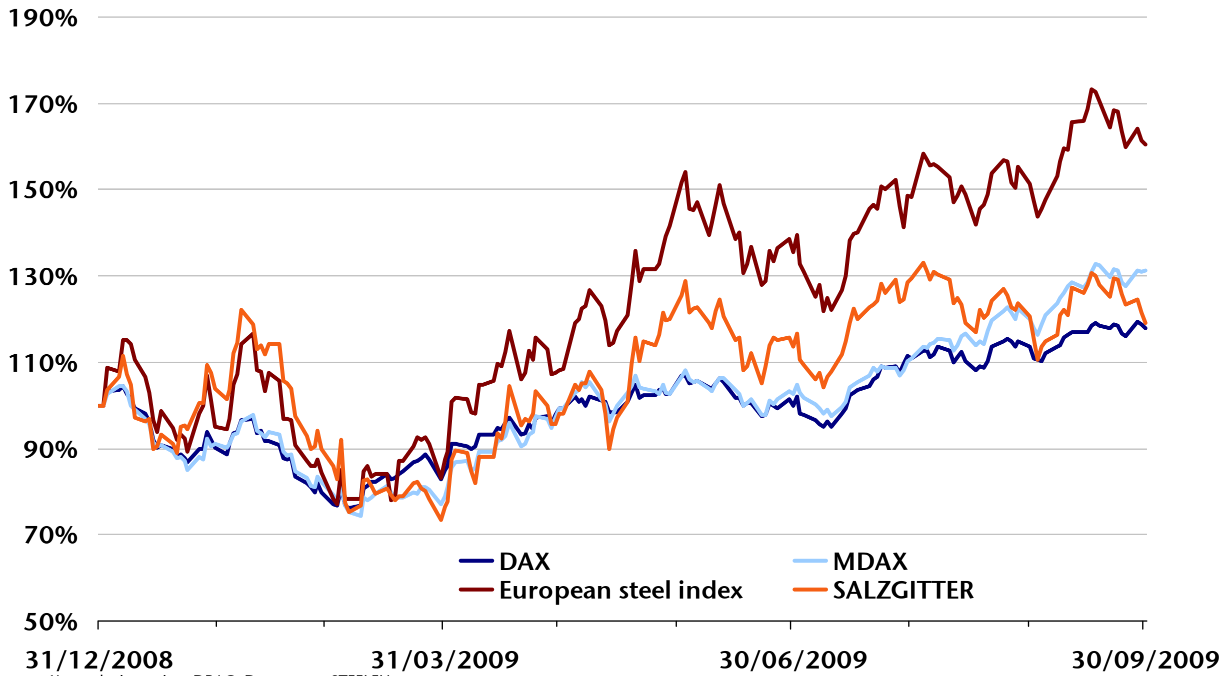
Braked by the economic environment, sales of the **Services Division** halved owing to lackluster demand of internal and third-party customers. The Division recorded a negative pre-tax result.

The severe reluctance of customers of the **Technology Division** to invest caused its external sales to contract by just under a third, with the result that together with risk provisioning for existing orders delivered a loss before tax ensued.

Guidance: Although an increasing number of sectors are showing signs of recovery from occasionally catastrophic base levels, applying caution is advisable in respect of the sustainability of some of these uptrends. The companies of Salzgitter Group will develop disparately over the next few months, as the economic recovery of the individual customer industries will occur at a different pace and to a varying degree.
We assume that the consolidated pre-tax result of the last three months of the financial year will continue to move in the direction of breakeven. The moderate uptrend in one of the most difficult financial years in the 150 year history of the Group will therefore persist.

Investor Relations

Capital market and the performance of the Salzgitter stock



Sources: Xetra closing prices DBAG, Datastream STEELEU

After a low-key start to the stock market year 2009 caused by huge uncertainty about how the economy would develop, the beginning of the second quarter saw sentiment brighten in the **stock market**, a mood which persisted throughout the reporting period and beyond. Although trade began its hesitant recovery in April – but not in all sectors – the uptrend in the stock markets remained consistent and in fact strong. As compared with year-end quotations 2008, the DAX, for instance, had risen by no less than 18 % and the MDAX by even as much as 31 %.

Throughout the whole reporting period, the **Salzgitter share** was particularly affected by the varying and temporary trends in the stock market attributable to the cyclical sensitivity of the steel and tubes markets. Based on the 2008 year-end price (€ 55.0), and to the exception of a short phase of euphoria in February, our share tracked the DAX through into May. The first signs of recovery in order intake in a number of customer segments and the gradual improvements in the economic situation then resulted in a steady outperformance through to the end of August, a trend which peaked on August 4 at a temporary high for the year of € 73.40, after which the share price performance returned to the level of the DAX again. At the start of September, positive news caused the shares to depart from the leading indices, a phase that lasted only three weeks this time. The overall performance of our share came to 19 % in the first three quarters of 2009, and closed on September 30 at € 65.50. Taking account of the dividend reduction following the Annual Meeting of Shareholders on May 27, performance came to as much as 22 %.

In the first nine months of the financial year 2009, the **daily turnover** of the Salzgitter share on German stock exchanges averaged around 760,000 units, which is some 10 % higher than the previous-year's figure. In terms of stock market turnover, the Salzgitter AG took 25th place in the index ranking of Deutsche Börse AG as per September 30, 2009. Free-float market capitalization came to € 2.6 billion, which puts the company at 30th place in the DAX.

As part of its **capital communications work** in the first nine months of this year, Salzgitter AG presented itself at a number of investor conferences and road shows in New York, London, Frankfurt, Copenhagen, Stockholm and Zurich. In addition, analysts and investors visited the plants in Salzgitter and Peine. The results of the financial year 2008 and of the first half year 2009 were presented to the capital market and discussed in detail at well-attended analyst presentations in Frankfurt and London, while the figures for the first quarter 2009 were presented and discussed in depth by way of a telephone conference.

According to the latest analyst survey we recently carried out, the Salzgitter share was assessed by 31 banks which gave it the following **ratings** (as per September 30, 2009): 10 buy/outperform, 11 hold/market perform, 10 sell/underperform.

Treasury Shares

Salzgitter AG's portfolio of **treasury shares** came to 5,795,262 as per September 30, 2009. As against December 31, 2008 (6,009,684 units), there was a decrease of 214,422 units. All in all, 250,022 shares were dispensed in the reporting period and used as follows: 250,000 shares at an average price of € 62.03 in the context of the acquisition of a participating interest and 22 shares were received by members of the workforce as a bonus for improvement suggestions. By reverse, a total of 35,600 shares were purchased at an average price of € 60.53.

Information for investors

		9M 2009	9M 2008
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	54.3	54.1
Market capitalization as of 30/09/[1)2)]	€ million	3,557	3,827
Price as of 30/09/[1)]	**€**	**65.50**	**70.76**
High 01/01/ - 30/09/[1)]	€	73.40	143.88
Low 01/01/ - 30/09/[1)]	€	40.22	68.50
Security identification number	620200		
ISIN	DE0006202005		

[1)] All data based on prices from XETRA trading

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

Earnings, Financial Position and Net Worth

Economic environment

The lowest point of the worst **global economic** recession seen since World War II appeared to be over at the end of the third quarter. Following on from a sharp decline in overall output in the first few months of this year and recessionary tendencies in the second quarter, the situation has meanwhile eased somewhat. Key economic leading and sentiment indicators are trending up, and new orders and industrial production have picked up momentum. Global economic activity, based on a stabilization of the financial markets, was, however, only able to return to normal levels on the back of massive intervention by central banks and government rescue packages. The side effects of these measures are naturally unknown so far. Moreover, in many countries brisk private consumption, which benefited from greater sales incentives and the decline in energy costs, had supportive effect. In their fall economic forecast for the year 2009 as a whole, leading authoritative economic institutes now put the decline in global economic growth at 2.5 %.

The **euro area** also bottomed out in the second quarter and, only a short time later, saw a notable recovery in business activity. A number of European countries such as, Germany, France, Portugal and Greece for instance, lifted their gross domestic product significantly, a key driver of this stabilization being an increase in the trade balance. Industries which were particularly hard hit by the recession also recorded the first signs of recovery. Production in the automotive industry, for example, was stimulated through government aid but can be expected to suffer renewed setbacks when the state subsidy programs expire. The collapse of macro economic production has left marked tracks on the labor market, especially if the number of workers in reduced hours are included. In their joint forecast the leading German economic institutes anticipate a decline in GDP of 3.9 % for the year as a whole.

At the beginning of the year **Germany's** economic output initially mirrored the dramatic developments of the previous year. This was followed by a slight increase in new orders, industrial production and the gross domestic product in the second quarter. A variety of factors, such as declining energy prices, the high level of wage agreements and the vehicle disposal subsidy initially bolstered private consumer demand above all. The third quarter and then saw a strong recovery in macro-economic production from in parts very low levels, buoyed by growing demand from abroad. In the near future, economic packages designed to boost public-sector investment in construction can be expected to take effect on production. Since July, the assessment of the business situation by industry at large has also generally steadily improved. The ifo Institute for Economic Research currently expects the gross domestic product to decline by 5.0 % in 2009.

However, all economic indicators nonetheless signal that the recovery is starting from a very low base. Given the subsequent effects, it should take some time until growth returns to a more normal level.

Earnings situation within the Group

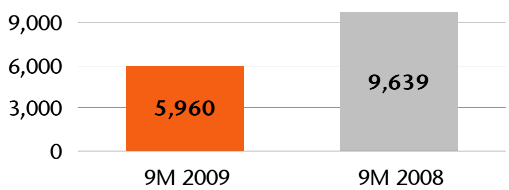
		Q3 2009	Q3 2008	9M 2009	9M 2008
Crude steel production[1]	kt	1,338.0	1,762.9	3,381.4	5,315.7
External sales	**€ million**	**1,834.6**	**3,405.3**	**5,960.3**	**9,638.7**
EBITDA[2]	€ million	8.2	447.7	-18.1	1,247.6
EBIT[2]	€ million	-62.3	386.9	-247.7	1,063.0
Earnings before tax (EBT)	**€ million**	**-66.1**	**367.5**	**-261.3**	**1,013.9**
Earnings after tax	**€ million**	**-67.0**	**252.1**	**-232.1**	**689.0**
ROCE[3] [4]	**%**	**-5.5**	**30.6**	**-7.3**	**28.0**
Capital expenditures[5]	€ million	194.2	176.0	505.7	459.8
Depreciation and amortization[5]	€ million	70.4	60.7	222.5	184.5
Operating cash flow	€ million	365.4	-69.3	1,176.9	389.1
Net position to banks[6]	**€ million**	**1,609.9**	**1,111.5**	**1,609.9**	**1,111.5**
Equity ratio	%			50.3	47.9

[1] In regard of the participation in Hüttenwerke Krupp Mannesmann
[2] EBIT = EBT plus interest paid (excluding interest element in allocations to pension provisions); EBITDA = EBIT plus depreciation and amortization
[3] EBIT in relation to the total of shareholders' equity (without calculation of accrued and deferred taxes), tax provisions, interest-bearing liabilities (excluding pension provisions) and liabilities from financial leasing, forfaiting and asset-backed securitization
[4] Annualized
[5] Excluding financial assets
[6] Including investments, e.g.securities and structured investments

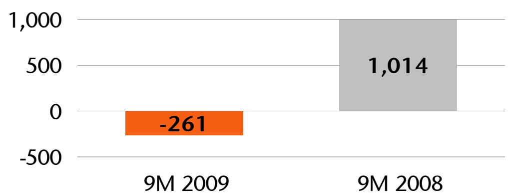
Since the general economic conditions started to brighten over the course of the first half year 2009, the **Salzgitter Group** achieved a notable improvement in results in the third quarter. The impact of the global financial crisis, however, was still evident so that the Group's broad and equally sound business base has proven extremely advantageous against this backdrop. Positive contributions of the Tubes Division, the Aurubis participation and financial investments were unable to compensate for the results of the Steel, Trading and Technology divisions that were particularly hard hit. The extensive program of short-term cost-cutting measures had a notably easing effect.

Consolidated **external sales** dropped 38 % to € 5,960.3 million (first nine months of 2008: € 9,638.7 million) in the first three quarters and the **pre-tax loss** came to € 261.3 million (first nine months of 2008: € +1,013.9 million), with a modest uptrend in the summer quarter.

Group-External Sales (in € million)



Group-EBT (in € million)



In interpreting the third-quarter pre-tax result (€ -66.1 million), the fact that a number of larger plant in the Steel and Tubes divisions as well were idled for a period of several weeks for planned maintenance and investment measures, along with lower capacity utilization due to market conditions, must be taken into account.

From its first-time consolidation in January 2009, the 23 % stake in the copper producer Aurubis AG, a company consolidated at equity, contributed a gratifying € 38.7 million in profit to the consolidated after-tax result of € -232.1 million (first nine months of 2008: € +689.0 million). This brings the loss per share to € 4.33 (first nine months of 2008: € +12.30).

Steel Division

		Q3 2009	Q3 2008	9M 2009	9M 2008
Order bookings	kt	1,296.4	1,193.9	3,065.4	4,345.8
Order backlog as of 30/09/	kt			825.8	950.3
Crude steel production	kt	1,110.9	1,409.7	2,781.4	4,150.2
LD steel (SZFG)	kt	930.6	1,149.9	2,313.7	3,358.6
Electric steel (PTG)	kt	180.3	259.9	467.7	791.6
Rolled steel production	kt	1,050.7	1,428.4	2,669.4	4,293.5
Shipments	kt	1,036.5	1,346.1	2,751.7	4,374.5
Sales[1)]	**€ million**	**604.4**	**1,147.4**	**1,810.7**	**3,428.6**
External sales	**€ million**	**431.2**	**830.6**	**1,231.1**	**2,441.6**
Earnings before tax (EBT)	**€ million**	**-23.2**	**175.2**	**-213.4**	**520.3**

[1)] Incl. sales to other corporate divisions

Following the slumps experienced in the **global steel markets** at the start of the year, the global production of crude steel has risen steadily since the beginning of the second quarter and stood recently at only 0.6 % below the previous year's figure, with developments in the different regions varying widely. Whereas China posted a growth of 7.5 % in a nine-month comparison, and a plus of even as much as 28.7 % in September, the USA and Japan suffered substantial declines. All in all, crude steel output fell by 16.4 % to 866 million tons in the period under review.

For **European steel processors**, there are more frequent signs of the onset of a moderate recovery. The overall picture is, however, disparate: In road vehicle manufacturing, for example, the automobile segment has stabilized, underpinned by sales promotion measures, whereas the situation of utility vehicles and the trailer business, for instance, remains extremely problematic. In other important sectors, in particular in mechanical engineering, as well as household goods and steel tubes, at best, a bottoming out has been evident to date. Nonetheless, inventory levels of the distribution sector and of processors have fallen significantly, which is mainly attributable to the drastic decline in the market supply of steel in the first half-year and not due to a sound recovery in demand. As a result, inventory coverage returned to normal levels again which has discernibly eased the braking effect that scaling back inventories was having on the demand for steel. Against this backdrop, there was a notable increase in orders placed for flat steel. New orders meanwhile remain at a comparatively low level. As a result of brisker order activities, the production of crude steel and of hot rolled strip picked up at the start of the second quarter again and, since this time, the gap between this year's and last year's figures, which, however, were declining, has been closing month by month. The production of crude steel and hot rolled strip currently stands at around 24 % and 17 % below the 2008 figures. Prices having reached their lowest point at the end of the first half-year - in comparison to the start of the year hot strip, as the reference product, fell by some 18 % - the recovery in demand triggered a moderate price uptrend. The price of flat steel is currently quoted at between €/t 40 and €/t 50 above this year's lowest point.

The **German steel market** developed in accordance with events in Europe. German steelworks manufactured 22.6 million tons in the reporting period, which is 37.5 % less crude steel than in the previous year's period. Crude steel production in September also fell significantly short of the year-earlier figure (-21.7%), but nonetheless reached its highest level since November 2008 and, adjusted for seasonal influences, had risen for the fifth month in a row.

The aforementioned disparate developments in the steel markets, with record production figures in China and massive slumps in Europe, the USA, Japan and Russia, had a significant impact on the international procurement markets:

Negotiations conducted at the start of the year on the global market price of **iron ore** by the major producers Vale, BHP Billiton and Rio Tinto with their major customers representing the steel industry have resulted in concessions agreed for the delivery year 2009. Price reductions come to between 28 % and 34 % for fine ore, 45 % for lump ore and 48 % for pellets. During the second and third quarters, this price level was emulated in the outcome of key negotiations in the European markets.

The development on the global market for **coking coal** was reflected in a sharp downturn in demand and associated price discounts. At mid-year this trend was corrected by the strong import activities of the Chinese who used the weak market for massive purchasing on a spot basis. With the recovery in global steel production, which began in the third quarter, the demand of traditionally importing countries for coking coal gathered momentum again within a very short space of time. As a result, spot prices have climbed to a level of USD/t 170 FOB in recent weeks which corresponds to an increase against the benchmark price (USD/t 128 FOB) of a third.

Following the drastic slump of rates at the end of 2008, and **sea freight market** recovered towards mid-year. China in particular proved to be the driving force here owing to higher imports in iron ore and coking coal. Since then the market has weakened discernibly. Having settled at just under USD/t 30 in mid-June, the Tubarao-Rotterdam reference rate had fallen to around USD/t 13 by September, with the Chinese steel industry contributing to this development through changing the geographical structure of its ore procurement: Whereas, in the first half-year, it was sourcing a disproportionately high volume of material from Brazil, by mid-year it had switched to increasing its ore imports from Australia. This resulted in the shorter-term reservation of shipping space, which was then freed up more swiftly for the market.

The notable decline in orders placed by the German steel and foundry industry and the resulting lower level of orders put pressure on the **steel scrap price** in the first two quarters of the current year. Despite the poor market environment, steel scrap was scarce, and the availability of high-grade new scrap dwindled significantly owing to the cut-backs in steel processing. There were therefore sporadic increases in demand which resulted very swiftly in cyclically-induced price fluctuations. With the advent of June, when steel production began to recover gradually, prices began to rise steadily up until September when the bottom fell out of demand in the long-haul freight business and pushed scrap prices down again.

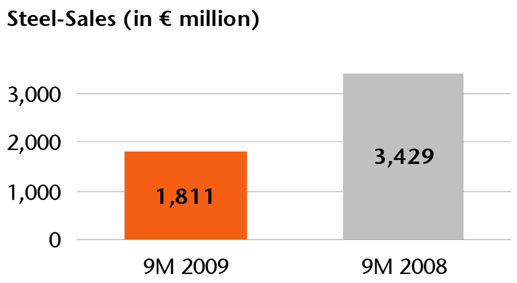
The market development of **metals and alloys** was very disparate, depending on the individual groups of materials. Whereas prices for alloys slipped during the first half-year, this was followed by an upturn which had lost momentum again by September. Metals listed on the stock exchange, such as nickel and zinc, have been recorded an uptrend since April, accompanied by a great deal of volatility, until the end of July, when the rose again sharply. The reasons underlying this development are likely to be purchasing by China's state-owned Reserve Office and the speculative stocking up on raw materials.

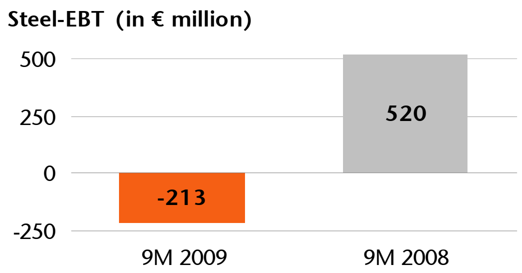
The **Steel Division** developed as follows:
As in previous quarters, order intake and the order book were significantly below levels seen a year ago, although the gaps have been gradually closing over the course of the reporting period.

The difference in production volumes was equally distinct. The production of, for example, crude steel (-33 %) and rolled steel (-38 %) fell notably short of the previous year's level.

Owing to generally slack demand, shipments also fell considerably behind the tonnage of the first nine months of 2008, and segment and external sales were way below the comparative figures of the year ago, also burdened by prices.

The pre-tax result came in at € -213.4 million (first nine months of 2008: € +520.3 million). In the wake of the tumbling cost of raw materials and the selling price trend in the spot market, substantial accounting-related adjustments were made to raw materials and semi-finished goods inventories mainly in the first quarter, measures which had an easing effect on the results of subsequent quarters.





Salzgitter Flachstahl GmbH (SZFG) produced 2,314 Tt of crude steel in the first nine months of the year, which is around one third less in a year-on-year comparison. This is attributable to exceptionally unsatisfactory capacity utilization which persisted into the summer. The subsequent recovery in new orders boosted production volumes. Due to the difficult first half-year, the order intake and the order book as per September fell considerably short of the tonnage recorded in the first three months of 2008, which meant that shipments were also substantially below last year's record figures. The unsatisfactory status as regards shipments and capacity utilization which prevailed for most of the period under review, as well as the significant decline in selling prices, resulting in a dramatic downturn in sales and a negative operating result. The high level of impairments for raw materials and semi-finished goods in the first and second quarter had substantial easing effect on subsequent months. From the beginning of July onwards it was again possible to pass on price increases, which was reflected by an improvement in a number of product-specific results in September, thus indicating that the situation here has bottomed out.

In the period under review, the unfavorable economic environment also caused the dramatic slumps in demand and prices for heavy plate with a certain time lag. The decrease in demand emanated from almost all customer sectors, with capacity utilization remaining relatively stable only in the wind power industry and in steel construction. In this difficult environment a high level of orders left over from the year 2008, long-term customer relationships and, as from June, an increase in orders placed by the Group's trading operations served to cushion the decline sustained by **Ilsenburger Grobblech GmbH (ILG)**. Nonetheless, the volume of new orders and order levels fell by around one fifth in the first nine months. Production volumes and shipments decreased accordingly and, combined with lower selling prices, resulted in a disproportionate decrease in sales. Following the short-term response involving the reduction of flexi-time accounts and reduced working hours, the recovery in orders in the third quarter enabled production to return to a comfortable level, which almost matched that of the previous year. Although notable declines in input material costs and a program implemented to secure profit and liquidity was only able to compensate to a limited extent for the nosedive in selling prices and significant decline in volumes, overall a very satisfactory, positive result was achieved.

The market environment in which **Peiner Träger GmbH (PTG)** operates can still be described as very challenging. As before, the lack of major construction projects in particular is reflected by the extremely low level of demand for heavy sections. Order activity has recovered somewhat only for small sections in the wake of the meanwhile lower inventory levels of trading warehouses and owing to scrap steel price increases announced for August and September. The summer shutdowns of section manufacturers also had an easing effect on market conditions. With regard to all products, however, there is still a great deal of pressure on prices which spans consumers and traders right through to manufacturers. In the reporting period order intake fell notably short of the previous year's figure. By contrast, longer production shutdown periods during the third quarter owing to conversion measures as part of the “PTG 2010” investment program resulted in order levels almost retaining the year-earlier level. In line with the difficult order situation, production figures across all divisions were considerably lower than in the first nine months of 2008. The steep downturn in shipments and falling average selling prices resulted in sales contract by almost two thirds. Against the background of the aforementioned market conditions, a negative result was inevitable.

The capacity utilization of **HSP Hoesch Spundwand und Profil GmbH (HSP)** was again markedly short of the previous year's figures owing to the collapse in demand for sheet piling to below a third of what it was a year ago. The ensuing insufficient shipment volume, combined with diminishing selling prices, caused sales to drop sharply and delivered a minus result for the company.

Salzgitter Bauelemente GmbH (SZBE) also had to cope with pronounced reticence on the part of its customers. Numerous major projects were postponed, leading to a dramatic slump in sales and shipment volumes for roof and wall components in industrial construction. Owing to a non-recurrent effect, the company succeeded in achieving a marginally positive result despite the sales downtrend.

The volume of shipments, still low in comparison with a year ago, and price reductions in input materials passed on to customers resulted in declining sales figures at **Salzgitter Europlatinen GmbH (SZEP)** and caused a significant drop in the nonetheless positive result.

Trading Division

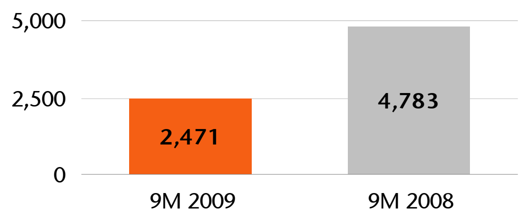
		Q3 2009	Q3 2008	9M 2009	9M 2008
Shipments	kt	1,068.0	1,876.5	3,285.1	5,207.7
Sales[1)]	**€ million**	**716.7**	**1,840.9**	**2,470.8**	**4,782.6**
External Sales	**€ million**	**713.6**	**1,615.2**	**2,397.3**	**4,271.6**
Earnings before tax (EBT)	**€ million**	**-32.8**	**81.8**	**-90.5**	**222.5**

[1)] Incl. sales to other corporate divisions

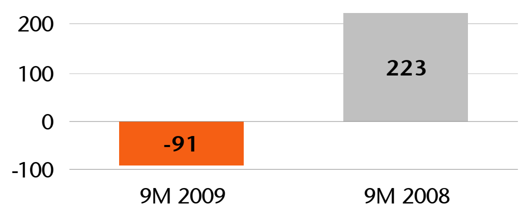
Against the background of the global economic crisis, market conditions for **international steel trading** were challenging throughout the first nine months of 2009. The demand for steel from European and North American customers slowed notably as a consequence of sales problems experienced by steel processing industrial sectors. In the Middle East, the weak oil price caused government and private income to fall sharply which had a direct and negative impact on the construction and investment activities of this region. Only at the end of the summer was a hesitant emergence from the economic trough discernible in the aforementioned markets. By contrast, Chinese steel producers saw demand recover as early as mid-year. Due, however, to meanwhile replenished inventories and the resulting good availability of materials, the Chinese market has meanwhile reported that steel prices are falling again. Only the Indian and African markets remained relatively robust over the whole reporting period.

In the first nine months of the financial year 2009, the **Trading Division** recorded a significant downturn in its business activities as a consequence of the unfavorable market conditions. A sharp reduction in shipments, in conjunction with a slump in earnings, led to a notable decline in segment and external sales. The reporting period closed with a loss before tax owing to the high cost of the goods sold.

Trading-Sales (in € million)



Trading-EBT (in € million)



The basic conditions since the start of the year have had a very detrimental effect on the activities of **Salzgitter Mannesmann Handel Group (SMHD Group).** Along with the low level of capacity utilization of many customers, the fact that many traders and consumers reduced their inventories, coupled with price declines, exacerbated the situation. Against this backdrop, the SMHD Group recorded a negative result as per September 2009. The low level of earnings throughout the whole of the first nine months, combined with weak shipments, caused sales in almost all segments to drop sharply.

Almost all companies in the **stockholding steel trading** were affected by the decline in shipment volumes. All customer sectors suffered from slumps induced by the recession, which naturally had an effect on the development of demand. Moreover, inventories purchased at a higher price level placed notable pressure on gross earnings. Shipments and sales were in decline in comparison to the figures of the first three quarters of 2008, and the pre-tax result was clearly in the red. The Dutch companies were a gratifying highlight which, as from the summer, reported positive monthly contribution to profits on the back of an above average inventory turnover. At the start of the year, the Czech company Salzgitter Mannesmann Stahlhandel s.r.o., Prague (SMCZ), was incorporated into the group consolidated companies.

During the period under review, the SMHD Group’s **international trading** also had to struggle with a sharp downturn in new orders and correspondingly low shipment and sales figures. The comfortable specific gross earnings of international trading activities were unable to fully compensate for the effects of the lower level of shipments, and consequently the pre-tax result has dropped as against the previous year’s figure, but is nonetheless still positive. Only the negative contribution to profit by the American subsidiary, which was particularly hard hit by the recession and a virtual standstill of the US steel market, dampened the result of the trading group.

Following the massive slumps in prices and volumes in the first half-year, the plate market failed to show any significant signs of recovery in the third quarter of 2009 as well. Although earnings stabilized at a low level, customers only bought material needed for production without building up their own inventories. The shipments of **Universal Eisen und Stahl GmbH (UES)** fell by more than a third in the reporting period as against the previous year’s figure. This affected the inventory and third–party business as well as the pre-processing business. Combined with the impact of weak revenues, the company sustained a significant downturn in sales. Due to the high cost of goods held in stock, the result before tax slipped way into the minus.

Tumbling demand, combined with a concurrent erosion of selling prices, put severe brakes on the business activities of the Steel Service Center, **Hövelmann & Lueg GmbH (HLG).** The first signs of a hesitant recovery only emerged in the third quarter. Consequently, segment sales halved and shipment volumes dropped notably. The accumulation of these effects, together with the very unsatisfactory gross earnings, led to a pre-tax result that was clearly in the minus.

Tubes Division

		Q3 2009	Q3 2008	9M 2009	9M 2008
Order bookings	€ million	188.3	591.6	807.1	1,702.0
Order backlog as of 30/09/	€ million			967.3	2,129.0
Sales[1)]	**€ million**	**515.3**	**713.1**	**1,851.9**	**2,181.4**
External sales	**€ million**	**433.8**	**527.1**	**1,541.6**	**1,604.1**
Earnings before tax (EBT)	**€ million**	**25.7**	**82.0**	**121.7**	**234.1**

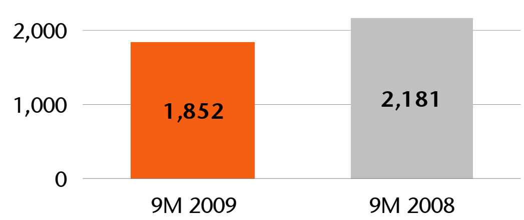
1) Incl. sales to other corporate divisions

The business activities of the international **steel tubes industry** were greatly hampered by the impact of the global economic crisis. Following the difficulties confronting consumer-oriented tubes processors since the fourth quarter of 2008, there was a time lag before the tense economic environment impacted the infrastructure and capex goods sectors. Consequently, the causes of ailing demand set in one after the other over the course of time. On the supply side, the process of adjusting inventories in European steel tubes trading had an additionally negative effect, which meanwhile appears to have come to an end. New orders are, however, only accepted with much caution due to weak demand by end consumers. Inventories in the USA in particular, especially oil field pipes, are still at a clearly inflated level. Prices and margins in the Western industrial nations are therefore still under great pressure and have been counteracted by sharp cuts to production. In contrast, the production volume in China rose again, buoyed mainly by domestic demand and higher exports supported by economic stimulus packages. As a result, the strong contrast as against the decline in the tubes production of Western industrial nations continued over the reporting period.

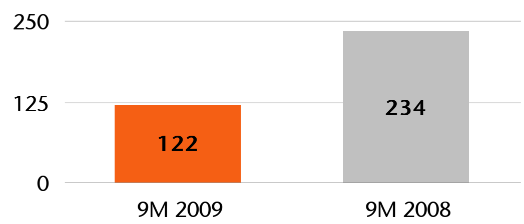
The tight situation in the steel tubes market caused order intake by the **Tubes Division** to halve in the first nine months of the financial year 2009 as compared with a year ago. All product segments were affected. By the end of September 2009, consolidated orders in hand had fallen by the same amount, with HFI-welded tubes and stainless steel tubes suffering the relative sharpest declines.

Although a considerable volume of orders from the previous year were delivered in the first half-year, due to the order trend the division's shipments dropped by comparison with shipments seen in the first three quarters of 2008. The leading cause was the precision tube business, which had been problematic from the start.

Tubes-Sales (in € million)



Tubes-EBT (in € million)



Segment sales declined by 15 % as against the year-earlier period. Whereas sales in the large-diameter tubes segment remained stable, the precision and stainless steel tubes segment suffered declines. In contrast, HFI-welded tubes raised sales for the period on the back of lucrative orders.

Therefore, the Tubes Division’s external sales fell by only 4 %. Pre-tax profit of the Tubes Division came to a gratifying € 121.7 million in the period under review. Compared with the excellent result of the first nine months of 2008, however, this is a decline of just under 50 % which is mainly attributable to the ailing market of the precision tubes segment which was hit particularly hard.

Business performance of the product segments:

As against the year-earlier level, order intake of the **large-diameter tubes** segment had more than halved by September 30, 2009, owing to the lower number of contracts signed in conjunction with the rapid deterioration of selling prices. This resulted in the previously high level of orders being greatly eroded. In view of the very comfortable capacity utilization due to major projects booked in the previous years, the reduction in shipments has been relatively low up until now, and sales remained virtually stable in the first nine months. Despite the start-up costs incurred by the new plant for spiral-welded large-diameter tubes in the USA, the exceptionally positive profit of the previous year was almost matched primarily owing to a pleasing increase in the profit of Salzgitter Mannesmann Großrohr GmbH (MGR) on the back of cheaper input materials.

The **HFI-welded tubes** segment had to meet the challenge of demand running at extremely low levels in the reporting period. Against the backdrop of the delivery of larger project volumes and weak order intake, the order book had fallen to an extremely low level by the end of September 2009. This resulted in fluctuations in capacity utilization: Whereas, in the first months of 2009, capacity utilization benefited greatly from project volumes as part of orders placed in 2008, adjustments had become necessary by the second quarter onwards. Sales and pre-tax profit, boosted by the high selling price quality of orders booked in 2008, nonetheless exceeded the year-earlier figures despite lower shipment volumes.

The **precision tubes** segment also recorded order activities and an order book which halved during the first three quarters of 2009 in comparison with the year-earlier period. Following the automotive and supplying industries’ recovery from drastic production shortfalls thanks to the stimulus provided by the government scrapping premium for old cars, the effect of slack capacity utilization in the mechanical engineering sector and in the energy sector began to filter through. The lower level of capacity utilization in all precision tubes plants caused the corresponding declines in shipments and sales. Despite the implementation of countermeasures to adjust costs, the lack of profit contributions covering fixed costs resulted in a considerably negative pre-tax result.

The unfavorable general conditions also burdened activities in the **seamless stainless steel product** segment. Order intake had plummeted 60 % by September 30, 2009, as against the previous year's reporting date. Consequently, the order book had reached a historically low level at the end of the reporting period, which necessitated partial adjustments to capacity utilization. Along with lower shipments, which had initially been supported by existing orders, the falling price of alloy components caused sales to decrease. The pre-tax result was nonetheless gratifyingly positive even though it did not reach the excellent level in the first nine months of 2008.

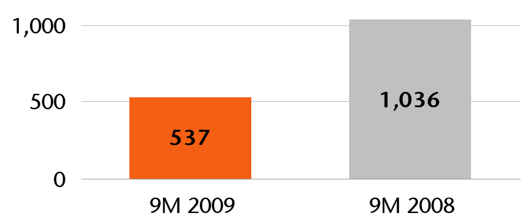
Services Division

		Q3 2009	Q3 2008	9M 2009	9M 2008
Sales[1)]	€ million	195.7	358.0	536.7	1,036.1
External sales	€ million	78.4	143.6	224.7	428.5
Earnings before tax (EBT)	€ million	3.7	8.8	-1.7	25.6

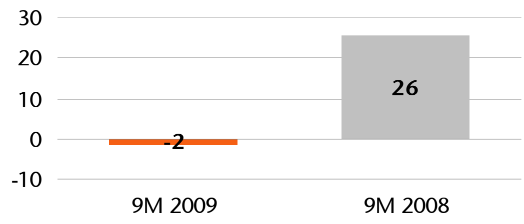
[1)] Incl. sales to other corporate divisions

The difficult situation in the steel industry continued to exert a major impact on course of business of the **Services Division**. In view of the fact that internal and third-party customers drew on the services of the Division to a much lesser extent, it was unable to repeat the year-earlier results.

Services-Sales (in € million)



Services-EBT (in € million)



The Division’s sales contracted by 48 %. The raw materials trading company **DEUMU Deutsche Erz- und Metall-Union GmbH (DMU)** was particularly hard hit, as it was faced with a severe slump in steel scrap trading volume and major declines in scrap prices over the course of the year. **Salzgitter Automotive Engineering GmbH & Co. KG (SZAE)**, a company dedicated exclusively to supplying external automotive customers, and the companies **Hansaport Hafenbetriebsgesellschaft GmbH (HAN)** and **Verkehrsbetriebe Peine-Salzgitter GmbH (VPS)** recorded significant declines in orders. The Services Division’s **external sales** dropped by 48 %. At the start of the financial year, **Salzgitter Hydroforming GmbH & Co. KG (SZHF)** was integrated into Salzgitter Group’s consolidated companies, which only incurred a minor positive effect.

The Services Division recorded a **loss before tax** of € 1.7 million in the reporting period. Whereas the companies closely associated with steel and vehicle production delivered negative contributions, the other companies remained in the profit zone.

Technology Division		Q3 2009	Q3 2008	9M 2009	9M 2008
Order bookings	€ million	172.7	235.8	504.9	713.3
Order backlog as of 30/09/	€ million			250.4	368.9
Total Sales[1)]	**€ million**	**164.3**	**263.6**	**532.0**	**787.0**
External sales	**€ million**	**164.2**	**263.6**	**531.6**	**787.0**
Earnings before tax (EBT)	**€ million**	**-31.8**	**3.2**	**-75.5**	**15.4**

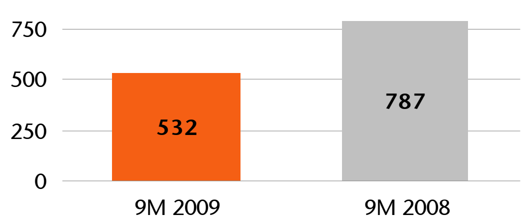
[1)] Incl. sales to other corporate divisions

After five years of growth, the **German mechanical engineering sector** has seen demand slump dramatically since the third quarter of 2008. Order intake in the first nine months of 2009 fell an average 44 % below the level of the previous year. Although the downtrend has slowed recently, new orders are still ranging at a very low level. Experts anticipate a 20 % decline in production volume, which corresponds to the level last seen in 2006. Consequently, an increasing number of companies are being forced to adjust their core workforce, despite reduced working hours, in order to accommodate a lower market volume. The German Engineering Federation (VDMA) expects up to 60,000 jobs to be lost in 2009. The organization currently believes that the sector has bottomed out in terms of order intake, but nonetheless assumes that the production level in 2010 will only edge up slightly in comparison to the current year.

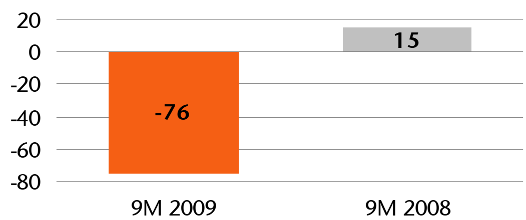
The companies of the **Technology Division** operate first and foremost in mechanical engineering and plant construction. The business is dominated by the filling and packaging technology of the **KHS Group** which generates more than 90 % of revenues. The segment's order intake and order book, which are almost a third lower as against the previous year, thus primarily reflect the reluctance of large consumer goods manufacturers in the beverage industry to invest. Moreover, new business is hampered by the extremely restrictive lending policies of banks, which are also responsible for projects being postponed and cancelled. The low market volume has resulted in greater price pressure and partly unsatisfactory revenues which place an additional burden on the already tense situation of the segment. The other manufacturers of special machinery also sustained severe downturns in their order intake. KDE Group's market suffered first and foremost from the far-reaching impact of the financial crisis on the international automotive industry, and the business situation of Klöckner DESMA Schumaschinen GmbH (KDS) is in declining as well.

The slump in demand in the mechanical engineering sector has also impacted the sales and profit figures of the Technology Division. In the first nine months of 2009, total sales came to € 532.0 million and were thereby 32 % below the year-earlier figure. Almost all companies were affected by this development.

Technology-Sales (in € million)



Technology-EBT (in € million)



Irrespective of a consistently implemented program that brought notable reductions in material, personnel, and administration costs, and structural measures such as the combination of production sites, the Technology Division closed the reporting period with a pre-tax loss of € 75.5 million. The additional burden constituted by the obligatory purchase price allocation incurred by the acquisition of the majority holding in Klöckner-Werke AG (KWAG) and of SIG-Beverages stood at € -2.6 million in the reporting period and has also been included in this result.

In the medium term, however, we assume that the division will develop well. For instance, the outlook for the business environment of the beverages industry, the main market for KHS's sales, has been assessed more positively than for the sector average. Euromonitor, a British market research institute, anticipates that the global volume of non-alcoholic beverages and beer will rise by 4 to 5 % in the next five years, driven by demographic trends alone.

"drinktec 2009", the "World's Leading Trade Fair for Beverages and Liquid Food Technology", also bolstered confidence that machinery and plant manufacturers in the beverages industry would emerge more swiftly from the crisis than the overall mechanical engineering sector. KHS AG presented itself at this trade fair under the motto "Competence in Solutions" and attracted a great deal of attention with its trade fair stand that was clearly divided up into special themes. The presentation of the 3-D production plant planning solution was a highlight. The solution enables a virtual site visit to planned plants, thereby creating a high degree of planning and investment security for customers. Along with numerous innovations and competence acquired in the PET business, the presentation of the manifold service range of KHS AG served to underscore the innovative strength and technological competence of the company. Board members and sales force employees conducted numerous important discussions with customers, and the resulting contracts concluded will gradually filter through positively into the order book figures. In September it was already evident that order intake was recovering slowly.

More information on Klöckner Werke and their business development can be found on the internet under the following website: www.kloecknerwerke.de

Others/Consolidation

		Q3 2009	Q3 2008	9M 2009	9M 2008
Total Sales[1)]	**€ million**	49.1	**148.6**	149.6	**432.2**
External sales	**€ million**	13.5	**25.2**	33.9	**105.9**
Earnings before tax (EBT)	**€ million**	-7.7	**16.5**	-1.9	**-4.0**

1) Incl. sales to other corporate divisions

Sales in the **Other/Consolidation** segment, which are based on business in semi-finished products with subsidiaries and external parties, fell to € 149.6 million during the period under review, a development mainly attributable to changes in internal supplier relationships for input materials. External sales declined to € 33.9 million (third quarter 2008: € 105.9 million) as a result of slack demand by external customers.

The **result before tax** came to € -1.9 million, thereby settling around the level of the year-earlier period. This figure also comprises the 23 % stake in Aurubis AG (NAAG), a company included at equity since the start of the financial year. After deduction of the purchase price allocation of € 4.0 million, obligatory under IFRS, NAAG contributed a gratifying € 34.7 million in profit after tax to the consolidated result.

Explanations on the Financial Position and Net Worth

The **total assets** of the Salzgitter Group had contracted by 7 % as per September 30, 2009 as against December 31, 2008. The reduction in inventories (€ -1,061 million) and in trade receivables (€ -395 million), accompanied by a parallel increase in cash funds, resulted in current assets declining by € 972 million. In a comparison of cash and cash equivalents, which stood at approximately € 1.66 billion at the end of the reporting period, other receivables and other assets also comprised financial investments worth € 500 million on the year-earlier reporting date that are now disclosed under this item owing to the different form of investment.

Non-current assets rose by € 346 million in total, driven primarily by capital expenditure in property, plant and equipment, in particular in the Steel Division. Associated companies rose mainly through the contribution to the result made by Aurubis AG (NAAG).

On the liability side, the consolidated loss after tax (€ 232.1 million) and dividend distribution caused equity capital to fall to € 4.06 billion. Non-current liabilities contracted by € 95 million, whereas current liabilities declined to a notably greater extent (€ -248 million) due to the lower level of trade payables. The equity ratio remained at a sound 50 %.

The extension of the group of consolidated companies to include the Czech steel stockholding company Salzgitter Mannesmann Stahlhandel s.r.o, Prague (SMCZ), the American spiral-welded tube company Berg Pipe Spiral Corporation (BSPM; consolidated on a pro-rata basis) and Salzgitter Hydroforming GmbH & Co. KG (SZHF) as per January 1, 2009, did not have any severe impact on the quarterly financial statements.

It is gratifying to note that, despite the problematic business situation, the **cash flow from operating activities** has climbed in the period under review by € 787.8 million compared to the year-earlier months to € 1,176.9 million, which is mainly attributable to the substantial destocking of inventories.

The **net credit balance**, including investments, which is not disclosed under financial investments, had risen to € 1.6 billion by the end of the reporting period (December 31, 2008: € 1.0 billion).

Investments

Investments in plant, property and equipment came to € 505.7 million in the first nine months of the current financial year and were thus higher than those of the year-earlier period (€ 459.8 million). As in the past, this is primarily attributable to the intensive investment activities of the Steel Division. Depreciation and amortization also rose in the reporting period (€ 222.5 million; plus € 38.0 million).

The companies of the **Steel Division** focused on completing major projects currently in the implementation phase.
Work on the **"Power Plant 2010"** proceeded according to schedule: The installation work for the supply of agents (e.g. gas) and for electrical systems, as well as preparatory work for commissioning the first block, continued in the third quarter.
The installation of the **"process gas dust removal"** in the blast furnace works for the sintering plant is ongoing, and work on the steel, road and building structures is progressing according to plan. The approval procedures have been coordinated and agreed together with the responsible authorities.
The SZFG projects dedicated to the implementation of the **"Salzgitter Steel 2012"** strategy were also running to schedule. Intensive work on the building and installation in on the new Continuous Casting Line 4 continued in metallurgy. In the hot-rolling mill, activities with regard to the coiler and coil transport, the additional slab storage area as well as the open-air storage area for coils are progressing as planned.

The **"PTG 2010"** project is also within the deadline and cost plan that was adjusted to take account of the current situation. In view of the difficult market environment, the decision was made to commission the second electric arc furnace (EAF) ordered and the secondary metallurgy center in 2010 and, at the same time, to temporarily idle the first EAF until such time as demand recovers in a sustained manner. In addition, the necessary installations for parallel operation of both EAFs will be postponed. At the current point in time, the buildings and the infrastructure for plant facilities are being erected.

Following thorough conversion, the medium section mill (UMIT) was gradually taken into operation on September 1, 2009 with a delay of two weeks. The ramp-up curve is accelerating in line with expectations.

The installation of the oxygen pipeline between Salzgitter and Peine to supply the steel plant with oxygen from the new production facilities in Salzgitter is running according to plans. Commissioning has been scheduled for November 2009.

At the end of July, the **Tubes Division** took up production again at the Mülheim plate mill of Salzgitter Mannesmann Grobblech GmbH (MGB) after three and a half weeks of summer shutdown. During this time numerous major repairs were carried out, alongside taking the major "Conversion of the Shifting Manipulator" investment into operation. Part of this investment entailed not only the maintenance work necessary due to high level of wear and tear over the last decades but also extending the aperture of the shifting manipulator, thereby making performance gains in the mill thanks to an increase in double length rolling achievable.

Research and Development

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

The number of employees in the central development department has risen slightly by the end of the third quarter of 2009. This increase is due to the higher level of activities in materials processing and technical engineering areas.

Start of LH® steels serial production

Air hardenable LH®800 steel, developed jointly by Salzgitter Flachstahl GmbH (SZFG) and SZMF, has been used in large industrial application for the first time, specifically in the complete front axle subframe of the new Mercedes E-Class. Along with this first successful application, automotive manufacturers and suppliers are currently in the process of testing additional areas where LH® steels can be used. The focus here is especially on components which can take high static and dynamic pressure and fulfill load-bearing and security-relevant functions. Cardan shafts, hybrid and suspension arms, roll bars and trailer axles are salient examples. The use of LH® steel will open up other options for automotive manufacturers to reduce vehicle weight, thereby reducing fuel consumption and emission levels.

Tests are currently being run on new applications in the construction of enameled plant components for industrial and energy technology. The first results from enameling trials conducted by processors have delivered very promising results relating to the enameling capacity and the mechanical parameters of the finished components.

Development of the new InnoPET Blomax Series IV stretch-blow machine generation

In order to satisfy the greater demands customers in the beverages industry are making on sustainability and lowering overall operating costs KHS Corpoplast GmbH & Co. KG, Hamburg (BEVCP) has developed a new generation of stretch-blow machines. The focus is on conserving resources in the production of PET bottles, with optimal use of space and production facilities. This has resulted in the company being able to offer larger machines which can generate greater specific performance per blow station. Maximum output has been increased by more than 60 % to 72,000 bottles per hour. In addition, process stability has been enhanced, for instance, by the removal of transfer devices. The StretchFlexx procedure enables PET bottles to be elongated, irrespective of the rotation speed during the blowing process. Among other advantages, customer backfitting times can be halved, while flexibility is additionally improved and the overall availability of production facilities significantly boosted.

Employees

	30/09/2009	31/12/2008	+/-
Core workforce	**23,660**	**23,915**	**-255**
of which Steel Division	6,990	6,949	41
of which Trading Division	1,960	1,983	-23
of which Tubes Division	5,804	5,929	-125
of which Services Division	4,064	4,003	61
of which Technology Division	4,695	4,907	-212
of which Others	147	144	3
Apprentices, students, trainees	1,517	1,466	51
Passive age-related part-time employment	507	429	78
Total workforce	**25,684**	**25,810**	**-126**

The core workforce of the Salzgitter Group came to 23,660 employees on September 30, 2009, which is a decrease of 255 people since the start of the year. Net of the consolidated effect of the companies Salzgitter Mannesmann Stahlhandel s. r. o., Prague (SMCZ), Berg Spiral Pipe Corporation, Wilmington, USA, (BSPM) und Salzgitter Hydroforming GmbH & Co. KG, Crimmitschau (SZHF) which joined the group of consolidated companies at the start of the year, the Group reduced the workforce by 470 people in the period under review. In the reporting period, a total of 245 trainees were hired, of whom 229 were offered permanent contracts.

The companies of the Salzgitter Group availed themselves of the instruments available for adjusting personnel policies to counteract the effects of the financial crisis during the third quarter as well. The number of loan workers, employees in age-related active part time service and members with fixed-term contracts fell by 63 people in the period under review. Since the beginning of the crisis in September 2008, the number of people therefore sums up to 1,075.

Reduced working hours were implemented at 16 Group companies in September, a measure which affected around 4,000 employees. In the months ahead, developments with regard to employees working reduced hours at the divisions can be expected to vary. All in all, the number is likely to remain more or less constant.

Forecast, Opportunities and Risks Report

Although an increasing number of sectors are showing signs of recovery from occasionally catastrophic base levels, applying caution is advisable in respect of the sustainability of some of these uptrends. Consequently, our focus remains on securing a sound balance sheet and the financial stability over the long term, an approach which has proven to be a special strength of the Salzgitter Group during the crisis.

The swift and consistent introduction of cost-cutting measures across all divisions has eased the burden on the result to the tune of € 195 million in the first three quarters of the financial year 2009; implementation will be pursued, if necessary, into 2010.

We anticipate that the European steel market will continue to stabilize moderately, to varying degrees depending on the product group. Fundamentally speaking, however, the recovery is fragile and might come to a halt, for instance, if there is a renewed incidence of an oversupply in the market as a result of the reactivation of temporarily unused capacity. The **Steel Division** expects the monthly results to improve in the fourth quarter mainly owing to better capacity utilization of the plants. In addition, the more favorable selling price-related situation in flat steel will exert a positive impact on the result.

The **Trading Division** is also expecting the situation to brighten but not for all companies, nor to the same extent or within the same timeframe. In stockholding steel trading, comparatively stable selling prices, with procurement prices returning to normal levels, should result in an improvement in gross earnings and bring operating results to breakeven. In contrast, international trading will have to meet the challenge of increasingly difficult general conditions and lack of stimulus for demand.

We do not anticipate that the **tubes business** will recover over the remainder of the year. Against the backdrop of consistently good business in large-diameter tubes business and the likelihood of the precision tubes market remaining problematic, declining volumes and margins are anticipated for HFI-welded and stainless steel tubes. The results for the year as a whole will nonetheless be very satisfactory, but the record level of 2008 is not achievable.

An improvement in the results of the **Services Division** can be expected to develop in tandem with those of the Steel Division.

The fourth quarter is unlikely to entail any firm trend reversal for the **Technology Division**. The slight recovery in orders up until the end of the year will not have any decisive effect owing to project timeframes in the current financial year. The year 2009 will therefore close with a discernibly negative result.

We assume that the consolidated pre-tax result of the last three months of the financial year will continue to move in the direction of breakeven. The moderate uptrend in one of the most difficult financial years in the 150 year history of the Group will therefore persist.

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, may still affect the results of the financial year 2009. Additional positive or negative effects may emanate from changes of a structural and methodological nature; this applies especially to 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.

There were no material changes in the conditions internal and external to the company in the first nine months of 2009. As regards the individual opportunities and risks, we make reference to the Annual Report 2008. At the time when the report was drawn up there were no risks that could endanger the Salzgitter Group as a going concern. We do not anticipate any fundamental changes in the risk situation from today's standpoint.

Events of Significance

On September 29, 2009, Salzgitter Finance B.V., a wholly-owned Dutch subsidiary of Salzgitter AG, placed a convertible bond with a volume of € 296.45 million under a guarantee furnished by Salzgitter AG. Settlement took place on October 6, 2009. The term of the bond is seven years and may be returned by the investors after five years. The bond may be converted into the shares of Salzgitter AG and features an annually payable coupon of 1.125 % p.a. With a reference price of € 66.797 per Salzgitter share, a 25 % premium would result in a conversion price of € 83.4963. The subscription rights of current shareholders of Salzgitter AG to the part convertible bond were excluded. The issue serves to diversify the Salzgitter Group’s sources of funding, and the proceeds are destined for general corporate purposes.

The Supervisory Board of Salzgitter AG has decided to sell the nearly 900 apartments located in Peine to Wohnbau Salzgitter GmbH (Wohnbau). In return, Salzgitter AG will take over a 25.05 % stake in Wohnbau. Both transactions are to be completed by December 1, 2009. The combining of residential real estate activities is intended to foster a good relationship between the municipality of Salzgitter and our company in addition to commercial aspects. Salzgitter AG continues to assume responsibility for the region through this measure, but will no longer be directly involved in the management of the apartments which is not part of its industrial core business.

KWAG’s Supervisory Board made the decision in its meeting in September to sell Klöckner Hänsel Processing GmbH (KHP) as of November 1, 2009. The company will leave Salzgitter’s group of consolidated companies on this date.

Interim Financial Statements

I. Consolidated Income Statement

in € million	3rd Quarter 2009	3rd Quarter 2008	9 Months 2009	9 Months 2008
Sales	1,834.6	3,405.3	5,960.3	9,638.7
Increase or decrease in finished goods and work in process and other own work capitalized	-40.7	77.8	-211.5	78.9
	1,793.9	3,483.1	5,748.9	9,717.7
Other operating earnings	60.6	99.6	222.0	191.1
Cost of materials	1,252.0	2,461.6	4,157.8	6,635.0
Personnel expenses	338.4	370.7	1,020.8	1,106.7
Amortization and depreciation	70.4	60.7	222.5	184.5
Other operating expenses	244.8	339.5	800.8	987.6
Income from shareholdings	0.3	3.4	0.0	11.1
Income from associated companies	5.0	14.0	32.7	12.8
Impairment losses of financial assets	0.0	0.0	7.1	0.0
Financing income	5.8	41.3	24.5	109.3
Financing expenses	26.1	41.5	80.4	114.3
Earnings before tax (EBT)	**-66.1**	**367.5**	**-261.3**	**1,013.9**
Income taxes	1.0	115.4	-29.3	324.9
Consolidated net income	**-67.0**	**252.1**	**-232.1**	**689.0**
Appropriation of profit				
Consolidated net income	-67.0	252.1	-232.1	689.0
Profit carried forward from the previous year			84.2	189.7
Minority interests			1.9	2.9
Dividend payment			-75.7	-170.7
Appropriation to other retained earnings			234.0	-582.1
Unappropriated retained earnings	**-67.0**	**252.1**	**8.4**	**123.0**
Undiluted earnings per share (in €)	**-1.26**	**4.66**	**-4.33**	**12.30**
Diluted earnings per share (in €)	**-1.26**	**4.66**	**-4.33**	**12.30**

II. Statement of Comprehensive Income

in € million	3rd Quarter 2009	3rd Quarter 2008	9 Months 2009	9 Months 2008
Consolidated net income for the period	-67.0	252.1	-232.1	689.0
Changes in the financial year recorded directly in equity				
Changes in currency translation	-1.0	11.8	-1.8	4.0
Changes in value reserve from hedging transactions				
Changes in current value recorded directly in equity	0.0	-9.8	13.6	-8.9
Recognition of settled hedging transactions with effect on income	0.0	0.0	-11.0	-5.4
Changes in value of financial assets in the "available-for-sale assets" category				
Changes in current value recorded directly in equity	4.1	-10.2	9.5	-24.8
Actuarail gains and losses	0.0	1.7	-0.1	2.8
Deferred tax on changes without effect on income	-0.1	8.6	1.3	14.7
Other changes without effect on income	3.4	0.0	2.9	0.6
	6.4	**2.2**	**14.4**	**-17.0**
Total profit	**-60.6**	**254.3**	**-217.7**	**672.0**
Total profit due to Salzgitter AG shareholders	-61.9	252.6	-219.4	669.1
Total profit due to minority interests	1.3	1.6	1.7	2.9
	-60.6	**254.3**	**-217.7**	**672.0**

III. Consolidated Balance Sheet

Assets in € million	30/09/2009	31/12/2008
Non-current assets		
Intangible assets		
Goodwill	0.0	20.6
Other intangible assets	178.0	184.0
	178.0	204.6
Property, plant and equipment	2,554.4	2,199.4
Investment property	29.8	31.6
Financial assets	109.9	122.1
Associated companies	373.9	341.7
Deferred tax assets	15.4	15.7
Other receivables and other assets	2.5	3.2
	3,263.9	**2,918.2**
Current assets		
Inventories	1,535.2	2,551.2
Trade receivables	1,257.1	1,652.3
Other receivables and other assets	280.3	882.0
Income tax assets	32.4	75.1
Securities	49.7	30.7
Cash and cash equivalents	1,656.7	592.1
	4,811.3	**5,783.2**
	8,075.2	**8,701.4**

Equity and liabilities in € million	30/09/2009	31/12/2008
Equity		
Subscribed capital	161.6	161.6
Capital reserve	184.2	184.2
Retained earnings	4,044.7	4,261.7
Unappropriated retained earnings	8.4	84.2
	4,398.9	4,691.6
Treasury shares	-359.4	-372.8
	4,039.5	4,318.8
Minority interests	23.6	27.2
	4,063.1	**4,346.1**
Non-current liabilities		
Provisions for pensions and similar obligations	1,769.6	1,787.0
Deferred tax liabilities	35.1	103.1
Income tax liabilities	195.7	207.4
Other provisions	222.5	214.4
Financial liabilities	62.1	68.0
	2,285.0	**2,379.9**
Current liabilities		
Other provisions	492.8	473.5
Financial liabilities	95.4	110.5
Trade payables	599.4	865.4
Income tax liabilities	64.2	36.3
Other liabilities	475.4	489.6
	1,727.2	**1,975.4**
	8,075.2	**8,701.4**

IV. Cash Flow Statement

in € million	9 Months 2009	9 Months 2008
Earnings before tax (EBT)	-261.3	1,013.9
Deprecreciation, write-downs (+)/write-ups (-) on fixed assets	229.6	184.5
Income tax refunded (+) / paid (-)	66.2	-142.0
Other non-payment-related expenses (+)/income (-)	150.5	184.3
Interest expenses	80.4	114.3
Profit (-)/loss (+) from the disposal of fixed assets	3.9	2.1
Increase (-)/decrease (+) in inventories	1,027.5	-419.1
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	449.4	-677.8
Use of provisions affecting payments, excluding income tax provisions	-190.6	-183.5
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	-378.7	312.4
Cash flow from operating activities	**1,176.9**	**389.1**
Cash inflow from the disposal of fixed assets	0.4	5.8
Cash outflow for investments in intangible and tangible fixed assets	-506.8	-463.2
Cash inflow (+)/outflow (-) for short-term loans against borrower´s notes/bonds	500.0	-425.0
Cash inflow from the disposal of financial assets	0.9	1.2
Cash outflow for investments in financial assets	-31.5	-454.9
Cash flow from investment activities	**-37.1**	**-1,336.0**
Cash inflow (+)/outflow (-) as a result of sale and repurchase of treasury shares	13.8	-279.8
Cash outflow in payments to company owners	-75.7	-170.7
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilites	-5.0	-9.5
Interest paid	-9.6	-26.6
Cash flow from financing activities	**-76.6**	**-486.6**
Cash and cash equivalents at the start of the period	592.1	2,138.8
Cash and cash equivalents referring to changes of the consolidated group	0.5	0.9
Gains and losses from changes in foreign exchange rates	0.8	-0.8
Payment-related changes in cash and cash equalities	1,063.2	-1,433.5
Cash and cash equivalents at the end of the period	**1,656.7**	**705.4**

V. Statement of Changes in Equity

in € million	Subscribed capital	Capital reserve	Purchase/ repurchase of treasury shares	Other retained earnings	Reserve from currency translation
As of December 31, 2007	161.6	295.3	-227.8	3,943.6	**-25.9**
First-time consolidation of affiliated companies hithero not consolidated due to materiality				5.8	0.8
Goodwill resulting from IFRS 3				-55.6	
Net income				0.8	3.1
Dividend					
Disposal of treasury shares			134.8	-134.8	
Repurchase of treasury shares			-279.8		
Group transfers to retained earnings				582.1	
Other				-0.8	
As of September 30, 2008	**161.6**	**295.3**	**-372.8**	**4,341.2**	**-22.0**
As of December 31, 2008	**161.6**	**184.2**	**-372.8**	**4,474.3**	**-27.1**
First-time consolidation of affiliated companies hithero not consolidated due to materiality				11.6	
Goodwill resulting from IFRS 3				-2.4	
Net income				0.2	-1.8
Dividend					
Disposal of treasury shares			15.5		
Repurchase of traesury shares			-2.2		
Group transfers to retained earnings				-234.0	
Other				-6.7	
As of September 30, 2009	**161.6**	**184.2**	**-359.4**	**4,243.0**	**-28.9**

Changes in the value of the reserve from hedging transactions	Changes in the value reserve from available for-sale assests	Other changes in equity with no effect on income	Unappropriated retained earnings	Equity (excluding minority interests)	Minority interests	Equity
8.8	**30.9**	**-179.8**	**189.7**	**4,196.5**	**49.4**	**4,245.9**
				6.7		6.7
				-55.6	-3.1	-58.7
-14.3	-24.8	18.1	686.1	669.1	2.9	672.0
			-170.7	-170.7		-170.7
				0.0		0.0
				-279.8		-279.8
			-582.1	0.0		0.0
				-0.8	-13.6	-14.4
-5.5	**6.0**	**-161.6**	**123.0**	**4,365.3**	**35.7**	**4,401.0**
-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**

Notes

Segment Reporting

in € million	Steel		Trading		Tubes	
	9M 2009	9M 2008	9M 2009	9M 2008	9M 2009	9M 2008
External sales	1,231.1	2,441.6	2,397.3	4,271.6	1,541.6	1,604.1
Sales to other segments	578.5	869.5	65.1	457.9	309.8	576.9
Sales to Group companies that cannot be allocated to an operating segment	1.1	117.5	8.4	53.1	0.4	0.4
Segment sales	1,810.7	3,428.6	2,470.8	4,782.6	1,851.9	2,181.4
Interest income (consolidated)	1.2	2.8	5.0	8.2	1.3	2.5
Interest income to other segments	0.0	0.0	0.0	0.0	0.0	0.0
Interest income to Group companies that cannot be allocated to an operating segment	0.2	1.9	0.0	0.4	0.0	1.2
Segment interest income	1.4	4.7	5.0	8.6	1.3	3.7
Interest expenses (consolidated)	8.3	9.3	6.4	11.4	5.2	6.1
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	36.8	23.0	14.3	12.9	10.0	10.5
Segment interest expenses	45.0	32.3	20.8	24.3	15.2	16.6
of which interest portion of allocations to pension provisions	6.7	6.4	2.7	2.5	4.2	4.0
Depreciation/amortization of tangible and intangible fixed assets	120.3	111.8	8.5	8.3	32.1	28.3
thereof scheduled depreciation of tangible fixed assets and amortization of intangible assets	120.3	111.8	8.5	8.3	32.1	28.3
EBITDA	-54.8	658.0	-63.9	252.5	171.8	275.1
EBIT	-175.1	546.2	-72.4	244.2	132.7	246.8
Earnings before tax (EBT)	-213.4	520.3	-90.5	222.5	121.7	234.1
of which from associated companies	3.2	3.2	0.0	0.0	-5.2	9.5
Investments in tangible and intangible fixed assets	416.2	325.5	10.0	11.8	38.4	65.0

Services		Technology		Total segments		Others/ Consolidation		Group	
9M 2009	9M 2008	9M 2009	9M 2008	9M 2009	9M 2008	9M 2009	9M 2008	9M 2009	9M 2008
224.7	428.5	531.6	787.0	5,926.4	9,532.8	33.9	105.9	5,960.3	9,638.7
307.6	602.0	0.2	0.0	1,261.1	2,506.3	115.7	326.3	1,376.8	2,832.6
4.4	5.6	0.2	0.0	14.5	176.6	0.0	0.0	14.5	176.6
536.7	1,036.1	532.0	787.0	7,202.0	12,215.7	149.6	432.2	7,351.7	12,647.9
0.4	0.7	1.6	2.7	9.6	16.9	14.6	92.3	24.2	109.2
0.0	0.0	0.0	0.0	0.0	0.0	65.0	51.0	65.0	51.0
9.2	9.9	0.1	0.4	9.6	13.8	0.0	0.0	9.6	13.8
9.6	10.6	1.8	3.1	19.2	30.7	79.6	143.3	98.8	174.0
10.6	10.4	7.7	10.0	38.2	47.2	42.3	67.1	80.4	114.3
0.0	0.0	0.0	0.0	0.0	0.0	10.6	13.8	10.6	13.8
1.9	1.8	1.1	2.8	64.1	51.0	0.0	0.0	64.1	51.0
12.5	12.2	8.8	12.8	102.3	98.2	52.8	80.9	155.1	179.1
10.0	9.5	6.0	5.8	29.6	28.2	37.2	37.0	66.8	65.2
16.5	15.3	23.2	19.5	200.5	183.2	22.0	1.3	222.5	184.5
16.5	15.3	23.2	19.5	200.5	183.2	1.4	1.3	202.0	184.5
17.3	43.7	-49.5	42.0	20.9	1,271.3	-39.0	-23.7	-18.1	1,247.6
0.8	28.4	-72.7	22.5	-186.7	1,088.0	-61.0	-25.0	-247.7	1,063.0
-1.7	25.6	-75.5	15.4	-259.4	1,017.9	-1.9	-4.0	-261.3	1,013.9
0.0	0.0	0.0	0.0	-2.0	12.8	34.7	0.0	32.7	12.8
15.2	25.2	25.8	31.7	505.6	459.2	0.1	0.6	505.7	459.8

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, 2009, 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, 2008, 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, 2009.
3. For the first time, the following companies have been consolidated fully or on a pro-rata basis:
   - Salzgitter Hydroforming GmbH & Co. KG, Crimmitschau
   - Salzgitter Mannesmann Stahlhandel s.r.o., Prague (Czech Republic)
   - Berg Spiral Pipe Corporation, Wilmington (USA)

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 € -4.33 in the period under review.

Dilution of the earnings per share occurs if the average number of shares is increased by the addition of potential shares issued on the basis of the option and conversion rights. There were no such options and conversion rights outstanding as of September 30, 2009. Diluted earnings per share therefore **equaled undiluted earnings per share** and amounted to € -4.33

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. - 30.09.2009	1.1. - 30.09.2009	9/30/2009	9/30/2009
Thyssen Krupp GfT Bautechnik GmbH, Essen	8,533	0	31,601	0
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	896	162,068	8,239	29,448

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.

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

Salzgitter, November 2009
The Executive Board of Salzgitter AG

Prof. Dr.-Ing. E. h. Wolfgang Leese   Prof. Dr.-Ing. Heinz Jörg Fuhrmann   Wolfgang Eging

Hans Fischer   Heinz Groschke   Peter-Jürgen Schneider

Financial calendar 2010

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

Legal disclaimer

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

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