Interim Report | 1st Half 2009




SALZGITTER AG
Stahl und Technologie

Salzgitter Group in Figures

		H1 2009	H1 2008
Crude steel production[1]	**kt**	**2,043.4**	**3,552.8**
External sales	**€ million**	**4,125.7**	**6,233.4**
Steel Division	€ million	799.9	1,611.0
Trading Division	€ million	1,683.7	2,656.4
Tubes Division	€ million	1,107.9	1,077.0
Services Division	€ million	146.4	284.9
Technology Division	€ million	367.5	523.4
Others	€ million	20.5	80.7
Export share	%	52.6	51.2
EBITDA[2]	**€ million**	**-26.3**	**799.9**
EBIT[3]	**€ million**	**-185.4**	**676.1**
Earnings before tax (EBT)	**€ million**	**-195.2**	**646.4**
Steel Division	€ million	-190.2	345.1
Trading Division	€ million	-57.7	140.7
Tubes Division	€ million	96.0	152.1
Services Division	€ million	-5.4	16.8
Technology Division	€ million	-43.7	12.2
Others/Consolidation	€ million	5.8	-20.5
Earnings after tax	**€ million**	**-165.0**	**436.9**
Earnings per share (undiluted)	**€**	**-3.07**	**7.64**
ROCE[4] [5]	**%**	**-8.1**	**25.9**
Operating cash flow	**€ million**	**811.6**	**458.4**
Capital expenditure[6]	**€ million**	**311.5**	**283.8**
Depreciation and amortization[6]	**€ million**	**152.1**	**123.8**
Balance sheet total	**€ million**	**8,005.0**	**9,197.5**
Fixed assets	**€ million**	**3,135.1**	**2,477.2**
Current assets	**€ million**	**4,869.9**	**6,720.3**
of which inventories	€ million	1,768.1	2,218.5
of which cash and cash equivalents	€ million	1,481.8	1,633.7
Equity	**€ million**	**4,115.4**	**4,489.3**
Liabilities	**€ million**	**3,889.6**	**4,708.2**
Non-current liabilities	€ million	2,328.6	2,366.7
Current liabilities	€ million	1,561.0	2,341.5
of which due to banks	€ million	98.7	149.4
Net position to banks	**€ million**	**1,415.6**	**1,938.8**
Employees	**€ million**		
Personnel expenses	€ million	682.4	736.0
Core workforce	30/06/	23,920	24,044
Total workforce	30/06/	25,595	25,606

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 emerges from the trough in the second quarter of 2009

In accordance with expectations, the **Salzgitter Group** was exposed to considerable pressure from the impact of the global financial and economic crisis in the first half of the financial year 2009. This was reflected above all in the results of the Steel, Trading and Technology divisions. While the positive contributions made by the tubes product segments, the Aurubis AG holding, and extensive funds invested had a stabilizing counter-effect, they were unable to compensate for the negative influences of the economic environment.

The **Group's external sales** contracted in almost all product segments, by 34 %, owing to significant declines in shipments and selling prices. In the first half-year, the Salzgitter Group recorded a **pre-tax loss**. This result has absorbed significant accounting measures mainly in the Steel Division relating to adjustments to the value of inventories, along with other measures carried out in the 2008 financial statements, to ensure that the Group remains free from hidden inventory valuations burdens. The 23 % holding in the leading European copper producer Aurubis AG, a company consolidated at equity, contributed very satisfactory after-tax earnings of € 32.7 million. The consolidated after-tax result was negative.

In the first six months of 2009, the global recession had its strongest impact on the companies of the **Steel Division**. Capacity utilization in the Salzgitter and Peine mills, for instance, fell partly to around 50 % of capacity. The exorbitant plummeting of prices across all product groups, which only came to a halt in the summer, served to exacerbate the situation further. The falling price of raw materials was unable to ease the pressure on the half-yearly result attributable to initially higher levels of inventories bought at last year's prices. Moreover, inventories held at the end of June were valued to insure that all significant down-valuation risks in the Steel division likely have been be accounted for. Including this burden, a pre-tax loss was recorded.

The challenging business situation has also hampered all activities in the **Trading Division**. The weak demand of many steel processors, compounded by huge destocking in the stockholding steel trade and the downturn in trading volume due to market conditions, caused external sales to decrease. The pre-tax result was also negative.

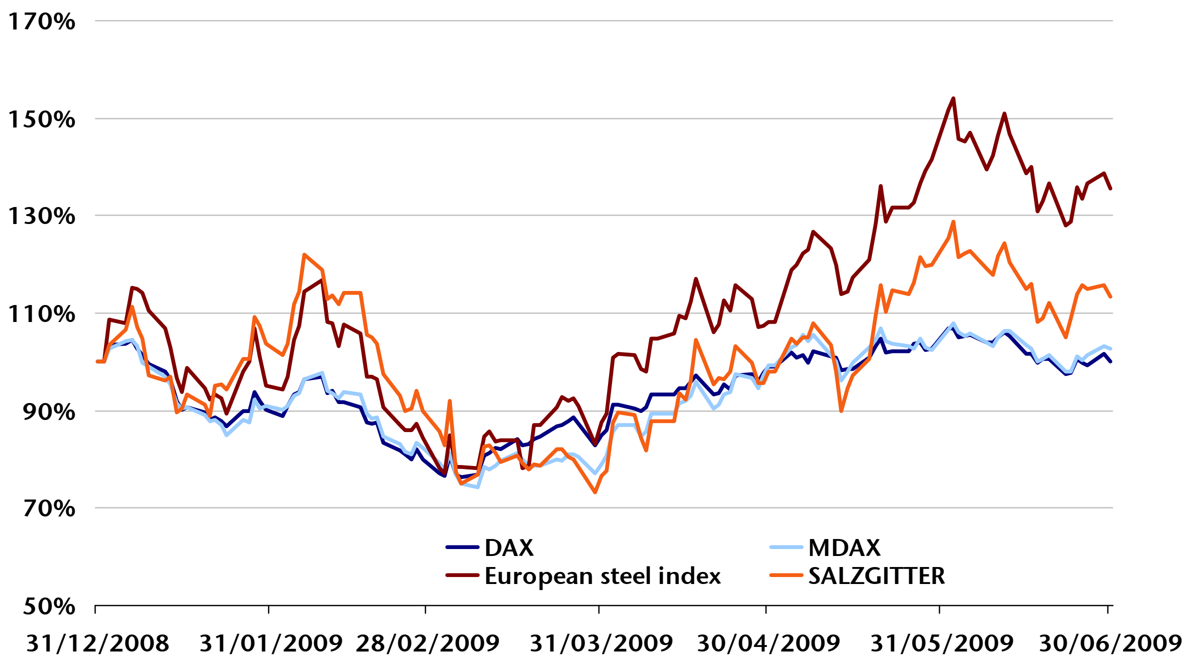
The **Tubes Division** delivered a distinct positive highlight thanks to the comparatively sound situation in the large-diameter pipes, HFI-welded tubes and stainless steel tubes product segments. External sales improved despite the unsatisfactory capacity utilization situation of the precision tubes companies. The division presented a most satisfactory result.

Reflecting the reduced level of production in the steel and rolling mills, the demand for raw materials and products of **Services Division** decreased.

The difficult situation in the international mechanical engineering sector was reflected in the sales and earnings figures of the **Technology Division**. External sales recorded a decline. As a consequence of capacity under-utilization in most of the plants, a downtrend in margins in the plant engineering business and risk provisioning for old orders resulted in a pre-tax loss.

Guidance: As yet there are no signs of a strong and sustained turnaround in the steel market, as any distinct recovery tendencies in order intake and selling prices so far have only been discernable for a few product groups. The Salzgitter Group therefore anticipates a pre-tax loss in the second half-year as well which, however, is unlikely to be as high as that of the reporting period ended. In our opinion it is conceivable that more or less breakeven in monthly results may be achieved towards the end of the year.

Capital market and the performance of the Salzgitter stock



Sources: Xetra closing prices DBAG, Datastream STEELEU

In the first half-year 2009, the **global stock markets** were characterized by great uncertainty as to future economic developments, which was primarily reflected in pronounced volatility. Whereas pessimistic trends prevailed up until March, subsequent months saw an uptrend which not only anticipated the first reports of recovery from the goods sector but also clearly exaggerated the hesitant return of a number of sectors to normal levels in the second quarter. June was characterized by profit taking and reactions to the slew of negative economic news. Seen overall, the change on the DAX as against quotations at year-end 2008 was insignificant, as opposed to the MDAX which rose 3 %.

The **Salzgitter share** was particularly strongly impacted by the various stock market trends owing to the underlying cyclical sensitivity attributed to it. Starting from the 2008 year-end closing price (€ 55.00), our share initially tracked the DAX. The first market recovery in February had a stronger impact on the Salzgitter share than on the overall market. Modest news on the economy and a first outlook for the financial year 2009, which some market participants had evidently assumed to be more positive, caused our share to fall again to mirror developments on the DAX. Over much of the second quarter, however, persistent waves of buying resulted in renewed outperformance, and our share peaked at € 71.62 on June 2. Despite subsequent profit taking in June, the Salzgitter share, which closed the reporting period on June 30 at € 62.42, achieved an overall performance of more than 13 % and, taking account of the dividend deduction following the Annual Meeting of Shareholders on May 27, of around 16 %.

The **average daily turnover** of our share on German stock exchanges, which came to approximately 790,000 units in the first half-year of 2009, was nearly 20 % higher than the figure posted in the first six months of 2008. Measured by this criterion, Salzgitter AG took 25th place in the index ranking of Deutsche Börse AG on June 30, 2009. Free float market capitalization stood at € 2.4 billion as per the reporting date, which corresponds to rank 29 in the DAX, as before.

Investor Relations

As part of its **capital communications work** in the first six months of 2009, Salzgitter AG presented itself at a number of investor conferences and road shows in New York, London and Frankfurt. Moreover, analysts and investors visited our headquarters in Salzgitter. The results of the first quarter of 2009 were discussed at a very well received telephone conference in mid-May. In June the investor relations work of Salzgitter AG took the fourth place in the DAX 30 as part of the Capital Investor Relations Prize 2009 of Capital magazine and the DVFA. Moreover, sell-side analysts voted our capital market communication into third place for Germany in this year's ranking of the Institutional Investor Magazine as well as top of the league in the Metals and Mining sector.

In our recently conducted analyst survey the Salzgitter share was assessed by 28 banks, which gave it the following **ratings** (as per June 30, 2009): 11 buy/outperform, 7 hold/market perform, 10 sell/underperform.

Treasury Shares

Salzgitter AG’s **portfolio of treasury shares** came to 6,009,665 as per June 30, 2009. As against December 31, 2008 (6,009,684 units), there was a decrease of 19 units. These shares were received by members of the workforce as a bonus for improvement suggestions.

Information for investors

		H1 2009	H1 2008
Nominal capital as of 30/06/	€ million	161.6	161.6
Number of shares as of 30/06/	million	60.1	63.2
Number of shares outstanding as of 30/06/	million	54.1	56.9
Market capitalization as of 30/06/[1)2)]	€ million	3,376	6,623
Price as of 30/06/[1)]	**€**	**62.42**	**116.40**
High 01/01/ - 30/06/[1)]	€	71.62	143.88
Low 01/01/ - 30/06/[1)]	€	40.22	80.51
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

After **global economic output** contracted severely due to the global financial and economic crisis during the first months of the current year, a persistent recessionary trend was also evident in the second quarter. The slump in industrial nations was caused primarily by the drastic decline in investment activities and exports which shrank at double-digit rates. The economic situation in many emerging markets, such as Russia, for instance, was partly dramatic. By contrast, the economies of India and of China in particular proved to be relatively robust not least owing to extensive stimulus packages launched by their respective governments. The news of the last few weeks of the reporting period strengthened the assumption that the global economic crisis may have bottomed out. The impact of the huge blow to confidence dealt by the insolvency of the US bank Lehman gradually lost its bite across the globe. Both the sentiment barometer and the provisional economic indicators of a number of different countries have brightened. For instance, new orders registered in the USA have stabilized and construction activities have ceased to shrink. Japanese exports and the country's private consumption have also started to grow again. It is, however, not possible to predict how sustainable these developments will be, particularly after expiry of the international stabilization measures which are due to end next year. The International Monetary Fund (IMF) corrected its global economic growth forecast for 2009 as a whole to -1.4 % on July 8.

The improvement of key sentiment indicators in the **euro zone** is based on the expectation of the recession potentially having reached its trough by mid-year. The downtrend of the gross domestic product (GDP) had continued unabated up until this point in time. Sharp economic slowdown was recorded in the Eastern European countries in particular. By contrast, countries such as Germany, France, Spain or Italy suffered less drastic distortions, following on from weaker growth. From the second half of the year on, extensive economic stimulus packages are expected to take effect, and the foreseeable end to destocking could trigger a rise in the production level. Whether this will induce a sustained upswing remains to be seen. ZEW is currently predicting a GDP decline of 4.1 % for the year as a whole in the euro zone.

The recessionary trends persisted after the first three months when **Germany's** economy developed more negatively than originally predicted by experts. The strong dependency of German companies on exports had a particularly dampening effect in view of the fact that exports declined by 9.7 %. Demand for industrial goods slumped, as many companies adjusted their investment activities to the economic situation. Consumers' steady propensity to spend proved a mainstay of the economy, along with the scrapping premium and the imminent increase in pensions. Generally speaking, the number of experts who believe that the macroeconomic situation may have stabilized in Germany has recently been on the rise. The IMF is currently anticipating a decline of 5.6 % in GDP for the year as whole.

Interim Management Report

Earnings situation within the Group

		H1 2009	H1 2008
Crude steel production[1]	kt	2,043.4	3,552.8
External sales	**€ million**	**4,125.7**	**6,233.4**
EBITDA[2]	€ million	-26.3	799.9
EBIT[2]	€ million	-185.4	676.1
Earnings before tax (EBT)	**€ million**	**-195.2**	**646.4**
Earnings after tax	**€ million**	**-165.0**	**436.9**
ROCE[3) 4)]	**%**	**-8.1**	**25.9**
Capital expenditures[5]	€ million	311.5	283.8
Depreciation and amortization[5]	€ million	152.1	123.8
Operating cash flow	€ million	811.6	458.4
Net position to banks[6]	**€ million**	**1,415.6**	**1,938.8**
Equity ratio	%	51.4	48.8

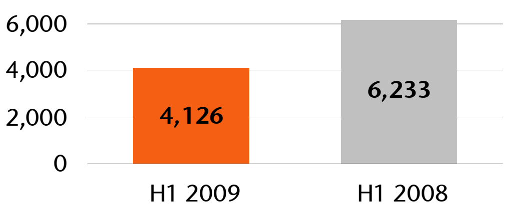
[1] In regard of the participation in Hüttenwerke Krupp Mannesmann
[2] EBIT = EBT plus interest paid (excluding interest element in allocations to pension provisions); EBITDA = EBIT plus depreciation and amortization
[3] EBIT in relation to the total of shareholders' equity (without calculation of accrued 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

In accordance with expectations, the **Salzgitter Group** was exposed to considerable pressure from the impact of the global financial and economic crisis in the first half of the financial year 2009. This was reflected above all in the results of the Steel, Trading and Technology divisions. While the positive contributions made by the tubes product segments, the Aurubis AG holding, and extensive funds invested had a stabilizing counter-effect, they were unable to compensate for the negative influences of the economic environment.

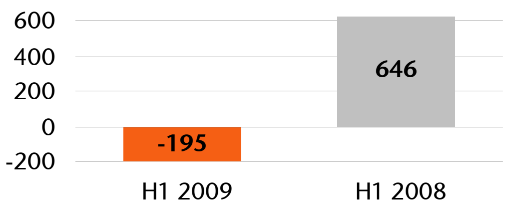
The **Group's external sales** contracted in almost all product segments, by 34 % to € 4,125.7 million (first half year of 2008: € 6,233.4 million), owing to significant declines in shipments and selling prices.

In the first half-year, the **Salzgitter Group** recorded a pre-tax loss of € 195.2 million (first half of 2008: € +646.4 million). This result has absorbed significant accounting measures mainly in the Steel Division relating to adjustments to the value of inventories, along with other measures carried out in the 2008 financial statements, to ensure that the Group remains free from hidden inventory valuations burdens.
The 23 % holding in the leading European copper producer Aurubis AG, a company consolidated at equity, contributed very satisfactory after-tax earnings of € 32.7 million. The consolidated **after-tax result** came to € -165.0 million (first half of 2008: € +436.9 million), which brings **earnings per share** to € -3.07. Return on capital employed **(ROCE)** from industrial business stood at -12.9 % (first half of 2008: +36.8 %); including around € 1.5 billion in cash and cash equivalents it came to -8.1 % (first half of 2008: +25.9 %).

Group-External Sales (in € million)



Group-EBT (in € million)



Steel Division

		H1 2009	H1 2008
Order bookings	kt	1,768.9	3,152.0
Order backlog as of 30/06/	kt	565.9	1,105.5
Crude steel production	kt	1,670.5	2,740.4
LD steel (SZFG)	kt	1,383.1	2,208.7
Electric steel (PTG)	kt	287.4	531.7
Rolled steel production	kt	1,618.8	2,865.1
Shipments	kt	1,715.2	3,028.4
Sales[1)]	**€ million**	**1,206.3**	**2,281.2**
External sales	**€ million**	**799.9**	**1,611.0**
Earnings before tax (EBT)	**€ million**	**-190.2**	**345.1**

[1)] Incl. sales to other corporate divisions

Following an already very weak closing quarter in 2008, **global steel production** was scaled back further in the first two quarters of the year, with disparate developments in the various regions. Counter to the general trend, China, for instance, raised its crude steel production by 6 %, and June even marked a new production record (49.4 million tons) that was almost equivalent to half the world's steel production in that month (99.8 million tons). All in all, the global production of crude steel in the first half of 2009 fell by 21.3 % to 549 million tons, which corresponds approximately to the 2004 level. Towards the end of the reporting period there were the first indications that the situation is starting to normalize.

Market supply, defined as the sum total of domestic production plus imports, contracted by around 45 % in the **European Union** in the period from January to April as compared with the previous year's period. By June, for example, the production of the key product of hot-rolled strip came to only 52 % of the year-earlier figure. Recently there have been signs of recovery on this front, with the result that accumulated new orders received in the period fell 28 % below the order volume recorded in the first six months of 2008. The level of orders has stabilized at a correspondingly low level. The dramatic slide in market prices only came to a halt towards the end of the period under review. A number of European steel manufacturers, including Salzgitter Flachstahl GmbH, announced their intention of raising prices as per July 1, 2009.

New orders received by **German manufacturers** mirrored the trend in the European Union in line with expectations. Due to Germany's strong dependency on exports, orders for flat steel products, down -65 %, were even below the EU average (-54 %). The process of inventories returning to normal levels in the steel trade and the brisk interest in the government’s scrap premium for old vehicles led to higher order intake from May onwards, which resulted in producer order books stabilizing at a low level. German steel works manufactured 13.8 million tons in the reporting period, which is 43.5 % less crude steel than in the previous year's period.

As the gap between visible steel consumption and actual demand appears to close in the **second half of the year** a modest improvement can be expected in the situation. A firm trend reversal, let alone a recovery in economic conditions in the steel industry to the level of the year 2008, cannot be realistically expected from today's standpoint. The outlook on demand for steel remains lackluster. With a look to the second half of the year, Eurofer, for instance, anticipates a decline in market supply both in Germany and throughout the entire EU of around 30 % in a year-on-year comparison.

The heterogeneous development of the steel markets recorded over the period under review, with a slight increase in China’s production of crude steel and the dramatic slump in Europe, the USA and Russia, has had a decisive influence on **international procurement markets**. Negotiations on the global market price of iron ore conducted by the key producers Vale, BHP Billiton and Rio Tinto with their major customers on the part of the steel industry has 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.

The development on the global **coking coal market** was characterized by a sharp downturn in demand in the first few months of 2009, which triggered a considerable correction of this year's benchmark prices. Following the explosion in prices to 300 USD/t FOB for the Australian lead price grades in 2008, the market leader BHP Billiton and the Japanese steel company Nippon Steel agreed a new benchmark price of 128 USD/t FOB (-57 %). This development has been affirmed by the conclusion of further negotiations in recent weeks and is now deemed as implemented in the market.

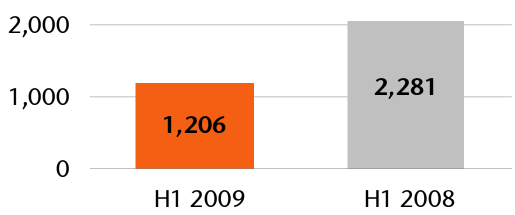
After recovering slightly in the first quarter of 2009, the upturn in the **sea freight market** persisted in the second quarter, driven mainly by China with its brisker iron ore and coking coal imports.

The discernible decline in the orders of the German steel and foundry industry, coupled with the ensuing lower volume of orders, put pressure on **steel scrap** prices, depending on type and region, by up to €/t 75 in comparison with December 2008. With demand running at a low level, there was no volume or price-induced stimulus in neighboring markets either. Despite the poor market environment steel scrap is scarce as the availability of new scrap has declined significantly in the wake of curbed steel processing. Therefore, only increases in demand swiftly resulted in cyclical price fluctuations.

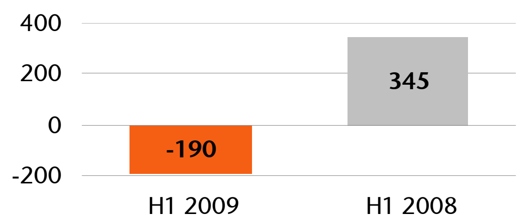
In the first half-year of 2009, the development of **metals and alloys** in the market was very disparate, depending on the individual groups of materials. Whereas the price of alloys continued to slide, prices of listed metals such as zinc, nickel, copper and aluminum were very volatile and have been trending up since April. The reasons underlying this development are likely to be purchasing by China's state-owned Reserve Office as well as speculative stocking up on raw materials.

Against this backdrop, the **Steel Division** developed as follows: Both order intake (-44 %) and the order backlog (-49 %) fell markedly short of the year-earlier figures. The production of crude steel by Salzgitter Flachstahl GmbH (SZFG) and Peiner Träger GmbH (PTG) came to only 61 % of volume achieved in the previous year's period due to the temporary shutting down of Blast Furnace C and the lower level of capacity utilization in other production facilities. Lack of demand also pushed shipment volumes notably below levels recorded the previous year's period. Segment and external sales, additionally pressured by price-induced effects, fell way short of the figures generated in the first six months of 2008 as well. The pre-tax result came in at € -190.2 million (first half-year of 2008: € +345.1 million). Alongside the division's operating loss, this result includes noticeable financial adjustments on raw materials and semi-finished product inventories from the first quarter of 2009 which reflect the falling cost of raw materials and the development of selling prices in the spot market.

Steel-Sales (in € million)



Steel-EBT (in € million)



The extremely unsatisfactory capacity utilization situation at **Salzgitter Flachstahl GmbH (SZFG)** has necessitated drastic adjustments to operating production facilities. For instance, Blast Furnace C was shut down from March 25, 2009, onwards, and reduced working hours, introduced in parts of the company back in January, were extended to cover almost all segments. The gradual recovery in demand that set in midway through the second quarter enabled the rolled steel production to be raised in comparison with the first three months, but tonnage was nonetheless significantly lower year on year. The abrupt slump in the demand for flat steel products led to SZFG's worst half-yearly shipment result since the founding of the company. Both order intake and the order book level were substantially lower than in the first six months of previous year. As a large part of the price increases were implemented only after mid-year in 2008, average selling prices nonetheless attained a level of the year-earlier period despite the ongoing price declines. Poor sales and capacity utilization caused sales to plummet and resulted a considerable pre-tax loss at SZFG. Against the background of a recovery in order intake that began to firm up from June onwards, the scope of reduced working hours was diminished in July and then lifted completely in August.

The deterioration in the heavy plate market that accelerated halfway through the reporting period had a significant impact on the performance of **Ilsenburger Grobblech GmbH (ILG)**. Trade and end-consumer demand was extremely weak at the start of the second quarter, caused mainly by the necessary paring down of inventories alongside the low level of processors' order books. ILG's rolled steel production was adjusted accordingly. Despite orders picking up from May onwards, order intake declined by around a third as against the previous year's period, and orders in hand fell to a correspondingly low level. The concurrent drastic downturn in selling prices, in conjunction with lower sales volumes, pressured sales that fell considerably below the previous year's level. Reduced input material costs nonetheless enabled the company to deliver comparatively satisfactory positive results against this backdrop. Reduced working hours, a measure meanwhile implemented, were lifted again in June.

Peiner Träger GmbH (PTG) operated in a harsh market environment during the whole of the reporting period. Aside from weak end consumer demand, stock holding steel traders scale back inventories put a burden on activities. Although order intake recovered in the second quarter in the wake of measures to reduce inventories, which had reached an advanced stage, and intra-company upfront ordering effects, it still remains way below the figure posted in the previous year's period. Orders in hand dropped to an extremely low level. Production (crude steel -46 %) and shipment volumes slipped far below the year-earlier figures, thus reflecting slack demand. Alongside shutdowns, the rolling of smaller batches had a detrimental effect on the capacity utilization of facilities. The huge decline in shipment volumes and the lower level of average selling prices caused sales to fall sharply. The result was commensurately negative.

Given the slump in demand for sheet piling which fell to below a third of that of the previous year, the shipment volume of **HSP Hoesch Spundwand und Profil GmbH (HSP)** continued to decline in the reporting period. The associated unsatisfactory capacity utilization ensuing from this development, the lower level of sales, and the cost of investment measures led to a negative half-yearly result.

Salzgitter Bauelemente GmbH (SZBE) had to content with the strong reluctance of its customers to place orders, and the awarding of projects for industrial production came to a virtual standstill. The marginally positive result is mainly due to non-recurring effects. Weak international markets caused vehicle production to fall below the previous year's figures, which was reflected in the decline in shipments and sales at **Salzgitter Europlatinen GmbH (SZEP).** In comparison with the first six months of 2008, the result was significantly lower but still marginally positive.

Trading Division

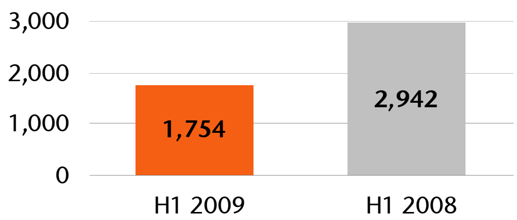
		H1 2009	H1 2008
Shipments	kt	2,217.1	3,331.2
Sales[1)]	**€ million**	**1,754.1**	**2,941.7**
External Sales	**€ million**	**1,683.7**	**2,656.4**
Earnings before tax (EBT)	**€ million**	**-57.7**	**140.7**

[2)] Incl. sales to other corporate divisions

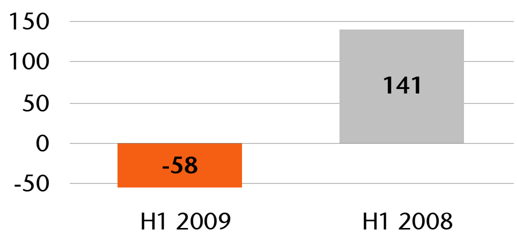
The difficult macro-economic conditions had a severe impact on international **steel trading** in the period under review. Along with low capacity utilization in the steel processing customer sectors, the reduction of inventory and the associated price declines exacerbated the situation further. This impact of trend was felt by both European stockholding steel trade and by international trading. The slowdown was particularly evident in industrialized nations with a high level of steel consumption and a high proportion of exports, although developing countries and emerging markets were also affected. Similarly, weak demand for steel products in China at the start of the year had a negative effect on global trading. The economy of the Middle East deteriorated as well, as the oil price trend had a detrimental impact on the income of countries in this region. The Indian and African steel markets proved to be comparatively robust.

The economic environment naturally placed a burden on the activities of the **Trading Division** in the first half of 2009, with European stockholding steel traders more strongly affected than the international trading business. The rapid downturn in selling prices, accompanied by the still high purchasing price of inventories, in conjunction with the slump in demand, resulted in a considerable decline in shipments, segment sales as well as external sales, and caused a pre-tax loss.

Trading-Sales (in € million)



Trading-EBT (in € million)



Salzgitter Mannesmann Handel Group (SMHD Group) delivered a negative result in the reporting period. Declining shipment volumes, compounded by the low selling price level seen over the whole of the first half-year, led to a significant downturn in sales as against the previous year's period. Despite cost-cutting measures, the sharp downtrend in selling prices had a negative impact on the earnings situation, especially in the case of the large stockholding steel companies. The comparatively healthy trading business was far removed from being able to compensate the decline in stockholding business.

The shipment situation of SMHD Group's **stockholding steel trading** became increasingly strained in the first half-year of 2009. Mechanical engineering and construction were still the main customer groups and economic conditions prevailing in these sectors are reflected in the figures of all European stockholding companies. Consequently, shipments and sales were in decline. Moreover, inventories still purchased partly under other business conditions placed pressure on gross earnings, which resulted in a negative pre-tax figure. At the start of the year, the Czech company Salzgitter Mannesmann Stahlhandel s.r.o., Prague (SMCZ) was integrated into the group of consolidated companies.

The SMHD Group's **international trading** recorded an overall downtrend in shipments and sales in the wake of slacker global demand and difficulties customers experienced in obtaining financing. Comfortable specific gross earnings were therefore unable to compensate for the effect of the decline in shipments; profit before tax was lower than in the previous year's period. The Canadian company was the only exception, which raised volumes and sales on the back of a high level of surplus orders left over from the year 2008.

Universal Eisen und Stahl GmbH (UES) suffered from weakness in the heavy plate market where the situation deteriorated further in the second quarter. In their efforts to generate cash and to reduce overvalued inventories many market participants reduced their prices in part dramatically. In expectation of the market declining further and in view of their own falling capacity utilization, consumers were not encouraged by this measure to make additional purchases but rather to continue reducing their own inventory levels. Consequently, UES's shipment tonnage suffered a notable decline, which affected both the trading and the prefabrication business. The erosion of selling prices not only caused sales to fall against the first six months of 2008 but, in conjunction with inventories purchased at prices formerly prevailing in the market, led to a negative pre-tax result.

The huge slide in demand in all customer sectors placed a burden on the business activities of the Steel Service Centre **Hövelmann & Lueg (HLG)** in the first half of 2009, with the segments associated with automotive manufacturing being particularly severely impacted. Sales and shipments fell notably, and the pre-tax result was negative.

Tubes Division

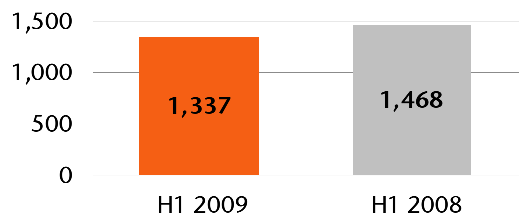
		H1 2009	H1 2008
Order bookings	€ million	618.8	1,110.3
Order backlog as of 30/06/	€ million	1,249.3	2,191.1
Sales[1)]	**€ million**	**1,336.6**	**1,468.3**
External sales	**€ million**	**1,107.9**	**1,077.0**
Earnings before tax (EBT)	**€ million**	**96.0**	**152.1**

1) Incl. sales to other corporate divisions

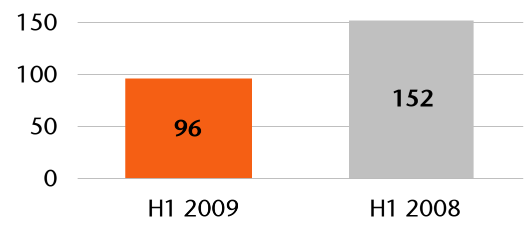
Over the course of the first half-year, the steel tubes industry was increasingly exposed to the impact of the global financial and economic crisis, although the economic consequences varied depending on the product segment. Whereas deliveries to the automotive industry went into sharp decline as early as the start of the year, products required in the infrastructure and capital goods industries, such as large-diameter pipes and boiler tubes, initially benefited from healthy order book levels. All in all, steel tubes production in most countries had already contracted sharply by the end of the first three months of the year, except for China that was still posting growth rates. Supported by the manufacturing of large-diameter pipes that remained at healthy levels, the decline in German steel tube production (-13 %) was relatively moderate in the first quarter. The second quarter saw a slight improvement in respect of automotive products on the back of sales promotion measures enacted by the government. In contrast, deliveries to the mechanical engineering sector dwindled to a virtual halt, as the backlog of orders had meanwhile been processed. Excessively reticent overall demand eroded orders in hand, and new orders placed since the start of the year do not allow for any significant upturn in production in the months ahead.

The persistent weakness of the steel tubes market was reflected in the declining order bookings of the **Tubes Division** in the first half-year across all product segments. New orders dropped 44 % as against the previous year's period. The consolidated order backlog of the division had also fallen notably below the level of the previous year's period (-43 %) by the end of June 2009. The appreciably lower volume of precision tube sales caused the segment shipments to fall short of the tonnage recorded in the first six months of 2008. Larger volumes of HFI-welded pipes compensated for the lower level of shipments of large-diameter pipes and stainless steel tubes. On the back of steady and stable selling prices, segment sales were only slightly below the previous year's level despite the declining shipment tonnage. External sales even rose slightly. Also in the second quarter, the companies of the Tubes Division generated a very satisfactory pre-tax profit, and earnings before tax in the first half of 2009 came to a gratifyingly positive amount of € 96.0 million. The excellent result of the previous year's period was, however, not repeated as the precision tubes segment sustained a pre-tax loss due to weakness in the market. HFI-welded pipes even succeeded in raising profit from the delivery of high-margin project volumes.

Tubes-Sales (in € million)



Tubes-EBT (in € million)



The individual product segments performed as follows: The global economic downswing initially had little impact on the **large-diameter pipes** segment owing to the healthy level of orders. There are nonetheless signs of a slowdown in this segment, accompanied by increasing price and competitive pressure. The order intake of the Europipe Group fell below the year-earlier level in the first six months of 2009 despite orders taken for two major projects by a US subsidiary. Salzgitter Mannesmann Großrohr GmbH (MGR) recorded only around a third of the previous year's volume. Shipments in large-diameter pipes achieved the level seen in the first six months of 2008, boosted by the healthy order book at the start of the year, and sales even slightly exceeded the previous year's figure. Higher input material costs were the main reason why the exceptionally good year-earlier result was not achieved.

A persistently poor economic environment resulted in new orders for **HFI-welded pipes** falling below the above-average figure of the previous year. The oilfield tubes business came to a standstill, especially in the USA as the main market. The order book fell to its lowest level at the end of July due to larger project volumes having been delivered. Two divergent trends emerged in production over the first six months of 2009: Whereas capacity utilization in the initial months of the year received positive stimulus from projects completed, the lack of fresh orders meant that capacity remained unused with the result that reduced working hours were implemented in the two locations in May and June. Shipments, sales and pre-tax profit were discernibly more positive thanks to the good selling price level of orders delivered as against the year-earlier period.

The **precision tube segment** felt the effects of huge production cuts by the automotive and supply industry already at the start of the year. Over the course of the year, lackluster demand for tubes in the industry and energy sector exacerbated the situation, which had a notable impact on the order intake and order book level of the Salzgitter Mannesmann Precision Group in the first half year. The lack of orders was reflected in correspondingly low capacity utilization in the mills as well as weak shipment and sales figures. The pre-tax result of the precision tubes segment was clearly negative in a year-on-year comparison.

The order intake of seamless **stainless steel tubes** was severely impacted by the consequences of the global recession. Although two major orders of boiler tubes for the Chinese market were acquired, orders booked fell to historically low levels. The same applied to the order backlog which more than halved in comparison with June 30, 2008. Shipment volumes have remained at a satisfactory level over the course of the year to date, but the extremely high figures achieved in the previous year were not repeated. Along with lower volumes, the price declines in alloy components were also responsible for sales figures falling short of those achieved in the first six months of 2008. Lower input material costs resulted in a very positive pre-tax result, which was nonetheless below the outstanding year-earlier result.

Services Division

		H1 2009	H1 2008
Sales[1)]	**€ million**	**340.9**	**678.1**
External sales	**€ million**	**146.4**	**284.9**
Earnings before tax (EBT)	**€ million**	**-5.4**	**16.8**

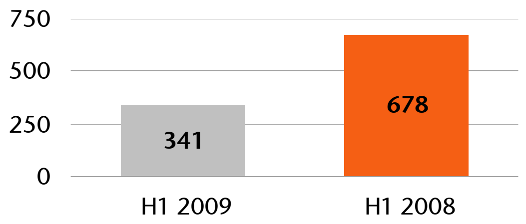
[1)] Incl. sales to other corporate divisions

The **Services Division** was affected by the slowdown in demand from internal and external customers caused by the restricted scope of activities, especially in the case of the steel companies.

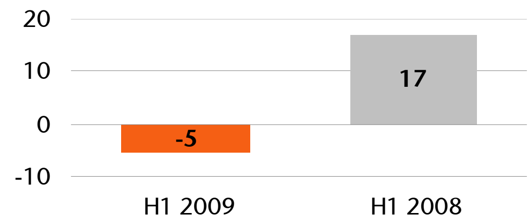
Segment sales therefore halved in the first six months of the year and came in at € 340.9 million. The raw materials trading company **DEUMU Deutsche Erz- und Metall-Union GmbH (DMU)** suffered the sharpest decline in sales which was attributable to the drastic fall in the price of steel scrap, coupled with extremely low order volumes resulting from the huge cuts in steel production. Moreover, **Hansaport Hafenbetriebsgesellschaft mbH (HAN)** and **Verkehrsbetriebe Peine-Salzgitter GmbH (VPS)** were affected by the low volume of goods and products requiring transport.

GESIS Gesellschaft für Informationssysteme mbH (GES) was able to hold its ground against the trend and contributed pleasantly to the segment sales. External sales of the Services Division decreased by 48.6 % to now € 146.4 million. **Salzgitter Hydroforming GmbH & Co. KG (SZHF)** was included in the list of consolidated companies of the Salzgitter Group for the first time this year.

Services-Sales (in € million)



Services-EBT (in € million)



The segment recorded a marginally negative **pre-tax result** (€ -5.4 million) in the reporting period. DMU, VPS, HAN and SZST whose business activities are closely linked with the volume of steel produced, fell, in part, far short of the good figures posted in the year-earlier period. Other companies, such as Telcat-Group, GES and SZHF made positive contributions to the segment result.

Technology Division

		H1 2009	H1 2008
Order bookings	€ million	332.2	477.5
Order backlog as of 30/06/	€ million	256.8	407.6
Total Sales[1)]	**€ million**	**367.7**	**523.4**
External sales	**€ million**	**367.5**	**523.4**
Earnings before tax (EBT)	**€ million**	**-43.7**	**12.2**

[1)] Incl. sales to other corporate divisions

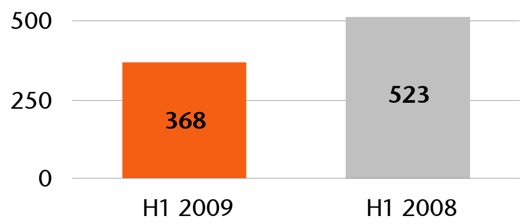
German mechanical engineering is one of the industries hit hardest by the global economic downswing. In recent months order intake has slumped and fell 46 % below the previous year's figure in the period under review. Whereas capacity utilization ran consistently above 90 % in the years 2006 to 2008, it reached a historical low at around 69 % in July. Up until now, mechanical engineering has been able to partially cushion the decline in new orders with orders from preceding periods and avoid extensive personnel cutbacks. However, the German Machinery and Plant Manufacturing Association (VDMA) now anticipates the loss of up to 60,000 jobs in 2009. VDMA currently assumes that the sector has reached the trough and that, at minimum, the massive downturns in order intake seen in recent months have now come to a halt.

The companies of the **Technology Division** operate first and foremost in mechanical engineering and plant construction. The business is dominated by the **KHS Group's** filling and packaging technology that accounts for more than 90 % of its revenues. Order intake, which is almost a third lower than in the first six months of 2008, and the correspondingly low level of orders in the segment is first and foremost an indication of the reluctance of large manufacturers of consumer goods in the beverages industry to invest.

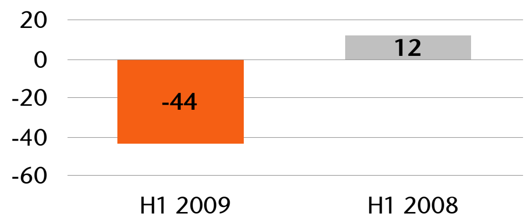
To counteract poor capacity utilization, the KHS Group and Klöckner DESMA Elastomertechnik GmbH (KDE) introduced reduced working hours in March 2009. Adjusting to reduced capacity utilization is to accelerate across the whole Technology segment from the third quarter onwards, and planned investments have been postponed. Alongside these measures with their short-term impact, the steps already initiated to develop the company have been persistently pursued in order to again generate growth in the coming years. Measures include extending and streamlining the product portfolio in particular, intensive research and development work, developing new markets and strengthening the service business.

As expected, the difficult situation in international mechanical engineering has had an effect on the revenues and earnings figures of the Technology Division. With revenues posting € 367.7 million, the division recorded a decline in the segment's result of 30 % as against the first six months of the previous year. Almost all companies were affected by this negative business development. Although a number of different measures have been initiated to improve profit, it has not been possible in the short term to use cost reductions to compensate for the sharp decline in sales. The Division has therefore not been able to repeat the result of the year-earlier period and closed the first half-year with a pre-tax loss of € 43.7 million. The additional burden from the obligatory purchase price obligation under IFRS incurred by the acquisition of the majority holding in Klöckner-Werke and of SIG-Beverages stood at € -1.7 million in the reporting period and has also been included in this result.

Technology-Sales (in € million)



Technology-EBT (in € million)



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

Others/Consolidation

		H1 2009	H1 2008
Total Sales[1]	€ million	100.5	283.6
External sales	€ million	20.5	80.7
Earnings before tax (EBT)	€ million	5.8	-20.5

[1] Incl. sales to other corporate divisions

As against the first six months of 2008, sales of the Others, which are based on business in semi-finished products with subsidiaries and external parties, fell to € 100.5 million, down from € 283.6 million. The main reason was the changed patterns in the sourcing of input materials by individual internal customers from January 1, 2009 onwards. External sales declined to € 20.5 million (first half-year of 2008: € 80.7 million) in the wake of slower demand by external customers.

The pre-tax profit stood at € 5.8 million. The improvement as against the previous year's period is attributable to the lower level of interim profit elimination. Since the start of the financial year, the 23 % stake in Aurubis AG (NAAG) has been included at equity here. NAAG contributed € 32.7 million in pre-tax profit to the consolidated result in the period under review, from which the obligatory purchase price allocation under IFRS has to be subtracted.

Explanations on the Financial Position and Net Worth

As per 30 June 2009, the **total assets of the Salzgitter Group** had declined by 8 % in a year-on-year comparison. The reduction of working capital (€ –814 million; of which inventories of € –783 million) caused **current assets** to fall by € 913 million, with a concurrent positive effect on cash and cash equivalents. In a comparison of the cash and cash equivalents, which posted approximately € 1.5 billion at the end of the reporting period, account must be taken of the fact that, on the previous reporting date, other receivables and other assets comprised financial investments worth € 400 million which, owing to changes in the form of investment, are now disclosed as financial investments. The loan of € 100 million to an associated company was repaid at the beginning of the second quarter.

Non-current assets rose by € 217 million mainly owing to investments in property, plant and equipment, in particular in the Steel division.

On the liabilities side, the consolidated loss after tax (€ 165.0 million) as well as the dividend disbursement was reflected in the corresponding decline in equity to € 4.12 billion. Non-current liabilities dropped moderately by € 51 million, whereas current liabilities recorded a much sharper decline (€ –414 million) owing mainly to the lower volume of trade payables.

The extension of the group of consolidated companies as per January 1, 2009, to include the Czech steel stockholding company Salzgitter Mannesmann Stahlhandel s.r.o., Prague (SMCZ), and the American spiral-welded tube company Berg Spiral Pipe Corporation, Wilmington, USA, (BSPM) (consolidated on a pro-rata basis) and Salzgitter Hydroforming GmbH & Co. KG, Crimmitschau, (SZHF) had no significant impact on the half-yearly financial statements.
It is pleasing to note that, despite the generally poor development of business, the **cash flow** rose by € 352.4 million to € 811.6. This was mainly due to considerable reduction in inventories in the first half of the financial year 2009.

The **net credit balance**, including investment not disclosed under financial investments, had risen to € 1.4 billion by the end of the reporting period (December 31, 2008: € 1.0 billion).

Investments

Capital expenditure in property, plant and equipment came to € 311.5 million in the first six months of the current financial year, which is slightly higher than in the year-earlier period (€ 283.8 million). At the same time, there was a considerable increase in depreciation and amortization in the reporting period (€ +28.3 million). As in the previous year, this was driven by the brisk investment activities of the Steel and Tubes divisions.

The **Steel Division** focused on securing the progress of work on major projects in the implementation phase during the reporting period.

Work on the **"Power Plant 2010"** project is being expedited. The assembly of the steel structure and boiler facilities has progressed, and the installation work for the supply of agents (e.g. gas) and for electrical systems has commenced.

The **"Salzgitter Steel 2012"** investment project is also running according to schedule. Construction and assembly work on the new continuous casting line is on track. Both the new heating furnace of the hot strip rolling line and the water supply are operational. Furthermore, work on batch transport and the open storage area went according to plan. Break-in operation under production conditions of the **"5th stand of the degassing line"** has been completed and proof of performance provided. **"Continuous Pickling 2"** has meanwhile delivered proof of readiness for operation.

The change in the general economic environment necessitated an extensive review of the investments of **Peiner Träger GmbH (PTG)** during the first quarter. The decision was made to commission the second electric arc furnace (EAF), procured as part of the major project "PTG 2010", but to reduce it to its core functions and delay the start-up by around four to five months. At the time when the second EAF and the secondary metallurgy become operational the first EAF will be shut down temporarily.

Conversion measures on the medium section mill ran on schedule. Acceptance of the new leveling machine, which went into operation in 2008, was carried out in July 2009. In addition, the installation of a new tandem rolling stand as a replacement for the old semi-continuous rolling line progressed apace. Production is due to start in August 2009. In March 2010, i.e. with a delay of just one month, slabs casting by Continuous Casting Line 2 will commence, which is not, however, a precondition for the start-up of the second EAF.

In order to reduce the costs of producing oxygen, PTG is currently building an oxygen pipeline between Salzgitter and Peine. This measure will serve to reduce the number of oxygen facilities necessary and optimize the size of the individual facilities. Construction work took place in mid-June and the pipeline is due to be taken into operation at the end of November.

The **Tubes Division** has concentrated on commissioning its major investment in the "Conversion of the Shifting Manipulator" of the heavy plate mill (Salzgitter Mannesmann Grobblech GmbH). The shifting manipulators are used in the rolling process to center the slabs on the respective roller conveyor before each roll. The new shifting manipulators enable us to achieve performance gains thanks to an increase in double length rolling. Along with completing the foundations, installation work is currently being carried out.

Research and Development

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

Analysis of technical processes by way of data mining:

Modern production facilities in the companies of the Salzgitter Group allow the recording and storage of a large number of process and quality parameters. This data is an important repository of process knowledge that can be tapped to optimize production workflows and enhance product quality. The huge volumes of data and multi-dimensional dependencies necessitate new, automated methods of extracting information from this datapool. This is conducted with aid of data mining. The increasing building of competence at SZMF has recently resulted in the successful completion of a number of very successful projects. For instance, the control of a galvanizing facilities furnace was remodeled in line with the specific, individual geometry and successfully commissioned, resulting in improved quality and energy savings. In the area of pig iron manufacturing and production and flat steel products (annealing, cold rolling, surface finishing), significant improvements were achieved as a result of the systematic use of data mining.

Optimization of tools for X100 large-diameter tube production through simulations:

In the spring of 2009 EUROPIPE GmbH (EP) successfully manufactured large-diameter tubes of the X100 grade for the construction of a demonstration pipeline in North America. The high-strength tube grade permits the resource-saving and economical transport of natural gas under high pressure across long distances. The strong resilience of the material, however, presented special challenges in forming the tubes. SZMF supported EP in the process of designing the sophisticated forming tools. SZMF optimized the tools by deploying numerical simulations in order to achieve a controlled resilience of the tubes during the forming process.

Employees

	30/06/2009	31/12/2008	+/-
Core workforce	**23,920**	**23,915**	**5**
of which Steel Division	6,984	6,949	35
of which Trading Division	1,958	1,983	-25
of which Tubes Division	5,870	5,929	-59
of which Services Division	4,156	4,003	153
of which Technology Division	4,803	4,907	-104
of which Others	149	144	5
Apprentices, students, trainees	1,211	1,466	-255
Passive age-related part-time employment	464	429	35
Total workforce	**25,595**	**25,810**	**-215**

The core workforce of the Salzgitter Group came to 23,920 employees on June 30, 2009, which is an increase of 5 people. Excluding growth at the start of the year from the first-time consolidation of Salzgitter Mannesmann Stahlhandel s. r. o., Prague (SMCZ), Berg Spiral Pipe Corporation, Wilmington, USA, (BSPM) and Salzgitter Hydroforming GmbH & Co. KG, Crimmitschau (SZHF), the workforce of the Group fell by 210 employees. In the reporting period 75 trainees were offered full-time positions, 69 of whom were given limited contracts.

To buffer the effects of the economic crisis the subsidiaries of the Salzgitter Group used the instruments available for adjusting personnel policies during the second quarter as well. The number of hired workers, employees in age-related active part time service and staff members with limited contracts fell by a total of 396 people during the reporting period. Since the start of the sharp economic downturn in the second half of 2008 the number of employees has now declined by 1,012 people.
Moreover, employees have taken an increasing amount of vacation and additional days off, as well as using flextime and overtime accounts in order to adjust to the respective order book situation.

As the crisis progressed, raising the number of reduced working hours throughout the Group was unavoidable. By June this measure had affected 7,664 employees in 18 Group companies. Disparate developments can be expected in the months ahead: Whereas at Salzgitter Flachstahl GmbH (SZFG) the number of employees affected by reduced working hours is set to fall owing to an improvement in order intake, other companies will see the level unchanged or even rising.

Forecast, Opportunities and Risks Report

The recovery in some sectors of industry visible since May fell far short of being able to compensate for the massive declines in business activity. Against this backdrop, our focus continues to be on securing the medium to long-term prosperity of the Group. The quality of the financial stability and the sound balance sheet of the Salzgitter Group, combined with its broad-based business, have proved to be extremely advantageous in this difficult situation. The extensive measures to cut costs introduced at short notice have already eased pressure in the first half of the year, and they will be consistently pursued.

The second half year is likely to see a generally moderate improvement in the situation on the **steel market** depending on the respective product groups, as the gap between the steel sales of producers and real consumption appears to be closing. The most recent price hikes indicate that selling prices in the European and in the international rolled steel market have bottomed out. In principle, it will only become evident after the end of the planned vacation period maintenance downtimes and plant shutdowns at many customers as to whether the positive developments will result in market structures stabilizing on a sustained basis. The result of the steel companies is likely to be higher in the second half of the year than the results posted in the first six months of 2009, in spite of maintenance and investment-induced production downtime.

Owing to weak margins, the **Trading Division** tends more towards assuming a gradual improvement in the earnings situation, accompanied by significant cost cutting. This applies first and foremost to the stockholding steel trade. As a result of mostly lackluster global trading, and the disinclination to invest, there will be no repeat of trading sales volumes seen in recent years for the time being.

The ongoing tense situation in the precision tube market and the cooling evident in the stainless steel and HFI-welded tubes product areas suggest that the **Tubes Division** can expect sales and profits to fall significantly in comparison with the first half-year. Nevertheless, a clear-cut, positive result has been forecast for 2009, supported by good capacity utilization in the large-diameter tubes segment.

The sales and profits of the **Services Division** essentially hinge on the business activities of the Steel Division and are likely to develop analogously.

As opposed to early cyclical sectors, a firm uptrend in mechanical engineering and plant manufacturing will be slow to materialize. Although the first signs of recovery are discernible, this is cannot be interpreted as being sustainable. Owing to weak order intake in the first half-year, the **Technology Division** is expecting the result to be negative in the financial year 2009 and considerably lower than in 2008.

Our original **forecast** for a half-yearly loss with a possible brightening of the situation in the second half of the year has been confirmed. However, there are as yet no signs of a strong and sustained turnaround in the steel market, as any distinct recovery tendencies in order intake and selling prices so far have only been discernable for a few product groups. The Salzgitter Group therefore anticipates a pre-tax loss in the second half-year as well which, however, is unlikely to be as high as that of the reporting period ended. In our opinion it is conceivable that more or less breakeven in monthly results may be achieved towards the end of the year.

As in previous years, we make explicit reference to the fact that **opportunities and risks** arising from currently unforeseeable trends in sales prices, input materials and capacity level developments, as well as changes in the currency parity, may considerably affect performance in the course of the remainder of the financial year 2009. As current events have shown, the resulting fluctuation in the consolidated pre-tax result may be within a considerable range, either to the positive or to the negative. The dimension of this range becomes clear considering that, with around 5 million tons of steel products sold in a half-year period by the Steel, Trading and Tubes divisions, an average € 50 fluctuation in the margin per ton is sufficient to cause profit to diverge by more than € 250 million.

Events of Significance

There were no events subject to reporting requirements after the reporting date.

Interim Financial Statements

I. Consolidated Income Statement

in € million	2nd Quarter 2009	2nd Quarter 2008	1st Half 2009	1st Half 2008
Sales	1,931.1	3,332.3	4,125.7	6,233.4
Increase or decrease in finished goods and work in process and other own work capitalized	-121.2	-0.2	-170.7	1.2
	1,809.8	3,332.0	3,955.0	6,234.6
Other operating earnings	36.6	35.8	161.4	91.5
Cost of materials	1,275.2	2,253.1	2,905.8	4,173.4
Personnel expenses	333.3	375.0	682.4	736.0
Amortization and depreciation	65.6	63.0	152.1	123.8
Other operating expenses	256.1	325.9	556.0	648.1
Income from shareholdings	0.1	8.0	-0.3	7.7
Income from associated companies	5.6	-0.1	27.6	-1.3
Impairment losses of financial assets	0.0	0.0	7.0	0.0
Financing income	7.5	38.7	18.7	68.0
Financing expenses	26.3	42.8	54.3	72.8
Earnings before tax (EBT)	**-96.9**	**354.5**	**-195.2**	**646.4**
Income taxes	-6.0	112.5	-30.2	209.5
Consolidated net income	**-90.9**	**242.0**	**-165.0**	**436.9**
Appropriation of profit				
Consolidated net income	-90.9	242.0	-165.0	436.9
Profit carried forward from the previous year			84.2	189.7
Minority interests			0.5	1.0
Dividend payment			-75.7	-170.7
Appropriation to other retained earnings			165.5	-372.8
Unappropriated retained earnings	**-90.9**	**242.0**	**8.4**	**82.0**
Undiluted earnings per share (in €)	**-1.69**	**4.24**	**-3.07**	**7.64**
Diluted earnings per share (in €)	**-1.69**	**4.24**	**-3.07**	**7.64**

II. Consolidated Balance Sheet

Assets in € million	30/06/2009	31/12/2008
Non-current assets		
Intangible assets		
Goodwill	0.0	20.6
Other intangible assets	178.6	184.0
	178.6	204.6
Property, plant and equipment	2,433.2	2,199.4
Investment property	30.8	31.6
Financial assets	101.8	122.1
Associated companies	373.5	341.7
Deferred tax assets	14.5	15.7
Other receivables and other assets	2.7	3.2
	3,135.1	**2,918.2**
Current assets		
Inventories	1,768.1	2,551.2
Trade receivables	1,276.5	1,652.3
Other receivables and other assets	281.9	882.0
Income tax assets	29.0	75.1
Securities	32.5	30.7
Cash and cash equivalents	1,481.8	592.1
	4,869.9	**5,783.2**
	8,005.0	**8,701.4**

Equity and liabilities in € million	30/06/2009	31/12/2008
Equity		
Subscribed capital	161.6	161.6
Capital reserve	184.2	184.2
Retained earnings	4,111.5	4,261.7
Unappropriated retained earnings	8.4	84.2
	4,465.7	4,691.6
Treasury shares	-372.8	-372.8
	4,092.9	4,318.8
Minority interests	22.5	27.2
	4,115.4	**4,346.1**
Non-current liabilities		
Provisions for pensions and similar obligations	1,775.2	1,787.0
Deferred tax liabilities	57.3	103.1
Income tax liabilities	211.7	207.4
Other provisions	220.0	214.4
Financial liabilities	64.4	68.0
	2,328.6	**2,379.9**
Current liabilities		
Other provisions	500.7	473.5
Financial liabilities	78.4	110.5
Trade payables	520.5	865.4
Income tax liabilities	27.6	36.3
Other liabilities	433.7	489.6
	1,561.0	**1,975.4**
	8,005.0	**8,701.4**

III. Statement of Income and Accumulated Earnings

in € million	1st Half 2009	1st Half 2008	1st Quarter 2009	1st Quarter 2008
Consolidated net income for the period	-90.9	242.0	-165.0	436.9
Changes in the financial year recorded directly in equity				
Changes in currency translation	-7.1	1.8	-0.8	-7.8
Changes in value reserve from hedging transactions				
Changes in current value recorded directly in equity	1.8	-17.7	13.6	0.9
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	7.7	-7.0	5.4	-14.7
Actuarail gains and losses	-2.9	0.2	-0.1	1.1
Deferred tax on changes without effect on income	2.2	7.5	1.3	6.1
Difference from IFRS 3				
Other changes without effect on income	-0.8	0.6	-0.4	0.6
	0.8	**-14.6**	**8.0**	**-19.2**
Total profit pursuant to IAS 1.97 in conjunction with IAS 19.93B	**-90.1**	**227.4**	**-157.0**	**417.7**
Total profit due to Salzgitter AG shareholders	-90.2	227.4	-157.5	416.4
Total profit due to minority interests	0.1	0.0	0.5	1.3
	-90.1	**227.4**	**-157.0**	**417.7**

IV. Cash Flow Statement

in € million	1st Half 2009	1st Half 2008
Earnings before tax (EBT)	-195.2	646.4
Deprecreciation, write-downs (+)/write-ups (-) on fixed assets	159.1	123.8
Income tax paid	21.9	-121.6
Other non-payment-related expenses (+)/income (-)	124.5	203.7
Interest expenses	54.3	72.8
Profit (-)/loss (+) from the disposal of fixed assets	-0.4	1.8
Increase (-)/decrease (+) in inventories	794.5	-82.7
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	380.6	-510.8
Use of provisions affecting payments, excluding income tax provisions	-133.5	-121.4
Increase (-)/decrease (+) in trade payables and other liabilities not attributable to investment or financing activities	-394.3	247.3
Cash flow from operating activities	**811.6**	**459.2**
Cash inflow from the disposal of fixed assets	2.5	2.3
Cash outflow for investments in intangible and tangible fixed assets	-312.7	-284.3
Cash inflow (+)/outflow (-) for short-term loans against borrower´s notes/bonds	500.0	-325.0
Cash inflow from the disposal of financial assets	0.6	1.1
Cash outflow for investments in financial assets	-27.6	-161.3
Cash flow from investment activities	**162.9**	**-767.1**
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	-2.4	-5.3
Interest paid	-7.2	-21.2
Cash flow from financing activities	**-85.3**	**-197.2**
Cash and cash equivalents at the start of the period	592.1	2,138.8
	0.5	0.9
	0.1	-0.8
Payment-related changes in cash and cash equalities	889.1	-505.2
Cash and cash equivalents at the end of the period	**1,481.8**	**1,633.7**

I. 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
As of January 1, 2008	161.6	295.3	-227.8	3,949.5	-25.1
Goodwill resulting from IFRS 3				0.6	
Net income				0.6	-8.6
Dividend					
Group transfers to retained earnings				372.8	
Other				-1.4	
As of June 30, 2008	**161.6**	**295.3**	**-227.8**	**4,322.1**	**-33.7**
As of December 31, 2008	**161.6**	**184.2**	**-372.8**	**4,474.3**	**-27.1**
First-time consolidation of affiliated companies hithero not consolidated due to materiality				11.4	
As of January 1, 2008	161.6	184.2	-372.8	4,485.8	-27.1
Goodwill resulting from IFRS 3				-2.8	
Net income				0.0	-0.8
Dividend					
Group transfers to retained earnings				-165.5	
Other				-1.3	
As of June 30, 2009	**161.6**	**184.2**	**-372.8**	**4,316.1**	**-28.0**

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
8.8	30.9	-179.8	189.7	4,203.2	49.4	4,252.6
				0.6	-5.4	-4.8
-4.5	-14.7	7.8	435.8	416.4	1.3	417.7
			-170.7	-170.7		-170.7
			-372.8	0.0		0.0
				-1.4	-4.1	-5.5
4.3	**16.2**	**-171.9**	**82.0**	**4,448.1**	**41.2**	**4,489.3**
-2.2	**-13.5**	**-169.8**	**84.2**	**4,318.8**	**27.2**	**4,346.1**
				11.4		11.4
-2.2	-13.5	-169.8	84.2	4,330.3	27.2	4,357.5
				-2.8	-2.2	-5.0
2.6	5.4	0.8	-165.5	-157.5	0.5	-157.0
			-75.7	-75.7		-75.7
			165.5	0.0		0.0
				-1.3	-3.0	-4.4
0.4	**-8.1**	**-169.0**	**8.4**	**4,092.9**	**22.5**	**4,115.4**

II. Segment Reporting

in € million	Steel		Trading		Tubes	
	H1 2009	H1 2008	H1 2009	H1 2008	H1 2009	H1 2008
External sales	799.9	1,611.0	1,683.7	2,656.4	1,107.9	1,077.0
Sales to other segments	405.3	598.3	62.0	250.6	228.4	391.0
Sales to Group companies that cannot be allocated to an operating segment	1.1	71.9	8.4	34.7	0.3	0.3
Segment sales	1,206.3	2,281.2	1,754.1	2,941.7	1,336.6	1,468.4
Interest income (consolidated)	1.2	1.8	3.2	3.6	0.9	1.5
Interest income to other segments	0.0	0.0	0.0	0.0	0.0	0.0
Interest income to Group companies that cannot be allocated to an operating segment	0.1	0.4	0.0	0.0	0.7	0.8
Segment interest income	1.3	2.2	3.3	3.6	1.6	2.3
Interest expenses (consolidated)	5.4	6.2	4.2	7.9	3.7	4.3
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	23.9	15.4	10.9	7.7	9.0	7.2
Segment interest expenses	29.3	21.6	15.1	15.6	12.7	11.5
of which interest portion of allocations to pension provisions	4.5	4.3	1.8	1.8	2.8	2.7
Depreciation/amortization of tangible and intangible fixed assets	77.3	76.0	5.7	5.4	21.4	18.7
thereof scheduled depreciation of tangible fixed assets and amortization of intangible assets	77.3	76.0	5.7	5.4	21.4	18.7
EBITDA	-88.1	438.4	-38.7	159.9	133.6	179.6
EBIT	-165.4	362.4	-44.4	154.5	105.2	160.9
Earnings before tax (EBT)	-190.2	345.1	-57.7	140.7	96.0	152.1
of which from associated companies	1.3	1.7	0.0	0.0	-3.4	-3.0
Investments in tangible and intangible fixed assets	251.3	197.0	6.4	8.3	26.5	42.3

Services		Technology		Total segments		Others/ Consolidation		Group	
H1 2009	H1 2008	H1 2009	H1 2008	H1 2009	H1 2008	H1 2009	H1 2008	H1 2009	H1 2008
146.4	284.9	367.5	523.4	4,105.3	6,152.7	20.5	80.7	4,125.7	6,233.4
191.6	390.3	0.1	0.0	887.4	1,630.2	80.1	202.9	967.4	1,833.1
2.9	2.9	0.1	0.0	12.9	109.8	0.0	0.0	12.9	109.8
340.9	678.1	367.7	523.4	5,005.6	7,892.7	100.5	283.6	5,106.1	8,176.3
0.3	0.4	1.1	2.5	6.7	9.8	11.8	58.1	18.4	67.9
0.0	0.0	0.0	0.0	0.0	0.0	45.8	33.7	45.8	33.7
6.2	6.6	0.1	0.1	7.1	7.9	0.0	0.0	7.1	7.9
6.4	7.0	1.3	2.6	13.8	17.7	57.5	91.8	71.4	109.5
7.1	6.9	5.1	6.3	25.5	31.6	28.8	41.2	54.3	72.8
0.0	0.0	0.0	0.0	0.0	0.0	7.1	7.9	7.1	7.9
1.3	1.2	0.8	2.3	45.8	33.8	0.0	0.0	45.8	33.8
8.4	8.1	5.9	8.6	71.4	65.4	35.9	49.1	107.3	114.5
6.7	6.3	3.9	3.8	19.7	18.9	24.8	24.2	44.5	43.1
11.0	10.1	15.2	12.7	130.6	122.9	21.5	0.9	152.1	123.8
11.0	10.1	15.2	12.7	130.6	122.9	1.0	0.9	131.5	123.8
7.3	28.8	-26.5	25.4	-12.4	832.1	-13.9	-32.2	-26.3	799.9
-3.7	18.7	-41.7	12.7	-150.0	709.2	-35.5	-33.1	-185.4	676.1
-5.4	16.8	-43.7	12.2	-201.0	666.9	5.8	-20.5	-195.2	646.4
0.0	0.0	0.0	0.0	-2.0	-1.3	29.7	0.0	27.6	-1.3
11.4	15.9	15.9	20.0	311.5	283.5	0.0	0.3	311.5	283.8

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 June 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 June30, 2008.
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 € -3.07 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 June 30, 2009. Diluted earnings per share therefore equaled **undiluted earnings per share** and amounted to € -3.07.

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 k€	Sale of goods and services	Purchase of goods and services	Trade receivables	Trade payables
	01/01/–31/06/2009	01/01/–31/06/2009	31/06/2009	31/06/2009
Thyssen Krupp GfT Bautechnik GmbH, Essen	7,463	0	16,881	1
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	312	163,832	4,900	17,472

Information pursuant to Section 37w para. 5 of the German Securities Trading Act (WpHG)

The interim financial statement and interim management report have not been subjected to an auditor's review.

Affirmation by the legally authorized representatives

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

Salzgitter, August 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

Further Information

Financial calendar 2009

March 5, 2009	Key data for financial year 2008
March 26, 2009	Publication of consolidated financial statements for 2008
	Annual press conference
March 30, 2009	Analyst conference in Frankfurt/Main
March 31, 2009	Analyst conference in London
May 14, 2009	Interim report for the first quarter 2009
May 27, 2009	Ordinary Shareholders' Meeting
August 13, 2009	Interim report for the first half 2009
	Analyst conference in Frankfurt/Main
August 14, 2009	Analyst conference in London
November 12, 2009	Interim report for the first nine months 2009
December 31, 2009	End of financial year 2009

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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