H1

Interim Report | 1st Half 2011

SALZGITTER AG
Stahl und Technologie

Contents

Salzgitter Group Figures

		H1 2011	H1 2010	+/-
Crude steel production[1]	**kt**	**3,654.8**	**3,375.0**	**279.8**
External sales	**€ million**	**4,773.5**	**4,034.2**	**739.3**
Steel Division	€ million	1,367.0	1,081.6	285.4
Trading Division	€ million	1,737.3	1,409.2	328.1
Tubes Division	€ million	903.2	892.0	11.2
Services Division	€ million	238.7	195.3	43.4
Technology Division	€ million	485.7	429.7	56.0
Other	€ million	41.8	26.4	15.3
Export share	%	46.3	50.6	–4.3
EBITDA[2]	**€ million**	**343.4**	**177.2**	**166.2**
EBIT[2]	**€ million**	**176.9**	**39.3**	**137.6**
Earnings before tax (EBT)	**€ million**	**130.0**	**–5.1**	**135.1**
Steel Division	€ million	30.4	–76.2	106.6
Trading Division	€ million	38.2	43.4	–5.2
Tubes Division	€ million	46.7	13.1	33.6
Services Division	€ million	8.3	11.4	–3.0
Technology Division	€ million	–17.7	–15.7	–2.1
Others/Consolidation	€ million	24.1	18.9	5.2
Earnings after tax	**€ million**	**93.7**	**–3.5**	**97.2**
Earnings per share (undiluted)	**€**	**1.70**	**–0.11**	**1.81**
ROCE[3][4]	**%**	**6.6**	**0.4**	**6.2**
Operating cash flow	**€ million**	**–83.0**	**148.6**	**–231.6**
Capital expenditure[5]	**€ million**	**180.7**	**208.0**	**–27.2**
Depreciation and amortization[5]	**€ million**	**166.4**	**136.6**	**29.8**
Balance sheet total	**€ million**	**8,852.6**	**8,438.7**	**413.9**
Non-current assets	**€ million**	**3,450.1**	**3,301.5**	**148.6**
Current assets	**€ million**	**5,402.5**	**5,137.2**	**265.3**
of which inventories	€ million	2,022.3	1,589.6	432.7
of which cash and cash equivalents	€ million	1,278.7	1,591.9	–313.2
Equity	**€ million**	**3,881.2**	**3,908.0**	**–26.7**
Liabilities	**€ million**	**4,971.4**	**4,530.7**	**440.7**
Non-current liabilities	€ million	3,001.7	2,535.6	466.2
Current liabilities	€ million	1,969.6	1,995.1	–25.5
of which due to banks[6]	€ million	77.6	93.1	–15.5
Net position to banks[7]	**€ million**	**950.5**	**1,491.1**	**–540.6**
Employees				
Personnel expenses	€ million	726.9	730.5	–3.6
Core workforce	30/06/	23,426	23,310	116
Total workforce	30/06/	25,249	25,085	164

Disclosure of financial data in compliance with IFRS
[1] In regard of the participation in Hüttenwerke Krupp Mannesmann
[2] EBIT = EBT + interest expense/- interest income; EBITDA = EBIT plus depreciation and amortization
[3] Return on Capital Employed (ROCE) = EBIT (=EBT + interest expense excluding the interest portion of allocations to pension provisions) in relation to the shareholder's equity (without calculation of accrued and deferred taxes), tax provisions, interest-bearing liabilities (excluding pensions provisions) and liabilities from financial leasing, forfaiting
[4] Annualized
[5] Excluding financial assets
[6] Current and non-current liabilities to banks
[7] Including investments, e.g. securities and structured investments}

Positive trend holds steady in the second quarter, delivering higher profits

The business activities of the Salzgitter Group developed well overall in the first half of 2011, benefiting from the favorable economic environment and the consistent implementation of measures to improve profit and streamline operations.

Group:

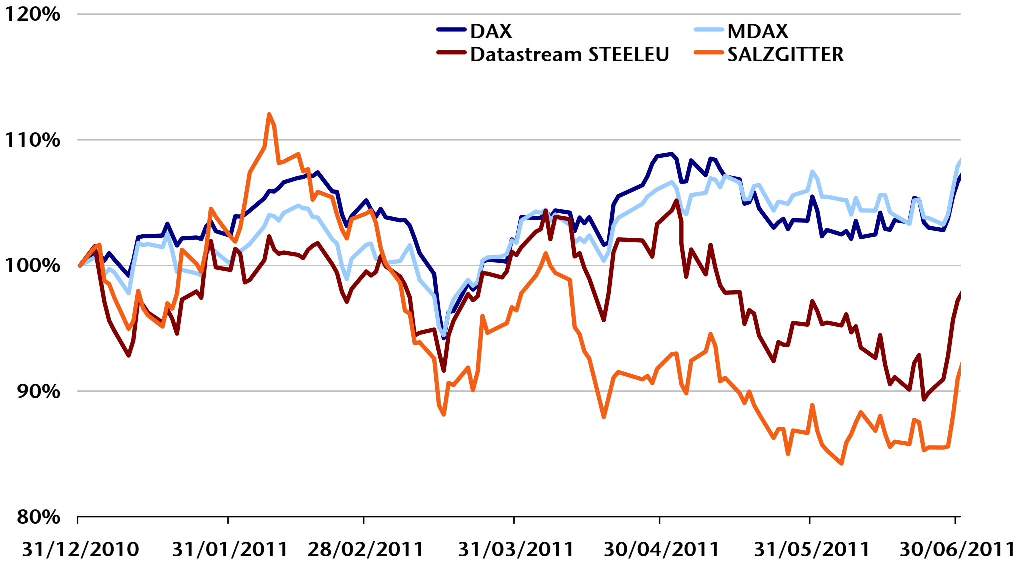
- **External sales:** up 18 % to € 4,773.5 million
- **Earnings before tax:** substantial increase to € 130.0 million
- **Profit after tax:** € 93.7 million
- **Earnings per share (basic):** rise to € 1.70
- **Net credit balance:** € 951 million and therefore exceptionally sound
- **Equity ratio:** stands at 43.8 %
- **ROCE:** climbs to 6.6 %

Business performance of the divisions:

- **Steel:** good capacity utilization and sufficient profit of the companies producing flat steel and plate; sections still under pressure from persistently weak steel construction throughout Europe and constraints on public-sector investment; increase in external sales thanks to significantly higher selling prices; substantial rise in pre-tax profit as against the year-earlier figure
- **Trading:** uptrend in steel prices at the start of the year lifts external sales by almost a quarter; bearing in mind the exceptionally large windfall effect booked in the second quarter of 2010, the very presentable pre-tax profit of € 38.2 million fell only marginally short of the year-earlier figure
- **Tubes:** positive development on the back of demand accelerating in market segments which lag the economic cycle and the growing impact of the profit improvement measures; external sales almost at the level posted a year ago; pre-tax profit more than trebled first and foremost due to the successful turnaround of the precision and stainless tubes companies' business
- **Services:** growth in external sales of more than 20 %; earnings before tax only slightly below the year-earlier level
- **Technology:** sales growth thanks to improvement in orders for beverage filling plants and ongoing brisk demand for services and replacement parts; despite contributions by the companies specialized in plastics injection moulding machinery, the pre-tax result remains unsatisfactory
- **Other/Consolidation:** external sales up by almost two thirds; pre-tax result comprises very gratifying contribution of profit after tax of € 46.5 million by Aurubis AG, a company included at equity

Guidance for the financial year 2011: against the backdrop of the strong constitution in the flat steel and plate markets, coupled with the turnaround achieved in the precision tubes segment, we anticipate that, from today's standpoint, the **pre-tax profit of the Salzgitter Group will come to around € 200 million** in the financial year 2011 as a whole.

Capital market and price performance of the Salzgitter stock



Sources: Xetra closing prices on Deutsche Börse AG, Datastream STEELEU

The **international stock markets** were determined by a sideways trend with pronounced volatility in the first six months of 2011. The uptrend observed in 2010 persisted through to February, with the indices initially brightening in the wake of the healthy economic environment and positive data reported by many companies. This phase was followed by several weeks of profit-taking, ended by the catastrophic earthquake in Japan on March 11 which sent the stock market plunging. The subsequent correction triggered new highs for the year at the start of May but ultimately proved to be short lived as well when exposed to another slew of discussions about the debt crisis of some euro-zone countries. In the period that followed the indices resumed their sideways – but turbulent – trend. On June 30, the DAX had settled around 7 % above the level posted at year-end 2010; the MDAX gained 8 % over the same period.

In the first two months of 2011, the **Salzgitter share** initially performed somewhat better than the leading indices, buoyed by the upswing in most steel-processing sectors. On February 8, it reached its highest level for the year to date at € 65.64. On March 7, the key data of the financial year 2010 and the initial outlook for the current year were published and generally well received by the capital market. As a result of the deterioration on the stock exchanges following events in Japan and ongoing discussions about the sovereign debt crisis, cyclically sensitive shares were subjected to a more critical assessment by many capital market participants, which caused the performance of the steel industry and of our share to underperform the overall market from mid-March onwards. Based on a closing price of € 57.77 at year-end 2010 and of € 52.59 on June 30, the overall performance calculated for the Salzgitter share comes to –9 %.

Current **analyst coverage** by 21 banks resulted in the following ratings of the Salzgitter share (as per June 30, 2011): 11 buy/outperform, 8 hold/markets perform, 2 sell/underperform.

The **average daily turnover** of the Salzgitter share on German stock exchanges came to approximately 371,000 units in the first half of 2011. On June 30, 2011, Salzgitter AG held in 6th place measured by turnover and took 15th place in terms of free-float market capitalization in the MDAX ranking of Deutsche Börse AG.

As part of our **capital communications work**, we presented the company at investor conferences in Hamburg, Frankfurt and New York in the period under review. In addition, a number of analysts and investors visited our plants in Salzgitter, Peine and Mülheim an der Ruhr. In mid-May, the results of the first quarter of 2011 were presented as part of a telephone conference and discussed in detail with the capital market.

Treasury Shares

Salzgitter AG's portfolio of treasury shares came to 6,009,700 as per June 30, 2011, and therefore remains unchanged as against December 31, 2010.

Information for Investors

		H1 2011	H1 2010
Nominal capital as of 30/06/	€ million	161.6	161.6
Number of shares as of 30/06/	million	60.1	60.1
Number of shares outstanding as of 30/06/	million	54.1	54.3
Market capitalization as of 30/06/[1)2)]	€ million	2,844	2,660
Price as of 30/06/[1)]	**€**	**52.59**	**48.99**
High 01/01/ - 30/06/[1)]	€	65.64	74.32
Low 01/01/ - 30/06/[1)]	€	48.50	47.50
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

After a dynamic start to the year 2011, the expansion of the **global economy** slowed somewhat in the second quarter. This was mainly attributable to the price uptrend of raw materials and energy and a number of emerging markets tightening their monetary policies. As before, the development of individual geographical regions is still extremely diverse. Whereas the pace of growth in the emerging economies remains above average, momentum in the industrial nations is much weaker and recovery more hesitant for the most part. The USA, for instance, is burdened by high unemployment and its huge private and public-sector deficit. In contrast, the development of China's gross domestic product is above the pre-crisis level, with the inherent danger of overheating. The Chinese government and Central Bank are therefore attempting to put the brakes on growth by pursuing a more stringent monetary policy and enacting regulatory measures. The Ifo Institute anticipates an increase of 4.2 % in global output in 2011.

The **euro area economy** is markedly weaker in the second quarter than in the first three months of the year. There are, however, also pronounced differences here in the economic momentum of the individual countries. Whereas especially export-oriented economies, such as Germany and Finland, saw above-average strong expansion, the fiscal consolidation measures in Europe's peripheral countries allow for only subdued economic growth – or none at all. Given the considerable differences within the euro area, Ifo Institute experts anticipate an increase in the 2011 gross domestic product of 2.0 %.

Following the strong impetus at the start of the year, the production output of the **German economy** also slowed in the second quarter. Despite this, the underlying positive economic trend continues to hold steady. Along with exports, domestic demand has established itself as a second mainstay. As a result, the massive decline in production caused by the financial and economic crisis has meanwhile been compensated. Ifo business expectations indicate, however, that the high average pace of growth cannot be maintained in the second half year of 2011. An increase in the gross domestic product of 3.3 % is nonetheless anticipated over the course of the current year.

Irrespective of the generally positive developments to date, the uncertainty about the economic prospective has greatly enlarged: From a European standpoint, the EU debt crisis is particularly pertinent. There is also danger for the future development of the global economy from rising inflationary pressure, the continued risk of overheating in the emerging markets, geopolitical uncertainty in North Africa and the weak and fragile recovery of the United States of America.

		Q2 2011	Q2 2010	H1 2011	H1 2010
Crude steel production[1]	kt	1,836.9	1,730.1	3,654.8	3,375.0
External sales	**€ million**	**2,466.1**	**2,109.4**	**4,773.5**	**4,034.2**
EBITDA[2]	€ million	180.6	104.4	343.4	177.2
EBIT[2]	€ million	96.1	34.1	176.9	39.3
Earnings before tax (EBT)	**€ million**	**73.7**	**12.0**	**130.0**	**–5.1**
Earnings after tax	**€ million**	**49.8**	**9.8**	**93.7**	**–3.5**
ROCE[3)4]	**%**	**6.6**	**1.7**	**6.6**	**0.4**
Capital expenditures[5]	€ million	100.6	113.4	180.7	208.0
Depreciation and amortization[5]	€ million	84.5	69.1	166.4	136.6
Operating cash flow	€ million	–4.0	129.5	–83.0	148.6
Net position to banks[6]	**€ million**	**950.5**	**1,491.1**	**950.5**	**1,491.1**
Equity ratio	%			43.8	46.3

1) In regard of the participation in Hüttenwerke Krupp Mannesmann
2) EBIT = EBT + interest paid/- interest income; EBITDA = EBIT plus depreciation and amortization
3) Return on Capital Employed (ROCE) = EBIT (= EBT + interest expense excluding the interest portion of allocations to pension provisions) in relation to the total of shareholders' equity (without calculation of accrued and deferred taxes), tax provisions, interest-bearing liabilities (excluding pension provisions) and liabilities from financial leasing, forfaiting
4) Annualized
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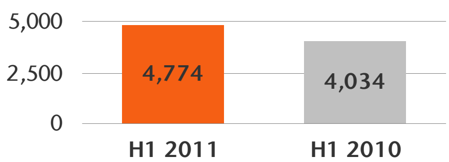
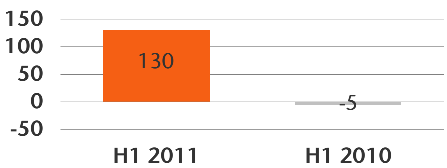
Earnings situation within the Group

The business activities of the Salzgitter Group developed well overall in the first half of 2011, benefiting from the favourable economic environment and the consistent implementation of measures to improve profit and streamline operations. Consolidated pre-tax profit was therefore considerably higher than the year-earlier result. Following the now virtual completion of the extensive investment program, the financial basis of the Group - with an equity ratio of 44 % and a net cash position of € 951 million - is exceptionally sound

Group-External Sales (in € million)



Group-EBT (in € million)



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All divisions contributed to raising **consolidated external sales** by 18 % to € 4,773.5 million (first half of 2010: € 4,034.2 million), especially Steel and Trading. The **pre-tax profit** achieved was again presentable at € 130.0 million (first half of 2010: € -5.1 million). This result includes a contribution of € 46.5 million from the stake in Aurubis AG, a company included at equity (first half of 2010: € 22.0 million). **Profit after tax** came to € 93.7 million (first half of 2010: € -3.5 million). Basic earnings per share stood at € 1.70 (first half of 2010: € -0.11) and return on capital employed at 6.6 % (first half of 2010: 0.4 %).

Steel Division

		Q2 2011	Q2 2010	H1 2011	H1 2010
Order bookings	kt	1,145.1	1,065.7	2,523.3	2,412.4
Order backlog as of 30/06/	kt			996.1	910.1
Crude steel production	kt	1,443.9	1,325.7	2,847.8	2,604.9
LD steel (SZFG)	kt	1,189.9	1,098.9	2,390.6	2,157.3
Electric steel (PTG)	kt	254.0	226.8	457.1	447.6
Rolled steel production	kt	1,279.3	1,201.5	2,666.4	2,510.0
Shipments	kt	1,240.5	1,266.7	2,687.5	2,570.6
Sales[1)]	**€ million**	**965.5**	**777.6**	**1,998.4**	**1,498.1**
External sales	**€ million**	**668.6**	**565.5**	**1,367.0**	**1,081.6**
Earnings before tax (EBT)	**€ million**	**21.0**	**–45.2**	**30.4**	**–76.2**

[1)] Incl. sales to other corporate divisions

With their branded and special steels, the companies of the Steel Division are especially representative of the core competence of our Group. The six operating companies of the division, located in Salzgitter, Peine, Ilsenburg and Dortmund, produce a broad range of steel products (flat steel and sections, plates, sheets piling, components for roofing and cladding and tailored blanks). The product program, especially its flat steel products, is geared to premium steel grades and qualities for use in increasingly sophisticated applications.

Market situation

Global steel production has accelerated swiftly since the start of 2011, expanding in all key regions with the exception of Japan. Having taken new production capacity into operation, especially South America and South Korea recorded high gain rates while growth in China was also above average, as in the years before. All in all, global crude steel output has risen by around 8 % in comparison with a year ago. Towards the end of the second quarter, however, the global pace of development slowed somewhat.

Following a positive start to the year, the economic recovery of the steel processing sectors in the **European Union** lost a little of its momentum; the uptrend, however, remained intact. Although there was some improvement, the order situation of the construction industry generally remained lackluster. Following an initial phase in the first quarter when the steel supplied to the market soared on the back of robust real demand and stockpiling by traders and processors, there was a slowdown as the year progressed and supplies are now developing in line with real demand. As before, the pace of recovery of flat and long products varied. The pressure exerted on the European market from imports grew considerably in the first half of 2011, with some risk for the fundamentally positive outlook to date. The production of crude steel in the EU 27 came to around 93 million tons in the period under review, thereby posting an increase of 4.1 % in a year-on-year comparison.

Following an unexpectedly strong start to the year, the **German steel market** has recently lost impetus. Demand in the first quarter was evidently borne to a large extent by inventory-related effects that have weakened in recent months. All in all, German steel producers reported order intake in the first six months of 2011 that ranged around 3 % above the year earlier period. Crude steel output climbed over the same period by a mere 2 % to 23 million tons.

Against the background of the tense situation in the raw materials markets in particular and a more restrictive financial policy steered by most countries, there is still a great deal of uncertainty as to the economic situation of the steel industry.

The ongoing global growth in crude steel production boosted prices for bulk grade commodities such as iron ore and coking coal in the **international procurement markets**.

Large producers such as VALE, BHPBilliton and Rio Tinto have established a quarterly pricing model in the global market for iron ore that is based on the spot prices of fine ore traded on the Chinese market. Derived from prices quoted over the months of September 2010 to February 2011, Brazilian Carajas fines climbed to over 149 USD/dmt FOB in the first three months of the year and peaked at 175 USD/dmt FOB in the second quarter of 2011. Lump ore and pellet prices have been in a similar uptrend, recording record highs in the contractual quarter of April to June.

The pricing of **coking coal**, with a mix of different contractual terms ranging from monthly to annual prices, is much more varied. The majority of price agreements are, however, concluded with terms of three months, similar to the iron ore market. The development in the first half of 2011 was strongly impacted by massive flooding on Australia's east coast that resulted in considerable production shortfalls. Supply bottlenecks sent the price of high-grade coking coal soaring, from 225 USD/t FOB in the first quarter of the year to a record level of 330 USD/t FOB in the second quarter.

At the end of 2010 **scrap prices** surged on the back of strong domestic and international demand and high grades peaked at historical levels in January 2011. Prices subsequently declined as a number of international consumers partly ceased to place any orders at all. Political unrest in North Africa and the Middle East placed an additional burden on the market. Export demand stabilized only in May inducing the scrap price to edge up again.

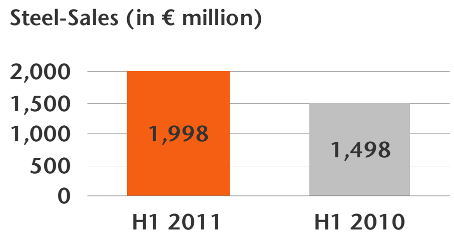
The development in the global markets for **metals and alloys** was very disparate, depending on the individual groups of materials: quality alloys and listed metals such as zinc, nickel, copper and aluminum displayed great volatility at a high level as opposed to prices of manganese-based bulk alloys which slipped somewhat.

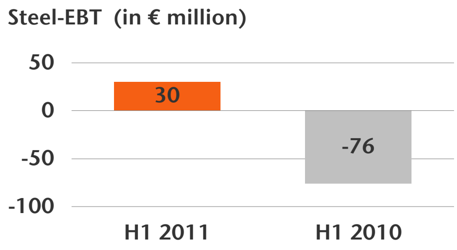
Against this backdrop, the development of the Steel Division was as follows:

Consolidated **order intake and the steel companies orders** in hand were higher than the previous-year level. The **production of crude steel** (+9 %) and **rolled steel** (+6 %) rose accordingly in comparison with a year ago. **Shipments** were also up 5 % and exceeded the figure posted in the first half of 2010.

The pleasing above-average increase in **segment** (+33 %) and **external sales** (+26 %) is a reflection of the generally higher selling prices above all in the flat steel and plate product segments.

The Steel Division's **pre-tax profit** came to € 30.4 million, which marks a significant increase in comparison with the extremely weak first half of 2010. A fundamental trend reversal towards satisfactory results in the sheet piling and section business has nonetheless still failed to materialize.





More detailed explanations on the individual companies:

In the first half of 2011, order intake and orders in hand of **Salzgitter Flachstahl GmbH (SZFG)** exceeded the year-earlier level, with capacity utilization partly running at maximum thresholds. Slabs had to be bought in to fully cover high customer demand. Shipments almost reattained the highest level set in the record year of 2008. Following a brief phase of stagnation at the beginning of the current financial year, shipment prices climbed visibly from March 2011 onwards. This positive trend firmed up in the second quarter of 2011, enabling flat steel products to rise almost to the level achieved in 2008. The increase in volume and the gratifying development of selling prices lifted SZFG's sales by almost a third in comparison with a year ago. This served to generally compensate for the drastic increases in the price of raw materials at the end of the reporting period. Boosted by healthy capacity utilization, the company generated a significant pre-tax profit and thus continued to perform well, following on from the second half of 2010.

The positive trend in the **plate market**, discernible since the start of 2011, initially held steady in the second quarter: Demand remained brisk, particularly in the domestic consumer business, headed above all by customers from machinery and boiler engineering and the offshore wind industry where the order books were especially full. The export business also continued to develop well with a steady stream of orders from the conventional energy supply and tank and plant engineering businesses. Towards the end of the reporting period, the effects of the higher import volumes of bulk steel in the EU 27 were reflected in above-average trading inventories and falling selling prices. In contrast, factory prices for higher grades remained stable.

Although the order intake of **Ilsenburger Grobblech GmbH (ILG)** fell marginally short of the previous year's figure, the order book was higher than the comparable tonnage figure. Both production and shipments exceeded the figures posted a year ago which was still impacted by the economic crisis, and sales soared by more than 50 % on the back of the selling price uptrend. This virtually compensated for the price hikes of input materials, allowing a significant pre-tax profit to be achieved in the first half of 2011.

Measured against available capacity, demand in European steel construction is still at a low level and has resulted in unsatisfactory capacity utilization for most steel construction companies. Only a few companies were running at full load for more than six months at a time, which put sustained pressure on project prices. For this reason, market events in the **beams segment** were characterized by pronounced volatility and extremely short-term order patterns: Following an initially promising start to the new year, stockholding steel traders saw a considerable downturn in demand from March onwards which prompted an increase in inventory levels and a lack of subsequent orders. As from May, there was a visible improvement in the situation reflected in brisker booking of producer capacities, which were similarly much too high. Coupled with sharp fluctuations in scrap prices, the market environment of steel section manufacturers remain extremely challenging.

New orders and orders in hand of P**einer Träger GmbH (PTG)** were both higher overall than the previous year's figures. With crude steel production restricted in the first quarter mainly due to preparations for the parallel running of the two furnaces, production volumes were subsequently ramped up as the year progressed. Shipments, which stagnated at the year-earlier level, in conjunction with improved average selling prices delivered a substantial increase in sales. In comparison with the first six months of 2010 that were burdened by restructuring expenses, the pre-tax loss was approximately halved.

As order activity in civil engineering - the key customer sector for sheet piling products - has not yet regained its pre-crisis level, the sales volume of **HSP Hoesch Spundwand und Profil GmbH (HSP)** was unchanged from the year-earlier level. This sector is extremely dependent on the demand of public-sector investors and is therefore also suffering from spending constraints. HSP is still running short-time work owing to unsatisfactory capacity utilization. Although HSP’s shipments and sales have improved slightly as against the weak first half of 2010, the level achieved is still unsatisfactory. Cost increases were not compensated by the selling prices commanded, with the corresponding impact on the pre-tax result which was again in the red.

The relatively mild winter, which worked to the advantage of activities in the construction industry, enabled **Salzgitter Bauelemente GmbH (SZBE)** to raise its shipments and sales in the first half of 2011 as against the year-earlier figures. Improved selling prices resulted in a comparatively higher pre-tax profit.

Germany's automotive industry benefited from excellent domestic demand and from high exports. Against this backdrop, **Salzgitter Europlatinen GmbH (SZEP)** achieved significant increases in shipment and sales in comparison with the first two quarters of 2010 and delivered a higher pre-tax profit.

Trading Division

		Q2 2011	Q2 2010	H1 2011	H1 2010
Shipments	kt	1,195.3	1,114.3	2,137.9	2,181.6
Sales[1)]	**€ million**	**988.1**	**792.0**	**1,789.9**	**1,489.6**
External sales	**€ million**	**955.0**	**751.4**	**1,737.3**	**1,409.2**
Earnings before tax (EBT)	**€ million**	**14.8**	**39.4**	**38.2**	**43.4**

1) Incl. sales to other corporate divisions

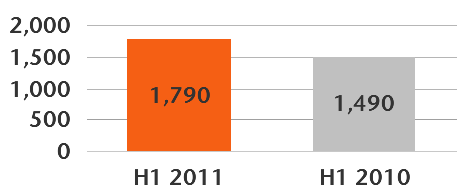
Alongside a well-developed organization of stockholding steel trading subsidiaries in Europe, the **Trading Division** comprises two steel service center companies (SSC), one specialized in flat steel products and one in plate, and operates a globalized international trading network. Along with the rolled steel and tubes products of the Salzgitter Group, the division also sells the products of other manufacturers in Germany and abroad and procures semi-finished products for the Group and external customers in the international markets.

With retrospective effect from January 1, 2011, Salzgitter Mannesmann Acélkereskedelmi Kft., Budapest (SMHU), a Hungarian stockholding steel trading subsidiary, was included in the group of consolidated companies of the Salzgitter Mannesmann Handel Group and thus the Trading Division.

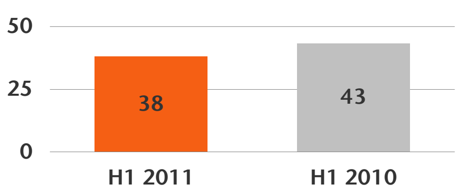
Following on from an excellent start to the year, global economic growth continued to have a positive impact on the steel-processing industries and therefore also on steel trading. This development was driven especially by the emerging economies of Asia as well as countries in Eastern Europe, along with Latin America and Africa. The international competitiveness of Germany's industrial products, particularly in the automotive industry, alongside mechanical and plant engineering, kept demand for steel products running high. The German construction industry's need for steel also showed the first signs of recovery. Steel sales in Germany and other European countries therefore developed extremely well and were higher than in the first six months of 2010.

The Trading Division reported shipments which were almost comparable with a year ago, along with a notable increase in **segment and external sales** induced by selling prices. Pre-tax profit, which came to € 38.2 million, did not match the year-earlier figure due to windfall effects being somewhat lower.

Trading-Sales (in € million)



Trading-EBT (in € million)



The **Salzgitter Mannesmann Handel Group** continued to perform well in the first six months of 2011, following on from 2010. Despite the not entirely satisfactory situation of international trading, overall shipments almost achieved the figure posted in the first six months of 2010 on the back of the pleasing development of stockholding steel trading shipments. Price increases in the domestic market in spring drove sales above the level of the previous year. The overall result was nonetheless below the comparable year-earlier figure as pre-tax profit in the second quarter of 2010 was determined by an above average windfall effect caused by a steep price uptrend.

The European **stockholding steel trading** companies performed consistently, delivering trading volumes that exceeded those of the previous year period. By mid-year, however, only stockholding steel traders in Eastern Europe had outperformed their year-earlier figures, as opposed to the first quarter of 2011 when almost all companies reported a year-on-year increase in their results.

In **international trading**, hot flat products continued to make up a significant part of the steel trading volume of the German trading subsidiary Salzgitter Mannesmann International GmbH (SMID). Above all business activities in Africa and Europe had a particularly positive effect. However, the currently virtually non-existent large-volume international project business and the only hesitant recovery in demand in the North American market caused shipments to decline in comparison with the year-earlier period. Against the background of higher prices, there was nonetheless a slight year-on-year increase in sales and, compared with the first half of 2010, trading operations delivered a higher pre-tax profit.

Universal Eisen und Stahl GmbH (UES), a company operating in the plate market, reported brisk order intake in the first half of 2011 which was mainly attributable to the good capacity utilization of many customer sectors. Earnings rose steadily over the reporting period but slowed towards the end of the second quarter due to pressure on standard grade imports. The pre-tax result rose appreciably, boosted by the increase in shipments and sales figures as against the year-earlier period.

During the first six months of 2011, the steel service center **Hövelmann & Lueg GmbH (HLG)**, reported stable business. The processing capacities offered to the market were, however, not used in full. Although shipments and sales were higher than a year ago, the pre-tax result fell below the year-earlier figure, above all due to the great price-induced pressure on the automotive segment.

Tubes Division

		Q2 2011	Q2 2010	H1 2011	H1 2010
Order bookings	€ million	461.7	561.3	1,263.5	1,238.1
Order backlog as of 30/06/	€ million			1,196.4	1,028.4
Sales[1)]	**€ million**	**561.5**	**506.8**	**1,098.1**	**1,023.4**
External sales	**€ million**	**458.0**	**442.6**	**903.2**	**892.0**
Earnings before tax (EBT)	**€ million**	**32.0**	**10.6**	**46.7**	**13.1**

1) Incl. sales to other corporate divisions

The **Tubes Division** consists of numerous subsidiaries and associated companies which manufacture and process welded and seamless steel tubes on four continents. The product range comprises mainly pipelines of all diameters, ranging from gas pipelines through to injection tubes for diesel engines, stainless oil field and boiler tubes, precision tubes for the automotive and machine building industries, as well as construction tubes in a variety of profiles.

Despite the unstable environment (sovereign debt crisis, energy debate, social unrest in North Africa and a number of Arab countries), the positive development of the real economy held steady or even accelerated in almost all sectors important to the **steel tubes** business. As a result, demand continued to run at the high level reported in the first quarter of 2011. The greatest drivers were the energy sector, along with the automotive industry and mechanical engineering, which have also meanwhile developed into mainstays for the return to the almost entirely satisfactory capacity utilization of tubes manufacturers.

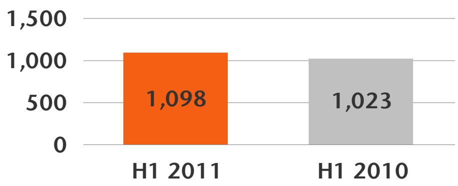
In the first half of the financial year 2011, **new orders** placed with the Tubes Division were slightly above the year-earlier figure owing to better selling prices and despite the lower volumes. This development is attributable first and foremost to larger orders placed for precision and stainless steel tubes that more than compensated for the decline in the volume of large-diameter tubes which fell short of the previous year's high figure and made a major contribution to the increase in consolidated orders in hand (+16 %).

Tubes shipments were somewhat lower than a year ago owing to the project-related downturn in the large-diameter tubes segment.

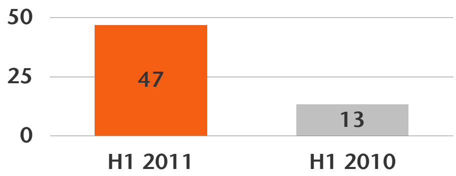
The Tubes Division recorded growth in **segment sales** compared with the first half of 2010 as higher selling prices compensated for the slight decline in shipment volumes. **External sales** remained virtually unchanged.

All product segments contributed to lifting the **pre-tax result** which came to € 46.7 million in the first half of 2011, a notable increase in comparison with the year-earlier result. The greatest headway was made by the precision tubes segment, and the stainless tubes segment also achieved a turnaround and closed business for the period on a positive note.

Tubes-Sales (in € million)



Tubes-EBT (in € million)



Business performance of the product segments:

In the **large-diameter tubes** segment, Europipe GmbH (EP) and Salzgitter Mannesmann Großrohr GmbH (MGR) booked a number of larger contracts at a good selling price level in the first half year. There was, however, no repeat of the exceptionally high order intake reported in the previous year due to the major "Nord Stream 2" and "NEL" projects. Orders in hand approximated the level of the first six months of 2010. As a result of MGR having virtually no shipments for customer order-related reasons and because the US companies of the Europipe Group were exposed to a weak market environment, shipments of large-diameter pipes fell short of the previous year's period and sales also entered a downtrend. The large-diameter tubes segment nonetheless generated a considerable pre-tax profit that was slightly higher in a year-on-year comparison. The 2010 result comprised provisions for onerous losses from project orders which were eliminated or used for the most part during project implementation carried out in 2010 and 2011. Furthermore, cost reductions in input materials had an easing effect.

The order volume of **HFI-welded tubes** in the standard segment developed well in the first half of 2011. Orders were, however, as yet unsatisfactory in the international project business as markets were exposed to a great deal of uncertainty and the resulting competitive pressure. All in all, new orders fell slightly below the previous year's figure in contrast to the order book which improved somewhat. With shipments remaining at the level of the first half of 2010, sales rose in the wake of higher selling prices. Pre-tax profit climbed as against the year-earlier figure but nonetheless remained unsatisfactory.

Measured against the first six months of 2010, orders in the **precision tubes** segment grew by almost a third on the back of the continued healthy export business of the automotive industry and the recovery in mechanical engineering and trading. The order book and shipments also rose considerably in comparison with a year ago. The selling price-induced, disproportionate increase in sales was reflected in a gratifyingly higher pre-tax profit compared with the previous year's figure which was burdened by accounting measures. First measures to improve profit have been implemented successfully.

The performance of **seamless stainless tubes** over the first two quarters of the financial year 2011 gives rise to cautious optimism: Particularly in the oil and gas segments a certain recovery has been discernible for some time, corroborated by the large number of projects being put out to public tender. The standard business has also picked up momentum since mid-2010. Generally speaking, the market is still subject to increasingly fierce competitive pressure, exacerbated by extremely short delivery times. In the stainless segment, there was a notable increase in order intake and orders in hand as well as in shipments and sales compared with the previous year's period that resulted in a positive pre-tax profit for the first half year of 2011, and thus marking the sement’s turnaround.

Services Division

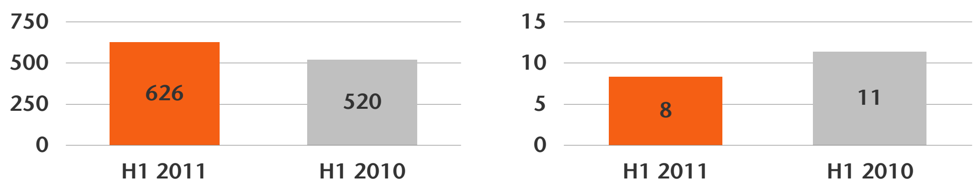
		Q2 2011	Q2 2010	H1 2011	H1 2010
Sales[1]	€ million	325.9	289.4	625.9	520.0
External sales	€ million	119.2	107.4	238.7	195.3
Earnings before tax (EBT)	€ million	3.4	6.3	8.3	11.4

[1] Incl. sales to other corporate divisions

The **Services Division** primarily concentrates its offering on requirements within the Group but also makes its services available to external customers. Services include the supply of raw materials, logistics, IT and personnel-related services, automotive products as well as research and development.

As before, the business activities of the Services Division were determined by the ongoing healthy capacity utilization of steel companies in the first half year.

Services-Sales (in € million)



In the first six months of 2011, **segment sales** climbed by 20% to € 625.9 million in comparison to the year-earlier period. Buoyed by the sharp increase in prices, above all for steel scrap, **DEUMU Deutsche Erz- und Metall-Union GmbH (DMU)**, a company trading in raw materials, made the largest contribution. There was also a notable increase in the external sales of the division (+22 %).

The Services Division delivered a **pre-tax profit** of € 8.3 million as per June 30, 2011, and was therefore unable to repeat the results of the first half of 2010. Although DMU was instrumental in lifting profit (+31 %), almost all the other companies fell short of the previous year's figures. This is mainly due, for instance, to the higher costs of personnel or material despite better selling prices.

Technology Division

		Q2 2011	Q2 2010	H1 2011	H1 2010
Order bookings	€ million	211.7	210.3	455.2	468.4
Order backlog as of 30/06/	€ million			347.6	284.2
Sales[1)]	**€ million**	**243.1**	**230.1**	**486.3**	**430.1**
External sales	**€ million**	**242.8**	**229.9**	**485.7**	**429.7**
Earnings before tax (EBT)	**€ million**	**–9.4**	**–2.4**	**–17.7**	**–15.7**

[1)] Incl. sales to other corporate divisions

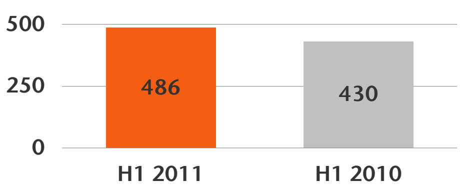
The **Technology Division** has combined its international machinery and plant engineering activities under the roof of Klöckner-Werke AG (KWAG). The KHS Group constitutes the main business line of filling and packaging technology for the beverages and food industry and is the division's sales mainstay contributing 90 % of sales. Other companies of the division operate in the special machinery engineering business.

An additional four companies of the Technology Division were included in the group of consolidated companies of Salzgitter AG with retrospective effect from January 1, 2011:
- KHS Asia Pte Ltd, Singapore (KHSSI)
- KHS Japan Corporation, Osaka, Japan (KHSJA)
- Klöckner DESMA Machinery Pvt., Ahmedabad, India (KDEIN)
- DESMA USA Inc. Hebron, USA (KDEUS)

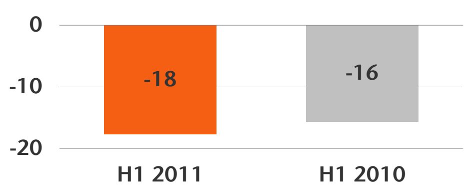
KWAG has acquired the remaining 15 % in Klöckner DESMA Elastomertechnik GmbH (KDE), Fridingen, through an agreement dated April 12, 2011. KDE is therefore now a wholly-owned subsidiary of KWAG.

According to the German Engineering Federation (VDMA), order intake of the German mechanical and plant engineering sector grew by a real 23 % in the first half year of 2011 as against the previous year. The manufacturers of food and packaging machinery also got off to a good start to the year 2011, continuing the recovery staged in 2010. High growth rates were posted mainly in the emerging countries of Asia, the Middle East and South America. The importance of Europe – which has been German mechanical engineering's largest market to date – continues to decline.

Technology-Sales (in € million)



Technology-EBT (in € million)



New orders placed with the Technology Division in the first half year came to € 455.2 million, which is slightly below the year-earlier figure, due to the fact that KHS GmbH (KHSDE) and the Indian and Brazilian KHS subsidiary (KHSIN/KHSBR) did not match the extremely high order volume recorded a year earlier. In contrast, KHS Corpoplast GmbH (BEVCP), the American KHS company, and the DESMA companies reported growth. Moreover, stepping up the single machine business at KHS is showing the first signs of success. **Orders in hand** totaled € 347.6 million, representing an increase of 22 % over the previous year's period.

Segment and external sales rose by 13 % in a year-on-year comparison. This development is attributable to the steady improvement in the order situation for turnkey plants for the beverages industry and healthy demand for services and replacement deliveries. In addition, KHSSI and KHSJA, both newly consolidated companies, contributed € 24.3 million to this result.

Parts of the Technology Division have already achieved the turnaround envisaged and returned to profitability, led by the two special machine manufacturers Klöckner DESMA Elastomertechnik GmbH (KDE) and Klöckner DESMA Schuhmaschinen GmbH (KDS) which both raised their profit considerably as against the first six months of 2010. This also applies to KHS USA Inc., Waukesha (KHSUS), whose higher earnings also reflect the improved economic environment. The **result before tax** of € –17.7 million is manly still burdened by insufficient selling price level in the KHS Group's project business.

The KHS Group has given top priority to customer orientation and sharpening its competitive edge. To this end, an extensive package of measures was initiated in 2009 and has been consistently implemented since then. Processes and organization structures are being critically reviewed and streamlined. Among other measures, this entails an ongoing standardization of products and processes, resulting in enhanced efficiency and long-term cost savings.

Other/Consolidation

		Q2 2011	Q2 2010	H1 2011	H1 2010
Sales[1)]	**€ million**	44.7	**52.0**	92.4	**90.7**
External sales	**€ million**	22.6	**12.7**	41.8	**26.4**
Earnings before tax (EBT)	**€ million**	11.9	**3.4**	24.1	**18.9**

1) Incl. sales to other corporate divisions

Sales in the Other/Consolidation segment, which are mainly based on business in semi-finished products with subsidiaries and external parties, rose marginally to € 92.4 million during the period under review (first half of 2010: € 90.7 million). Buoyed by the economic environment, **external sales** climbed steeply to € 41.8 million (first half of 2010: € 26.4 million).

Pre-tax profit came to € 24.1 million. The result includes € 46.5 million in profit after tax (first half of 2010: € 22.0 million) contributed by the stake in Aurubis AG (NAAG), a company consolidated at equity. This was offset by negative effects from the elimination of inter-company profit and loss and expenses incurred by the holding.

Explanations on the Financial Position and Net Worth

The **total assets** of the Salzgitter Group had risen by just under 2 % (€ +164 million) by June 30, 2011 compared with December 31, 2010. Investment in property, plant and equipment and intangible assets exceeded the level of depreciation and amortization by € 14 million.

The growth in total assets was mainly attributable to the higher level of **current assets** (€ +161 million) from a volume and price-induced increase in trade receivables (€ +280 million) and inventories (€ +292 million), along with the higher level of other receivables and other assets (€+ 208 million). This was offset by reductions in tax refund claims (€ –88 million), securities (€ –235 million) and cash and cash equivalents (€ –296 million).

On the liabilities side, the improved volume of business was principally reflected in the **current liabilities** (€ +160 million). The higher level of trade receivables/inventories was accompanied by a rise in trade payables (€ +121 million) and other liabilities (€ +61 million). The decrease in other current provisions had an offsetting effect (€ –15 million). The **equity ratio** came to a sound 43.8 %.

Despite the positive profit growth, there was nonetheless a **cash outflow from operating activities** of € 83.0 million resulting mainly from the increase in working capital. In the first six months of 2010, a positive cash flow of € 148.6 million was generated. The **net credit balance**, including investments which are not disclosed under financial investments, had fallen to € 950.5 million by the end of the reporting period (December 31, 2010: € 1,272.2 million) owing mainly to the increase in working capital.

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Investments

Investments in plant, property and equipment came to € 180.7 million in the first six months of the current financial year, which is lower than the figure posted in the year-earlier period (€ 208.0 million). Depreciation and amortization (€ 166.4 million) corresponded approximately to the level of investment activity.

Investment activity in the first half of 2011 was focused on the **Steel Division** where efforts were directed towards securing the progress of major projects being implemented in line with planning.

Following the successful completion of the "**Power Plant 2010**" project and the "**SZS 2012**" investment program, which is in the final stages, the focus of Salzgitter Flachstahl GmbH's (SZFG) investments in 2011 has been on the preparation and realization of plans to optimize existing facilities, securing availability and fulfilling environmental safety standards.

The main contract for the "**Sinter Cooler Dedusting**" project has been awarded. Site preparations are currently under way. The installation of a filter unit for the partial dedusting of the existing sinter cooler used in the preparation of iron ore is intended to fulfill the official requirements specified in technical guidelines for air and noise control.

Construction work on the concrete building (turbine building and outbuilding) is currently being carried out as part of the "**Top Gas Recovery Turbine for Blast Furnace B**" investment project. The facilities enable energy to be recovered from the hot top gas generated through the blast furnace process. This measure will allow electricity sourced externally to be reduced by up to 57 GWh/year.

The main contract for the "**Entry Loop Accumulator Tandem Line**" has been awarded. The tandem line is to be equipped with a continuous inflow in order to improve the output and quality of the cold-rolled strip.

Work on the "**Belt Casting Technology**" is making progress in accordance with the schedule. Work has started on the foundations of the "casting" production unit located in Peine. In Salzgitter, which is to house the "rolling" production unit, the old foundations are being removed. The new facilities will allow a more economic production of innovative steel materials with special characteristics.

In view of the demand for input materials within the Group and rising prices for buying in these materials, the Executive Board made the decision in 2010 to continue the "**PTG 2010**" project in order to enable parallel operation of both electric arc furnaces. The start of parallel operation went ahead on March 22, 2011 as scheduled. The second furnace is currently in the ramping up stage.

HSP Hoesch Spundwand und Profil GmbH (HSP) installed an additional roll stand as part of a thorough modernization of its rolling mill. This has been incorporated into running production. By extending its product range to include the Z profile series, HSP can fulfill all market requirements and strengthen its competitive position.

The major investment project in the plate rolling mill of Salzgitter Mannesmann Grobblech GmbH (MGB), which goes by the name of "**Replacement of the Cross Cut Shear**" and was approved in the financial year 2010, has been assigned to the supplier SMS Siemag, marking the end of the contract awarding phase. The technical implementation of the project will take place during the downtime scheduled for Easter 2013.

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

SZMF's R&D expenses in 2011 are likely to remain at the year-earlier level. No important changes have been planned either as regards the number of employees.

New laboratory for high-temperature corrosion

SZMF has extended the scope of its expertise in the field of heat-resistant steels through commissioning two test rigs for the simulation of high-temperature corrosion processes in power plants. Today's coal-fired high-performance power plants are currently working with hot steam at 600°C and 290 bar and achieve efficiencies of 47 %. To raise efficiencies to over 50 %, future generations of power plants will need to work at around 700°C and increase operating pressure to around 350 bar. The boiler components in use (superheater tubes, membrane walls, steam pipes) must be able to withstand with these new conditions. Power plant operators, boiler and tube manufacturers are pressing ahead with the development of the materials necessary for these power plant concepts.

SZMF's new test rigs will be used to systematically analyse the behaviour of materials under steam and flue gas corrosion conditions in experiments in line with new requirements. The horizontal furnaces operate at temperatures ranging between 400 and 900°C. SZMF will be using both test rigs to develop new high-performance materials for next-generation power plants.

New aseptic filling system

In its Innosept Asbofill TWIN, KHS GmbH (KHSDE) has launched a new generation of aseptic line filler machines on the market: Two separate machines are combined into one plant, which makes for substantial savings on cost and space. With a surface area of around 50 m^2, the machines are compact although the aseptic zone, which measures a maximum of 3 m^3, is minimal. The linear machine uses the dry sterilization process. Hydrogen peroxide aerosol is injected into the plastic bottles or directed onto the closure, reacts on the surface and is subsequently dried by hot air. Up to 24,000 plastic bottles with a filling volume of between 100 ml and 2,000 ml are processed an hour. The system concentrates on non-carbonated beverages, such as milk and fruit juice, as well as liquid pharmaceutical products which include tube-fed nutritionals and health beverages. Integrated neck handling ensures the highest degree of independence from different bottle shapes which means that special shapes such as rectangular or square bottles can be easily handled. Maximum security goes hand-in-hand with flexibility, both in the product itself as well as in the plastic bottles to be filled and the caps used to close them them.

Employees

	30/06/11	31/12/10	+/-
Core workforce	**23,426**	**22,948**	**478**
of which Steel Division	6,985	6,869	116
of which Trading Division	1,939	1,910	29
of which Tubes Division	5,554	5,528	26
of which Services Division	4,023	4,067	–44
of which Technology Division	4,763	4,408	355
of which Others	162	166	–4
Apprentices, students, trainees	1,213	1,452	–239
Passive age-related part-time employment	610	627	–17
Total workforce	**25,249**	**25,027**	**222**

The core workforce of the Salzgitter Group came to 23,426 employees on June 30, 2011, which is an increase of 478 people since year-end 2010. Of this number 207 were accounted for by the initial consolidation of the five foreign companies of KHS Asia Pte. Ltd., Singapore, (KHSSI), KHS Japan Corporation, (KHSJA), Klöckner DESMA Machinery Pvt., India (KDEIN), DESMA USA Inc. (KDEUS) and Salzgitter Mannesmann Acélkereskedelmi Kft., Budapest (SMHU), which took place on June 30, 2011, with retrospective effect from January 1, 2011. Moreover, following cuts affecting 430 jobs in the previous-year, good capacity utilization necessitated hiring 271 more staff members. In the reporting period, 285 trainees were hired by the company, 250 of whom were given limited contracts.

The global economic environment has deteriorated in recent months. Although the order situation in the majority of steel processing sub-sectors remains excellent, many business sentiment indicators have fallen in the wake of discussions about sovereign debt in the US and the EU. In addition, a marked slowdown in demand typical of the summer months season is currently notable.

The fundamental trend in the European steel market, reflecting the disparate development of bulk steel business, on the one hand, and the high quality segment, on the other, will in all probability persist in the second half of the year, as import pressure on commodities is likely to ease only slightly. By contrast, high-grade products are in demand. The booking patterns of the large majority of customers remain extremely cautious. As a result, inventories in trading and with customers are still at a normal level. Given the prospect of the good capacity utilization of many steel processors, there is a distinct possibility of a market recovery in the early fall. Especially considering the currently weaker market dynamics, the **Steel Division** anticipates a somewhat lower pre-tax result in the second half of 2011 compared with the first six months.

The **Trading Division** assumes that business will continue to be sound. The margins in stock holding steel trading, however, have returned to a normal level due to ground made up in purchase prices. The division’s shipment volumes and revenues are likely to remain at a higher level in the second half of the year as well, and we expect another gratifying pre-tax profit.

The customary seasonal effects in the steel market will also have an impact on the activities of the **Tubes Division.** The intensive debate on the future energy supply of Germany and Europe has, by its nature, slowed decision-making on projects in this sector. In contrast, the demand for precision tubes from the automotive and mechanical engineering industries remains very robust. The Tubes Division therefore expects to achieve a good result in the second half of the year which will probably be slightly below the high profit generated in the first six months.

The **Services Division** anticipates that business will also remain stable in the coming months, underpinned by the ongoing high capacity utilization of the steel companies.

The framework conditions of projects in the beverage filling plants business are likely to improve only gradually in the foreseeable future. With orders at an acceptable level, the **Technology Division** expects to generate annual revenues that are significantly higher than in 2010. However, due to margins that remain unsatisfactory, the second half of 2011 will also close at a loss. This result pertains only to the KHS Group; the plastics injection moulding machinery companies are set to perform well, as before.

The short contractual cycle, the persistently high volatility of procurement and selling prices and the uncertainty surrounding economic framework conditions continue to hamper planning accuracy, both in the individual divisions and at the level of the entire Group. Against the backdrop of the acceptable constitution in the flat steel and plate markets, coupled with the turnaround achieved in the precision tubes segment, we anticipate that, from today's standpoint, the **pre-tax profit of the Salzgitter Group will come to around € 200 million** in the financial year 2011 as a whole.

As in recent years, we make special reference to the fact that **opportunities and risks** from currently unforeseeable trends in selling prices, input materials and capacity utilization developments, as well as changes in the currency parity, may still affect performance considerably over the course of the financial year 2011. The resulting fluctuation in the consolidated pre-tax result may be within a considerable range, either to the positive or to the negative. The dimensions of this range become clear if one considers that, given the sale of around 6 million tons of steel products by the Steel, Trading and Tubes divisions in the second half of the financial year, an average € 25 contraction in the margin per ton is sufficient to cause a variation in the annual result of more than € 150 million.

Risks Management

As regards the individual **opportunities and risks**, we make reference to the Annual Report 2010. At the time when the report was drawn up there were no risks which could endanger the Salzgitter Group as a going concern.

In terms of risks from the price volatility of commodities, particularly iron ore and coking coal where delivery will mainly be based on quarterly contracts also in 2011, the impact on the profit of the companies has been factored in as far as possible. The market leader for coking coal has succeeded in switching contracts to pricing on a monthly basis as from the second quarter of 2011. This would affect around one third of the volume procured by Salzgitter AG. From today's standpoint, however, we do not expect the risk situation of the Group to change fundamentally at short notice.

Steel industry brings charges against additional burdens from emissions trading

Steel companies in German-speaking countries, including Salzgitter Flachstahl GmbH (SZFG) and Hüttenwerke Krupp Mannesmann GmbH (HKM), and the European Confederation of Iron and Steel Industries (EUROFER) brought charges against unjustified additional burdens from European emission trading before the European Court of Justice in Luxembourg on July 21, 2011. The charges are directed against special regulations governing the allocation of emission certificates effective from 2013 onwards and not generally against the instrument of emission trading. The Commission is deemed to have set CO_2 benchmarks for pig iron and sinter against the requirements of Emissions Trading Directive at a level that is technically unachievable and goes against the provisions on implementation. In particular, the Commission is said to have made reductions on waste gases that unavoidably stem from steel production and are used to generate electricity, which stands in contradiction to the legal provisions. The European steel industry will face an additional burden of up to € 600 million a year.

Interim Financial Statements

I. Consolidated Income Statement

in € million	2nd Quarter 2011	2nd Quarter 2010	1st Half 2011	1st Half 2010
Sales	2,465.9	2,109.4	4,773.5	4,034.2
Increase/decrease in finished goods and work in process/other own work capitalized	109.8	35.1	189.6	48.7
	2,575.7	2,144.5	4,963.1	4,082.9
Other operating earnings	50.1	56.7	100.8	136.6
Cost of materials	1,850.8	1,492.7	3,546.2	2,825.5
Personnel expenses	370.3	365.2	726.9	730.5
Amortization and depreciation	84.4	69.1	166.4	136.6
Other operating expenses	244.5	255.3	496.3	516.6
Income from shareholdings	2.0	2.9	2.0	3.6
Income from associated companies	18.4	13.4	46.9	26.7
Impairment losses of financial assets	0.0	1.2	0.0	1.2
Financing income	9.6	5.5	17.0	11.3
Financing expenses	32.1	27.5	63.9	55.7
Earnings before tax	**73.7**	**12.0**	**130.0**	**–5.1**
Income taxes	24.0	2.2	36.3	–1.6
Consolidated net income/loss for the period	**49.7**	**9.8**	**93.7**	**–3.5**
Appropriation of profit				
Consolidated net income/loss for the period	49.7	9.8	93.7	–3.5
Profit carried forward from the previous year	0.0	0.0	19.3	15.1
Minority interests	1.0	1.3	2.1	2.5
Dividend payment	–17.3	–13.6	–17.3	–13.6
Appropriation to other retained earnings	–48.8	–8.6	–91.7	6.0
Unappropriated retained earnings	**–17.3**	**–13.6**	**2.0**	**1.5**
Basic earnings per share (in €)	**0.91**	**0.16**	**1.70**	**–0.11**
Diluted earnings per share (in €)	**0.89**	**0.16**	**1.68**	**–0.11**

II. Statement of Comprehensive Income

in € million	2nd Quarter 2011	2nd Quarter 2010	1st Half 2011	1st Half 2010
Consolidated net income/loss for the period	**49.7**	**9.8**	**93.7**	**–3.5**
Changes in currency translation	–2.4	15.6	–12.6	26.8
Change in value from hedging transactions				
Changes in current value recorded directly in equity	–0.7	0.7	0.2	–2.2
Recognition of settled hedging transactions with effect on income	0.0	0.0	–0.7	2.6
Changes in value of financial assets in the "available-for-sale assets" category				
Changes in current value recorded directly in equity	–2.8	–2.1	–1.7	–0.4
Deferred tax on changes without effect on income	–0.1	0.0	–0.1	0.0
Other changes without effect on income	3.1	–2.0	–8.9	–3.9
Changes directly recorded in equity	**–2.9**	**12.2**	**–23.8**	**22.9**
Total comprehensive income	**46.8**	**22.1**	**69.9**	**19.4**
Total comprehensive income due to Salzgitter AG shareholders	45.8	21.1	67.8	17.4
Total comprehensive income due to minority interests	1.0	1.0	2.1	2.0
	46.8	**22.1**	**69.9**	**19.4**

III. Consolidated Balance Sheet

Assets in € million	30/06/2011	31/12/2010
Non-current assets		
Intangible assets		
Other intangible assets	121.1	121.8
Property, plant and equipment	2,541.5	2,529.2
Investment property	24.4	24.2
Financial investments	70.1	78.9
Associated companies	523.2	488.4
Deferred income tax assets	166.2	201.6
Other receivables and other assets	3.5	3.1
	3,450.1	**3,447.2**
Current assets		
Inventories	2,022.3	1,730.1
Trade receivables	1,455.8	1,175.9
Other receivables and other assets	456.1	248.1
Income tax assets	47.2	135.6
Securities	142.5	377.5
Cash and cash equivalents	1,278.7	1,574.3
	5,402.5	**5,241.5**
	8,852.6	**8,688.7**

Equity and liabilities in € million	30/06/2011	31/12/2010
Equity		
Subscribed capital	161.6	161.6
Capital reserve	238.6	238.6
Retained earnings	3,837.0	3,785.5
Unappropriated retained earnings	2.0	19.3
	4,239.3	**4,205.0**
Treasury shares	–369.7	–369.7
	3,869.6	**3,835.3**
Minority interests	11.7	10.6
	3,881.2	**3,845.9**
Non-current liabilities		
Provisions for pensions and similar obligations	1,912.4	1,926.3
Deferred tax liabilities	40.0	48.3
Income tax liabilities	191.9	193.6
Other provisions	261.4	274.1
Financial liabilities	596.0	591.0
	3,001.7	**3,033.3**
Current liabilities		
Other provisions	429.2	444.2
Financial liabilities	136.7	128.2
Trade payables	833.9	713.3
Income tax liabilities	31.5	46.1
Other liabilities	538.3	477.7
	1,969.6	**1,809.5**
	8,852.6	**8,688.7**

IV. Cash Flow Statement

in € million	1st Half 2011	1st Half 2010
Earnings before tax (EBT)	130.0	–5.1
Depreciation, write-downs (+)/write-ups (-) on fixed assets	166.4	137.2
Income tax refunded (+) / paid (-)	65.8	35.6
Other non-payment-related expenses (+)/income (-)	33.7	76.8
Interest expenses	63.9	55.7
Profit (-)/loss (+) from the disposal of fixed assets	0.9	0.8
Increase (-)/decrease (+) in inventories	–279.1	–124.0
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	–286.7	–247.8
Use of provisions affecting payments, excluding income tax provisions	–139.2	–141.1
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	161.3	360.5
Cash flow from operating activities	**–83.0**	**148.6**
Cash inflow from the disposal of fixed assets	1.0	26.2
Cash outflow for investments in fixed assets	–179.1	–208.3
Cash inflow (+)/outflow (-) for funds	34.8	–150.0
Cash inflow from the disposal of financial assets	5.2	2.0
Cash outflow for investments in financial assets	–36.8	–4.0
Cash flow from investment activities	**–174.9**	**–334.1**
Cash inflow (+)/outflow (-) as a result of sale and repurchase of treasury shares	0.0	–0.1
Cash outflow in payments to company owners	–17.3	–13.6
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilites	–15.0	–0.9
Interest paid	–8.7	–4.2
Cash flow from financing activities	**–41.0**	**–18.8**
Cash and cash equivalents at the start of the period	1,574.3	1,793.0
Cash and cash equivalents referring to changes of the consolidated group	5.4	0.0
Gains and losses from changes in foreign exchange rates	–2.1	3.2
Payment-related changes in cash and cash equalities	–298.9	–204.3
Cash and cash equivalents at the end of the period	**1,278.7**	**1,591.9**

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, 2009	**161.6**	**238.6**	**−359.4**	**4,097.0**	**−24.9**
Total comprehensive income				0.5	26.8
Dividend					
Repurchase of treasury shares			−0.1		
Withdrawals from retained earnings				−6.0	
Other				−0.1	
As of June 30, 2010	**161.6**	**238.6**	**−359.6**	**4,091.4**	**1.9**
As of December 31, 2010	**161.6**	**238.6**	**−369.7**	**4,108.1**	**−14.5**
Goodwill resulting from the acquisition of minority interst				−31.8	
Total comprehensive income				−0.1	−12.6
Dividend					
Group transfers to retained earnings				91.7	
Changes to the Group of consolidated companies				16.4	
Other				−0.8	
As of June 30, 2011	161.6	238.6	−369.7	4,183.5	−27.1

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
0.4	**−1.8**	**−235.3**	**15.1**	**3,891.3**	**13.0**	**3,904.3**
0.4	−0.4	−3.9	−6.0	17.4	2.0	19.4
			−13.6	−13.6		−13.6
				−0.1		−0.1
			6.0	0.0		0.0
				−0.1	−1.9	−2.0
0.8	**−2.2**	**−239.2**	**1.5**	**3,894.9**	**13.1**	**3,908.0**
−0.3	**−6.1**	**−301.8**	**19.3**	**3,835.3**	**10.6**	**3,845.9**
				−31.8	−1.0	−32.8
−0.5	−1.7	−9.1	91.7	67.8	2.1	69.9
			−17.3	−17.3		−17.3
			−91.7	0.0		0.0
				16.4		16.4
				−0.8	0.0	−0.8
−0.8	−7.8	−310.9	2.0	3,869.6	11.7	3,881.2

Segment Reporting

in € million	Steel		Trading		Tubes	
	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010
External sales	1,367.0	1,081.6	1,737.3	1,409.2	903.2	892.0
Sales to other segments	631.4	416.6	52.6	80.4	194.1	131.0
Sales to Group companies that cannot be allocated to an operating segment	0.0	0.0	0.0	0.0	0.8	0.3
Segment sales	1,998.4	1,498.1	1,789.9	1,489.6	1,098.1	1,023.4
Interest income (consolidated)	2.0	0.7	3.5	2.7	0.6	0.3
Interest income to other segments	0.0	0.0	0.0	0.0	0.0	0.0
Interest income to Group companies that cannot be allocated to an operating segment	0.2	0.2	0.9	0.4	0.9	0.9
Segment interest income	2.2	0.8	4.4	3.0	1.4	1.2
Interest expenses (consolidated)	6.8	5.4	3.4	3.6	3.5	3.5
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	35.2	29.2	3.2	3.2	4.7	4.0
Segment interest expenses	42.0	34.6	6.6	6.8	8.2	7.5
of which interest portion of allocations to pension provisions	4.5	4.6	1.7	1.7	2.9	2.9
Depreciation/amortization of tangible and intangible fixed assets	114.6	86.4	5.2	5.2	21.8	20.7
thereof scheduled depreciation of tangible fixed assets and amortization of intangible assets	114.6	86.4	5.2	5.2	21.8	20.7
EBITDA	184.8	44.0	45.6	52.4	75.3	41.2
EBIT	70.2	–42.4	40.4	47.2	53.4	19.3
Earnings before tax (EBT)	30.4	–76.2	38.2	43.4	46.7	13.1
of which from associated companies	0.2	0.3	0.0	0.0	0.2	4.3
Investments in tangible and intangible fixed assets	122.0	172.6	4.8	3.5	23.8	15.9

Services		Technology		Total segments		Others/ Consolidation		Group	
H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010
238.7	195.3	485.7	429.7	4,731.9	4,007.8	41.8	26.4	4,773.5	4,034.2
385.2	323.0	0.4	0.3	1,263.7	951.3	50.7	64.3	1,314.5	1,015.6
2.0	1.7	0.2	0.1	3.0	2.1	0.0	0.0	3.1	2.1
625.9	520.0	486.3	430.1	5,998.6	4,961.2	92.4	90.7	6,091.1	5,051.9
0.3	0.3	1.0	1.4	7.3	5.3	9.6	5.9	17.0	11.3
0.0	0.0	0.0	0.0	0.0	0.0	46.9	38.6	46.9	38.6
6.8	6.5	0.2	0.2	8.9	8.1	0.0	0.0	8.9	8.1
7.0	6.8	1.2	1.6	16.3	13.5	56.5	44.6	72.8	58.0
6.9	6.9	4.3	5.0	24.9	24.4	38.9	31.3	63.9	55.7
0.0	0.0	0.0	0.0	0.0	0.0	8.9	8.1	8.9	8.1
1.7	1.1	2.2	1.1	47.0	38.6	0.0	0.0	47.0	38.6
8.6	7.9	6.5	6.1	71.9	63.0	47.8	39.5	119.7	102.4
6.7	6.5	3.3	3.6	19.0	19.4	20.4	23.3	39.3	42.7
11.0	11.0	12.8	12.2	165.5	135.5	0.9	1.1	166.4	136.6
11.0	11.0	12.8	12.2	165.5	135.5	0.9	1.1	166.4	136.6
20.9	23.5	0.4	1.2	327.1	162.3	16.3	14.9	343.4	177.2
9.9	12.5	–12.4	–11.1	161.6	25.5	15.4	13.8	176.9	39.3
8.3	11.4	–17.7	–15.7	105.9	–24.0	24.1	18.9	130.0	–5.1
0.0	0.0	0.0	0.0	0.4	4.6	46.6	22.0	46.9	26.7
21.3	8.2	8.6	7.8	180.6	208.0	0.1	0.0	180.7	208.0

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, 2011, 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, 2010, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statements for the period ended June 30, 2011.
3. For the first time, the following companies have been fully consolidated:
   - SMHU Salzgitter Mannesmann Acélkereskedelmi Kft.
   - KHSSI KHS Asia Pte. Ltd.
   - KHSJA KHS Japan Corporation
   - KDEIN Klöckner DESMA Machinery Pvt.
   - KDEUS DESMA USA, Inc.

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 € 1.70 in the period under review. Dilution would occur if earnings per share were reduced through the issuance of potential shares from option and conversion rights. Such rights, attached to a convertible bond, existed as of the balance sheet date. When taken into account there is a decrease in earnings per share from continued business operations, as a result of which these option and conversion rights have a dilutive effect. Diluted earnings per share come to € 1.68.

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 (arm's length). 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
	01/01 - 30/06/2011	01/01 - 30/06/2011	30/6/2011	30/6/2011
Thyssen Krupp GfT Bautechnik GmbH, Essen	44,182	0	15,149	0
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	949	245,401	277	31,766

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 authorised representatives
"We hereby affirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the net assets, financial position and the results of operations of the Group in accordance with the generally accepted accounting principles for interim reporting, and that the Management Report presents a true and fair description of the development of the Group's business, including its performance and position, and of the material risks and opportunities inherent in the prospective development of the Group over the remainder of the financial year."

Salzgitter, in August 2011
The Executive Board of Salzgitter AG

Fuhrmann | Becker | Eging

Groschke | Nonn | Schneider

Financial calendar 2011

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

Legal disclaimer

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

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