

Q1

Interim Report | **1st Quarter 2011**



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Salzgitter Group Figures

		Q1 2011	Q1 2010	+/-
Crude steel production¹⁾	kt	1,817.9	1,644.9	173.0
External sales	€ million	2,307.6	1,924.8	382.8
Steel Division	€ million	698.4	516.1	182.3
Trading Division	€ million	782.3	657.7	124.6
Tubes Division	€ million	445.2	449.4	-4.2
Services Division	€ million	119.5	88.0	31.5
Technology Division	€ million	242.9	199.8	43.1
Others	€ million	19.2	13.8	5.4
Export share	%	45.0	49.0	-4.0
EBITDA²⁾	€ million	162.7	72.8	89.9
EBIT²⁾	€ million	80.7	5.3	75.4
Earnings before tax (EBT)	€ million	56.3	-17.1	73.4
Steel Division	€ million	9.4	-31.0	40.4
Trading Division	€ million	23.3	4.0	19.2
Tubes Division	€ million	14.7	2.6	12.1
Services Division	€ million	5.0	5.1	-0.1
Technology Division	€ million	-8.3	-13.3	5.0
Others/Consolidation	€ million	12.2	15.5	-3.3
Earnings after tax	€ million	44.0	-13.3	57.3
Earnings per share (undiluted)	€	0.79	-0.27	1.06
ROCE³⁾⁴⁾	%	5.9	-1.0	6.9
Operating cash flow	€ million	-79.0	19.2	-98.2
Capital expenditure⁵⁾	€ million	80.2	94.6	-14.4
Depreciation and amortization⁵⁾	€ million	82.0	67.6	14.4
Balance sheet total	€ million	8,823.8	8,320.4	503.4
Fixed assets	€ million	3,429.9	3,231.6	198.3
Current assets	€ million	5,393.9	5,088.8	305.1
of which inventories	€ million	1,816.8	1,506.2	310.6
of which cash and cash equivalents	€ million	1,361.7	1,566.1	-204.4
Equity	€ million	3,835.5	3,901.3	-65.8
Liabilities	€ million	4,988.3	4,419.1	569.2
Non-current liabilities	€ million	3,012.2	2,526.0	486.2
Current liabilities	€ million	1,976.1	1,893.1	83.0
of which due to banks ⁶⁾	€ million	73.6	99.3	-25.7
Net position to banks⁷⁾	€ million	1,074.7	1,483.3	-408.6
Employees	€ million			
Personnel expenses	€ million	356.6	365.3	-8.7
Core workforce	31/03/	23,164	23,371	-207
Total workforce	31/03/	25,031	25,177	-146

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 total of shareholders' equity (without calculation of accrued and deferred taxes), tax provisions, interest-bearing liabilities (excluding pension provisions) and liabilities from financial leasing, forfeiting

⁴⁾ Annualized

⁵⁾ Excluding financial assets

⁶⁾ Current and non-current liabilities to banks

⁷⁾ Including investments, e.g. securities and structured investments

Summary

Successful start to the financial year 2011

Backed by the continued favorable economic environment and the resulting recovery in the business activities of almost all subsidiaries the Salzgitter Group was off to a good start to the new financial year in the first quarter of 2011. This is impressive proof and confirmation of the turnaround following the year of transition in 2010.

Group:

- **External sales:** grew by nearly one fifth to € 2,307.6 million
- **Earnings before tax:** rise to € 56.3 million
- **Profit after tax:** climbs to 44.0 million
- **Earnings per share:** lifted to € 0.79
- **Net credit balance:** marginal decline to € 1.1 billion owing to the higher level of working capital
- **Equity ratio:** posts a sound 43.5 %
- **Return on capital employed (ROCE):** increases to 5.9 %

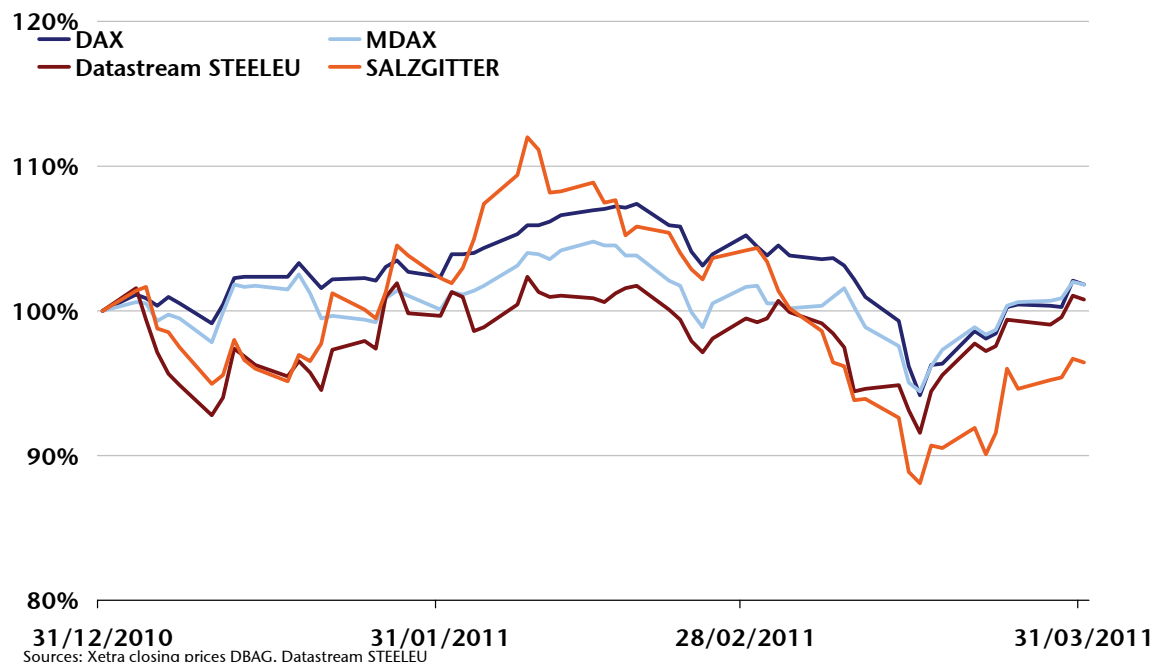
Business performance of the divisions:

- **Steel:** two different development directions – consistently high level of capacity utilization in flat steel and plate, the still modest demand in the construction industry which is preventing the section product segment returning to satisfactory capacity utilization; sales rose due to significantly higher sales prices; marked improvement in pre-tax earnings in comparison with the first quarter of 2010
- **Trading:** benefited from the stable macroeconomic environment and the resulting demand for steel in most industrial sectors; notable sales growth on the back of selling price uptrend since the start of the year; profit posted in the year-earlier period outperformed thanks to greater margins in stockholding steel trade
- **Tubes:** gradual recovery holds steady in the first quarter of 2011; sales remain largely unchanged; substantial increase in pre-tax profit through trend reversal in the results of the precision tubes business
- **Services:** higher sales thanks to capacity utilization in other Group companies and uptrend in third-party business; another gratifying pre-tax result
- **Technology:** steady improvement in order intake for filling and packaging plants and machinery for the beverages industry and brisk business in services and spare parts boost sales; unsatisfactory selling prices in the project business incurs pre-tax loss
- **Other:** increase in external sales; result includes € 29.0 million in profit after tax contributed by the stake in Aurubis AG, consolidated at equity

Guidance for the financial year 2011: Based on the information currently available in the divisions, we believe that it should be possible for the **Salzgitter Group to achieve a pre-tax profit of up to € 150 million** in the financial year 2011.

Investor Relations

Capital market and the performance of the Salzgitter stock



The **stock markets** received impetus at the start of the year 2011 from the sustained economic recovery and positively assessed profit reports of many companies. The uptrend, which began in the fall of 2010, held steady well into February. Only subsequently was there profit taking in the wake of the highest index levels since the start of the financial crisis in the summer of 2008. This situation changed radically through the earthquake in Japan on March 11: In the partly panic-stricken process of consolidation the DAX shed almost 1,000 points within the space of one month measured against its peak for the year in mid-February. The protracted downtrend initially feared did not, however, materialize. Instead, the phase of tumbling share prices was followed in only a few days by a recovery which was almost as strong and during which the losses sustained were generally compensated for by the end of the month. On March 31, both the DAX and the MDAX were around 2 % above the levels recorded at year-end 2010.

At the start of the year, the **Salzgitter share** benefited from the then positive sentiment on the stock exchanges and the ongoing favorable economic conditions experienced by most of the steel consuming industries. Based on the year-end closing price 2010 (€ 57.77), the share performed better than the overall market and reached its provisional high for the year of € 65.64 on February 8, 2011. In the wake of subsequent profit taking, the price of our share mirrored the DAX until the end of February. The release of key data for the financial year 2010 on March 7, 2011 elicited positive comments from most capital market participants. As a number of analysts had released excessive profit expectations for 2011 prior to publication, their subsequent inevitable correction at the start of March had an impact on consensus opinion, and therefore also the Salzgitter share price, which went beyond general market influences. In the second half of March, a new uptrend ultimately set in. With a closing price of € 55.70, the Salzgitter share delivered an overall performance of -4 % in the first three months of the financial year.

In our most recent analyst survey, the Salzgitter share was assessed by 16 banks which gave it the following **ratings** (as per March 31, 2011): 8 buy/outperform, 5 hold/market perform, 3 sell/underperform.

With around 410,000 units, the **average daily turnover** of our share on German stock exchanges continued its uptrend in the first quarter of 2011 and attained its highest quarterly average since the switch to the MDAX in mid-2010. On March 31, 2011, Salzgitter AG came fourth in the MDAX index ranking of Deutsche Börse for turnover and took 15th place measured in terms of free-float market capitalization, which came to € 2.1 billion.

As part of our **capital communications work** in the first three months of 2011, we presented the company at investor conferences and road shows in Frankfurt and New York. In addition, analysts and investors visited our plants in Salzgitter and Mülheim an der Ruhr. At the end of March, we presented the results of the financial year 2010 at analyst conferences in Frankfurt am Main and London and discussed them in detail with analysts and investors.

Treasury Shares

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

Information for investors

		Q1 2011	Q1 2010
Nominal capital as of 31/03/	€ million	161.6	161.6
Number of shares as of 31/03/	million	60.1	60.1
Number of shares outstanding as of 31/03/	million	54.1	54.3
Market capitalization as of 31/03/ ¹⁾²⁾	€ million	3,013	3,732
Price as of 31/03/¹⁾	€	55.70	68.73
High 01/01/ - 31/03/ ¹⁾	€	65.64	74.32
Low 01/01/ - 31/03/ ¹⁾	€	49.70	63.00
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

Interim Management Report

Earnings, Financial Position and Net Worth

Economic environment

The **global economy** grew swiftly in the first months of 2011. Following a phase of discernibly slower growth during the summer period of 2010, the emerging markets in particular were again recording rapid growth. In contrast, the pace at which the US economy recovered was comparatively cautious. Viewed from an overall standpoint, production and trading picked up considerable momentum in the advanced economies as well. The International Monetary Fund (IMF) anticipates that the recovery will hold steady in 2011 and puts global growth at 4.4 %.

There are pronounced differences in economic momentum in the individual countries of the **euro area**. For instance, Germany, Finland and Austria in particular benefited from the global economic expansion as opposed to Italy and France, for example, where this effect was much less in evidence. The economies of countries beset by structural crises and extremely restrictive financial policies were excessively weak. Along with Greece, such countries also include Spain, Portugal and Ireland. All in all, Germany's leading economic research institutes (Projektgruppe Gemeinschaftsdiagnose) anticipate that countries in the euro area and the EU 27 may achieve a moderate increase in the gross domestic product (GDP) of 1.7 %. The range expected in growth rates from -3.2 % (Greece) through to 4.4 % (Estonia) illustrates the split in Europe's economic development.

The **German economy** received strong impetus in the first quarter of 2011. Along with demand from abroad, expansion was also carried by the domestic economy. New orders from all over the world have recently shown a distinct uptrend. This development prompted the IMF to revise its growth forecast for Germany upwards to 2.5 %. The IMF forecast is therefore still slightly below the expectations of the leading German economic research institutes, which assume a GDP increase of 2.8 %. This rise in economic output would place Germany in the top league of the industrial nations.

Irrespective of the generally positive outlook, almost all predictions also make reference to the growing risks to the ongoing development of the global economy. Whereas the consequences of the nuclear catastrophe in Japan are still difficult to assess, but are likely to only have a short-term impact on the global economy, there are other factors which might pose a longer-term threat to the stability of the upswing: Alongside the unstable situation in North Africa and the Middle East, as well as the rising price of crude oil and other commodities, these risks also include the danger of rising inflation and the high level of sovereign debt.

Interim Management Report

Earnings situation within the Group

		Q1 2011	Q1 2010
Crude steel production ¹⁾	kt	1.817,9	1.644,9
External sales	€ million	2.307,6	1.924,8
EBITDA ²⁾	€ million	162,7	72,8
EBIT ²⁾	€ million	80,7	5,3
Earnings before tax (EBT)	€ million	56,3	-17,1
Earnings after tax	€ million	44,0	-13,3
ROCE ³⁾⁴⁾	%	5,9	-1,0
Capital expenditures ⁵⁾	€ million	80,2	94,6
Depreciation and amortization ⁵⁾	€ million	82,0	67,6
Operating cash flow	€ million	-79,0	19,2
Net position to banks⁶⁾	€ million	1.074,7	1.483,3
Equity ratio	%	43,5	46,9

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 total of shareholders' equity (without calculation of accrued and deferred taxes), tax provisions, interest-bearing liabilities (excluding pension provisions) and liabilities from financial leasing, forfeiting

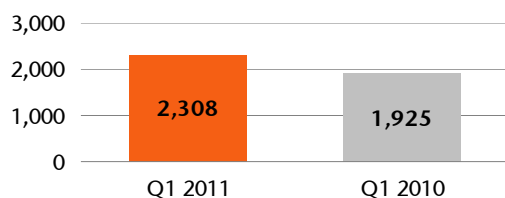
⁴⁾ Annualized

⁵⁾ Excluding financial assets

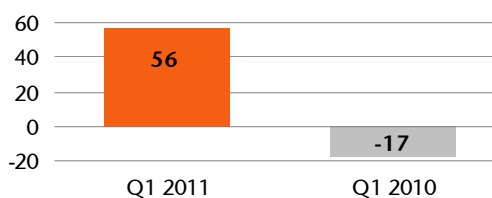
⁶⁾ Including investments, e.g. securities and structured investments

Backed by the continued favorable economic environment and the resulting recovery in the business activities of almost all subsidiaries, the Salzgitter Group was off to a good start to the new financial year in the first quarter of 2011. This is impressive proof and confirmation of the turnaround following the year of transition in 2010. The end of March saw the start to the parallel operation of the two electric arc furnaces in Peine. This marked the successful completion of the last major project of the extensive strategic investment program launched in 2007 that entailed a total volume of around € 2 billion. With an equity ratio of 43 % and a net cash position of EUR 1.1 billion, the Group continues to operate from an exceptionally sound financial basis.

Group-External Sales (in € million)



Group-EBT (in € million)



The Group's **external sales** climbed by almost one fifth to € 2,307.6 million (first quarter of 2010: € 1,924.8 million). This performance was driven primarily by the substantial increase in the selling prices of products manufactured by the Steel and Trading divisions. Salzgitter AG generated a pleasing **pre-tax profit** of € 56.3 million in the first quarter (first quarter of 2010: -€ 17.1 million). This result includes a contribution of € 29.0 million made by the stake in Aurubis AG included at equity (first quarter of 2010: € 11.2 million). **Profit after tax** stood at € 44.0 million (first quarter of 2010: -€ 13.3 million). Basic earnings per share, calculated from this figure, stood at € 0.79. Return on capital employed (ROCE) came to 5.9 % (first quarter of 2010: -1.0 %).

Interim Management Report

Steel Division

		Q1 2011	Q1 2010
Order bookings	kt	1,378.2	1,346.7
Order backlog as of 31/03/	kt	1,088.4	1,115.4
Crude steel production	kt	1,403.9	1,279.2
LD steel (SZFG)	kt	1,200.8	1,058.4
Electric steel (PTG)	kt	203.1	220.8
Rolled steel production	kt	1,387.1	1,308.5
Shipments	kt	1,447.0	1,304.0
Sales¹⁾	€ million	1,032.9	720.6
External sales	€ million	698.4	516.1
Earnings before tax (EBT)	€ million	9.4	-31.0

¹⁾ Incl. sales to other corporate divisions

With their branded and special steels, the companies of the Steel Division constitute 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, plate, sheets piling, components for roofing and cladding and tailored blanks). The product program, especially for flat steel products, is geared to premium steel grades and qualities for use in sophisticated applications.

Market situation

The uptrend in the **international steel markets** has continued to firm up. The notable slowdown in the monthly growth rates of global crude steel output during the second half of the record year 2010 was followed by recovery in production which rose sharply in the first three months of 2011: The increase came to 372 million tons, thereby exceeding the year-earlier volume by 8.8 %. Chinese output benefited from the replenishing of inventories at the start of the year, and other large steel producing countries also recorded growth. According to the World Steel Association, capacity utilization measured as a global average was again running at 80 % for the first time since June 2010. Against the backdrop of slowing inventory-related stimulus, however, the current pace of expansion is expected to slacken again over the course of the year.

The **European steel market** was off to a relatively balanced start to the year with a positive trend. In the first quarter of the year, 45.6 million tons of crude steel were smelted in the EU27, which represents an increase of almost 7 % in comparison with a year ago. The rising number of new orders were evidence of brighter prospects in the German steel market as well. Among other factors, the sharp increase in the business activities of most steel processors has also underpinned this trend. As opposed to the previous year, the momentum is supported by real demand rather than essentially by the inventory cycle. The conditions prevailing at the start of the year in the steel markets were relatively favorable, not least due to the seemingly good balance between supply and the rather low level of imports from countries outside the EU. However, the appreciable increase in license applications for non-EU imports in the reporting period suggest the possibility of a trend reversal. German crude steel output came to 11.4 million tons in the first quarter of 2011, the highest figure since the autumn of 2008.

Interim Management Report

The **international procurement markets** have already put turbulent weeks behind them in the early months of 2011. The majority of markets reacted extremely nervously to changes in the environment, with high volatility prevailing. The main drivers were the record prices for iron ore and coking coal and a slump in the overseas freight market. From today's standpoint, it is difficult to predict the impact of the catastrophic situation in Japan and unforeseeable future developments in this country on the global economy and individual commodity prices, with expert opinions differing widely.

Last year the major commodity producers implemented a new price model on a quarterly basis geared to spot prices quoted for **fine ore** traded on the Chinese market. Soaring demand in the Middle East drove the index to new heights over the period from September 2010 to February 2011 and prices have peaked for the time being at 193 USD/dmt CFR China. Since then, prices have fluctuated strongly in corridor of between 165-185 USD/dmt. Derived from prices quoted in the months of September to November 2010, the benchmark Brazilian Carajas fines climbed to 149 USD/dmt FOB in the first quarter of 2011.

Similar to the iron ore market, the major exporters of **coking coal** announced the termination of the system of annual benchmark prices that has been in place for decades and switched to quarterly prices in April 2010. These prices are determined by the large producers together with their customers and applied to the European market. Since this time, prices for premium grades have settled consistently at a level above 200 USD/t FOB. The benchmark closing price for the first quarter of 2011 stood at 225 USD/t FOB. This development was caused by scarce availability due to the severe impact of flooding in Australia on production. BHP Billiton presented its customers with the demand for monthly prices at the end of February 2011 that was met with worldwide rejection. The threat of volume curtailments nonetheless forced a major part of European customers to accept the switch to monthly prices.

The international **overseas freight market** has come under huge pressure. The Baltic Exchange Dry Index has fallen steadily over the last six months and reached its provisional low of 1,043 points at the start of February compared with 2,700 points in October 2010. This puts the index close to the low levels posted at the turn of the year 2008/2009 when the shipping market was hit by the global financial crisis. The reasons for the current slump in the market are, however, different from two years ago: The surplus supply of shipping capacity has meanwhile reached such high levels that even cargo volumes generated by robust economic growth would no longer be able to keep pace.

At the end of 2010, **scrap prices** surged on the back of strong domestic and international demand, and high grades reached hitherto unforeseen peaks in January. Prices declined subsequently as a number of international consumers partly ceased to place orders. Political unrest in North Africa and the Middle East placed an additional burden on the market. Prices initially trended sideways in March before generally entering a downtrend. The decline in lower quality grades was sharper than that of better grades.

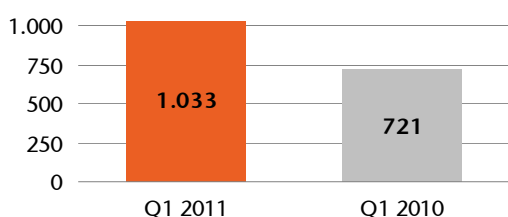
The international **metal and alloy markets** presented a very disparate picture in terms of the individual groups of materials in the first quarter of 2011: Premium alloys displayed greater volatility compared with the broad-based decline in the price of bulk alloys. Listed metals such as zinc, nickel, copper and aluminum were also exposed to strong fluctuations but at a high level.

Interim Management Report

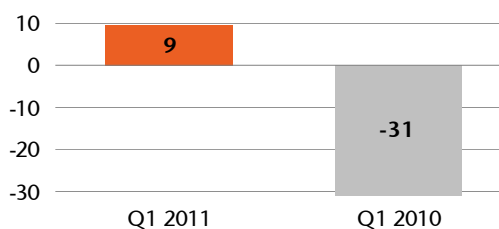
Against this backdrop, the development of the **Steel Division** was as follows:

Consolidated order intake and orders in hand remained virtually unchanged from levels posted in the first three months of 2010. The **production of crude steel** (+10 %) and **rolled steel** (+6 %) of the steel companies, however, rose in the year-on-year comparison. **Shipments** were up by 11 %. The pleasing above-average increase in **segment** (+43 %) and **external sales** (+35 %) is a reflection of the generally higher selling prices in the flat steel and plate product segments. The Steel Division's **pre-tax profit** came to € 9.4 million, which is a significant increase in comparison with the still extremely weak first quarter of 2010, and marked the return to the profit zone. A trend reversal in the sheet piling and section business has nonetheless still failed to materialize.

Steel-Sales (in € million)



Steel-EBT (in € million)



More detailed explanations on the individual companies:

Healthy capacity utilization at **Salzgitter Flachstahl GmbH (SZFG)** from the start of the year enabled the Salzgitter steelworks to achieve record production in March 2011. New orders and orders in hand exceeded the year-earlier quarter. Production in the hot strip mill was running at capacity limits over much of this period, which is reflected by shipments delivering the second-best result in the history of SZFG. The good level achieved during the phase of the upswing at the start/mid-2008 was therefore outperformed. Thanks to a substantial increase in selling prices, sales even set a record for a quarter. Following a brief phase of stagnation in the final quarter of 2010 and at the start of the current financial year, prices climbed appreciably as from March 2011, with flat steel products thereby re-attaining the level seen in early summer 2008. As a result, the drastic increases in the price of raw materials at the end of the reporting period were generally compensated for. Over the period under review, SZFG generated an increase in the pre-tax profit compared with the first three months of 2010.

The plate market began the new year with a discernible recovery. Inventory replenishing by the stockholding steel trade and brisk consumer demand, particularly in the wind offshore segment, mechanical engineering and boiler and container construction, were the main source of stimulus. Enquiry levels received support from expectations of further price hikes of input materials and the ongoing positive economic outlook. Reductions in the capacities of a number of European steelworks due to production downtime and investments and the comparatively low import quota also had a stabilizing effect. Accordingly, partly notable improvements in prices were commanded in the first quarter of 2011 in comparison with December 2010. The satisfactory order book of **Ilseburger Grobblech GmbH (ILG)** in the first three months of 2010 was virtually re-attained during the reporting period. Orders in hand exceeded the considerably weaker year-earlier quarter. The good market situation boosted production and shipment volumes which, in conjunction with the favorable selling price trend, resulted in a substantial increase in sales. The higher costs of input materials were virtually compensated, enabling a clear pre-tax profit to be achieved in the first quarter of 2011 compared with the negative result a year ago.

Interim Management Report

The European construction industry did not provide any sustained stimulus at the start of 2011. Market events in the beams segment were characterized by pronounced volatility: The first quarter, for instance, began with pressure from great demand on producers due to the low level of inventories held by the stockholding steel trade. Climbing scrap prices and the subsequent anticipation of rising ex-works prices were also a contributing factor. Widespread uncertainty on how prices would develop caused hesitancy in placing orders in February. Only after price increases had been announced by steelworks from March 2011 onwards was an appreciable change in booking patterns in evidence, which resulted in available capacity being fully utilized. As from mid-March, there was a significant increase in inventories held by trading, with the corresponding negative effect on order activities during the remaining reporting period. New orders and orders in hand at **Peiner Träger GmbH (PTG)** fell below the previous year's level, mainly due to the aforementioned market conditions. The production of crude steel also declined in a year-on-year comparison owing especially to preparations for the parallel operation of the two furnaces. By contrast, rolled steel output was significantly higher than the year-earlier figure. Larger shipment volumes, together with an improvement in average selling prices as against the first quarter of 2010, lifted sales. The pre-tax loss was approximately halved in comparison to the previous year that was burdened by restructuring costs.

Production capacity utilization at **HSP Hoesch Spundwand und Profil GmbH (HSP)** remained unsatisfactory due to sales prospects in the sheet piling market which remained slow to brighten. The public sector is still not initiating any notable flood protection or infrastructure projects. Although HSP's shipments and sales have improved discernibly as against the weak first quarter of 2010, the level achieved is still unsatisfactory. Selling prices implemented were not sufficient to fully compensate for the price hikes in the procurement markets, which meant that the pre-tax result remained negative.

In the first quarter of 2011, **Salzgitter Bauelemente GmbH (SZBE)** reported a gratifying increase in shipment and sales volumes, which benefited from the effects of good weather conditions in the construction industry as against the previous year's period. The pre-tax result broke even.

Germany's automotive industry continues to benefit from very strong growth momentum in the key international markets and the domestic market. Against this backdrop, **Salzgitter Europlatinen GmbH (SZEP)** achieved significant increases in shipment and sales in comparison with the first three months of 2010. The company raised the pre-tax result.

Interim Management Report

Trading Division

		Q1 2011	Q1 2010
Shipments	kt	942.6	1,067.3
Sales ¹⁾	€ million	801.7	697.6
External Sales	€ million	782.3	657.7
Earnings before tax (EBT)	€ million	23.3	4.0

¹⁾ Incl. sales to other corporate divisions

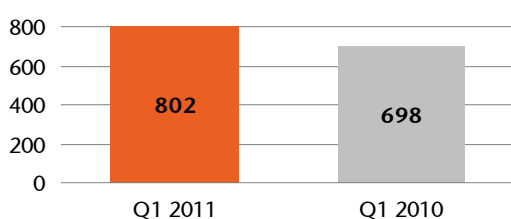
Alongside a well-developed organization of stockholding steel trading subsidiaries in Europe, the **Trading Division** comprises two steel service center companies (SSC), one specialized in flat steel products and one in plate, and operates a globalized international trading network. Along with the rolled 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 on the international markets.

The favorable economic environment in the first quarter enabled the steel processing industries to get off to good start to the year. Higher order intake by the mechanical engineering sector and, to a lesser extent, by the construction industry formed a broad basis for the upswing in demand for steel which, however, varied widely: economic growth in the emerging markets, for instance, above all in the Asian countries, remained at above-average high levels as opposed to the industrial nations where growth momentum was moderate.

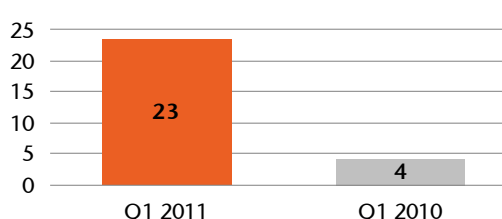
As a result of hikes in the spot market prices of steel products European stockholding steel trading succeeded in commanding significantly better margins.

The Trading Division benefited from the economic environment, which is clearly reflected by its performance and above all by its overall result. **Segment and external sales** outperformed the previous year's figures. Boosted first and foremost by greater volumes and the sharp widening of margins of the European stockholding trade, the first quarter of 2011 was brought to a close with an extremely gratifying **pre-tax profit** of € 23.3 million which therefore significantly outstripped the year-earlier figure.

Trading-Sales (in € million)



Trading-EBT (in € million)



Following on from 2010, the **Salzgitter Mannesmann Handel Group** continued to perform well in the first three months of 2011. Although the sum total of shipment volumes did not match levels posted a year ago due to the still not yet satisfactory situation of international trading, the substantial increase in sales and margins resulted in a pre-tax profit that was almost four times as high.

The development of the **European stockholding steel companies** was, however, disparate: Sales in Germany and Poland grew whereas market requirements in the Netherlands and the Czech Republic remained modest. The windfall effects lifted the gross earnings of almost all companies in comparison with a year ago. All in all, the pre-tax profit of the stockholding steel trade was appreciably higher than the year-earlier figure.

Interim Management Report

The activities in Africa and Europe in particular stimulated the activities of the **international trading**. Hot-rolled flat products made up a significant proportion of the steel trading volume of Salzgitter Mannesmann International GmbH (SMID), the German trading subsidiary, in the first quarter. Shipments were lower than a year ago mainly due to large-volume international project business lagging expectations. Against the background of climbing prices, however, there was a relatively small decline in sales. All in all, the Trading Division generated a better pre-tax profit in a year-on-year comparison.

Universal Eisen und Stahl GmbH (UES), a company operating in the plate market, began the current year with brisker order activities accompanied by rising selling prices. Alongside good capacity utilization in many customer sectors, consumers also boosted business by taking the precaution of buying up material in anticipation of prices rising further. Moreover, UES improved its product range. As a result, shipments and sales were higher. The gratifying profit held steady from the previous quarter and another pre-tax profit was achieved in the first three months of 2011.

The steel service center **Hövelmann & Lueg GmbH (HLG)** recorded an increase in business activity in the first three months of the current year. The general processing capacities on offer to the market are nonetheless still not being fully utilized. Shipments and sales were therefore higher year on year, whereas the pre-tax result remained at the level of the year-earlier period due to insufficient margins.

Interim Management Report

Tubes Division

		Q1 2011	Q1 2010
Order bookings	€ million	801.7	676.8
Order backlog as of 31/03/	€ million	1,261.6	926.0
Sales¹⁾	€ million	536.6	516.5
External sales	€ million	445.2	449.4
Earnings before tax (EBT)	€ million	14.7	2.6

¹⁾ Incl. sales to other corporate divisions

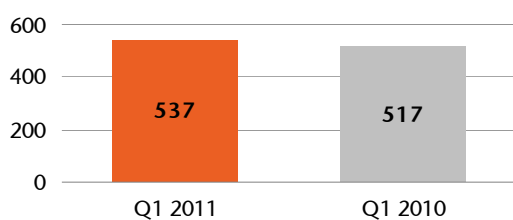
The **Tubes Division** consists of a large number of subsidiaries and associated companies which manufacture and process welded and seamless steel tubes on four continents. The product spectrum comprises mainly pipelines of all diameters, ranging from gas pipelines through to injection tubes for diesel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

Having started at an early stage in 2010, the global **steel tube production's** process of recovery from the 2009 slump is set to continue in 2011. Chinese production is likely to see an above-average increase driven by strong domestic demand. The rest of the world is also reporting ongoing growth rates against the backdrop of still very high energy prices. Production will, however, be unable to match the record level in 2008. The nuclear catastrophe in Japan has at minimum called the German energy concept into question and ensured a revival of the discussion about the energy mix in other countries. In the medium term, therefore, positive stimulus for the steel tubes industry can be expected from the growing significance of gas, and thus of plans for new exploration projects, pipelines and power plant construction, as well as from new technologies, such as the conveying of unconventional gas or CO₂ storage. A countermanding effect is, however, the swift ramping up of global steel tubes capacities induced by the boom years from 2005 to 2008 which is likely to persist in 2011 and beyond.

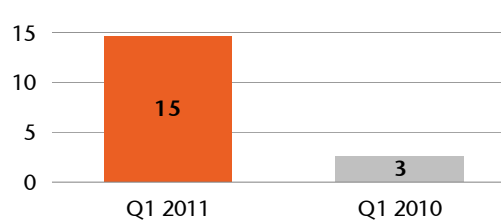
Despite the lower volume booked, **new orders** placed with the Tubes Division in the first three months of the financial year 2011 were 18 % higher than a year ago owing to the improved selling price level. To the exception of HFI-welded tubes, the other product groups reported partly notable growth rates, led by the increase in seamless stainless tubes (+65 %) through the acquiring of major orders. **Consolidated orders on hand** climbed by 36 % with all product segments recording growth.

Tube shipments fell short of the previous-year level as the higher volume of precision and stainless tubes was unable to fully compensate for the decline in large-diameter tubes.

Tubes-Sales (in € million)



Tubes-EBT (in € million)



Interim Management Report

The Tubes Division's **segment sales** were slightly higher year on year. Here, the large-diameter product segment was unable to match sales in terms of volume whereas all other product segments outperformed the previous year's figure **external sales** remained at an unchanged level.

The **pre-tax result** stood at 14.7 million in the first quarter of 2011, which was considerably above the figure posted in the year-earlier period. All product segments contributed to this development with only the large-diameter tubes business marginally dropping behind the 2010 figure. The precision tubes segment staged a turnaround and wrote back figures again.

Business performance of the product segments:

During the period under review, the **large-diameter tubes** segment expanded rapidly in comparison with the year-earlier period, boosted by EP and MGR successfully acquiring a pleasing number of orders, in conjunction with higher selling prices, although 2010 was determined in the main by the booking of the major Nord Stream 2 project. Orders in hand were also exceeded. As there were no shipments at MGR due to lack of customer orders, the sales of large-diameter tubes fell short of the year-earlier level and resulted in lower revenues. Boosted by high-margin orders booked before the start of the crisis, the large-diameter tubes segment generated a pre-tax profit that did not quite match the previous year's figure.

Whereas standard business in **HFI-welded tubes** performed well, incoming orders in the international project business ran at a lower level as the markets remained unsettled against the backdrop of fierce competition. Consequently, order intake in the first quarter of 2011 was lower in a year-on-year comparison. Owing to selling prices, orders in hand exceeded the previous year's figure, and shipments attained the 2010 level. The renewed uptrend in prices boosted sales and led to an improvement in the result before tax, which nonetheless remained in the red.

Orders placed by the mechanical engineering and the trade industries doubled and, in conjunction with the rising demand from the automotive sector, resulted in an increase in order intake by the **precision tubes** segment of almost 50 % in comparison with the year-earlier period. As the precision tubes plants are running production to almost full capacity, orders in hand have soared by 75 % even though shipments were also higher than a year ago. Higher selling prices led to an above-average sales growth. The increase in volume and the successful implementation of measures initiated to improve profit resulted in a pre-tax profit.

The market environment for **seamless stainless tubes** has been difficult since the slump in 2008. However, order intake from 2010 and performance to date in the current reporting period are reason for cautious optimism. Particularly in the oil and gas segments there has been a certain discernible recovery, corroborated by the currently large number of projects being put out to public tender. The MST Group was already reaping the benefit of this positive development in 2010. The recovery continued in the first three months of 2011 when a number of major contracts were acquired, although there is still no sustainable improvement in the MST Group's important power plant construction project business. Order intake and orders in hand were considerably higher than a year ago. Shipments and sales were also raised. Following the negative result posted in the first quarter of 2010, breakeven was achieved in the first quarter of the current year.

Interim Management Report

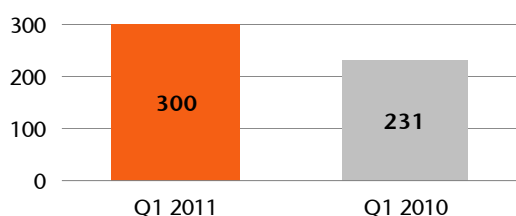
Services Division

		Q1 2011	Q1 2010
Sales ¹⁾	€ million	300.0	230.5
External sales	€ million	119.5	88.0
Earnings before tax (EBT)	€ million	5.0	5.1

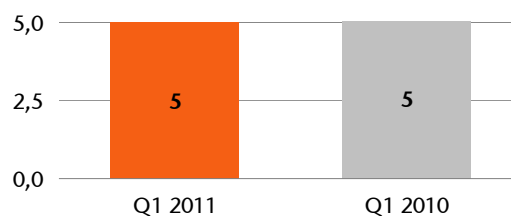
¹⁾ Incl. sales to other corporate divisions

The business activities of the **Services Division** were determined by the healthy capacity utilization in steel companies. As a result, the division was able to match its good performance in the previous year.

Services-Sales (in € million)



Services-EBT (in € million)



Segment sales rose by a third to € 300.0 million in the first quarter of 2011 in comparison with a year ago. DEUMU Deutsche Erz- und Metall-Union GmbH (DMU), a company trading in raw materials, recorded the strongest growth. Sales doubled, boosted by the significant increase in prices, above all in the steel scrap business. Salzgitter Hydroforming GmbH & Co. KG (SZHF) raised sales significantly (+31 %) on the back of surging demand, particularly from automotive customers. The division's **external sales** grew by 36 %.

With a **pre-tax profit** of € 5.0 million as per March 31, 2011, the division delivered a repeat of the gratifying result posted a year ago. DMU and Hansaport Hafенbetriebsgesellschaft mbH (HAN), an associated company, made decisive contributions and, with the exception of Salzgitter Automotive Engineering GmbH & Co. KG (SZAE), all companies belonging to the division achieved positive results.

Interim Management Report

Technology Division

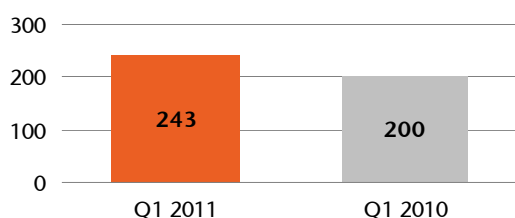
		Q1 2011	Q1 2010
Order bookings	€ million	243.5	258.1
Order backlog as of 31/03/	€ million	363.9	296.0
Sales¹⁾	€ million	243.2	200.0
External sales	€ million	242.9	199.8
Earnings before tax (EBT)	€ million	-8.3	-13.3

¹⁾ Incl. sales to other corporate divisions

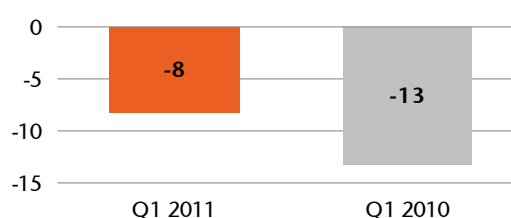
The **Technology Division** comprises international machinery and plant engineering activities under the roof of Klöckner-Werke AG (KWAG). KWAG has been a wholly-owned subsidiary of Salzgitter Mannesmann GmbH (SMG) (see section entitled "Events of Significance") since January 27, 2011. The KHS Group constitutes the main business line of filling and packaging technology for the beverages and food industry. As the Division's sales mainstay, it contributes 90 % of sales. Other companies of the Division operate in the special machinery engineering business.

The German Engineering Federation (VDMA) reported a 32 % increase in the order intake of the German mechanical engineering sector from January to March 2011 compared with a year ago. Both foreign demand and domestic business expanded notably. East Asia and the BRIC countries in particular recorded strong growth momentum. The upswing in German food and packaging machinery tracked the overall development and recorded significant growth as against the previous year. The sales markets relevant for Klöckner DESMA Elastomertechnik GmbH (KDE) and Klöckner DESMA Schuhmaschinen GmbH (KDS) also continued to recover.

Technology-Sales (in € million)



Technology-EBT (in € million)



In the run-up to key trade fairs in the sector, **new orders** placed with the Technology Division came to € 243.5 million in the first quarter of 2011, which is only slightly below the exceptionally high average level posted in 2010. The project business of KHS Corpoplast GmbH (BEVCP) and Brazilian KHS developed well and made a special contribution to this development. **Orders on hand** totaled € 363.9 million, which corresponds to an increase of 23 %.

Segment and **external sales** rose by almost a quarter as against the year-earlier period. This is a reflection of the steady improvement in the order book for turnkey facilities for the beverages industry and the brisk business in services and replacement parts.

Project business selling prices were still far from satisfactory at the start of the year. Due to greater capacity utilization, however, the division nonetheless delivered a significant year-on-year increase in the **pre-tax result** which came to -€ 8.3 million as against the first three months of 2010. Both DESMA companies succeeded in returning to the profit zone.

Interim Management Report

The KHS Group gives top priority to customer focus and competitiveness. To this end, an extensive package of measures was initiated in 2009 and has been consistently implemented since then. Processes and organization structures were reviewed and streamlined. Among other aspects, this includes the sustainable standardization of products and processes, with the ensuing greater efficiency and permanent cost savings.

Interim Management Report

Others/Consolidation

		Q1 2011	Q1 2010
Sales¹⁾	€ million	47.7	38.7
External sales	€ million	19.2	13.8
Earnings before tax (EBT)	€ million	12.2	15.5

¹⁾ Incl. sales to other corporate divisions

Sales in the **Other/Consolidation** segment, which is mainly based on business in semi-finished products with subsidiaries and external parties, rose to € 47.7 million during the period under review (first quarter of 2010: € 38.7 million). **External sales** climbed to € 19.2 million (first quarter of 2010: € 13.8 million).

Pre-tax profit came in at € 12.2 million. The result includes € 29.0 million in profit after tax contributed by the stake in Aurubis AG (NAAG), consolidated at equity since 2009 (first quarter of 2010: € 11.2 million). Negative effects emanated from the reporting date-related valuation of the US dollar and marketable equities.

Interim Management Report

Explanations on the Financial Position and Net Worth

The **total assets** of the Salzgitter Group rose by just under 2 % (+€ 135 million) as per March 31, 2011, in comparison with December 31, 2010. Investments in property, plant and equipment and intangible assets have settled at the level of depreciation and amortization.

The rise in **current assets** (+€ 152 million) was mainly due to a volume- and price-induced increase in trade receivables (+€ 269 million) and inventories (+€ 87 million). In contrast, cash and cash equivalents declined by € 213 million.

On the liabilities side, the improved business situation was mainly reflected by **current liabilities** (+€ 167 million). In line with the increase in trade receivables/inventories, trade payables (+€ 84 million), along with other liabilities (+€ 84 million), rose. The **equity ratio** came to a sound 43.5 %.

Despite the positive profit performance, the increase in **working capital** resulted in a cash outflow from operating activities of € 79.0 million. In the year-earlier period, a positive cash flow of € 19.2 million was achieved. The **net credit balance**, including investments which are not disclosed under financial investments, had fallen to € 1.1 billion by the end of the reporting period (December 31, 2010: € 1.3 billion). As mentioned, this decline is due to the higher level of working capital.

Interim Management Report

Investments

Investments in plant, property and equipment came to € 80.2 million in the first three months of the current financial year, which is considerably lower than the figure posted in the year-earlier period (€ 94.6 million). Depreciation and amortization (€ 82.0 million) corresponded to the level of investment activity.

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

The "**Sinter Cooling Dedusting**" project has currently been put out to tender. 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 statutory requirements specified in technical guidelines for air and noise control.

The foundations are currently being laid for the turbine and turbine building 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 invitation to tender for the "**Entry Loop Accumulator Tandem Line**" has been initiated. 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 new "**Belt Casting Technology**" is progressing apace in accordance with the deadlines. The extension to the building to house the plant technology has already been completed in the "casting" production unit at the Peine location. Engineering for the conversion of the existing roll stand in the "rolling" production unit of the Salzgitter plant is progressing. The new facilities will allow the economical production of new steel materials with special characteristics.

Owing to the current market situation, especially in view of the greater demand for input materials within the Group and rising prices for buying in these materials, the Executive Board made the decision to continue the "**PTG 2010**" project in order to enable parallel operation of both electric arc furnaces in future. In March 2011, both furnaces went into parallel trial operation and ran smoothly at a high capacity right from the start. The Peine steelworks smelting capacity has roughly doubled as a result.

HSP Hoesch Spundwand und Profil GmbH (HSP) has installed an additional roll stand as part of a thoroughly modernizing its rolling mill. This measure enables the company to fulfill all requirements in the market through extending its product range to include the Z profile series. The first rolling results are very promising.

Interim Management Report

Research and Development

Salzgitter Mannesmann Forschung GmbH (SZMF) is the central research unit of the Steel and Tubes Division. The R&D activities are concentrated on material development and 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, mechanical and process plant engineering, energy technology, and the building and construction industry.

SZMF's R&D expenses in 2011 are expected to remain at the level of the previous year. No significant changes have been planned as regard to the number of employees.

New electron probe microanalyzer

The different solubility of alloying elements in solid and liquid condition causes segregation in the steel solidification process. This factor is of the utmost importance in steel manufacturing and processing. High and highest strength multiphase steel products are characterized by their precipitates and complex microstructures. Producing an analytical characterization in the various phases is therefore necessary. Surface enrichment processes constitute an important aspect, along with these metallurgical issues from material development, customer service, and production sites. Diffusion can generate concentration profiles that have an influence on the adhesive properties of metallic layers.

Determining chemical concentration distributions, ranging from the micro to the macro field, is an important method for describing relevant material phenomena. With these issues in mind, a new electron probe microanalyzer that contains five crystal spectrometers has been commissioned for SZMF. With the aid of this equipment, it will be possible to produce descriptive analyses and models of almost the entire portfolio of flat steel products, ranging from slabs to galvanized steel sheet.

Dynamic mechanical fracture examinations in the "Drop-Weight Tear" (DWT) tester

A key issue in the development of pipeline steel is the precise prediction of crack arrest in bursting pipelines. Characterization of toughness is also a central topic with regard to the reliable application of the existing models to higher strength grades. SZMF has therefore upgraded a falling weight impact tester with measuring technology and expanded its functional scope for execution of DWT tests. It is now possible to take account of the high rates of stress that develop on a bursting pipeline in the event of an accident. A laser triangulation system measures both the distance and velocity of the drop weight in the test phase. In combination with the force signal recorded, these values can be used to derive mechanical fracture parameters that serve to quantify material toughness. Additional important information on failure can be acquired using a high-speed camera. In determining the toughness properties at high rates of stress, SZMF has achieved an important goal on the way to developing improved models for the prediction of crack arrest.

Keg compact machine for small- and mid-sized companies

Fielding its Innokeg Till CombiKeg, KHS GmbH (KHSDE), as the leading player on the international market for keg technology, has introduced the first compact keg washing and filling machine to the market. Kegs are barrels that are primarily used in the catering business. This new compact machine presents an integrated solution that includes exterior and interior cleaning, the filling process, media tanks, a control system, and transportation. The unit has the dimensions of a 20-inch container and can be commissioned within a very short time by means of the "Plug & Produce" method. The Innokeg Till CombiKeg achieves a production performance of 60 to 90 kegs per hour and processes a versatile range of keg sizes (10 to 58 liters). An adapter enables the switch from conventional stainless steel kegs to one-way plastic kegs. Target groups are in particular small and mid-sized businesses in the brewing, soft drinks, mineral water, fruit juice, and wine sectors.

Interim Management Report

Employees

	<u>31/03/2011</u>	<u>31/12/2010</u>	<u>+/-</u>
Core workforce	23,164	22,948	216
of which Steel Division	6,979	6,869	110
of which Trading Division	1,911	1,910	1
of which Tubes Division	5,577	5,528	49
of which Services Division	4,032	4,067	-35
of which Technology Division	4,504	4,408	96
of which Others	161	166	-5
Apprentices, students, trainees	1,255	1,452	-197
Passive age-related part-time employment	612	627	-15
Total workforce	25,031	25,027	4

The core workforce of the Salzgitter Group came to 23,164 employees on March 31, 2011, and has thus risen by 216 people since the start of the year. The increase in the Steel Division was due to hiring trainees. Growth in the workforce of the Tubes and Technology divisions was attributable to the healthy order situation.

In the reporting period, a total of 216 trainees were offered full-time positions, 185 of whom were given limited contracts. Other additions to the workforce consisted of 274 people hired externally to cover the higher level of capacity utilization, 188 of whom were given a fixed-term contract.

The number of employees affected by short-time work has fallen from 447 to 88 since the start of the year.

For the second year in its "Salzgitter International Training Program" (young professionals) and "Salzgitter International Management Development Program" (specialists and managers) Salzgitter AG is running international personnel development programs spanning all companies to meet the challenge of the Group's growing internationalization. The 11 and 13 participants respectively work either in the holding or in the Group companies belonging to the divisions of Tubes, Trading, Services, Technology in Germany or abroad and have a large number of international interfaces. They address aspects of intercultural cooperation and management in a series of modules customized to suit the respective target groups. This year's programs both started in February 2011.

Interim Management Report

Forecast, Opportunities and Risks Report

As before, the outlook for the capacity utilization of most steel processors can be deemed positive. As opposed to the previous year, steel requirements are supported by real demand – with the exception of the construction industry – rather than essentially by the inventory cycle. However, given the greater volatility in steel prices, many customers are likely to apply caution when placing orders. This will probably act as a brake on consumers and traders replenishing inventories and thus help to stabilize the market. The **Steel Division's** production of crude steel is likely to exceed the year-earlier figure due to the parallel operation of the two electric arc furnaces in Peine and the operations running fully in all three blast furnaces in Salzgitter. Shipments and sales are also set to rise. For the year as a whole, the division expects to achieve a pre-tax profit.

The **Trading Division** anticipates that, at minimum, shipments will settle at a stable level in the coming months. This is particularly applicable to the German stockholding steel trade and the international trading business. A hampering effect on margins will nonetheless emanate from the meanwhile incrementally higher level of procurement prices. Under these conditions, the Trading Division is likely to deliver another significant pre-tax profit.

The **Tubes Division** is experiencing a recovery in the demand for most product segments. Parts of its business continue to be affected by fierce competition. Of particular importance is whether changes in the prices of raw materials and input materials will remain within the scope anticipated and can be compensated by the selling prices implemented in the project business. The division anticipates a generally positive result for the coming quarters.

In view of the good capacity utilization of the steel companies, the sales and profit figures of the **Services Division** are expected to remain around the level of the previous year.

The **Technology Division** anticipates that business will gain momentum in all of its subsidiaries and on a recovery in margins over the course of the year. Sales should therefore be higher than in 2010. In conjunction with the measures successfully implemented to optimize processes and enhance efficiency, approaching breakeven should be achievable in the financial year 2011.

As before, the accuracy of our planning is considerably restricted by shorter contractual cycles and greater price volatility on the procurement and on the sales side. For this reason, drawing up reliable and detailed guidance is extremely problematic, particularly considering the political unrest in a number of sales regions. Based on the information currently available in the divisions, we believe that it should be possible for the **Salzgitter Group to achieve a pre-tax profit of up to € 150 million** in the financial year 2011.

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, assuming the sale of around 8 million tons of steel products by the Steel, Trading and Tubes divisions over the remainder 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 € 200 million.

Interim Management Report

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 from April 2011 onwards, 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.

Events of Significance

Cash settlement for the remaining shareholders of Klöckner Werke AG (KWAG)

By way of decision dated January 17, 2011, the Higher Regional Court of Düsseldorf granted the request of KWAG to establish whether the filing of legal action against the resolution passed by the General Meeting of Shareholders for the transfer of minority shareholders' shares to Salzgitter Mannesmann GmbH (SMG) as the major shareholder would stand in the way of entering this resolution into the Commercial Register. Upon application by KWAG, the resolution of the General Meeting of Shareholders was subsequently entered into the Commercial Register on January 27, 2011. The shares of the minority shareholders have thus been effectively transferred to SMG, and KWAG has become a wholly-owned subsidiary of SMG. In compensation, SMG paid a cash settlement to the shareholders relinquishing their shares of € 14.33 per share, which is approximately € 32 million in total. Trading in the shares of KWAG on the stock markets has been terminated. The shareholder has withdrawn his action for annulment of the decision.

Serious rail accident

On January 29, 2011, there was a serious rail accident in which a freight train of Verkehrsbetriebe Peine-Salzgitter GmbH (VPS) collided with a suburban passenger train on a single track in the region of Magdeburg. Ten people died and 23 people sustained partly serious injuries. We were deeply dismayed and shocked at this news. We offer the victims of this tragic accident and their relatives our heart-felt condolences. Salzgitter AG has contributed a considerable amount to the humanitarian help fund. Diakonisches Werk im Kirchenkreis Halberstadt e. V has taken over the management of the fund.

Interim Financial Statements

I. Consolidated Income Statement

in € million	1st Quarter 2011	1st Quarter 2010
Sales	2,307.6	1,924.8
Increase/decrease in finished goods and work in process/other own work capitalized	79.8	13.6
	2,387.4	1,938.4
Other operating earnings	50.7	80.0
Cost of materials	1,695.4	1,332.9
Personnel expenses	356.6	365.3
Amortization and depreciation	82.0	67.6
Other operating expenses	251.8	261.4
Income from shareholdings	0.0	0.7
Income from associated companies	28.5	13.2
Finance income	7.4	5.8
Finance expenses	31.8	28.2
Earnings before tax	56.3	-17.1
Income taxes	12.3	-3.8
Consolidated net income/loss for the period	44.0	-13.3
Appropriation of profit		
Consolidated net income/loss for the period	44.0	-13.3
Profit carried forward from the previous year	19.3	15.1
Minority interests	1.1	1.3
Appropriation to other retained earnings	-42.9	14.6
Unappropriated retained earnings	19.3	15.1
Basic earnings per share (in €)	0.79	-0.27
Diluted earnings per share (in €)	0.79	-0.27

II. Statement of Comprehensive Income

in € million	1st Quarter 2011	1st Quarter 2010
Consolidated net income/loss for the period	44.0	-13.3
Changes in currency translation	-10.2	11.2
Changes in value reserve from hedging transactions		
Changes in current value recorded directly in equity	0.9	-2.9
Recognition of settled hedging transactions with effect on income	-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	1.1	1.7
Other changes without effect on income	-12.0	-1.9
Changes directly recorded in equity	-20.9	10.7
Total profit	23.1	-2.6
Total profit due to Salzgitter AG shareholders	22.0	-3.7
Total profit due to minority interests	1.1	1.0
	23.1	-2.6

III. Consolidated Balance Sheet

Assets in € million	31/03/2011	31/12/2010
Non-current assets		
Intangible assets		
Other intangible assets	119.5	121.8
Property, plant and equipment	2,523.8	2,529.2
Investment property	24.5	24.2
Financial assets	74.0	78.9
Associated companies	501.7	488.4
Deferred income tax assets	183.4	201.6
Other receivables and other assets	3.0	3.1
	3,429.9	3,447.2
Current assets		
Inventories	1,816.9	1,730.1
Trade receivables	1,445.0	1,175.9
Other receivables and other assets	250.0	248.1
Income tax assets	141.7	135.6
Securities	378.6	377.5
Cash and cash equivalents	1,361.7	1,574.3
	5,393.9	5,241.5
	8,823.8	8,688.7
Equity and liabilities in € million	31/03/2011	31/12/2010
Equity		
Subscribed capital	161.6	161.6
Capital reserve	238.6	238.6
Retained earnings	3,775.0	3,785.5
Unappropriated retained earnings	19.3	19.3
	4,194.5	4,205.0
Treasury shares	-369.7	-369.7
	3,824.8	3,835.3
Minority interests	10.7	10.6
	3,835.5	3,845.9
Non-current liabilities		
Provisions for pensions and similar obligations	1,919.3	1,926.3
Deferred tax liabilities	40.0	48.3
Income tax liabilities	188.6	193.6
Other provisions	271.8	274.1
Financial liabilities	592.5	591.0
	3,012.2	3,033.3
Current liabilities		
Other provisions	450.3	444.2
Financial liabilities	128.7	128.2
Trade payables	797.7	713.3
Income tax liabilities	38.0	46.1
Other liabilities	561.4	477.7
	1,976.1	1,809.5
	8,823.8	8,688.7

IV. Cash Flow Statement

in € million	1st Quarter 2011	1st Quarter 2010
Earnings before tax (EBT)	56.3	-17.1
Depreciation, write-downs (+)/write-ups (-) on fixed assets	82.0	67.1
Income tax refunded (+) / paid (-)	-13.8	-10.4
Other non-payment-related expenses (+)/income (-)	42.3	65.2
Interest expenses	31.8	28.2
Profit (-)/loss (+) from the disposal of fixed assets	0.1	0.7
Increase (-)/decrease (+) in inventories	-86.7	-40.6
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-281.0	-257.9
Use of provisions affecting payments, excluding income tax provisions	-72.2	-78.2
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	162.2	262.2
Cash flow from operating activities	-79.0	19.2
Cash inflow from the disposal of fixed assets	0.3	0.3
Cash outflow for investments in intangible and tangible fixed assets	-85.4	-94.6
Cash outflow for current financial investments	0.0	-150.0
Cash inflow from the disposal of financial assets	5.1	0.6
Cash outflow for investments in financial assets	-33.6	-2.1
Cash flow from investment activities	-113.6	-245.7
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilities	-11.9	-0.6
Interest paid	-6.0	-1.7
Cash flow from financing activities	-17.9	-2.3
Cash and cash equivalents at the start of the period	1,574.3	1,793.0
Gains and losses from changes in foreign exchange rates	-2.1	2.0
Payment-related changes in cash and cash equalities	-210.6	-228.9
Cash and cash equivalents at the end of the period	1,361.7	1,566.1

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
Net income				0.2	11.2
Withdrawals from retained earnings				-14.6	
Other				-0.7	
As of March 31, 2010	161.6	238.6	-359.4	4,082.0	-13.7
As of December 31, 2010	161.6	238.6	-369.7	4,108.1	-14.5
Goodwill resulting from IFRS 3				-31.8	
Total income				0.0	-10.3
Group transfers to retained earnings				42.9	
Other				-0.7	
As of March 31, 2011	161.6	238.6	-369.7	4,118.5	-24.8

Changes in the value of the reserve from hedging transactions	Changes in the value reserve from available for-sale assets	Other changes in equity with no effect on income	Unappropriated retained earnings	Equity (excluding minority interests)	Minority interests	Equity
0.4	-1.8	-235.3	15.1	3,891.3	13.0	3,904.3
-0.3	1.7	-1.9	-14.6	-3.7	1.0	-2.6
			14.6	0.0		0.0
				-0.7	0.2	-0.4
0.1	-0.1	-237.2	15.1	3,887.0	14.3	3,901.3
-0.3	-6.1	-301.8	19.3	3,835.3	10.6	3,845.9
				-31.8	-1.0	-32.8
0.3	1.1	-11.9	42.9	22.1	1.1	23.2
			-42.9	0.0		0.0
				-0.7	0.0	-0.7
0.0	-5.0	-313.7	19.3	3,824.8	10.7	3,835.5

Notes

Segment Reporting

in € million	Steel		Trading		Tubes	
	Q1 2011	Q1 2010	Q1 2011	Q1 2010	Q1 2011	Q1 2010
External sales	698.4	516.1	782.3	657.7	445.2	449.4
Sales to other segments	334.5	204.5	19.4	39.9	90.7	67.0
Sales to Group companies that cannot be allocated to an operating segment	0.0	0.0	0.0	0.0	0.7	0.1
Segment sales	1,032.9	720.6	801.7	697.6	536.6	516.5
Interest income (consolidated)	0.6	0.3	1.8	1.8	0.3	0.5
Interest income to other segments	0.0	0.0	0.0	0.0	0.0	0.0
Interest income from Group companies that cannot be allocated to an operating segment	0.1	0.1	0.8	0.0	0.5	0.4
Segment interest income	0.7	0.3	2.6	1.8	0.8	1.0
Interest expenses (consolidated)	3.2	2.8	1.7	1.8	1.7	1.7
Interest expenses to other segments	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses to Group companies that cannot be allocated to an operating segment	17.5	13.9	1.3	1.9	2.0	2.3
Segment interest expenses	20.7	16.7	3.0	3.7	3.7	4.0
of which interest portion of allocations to pension provisions	2.2	2.4	0.8	0.9	1.5	1.5
Depreciation/amortization of tangible and intangible fixed assets	56.5	42.5	2.5	2.6	10.9	10.4
thereof scheduled depreciation of tangible fixed assets and amortization of intangible assets	56.5	42.5	2.5	2.6	10.9	10.4
EBITDA	85.8	27.9	26.3	8.5	28.6	16.0
EBIT	29.4	-14.6	23.8	5.9	17.7	5.7
Earnings before tax (EBT)	9.4	-31.0	23.3	4.0	14.7	2.6
of which from associated companies	0.2	0.1	0.0	0.0	-0.6	1.9
Investments in tangible and intangible fixed assets	60.1	78.4	2.1	2.5	8.6	6.8

Services		Technology		Total segments		Others/ Consolidation		Group	
Q1 2011	Q1 2010	Q1 2011	Q1 2010	Q1 2011	Q1 2010	Q1 2011	Q1 2010	Q1 2011	Q1 2010
119.5	88.0	242.9	199.8	2,288.4	1,911.0	19.2	13.8	2,307.6	1,924.8
179.5	141.7	0.1	0.1	624.2	453.2	28.5	24.9	652.6	478.1
1.0	0.8	0.2	0.1	1.9	1.0	0.0	0.0	1.9	1.0
300.0	230.5	243.2	200.0	2,914.5	2,365.2	47.7	38.7	2,962.1	2,403.9
0.1	0.1	0.5	0.9	3.3	3.6	4.1	2.2	7.4	5.8
0.0	0.0	0.0	0.0	0.0	0.0	22.6	19.3	22.6	19.3
3.4	3.2	0.1	0.2	4.9	3.9	0.0	0.0	4.9	3.9
3.5	3.3	0.6	1.1	8.2	7.5	26.7	21.5	34.9	29.0
3.4	3.4	2.1	2.4	12.1	12.2	19.8	16.0	31.8	28.2
0.0	0.0	0.0	0.0	0.0	0.0	4.8	3.9	4.8	3.9
0.8	0.6	1.0	0.6	22.6	19.3	0.0	0.0	22.6	19.3
4.2	4.0	3.1	3.0	34.7	31.5	24.6	19.9	59.3	51.4
3.3	3.3	1.6	1.8	9.4	9.8	10.5	12.1	19.9	21.8
5.4	5.5	6.0	6.1	81.3	67.1	0.5	0.5	82.0	67.6
5.4	5.5	6.0	6.1	81.3	67.1	0.5	0.5	82.0	67.6
11.1	11.3	0.3	-5.3	152.1	58.5	10.6	14.3	162.7	72.8
5.7	5.8	-5.8	-11.3	70.8	-8.6	10.0	13.9	80.7	5.3
5.0	5.1	-8.3	-13.3	44.0	-32.6	12.2	15.5	56.3	-17.1
0.0	0.0	0.0	0.0	-0.4	2.0	29.0	11.2	28.5	13.2
5.7	2.9	3.6	4.1	80.1	94.6	0.1	0.0	80.2	94.6

Further Information

Principles of accounting and consolidation, balance sheet reporting and valuation methods

1. The consolidated financial report of Salzgitter AG, Salzgitter, for the reporting period from January 1 to March 31, 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 set out under 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 March 31, 2011.

Selected explanatory notes to the income statement

1. Revenues by division are shown in the segment report.
2. Earnings per share are calculated pursuant to IAS 33. The undiluted **earnings per share** based on the weighted number of shares of Salzgitter AG came to € 0.79 in the period under review. Dilution would occur if earnings per share were to be 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, however, there is an increase in earnings per share from continued business operations, as a result of which these option and conversion rights have no dilutive effect. For this reason, diluted earnings per share also amount to € 0.79 per share.

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 - 31/03/2011	01/01 - 31/03/2011	31/03/2011	31/03/2011
Thyssen Krupp GfT Bautechnik GmbH, Essen	423	0	22,508	0
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	548	138,895	640	38,806

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

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

Financial calendar 2011

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

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

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

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

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