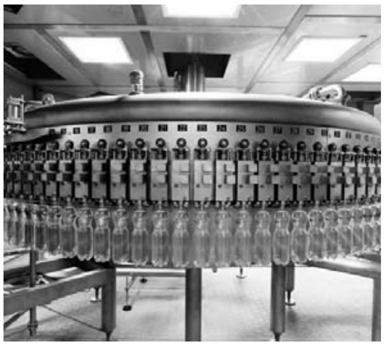
Interim Report | 1st Half 2008





SALZGITTER AG
Stahl und Technologie

Salzgitter Group in Figures

		H1 2008	H1 2007	+/-
Crude steel production[1]	**kt**	**3,552.8**	**3,579.7**	**-26.9**
External sales	**€ million**	**6,233.4**	**4,723.1**	**1,510.3**
Steel Division	€ million	1,611.0	1,464.3	146.7
Trading Division	€ million	2,656.4	2,046.2	610.2
Tubes Division	€ million	1,077.0	884.2	192.8
Services Division	€ million	284.9	262.8	22.1
Technology Division	€ million	523.4		523.4
Others	€ million	80.7	65.6	15.1
Export share	%	51.2	48.7	2.5
EBITDA[2]	**€ million**	**799.9**	**789.5**	**10.4**
EBIT[3]	**€ million**	**676.1**	**686.3**	**-10.2**
Earnings before tax (EBT)	**€ million**	**646.4**	**663.6**	**-17.2**
Steel Division	€ million	345.1	377.2	-32.1
Trading Division	€ million	140.7	121.4	19.3
Tubes Division	€ million	152.1	138.9	13.2
Services Division	€ million	16.8	14.3	2.5
Technology Division	€ million	12.2		12.2
Others/Consolidation	€ million	-20.5	11.8	-32.3
Earnings after tax	**€ million**	**436.9**	**398.7**	**38.2**
Earnings per share (undiluted)	**€**	**7.64**	**6.94**	**0.70**
ROCE[4] [5]	**%**	**25.9**	**31.4**	**-5.5**
Operating cash flow	**€ million**	**458.4**	**68.7**	**389.7**
Capital expenditure[6]	**€ million**	**283.8**	**142.8**	**141.0**
Depreciation and amortization[6]	**€ million**	**123.8**	**103.2**	**20.6**
Balance sheet total	**€ million**	**9,197.5**	**7,471.7**	**1,725.8**
Fixed assets	**€ million**	**2,477.2**	**1,712.0**	**765.2**
Current assets	**€ million**	**6,720.3**	**5,759.7**	**960.6**
of which inventories	€ million	2,218.5	1,788.1	430.4
of which cash and cash equivalents	€ million	1,633.7	2,065.9	-432.2
Equity	**€ million**	**4,489.3**	**3,752.2**	**737.1**
Liabilities	**€ million**	**4,708.2**	**3,719.5**	**988.7**
Non-current liabilities	€ million	2,366.7	2,173.1	193.6
Current liabilities	€ million	2,341.5	1,546.4	795.1
of which due to banks	€ million	149.4	95.0	54.4
Net position to banks	**€ million**	**1,938.8**	**2,063.1**	**-124.3**
Employees	**€ million**			
Personnel expenses	€ million	736.0	513.8	222.2
Core workforce	30/06/	24,044	17,135	6,909
Total workforce	30/06/	25,606	18,379	7,227

Disclosure of financial data in compliance with IFRS

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

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

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

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

[5] Annualized

[6] Excluding financial assets

Summary

Raising of the profit forecast following on the exceptional results in the first half of 2008

Against the backdrop of the huge cost increases for raw materials and energy as well as slowing global economic growth, the **Salzgitter Group** achieved excellent results in the first half of the financial year 2008 owing to the persistently high, stable demand for rolled steel and tube products. **Consolidated external sales** soared by 32 %. Along with the very positive selling price trend and the volumes of steel and tubes, the Klöckner-Werke AG companies belonging to the Technology Division and other companies which were not part of the group of consolidated companies in the year-earlier period were the main contributors of the growth. Consolidated **pre-tax profit** fell only marginally short of the previous year's record result. While the producing steel and tubes companies came under pressure from surging costs, steel trading benefited from the rising spot market prices in particular which reflected a steady, pleasing demand for steel. The Group's **after-tax profit** substantially exceeded the previous year's figure as a result of the reduction in domestic corporate tax.

The still excellent order situation in the **Steel Division** ensured very good capacity utilization of production facilities and shipments. Despite the exorbitantly higher cost of raw materials, energy sources and scrap, the Steel Division closed the first half-year with a very satisfying pre-tax profit

The **Trading Division** benefited from the selling price uptrend. The sharp increase in the volume of the European companies compensated for the adverse trend in the North American market.

The **Tubes Division's** external sales grew owing to the extremely high order. The mainstays of the expansion were the large-diameter and stainless steel tube activities in contrast to the fiercely competitive line pipe business.

Services Division participated mainly from the increased activity of the scrap trading company DEUMU Deutsche Erz- und Metall-Union GmbH (DMU). All other companies benefited from the sound economic conditions of their internal and external customers.

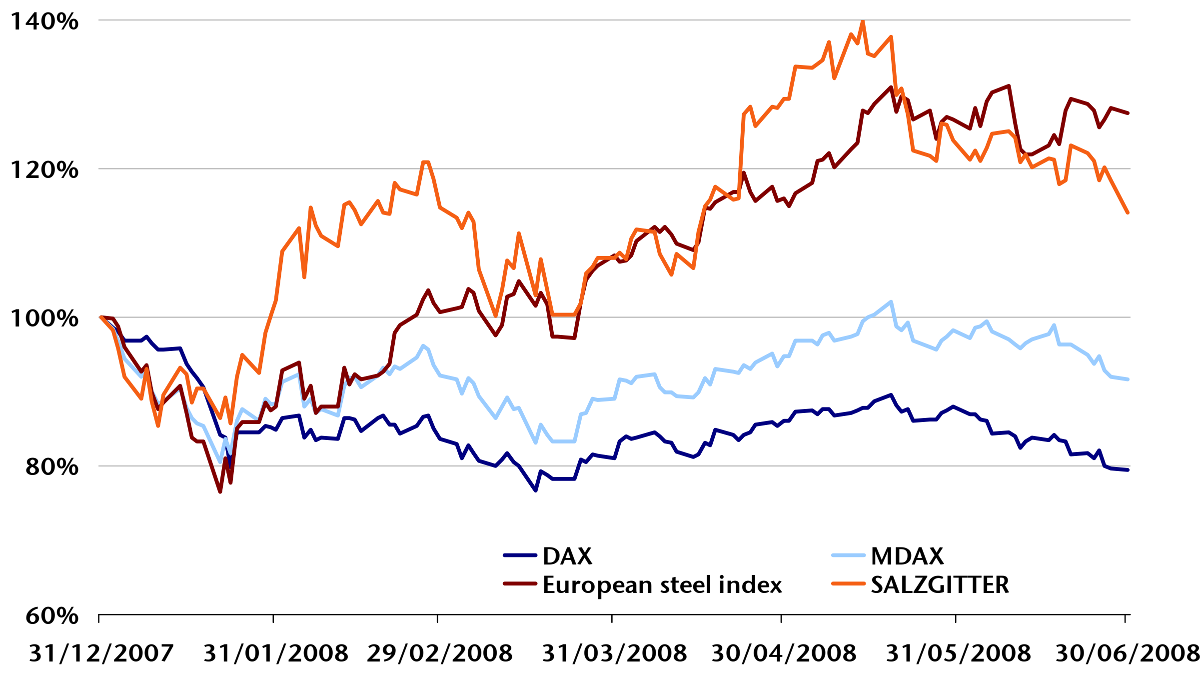
The **Technology Division** that mainly comprises consolidated majority shareholding in the Klöckner-Werke Group, as well as SIG-Beverages, which was acquired in April 2008, reported pleasing results.

External sales of the **Consolidated and Others segment,** which are based on the semi-finished product business with subsidiaries and customers outside the Group, grew, driven by higher volumes and selling prices during the reporting period. The pre-tax result was impacted by reporting date-related changes in the value of derivatives and the elimination of interim profit from sales generated internally.

Forecast: In the financial year 2008, we shall strive to attain notable growth within the Group, 50% of which will be due to the first-time full-year inclusion of the companies of the Klöckner Group in our new Technology Division. Given our pleasing performance in the first half-year, we consider it justifiable to raise our pre-tax profit forecast for the Group to **over one billion euros**. Express reference is made to the fact that opportunities and risks arising from currently unforeseeable trends in sales prices, input materials and capacity level developments, as well as changes in the currency parity, may considerably affect performance in the course of the remaining financial year 2008. The resulting fluctuation in the consolidated pre-tax result may, as experience has shown, be within a considerable range, either to the positive or to the negative.

Investor Relations

Capital market and the performance of the Salzgitter stock



Sources: Xetra closing prices DBAG, Datastream STEELEU

The first half of 2008 found the **international stock markets** in a volatile downtrend owing to the uncertainty prevailing in the stock markets. This was caused in the main by very nervous markets with liquidity shortfalls in the money markets triggered by the ongoing subprime crisis and the associated unfavorable economic forecast for the USA. Buoyed by the sporadic appearance of positive signals such as, for instance, relatively stable German economic growth, the indices recovered temporarily in the course of the second quarter. However, increasing concern about the economy and inflation in the wake of repeated price increases for energy and food prevented this uptrend from stabilizing and caused share prices to fall again. In the first six months of 2008, the DAX lost 20 %, thus considerably underperforming (-8 %) the MDAX.

Despite negative sentiment on the global stock exchanges and the nervous market environment, the price performance of the **Salzgitter share** was relatively upbeat. As against year-end 2007, it closed the first quarter with a plus of 8%. Subsequently, the share continued to rise, buoyed by the unexpectedly strong upswing in the steel markets, and reached its highest point so far this year, peaking at € 143.88 on 16 May. At the end of the second quarter, the Salzgitter share was caught by the general downtrend in the market. By the end of the first six months, it had nonetheless achieved growth of 14 %, closing at € 116.4. Taking account of a dividend deduction of three euros after the General Meeting of Shareholders on May 21, the gain in value was as much as 17 %.

The **average daily turnover** of the Salzgitter share of around 660,000 units on German stock exchanges reached a high level that clearly outstripped the previous year's figure (ca 450,000 units). As per June 30, 2008, free float market capitalization came to over five billion euros. Measured by these two criteria, our company took second place in the MDAX ranking. In terms of stock market turnover and market capitalization, Salzgitter AG currently belongs among the 30 largest German stock corporations and thus continues to belong to the group of potential candidates for admission to the DAX.

Investor Relations

As part of its **capital communications** in the first half of this year, Salzgitter AG presented itself at a series of investor conferences and road shows in New York, London, Frankfurt and a number of other European financial centers. In addition, analysts and investors visited the companies of the Group in Salzgitter, Mülheim, Düsseldorf and Dortmund. Upon their release, the results of the first quarter were explained in depth and discussed at a well-attended telephone conference.

Since the beginning of the financial year, a total of 108 company reports and recommendations on the Salzgitter share have been published by 27 banks, along with financial publications with the following current **ratings** (as per June 30, 2008):
18 buy/outperform, 7 hold/neutral, 2 sell/underperform.

Treasury Shares

As per June 30, 2008, Salzgitter AG held 6,321,807 treasury shares. In comparison with the portfolio status as per December 31, 2007 (6,321,823 units), the number of shares had therefore decreased by 16 units. These were granted to members of the workforce as a bonus.

Information for investors

		H1 2008	H1 2007
Nominal capital as of 30/06/	€ million	161.6	161.6
Number of shares as of 30/06/	million	63.2	63.2
Number of shares outstanding as of 30/06/	million	56.9	57.1
Market capitalization as of 30/06/[1][2]	€ million	6,623	8,192
Price as of 30/06/[1]	**€**	**116.40**	**143.49**
High 01/01/ - 30/06/[1]	€	143.88	152.18
Low 01/01/ - 30/06/[1]	€	80.51	88.13
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 expansion of the **global economy** slowed notably in the first half of 2008, burdened by a number of factors. The development of the US economy, for instance, was braked by the - as yet - unsolved problems in the financial sector and the associated real estate crisis. Inflation rose in many regions, driven by the sharp increase in energy and raw materials prices, and negatively impacted buying power. In the emerging markets, however, economic momentum persisted virtually unabated, even if the growth rates in Asia have slowed due to food price hikes. The International Monetary Fund (IMF) estimates global growth for the current year at only 4.1 %.

In the **euro zone** as well, economic development in the first six months continued to cool, with a nonetheless heterogeneous picture emerging in the larger countries. In some countries, particularly those in southern Europe, the environment is already clouding over. The huge appreciation in the value of the euro as against the dollar is pressuring the export-dominated sectors, with Italian exports, for example, suffering a great deal more due to their unfavorable positioning in the export markets than German exports. Great Britain, Ireland and Spain perceived additional exposure to risk owing to the interest level-induced end to the boom in the real estate sector. All in all, the IMF currently puts the growth rate for the euro region at only 1.7 %.

Despite the disadvantageous global environment, the **German economy** was still in a robust condition at mid-year. The weakening momentum of capital expenditure, the reticence of German consumers due to the sharp increase in the cost of living, and the slowdown in the recovery of the labor market, however, give rise to expectations for a cooling economy in the second half-year. Nonetheless, the unexpectedly positive development in the first six months caused leading economic research institutes to forecast German GDP growth at 2.2 % and therefore above that of the other EU area (1.8 %).

Earnings situation within the Group

		Q2 2008	Q2 2007	H1 2008	H1 2007
Crude steel production[1]	kt	1,718.8	1,831.3	3,552.8	3,579.7
External sales	**€ million**	**3,332.3**	**2,341.6**	**6,233.4**	**4,723.1**
EBITDA[2]	€ million	438.1	408.6	799.9	789.5
EBIT[2]	€ million	375.1	355.5	676.1	686.3
Earnings before tax (EBT)	**€ million**	**354.5**	**338.2**	**646.4**	**663.6**
Earnings after tax	**€ million**	**242.0**	**202.1**	**436.9**	**398.7**
ROCE[3) 4)]	**%**	**28.7**	**32.5**	**25.9**	**31.4**
Capital expenditures[5]	€ million	152.2	83.8	283.8	142.8
Depreciation and amortization[5]	€ million	63.0	53.1	123.8	103.2
Operating cash flow	€ million	205.6	48.4	458.4	68.7
Net position to banks[6]	**€ million**	**1,938.8**	**2,063.1**	**1,938.8**	**2,063.1**
Equity ratio	%			48.8	50.2

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

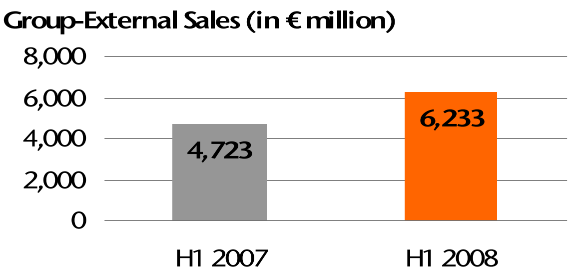
[2] EBIT = EBT plus interest paid (excluding interest element in allocations to pension provisions); EBITDA = EBIT plus depreciation and amortization
interest-bearing liabilities (excluding pension provisions) and liabilities from financial leasing, forfaiting and asset-backed securitization

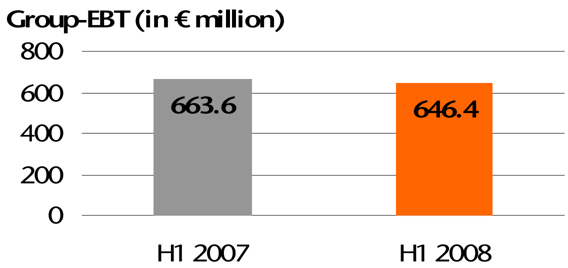
[4] Annualized

[5] Excluding financial assets 6) Including securities and structured investments

Against the backdrop of the huge cost increases for raw materials and energy as well as slowing global economic growth, the **Salzgitter Group** achieved excellent results in the first half of the financial year 2008 owing to the persistently high, stable demand for rolled steel and tube products.

Consolidated external sales soared € 1.51 billion to € 6.23 billion. Along with the very positive selling price trend and the volumes of steel and tubes, the Klöckner-Werke AG companies belonging to the Technology Division and other companies which were not part of the group of consolidated companies in the year-earlier period were the main contributors to a sales growth totaling € 687.7 million.





Consolidated pre-tax profit of € 646.4 million fell only marginally short of the previous year's record result. While the producing steel and tubes companies came under pressure from surging costs, steel trading benefited from the rising spot market prices in particular which reflected a steady, pleasing demand for steel. In addition to the higher costs of raw materials and energy, a total of € 59.2 million in additional material costs was taken account of in the Interim Financial Statements for price hikes effective as from the start of the year that will only exert their full influence on the expenses structure of the producing companies in the second half of the year.

The **Group's after-tax profit** of € 436.9 million substantially exceeded the previous year's figure as a result of the reduction in domestic corporate tax rate. Earnings per share came to € 7.64. Return on capital employed (ROCE) from industrial business reached a remarkable 36.8 % in the first six months of 2008; including income from the investment of funds of more than € 2 billion, ROCE amounted to 25.9 %.

Interim Management Report

Steel Division

		Q2 2008	Q2 2007	H1 2008	H1 2007
Order bookings	kt	1,424.1	1,359.1	3,152.0	2,832.0
Order backlog as of 30/06/	kt			1,105.5	1,199.9
Crude steel production	kt	1,307.3	1,437.1	2,740.4	2,761.4
LD steel (SZFG)	kt	1,044.3	1,158.2	2,208.7	2,212.7
Electric steel (PTG)	kt	262.9	278.8	531.7	548.6
Rolled steel production	kt	1,443.3	1,460.5	2,865.1	2,871.7
Shipments	kt	1,506.5	1,446.7	3,028.4	2,901.3
Sales[1)]	**€ million**	**1,170.8**	**1,040.5**	**2,281.2**	**2,047.9**
External sales	**€ million**	**828.9**	**741.3**	**1,611.0**	**1,464.3**
Earnings before tax (EBT)	**€ million**	**172.6**	**195.7**	**345.1**	**377.2**

1) Incl. sales to other corporate divisions

The **global production of steel** boomed during the first half of 2008, although the growth rate of 6% to date fell marginally short of the trend in recent years. This moderate decline is mainly attributable to slower expansion in China braked by the tight situation in the raw materials markets.

The business development of **European steel processing companies** exceeded expectations in the period under review. Production in the first quarter surged and then lost some of its momentum in the course of the second quarter, with production volumes nonetheless continuing to grow. The order intake trend also slowed discernibly. Irrespective of these developments, the order situation of most sectors remains good, a fact that was substantiated both by a survey of the EU Commission conducted to assess the order level and by the Order Capacity Index of the Deutsche Bundesbank. Both indicators show the ratio of incoming orders to production capacity. They are currently above the level reached in other, former phases of an upswing, which would suggest at worst a moderate downturn in the months ahead. During the first half of the year, the supply of the European market with flat steel fell short of the extremely high figure of the year-earlier period owing to the discernibly lower level of net imports. As a result, European steel mills were able to win back some market shares. Up until now, there seems to be only moderate stockpiling in the EU market. Lead times in steel trading therefore remain at a rather normal level.

Steel prices rose sharply within a very short period in all important markets during the first six months of 2008. Along with huge price hikes in raw materials and transport services, distortions in the flow of global steel trading, in particular the downtrend in Chinese steel exports, were the determinant factors. The price uptrend in the international raw materials market continued in the first half of this year. The sustained, impressive economic impetus of the populous emerging markets, such as China and India as well as Russia, has caused a rapid increase in the use of steel, resulting in surging demand for raw materials required for steel production. In view of limited mining capacity and bottlenecks in the logistics infrastructure, there were temporary shortfalls in supply which triggered dramatic shortages and price hikes in many market segments. Price volatilities of up to 50 % and more within the space of a few weeks and months proved to be more the rule than the exception.

The **international iron ore market** came under considerable pressure. With demand that continued to grow - in China alone, an expansion of 50 million tons as against the previous year have been predicted – the supply side was unable to keep up. In the supply year 2008, drastic price hikes of 86.7 % (pellets), 96.5 % (lump ore) and 66.0 % (ore dust) had to be absorbed. Along with the pure contemplation of the price side, the limited availability of ore is increasingly turning into a problem for those steel producers which rely on spot markets for their procurement.

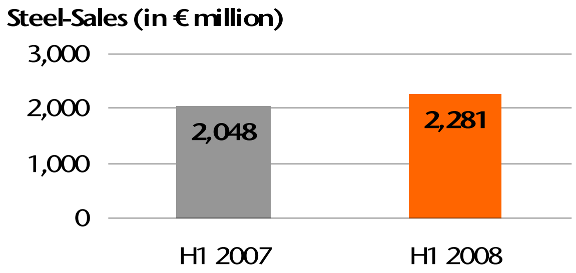
The development on the **global market for coking coal** during the first six months of 2008 can be called no less than dramatic. Torrential rain caused flooding in a number of Australian coal mines that put the markets temporarily fully out of kilter. Production downtimes are estimated at between 13 and 15 million tons in total, which will considerably exacerbate the already restricted availability of highgrade coking coal. This development was reflected in the annual round of negotiations and, in the case of Australian coal, triggered an unprecedented price surge from 96 USD/t FOB to 300 USD/t FOB (+212 %).

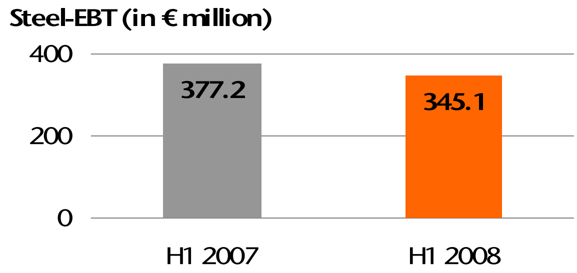
As a result of these events, the **sea freight market** was extremely volatile in the first six months of the year. After having tumbled at the start of the year, freight rates climbed steeply within a few weeks and, by June, had considerably exceeded the highest levels recorded in the year 2007.

The **market development of metals and alloys** over the course of the year to date was very disparate depending on the individual groups of materials. Alloy prices soared, triggered by strong demand, shortfalls in the supply of energy and natural disasters. In respect of metals, the price of zinc and nickel in particular has fallen since the start of the year.

Consolidated order intake in the **steel division** exceeded the previous year's figure by 11 %. By contrast, orders in hand fell 8 % short of the year-earlier level. The production of crude steel by Salzgitter Flachstahl GmbH (SZFG) and Peiner Träger GmbH, which came to 2,740 Tt, remained virtually unchanged as against the previous year's period, as the relining of SZFG's Blast Furnace C had virtually no impact. The shipments of the Steel Division grew during the reporting period, boosted by exceptionally good demand.

The **division's segment and external sales** rose to a new record high thanks to the favorable selling price trend in all product segments and good capacity utilization in all companies.





Despite the most gratifying profit generated by all companies, the Steel Division was unable to repeat the 2007 **pre-tax profit** because the price hikes of raw materials, especially in the flat steel product segment, were a burden that was not compensated for by higher selling prices implemented in this segment. In view of the fact that, in addition to the simple application of the IFRS accounting principles, and compounding to the initial impact of the price increases effective as from January 1, 2008, the associated aspect of making allowance for replacing used inventories from 2007 has to be considered; and consequently additional expenses of € 46.7 million were accounted for in the first half year.

During the reporting period, **Salzgitter Flachstahl GmbH** (SZFG) ran its production to the utmost capacity available, which was limited in metallurgy area owing to the relining of Blast Furnace C. The production of crude steel, however, remained virtually unchanged in a year-on-year comparison as, during the first six months of 2007, there were similar restrictions due to the relining of Blast Furnace B. Rolled steel production also remained more or less constant as, similar to the year-earlier period, slab inventories generally compensated for the temporary reduction in crude steel production. This ensured thoroughly good capacity utilization across all rolling mills. Production of rolled steel, however, remained below the maximum potential output because of the financially unviable option of buying in slabs due to the price of raw materials. Shipments were, however, raised and reached a new all-time high in the hot-strip product segment. In the first six months, order intake by volume increased by almost 14 % as against the year-earlier period, with the first quarter in particular recording strong growth. Orders on hand were also higher than the previous year's figure. The excellent level of selling prices and higher shipment volumes resulted in record sales. The price increases implemented to date did not fully cover the extra costs of the significant price hikes for raw materials in 2007. Consequently, SZFG suffered a marginal decline but, in view of the additional materials expense, nonetheless delivered a very pleasing result.

Ilsenburger Grobblech GmbH (ILG) maintained its good performance during the second quarter of 2008 as well. The excellent order situation of the metal-working sectors ensured that the demand for plate remained very stable. Irrespective of the price adjustments carried out to take account of soaring costs in recent months, there is still no discernible slackening of demand momentum. This trend is also evident with stockholding steel traders even though their inventories reached a new record level in April. Owing to the similarly brisk selling of inventories, levels are not viewed as particularly critical. In the first half of 2008, ILG recorded order intake in a tonnage which was considerably higher than the previous year's figure. Substantially higher selling price levels boosted the value of incoming orders and inventory disproportionately. Both the order structure and the stable availability of mill capacities caused the production of rolled steel to rise as against the previous year's period. Climbing input materials prices were compensated for the most part by higher selling prices, which, in conjunction with larger shipment volumes, resulted in sales outperforming the year-earlier period. Profit remained virtually unchanged in a year-on-year comparison.

Brisk consumer business during the whole reporting period had demand for section products running at an excellent level. The volumes offered by European mills and imports failed to cover the strong demand, which resulted in a massive paring down of the inventories of stockholding steel traders. Rising prices for scrap and raw materials put increasing pressure on the cost side. **Peiner Träger GmbH** (PTG) was for the most part able to pass on the additional costs to the market by raising prices and through the scrap surcharge. On the customer side, this caused challenges for a number of steel processors whose contracts did not provide for price adjustment clauses. For this reason, it remains to be seen how the situation develops in the second half of 2008. Reticence was exercised in accepting new bookings so to be able to reduce PTG's order backlog, a measure reflected in the decline in order intake. Production and sales remained more or less constant. Whereas the good earning level resulted in a notable expansion of sales (+12 %), rising costs caused the – nonetheless remarkable – pre-tax result to fall short of the previous year's performance.

Buoyant demand for sheet piles ensured that the shipments of **HSP Hoesch Spundwand und Profil GmbH** developed well. The excellent selling prices had an extremely positive effect on sales and pre-tax profit. Good shipment figures and selling prices also resulted in the sales of **Salzgitter Bauelemente GmbH** expanding and delivering a positive profit performance as against the year-earlier period. At **Salzgitter Europlatinen GmbH** price increases resulted in sales growth despite the lower volume of shipments. By contrast, there was a slight downtrend in pre-tax profit as against the first six months of 2007.

Interim Management Report

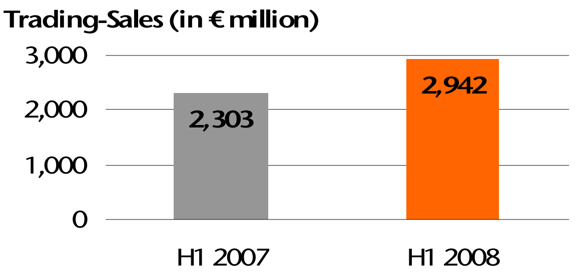
Trading Division

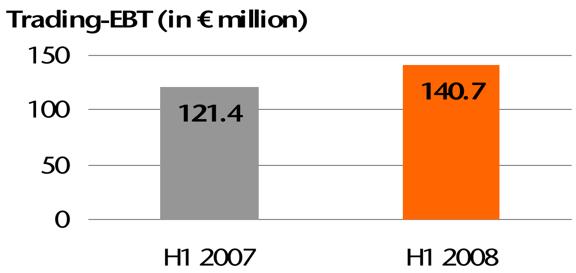
		Q2 2008	Q2 2007	H1 2008	H1 2007
Shipments	kt	1,815.2	1,464.2	3,331.2	3,211.7
Sales[1)]	**€ million**	**1,678.4**	**1,080.0**	**2,941.7**	**2,302.6**
External Sales	**€ million**	**1,502.1**	**971.6**	**2,656.4**	**2,046.2**
Earnings before tax (EBT)	**€ million**	**92.1**	**56.6**	**140.7**	**121.4**

1) Incl. sales to other corporate divisions

In the first half year of 2008, **international steel trading** was determined by massive price increases for rolled steel products, which was the consequence of exploding prices for raw materials and a tightening supply. At the same time, the demand of European consumers in particular was brisk. Notwithstanding the recently higher output of Chinese producers, their export volume in the second quarter fell short of that of the first as the export tax, introduced at the start of the year, and the appreciation of the Chinese currency made exports more unattractive. Corresponding to the still difficult market environment, demand on the North American continent remained at a persistently moderate level.

The **Trading Division** generated a new record result in the first half year, thereby even exceeding the record level of the previous year's period. The excellent selling price level boosted sales, with a slight increase in shipments. The significant decline in shipments and sales figures of North American countries was more than compensated by the excellent development of stockholding business.





Stockholding steel traders benefited from the continuing stable European economic environment and rising prices. The main stimulus for demand came from the construction and machine building sectors. The first-time consolidation of Salzgitter Mannesmann Stahlhandel Sp. z o.o., Slupca, Poland, at the start of the year made a additional contribution to sales and shipments. The excellent gross earnings trend resulted in an increase in pre-tax profit.

International trading of the Trading group delivered stable sales and shipment figures although there were a number of challenges to be surmounted. For instance, a lack of shipping space capacity hindered material deliveries for major international projects and the supply of slabs within the Group. The good selling price level was reflected in excellent sales and a result which outperformed the previous year's figure. Only the companies operating in the US and Canadian market sustained declines in sales and shipments. But here as well there a notable widening of margins resulting in a pre-tax profit that was much higher in a year-on-year comparison.

The first half year of 2008 for **Universal Eisen und Stahl GmbH (UES)** was characterised by stable demand from its main customers as, irrespective slowing economic momentum, their order books were full. On the procurement side, rising manufacturing costs and falling import volumes from China led to a significant increase in the price of plate. UES raised its shipments slightly in the reporting period owing to the brisker flame cutting business. Sales, which rose as against the previous year's period, reflected higher volumes, along with the increase in prices and a change in the sales structure. The previous year's result was almost matched.

The steel service center **Hövelmann & Lueg GmbH (HLG)** operated in a challenging market environment in the first half year as the partly rapid development in steel prices and slowing capacity utilization in some segments caused reticence on the part of customers. The consistent concentration on a high quality grades and product spectrum boosted both sales and shipments. Despite unfavorable market conditions in the first quarter, the company achieved breakeven.

Flachform Stahl GmbH was merged into HLG with retrospective effect from January 1, 2008. Application for registration of the business combination in the Commercial Register has been made.

Tubes Division

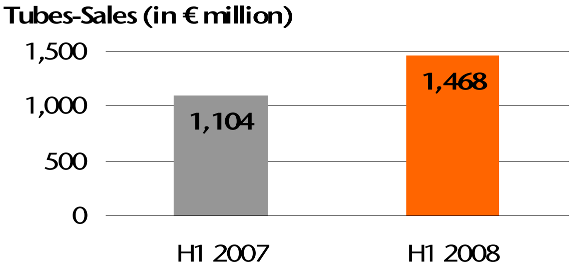
		Q2 2008	Q2 2007	H1 2008	H1 2007
Order bookings	€ million	602.9	484.3	1,110.3	1,163.7
Order backlog as of 30/06/	€ million			2,191.1	1,693.8
Sales[1)]	**€ million**	**780.7**	**554.9**	**1,468.3**	**1,104.0**
External sales	**€ million**	**534.0**	**456.6**	**1,077.0**	**884.2**
Earnings before tax (EBT)	**€ million**	**86.1**	**73.5**	**152.1**	**138.9**

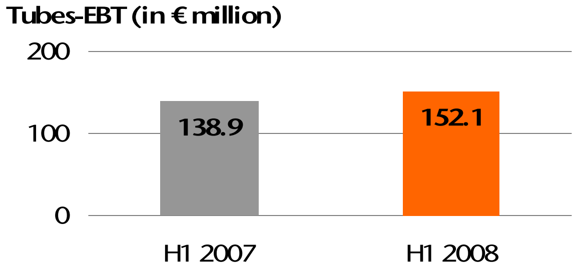
1) Incl. sales to other corporate divisions

The situation on the **international steel tubes markets** continued to be satisfactory in the second half of the year 2008. Production in the first months of the year 2008 thus ranged at a high level, with disparate developments in the various regions: Production in the EU, Japan and Russia, for instance, declined while that of the USA and China rose again. The high selling prices of oil and gas provided sustained, strong impetus for capital expenditure, especially in the energy sector. Other customer sectors, such as the automotive, machine building, chemicals and construction industries, also emitted positive signals for the most part. Only in the region of North America did the impact of the subprime crisis result in a general decline in the demand of industrial customers for tubes.

Given these generally favorable conditions, the **Tubes Division** recorded another record result in the first six months of 2008. Order intake in the first half-year was 5 % lower than in the previous year's period, which contrasted with the order level posted by the end of June 2008 that was 30 % higher in comparison with June 30, 2007. These developments are attributable to the excellent level of new orders placed in the previous year, especially the booking of major large-diameter tubes project in the fourth quarter of 2007.

In the first half of 2008, the Tubes Division's **segment sales** climbed 33 % as against the year-earlier period, boosted by the newly consolidated precision tube companies as well as by an increase in shipments and firmer selling prices resulting from the steel price trend. The pre-tax result set a new record figure for a half-year.





The individual product segments performed as follows: At Europipe GmbH (EP), a manufacturer of **large-diameter tubes**, order intake in the first six months of the year 2008 slowed owing to the high order level. Salzgitter Mannesmann Grobblech GmbH (MGB) and Salzgitter Mannesmann Großrohre GmbH (MGR), the other companies in this product segment, recorded more orders than in the previous year's period. Orders on hand rose notably, driven by EP, and, as before, are sufficient to cover a period reaching far into 2009. All three companies succeeded in considerably improving their sales as against the first half of 2007 due to selling price quality of their orders. This also resulted in the pre-tax profit of EP, MGB and MGR being many times higher.

In the **HFI welded tubes** product segment, the market environment for tubes manufactured from hot strip was uneven. After a difficult start to the year, new orders received by Salzgitter Mannesmann Line Pipe GmbH (MLP) in the reporting period gained momentum and ultimately reached the year-earlier level. Orders on hand also recovered to a figure which was marginally lower year on year. A more unfavorable product mix, however, prevented sales and pre-tax profit from achieving the good figures of the first half of 2007.

The market environment of the **precision tubes** product segment with its companies Salzgitter Mannesmann Präzisrohr GmbH (MPR), Salzgitter Mannesmann Précision Etirage SAS (MPE), Salzgitter Mannesmann Rohr Sachsen GmbH (MRS) and Salzgitter Mannesmann Seamless Tubes B.V. (MSE) was stable for the most part in the reporting period. Only the demand of the American automotive manufacturers slowed. The inclusion of the new precision tube companies had a major impact on the development of all key financials. Order intake and orders on hand, as well as shipments and sales, considerably exceeded the previous year's period by definition, but also an isolated comparison of the original group reveals growth in all segments. All companies are booked up until the end of the year. Pre-tax profit fell short of the year-earlier result, burdened by a delay in the commissioning of the new three-roll piercing mill of MRS in Zeithain.

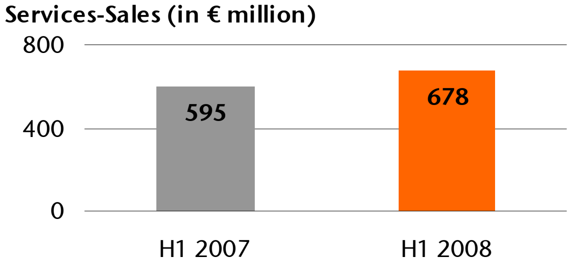
Salzgitter Mannesmann Stainless Tubes GmbH (MST) benefited from ongoing brisk demand for the **seamless stainless steel tube segment.** The outstanding order intake of the previous year was not repeated, however, braked by reticent order activity at the start of the year. Sales at mid-year, however, settled at a record level, impacted by the atypical nickel price trend of 2007. In combination with declining nickel prices, this resulted in a temporary widening of margins (windfall profits) that was also reflected in the good profit performance.

Services Division

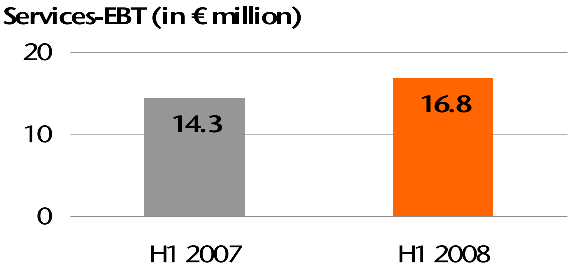
		Q2 2008	Q2 2007	H1 2008	H1 2007
Sales[1)]	€ million	379.1	302.7	678.1	595.0
External sales	€ million	156.3	131.3	284.9	262.8
Earnings before tax (EBT)	€ million	11.9	6.1	16.8	14.3

[1)] Incl. sales to other corporate divisions

The **Services Division** again benefited from the brisk demand by internal and external customers for its services and can therefore look back on an excellent performance in the first half of 2008.



Sales of the companies belonging to the division rose to a record level of € 678 million in the first six months. Having contributed more than two thirds of sales and with a 17 percent improvement on the previous year's figure, the raw materials company DEUMU Deutsche Erz- und Metallunion GmbH (DMU) was again the driving force behind this development. In delivering this result, company above all reaped the benefit of demand-induced price increases for scrap. Salzgitter Automotive Engineering GmbH & Co. KG (SZAE) also raised its sales considerably in the wake of the volume of orders placed by auto manufacturers which was higher in comparison with the year-earlier period. The external sales of the Services Division climbed 8 % to € 285 million.



The **pre-tax profit** of the division grew 17.5% to € 16.8 million as against the first half year of 2007. DMU generated a major portion of this result through steel scrap in particular. Excellent margins were achieved by taking advantage of the price volatility in the markets and by pursuing a market-oriented inventory policy. In addition, Hansaport Hafenbetriebsgesellschaft mbH (HAN) and the TELCAT Group were the main contributors to this pleasing result. SZAE continued the positive trend seen in the first quarter.

Interim Management Report

Technology Division

		Q2 2008	Q2 2007	H1 2008	H1 2007
Total Sales[1)]	€ million	274.9		523.4	
External sales	€ million	274.9		523.4	
Earnings before tax (EBT)	€ million	8.0		12.2	

[1)] Incl. sales to other corporate divisions

German mechanical engineering is still on a growth path. While the weak economies of the USA and Japan mean that these countries can, for the most part, no longer provide stimulus, international demand is emanating primarily from Asia and the Arab countries. This year the German Machinery and Plant Manufacturing Association (VDMA) estimates a real production increase of 5 %. Production in the second half of the year 2008 has been secured by the high order intake in the first months of the current year. In all likelihood, however, growth is set to slow notably in 2009 in the wake of the cooling global economy.

With around 85 % of sales revenue, the filling and packaging technology business of the KHS Group exerts a major influence on the **Technology Division**. Excepting the reticence in the North American market, induced by the country's economic situation, the level of global order intake was satisfactory against the backdrop of fierce competitive pressure. The integration of SIG Beverages as the Beverages Group as per April 1 enables the division to exploit the opportunities that arise in the high-growth market of PET stretch-blow molding technology.

Due to the slackening economy, the high level of **new orders** received the first three months of the reporting period was not repeated. Including the Beverages Group, consolidated for the first time, the Technology Division disclosed **segment sales** of € 523.4 million in the first six months of 2008.

The division's **pre-tax result** came to € 12.2 million on June 30, 2008. As part of the acquisition of the majority holding in the Klöckner Group and of SIG Beverages, purchase price allocation, as prescribed under IFRS, was carried out. This came to € 2.8 million for the first six months of 2008 and is, as well as the financing costs of the acquisition, included in the result.

Further information on the **Klöckner-Werke** and its performance can be obtained from the company website at the following address: www.kloecknerwerke.de

Others/Consolidation

		Q2 2008	Q2 2007	H1 2008	H1 2007
Total Sales[1)]	€ million	153.5	118.1	283.6	208.6
External sales	€ million	36.1	40.8	80.7	65.6
Earnings before tax (EBT)	€ million	-16.2	6.2	-20.5	11.8

1) Incl. sales to other corporate divisions

In the first six months of 2008, total sales of the **others segment**, generated by business in semi-finished goods with subsidiaries of the Group and external parties, grew to € 284 million, up from € 209 million in the first half of 2007, driven by both volume and prices. External sales rose for the same reasons to € 80.7 million (first half of 2007: € 65.7 million).

Pre-tax profit was impacted by reporting date-related changes in the value of derivatives due to exchange rate fluctuations and interim profit elimination relating to inventories of Group material in trading and came to € -20.5 million in the reporting period.

Explanations on the Financial Position and Net Worth

The **balance sheet total** of the Salzgitter Group came to € 9.2 billion on June 30, 2008, which is an increase of 9 % as against December 31, 2007. **Non-current assets** rose by € 309 million, impacted above all by investments in property, plant and equipment and the first-time inclusion of the Beverages Group into the group of consolidated companies. **Current assets** climbed € 482 million to € 6.72 billion. This growth resulted overall from the price-induced surge in trade receivables, changes in cash investments and a countertrend in declining cash and cash equivalents. The balance of funds fell to € 1.63 billion due to the payment of dividend for the financial year 2007, the acquisition of the SIG Beverages Group and cash investment.

On the liabilities side, net income for the half-year, minus the dividend payout, caused **equity** to rise € 243 million to € 4.5 billion. **Non-current liabilities** remained stable. By contrast, **current liabilities** grew by € 61 million in tandem with current assets, above all owing to the price-induced higher level of trade payables.

The expansion of the **group of consolidated companies** through the inclusion of the Polish stockholding company in the first quarter of the year and the first-time consolidation of the Beverages Group in the second quarter had no major impact on the balance sheet.

The increase in the **cash flow from operating activities** of € 389.7 million to € 458.4 million (first half of 2007: € 68.7 million) is reflected in the ongoing excellent performance in the first half of 2008.

The **net position vis-à-vis banks,** including deposits which are not disclosed under cash and cash equivalents, had fallen by the end of the reporting period to € +1.9 billion (December 31, 2007: € +2.1 billion; March 31, 2007: € +2.3 billion). It has to be noted that there were payments of € 140 million for the acquisition of the Beverages Group as well as for the dividend of € 170 million in the second quarter. In addition, the capital expenditure significantly exceeded depreciation

Interim Management Report

Investments

In the first half of 2008, the amount of **investments in property**, plant and equipment, including intangible assets, came to € 284 million, which is more than double that of the previous year (first half year of 2007: € 143 million). The volume of depreciation and amortization (€ 124 million) rose accordingly in comparison with the year-earlier period. Once again, this development is first and foremost due to brisk capital expenditure in the Steel Division (€ 197 million).

The focus of investments in the companies of the **Steel division** was on securing the course of projects in accordance with milestones set and the taking into operation of projects completed. Significant progress was made in the construction work for the **“Power Plant 2010”** concept. Despite the tight deadlines, work is on schedule.

As part of the **“Steel 2012”** investment program launched in mid-2007, the foundations and steel construction work for the installing of the new continuous casting plant were completed. Moreover, work continued on extending the building housing the new heating furnace of the hot-rolled strip mill. The extension of the secondary metallurgy of the steel mill with the “5th stand of the degassing line” is also on track. The assembly of the steel construction and installation of the machinery is currently being carried out. With the completion of the relining of Blast Furnace C, the “Granulate Plastics Injection equipment” has been taken into operation, as envisaged and reported in the report on the first quarter. The blast furnace was fired up in July.

The implementation of the **Peiner Träger GmbH 2010** investment package is proceeding according to plan. The new building to house the second electric arc furnace geared to ramping up production capacity to around 2 million tons of crude steel a year is currently being built. Commissioning has been scheduled for February 2010. In the heavy section mill, the extension of the dressing and straightening line with new automation and extended loading area will become operational in mid-August 2008. Work carried out on the universal beam mill is on track. The roller straightener is currently being installed and the foundations built for a new rolling mill.

As before, in the **Tubes Division**, the construction of the **large-diameter tube plant** of the Europipe subsidiary Berg Steel Pipe Corp. in Mobile, Alabama, USA, is currently on track in terms of time and budget. The tube plant and coating buildings have been completed and the installation of machinery has started. Important key positions have already been staffed, and the search for more qualified personnel continues.

The installation of the **cold plate leveler** of Mannesmann Grobblech GmbH has been completed and a trial run initiated. At Salzgitter Mannesmann Précision Etirage SAS, Saint Florentin, the new pickling line has been taken into operation after construction lasting around a year. With a flatter ramp-up curve, nominal output in the TPE (Three Roll Piercing Elongating) mill of Mannesmann Rohr Sachsen GmbH in Zeithain is now expected to be achieved in the fourth quarter.

The **Trading Division** focused its investments on expanding its Eastern European warehouse locations.

The main capital expenditure in the **Services Division** included the procuring of new freight wagons (VPS) and the construction of a new production building (SZST).

In the **Technology Division**, investments concentrated on expanding capacity to ease the high capacity utilization of the plants. KHS AG therefore invested in extending the plant buildings and enlarging its IT infrastructure. The building of a new plant for Klöckner DESMA Elastomertechnik GmbH in India was another highlight.

Research and Development

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

The rising price of gas and oil are propitious for the development of new deposits. Low temperatures, geologically unstable ground or corrosive conditions in the mining regions often pose a special challenge for pipelines. As protection against the corrosive influence of the environment, large-diameter pipes are coated. SZMF works on procedures which improve the bonding of the respective coating layers of the widely-used **3-layer polyethylene coating** and ensure its long-term durability. The adhesive capacity of epoxy resin on steel surfaces is enhanced through pretreating the surfaces. This pretreatment with adhesion promoters, such as chromate, takes the form of a thin conversion layer which, on the one hand, adheres very strongly to the steel surface and, on the other, exhibits a high affinity with epoxy resin. The practical pretreatment process is efficient and cost effective.

Due to the toxic nature of chromium(VI) bonding there is a great deal of interest in developing alternative chrome-free processes to improve the adhesive ability of coatings on an epoxy basis. The viability of potentially suitable adhesion promoters has been explored. Bi-functional adhesion promoters, which have a high affinity with steel surfaces, as well as being extremely compatible with coating systems used, proved to be particularly suitable.

In order to guarantee the properties required by low temperatures and unstable ground, the impact on the product of a number of process parameters applied in manufacturing have to be ascertained. In a close cooperation with Salzgitter Mannesmann Grobblech GmbH as the supplier of the input material and Europipe GmbH as the manufacturer of UOE pipelines, the production stages, from the plate rolling process through to surface coating, are therefore investigated for their impact on mechanical properties and manufacturing optimized in accordance with insights gained. As a result, uniform expansion can be guaranteed for pipes of the **X100 quality grade** at all working temperatures.

Interim Management Report

Employees

	30/06/2008	31/12/2007	+/-
Core workforce	**24,044**	**23,107**	**937**
of which Steel Division	6,879	6,829	50
of which Trading Division	1,977	1,867	110
of which Tubes Division	6,010	5,978	32
of which Services Division	4,111	4,043	68
of which Technology Division	4,925	4,252	673
of which Others	142	138	4
Apprentices, students, trainees	1,177	1,424	-247
Passive age-related part-time employment	385	419	-34
Total workforce	**25,606**	**24,950**	**656**

The **core workforce** of the Salzgitter Group came to 24,044 employees on June 30, 2008. Accordingly, 937 employees have joined the Group since the start of the year, 305 in the first quarter and 632 in the period between April and June. The latter figure was due to the first-time consolidation of the Beverage Group and of KHS Plasmax GmbH as per April 1, 2008, with a total of 432 employees. In the reporting period, a total of 257 trainees were hired in permanent and temporary contracts.

Forecast, Opportunities and Risks Report

Assessment of the development of the divisions over the remaining course of the year on the basis of current information and the profit forecast:

The good order level and still above-average order intake will ensure full capacity utilization of the **Steel Division's** mills in the coming months. Price increases already successfully implemented for the third quarter in all product categories will have a positive effect on the sales trend. The price hikes in raw materials and sources of energy seen in the year as a whole are unlikely to be fully compensated for, also retrospectively, as the selling prices generally agreed in 2007 for the annual contract business will fail to cover the surging costs. All in all, the Steel Division assumes that profit in 2008 will be outstanding, albeit somewhat lower than in 2007.

The excellent business situation of the **Trading Division**, as yet not influenced by the cooling global economy, is set to persist for the time being. The German and European stockholding steel traders are likely to continue to benefit from robust demand and the high spot market prices for rolled steel products. International Trading is expected to remain at a stable level, despite the slowing economy in North America. The favorable spot market price trend to date will, however, lose momentum due to the discernible easing on the raw materials markets. In view of this most positive environment, the Trading Division anticipates a profit in 2008 which may well exceed the year-earlier figure.

The **Tubes Division** forecasts dynamic developments in the relevant markets in the second half of 2008 as well. Well-filled order books guarantee high utilization capacity in all mills. The compensation of cost increases, however, will necessitate considerable effort in relation to the extensive order volume, with the result that a repeat of the previous year's result will be an ambitious goal.

Without taking account of special effects, the sales and pre-tax profit of the **Services Division** in 2008 are expected to marginally exceed the previous year's level.

The gratifying development in the **Technology Division** is likely to persist. It is, however, unlikely that the extremely high previous year's sales will be achieved again, notwithstanding effects from changes in the group of consolidated companies, given the slowdown in the global machine building activities. The consolidated pre-tax profit of the companies included within the Salzgitter Group and the corresponding figure of all companies is expected to rise as against 2007, the latter figure boosted by the impact of profit improvement measures.

The environment in which the **Salzgitter Group** currently operates can be described as very satisfactory overall. For this reason, business as a whole should generally hold the level achieved in the second half of the year as well. The high cost of raw materials and energy, however, and the ongoing turbulence in the international financial markets constitute a considerable risk potential for the future economic development. In the financial year 2008, we shall strive to attain notable growth within the Group, 50 % of which will be due to the first-time full-year inclusion of the companies of the Klöckner Group in our new Technology Division. Given our pleasing performance in the first half-year, we consider it justifiable to raise our pre-tax profit forecast for the Group to **over one billion euros.**

Express reference is made to the fact that opportunities and risks arising from currently unforeseeable trends in sales prices, input materials and capacity level developments, as well as changes in the currency parity, may considerably affect performance in the course of the remaining financial year 2008. The resulting fluctuation in the consolidated pre-tax result may, as experience has shown, be within a considerable range, either to the positive or to the negative.

Events of Significance

Completion of the acquisition of the SIG Beverages Group

At the start of April 2008, Salzgitter Mannesmann PET-Technologie GmbH completed its acquisition of SIG Beverages. Salzgitter AG has decisively strengthened its new Technology Division through the purchase of SIG Beverages and the associated integration of the PET stretch-blow molding technology. Vendor is the SIG Group, Neuhausen am Rheinfall, Switzerland. SIG Beverages has 480 employees (01/10/2007), mainly in Germany. In 2007, the Group generated sales of around € 150 million. Its most important companies are SIG Corpoplast GmbH & Co. KG (Hamburg) and SIG Asbofill GmbH (Neuss).

Purchase of a stake in Norddeutsche Affinerie AG

Salzgitter AG bought a total of 10.8 % of the share capital in Norddeutsche Affinerie AG by August 7, 2008. As a first step, 5.8 % of the Norddeutsche Affinerie share capital was acquired from a main shareholder and via the stock markets. On August 7, 2008, Salzgitter AG took possession of the 5 % stake of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement GmbH, the holding company for shareholdings of the City of Hamburg. The aim of both companies is to examine the advantages of a medium and long-term cooperation, for instance in production technology, research and development, as well as in sales and procurement.

Retraction of treasury shares

On July 16, 2008, with approval by the Supervisory Board based on the authorization given by the General Meeting of Shareholders of May 21, 2008, the Executive Board resolved to withdraw 1,580,460 shares by way of simplified procedure without capital reduction pursuant to Section 71 para. 1 item. 8 sentence 6, 237 para. 3 item. 3 of the German Stock Corporation Act (AktG). This corresponds to 2.5 % of the shares of the company at the time when the resolution to retract the shares was passed. The unchanged share capital of the company of € 161,615,273.31 was thus divided into 61,637,940 units.

Based on the aforementioned authorization, the Executive Board decided on August 7. 2008, to withdraw an additional 1,540,940 share with approval of the Supervisory Board by means of the mentioned method. The unchanged share capital of the company of € 161,615,273.31 is now divided into 60,097,000 units. The Executive Board has decided a corresponding amendment to the version of the Articles of Association. Through this step, the shareholders are directly and appreciably participating in the group’s performance in addition the paid dividend.

Special news

As a consequence of the regular expiry of the period of office of the Supervisory Board on the occasion of the General Meeting of Shareholders 2008, a new Supervisory Board had to be elected in the reporting period. The Board is made up pursuant to the provisions of law supplementing the Coal and Steel Industry Codetermination Act (MontanMitbestErgG) of 1956 in the version of April 19, 2006, in conjunction with Section 7 Item 1 of the Articles of Association. Accordingly, the Board has 21 members, 10 of whom are shareholders and 10 employee representatives and one further member.

In March 2008, the election of the employee representatives took place ahead of the General Meeting of Shareholders on May 21, 2008, when the representatives of the shareholders and one more member were elected. The period of office is 5 years.

The following now belong to the Supervisory Board:

The Supervisory Board of Salzgitter AG

Shareholder representatives	Employee representatives
Rainer Thieme (Vorsitzender)	Jürgen Peters (stellvertretender Vorsitzender)
Karl Ehlerding	Manfred Bogen
Dr. Lothar Hagebölling	Hasan Cakir
Prof. Dr. Jürgen Hesselbach	Ulrich Dickert
Dr. Dieter Köster	Hannelore Elze
Dr. Arno Morenz	Udo Pfante
Prof. Dr. Hannes Rehm	Christian Schwandt
Dr. Rudolf Rupprecht	Friedrich-Wilhelm Tölkes
Dr. Johannes Teyssen	Dr. Hans-Jürgen Urban
Prof. Dr. Martin Winterkorn	Helmut Weber
one further member: Dr. Werner Tegtmeier	

Interim Financial Statements

I. Consolidated Income Statement

in € million	2nd Quarter 2008	2nd Quarter 2007	1st Half 2008	1st Half 2007
Sales	3,332.3	2,341.6	6,233.4	4,723.1
Increase or decrease in finished goods and work in process and other own work capitalized	-0.2	72.7	1.2	92.1
	3,332.1	2,414.3	6,234.6	4,815.2
Other operating earnings	35.8	31.3	91.5	78.2
Cost of materials	2,253.2	1,577.8	4,173.4	3,164.0
Personnel expenses	375.0	265.0	736.0	513.8
Amortization and depreciation	63.0	53.1	123.8	103.2
Other operating expenses	325.9	213.5	648.1	451.8
Income from shareholdings	8.0	2.5	7.7	2.2
Income from associated companies	-0.2	-0.1	-1.3	1.1
Write-downs of financial assets	0.0	0.0	0.0	0.0
Financing income	38.7	34.7	68.0	58.3
Financing expenses	42.8	35.2	72.8	58.6
Earnings before tax (EBT)	**354.5**	**338.1**	**646.4**	**663.6**
Income taxes	112.5	136.0	209.5	264.9
Consolidated net income	**242.0**	**202.1**	**436.9**	**398.7**
Appropriation of profit				
Consolidated net income	242.0	202.1	436.9	398.7
Profit carried forward from the previous year			189.7	126.5
Minority interests			1.0	2.3
Dividend payment			170.7	114.2
Appropriation to other retained earnings			-372.9	-333.1
Unappropriated retained earnings	**242.0**	**202.1**	**82.0**	**75.6**
Undiluted earnings per share (in €)	**4.24**	**3.53**	**7.64**	**6.94**
Diluted earnings per share (in €)	**4.24**	**3.53**	**7.64**	**6.94**

II. Consolidated Balance Sheet

Assets in € million	30/06/2008	31/12/2007
Fixed assets		
Intangible assets		
Goodwill	55.3	15.3
Other intangible assets	184.4	119.6
	239.7	134.9
Property, plant and equipment	1,975.6	1,797.8
Investment property	32.1	26.5
Financial assets	121.2	108.8
Associated companies	82.8	84.1
Deferred tax assets	20.2	13.0
Other receivables and other assets	5.6	2.9
	2,477.2	**2,168.0**
Current assets		
Inventories	2,218.5	2,084.4
Trade receivables	1,991.1	1,521.0
Other receivables and other assets	753.0	359.4
Income tax assets	69.5	114.2
Securities	54.5	20.4
Cash and cash equivalents	1,633.7	2,138.8
	6,720.3	**6,238.2**
	9,197.5	**8,406.2**

Equity and liabilities in € million	30/06/2008	31/12/2007
Equity		
Subscribed capital	161.6	161.6
Capital reserve	295.3	295.3
Retained earnings	4,137.0	3,777.7
Unappropriated retained earnings	82.0	189.7
	4,675.9	4,424.3
Treasury shares	-227.8	-227.8
	4,448.1	4,196.5
Minority interests	41.2	49.4
	4,489.3	**4,245.9**
Long-term liabilities		
Provisions for pensions and similar obligations	1,784.0	1,791.8
Deferred tax liabilities	115.0	94.0
Income tax liabilities	187.0	214.2
Other provisions	196.3	192.6
Financial liabilities	84.4	87.4
	2,366.7	**2,380.0**
Current liabilities		
Other provisions	351.9	325.6
Financial liabilities	116.2	98.5
Trade payables	1,114.8	760.7
Income tax liabilities	119.0	19.7
Other liabilities	639.6	575.8
	2,341.5	**1,780.3**
	9,197.5	**8,406.2**

III. Statement of Income and Accumulated Earnings

in € million	2nd Quarter 2008	2nd Quarter 2007	1st Half 2008	1st Half 2007
Changes recorded directly under equity				
Changes resulting from currency translation	1.7	1.4	-7.8	1.7
Changes in the value of the reserve from hedging transactions				
Changes in current value reported directly under equity	-17.6	-7.1	0.9	-0.6
Recognition of settled hedging transactions in the income statement	0.0	0.0	-5.4	-1.5
Changes in the value of financial assets in the available-for-sale assets category				
Changes in current value reported directly under equity	-7.0	-0.9	-14.7	5.4
Actuarail gains and losses	0.2	0.0	1.1	0.0
Deferred tax on changes without effect on income	7.5	1.7	6.1	3.8
Other changes without effect on income	0.6	0.0	0.6	-1.8
	-14.6	**-4.9**	**-19.2**	**7.0**
Consolidated net income for the period	**242.0**	**202.1**	**436.9**	**398.7**
Total profit pursuant to IAS 1.97 in conjunction with IAS 19.93B	**227.4**	**197.2**	**417.7**	**405.7**
Total profit due to Salzgitter AG shareholders	227.4	195.6	416.4	403.4
Total profit due to minority interests	0.0	1.6	1.3	2.3
	227.4	**197.2**	**417.7**	**405.7**

IV. Cash Flow Statement

in € million	1st Half 2008	1st Half 2007
Earnings before tax (EBT)	646.4	663.6
Deprecreciation, write-downs (+)/write-ups (-) on fixed assets	123.8	103.2
Income tax paid	-121.6	-105.8
Other non-payment-related expenses (+)/income (-)	202.9	109.5
Interest expenses	72.8	58.6
Profit (-)/loss (+) from the disposal of fixed assets	1.8	0.0
Increase (-)/decrease (+) in inventories	-82.7	-135.0
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-510.8	-548.6
Use of provisions affecting payments, excluding income tax provisions	-121.4	-153.0
Increase (-)/decrease (+) in trade payables and other liabilities not attributable to investment or financing activities	247.3	76.0
		0.0
Cash flow from operating activities	**458.4**	**68.7**
Cash inflow from the disposal of tangible and intangible fixed assets	2.3	5.0
Cash outflow for investments in tangible and intangible fixed assets	-284.3	-142.5
Cash inflow (+)/outflow (-) for short-term loans against borrower´s notes/bonds	-325.0	-25.0
Cash inflow from the disposal of financial assets	1.1	19.4
Cash outflow for investments in financial assets	-160.5	-5.1
Cash flow from investment activities	**-766.3**	**-148.2**
Cash inflow (+)/outflow (-) as a result of sale and repurchase of treasury shares	0.0	-59.9
Cash outflow in payments to company owners and minority shareholders	-170.7	-114.2
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilites	-5.3	-3.4
Cash outflow relating to short-term financial investments	0.0	0.0
Interest paid	-21.2	-22.0
Cash flow from financing activities	**-197.2**	**-199.5**
Cash and cash equivalents at the start of the period	2,138.8	2,345.0
Change in cash and cash equivalents	-505.1	-279.1
Cash and cash equivalents at the end of the period	**1,633.7**	**2,065.9**

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, 2006	**161.6**	**295.3**	**-160.4**	**3,204.5**	**-16.0**
Net income					
Dividend					
Disposal of own shares			18.2		
Repurchase of own shares			-59.9		
Currency translation					1.7
Change in value pursuant to IAS 39					
Group transfers to retained earnings				333.1	
Deferred taxes on changes without effect on income					
Other				-3.6	
As of June 30, 2007	**161.6**	**295.3**	**-202.0**	**3,534.0**	**-14.3**
As of December 31, 2007	**161.6**	**295.3**	**-227.8**	**3,943.6**	**-25.9**
First-time consolidation of affiliated companies hithero not consolidated due to materiality				5.9	0.8
As of January 1, 2008	161.6	295.3	-227.8	3,949.5	-25.1
Goodwill resulting from IFRS 3				0.6	
Net income					
Dividend					
Currency translations					-8.6
Change in value pursuant to IAS 39					
Adjustment in line with actuarial assumptions regarding pension obligations, no effect on income					
Group transfers to retained earnings				372.9	
Deferred taxes on changes without effect on income					
Other				-0.9	
As of June 30, 2008	**161.6**	**295.3**	**-227.8**	**4,322.1**	**-33.7**

Valuation reserve from hedging transactions	Valuation reserve from available for sale	Other equity changes without effect on income	Unappropriated retained earnings	Equity (excl. minority interests)	Minority interests	Equity
3.4	**5.0**	**-172.9**	**126.5**	**3,447.1**	**9.7**	**3,456.7**
			396.4	396.4	2.3	398.7
			-114.2	-114.2		-114.2
		49.3		67.5		67.5
				-59.9		-59.9
				1.7		1.7
-2.1	5.4			3.3		3.3
			-333.1	0.0		0.0
		3.8		3.8		3.8
		-1.8		-5.4		-5.4
1.4	**10.4**	**-121.6**	**75.6**	**3,740.4**	**11.8**	**3,752.2**
8.8	**30.9**	**-179.8**	**189.7**	**4,196.5**	**49.4**	**4,245.9**
				6.7		6.7
8.8	30.9	-179.8	189.7	4,203.2	49.4	4,252.6
				0.6	-5.4	-4.8
			435.9	435.9	1.0	436.9
			-170.7	-170.7		-170.7
				-8.6		-8.6
-4.5	-14.7			-19.2		-19.2
		1.1		1.1		1.1
			-372.9	0.0		0.0
		6.1		6.1		6.1
		0.6		-0.3	-3.8	-4.1
4.3	16.2	-172.0	82.0	4,448.1	41.2	4,489.3

VI. Segment Reporting

in € million	Steel		Trading		Tubes	
	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007
External sales	1,611.0	1,464.3	2,656.4	2,046.2	1,077.0	884.2
Sales to other segments	598.3	509.0	250.6	230.9	391.0	219.5
Sales to Group companies that cannot be allocated to an operating segment	71.9	74.6	34.7	25.5	0.3	0.3
Segment sales	2,281.2	2,047.9	2,941.7	2,302.6	1,468.3	1,104.0
Sales in own segment	323.9	300.9	7.0	8.0	103.0	74.4
Sales	2,605.1	2,348.8	2,948.7	2,310.6	1,571.3	1,178.4
Interest income (consolidated)	1.8	0.1	3.6	4.4	1.5	1.5
Interest income to other segments	0.0	0.0	0.0	0.0	0.0	0.0
Interest income in own segment	0.0	0.0	6.0	6.0	0.0	0.0
Interest income to Group companies that cannot be allocated to an operating segment	0.4	0.8	0.0	0.4	0.8	0.7
Segment interest income	2.2	0.9	9.6	10.8	2.3	2.2
Interest expenses (consolidated)	6.2	5.6	7.9	7.3	4.3	3.6
Interest expenses to other segments	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses in own segment	0.0	0.0	5.9	6.1	0.0	0.0
Interest expenses to Group companies that cannot be allocated to an operating segment	15.4	13.0	7.7	7.7	7.2	6.4
Segment interest expenses	21.6	18.6	21.5	21.1	11.5	10.0
of which interest portion of allocations to pension provisions	4.3	3.8	1.8	1.3	2.7	2.4
Depreciation/amortization of tangible and intangible fixed assets	76.0	72.9	5.4	5.5	18.7	10.9
thereof scheduled depreciation of tangible fixed assets and amortization of intangible assets	76.0	72.9	5.4	5.5	18.7	10.9
EBITDA	438.4	465.0	159.9	140.5	179.6	157.5
EBIT	362.4	392.1	154.5	135.1	160.9	146.6
Earnings before tax (EBT)	345.1	377.3	140.7	121.4	152.1	138.9
of which from associated companies	1.7	1.5	0.0	0.0	-3.0	-0.4
Investments in tangible and intangible fixed assets	197.0	103.1	8.3	4.9	42.3	24.0
Period-average core workforce	6,853	6,798	1,926	1,839	6,007	4,250

Services		Technology		Total segments		Others/ Consolidation		Group	
H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007
284.9	262.8	523.4		6,152.7	4,657.4	80.7	65.6	6,233.4	4,723.0
390.3	329.9	0.0		1,630.2	1,289.3	202.9	143.0	1,833.1	1,432.3
2.9	2.3	0.0		109.8	102.7	0.0	0.0	109.8	102.7
678.1	595.0	523.4		7,892.7	6,049.4	283.6	208.6	8,176.3	6,258.0
9.2	8.3	0.0		443.1	391.6	0.0	0.0	443.1	391.6
687.3	603.3	523.4		8,335.8	6,441.0	283.6	208.6	8,619.4	6,649.6
0.4	0.3	2.5		9.8	6.3	58.1	51.9	67.9	58.2
0.0	0.0	0.0		0.0	0.0	33.7	28.2	33.7	28.2
0.1	0.1	3.4		9.5	6.1	2.1	25.0	11.6	31.1
6.6	6.5	0.1		7.9	8.4	0.0	0.0	7.9	8.4
7.1	6.9	6.0		27.2	20.8	93.9	105.1	121.1	125.9
6.9	6.3	6.3		31.6	22.8	41.2	35.8	72.8	58.6
0.0	0.0	0.0		0.0	0.0	7.9	8.4	7.9	8.4
0.1	0.1	3.5		9.5	6.2	2.1	24.9	11.6	31.1
1.2	1.2	2.3		33.8	28.3	0.0	0.0	33.8	28.3
8.2	7.6	12.1		74.9	57.3	51.2	69.1	126.1	126.4
6.3	5.4	3.8		18.9	12.9	24.2	23.0	43.1	35.9
10.1	10.1	12.7		122.9	99.4	0.9	3.8	123.8	103.2
10.1	10.1	12.7		122.9	99.4	0.9	3.8	123.8	103.2
28.8	26.5	25.4		832.1	789.5	-32.2	0.0	799.9	789.5
18.7	16.4	12.7		709.2	690.2	-33.1	-3.9	676.1	686.3
16.8	14.3	12.2		666.9	651.9	-20.5	11.8	646.4	663.7
0.0	0.0	0.0		-1.3	1.1	0.0	0.0	-1.3	1.1
15.9	10.7	20.0		283.5	142.7	0.3	0.1	283.8	142.8
4,118	4,037	4,297		23,201	16,924	137	121	23,338	17,045

Notes

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, 2008, 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, 2007, 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, 2008.

3. Due to erratic surges in raw material and energy prices, which have been for the most part effective since January 2008, a total of € 59.2 million in additional material expenses were accounted for.

4. For the first time, the following companies have been fully consolidated:
   - SMPET Salzgitter Mannesmann PET-Technologie GmbH, Salzgitter
   - BEVPX KHS Plasmax GmbH, Hamburg
   - BEVAF KHS Asbofill GmbH, Neuss
   - BEVMT KHS Moldtec GmbH & Co. KG, Essen
   - BEVCP KHS Corpoplast GmbH & Co. KG, Hamburg

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 **€ 7.64 i**n the period under review.

   Dilution of the earnings per share occurs if the average number of shares is increased by the addition of potential shares issued on the basis of the option and conversion rights. There were no such options and conversion rights outstanding as of June 30, 2008. **Diluted earnings per share** therefore equaled undiluted earnings per share and amounted to **€ 7.64**.

Related Party Disclosures

In addition to business relationships with companies that are consolidated fully and proportionately in the consolidated financial statements, relationships also exist with associated companies and shareholdings that must be designated as related companies in accordance with IAS 24.

All business transactions with related companies are conducted on terms that also customarily apply among third parties. Deliveries and services rendered for related companies primarily concern deliveries of sheet piling to ThyssenKrupp GfT Bautechnik GmbH for resale and crude steel products supplied for processing. The deliveries and services rendered essentially comprise deliveries of input material for the manufacture of large-diameter pipes and precision tubes. Their volumes are shown in the table below:

In T€	Sale of goods and services	Purchase of goods and services	Trade receivables	Trade payables
	1H2008	1H2008	30/06/08	30/06/08
Thyssen Krupp GfT Bautechnik GmbH, Essen	137,491	0	57,035	1
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	143	262,402	608	28,482

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

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

Affirmation by the legally authorized representatives

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

Salzgitter, August 2008
The Executive Board of Salzgitter AG

Wolfgang Leese　Wolfgang Eging　Hans Fischer

Dr. Heinz Jörg Fuhrmann　Heinz Groschke　Peter-Jürgen Schneider

Notes

Financial calendar 2008

March 6, 2008	Key data for financial year 2007
March 27, 2008	Annual press conference
March 28, 2008	Analyst conference in Frankfurt/Main
March 31, 2008	Analyst conference in London
May 15, 2008	Interim report for the first quarter 2008
May 21, 2008	Ordinary Shareholders' Meeting
August 14, 2008	Interim report for the first half 2008
August 14, 2008	Analyst conference in Frankfurt/Main
August 15, 2008	Analyst conference in London
November 14, 2008	Interim report for the first nine months 2008
December 31, 2008	End of financial year 2008

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.

NOTES

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