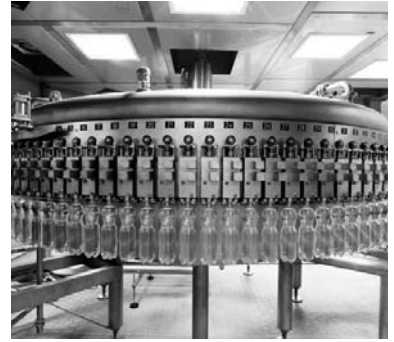


Interim Report | 1st Quarter 2008



Salzgitter Group in Figures

		Q1 2008	Q1 2007	+/-
Crude steel production¹⁾	kt	1,834.0	1,748.4	85.6
Total sales	€ million	3,842.8	3,252.7	590.1
Steel Division	€ million	1,110.4	1,007.4	103.0
Trading Division	€ million	1,307.5	1,267.4	40.1
Tubes Division	€ million	726.5	591.2	135.3
Services Division	€ million	303.5	296.2	7.3
Technology Division	€ million	264.8		264.8
Others	€ million	130.1	90.5	39.6
Internal sales	€ million	941.7	871.2	70.5
External sales (consolidated)	€ million	2,901.1	2,381.5	519.6
Export share	%	50.6	49.8	0.8
EBITDA²⁾	€ million	361.8	380.9	-19.1
EBIT³⁾	€ million	301.0	330.8	-29.8
Earnings before tax (EBT)	€ million	291.9	325.4	-33.5
Steel Division	€ million	172.5	181.5	-9.0
Trading Division	€ million	48.6	64.8	-16.2
Tubes Division	€ million	66.0	65.5	0.5
Services Division	€ million	4.9	8.1	-3.2
Technology Division	€ million	4.2		4.2
Others/Consolidation	€ million	-4.3	5.6	-9.9
Earnings after tax	€ million	194.9	196.6	-1.7
Earnings per share (undiluted)	€	3.40	3.41	-0.01
ROCE^{4) 5)}	%	22.4	30.8	-8.4
Operating cash flow	€ million	252.8	20.3	232.5
Capital expenditure⁶⁾	€ million	131.6	59.0	72.6
Depreciation and amortization⁶⁾	€ million	60.8	50.1	10.7
Balance sheet total	€ million	9,005.7	7,391.1	1,614.6
Fixed assets	€ million	2,250.9	1,679.4	571.5
Current assets	€ million	6,754.8	5,711.6	1,043.2
of which inventories	€ million	2,110.5	1,687.7	422.8
of which cash and cash equivalents	€ million	2,135.3	2,360.7	-225.4
Equity	€ million	4,430.3	3,721.7	708.6
Liabilities	€ million	4,575.4	3,669.3	906.1
Non-current liabilities	€ million	2,374.6	2,189.8	184.8
Current liabilities	€ million	2,200.8	1,479.5	721.3
of which due to banks	€ million	433.6	116.2	317.4
Net position to banks	€ million	2,222.8	2,304.0	-81.2
Employees	€ million			
Personnel expenses	€ million	361.0	248.7	112.3
Core workforce	31/03/	23,412	17,059	6,353
Total workforce	31/03/	25,070	18,405	6,665

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, forfeiting and asset-backed securitization

⁵⁾ Annualized

⁶⁾ Excluding financial assets

Summary

2008 off to a great start with new record sales and excellent earnings in the first quarter

In the first quarter of 2008, the **Salzgitter Group** benefited from the noticeable recovery in demand in the European steel market, the expansion of business activities in the precision tubes segment and from the contribution by the new Technology Division.

The **external sales of the Group** grew 22 %. This result was mainly attributable to the acquisition such as that of Klöckner Werke AG and other companies of the Tubes Division which, on the relevant 2007 reporting date, had not yet been included in the group of consolidated companies, and the positive development of the Steel, Trading and Tubes divisions. Despite the increase in the cost of raw materials and energy, **pre-tax profit** remained at an excellent level. The Group's **after-tax profit** almost matched the previous year's level due to a reduction in the corporate tax rate.

The high levels of capacity utilization in the steel processing sector brought the new orders of the **Steel Division** to a new record high and ensured rising prices for all rolled steel products. However, the increase in the cost of raw materials, above all for iron ore and alloys, burdened the results of a number of product segments.

The **Trading Division** showed a disparate picture in the first quarter of 2008: Whereas steel stockholding companies in Germany and Europe were able to raise shipment volumes and sales owing to a recovery in demand and rising selling prices, international trading was burdened mainly by the poor conditions prevailing in the North American market.

Persistently strong demand for tubes by the oil and gas industries and international power plant construction gave the companies of the **Tubes Division** an outstanding start to the new financial year.

The **Services Division** benefited in particular from the turnaround in its automotive engineering activities. The other companies continued to operate at a high level.

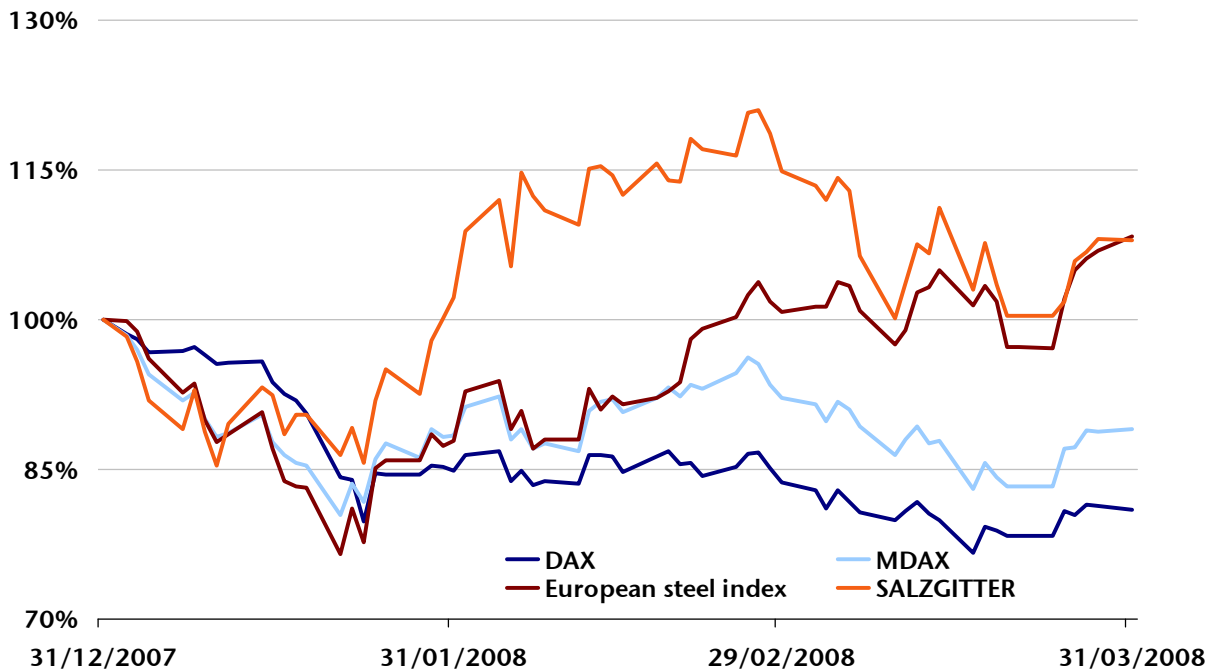
The new **Technology Division**, which mainly comprises a majority holding in the Klöckner-Werke Group, performed well. The filling and packaging technology segment contributed the major share to this development.

Sales of the **Others segment**, based on the semi-finished product business with subsidiaries and customers outside the Group, improved both in terms of volumes and selling prices in the reporting period. The pre-tax result was impacted by reporting date-related changes in the value of derivatives.

Forecast: The environment in which the **Salzgitter Group** operates can currently be described as very satisfactory overall. For this reason, business as a whole should generally hold the level achieved. The prerequisite is, however, that economic growth in Germany and Europe remains stable on a long-term basis. New turmoil in the international financial markets or continued strength of the euro might well put a damper on the economy. As before, we are striving to achieve significant growth within the Group in the financial year 2008. More than 50 % of this growth is to be generated from the first-time full-year inclusion of the companies of the Klöckner Group in our new Technology Division. Associated with this growth, we anticipate **operating profit before tax in excess of € 900 million**.

Investor Relations

Capital market and the performance of the Salzgitter stock



Sources: Xetra closing prices DBAG, Datastream STEELEU

In the first quarter of 2008, the nervousness of the **stock markets**, triggered by the subprime mortgage crisis, was palpable. The speculations of a French bank, which ran into the billions, combined with unfavorable economic data from the USA, reinforced poor sentiment, which resulted in plummeting prices on international stock exchanges in January. While the DAX and MDAX were very volatile, but remained virtually unchanged overall in the month of February, both indices tumbled again in March. As against year-end 2007, the DAX lost 19 % and the MDAX 11 %.

The negative trend on the world's stock exchanges at the start of the year naturally also affected the **Salzgitter share**. The share price fell initially to € 80.51 on January 22 and subsequently rallied strongly in the course of February, despite very volatile markets. A preliminary high for the year of € 124.50 was reached on February 27. Irrespective of the release of outstanding key data for the financial year 2007 on March 6, the Salzgitter share was again unable to decouple from the renewed general downtrend which set in towards the end of the quarter. The first quarter recorded a closing price of € 110.19, which corresponds to an increase of 8 % as against year-end 2007 (€ 102.05). The performance of the Salzgitter share thereby matched the level of the European steel index and notably exceeded that of the DAX and the MDAX.

The **average daily turnover** on German stock exchanges settled at an unusually high level of around 810,000 in the first quarter of 2008. The total number of Salzgitter shares traded in the first three months came to 50 million. With this high turnover, the company defended its top position in the MDAX ranking of Deutsche Börse, measured by share turnover in the last 12 months. **Free float market capitalization** on March 31, 2008, stood at almost € 4.5 billion, which secured third place in the MDAX ranking in this category.

In the course of the first quarter, Salzgitter AG presented itself at two investor conferences in Frankfurt and New York as part of its **capital market communication activities**. In addition, analysts and investors visited various Group companies in Salzgitter, Mülheim, Düsseldorf and Dortmund. After the release of the Annual Report 2007,

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the annual financial statements were presented and discussed intensively at well attended analyst conferences in Frankfurt and London. The investor relations work of Salzgitter AG was rewarded by readers of the Börse Online magazine and took third place in the MidCap category of the BIRD 2007 ("Beste Investor Relations Deutschland") competition.

Since the beginning of the financial year, a total of 67 company reports and recommendations on the Salzgitter share have been published by 26 banks, along with financial publications with the following current **ratings** (as per March 31, 2008): 21 buy/outperform, 3 hold/neutral, 2 sell/underperform.

Treasury Shares

As per March 31, 2007, Salzgitter AG held 6,321,820 treasury shares. In comparison with the portfolio status as per December 31, 2007 (6,321,823 units), the number of shares had decreased by 3 units. These were granted to members of the workforce as a bonus.

Information for investors

		Q1 2008	Q1 2007
Nominal capital as of 31/03/	€ million	161.6	161.6
Number of shares as of 31/03/	million	63.2	63.2
Number of shares outstanding as of 31/03/	million	56.9	57.5
Market capitalization as of 31/03/ ¹⁾²⁾	€ million	6,269	6,289
Price as of 31/03/¹⁾	€	110.19	109.32
High 01/01/ - 31/03/ ¹⁾	€	124.50	109.64
Low 01/01/ - 31/03/ 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

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Earnings, Financial Position and Net Worth

Economic environment

Global economic growth slowed notably in the first quarter of 2008. Despite huge key rate cuts by the Fed, the crisis in the real estate market and the ensuing problems for the financial sector placed a noticeable burden on the US economy. A number of indicators show that there is an increasing likelihood of a recession. By contrast, the continued growth momentum of emerging economies such as China and India was the principal engine of global economic expansion. This is unlikely, however, to make up for negative stimulus from the USA, which is the reason why global economic momentum is expected to slow over the year 2008 as a whole. The extent to which this will happen depends on how the crisis in the financial markets develops and on how robust the economies of Europe and Asia prove. The International Monetary Fund currently anticipates global growth of around 4.1 % for 2008 as a whole.

The economic outlook in the **euro zone** has also deteriorated in recent months. Alongside the effects of the crisis on the financial markets, additional causes are the strong euro and the high inflation rate. Moreover, important trading partners such as Great Britain or a number of Central and Eastern European countries are showing the first signs of an economic slowdown. Beyond this, the former boom regions of Spain and Ireland in particular are experiencing a cooling of the previously very brisk construction activities. Nonetheless, the still good profit situation of companies and the high levels of capacity utilization are proof that the economy in the Euro area is in a more robust state than that of the USA. Accordingly, there are no expectations of a recession, although growth is expected to lose momentum. The International Monetary Fund has issued a downward revision of its 2008 forecast for the euro zone, from 2.1 % in October to 1.6 %.

During the first quarter of 2008, the economic situation in **Germany** was robust. Over the course of the year, however, additional stimulus from exports is not anticipated due to the weaker global economy and the appreciation of the euro against the US dollar. The main impact on economic growth in Germany is therefore the domestic economy, which is currently being burdened by price hikes for energy and food. Even if the economy is likely to have peaked, it is probable that economic growth will hold steady, albeit at a slower pace. In their spring forecast, the leading German economic research institutes predict a gross domestic product growth rate of 1.8 % for the year as a whole (October 2007: 2.2 %).

Interim Management Report

Earnings situation within the Group

		Q1 2008	Q1 2007
Crude steel production ¹⁾	kt	1,834.0	1,748.4
External sales	€ million	2,901.1	2,381.5
EBITDA ²⁾	€ million	361.8	380.9
EBIT ²⁾	€ million	301.0	330.8
Earnings before tax (EBT)	€ million	291.9	325.4
Earnings after tax	€ million	194.9	196.6
ROCE^{3) 4)}	%	22.4	30.8
Capital expenditures ⁵⁾	€ million	131.6	59.0
Depreciation and amortization ⁵⁾	€ million	60.8	50.1
Operating cash flow	€ million	252.8	20.3
Net position to banks⁶⁾	€ million	2,222.8	2,304.0
Equity ratio	%	49.2	50.4

¹⁾ In regard of the participation in Hüttenwerke Krupp Mannesmann

²⁾ EBIT = EBT plus interest paid (excluding interest element in allocations to pension provisions); EBITDA = EBIT plus depreciation and amortization

³⁾ EBIT in relation to the total of shareholders' equity (without calculation of accrued and deferred taxes), tax provisions, interest-bearing liabilities (excluding pension provisions) and liabilities from financial leasing, forfaiting and asset-backed securitization

⁴⁾ Annualized

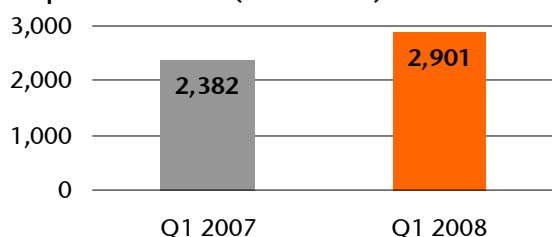
⁵⁾ Excluding financial assets

⁶⁾ Including securities and structured investments

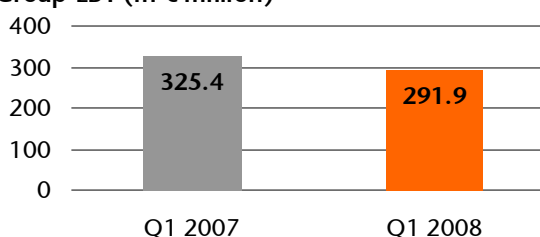
In the first quarter of 2008, the **Salzgitter Group** benefited from the marked upswing in demand in the European steel market, the expansion of business activities in the precision tubes segment, as well as from the contribution of the new Technology Division.

Consolidated external sales rose 22 % to € 2.90 billion. Klöckner-Werke AG, acquired at the start of the second half-year of 2007 and integrated into the new Technology Division, and other companies in the Tubes Division contributed € 314.2 million to this result.

Group-External Sales (in € million)



Group-EBT (in € million)



Pre-tax profit of € 291.9 million remained at an excellent level thanks to very good results delivered especially by the Steel, Tubes and Trading divisions. What makes this outcome even more remarkable is that not only higher current expenses for raw materials and energy, but also € 49.1 million in additional materials expenses were considered in view of the further price increases that largely became effective from January 1, 2008. Due to a reduction in the corporate tax rate, the Group's **after-tax profit**, which stood at € 194.9 million, almost attained the previous year's level. **Earnings per share** posted € 3.40. **Return on capital employed (ROCE)** from industrial business reached a remarkable 37.9 % in the first three months of 2008; including income from the investment of funds of more than € 2 billion, ROCE came to 22.4 %.

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Steel Division

		Q1 2008	Q1 2007
Order bookings	kt	1,727.9	1,472.9
Order backlog as of 31/03/	kt	1,188.6	1,287.5
Crude steel production	kt	1,433.2	1,324.3
LD steel (SZFG)	kt	1,164.4	1,054.5
Electric steel (PTG)	kt	268.8	269.8
Rolled steel production	kt	1,421.9	1,411.3
Shipments	kt	1,521.9	1,454.5
Sales¹⁾	€ million	1,110.4	1,007.4
External sales	€ million	782.1	723.0
Earnings before tax (EBT)	€ million	172.5	181.5

¹⁾ Incl. sales to other corporate divisions

In the first quarter of the new year, the **global steel market** benefited from a still relatively stable worldwide economy that was carried in particular by the unabated boom of the emerging markets. The clearly discernable risks, deriving mainly from the crisis in the financial markets and the ailing US economy, have not yet had a concrete effect on the global use of steel.

Following the second half-year of 2007, which in **Europe** was characterized by import-induced excessive inventory levels of steel traders and consumers and the ensuing weak order intake for steel manufacturers, a trend reversal set in shortly after the turn of the year. Of great significance for this unexpectedly early and clear recovery was the decline in steel imports in the EU market, the reticence exercised in the fourth quarter by many steel producers as regards production, and the expectation of notable steel price hikes. Shortly after the turn of the year, order intake of German manufacturers surged, with the result that bookings exceeded the previous year's level by 18 %.

The high level gives rise to expectations that many European traders and processors have ordered steel in excess of actual needs so as to avoid the expected price increases. This may well exceed the actual demand for steel, and the possibility of a new phase of stockpiling setting in over the course of the year cannot therefore be discounted. The current **price uptrend** is a global phenomenon which can be observed in all regions, with a certain time lag, as the drastic price increases of raw materials has driven steel production costs up steeply throughout the world. The quotations for semi-finished goods traded internationally have leapt as a first consequence of this development. Seen on a global scale, the price levels of the most important steel markets – especially the US market – are rapidly converging, which is likely to have a positive effect on the import situation in Europe.

On February 15 of this year, the first price negotiated and fixed for **fine ore** took on benchmark characteristics, and consequently, the cost of supplies of these grades of iron ore rose by more than +65 % (fob) with retrospective effect as of January 1, 2008. About a month later, this outcome was notably exceeded again by the first agreement on the price of pellets (+86.7 %). Both sets of prices had been adopted by the European market by mid-April 2008. The negotiations for lump ore are being continued in the second quarter.

Surging demand for metallurgic **coking coal** met with considerably reduced offerings in the first quarter on the global market, which was mainly attributable to production downtime in Australian coal mining regions

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hampered by weather conditions. For this reason, the spot market prices for high-grade coking coal soared as early as the first quarter of 2008, from around 100 \$/t to 300 \$/t. At the start of April 2008, BHP Billiton and the Korean steel manufacturer POSCO agreed prices with a rate of increase of more than 200 % (on a US dollar basis) for the coal year 2008/2009. This agreement met with a shared response by other coal producers as the spot market prices had meanwhile started to climb. A number of mining companies declared their intention of gearing the level of annual contracts to current spot market conditions (350 - 375 \$/t).

After a somewhat weak start, ore and coal **freight costs** rose sharply again at the end of the quarter and were moving in the direction of a new record level. The same is valid for the European **scrap market** where strong demand from Turkish steel plants exerted a major influence on pricing over the course of the quarter. **Alloys** bought in the spot market have for the most part risen markedly since the start of the year, while **zinc** prices tended to continue their downward trend with the fading of overheated speculation.

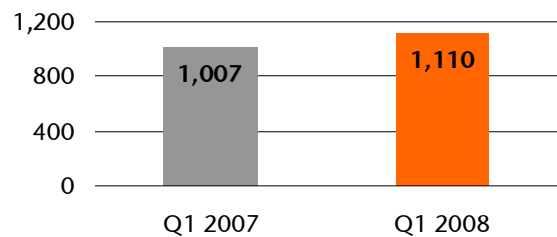
Against this background, the **Steel Division** developed as follows: In the reporting period, consolidated **new orders** of the Division exceeded the previous year's period by 17 %; as a consequence of the weak period of the second half of 2007, **orders on hand** dropped by 8 %. In the first three months of 2008. The Division produced 1,433 Tt of crude steel which is 8 % more than in the previous year's quarter when there was a scheduled four-week shutdown of Blast Furnace B. Rolled steel production (1,494 Tt) was slightly above the volume of the year-earlier quarter (first quarter of 2007: 1,465 Tt).

In the reporting period, the **shipments** of the Steel Division even exceeded the excellent volume of the first quarter of 2007 (+5 %) owing to strong customer demand.

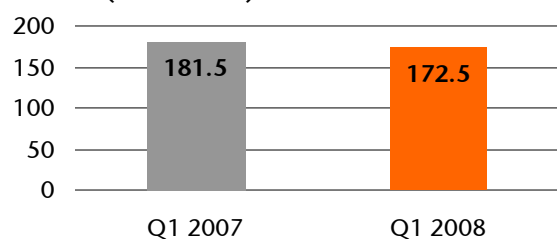
Total and external sales of the Division also attained new record highs, mainly because the average product selling prices were considerably higher than the year-earlier figures.

Despite the very good performance of all companies, the Steel Division was unable to repeat the 2007 **pre-tax profit** in view of the substantial burdens imposed by raw materials price hikes. In light of the fact that, in addition to the first effects, especially the price increases taking effect as of January 1, 2008, IFRS-principles mandate to consider the related aspect of replacing inventories sourced in 2007, € 41.6 million in additional expenses were considered.

Steel-Total Sales (in € million)



Steel-EBT (in € million)



Salzgitter Flachstahl GmbH (SZFG) manufactured at maximum capacity level in the period under review. As mentioned, the relining of Blast Furnace B took place in the first quarter of 2007, which makes a comparison of the production and shipment volumes of both periods difficult. Shipments rose 6 % in a year-on-year comparison. The production of rolled steel remained more or less unchanged as, during the relining process, the supplies of slabs stored by the Division were used for full production. Order intake during the period under review was evidence of the remarkable trend reversal at the start of the year when orders outperformed the previous year's level by almost one third. Demand-induced production cuts were necessary only in the first weeks of the new year on the galvanizing lines. The new stockpiling of slabs in connection with the planned relining of Blast Furnace C in the second quarter of 2008, combined with the lacking economic viability of

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buying slabs externally due to the high prices of raw materials, meant that the production of rolled steel remained below the potential maximum capacity in the following months as well. As part of renegotiating annual contracts, considerable price increases were implemented at the start of the year which, however, did not fully compensate for the raw materials price hikes. Further adjustments to prices to be negotiated for the quarterly contracts in the periods ahead will have to cover additional burdens. Sales exceeded the previous year's figure by 7 %, but pre-tax profit was, however, unable to match the year-earlier figure owing to the aforementioned reasons.

The pleasing performance of **Ilsenburger Grobblech GmbH** (ILG) of the preceding quarters held steady owing to the positive development of the heavy plate market. Declining import figures, especially from China, and the robust condition of the metal processing industries kept shipments high. Despite the partly enormous price hikes due to the increase in costs, also for raw materials and energy, demand from both consumers and trade rose. Climbing prices in the Asian regions as well as America caused a perceptible recovery in order activity in the commodity steel segment. As in the previous quarters, the order structure of the period under review was characterized by a rolling mix that allowed for a high output. In conjunction with stable available capacity situations at the mills, this caused production volume that fell only marginally short of the record level to date of the previous year's quarter. The excellent selling price level combined with record shipments brought sales to a new record high. Profit was slightly below the year earlier figure owing to costs.

Based on persistently high real consumption, demand for section products ran at a gratifyingly high level in all European core markets during the first quarter of 2008. The drastic increases in the price of scrap and input materials in the reporting period perceptibly pushed up the selling prices at **Peiner Träger GmbH** (PTG), as price hikes were accepted by the majority of customers in view of the global market price trend and persistently high demand. This development can be expected to continue in the coming quarter as well. Overall, market sentiment was basically positive, and project business, which is still running a very satisfactory course, is likely to ensure good capacity utilization of all section steel producers. Although order intake was on the same level as in the previous year, orders on hand declined as a result of weaker bookings in the second half of 2007. The good selling prices commanded enabled PTG to raise sales as against the year-earlier period. Accordingly, the pre-tax result was slightly higher year on year.

The brisk sheet piling business was the originator of the noticeably improved shipments of **HSP Hoesch Spundwand und Profil GmbH**. In conjunction with significant increases in selling prices, this led to a strong rise of pre-tax profits. **Salzgitter Bauelemente GmbH** raised its sales, primarily in terms of volume, and generated a pre-tax profit which matched the previous-year's figure. Changes in selling price caused the profit of **Salzgitter Europlatinen GmbH** to slightly decline as against the previous year's period despite higher sales and stable shipments.

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Trading Division

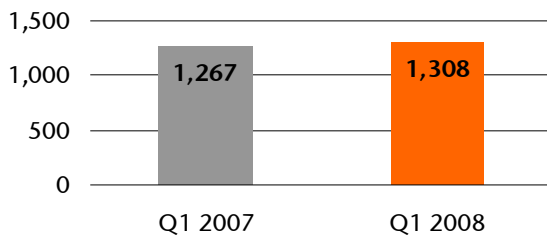
		Q1 2008	Q1 2007
Shipments	kt	1,585.2	1,818.8
Sales ¹⁾	€ million	1,307.5	1,267.4
External Sales	€ million	1,154.3	1,074.6
Earnings before tax (EBT)	€ million	48.6	64.8

¹⁾ Incl. sales in own segment and to other corporate divisions

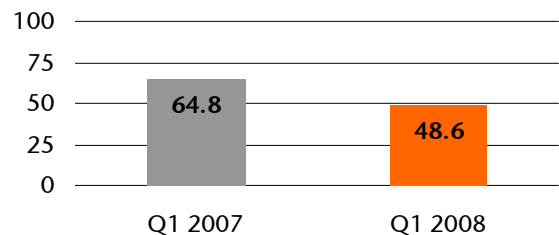
Mirroring the overall economy, **international steel trading** proved to be more stable than initially expected in the first quarter of 2008. Accordingly, European demand remained at a healthy level despite considerable increases in the price of steel caused by the cost of raw materials. Steel exporters experienced similar cost increases, as well as improved situations on their domestic markets, which resulted in a reduction of steel imports, especially from Asian countries, into the European Union as the price difference as against European products narrowed considerably. Moreover, there was even surplus demand for some product groups. On the American steel market, purchasing behavior was moderate owing to the lower level of inventories. Whether this behavior will persist is, however, questionable in view of the tense situation in the real estate market.

Against this backdrop, the **Trading Division** generated another excellent **pre-tax-profit** which, however, did not match the record result of the first quarter of 2007. Although **shipments** slowed, first and foremost due to the difficult market environment in North America, **sales improved**, mainly owing to the price situation.

Trading-Total Sales (in € million)



Trading-EBT (in € million)



Although the companies of **Salzgitter Mannesmann Handel Group (SMHD)** recorded lower volumes of shipments in the first quarter of 2008, sales remained stable as against the previous year's period. The pre-tax result was lower than the record figure of the first quarter of 2007, but still remained at an excellent level. The **stockholding steel trade** continued to benefit from the stable domestic economy and the price uptrend. As steel imports to Europe became increasingly unattractive from an economic standpoint, the competitive situation shifted in favor of European steel manufacturers. As against the year-earlier period, the sales development also profited from the first-time consolidation of Salzgitter Mannesmann Stahlhandel Sp. z o.o., Slupca, Poland. Pre-tax profit was impaired by a slightly lower gross yield. The companies of the SMHD Group which operate in **international trading** recorded another strong quarter which nonetheless remained below the outstanding comparable figures of the first three months of 2007. The North American companies were impacted by the unfavorable conditions of their core markets and, in the case of a number of project transactions in the region of Asia, there were restrictions due to lack of shipping space which resulted in a decline in shipments. While sales rose slightly outside of North America, the North American companies saw their sales slip. The pre-tax result of the Trading Division fell short of the previous year's figure.

The sustained high demand for plate and the good capacity utilization in pre-processing operations enabled **Universal Eisen und Stahl GmbH** to expand its business activities in the first three months of 2008. Both

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shipments and sales improved in a year-on-year comparison. Owing to the strong increase in purchasing prices, it was not possible to raise pre-tax profit, which remained virtually unchanged at the previous year's level.

Hövelmann & Lueg GmbH, the steel service center, operated in a challenging market environment in the period under review. Although sales and shipments improved compared with the first three months of 2007, the company was unable to contribute to profit due to the high cost of materials.

Tubes Division

		Q1 2008	Q1 2007
Order bookings	€ million	507.4	679.0
Order backlog as of 31/03/	€ million	2,296.7	1,740.0
Sales¹⁾	€ million	726.5	591.2
External sales	€ million	543.0	427.6
Earnings before tax (EBT)	€ million	66.0	65.5

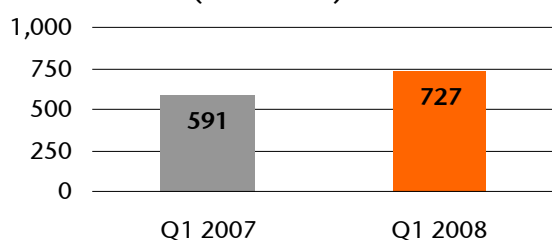
¹⁾ Incl. sales in own segment (excluding intra-company sales in the DMV Group, EP Group and MFR Group) and to other corporate divisions

The general clouding of the economic environment did not have a negative effect on the international **steel tubes market** during the reporting period. A determinant factor was above all the unabated demand from the energy sector in conjunction with the extremely high price of oil and gas. Other important customer sectors, such as mechanical engineering and plant construction, the petrochemical industry and the building sector, are enjoying a persistently good order situation, causing a high level demand for tubes. Moreover, at the start of the year, stockholding steel traders began to replenish their stock levels that had been reduced in the second half of 2007.

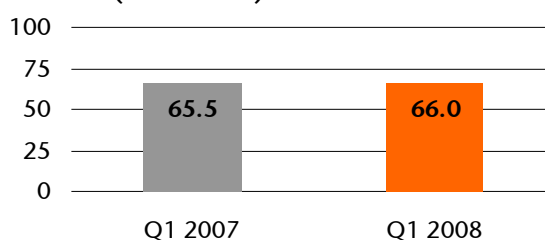
Against this backdrop, the **Tubes Division** achieved another excellent result in the first three months of the year 2008. **Order intake** fell in comparison with the year-earlier period due to the fact that many mills are fully booked far into the current year and, in some cases, even into the next year as well. The significant increase in **orders on hand** was primarily the result of booking the large Nord Stream pipeline order placed with Europipe GmbH in the fourth quarter of 2007. Shipments also developed very positively.

The **total sales** of the Division grew 23 % to around € 726.5 million as against the previous year's period. The main driver was the acquisition-induced expansion of the precision tube segments in 2007, which had not yet been included in the comparative figures, along with the positive development of large-diameter and stainless steel tubes. **Pre-tax profit** remained almost constant at € 66.0 million.

Tubes-Total Sales (in € million)



Tubes-EBT (in € million)



Interim Management Report

In April 2008, the names of the (wholly owned) tubes companies were changed and now uniformly bear the names of Salzgitter and Mannesmann, which precede their specific names. The individual product segments have developed as follows:

In the **large-diameter tubes segment**, Europipe GmbH (EP) recorded, on the one hand, a notable downturn in new orders in the reporting period as against the previous year's period owing to the a high order intake from 2007. On the other hand, order activity recovered at Salzgitter Mannesmann Grobblech GmbH (MGB, formerly Mannesmannröhren Mülheim) and Salzgitter Mannesmann Grossrohre GmbH (MGR, formerly Salzgitter Grossrohre) and was higher compared with the figure of the first quarter of 2007. Orders on hand overall rose markedly versus the previous year's figure to such a high level that it ensures capacity utilization well into the year 2009. In terms of shipments, EP exceeded the figure of the first quarter of 2007, whereas MGR recorded a decline due to the cut-off date. With firmer selling prices, EP was able to expand its sales vigorously, while those of MGB only slightly improved and MGR recorded a marginal decline. Pre-tax profit saw a similar development.

In the first quarter of 2008, Salzgitter Mannesmann Line Pipe GmbH (MLP, formerly Mannesmann Fuchs Rohr), a company which produces **HFI welded tubes**, was exposed to greater pressure from international competition owing to the unfavorable euro-dollar exchange rate, though its project business remained fundamentally stable. Accordingly, order intake and orders on hand were both notably lower than the good levels of the previous year's period. It was therefore only possible to pass input materials price hikes cautiously on to customers. Accordingly, the shipments, sales and pre-tax profit fell in a year-on-year comparison.

In the **precision tubes product segment**, both Salzgitter Mannesmann Precision GmbH (SMP), which constitutes the management company of Salzgitter Mannesmann Präzisrohr GmbH (MPR, formerly MHP Mannesmann Präzisrohr), Salzgitter Mannesmann Précision Etirage SAS (MPE, formerly Vallourec Précision Etirage) and Salzgitter Mannesmann Rohr Sachsen GmbH (MRS, formerly Mannesmannrohr Sachsen), as well as of Salzgitter Mannesmann Seamless Tubes B.V. (MSE, formerly Mannesmann Robur) benefited from the continuing robust economic environment of their customer sectors in the first three months of 2008. Owing to the inclusion of MPE and MRS in the group of consolidated companies as from the second half of 2007, order activity and order intake, shipments and sales were considerably higher in a year-on-year comparison; without this extension of the group, the good figures of the first quarter of 2007 would have only been marginally surpassed. In the reporting quarter, the pre-tax result of the precision tubes product segment was considerably impacted through the delay in commissioning the new three-roll piercing mill of MRS in Zeithain and the flat facility run-up curve, which meant that the previous year's result was not matched.

Salzgitter Mannesmann Stainless Tubes Group (MST, formerly Mannesmann DMV Stainless), a company producing stainless steel, also enjoyed strong demand for **stainless steel tubes**. While order intake, measured against the first quarter of 2007, declined, sales and pre-tax profit improved on the back of stable shipments owing to higher selling prices.

Interim Management Report

Services Division

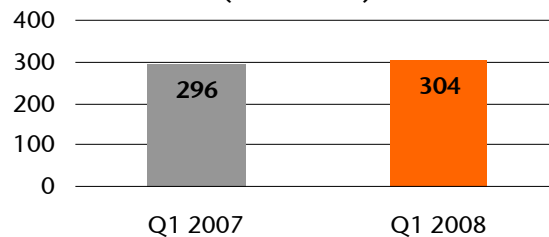
		Q1 2008	Q1 2007
Sales ¹⁾	€ million	303.5	296.2
External sales	€ million	128.6	131.5
Earnings before tax (EBT)	€ million	4.9	8.1

¹⁾ Incl. sales in own segment and to other corporate divisions

The good business situation of the Salzgitter Group and brisk demand by external customers ensured a high level of capacity utilization in the companies belonging to the Services Division.

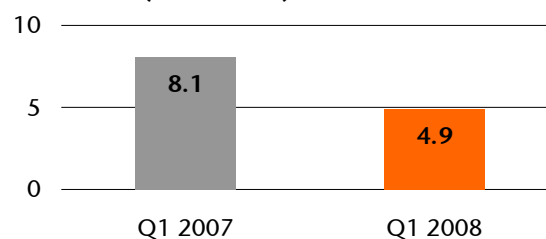
Total sales of the Services Division grew 2 % as against the previous year's period and reached a new record figure of € 303.5 million, driven mainly by the increase in the sales of the Automotive Engineering activities. The largest contribution in terms of volume, with sales matching the extremely good year-earlier figure, was again made by the raw materials trading company DEUMU Deutsche Erz- und Metallunion GmbH, whose steel scrap business in particular benefited from a strong recovery in demand and firmer selling prices. The **external sales** of the Division, which posted € 128.6 million, were virtually unchanged from the year-earlier figure of € 131.5 million.

Services-Total Sales (in € million)



The **pre-tax result** of the Division, which came to € 4.9 million, failed to match the figure of € 8.1 million recorded in the first quarter of 2007. The main reason for this decline were the non-recurrent personnel-induced provisions of SZST Salzgitter Service und Technik GmbH. Adjusted for this effect, profit for the period was higher as against the previous year's period. Moreover, especially noteworthy in this context is the gratifying turnaround of the Salzgitter Automotive Engineering Group, which generated a contribution to operating profit.

Services-EBT (in € million)



Interim Management Report

Technology Division

		Q1 2008	Q1 2007
Total Sales¹⁾	€ million	264.8	
External sales	€ million	248.5	
Earnings before tax (EBT)	€ million	4.2	

¹⁾ Incl. sales in own segment and to other corporate divisions

International mechanical engineering is still on a growth curve, though momentum will slow somewhat. The Verband deutscher Maschinen- und Anlagenbau e.V. (German Engineering Federation) has forecast growth of 5 % for both Germany and other countries. One of the main reasons for the lower growth rate in a year-on-year comparison is the above average utilization of manufacturing capacities. Owing to bottlenecks in raw materials and incoming products and the shortage of qualified staff, these capacities cannot be ramped up at short notice. There is strong demand for machinery, especially from countries such as China, India and the emerging economies of Eastern Europe. The increasing population and the general improvement in living standards in these countries is boosting demand for better quality food and beverages and, consequently, for machinery for the requisite packaging. On the other side, the recession tendencies in North America naturally also affect the capital expenditure propensity of the local consumer goods industry.

The **Technology Division** concentrates its activities on filling and packaging technologies which is the segment in which the KHS Group operates. With global demand growing at a rate of approximately 6 % p.a., the market development of this segment is positive in the long term. The purchase of SIG-Beverages and subsequent measures, which involved the integration of PET stretch-blow molding technology into the plants and facilities of KHS AG, will enhance the product range considerably. In future, turn-key plants for plastic bottle technology can be offered from a single source. Demand for rubber injection molding machines and shoe machinery is also developing well, and remains stable for machinery for the confectionery industry.

New orders of the Technology Division continue to run at a high level. In the first quarter of 2008, total sales of € 264.8 million were achieved.

The division's **EBT** came to € 4.2 million as per March 31, 2008. The obligatory purchase price allocation for the first three months of 2008 under IFRS, incurred by the acquisition of the majority holding in Klöckner-Werke, stood at € 0.9 million and has been included in this result.

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

Interim Management Report

Others/Consolidation

		Q1 2008	Q1 2007
Total Sales¹⁾	€ million	130.1	90.5
External sales	€ million	44.6	24.8
Earnings before tax (EBT)	€ million	-4.3	5.6

¹⁾ Incl. sales in own segment and to other corporate divisions

In the period under review, total sales of the **Others segment**, generated by business in semi-finished goods with subsidiaries of the Group and external parties, grew to € 130.1 million, up from € 90.5 million in the first quarter of 2007, driven by both volume and prices. External sales rose for the same reasons to € 44.6 million (first quarter of 2007: € 24.8 million).

The pre-tax result, which came to € -4.3 million in the period under review, was impacted by reporting date-related changes in the value of derivatives.

Explanations on the Financial Position and Net Worth

In the first quarter of 2008, the **total assets** of the Salzgitter Group grew by 7 % to € 9.0 billion. While **non-current assets**, influenced primarily by investments in property, plant and equipment, rose by € 83 million, **current assets** climbed by € 517 million to € 6.75 billion. This development was mainly attributable to the increase in the Other receivables and other assets position, which was caused by borrowing and concurrent reinvestment as part of cash management. Gains from arbitrage and tax advantages accrued from this measure. Trade receivables and inventories were up by € 91 million. The balance of cash and cash equivalents remained stable.

On the liabilities side, equity rose by € 185 million to € 4.4 billion, lifted by net income for the quarter. **Non-current liabilities** fell slightly in contrast to **current liabilities** which increased by € 420 million owing to the aforementioned borrowings as part of cash management.

The change in the **group of consolidated companies**, which came about through the admission of the Polish steel stockholding company Salzgitter Mannesmann Stahlhandel Sp. z o.o., based in Slupca, did not have any major impact on the balance sheet.

The **cash flow from operating activities**, which climbed € 232.5 million to € 252.8 million (first quarter of 2007: € 20.2 million), is a reflection of the continued excellent ongoing business performance.

By the end of the reporting period, the **net position at banks**, including deposits which are not disclosed under cash and cash equivalents, had risen to € +2.22 billion (December 31, 2007: €+2.12 billion; March 31, 2007: €+2.30 billion) despite the increase in capital expenditure.

Interim Management Report

Investments

In the first quarter of 2008, the amount of **investments in property**, plant and equipment, including intangible assets, came to € 131.6 million, which is more than double that of the previous year (first quarter of 2007: € 59.0 million) and the sum total of depreciation and amortization (€ 60.8 million). This development is first and foremost due to brisk investment activity in the Steel Division (€ 98 million).

The focus of investments in the companies of the **Steel division** was on the commissioning of projects completed and on securing the course of projects in accordance with milestones and targets set. For instance, work on specialized tasks relating to the new "**Kraftwerk 2010**" power plant concept was advanced according to schedule.

Since the start of 2008, the new **hot strip cut-to-length line** of Salzgitter Flachstahl GmbH (SZFG) has been manufacturing the first sheets ready for delivery to customers. The facility was presented officially to customers and partners on the occasion of an inauguration ceremony. The new Continuous Pickling Plant 2 also started production in the first quarter of 2008. This line replaces the 40-year old Continuous Pickling Plant 1 which could not be modernized in economically viable manner.

As part of the "**Steel 2012**" investment program launched in mid-2007, the site for the new continuous casting plant and the implementation of the pipeline route were prepared at SZFG. Work commenced on the extensions to the building housing the hot-rolled strip mill to accommodate a new heating furnace, while foundation work was also embarked on. The "**Plastics Granulate Injection for Blast Furnace C**" project is in the final phase and is due to be commissioned in the second quarter in conjunction with the relining of Blast Furnace C. Preparations for the relining of Blast Furnace C are proceeding according to plan.

The **Tubes Division** is currently on track with its construction of the **large-diameter tube plant** of the Europipe subsidiary Berg Steel Pipe Corp. in Mobile, Alabama, USA. The tube plant building has almost been completed and the installation of machinery is due to start in the second quarter of 2008. At Salzgitter Mannesmann Rohr Sachsen GmbH in Zeithain the hot working production operations of the new hot strip mill for seamless tubes began with a technically-induced delay of five weeks at the end of February 2008. The expected technological improvements were for the main part achieved by the **TPE (Three Roll Piercing Elongating)** mill. It is expected to reach nominal capacity in the third quarter.

Interim Management Report

Research and Development

Salzgitter Mannesmann Forschung GmbH is the central research company of the Salzgitter Group. The R&D activities are concentrated mainly on the key areas of materials development and 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, as well as energy technology and the construction industry, are customers.

Strip products made of high and highest tensile strength steel grades make significant contributions towards the implementation of lightweight concepts, as the higher material strength enables reduced thickness of the components employed.

Highly tensile hot-rolled strip plays a decisive role in this context, and offers convincing technological properties as well as economical benefits. The characteristics of some steel grades offered by SZFG were improved and new steel grades were developed. The main focus lies on the material response at cyclic stress conditions and attaining the best minimum tensile strengths while maintaining excellent forming capabilities. In close cooperation with a major supplier to the automotive industry, this steel was developed as an alternative to conventional dual-phase and micro-alloyed grades and is suited for the production of complex automotive chassis components, for example

Additional lightweight potentials can be realized by producing components of variable thickness. In this context, **tailored rolled blanks** offer an alternative to tailored welded blanks, enabling the production of a customized, variable thickness profile along the entire strip length in the cold-rolling process that is adjusted to the requirements of the component to be produced. This variable thickness, however, makes the setup of homogeneous properties for the heat treatment phase a challenging task, especially in higher tensile strength steel grades. A new dual-phase steel product by Salzgitter Flachstahl GmbH, was developed for flexible rolling and maintains a constant microstructure and constant mechanical properties along its entire length in the process, despite variable sheet thickness. The utilization of this steel product was tested in automotive lightweight design and construction in the course of the “Scalight” joint development project, conducted in cooperation with Muhr und Bender KG, Wilhelm Karmann GmbH and Welser Profile AG.

Interim Management Report

Employees

	31/03/2008	31/12/2007	+/-
Core workforce	23,412	23,107	305
of which Steel Division	6,861	6,829	32
of which Trading Division	1,934	1,867	67
of which Tubes Division	5,996	5,978	18
of which Services Division	4,097	4,043	54
of which Technology Division	4,387	4,252	135
of which Others	137	138	-1
Apprentices, students, trainees	1,267	1,424	-157
Passive age-related part-time employment	391	419	-28
Total workforce	25,070	24,950	120

The **core workforce** of the Salzgitter Group had risen to 23,412 employees by March 31, 2008. The increase of 305 employees is mainly attributable to the developments in the workforces of the Technology, Trading and Services divisions. In the Technology Division, new personnel were hired primarily at KHS AG and KHS in Brazil to cater for the high levels of local capacity utilization in these companies. The growth in the workforce of the Trading Division was first and foremost the result of the inclusion of the Polish company Salzgitter Mannesmann Stahlhandel Sp. z o.o. in the Salzgitter group of consolidated companies. As part of partial retirement regulations, the Services Division took over employees from the Steel Division and reassigned them to SZST Salzgitter Service und Technik GmbH. In the reporting quarter, a total of 157 trainees were hired in permanent and indefinite contracts.

The 85,000 employees of the **steel industry** in Lower Saxony and North Rhine-Westphalia received a wage and salary increase of 5.2 percent on March 1, 2008. A one-off payment of € 200 was made for February. The **collective bargaining tariff** is valid until March 31, 2009.

Interim Management Report

Forecast, Opportunities and Risks Report

All in all, the results of the first quarter of the new financial year 2008 are more than satisfactory. Based on the current situation, we anticipate that the divisions will develop as follows over the remaining course of the year:

The vigorous recovery in order intake will result in high shipments in the **Steel Division**, also in the months ahead. In conjunction with the successful price increases in the second quarter, this will have a positive impact on sales. The cost of iron ore and coking coal in particular, as well as of other raw materials and energy are, however, set to reach new record levels over the remaining course of 2008. As the price increases of long-term contracts, which were mostly implemented in 2007, do not entirely compensate for these surging costs, the additional price hikes at the start of the third quarter will take on particular significance. All in all, the Steel Division anticipates another outstanding profit in the year 2008, albeit somewhat lower than the 2007 level.

It appears that the disparate picture in the **Trading Division** is set to persist, at least initially: Steel stockholding traders will probably benefit from the sound demand in Germany and Europe and from the rising spot market prices for rolled steel products, whereas international trading is likely to settle at the level of the first quarter owing to the economic slowdown in North America and other regions of the world. While the trend in margins is likely to be favorable in the second quarter due to the high volatility in prices, it is hardly possible to make forecasts for the rest of the year. Overall, the Trading Division continues, as before, to expect a decline in the 2008 result, which will nonetheless remain significantly higher than the long-term average.

In 2008, the **Tubes Division** anticipates strong development in the respective markets. Well filled order books will ensure a high degree of capacity utilization in virtually all plants in the next three quarters. This should bring the result close to the previous year's level.

Without taking account of special effects, the sales and pre-tax profit of the **Services Division** in 2008 are likely to remain virtually unchanged from the year-earlier level.

The **Technology Division** will probably repeat its gratifying performance in the first quarter. Based on the foreseeable market development and the implementation of internal measures, the repeated attainment of last year's high level of sales is likely to go hand in hand with enhanced profitability, with pre-tax profit rising as against the previous year's figure.

The environment in which the **Salzgitter Group** operates can currently be described as very satisfactory overall. For this reason, business as a whole should generally hold the level achieved. The prerequisite is, however, that economic growth in Germany and Europe remains stable on a long-term basis. New turmoil in the international financial markets or continued strength of the euro might well put a damper on the economy. As before, we are striving to achieve significant growth within the Group in the financial year 2008. More than 50 % of this growth is to be generated from the first-time full-year inclusion of the companies of the Klöckner Group in our new Technology Division. Associated with this growth, we anticipate **operating profit before tax in excess of € 900 million**.

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. The dimensions of this range become clear if one considers that, with around

Interim Management Report

6 million tons of steel products to be sold in the second half year by the Steel, Trading and Tubes divisions, a fluctuation in the margin of € 25 per ton is already sufficient to cause profit to vary by more than € 150 million either way. The statements made in the Annual Report 2007 on the opportunities (pg. 190) and risks (pg. 166 et seq.) are still valid.

Events of Significance

Completion of the purchase of the SIG-Beverages Group

With economic effect as of April 1, 2008, Salzgitter AG has taken over all the shares in **SIG Beverages** from the SIG Group, Neuhausen am Rheinfall, Switzerland, through its subsidiaries Salzgitter Mannesmann PET Technologie GmbH and PET International GmbH, and has thereby expanded the market position of its new Technology Division. The integration of the PET stretch-blow molding technology associated with the acquisition of SIG Beverages enables KHS AG, a subsidiary of Klöckner-Werke, to offer turn-key plants from a single source in the high-growth market for plastic bottles.

Interim Financial Statements

I. Consolidated Income Statement

<u>in € million</u>	<u>1. Quartal 2008</u>	<u>1. Quartal 2007</u>
Sales	2,901.1	2,381.5
Increase or decrease in finished goods and work in process and other own work capitalized	1.4	19.4
	<u>2,902.5</u>	<u>2,400.9</u>
Other operating earnings	55.6	46.8
Cost of materials	1,920.3	1,586.2
Personnel expenses	360.9	248.8
Amortization and depreciation	60.8	50.1
Other operating expenses	322.2	238.3
Income from shareholdings	-0.3	-0.2
Income from associated companies	-1.1	1.2
Financing income	29.3	23.5
Financing expenses	29.9	23.4
Earnings before tax (EBT)	<u>291.9</u>	<u>325.4</u>
Income taxes	97.0	128.8
Consolidated net income	<u>194.9</u>	<u>196.6</u>
Appropriation of profit		
Consolidated net income	194.9	196.6
Profit carried forward from the previous year	189.7	126.5
Minority interests	0.8	0.7
Appropriation to other retained earnings	-162.8	-140.0
Unappropriated retained earnings	<u>221.0</u>	<u>182.4</u>
Undiluted earnings per share (in €)	<u>3.40</u>	<u>3.41</u>
Diluted earnings per share (in €)	<u>3.40</u>	<u>3.41</u>

II. Consolidated Balance Sheet

Assets in € million	31/03/2008	31/12/2007
Fixed assets		
Intangible assets		
Goodwill	15.3	15.3
Other intangible assets	119.5	119.6
	134.8	134.9
Property, plant and equipment	1,873.0	1,797.8
Investment property	27.5	26.5
Financial assets	117.2	108.8
Associated companies	83.0	84.1
Deferred tax assets	12.5	13.0
Other receivables and other assets	2.9	2.9
	2,250.9	2,168.0
Current assets		
Inventories	2,110.5	2,084.4
Trade receivables	1,585.6	1,521.0
Other receivables and other assets	754.4	359.4
Income tax assets	122.8	114.2
Securities	46.2	20.4
Cash and cash equivalents	2,135.3	2,138.8
	6,754.8	6,238.2
	9,005.7	8,406.2
Equity and liabilities in € million	31/03/2008	31/12/2007
Equity		
Subscribed capital	161.6	161.6
Capital reserve	295.3	295.3
Retained earnings	3,936.8	3,777.7
Unappropriated retained earnings	221.0	189.7
	4,614.7	4,424.3
Treasury shares	-227.8	-227.8
	4,386.9	4,196.5
Minority interests	43.4	49.4
	4,430.3	4,245.9
Long-term liabilities		
Provisions for pensions and similar obligations	1,784.2	1,791.8
Deferred tax liabilities	104.4	94.0
Income tax liabilities	200.4	214.2
Other provisions	198.5	192.6
Financial liabilities	87.1	87.4
	2,374.6	2,380.0
Current liabilities		
Other provisions	326.1	325.6
Financial liabilities	417.3	98.5
Trade payables	791.0	760.7
Income tax liabilities	63.1	19.7
Other liabilities	603.3	575.8
	2,200.8	1,780.3
	9,005.7	8,406.2

III. Statement of Income and Accumulated Earnings

in € million	1. Quartal 2008	1. Quartal 2007
Changes recorded directly under equity		
Changes resulting from currency translation	-9.5	0.3
Changes in the value of the reserve from hedging transactions		
Changes in current value reported directly under equity	18.5	6.6
Recognition of settled hedging transactions in the income statement	-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	-7.7	6.3
Actuarial gains and losses	0.9	0.0
Deferred tax on changes without effect on income	-1.4	2.1
Other changes without effect on income	0.0	-1.8
	-4.6	12.0
Consolidated net income for the period	194.9	196.6
Total profit pursuant to IAS 1.97 in conjunction with IAS 19.93B	190.3	208.6
Total profit due to Salzgitter AG shareholders	189.0	207.9
Total profit due to minority interests	1.3	0.7
	190.3	208.6

IV. Cash Flow Statement

in € million	1st Quarter 2008	1st Quarter 2007
Earnings before tax (EBT)	291.9	325.4
Depreciation, write-downs (+)/write-ups (-) on fixed assets	60.8	50.1
Income tax paid	-93.0	-34.3
Other non-payment-related expenses (+)/income (-)	66.5	47.9
Interest expenses	29.9	23.4
Profit (-)/loss (+) from the disposal of fixed assets	0.2	0.2
Increase (-)/decrease (+) in inventories	-12.9	-34.6
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-94.9	-362.3
Use of provisions affecting payments, excluding income tax provisions	-61.5	-85.6
Increase (-)/decrease (+) in trade payables and other liabilities not attributable to investment or financing activities	65.8	90.1
Cash flow from operating activities	252.8	20.3
Cash inflow from the disposal of tangible and intangible fixed assets	0.3	1.1
Cash outflow for investments in tangible and intangible fixed assets	-134.6	-58.4
Cash inflow (+)/outflow (-) for short-term loans against borrower's notes/bonds	-400.0	50.0
Cash inflow from the disposal of financial assets	1.0	15.0
Cash outflow for investments in financial assets	-17.4	-0.9
Cash flow from investment activities	-550.7	6.8
Cash inflow (+)/outflow (-) as a result of sale and repurchase of treasury shares	0.0	-8.1
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilities	298.0	-0.8
Interest paid	-3.6	-2.5
Cash flow from financing activities	294.4	-11.4
Cash and cash equivalents at the start of the period	2,138.8	2,345.0
Change in cash and cash equivalents	-3.5	15.7
Cash and cash equivalents at the end of the period	2,135.3	2,360.7

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					
Disposal of own shares			18.2		
Repurchase of own shares			-8.1		
Currency translation					0.3
Change in value pursuant to IAS 39					
Group transfers to retained earnings				140.0	
Deferred taxes on changes without effect on income					
Other				-2.9	
As of March 31, 2007	161.6	295.3	-150.2	3,341.5	-15.7
As of December 31, 2007	161.6	295.3	-227.8	3,943.6	-25.9
First-time consolidation of affiliated companies hitherto 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				0.4	
Net income					
Currency translations					-10.4
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				162.8	
Deferred taxes on changes without effect on income					
Other				-5.3	
As of March 31, 2008	161.6	295.3	-227.8	4,107.4	-35.5

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	3,447.0	9.7	3,456.7
			195.8	195.8	0.7	196.6
		49.3		67.5		67.5
				-8.1		-8.1
				0.3		0.3
5.1	6.3			11.4		11.4
			-140.0	0.0		0.0
		2.1		2.1		2.1
		-1.8		-4.8		-4.8
8.5	11.3	-123.3	182.4	3,711.3	10.4	3,721.7
8.8	30.9	-179.7	189.7	4,196.5	49.4	4,245.9
				6.7		6.7
8.8	30.9	-179.7	189.7	4,203.2	49.4	4,252.6
				0.4	-3.4	-3.0
			194.1	194.1	0.8	194.9
				-10.4		-10.4
13.1	-7.7			5.4		5.4
		0.9		0.9		0.9
			-162.8	0.0		0.0
		-1.4		-1.4		-1.4
				-5.3	-3.4	-8.7
21.9	23.2	-180.2	221.0	4,386.9	43.4	4,430.3

VI. Segment Reporting

in € million	Steel		Trading		Tubes	
	Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007
External sales	782.1	723.0	1,154.3	1,074.6	543.0	427.6
Sales to other segments	287.2	259.7	102.9	124.6	144.4	121.4
Sales in own segment	0.0	0.0	44.2	44.7	38.9	42.1
Sales to Group companies that cannot be allocated to an operating segment	41.1	24.7	6.1	23.5	0.2	0.1
Segment sales	1,110.4	1,007.4	1,307.5	1,267.4	726.5	591.2
Interest income (consolidated)	0.0	0.0	2.2	2.5	0.6	0.4
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	3.3	3.1	0.0	0.0
Interest income to Group companies that cannot be allocated to an operating segment	0.0	0.3	0.2	0.2	0.4	0.3
Segment interest income	0.0	0.3	5.7	5.8	1.0	0.7
Interest expenses (consolidated)	3.1	2.8	3.4	3.6	2.5	1.8
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	3.3	3.1	0.0	0.0
Interest expenses to Group companies that cannot be allocated to an operating segment	8.6	7.5	4.6	3.9	3.7	3.2
Segment interest expenses	11.7	10.3	11.3	10.6	6.2	5.0
of which interest portion of allocations to pension provisions	2.1	1.9	0.9	0.8	1.3	1.2
Depreciation/amortization of tangible and intangible fixed assets	38.0	36.5	2.7	2.7	9.3	5.4
thereof scheduled depreciation of tangible fixed assets and amortization of intangible assets	38.0	36.5	2.7	2.7	9.3	5.4
EBITDA	220.0	226.4	58.3	74.2	80.3	74.8
EBIT	182.0	189.9	55.6	71.5	71.0	69.3
Earnings before tax (EBT)	172.5	181.5	48.6	64.8	66.0	65.4
of which from associated companies	0.8	0.4	0.0	0.0	-1.9	0.8
Investments in tangible and intangible fixed assets	97.9	43.1	5.0	2.3	16.8	8.9
Period-average core workforce	6,853	6,798	1,926	1,839	6,007	4,250

Services		Technology		Total segments		Others/ Consolidation		Group	
Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007
128.6	131.5	248.5		2,856.5	2,356.7	44.6	24.8	2,901.1	2,381.5
169.2	159.9	0.0		703.7	665.6	85.5	65.7	789.2	731.3
4.5	3.9	16.3		103.9	90.7	0.0	0.0	103.9	90.7
1.2	0.9	0.0		48.6	49.2	0.0	0.0	48.6	49.2
303.5	296.2	264.8		3,712.7	3,162.2	130.1	90.5	3,842.8	3,252.7
0.2	0.1	2.0		5.0	3.0	24.3	20.5	29.3	23.5
0.0	0.0	0.0		0.0	0.0	17.8	15.2	17.8	15.2
0.0	0.0	1.7		5.0	3.1	1.0	11.7	6.0	14.8
3.4	3.3	0.0		4.0	4.1	0.0	0.0	4.0	4.1
3.6	3.4	3.7		14.0	10.2	43.1	47.4	57.1	57.6
3.5	3.1	3.8		16.3	11.3	13.6	12.1	29.9	23.4
0.0	0.0	0.0		0.0	0.0	4.0	4.1	4.0	4.1
0.0	0.0	1.7		5.0	3.1	1.0	11.7	6.0	14.8
0.6	0.6	0.3		17.8	15.2	0.0	0.0	17.8	15.2
4.1	3.7	5.8		39.1	29.6	18.6	27.9	57.7	57.5
3.2	2.7	1.8		9.3	6.6	11.5	11.5	20.8	18.1
5.0	5.0	5.4		60.4	49.6	0.4	0.5	60.8	50.1
5.0	5.0	5.4		60.4	49.6	0.4	0.5	60.8	50.1
10.8	14.2	12.0		381.4	389.6	-19.6	-8.7	361.8	380.9
5.8	9.2	6.6		321.0	339.9	-20.0	-9.1	301.0	330.8
4.9	8.1	4.2		296.2	319.8	-4.3	5.6	291.9	325.4
0.0	0.0	0.0		-1.1	1.2	0.0	0.0	-1.1	1.2
4.5	4.6	7.4		131.6	58.9	0.0	0.1	131.6	59.0
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 March 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 Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) in consideration of 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 consolidated methods in the interim financial statements for the period ended March 31, 2008
3. Due to erratic surges in raw material and energy prices, which for the most part are effective since January 1, 2008, a total of € 49.1 million in additional material expenses were considered.
4. For the first time the following company has been fully consolidated:
 - Salzgitter Mannesmann Stahlhandel Sp. z o.o., Slupca (Polen)

Selected explanatory notes on the income statement

1. Sales by division are shown in the respective section.
2. Earnings per share are calculated pursuant to IAS 33. The **undiluted earnings per share** based on the weighted number of shares of Salzgitter AG came to **€ 3.40** in the period under review.

Dilution of the earnings per share occurs if the average number of shares is increased by the addition of the potential shares to be issued on the basis of the options and conversion rights. There were no such options and conversion rights outstanding as of March 31, 2008. Therefore, **diluted earnings per share** equaled undiluted earnings per share and amounted to **€ 3.40**.

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 received essentially comprise deliveries of input material for the manufacture of large-diameter pipes and precision tubes.

For further information please see the disclosures in the Annual Report 2007 (pg. 288).

Declaration according to § 37w Abs. 5 WpHG

The interim financial statements and interim management report at hand have not been subjected to an auditor's scrutiny.

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.

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