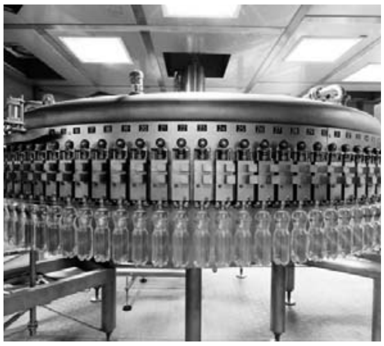
Interim Report | 9 Months 2008



SALZGITTER AG
Stahl und Technologie

Salzgitter Group in Figures

		9 M 2008	9 M 2007	+/-
Crude steel production[1)]	**kt**	**5,315.7**	**5,495.0**	**-179.3**
External sales	**€ million**	**9,638.7**	**7,500.6**	**2,138.1**
Steel Division	€ million	2,441.6	2,167.7	273.9
Trading Division	€ million	4,271.6	3,262.3	1,009.3
Tubes Division	€ million	1,604.1	1,343.3	260.8
Services Division	€ million	428.5	390.3	38.2
Technology Division [7)]	€ million	787.0	246.2	540.8
Others	€ million	105.9	90.8	15.1
Export share	%	52.3	50.8	1.5
EBITDA[2)]	**€ million**	**1,247.6**	**1,170.4**	**77.2**
EBIT[3)]	**€ million**	**1,063.0**	**1,010.7**	**52.3**
Earnings before tax (EBT)	**€ million**	**1,013.9**	**980.4**	**33.5**
Steel Division	€ million	520.3	569.4	-49.1
Trading Division	€ million	222.5	176.5	46.0
Tubes Division	€ million	234.1	210.2	23.9
Services Division	€ million	25.6	47.6	-22.0
Technology Division [7)]	€ million	15.4	-9.9	25.3
Others/Consolidation	€ million	-4.0	-13.4	9.4
Earnings after tax	**€ million**	**689.0**	**594.9**	**94.1**
Earnings per share (undiluted)	**€**	**12.30**	**10.38**	**1.92**
ROCE[4) 5)]	**%**	**28.0**	**29.0**	**-1.0**
Operating cash flow	**€ million**	**389.1**	**674.5**	**-285.4**
Capital expenditure[6)]	**€ million**	**459.8**	**227.8**	**232.0**
Depreciation and amortization[6)]	**€ million**	**184.5**	**159.7**	**24.8**
Balance sheet total	**€ million**	**9,192.4**	**8,440.3**	**752.1**
Fixed assets	**€ million**	**2,827.0**	**2,114.5**	**712.5**
Current assets	**€ million**	**6,365.4**	**6,325.7**	**39.7**
of which inventories	€ million	2,554.9	2,019.0	535.9
of which cash and cash equivalents	€ million	705.4	2,159.0	-1,453.6
Equity	**€ million**	**4,401.0**	**3,936.2**	**464.8**
Liabilities	**€ million**	**4,791.4**	**4,504.1**	**287.3**
Non-current liabilities	€ million	2,378.5	2,419.6	-41.1
Current liabilities	€ million	2,412.9	2,084.5	328.4
of which due to banks	€ million	127.2	129.6	-2.4
Net position to banks	**€ million**	**1,111.5**	**2,122.0**	**-1,010.5**
Employees	**€ million**			
Personnel expenses	€ million	1,106.7	848.5	258.2
Core workforce	30/09/	24,093	22,989	1,104
Total workforce	30/09/	26,026	24,860	1,166

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

7) only 3rd quarter 2007

Summary

Well equipped for the future – outstanding results in all divisions

In an environment characterized by growing uncertainty about future economic developments, the Salzgitter Group set a new pre-tax record result in the first three quarters of the financial year thanks to the high volume of orders placed for rolled steel and tubes in the reporting period. Consolidated external sales rose by 29 %. Along with the higher selling prices of steel products, mainly the companies of Klöckner-Werke AG, which are part of the Technology Division, together with other companies which, in the previous year's period, did not yet belong to the group of consolidated companies, contributed to revenue growth. The Group's pre-tax profit was marginally higher in a year-on-year comparison. Profit after tax exceeded the figure posted in the first nine months of 2007 by 16 %, mainly due to the lower domestic corporate tax rate.

A very comfortable order situation of the **Steel Division** until the end of the reporting period allowed virtually full capacity utilization of production facilities and was reflected in higher shipments. Only in the third quarter were we able to finally compensate the soaring prices of raw materials through a series of increases in selling prices for the short-term business, bringing the pre-tax profit in the first nine months of 2008 only marginally down on the previous year's figure.

The huge hikes in the selling prices of steel products boosted the activities of the **Trading Division** in the first three quarters of 2008. The sales trend of the European companies was able to offset the decline in the business volumes of North America.

Due to the high level of orders on hand, **Tubes Division** continued its expansion. The main drivers of this development were the large-diameter and stainless steel activities in conjunction with those of the precision tubes companies bought in July 2007 and included in the group of consolidated companies. The medium-line pipes segment suffered a temporary decline in the wake of the fiercely competitive environment at the start of the year.

The **Services Division** benefited mainly from the growth of the scrap trading company DEUMU.

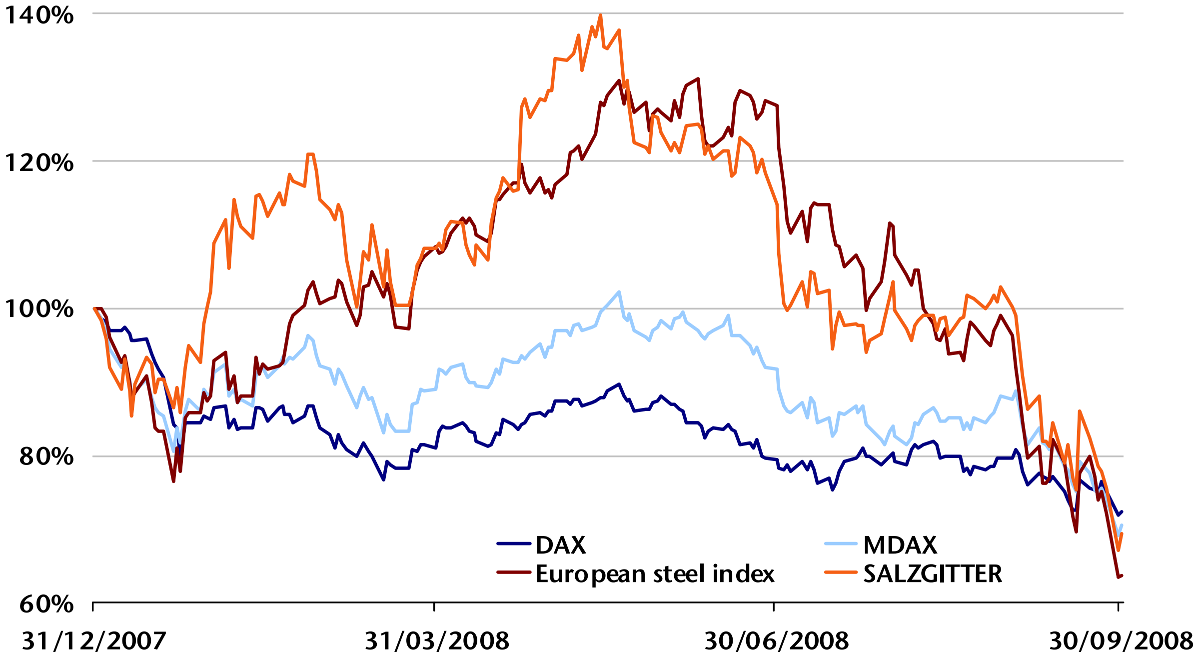
The **Technology Division**, which consists primarily of the majority holding in the Klöckner-Werke Group, only included in the group of consolidated companies in the second half of 2007, and the former SIG Beverages Group, acquired in April 2008 and meanwhile integrated into Klöckner-Werke, recorded a pleasing profit contribution.

In the **Others segment**, external sales, which are based on business in semi-finished products with subsidiaries and external parties, rose by 17 %. 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:
Provided that the conditions in the environment do not change beyond what is currently known and expected up until the end of the year, Salzgitter AG will generate a consolidated **pre-tax profit of almost € 1.2 billion** in the financial year 2008. Even after contingent accounting measures as part of the annual accounts process, pre-tax profit will range within the previous forecast for the financial year of more than one billion euros. Express reference is made to the fact that, given the current volatility in the financial and real economy, currently unforeseeable trends in sales prices, input materials and capacity level developments, as well as changes in the currency parity, may affect performance in the course of the fourth quarter of 2008.

Investor Relations

Capital market and the performance of the Salzgitter stock



Sources: Xetra closing prices DBAG, Datastream STEELEU

In the first nine months of the financial year 2008, the underlying sentiment on the **stock markets** was hallmarked by great anxiety with regard to the impact of the financial crisis and the ensuing concerns about the economy. Against this background, the indices initially pursued a decidedly volatile downtrend. The escalation of the crisis in the USA and the ultimate spreading of the crisis to Europe in the third quarter triggered dramatic events in the international stock exchanges. Share prices plummeted, and at the end of September the DAX and MDAX hovered at their lowest level of the past two years. Although, as opposed to the DAX, the MDAX performed relatively well up until mid-year, both indices posted comparatively negative performance as per September 30 (DAX -28 % and MDAX -29 % since the start of the year).

Irrespective of the poor sentiment on the world's stock exchanges and the jittery market environment, the **Salzgitter share** generally performed well in the first five months of the reporting year. Buoyed by the unexpectedly strong upswing of the steel markets, our share peaked at an interim high of € 143.88 on May 16, 2008. The generally assumed cyclical nature of steel stocks and the persistently high prices of raw materials and energy stepped up the pressure on our sector's shares at the end of the second quarter. As a result, the Salzgitter share suffered sharp price declines. The announcement of outstanding half-yearly figures was unable to halt this negative trend. On the contrary, this trend had accelerated in the weak market environment by the end of the third quarter. Quoted at a price of € 70.76 on September 30, our share was around 31 % below its closing price at year-end 2007, thereby mirroring the performance of the DAX and MDAX. The share price, which subsequently continued to fall, reflects the extremely negative market expectations of profit in the year ahead and is a clear indication that fundamental data, such as the good profit performance of Salzgitter AG, fades into the background given the current stock market environment.

The **average daily turnover** of the Salzgitter share on German stock exchanges ran at the very high level of almost 690,000 units, which clearly outperformed the previous year's level of around 465,000 units. Measured by this criterion, our company took first place in the MDAX ranking. On September 30, 2008, the company's free float market capitalization stood at € 3.3 billion, which makes it the fourth highest equity in the MDAX.

Investor Relations

As part of its **capital market communication**, Salzgitter AG presented at a number of investor conferences and road shows in New York, London, Frankfurt and other European financial centers. In addition, analysts and investors visited the plants in Salzgitter, Ilsenburg, Mülheim, Düsseldorf and Dortmund. The results for the respective periods were explained and discussed in detail upon their announcement at well attended analyst conferences in Frankfurt and London, as well as by way of a very popular telephone conference with a large number of participants.

Since the beginning of the financial year, a total of 136 research studies respectively recommendations on the Salzgitter share have been published by 28 banks, along with financial publications with the following current **ratings** (as per September 30, 2008):
21 buy/outperform, 5 hold/market perform, 2 sell/underperform.

Treasury Shares

As per September 30, 2008, Salzgitter AG held 6,009,696 treasury shares. In comparison with the portfolio status as per December 31, 2007 (6,321,823 units), the number of shares had decreased by 312,127 units. All in all, 3,121,439 shares were dispensed of during the period under review and used as follows: In July and August, we retracted 3,121,400 Salzgitter shares by way of a simplified procedure without capital reduction. The company’s assets and profit are now distributed among 60.1 million shares. This measure has enabled us to enhance the attractiveness of our share permanent. Moreover, the workforce received 39 shares in the form of a bonus. By reverse, a total of 2,809,296 shares were purchased at an average price of € 99.52, mainly in the third quarter. All in all, an amount of around € 450 million was disbursed in the financial year to the capital market in the form of dividends paid in May and the retraction and ensuing buyback of the company's own shares.

Information for investors

		9M 2008	9M 2007
Nominal capital as of 30/09/	€ million	161.6	161.6
Number of shares as of 30/09/	million	60.1	63.2
Number of shares outstanding as of 30/09/	million	54.1	56.9
Market capitalization as of 30/09/[1)2)]	€ million	3,827	7,837
Price as of 30/09/[1)]	**€**	**70.76**	**137.74**
High 01/01/ - 30/09/[1)]	€	143.88	158.90
Low 01/01/ - 30/09/[1)]	€	68.50	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

Since the spring of 2008, **global economic** growth has slowed notably, a trend which has intensified over the course of the year. The main factors behind this development are the inflationary effects of the price of energy and raw materials, corrections in major international real estate markets and the impact of the now global financial crisis. Whereas, in the second quarter, the US economy grew once more, buoyed by foreign trade and private consumption, it is likely to do no more than stagnate in the second half of the year. In contrast to the economy of Japan, which also deteriorated, the economies of the emerging markets of Asia continued to expand. Although currently on a high level, there are increasing signs that growth is set to slow here as well. In Russia, overall economic production rose again during the period under review. In October, the International Monetary Fund has revised its forecast for the global economy downwards, from 4.1 % to a current 3.7 %.

In the first nine months of 2008, economic growth in the entire **euro zone** has slowed discernibly. A decline in exports owing to the strong appreciation of the euro, coupled with the financial crisis and a cooling of the global economy, are the reasons for this development. Especially Ireland and Spain, but also other European countries, came under pressure from a sharp decline in the construction sector. Moreover, the exceptional price hikes in energy and food caused private households to curb their consumption. As a result, the International Monetary Fund has forecasted a growth rate of a mere 1.3 % (down from 1.7 %) in 2008 for the euro zone. Growth of the economies of the new member states of the European Union has also weakened overall.

Although the **German economy** proved to be quite robust in the first half of the year, the country's economic momentum has also slowed during the course of the year also in the country. Given its high dependency on exports, Germany will not be able to decouple from the negative development of its trading partners. It will be very unlikely for private consumption to compensate for the export downtrend, even if it has received fundamental support from falling oil prices and an uninterrupted uptrend in employment. Higher financing costs in the wake of the financial crisis may well have an additional braking effect on the capital goods market. For the reasons cited above, a phase of weaker growth can be expected in Germany as well. In the current year, the leading economic institutes have lowered their growth forecasts from 2.2 % to a current 1.7 %.

Earnings situation within the Group

		Q3 2008	Q3 2007	9M 2008	9M 2007
Crude steel production[1]	kt	1,762.9	1,915.3	5,315.7	5,495.0
External sales	**€ million**	**3,405.3**	**2,777.5**	**9,638.7**	**7,500.6**
EBITDA[2]	€ million	447.7	380.9	1,247.6	1,170.4
EBIT[2]	€ million	386.9	324.4	1,063.0	1,010.7
Earnings before tax (EBT)	**€ million**	**367.5**	**316.8**	**1,013.9**	**980.4**
Earnings after tax	**€ million**	**252.1**	**196.2**	**689.0**	**594.9**
ROCE[3) 4)]	**%**	**30.6**	**28.0**	**28.0**	**29.0**
Capital expenditures[5]	€ million	176.0	85.0	459.8	227.8
Depreciation and amortization[5]	€ million	60.7	56.5	184.5	159.7
Operating cash flow	€ million	-69.3	605.8	389.1	674.5
Net position to banks[6]	**€ million**	**1,111.5**	**2,122.0**	**1,111.5**	**2,122.0**
Equity ratio	%			47.9	46.6

1) In regard of the participation in Hüttenwerke Krupp Mannesmann

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

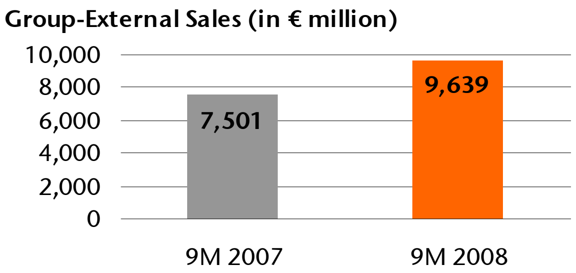
3) EBIT in relation to the total of shareholders' equity (without calculation of accrued and deferred taxes), tax provisions, interest-bearing liabilities (excluding pension provisions) and liabilities from financial leasing, forfaiting and asset-backed securitization

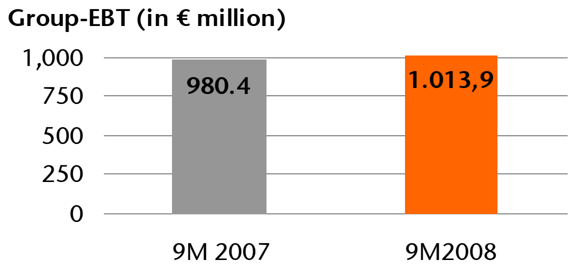
4) Annualized

5) Excluding financial assets 6) Including investments, e.g.securities and structured investments

In an environment characterized by growing uncertainty about future economic developments, the **Salzgitter Group** set a new pre-tax record result in the first three quarters of the financial year thanks to the high volume of orders placed for rolled steel and tubes in the reporting period.

Consolidated **external sales** rose € 2.14 billion to € 9.64 billion (+ 29 %; 9M/2007: € 7.50 billion). Along with the higher selling prices of steel products, mainly the companies of Klöckner-Werke AG, which are part of the Technology Division, together with other companies which, in the previous year's period, did not yet belong to the group of consolidated companies, contributed € 1.02 billion to revenue growth.





The **Group's pre-tax profit** of € 1.01 billion, generated in the first three quarters of 2008, was marginally higher in a year-on-year comparison (9M/2007: € 980 million). This increase was attributable, on the one hand, to better selling prices, which had a considerable impact on the tubes business and also led to a temporary widening of margins in the steel stockholding companies of the Trading Division, and on the other hand, to the profit contribution of the Technology Division which was more than € 25 million higher as against the year-earlier figure. A total of € 57.5 million in additional material costs was taken account of in the Interim Financial Statements for raw materials and energy price hikes, effective as from the start of the year. Profit after tax, which came in at € 689.0 million, exceeded the figure posted in the first nine months of 2007 (€ 594.9 million) by 16 %, mainly due to the lower domestic corporate tax rate. Earnings per share stood at € 12.30. Return on capital employed (ROCE) from industrial business posted 32.1 % and, taking account of cash funds of more than one billion euros, ROCE came to 28.0 % (9M/2007: 29.0 %).

Interim Management Report

Steel Division

		Q3 2008	Q3 2007	9M 2008	9M 2007
Order bookings	kt	1,193.9	1,230.6	4,345.8	4,062.6
Order backlog as of 30/09/	kt			950.3	1,103.0
Crude steel production	kt	1,409.7	1,461.8	4,150.2	4,223.1
LD steel (SZFG)	kt	1,149.9	1,180.2	3,358.6	3,392.9
Electric steel (PTG)	kt	259.9	281.6	791.6	830.2
Rolled steel production	kt	1,428.4	1,318.6	4,293.5	4,190.4
Shipments	kt	1,346.1	1,327.4	4,374.5	4,228.7
Sales[1)]	**€ million**	**1,147.4**	**973.3**	**3,428.6**	**3,021.2**
External sales	**€ million**	**830.6**	**703.4**	**2,441.6**	**2,167.7**
Earnings before tax (EBT)	**€ million**	**175.2**	**192.2**	**520.3**	**569.4**

[1)] Incl. sales to other corporate divisions

As the cooling of the global economy, which set in the spring, had not yet had any notable effect on **global crude steel production** by the end of the reporting period, in the course of the year 4,6 % more steel was produced than in the previous year. Nonetheless, it was evident that momentum was slowing, a trend set to continue in the months ahead. Thus the overall production of crude steel in the third quarter was, for instance, 1.7 % higher in comparison with the previous year's period; however, by September the figure fell below the year-earlier figure for the first time (-3.1 %).

The year initially started well for **European steel processing companies**, with business exceeding the expectations. At the start of the second half-year, the business climate then darkened notably. The trend of order intake had been in decline for quite some time, a development which was initially interpreted in the first quarter as a technical countermovement in response to the flood of orders in 2007. As from the second quarter, the effects of the global economic slowdown were having more of a visible impact: A number of different sectors - headed by the automotive industry - recorded lower order intake. In the wake of the critical events in the financial markets at the end of September, the business outlook of a number of sectors deteriorated dramatically. Supply in the European flat steel market ran at a generally high level during the reporting period, as both orders placed and the capacity utilization of European manufacturers were generally most satisfactory. In the period from January to August, for instance, a good 4 % more flat steel orders were received than in the previous year; recently, however, this trend has slackened. During the summer months, imports from non-EU countries rose again sharply, as against net imports which declined during the first half of the year. Against the background of drastic price hikes for raw materials, energy and transport services, steel prices have risen steadily since the start of the year and reached unprecedented record levels in July and August. From September onwards, commodity products in the global spot markets recorded the first significant price declines.

The fixing of **global market prices for iron** ore had been concluded for the most part by the beginning of the delivery year 2008. The steel industry had to absorb dramatic price increases in iron ore (fine ore +66 %, pellets +86.7 % and lump ore +96.5 %). In a market that was for the most part subject to demand pressure, Australian producers subsequently implemented even higher prices for fine ore with their Asian customers.

Owing to the flooding of Australian mines, the **global market for coking coal** was impacted by the consequences of massive production declines in the first half of the year. The resulting shortfall in supply of high-grade coking coal came to between 3 – 5 million tons and was reflected in a record price hike for Australian coal (+ 212 %).

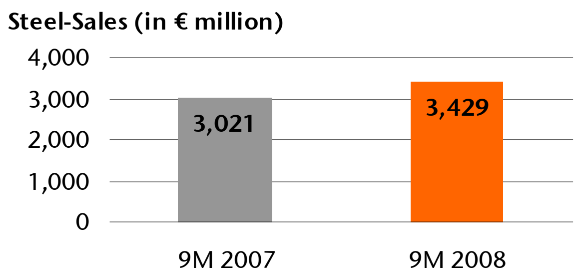
Over the course of the year to date, different market trends have been discernible in **metals and alloys** in the different materials groups. Strong demand, energy supply bottlenecks and production losses due to weather changes drove up the price of alloys. By contrast, zinc and nickel quotations eased.

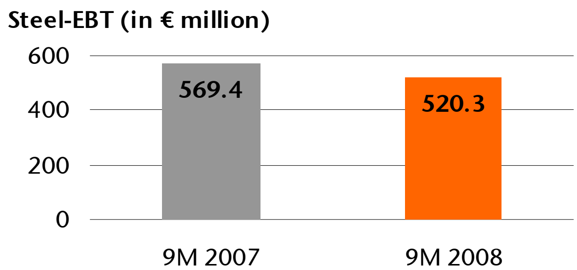
The **scrap market** was as capricious over the course of the year as never before: After having risen notably at the start of the first quarter, by mid-year scrap prices had soared to almost double those of December 2007, only to subsequently fall back to this level again in the third quarter.

The impact of the financial crisis was increasingly reflected in the price trend of many raw materials at the end of the reporting period. For instance, raw material listed at the stock exchange suffered sharp price declines. The price of industrial metals such as copper, nickel and zinc, but also commodities traded worldwide such as crude oil and thermal coal, fell dramatically in comparison with the first half-year. The effects on the pending annual round of negotiations for 2009 remain to be seen.

Sea freight rates that are particularly important with regard to purchasing iron ore and coal, were initially very volatile in the wake of developments in the global economy and then went into a steep downward spiral in the third quarter. After reaching historically high levels in May and June of this year, quotations were considerably below the level at the start of the year by the end of the reporting period.

The **Steel Division** developed as follows: New orders rose by 7 % in contrast to orders in hand that fell by 14 % in a year-on-year comparison, mainly due to a deliberate reduction of surplus orders of Peiner Träger GmbH (PTG), but also due to the lower level of new orders at HSP Hoesch Spundwand and Profil GmbH (HSP). Crude steel production (4,150 Tt) and rolled steel production (4,294 Tt) were more or less stable, and processing rose marginally (192 Tt). Shipments advanced by 3 %, buoyed by still very strong demand. New record figures for **segment and external** sales revenues reflected the overall excellent level of selling prices.





Despite the gratifying profit performance of all companies belonging to the Steel Division, the result of the previous year was not attained, particularly owing to the sections business which was unable to repeat the record result of the previous year. Nonetheless **profit** remained at a very satisfactory high level. In this context, it should be taken into account that € 46.7 million in additional expenses for raw materials and energy have been accounted for in the reporting period. This measure was taken in view of the fact that, compounding the initial impact of the price increases effective as from January 1, 2008, and beyond the mere application of IFRS principles, the associated aspect under IFRS of making allowance for replacing used inventories from 2007 was taken account of in the first half year.

In the first nine months of the year, **Salzgitter Flachstahl GmbH (SZFG)** produced 3,359 Tt of crude steel, which is almost as much as in the previous year's period. As a result, the scheduled relining of Blast Furnace C had virtually no effect on production. Due to the new production record of the hot rolling mill, which also reflected the excellent order books, the production of rolled steel was higher than the year-earlier level. Another indication of how good demand was, were the new orders placed, which were 15 % up on the previous year's figure (excluding orders between companies in the division), a trend which lost momentum over the course of the summer. The order level was also higher year on year. Shipments reached a new all-time high owing to improved volumes of hot and cold rolled flat products. At the same time, the excellent selling price level resulted in new record revenues. The selling price trend in the short- and long-term business did, however, not fully cover the burdens accruing from the sharp increases in raw materials and slabs sourced externally, although the selling prices in the quarterly business once more increased sharply in early July and adjustments were made to some of the annual contracts. The aggregated positive effects on profit were affected more by the persistent uptrend in the cost of raw materials and slabs sourced externally. The pre-tax result fell marginally short of the previous year's figure, also due to the recognition of additional costs for materials.

Ilsenburger Grobblech GmbH (ILG) maintained the positive performance of the preceding months during the third quarter of 2008 as well. Demand for plate, however, was showing the first signs of being impacted by a cooling economy, with mainly sectors associated with building, such as construction machinery producers, being affected by a downturn in orders. The growing volume of Chinese imports and a broad offering of so-called re-rollers (Western European rolling mills with an Eastern European crude steel basis) in simple grades, in conjunction with stockholding steel traders reducing their inventories, resulted in prices in this market segment recently even going into decline. There were only individual cases of delays in the project business caused by uncertainty about additional lending by banks. Against the background of a still satisfactory market in high-grade products, considerable price increases can be achieved in the fourth quarter. In the reporting period, the volume-related order intake of ILG was notably higher than in the previous year's period. Rising selling prices caused the value of order intake and of inventories to grow disproportionately. An advantageous order structure, combined with a stable availability of production facilities, brought the production of rolled steel to a small volume increase versus the year-earlier level. Greater volumes of shipments and higher selling prices resulted in a corresponding sales increase in comparison with 2007. The year-earlier pre-tax result was marginally underachieved owing to the impact of the extreme cost increases, which were also having there effects here.

Whereas, in the first half of the year, European steel mills were unable to fully keep abreast of brisk demand for section products, order activity in September was perceptibly reticent. Increased supply from Southern Europe resulted in inventories rising, mainly in the case of smaller steel traders. Moreover, the aforementioned scrap price trend led to consumers' reluctance to buy as, given the current circumstances, there is evidently speculation that market prices will fall further. **Peiner Träger GmbH (PTG)** was only affected to a limited extent as customers called up the contractual volumes as agreed. The orders to be processed ensured that capacity utilization remained at a consistently high level. Order book figures and the volume of orders in hand of PTG in particular, were below the record level of the previous year, as surplus orders were scaled back deliberately in view of volatile raw materials costs.

With shipment volumes remaining more or less stable, better selling prices achieved through raising prices and scrap surcharges were reflected in the notably higher revenue figures as against the previous year. Production remained virtually at the same level. In the wake of renewed price increases in raw materials and energy sourced externally, plus delays in the passing on of the extremely volatile scrap costs, the pre-tax result fell markedly short of the year-earlier figure.

Irrespective of the notable reluctance to buy which began in the second half of the year, shipments of **HSP Hoesch Spundwand und Profil GmbH (HSP)** held the previous year's level. Price increases implemented resulted in a disproportionate increase in revenues and a most satisfactory pre-tax profit. Shipments and sales of **Salzgitter Bauelemente GmbH (SZBE)** rose considerably, boosted by robust demand at the start of the year. The consistent adjusting of selling prices to the purchase prices of input materials entailed a pre-tax result which was higher in comparison with the previous year. A decline in orders placed by major customer sectors caused shipments of **Salzgitter Europlatinen GmbH (SZEP)** to fall marginally short of the previous year's level and caused a corresponding decline in profit. Revenues remained at an excellent level.

Interim Management Report

Trading Division

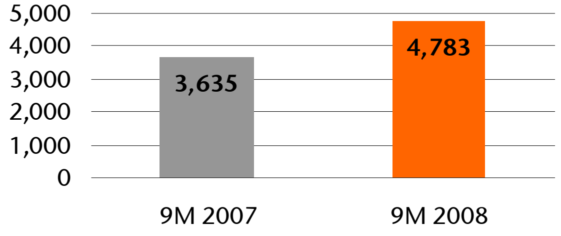
		Q3 2008	Q3 2007	9M 2008	9M 2007
Shipments	kt	1,876.5	1,686.8	5,207.7	4,898.5
Sales[1)]	**€ million**	**1,840.9**	**1,332.5**	**4,782.6**	**3,635.1**
External Sales	**€ million**	**1,615.2**	**1,216.1**	**4,271.6**	**3,262.3**
Earnings before tax (EBT)	**€ million**	**81.8**	**55.1**	**222.5**	**176.5**

[1)] Incl. sales to other corporate divisions

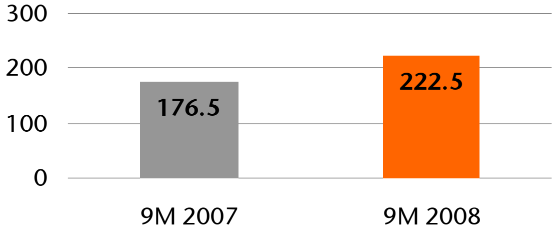
Having been favored by brisk demand and considerable price increases for most of the first nine months, **international steel trading** saw the business environment deteriorate swiftly in the fall. Scrap surcharges, which have a direct impact on selling prices of many trading products, went into a sharp decline from August onwards. This caused many customers to hold their orders back, speculating that prices will fall further. After the Olympic Games, China's demand for steel also slowed, with the result that producers in this country attempted to compensate for oversupply through price discounts and higher exports. In the German market as well, recent times have seen steel prices fall, combined with a lower order intake.
Owing to the economic environment, demand in North America remained at a moderate level.

Irrespective of the generally lackluster economic conditions in the first nine months, the **Trading Division** delivered an excellent result that decidedly outperformed the good previous year's figure. There was a slight increase in shipments. Revenues grew swiftly, boosted by the excellent selling price trend. The persistently upbeat development of international trading and of western European stockholding steel traders was able to compensate for the downtrend in the shipment figures of the North American companies.

Trading-Sales (in € million)



Trading-EBT (in € million)



The **stockholding steel trading** of **Salzgitter Mannesmann Handel Gruppe** benefited from the stable European economic environment and rising prices particularly in the first half year. The key customer groups were still in the sectors of machine building and construction. The Polish company, Salzgitter Mannesmann Stahlhandel sp.z.o.o., Slupca, Poland (SMPL) - for the first time included in the group of consolidated companies at the beginning of the year - made an additional positive contribution to lifting shipments and revenues. Excellent gross proceeds boosted pre-tax profit which rose again in comparison to an already above-average year-earlier figure. Although there were a number of challenges to be met, the **international trading** operations posted growth in shipments and revenues. A lack of shipping space capacity hindered materials deliveries for major international projects and the supply of slabs within the Group, particularly during the first quarter. The increase in the volume of shipments of international trading offset the decline in our North American business. Thanks to higher margins and a good level of gross proceeds, international trading delivered revenues higher year on year and an improved pre-tax profit.

Over the course of the first half-year, good capacity utilization in the most important customer sectors hallmarked the business performance of **Universal Eisen und Stahl GmbH (UES)**. As a result, the company succeeded in passing on the increase in the cost of materials by way of price increases to the customers. The market environment for plate began to deteriorate in late summer: Above all the construction industry and ship building customers cut back on their call-off orders, as they were confronted with weakening demand from their own customers. In the first nine months, UES raised its shipment tonnage in a year-on-year comparison owing especially to the brisk flame cutting business. Having expanded its processing activities at the Neuss and Hanover sites, the company was in a good position to cater to higher demand. The additional flame cutting tonnage, combined with the selling prices resulting from the general increase in prices, formed the basis for higher revenues. The pre-tax result of the previous year was almost attained, despite higher risk provisioning in the reporting period.

The steel service center **Hövelmann & Lueg GmbH (HLG)** was confronted with challenging market conditions especially in the first quarter. The situation in the following two quarters, however, improved perceptibility, boosted by rising prices. Stimulated by the discussions on raw material surcharges and alleged lower available of rolled steel products, the willingness of customers to purchase was strong. Driven by this development and on the back of higher shipments, revenues climbed as against the previous year. Pre-tax profit fell short of the year-earlier figure, as it was not possible to fully pass on the high cost of input materials to the market.

Tubes Division

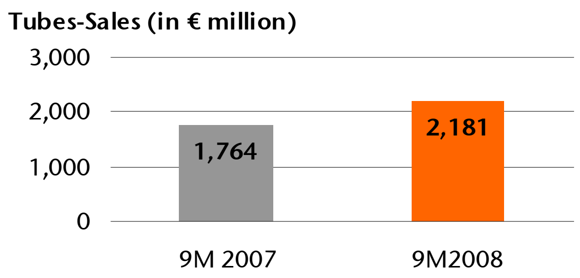
		Q3 2008	Q3 2007	9M 2008	9M 2007
Order bookings	€ million	591.6	634.4	1,702.0	1,798.1
Order backlog as of 30/09/	€ million			2,129.0	1,797.9
Sales[1)]	**€ million**	**713.1**	**659.9**	**2,181.4**	**1,763.9**
External sales	**€ million**	**527.1**	**459.1**	**1,604.1**	**1,343.3**
Earnings before tax (EBT)	**€ million**	**82.0**	**71.3**	**234.1**	**210.2**

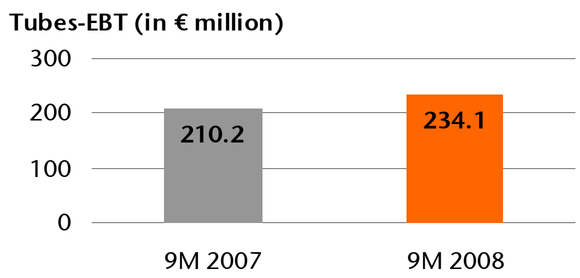
[1)] Incl. sales to other corporate divisions

Irrespective of growth, which was only moderate in comparison with the previous year, global **demand for tubes** in the current year is set to attain a new record level. Consequently, the production of tubes in the current year remained at a persistently high level. In contrast to recent years, however, it was not Chinese producers that recorded the highest growth rates, but manufacturers in North America who raised their production by 10 % thanks to strong demand for oil field tubes and pipelines. Production also continued to grow in the EU.

The companies of the **Tubes Division** benefited considerably from the positive environment:
The high order intake of the fourth quarter of 2007, particularly major orders placed with EUROPIPE GmbH (EP), brought the Tubes Division's consolidated orders in hand to 18 % above the previous year's level as of September 30, 2008. Since capacity utilization has been secured for part of the mills far into next year, the booking of new orders is marginally lower as against the year-earlier period.

Both the higher shipments of large-diameter tubes and the inclusion of the new precision tube companies boosted shipments considerably. Along with shipments growth, the outstanding selling price level acted as a driver of the substantial increase in **segment revenues** as against the previous year's period. The positive business performance, especially in large-diameter tubes and stainless steel tubes, raised pre-tax profit considerably in the current financial year.





The individual product segments reported the following developments:
Due to the high volume of orders in hand from the previous years and the corresponding advance allocation of the plants, the order intake of EP remained below the year-earlier figures in the first nine months. By contrast, plate producer Salzgitter Mannesmann Grobblech GmbH (MGB) and spiral-welded **large-diameter tubes** producer Salzgitter Mannesmann Großrohr GmbH (MGR) booked higher volumes. The healthy order book has secured capacity utilization way into the next year. All companies of the product segment raised their revenues due to volumes and selling prices. Whereas EP and MGB also improved pre-tax profit, margins of MGR decreased as it still had to process one fixed price order dating from the year 2006.

In the **HFI welded tubes segment**, the situation of Salzgitter Mannesmann Line Pipe GmbH (MLP) varied in the third quarter: While project business was buoyant, the effects of increased competitive and price pressure were tangible. In the standard tubes business, selling prices rose swiftly upon demand recovering during the reporting period. The brisk recovery in order activity seen in the second quarter resulted in order intake and orders in hand rising clearly above the previous year's figures. As a temporary shortfall in input material had a negative impact, shipments did not attain the year-earlier level. Accordingly, revenues and profit were down in a year-on-year comparison.

In the third quarter, the market environment for **precision tubes** deteriorated markedly, as the global financial crisis had meanwhile impacted important customer groups in the precision tubes segment such as the automotive and supplier industry. Only the energy segment has as yet remained unaffected for the most part. In the first nine months, order intake of the SMP Group (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 considerably higher than the year-earlier figures due main to the first-time inclusion of MPE and MRS as from July 1, 2007. This also had a positive effect on shipments and revenues, which exceeded the previous year's figures.
Pre-tax profit fell below the year-earlier period, affected, among other things, by the delay in the commissioning of the three-roll piercing mill at MRS.

Buoyed by the great need for new and replacement investments in power plants, the **seamless stainless tubes** segment benefited from stable demand. Nonetheless, order intake of the previous year, which had booked major contracts for boiler tubes, was not attained. Revenues and profit still ranged at a record level, as orders from last year had been calculated with very firm nickel prices. The decline in the cost of nickel in the current year was reflected in margins widening temporarily and an excellent earnings development.

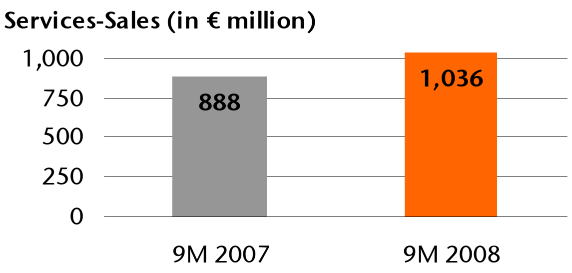
Interim Management Report

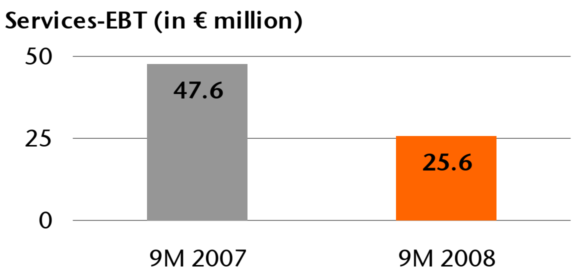
Services Division

		Q3 2008	Q3 2007	9M 2008	9M 2007
Sales[1)]	€ million	358.0	293.0	1,036.1	888.0
External sales	€ million	143.6	127.5	428.5	390.3
Earnings before tax (EBT)	€ million	8.8	33.3	25.6	47.6

[1)] Incl. sales to other corporate divisions

Brisk demand for raw materials and services by internal and external customers again boosted the business performance of the companies of the Services Division during the reporting period.





The **segment revenues** of the division attained a new record level of more than one billion euros in the first nine months of 2008. With a share of more than two thirds in revenues and a 22 % increase in a year-on-year comparison, this development was again mainly attributable to the raw materials trading company DEUMU Deutsche Erz- und Metall-Union GmbH (DMU). The company benefited from the exceptional increase in scrap prices which held steady until mid-year. But almost all the other companies of the division delivered higher revenues as against the previous year's figures as well. External sales rose by around 10 % to € 429 million as against the first three quarters of 2007.

The **pre-tax result** of the division was 13 % higher, which is an increase of € 3 million in comparison with the year-earlier figure - adjusted for special effects. The third quarter of 2007 was impacted by a waiver of receivables amounting to € 25 million by the Group Intermediate Holding in favor of Salzgitter Automotive Engineering GmbH & Co. KG. The main driver of the gratifying trend in operating profit was the result of DMU - which soared by 50 % compared with last year’s figure - buoyed by a market-oriented inventory and procurement policy. Moreover, Hansaport Hafenbetriebsgesellschaft mbH and the TELCAT Group were also large contributors to this pleasing result.

Technology Division

		Q3 2008	Q3 2007	9M 2008	9M 2007[2]
Total Sales[1]	€ million	263.6	246.2	787.0	246.2
External sales	€ million	263.6	246.2	787.0	246.2
Earnings before tax (EBT)	€ million	3.2	-9.9	15.4	-9.9

[1] Incl. sales to other corporate divisions

[2] only 3rd quarter 2007

After years of steady uptrend, for the first time the sentiment in the German **machine building industry** deteriorated markedly in conjunction with slowing economic growth at the end of the reporting period. The sector's order intake was significantly below the level of the previous year. However, the markets in Russia, India and Brazil, which post double-digit growth rates, represent pleasing exceptions. Despite the situation described, the high capacity utilization in Germany has remained constant to date. For the year 2008 as a whole, VDMA (German Machinery and Plant Manufacturing Association) experts anticipate that production will grow by 5 %, as before. In the wake of the cooling global economy, growth can be expected to slow notably in the year ahead.

The filling and packaging **technology segment** of the KHS Group, which is the core business of the Technology Division, generates around 85 % of the revenues. According to the VDMA, order intake in the food and packaging machinery sector remains at a high level, but failed to attain the record figures of the previous-year period. In comparison to the other machine building sectors, business with beverages filling machines is less cyclical and is set to expand further in the future. The drivers of this development are – above all - the emerging markets where the demand for packaged beverages is growing steadily in tandem with rising prosperity. A global growth of about 6 % p.a. is anticipated in this segment.

Despite a deterioration in the environment, order intake in the third quarter stabilized at the level of the previous quarter. Taking into account of the PET companies (formerly the SIG Beverages Group), the Technology Division generated **segment revenues** of € 787 million in the first nine months of 2008. As the companies of Klöckner-Werke AG (KWAG) and RSE Grundbesitz und Beteiligungs-AG (RSE) were included in the group of consolidated companies of Salzgitter AG for the first time as for July 1, 2007, a comparison with the year-earlier period is not expedient.

The division's **pre-tax result** came to € 15.4 million on September 30, 2008. The obligatory purchase price allocation under IFRS incurred by the acquisition of the majority holding in Klöckner-Werke and the purchase of SIG-Beverages stood at € 3.8 million in the reporting period and has been included in this result, along with interest on the purchase price (€ 1 million owing to internal financing processes in connection with the acquisition of the SIG-Beverages companies).

Further information on Klöckner-Werke AG and its business performance can be found under the following web site: www.kloecknerwerke.de

Others/Consolidation

		Q3 2008	Q3 2007	9M 2008	9M 2007
Total Sales[1)]	**€ million**	148.6	116.2	432.2	324.8
External sales	**€ million**	25.2	25.2	105.9	90.8
Earnings before tax (EBT)	**€ million**	16.5	-25.2	-4.0	-13.4

[1)] Incl. sales to other corporate divisions

In the first nine months of 2008, **revenues** of the Others segment, which are based on business in semi-finished products with subsidiaries and external parties, rose from € 324.8 million to € 432.2 million as compared with the previous year's period, driven by both volume and prices. External sales climbed for the same reasons to € 105.9 million (9M/2007: € 90.8 million).

Pre-tax profit was greatly impacted by reporting date-related changes in the value of derivatives due to exchange rate fluctuations on the one side, and interim profit elimination relating to inventories of Group material in Trading on the other. It amounted to € -4.0 million in the reporting period. The negative impacted on the half-year earnings resulting from cutoff-date valuations of financial instruments was therefore almost negated by similar effects as per September 30.

Explanations on the Financial Position and Net Worth

As per September 30, 2008, the **total assets of the Salzgitter Group** amounted to € 9.2 billion, which is an increase of 9 % compared with December 31, 2007. **Non-current assets** climbed € 659 million, influenced mainly through capital expenditure, the first-time inclusion of the PET Group (formerly SIG-Beverages) and the acquisition of a stake in Norddeutsche Affinerie AG. **Current assets** remained virtually unchanged. There was, however, a sharp price-induced increase of € 1.1 billion in inventories and trade receivables. Cash and cash equivalents dropped to € 705 million owing to the financing of current and non-current assets, the share buyback and the payment of the 2007 dividend, along with changes in funds invested. It is noteworthy that the financial investments in other receivables and other assets increased by € 425 million to € 500 million.

On the liabilities side, consolidated net income for the year, minus dividend paid and the share buyback, resulted in equity rising € 155 million to € 4.4 billion. **Non-current liabilities** remained at a constant level. **Current liabilities** climbed € 633 million in line with current assets owing to the price-induced increase in trade payables. The expansion of the group of consolidated companies to include the Polish steel stockholding company in the first quarter of the year and the first-time consolidation of the PET Group in the second quarter had no major impact on the balance sheet.

The decrease in the cash flow from operating activities by € 285.4 million to € 389.1 million (September 30, 2007: € 674.5 million) reflects the rise in working capital financing requirements in the first nine months of the financial year 2008.

The net position at banks, including investments not disclosed under cash and cash equivalents, had fallen to € 1.1 billion (December 31, 2007: € +2.1 billion; June 30, 2008: € +1.9 billion) by the end of the reporting period. Reference is made to the fact that the following amounts were disbursed in the financial year 2008: € 231 million for the purchase of a stake in Norddeutsche Affinerie AG, € 140 million for the acquisition of the PET Group, € 279 million for the buyback of share and € 171 million for dividend payments. Moreover, capital expenditure of € 460 million was considerably higher than depreciation and amortization.

Investments

Investments in property, plant and equipment, which came to almost € 460 million, doubled in the first nine months of the year as against the year-earlier figure (€ 227.8 million). The volume of depreciation and amortization also rose in the reporting period (€ +24.8 million). This development is again attributable to the brisk investment activity of the Steel and Tubes divisions.

The companies of the **Steel Division** focused on securing the process in accordance with the deadlines of the major investments which are currently in the planning and implementation stage. Work on the **"Power Plant 2010"** project progressed as planned. The **"Steel 2012"** investment program, launched in mid-2007, was also mostly on track.

Assembly work on the new furnace of the hot rolling mill was started. Construction work on the water supply and distribution, the coil transport system as well as the open storage area, is proceeding according to plan. Similarly, the expansion of the secondary metallurgy of the melting shop to include the "5th stand of the degassing line" progressed according to schedule. While the granulate plastics injection unit of Blast Furnace C successfully passed the performance test, the "Continuous Pickling Plant 2" was still at the commissioning stage.

The implementation of the **"Peiner Träger GmbH 2010"** investment package is going to plan in every respect. Along with the existing electric arc furnace (EAF), construction on the new building to house the second EAF, due to be taken into operation in February 2010, is currently underway. In the heavy beam mill the extension of the dressing and straightening line with new automation and extended loading area became operational in August. Work on the medium section mill is proceeding according to plan. At the end of August, the foundations for the new rolling mill, which is to be installed during the summer shutdown 2009, were set in place.

The construction of the **large-diameter tubes** plant of Europipe subsidiary Berg Steel Pipe Corp. in Mobile, Alabama, is on track and within budget. The installation of the facilities of the spiral tube plant, begun at the start of June, was almost completed by the end of September. The plan is to have carried out the cold start-up of the machinery of the large-diameter tubes plant by the middle of the fourth quarter of 2008. Assembly work on the machinery for the interior lining has been scheduled for early January 2009 to enable the subsequent trial operation.

Commissioning the **cold plate leveler** of Salzgitter Mannesmann Grobblech GmbH has been successfully concluded.

Interim Management Report

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 steel processing industry, automotive industry, the machinery and plant construction sector, energy technology and the construction industry, are customers.

LH® steel for chassis, industrial production facilities and energy technology

Air hardening steel, is an alternative to high- and ultra-high strength steel. At the start of exploring the options for using this so-called LH®-steel, SZMF conducted concept studies and customer workshops with a leading automotive manufacturer. These activities showed that, beyond the originally intended chassis application, there were a number of other concrete areas where air-hardening steel could be applied in the automotive industry. The results met with a positive response, both from a select audience of experts and from the public. In the construction of enameled plant components in the fields of industrial and energy technology, LH®-steel can be used for completely new applications, which underscores its versatility.

MagiZinc

Together with Corus, SZMF has developed MagiZinc, a novel hot-dip coating which has considerably superior anticorrosive properties while, at the same time, ensuring a thinner coating in comparison with conventional zinc coatings. The coils, which were coated in a series of industrial scale tests, were closely examined at SZMF and with pilot customers from the construction industry with excellent results. The processing properties are superior to traditional hot-dip galvanized surfaces. SZMF has thereby made a considerable contribution to the resource-saving production and surface refining of cold-rolled strip for a variety of different customer applications.

Employees

	30/09/2008	31/12/2007	+/-
Core workforce	**24,093**	**23,107**	**986**
of which Steel Division	6,922	6,829	93
of which Trading Division	1,982	1,867	115
of which Tubes Division	5,992	5,978	14
of which Services Division	4,049	4,043	6
of which Technology Division	5,004	4,252	752
of which Others	144	138	6
Apprentices, students, trainees	1,524	1,424	100
Passive age-related part-time employment	409	419	-10
Total workforce	**26,026**	**24,950**	**1,076**

The **core workforce** of the Salzgitter Group amounted to 24,093 employees on September 30, 2008. Since the start of the year there has therefore been an increase in the workforce of 986 employees, 937 of which joined the company in the first half year and 49 in the third quarter. As already mentioned in the previous quarter, this growth is mainly attributable to the inclusion of the PET Group in the Technology Division.

In the reporting period, a total of 276 trainees were hired in permanent and fixed-term contracts in all divisions.

Interim Management Report

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 next few months will be especially influenced by the indirect impact of the crisis in the financial markets, which will reinforce the customary seasonal effects at year end on the order intake of the **Steel Division**. Along with a number of customers reducing their inventories, demand can be expected to be modest in the short-term business, a development which we will counter by curbing production. Nonetheless, the division should be able to deliver sound performance in the remaining months of 2008 as well. All in all, however, it will not be able to repeat the record result of the previous year.

The current economic development will also have a growing effect on the **Trading Division** in the coming months, with the main impact being a normalization of the volume and margin of the steel stockholding trade. However, the general reduction anticipated in inventories has not yet reached critical dimensions. At present, international trading is only affected to a limited extent. Consequently, the Trading Division is likely to record another positive result in the fourth quarter which will be very satisfactory in comparison with preceding years and which, in its sum total, may mean that a new record will be set in the financial year.

The impact of the financial crisis on the companies of the **Tubes Division** has so far been slight, owing to the high level of orders in many of these companies. The large-diameter pipes and stainless steel tubes segments are in a robust condition. The precision tubes subdivision, however, is feeling the effects of business cooling in the automotive sector. Overall, the division is likely to deliver a decidedly positive result the fourth quarter, justifying expectations of a result for the year as a whole which will be almost as good as in the previous year

Adjusted for special effects, the operating profit of the **Services Division** in the current financial year is likely to marginally exceed the year-earlier figure.

The **Technology Division** will also not be able to fully disengage from the consequences of the weakening global economy in the next few months. Irrespective of the positive effects of changes in the group of consolidated companies, the very high revenues generated in 2007 will not be repeated. In respect of profit, the optimization measures implemented are having an increasing effect. Accordingly, the pre-tax profit attributable to the Salzgitter Group is likely to be notably higher than the 2007 figure.

The hitherto excellent business environment of the **Salzgitter Group** has inevitably deteriorated. Order intake of the Group and the selling price situation are still generally satisfactory. However, with raw materials and energy costs running at a high level and the dramatic events in the financial markets, coupled with huge insecurity across all sectors and national borders, there is a considerable risk potential for the future development of the economy and business. The Salzgitter Group is well prepared to rise to temporarily challenging times with its broad-based business, sound financial base, and its profit improvement program which has been stringently implemented in boom times as well. The successful corporate strategy is pursued on this basis; all major investments have been and will be realized.

Provided that the conditions in the environment do not change beyond what is currently known and expected up until the end of the year, Salzgitter AG will generate a consolidated **pre-tax profit of almost € 1.2 billion** in the financial year 2008. Even after contingent accounting measures as part of the annual accounts process, pre-tax profit will range within the previous forecast for the financial year of more than one billion euros.

Express reference is made to the fact that, given the current volatility in the financial and real economy, currently unforeseeable trends in sales prices, input materials and capacity level developments, as well as changes in the currency parity, may affect performance in the course of the fourth quarter of 2008.

Events of Significance

Purchase of a stake in Norddeutsche Affinerie AG

Salzgitter raised its participation in Norddeutsche Affinerie AG to just over 20 % by the end of October. In the short to medium term, it is feasible that the participation could be raised again up to an amount of 25 %. The process of examining the cooperation potential, for instance in the areas of production technology, of research and development as well as in sales and procurement is still under way. The first findings should be available at the start of the new year. A decision can then be made on further measures to be taken. Due to still pending approval by the anti-trust authorities, Salzgitter AG was unable to utilize its voting rights to the full extent as of September 30, 2008. Norddeutsche Affinierie AG is therefore disclosed as a participation and not yet recognized in accordance with the at-equity method.

Integration of the former SIG-Beverages into Klöckner-Werke AG

Salzgitter Mannesmann GmbH integrated SIG-Beverages, which had been acquired in early April 2008, by way of a capital increase against contribution in kind into Klöckner-Werke AG. On July 31, 2008, the Executive Board of Klöckner-Werke AG raised the share capital of the company by issuing 8,323,700 new non-par shares at an issue price of € 17.30 per share. As a result, the subscribed capital of Klöckner-Werke AG is now divided up into 54,138,160 shares. Shareholder subscription rights were excluded. Salzgitter Mannesmann GmbH was permitted to subscribe to the new shares and, provided - for the intended purpose - all shares of Salzgitter-Mannesmann PET-Technologie GmbH, Salzgitter and PET-International GmbH, Hamburg, as contribution in kind.

Retraction of treasury shares

In accordance with the authorization by the General Meeting of Shareholders on May 21, 2008, the Executive Board decided on July 16, 2008, and on August 7, 2008, to retract 1,580,460 and another 1,540,940 shares respectively with the approval of the Supervisory Board by way of simplified procedure without capital reduction pursuant to Sections 71 para. 1 item 8 sentence 6 and 237 para. 3 item 3 of the German Stock Corporation Act (AktG). This corresponds respectively to just under 2.5 % of the shares of the company at the time when the resolution to retract the shares was passed. The unchanged nominal capital of € 161,615,237.31 is now divided into 60,097,000 non-par shares. The Executive Board has decided upon a corresponding amendment to the version of the Articles of Association. In addition to the dividend paid, the shareholders will thereby participate directly and appreciably in the success of the company.

Interim Financial Statements

I. Consolidated Income Statement

in € million	3rd Quarter 2008	3rd Quarter 2007	9 Months 2008	9 Months 2007
Sales	3,405.3	2,777.5	9,638.7	7,500.6
Increase or decrease in finished goods and work in process and other own work capitalized	77.8	110.4	78.9	202.5
	3,483.1	2,887.9	9,717.7	7,703.1
Other operating earnings	99.6	41.1	191.1	119.3
Cost of materials	2,461.6	1,946.0	6,635.0	5,110.0
Personnel expenses	370.7	334.7	1,106.7	848.5
Amortization and depreciation	60.7	56.5	184.5	159.7
Other operating expenses	339.5	284.2	987.6	736.0
Income from shareholdings	3.4	0.0	11.1	2.2
Income from associated companies	14.0	1.1	12.8	2.2
Financing income	41.3	35.4	109.3	93.7
Financing expenses	41.5	27.4	114.3	86.0
Earnings before tax (EBT)	**367.5**	**316.8**	**1,013.9**	**980.4**
Income taxes	115.4	120.7	324.9	385.5
Consolidated net income	**252.1**	**196.2**	**689.0**	**594.9**
Appropriation of profit				
Consolidated net income	252.1	196.2	689.0	594.9
Profit carried forward from the previous year			189.7	126.5
Minority interests			2.9	2.9
Dividend payment			-170.7	-114.2
Appropriation to other retained earnings			-582.1	-509.3
Unappropriated retained earnings	**252.1**	**196.2**	**123.0**	**95.0**
Undiluted earnings per share (in €)	**4.66**	**3.53**	**12.30**	**10.38**
Diluted earnings per share (in €)	**4.66**	**3.53**	**12.30**	**10.38**

II. Consolidated Balance Sheet

Assets in € million	30/09/2008	31/12/2007
Non-current assets		
Intangible assets		
Goodwill	55.3	15.3
Other intangible assets	184.0	119.6
	239.3	134.9
Property, plant and equipment	2,088.8	1,797.8
Investment property	33.1	26.5
Financial assets	350.6	108.8
Associated companies	91.8	84.1
Deferred tax assets	19.8	13.0
Other receivables and other assets	3.5	2.9
	2,827.0	**2,168.0**
Current assets		
Inventories	2,554.9	2,084.4
Trade receivables	2,140.8	1,521.0
Other receivables and other assets	862.8	359.4
Income tax assets	68.4	114.2
Securities	33.3	20.4
Cash and cash equivalents	705.4	2,138.8
	6,365.4	**6,238.2**
	9,192.4	**8,406.2**

Equity and liabilities in € million	30/09/2008	31/12/2007
Equity		
Subscribed capital	161.6	161.6
Capital reserve	295.3	295.3
Retained earnings	4,158.2	3,777.7
Unappropriated retained earnings	123.0	189.7
	4,738.1	4,424.3
Treasury shares	-372.8	-227.8
	4,365.3	4,196.5
Minority interests	35.7	49.4
	4,401.0	**4,245.9**
Non-current liabilities		
Provisions for pensions and similar obligations	1,779.0	1,791.8
Deferred tax liabilities	137.1	94.0
Income tax liabilities	189.2	214.2
Other provisions	190.6	192.6
Financial liabilities	82.5	87.4
	2,378.5	**2,380.0**
Current liabilities		
Other provisions	372.3	325.6
Financial liabilities	91.5	98.5
Trade payables	1,186.0	760.7
Income tax liabilities	126.5	19.7
Other liabilities	636.7	575.8
	2,412.9	**1,780.3**
	9,192.4	**8,406.2**

III. Statement of Income and Accumulated Earnings

in € million	3rd Quarter 2008	3rd Quarter 2007	9 Months 2008	9 Months 2007
Changes in the financial year recorded directly in equity				
Changes in currency translation	11.8	-0.4	4.0	1.3
Changes in value reserve from hedging transactions				
Changes in current value recorded directly in equity	-9.8	3.8	-8.9	3.2
Recognition of settled hedging transactions with effect on income	0.0	0.0	-5.4	-1.5
Changes in value of financial assets in the "available-for-sale assets" category				
Changes in current value recorded directly in equity	-10.2	-6.5	-24.8	-1.1
Actuarail gains and losses	1.7	0.0	2.8	0.0
Deferred tax on changes without effect on income	8.6	-0.2	14.7	3.6
Difference from IFRS 3				-19.3
Other changes without effect on income	0.0	-9.1	0.6	-2.1
	2.2	**-31.7**	**-17.0**	**-15.8**
Consolidated net income for the period	**252.1**	**196.2**	**689.0**	**594.9**
Total profit pursuant to IAS 1.97 in conjunction with IAS 19.93B	**254.3**	**164.5**	**672.0**	**579.1**
Total profit due to Salzgitter AG shareholders	480.1	195.6	669.1	576.2
Total profit due to minority interests	1.6	0.6	2.9	2.9
	254.3	196.2	672.0	579.1

IV. Cash Flow Statement

in € million	9 Months 2008	9 Month 2007
Earnings before tax (EBT)	1,013.9	980.4
Deprecreciation, write-downs (+)/write-ups (-) on fixed assets	184.5	159.7
Income tax paid	-142.0	-108.0
Other non-payment-related expenses (+)/income (-)	184.3	-10.4
Interest expenses	114.3	86.0
Profit (-)/loss (+) from the disposal of fixed assets	2.1	0.0
Increase (-)/decrease (+) in inventories	-419.1	-141.7
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-677.8	-145.6
Use of provisions affecting payments, excluding income tax provisions	-183.5	-166.2
Increase (-)/decrease (+) in trade payables and other liabilities not attributable to investment or financing activities	312.4	20.3
Cash flow from operating activities	**389.1**	**674.5**
Cash inflow from the disposal of fixed assets	5.8	8.0
Cash outflow for investments in intangible and tangible fixed assets	-463.2	-229.7
Cash inflow (+)/outflow (-) for short-term loans against borrower´s notes/bonds	-425.0	-25.0
Cash inflow from the disposal of financial assets	1.2	20.7
Cash outflow for investments in financial assets	-454.9	-412.4
Cash flow from investment activities	**-1,336.0**	**-638.5**
Cash inflow (+)/outflow (-) as a result of sale and repurchase of treasury shares	-279.8	-85.7
Cash outflow in payments to company owners	-170.7	-114.2
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilites	-9.5	-2.1
Interest paid	-26.6	-20.0
Cash flow from financing activities	**-486.6**	**-222.0**
Cash and cash equivalents at the start of the period	2,138.8	2,345.0
Payment-related changes in cash and cash equalities	-1,433.4	-186.0
Cash and cash equivalents at the end of the period	**705.4**	**2,159.0**

Notes
I. Statement of Changes in Equity

in € million	Subscribed capital	Capital reserve	Purchase/ repurchase of treasury shares	Other retained earnings	Reserve from currency translation
As of December 31, 2006	**161.6**	**295.3**	**-160.4**	**3,204.5**	**-16.0**
Goodwill resulting from IFRS 3				-19.3	
Net income					
Dividend					
Disposal of treasury shares			18.2		
Repurchase of treasury shares			-85.7		
Currency translation					1.3
Change in value pursuant to IAS 39					
Group transfers to retained earnings				509.3	
Deferred taxes on changes without effect on income					
Other				-4.0	
As of September 30, 2007	**161.6**	**295.3**	**-227.8**	**3,690.5**	**-14.7**
As of December 31, 2007	**161.6**	**295.3**	**-227.8**	**3,943.6**	**-25.9**
First-time consolidation of affiliated companies hithero not consolidated due to materiality				5.8	0.8
As of January 1, 2008	161.6	295.3	-227.8	3,949.5	-25.1
Goodwill resulting from IFRS 3				-55.6	
Net income					
Dividend					
Exercise of warrant-linked bonds					
Disposal of treasury shares			134.8	-134.8	
Repurchase of traesury shares			-279.8		
Currency translations					3.1
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				582.1	
Deferred taxes on changes without effect on income					
Other				0.1	
As of September 30, 2008	**161.6**	**295.3**	**-372.8**	**4,341.2**	**-22.0**

Changes in the value of the reserve from hedging transactions	Changes in the value reserve from available for-sale assests	Other changes in equity with no effect on income	Unappropriated retained earnings	Equity (excluding minority interests)	Minority interests	Equity
3.4	**5.0**	**-172.9**	**126.5**	**3,447.1**	**9.7**	**3,456.7**
				-19.3		-19.3
			592.0	592.0	2.9	594.9
			-114.2	-114.2		-114.2
		49.3		67.5		67.5
				-85.7		-85.7
				1.3		1.3
1.7	-1.1			0.6		0.6
			-509.3	0.0		0.0
		3.6		3.6		3.6
		-2.1		-6.1		-6.1
5.1	**3.9**	**-122.1**	**95.0**	**3,886.9**	**49.3**	**3,936.2**
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
				-55.6	-3.1	-58.7
			686.1	686.1	2.9	689.0
			-170.7	-170.7		-170.7
				0.0		0.0
				0.0		0.0
				-279.8		-279.8
				3.1		3.1
-14.3	-24.8			-39.1		-39.1
		2.8		2.8		2.8
			-582.1	0.0		0.0
		14.7		14.7		14.7
		0.6		0.7	-13.6	-12.9
-5.5	**6.0**	**-161.6**	**123.0**	**4,365.3**	**35.7**	**4,401.0**

II. Segment Reporting

in € million	Steel		Trading		Tubes	
	9 M 2008	9 M 2007	9 M 2008	9 M 2007	9 M 2008	9 M 2007
External sales	2,441.6	2,167.7	4,271.6	3,262.3	1,604.1	1,343.3
Sales to other segments	869.5	739.8	457.9	330.8	576.9	420.2
Sales to Group companies that cannot be allocated to an operating segment	117.5	113.7	53.1	42.0	0.4	0.4
Segment sales	3,428.6	3,021.2	4,782.6	3,635.1	2,181.4	1,763.9
Sales in own segment	478.3	425.9	16.7	11.8	143.7	104.3
Sales	3,906.9	3,447.1	4,799.3	3,646.9	2,325.1	1,868.2
Interest income (consolidated)	2.8	0.1	8.2	7.3	2.5	2.5
Interest income to other segments	0.0	0.0	0.0	0.0	0.0	0.1
Interest income in own segment	0.0	0.0	10.0	8.5	0.0	0.0
Interest income to Group companies that cannot be allocated to an operating segment	1.9	2.2	0.4	0.5	1.2	1.2
Segment interest income	4.7	2.3	18.6	16.3	3.7	3.8
Interest expenses (consolidated)	9.3	8.5	11.4	10.9	6.1	5.8
Interest expenses to other segments	0.0	0.0	0.0	0.1	0.0	0.0
Interest expenses in own segment	0.0	0.0	10.0	8.5	0.0	0.0
Interest expenses to Group companies that cannot be allocated to an operating segment	23.0	16.3	12.9	11.3	10.5	9.2
Segment interest expenses	32.3	24.8	34.3	30.8	16.6	15.0
of which interest portion of allocations to pension provisions	6.4	5.7	2.5	2.0	4.0	3.6
Depreciation/amortization of tangible and intangible fixed assets	111.8	108.2	8.3	8.1	28.3	18.8
thereof scheduled depreciation of tangible fixed assets and amortization of intangible assets	111.8	108.2	8.3	8.1	28.3	18.8
EBITDA	658.0	696.8	252.5	204.8	275.1	240.4
EBIT	546.2	588.6	244.2	196.7	246.8	221.6
Earnings before tax (EBT)	520.3	569.4	222.5	176.5	234.1	210.2
of which from associated companies	3.2	2.8	0.0	0.0	9.5	-0.6
Investments in tangible and intangible fixed assets	325.5	151.1	11.8	7.8	65.0	44.1
Period-average core workforce	6,853	6,798	1,926	1,839	6,007	4,250

Services		Technology [1]		Total segments		Others/ Consolidation		Group	
9 M 2008	9 M 2007	9 M 2008	9 M 2007	9 M 2008	9 M 2007	9 M 2008	9 M 2007	9 M 2008	9 M 2007
428.5	390.3	787.0	246.2	9,532.8	7,409.8	105.9	90.8	9,638.7	7,500.6
602.0	494.8	0.0	0.0	2,506.3	1,985.6	326.3	234.0	2,832.6	2,219.6
5.6	2.9	0.0	0.0	176.6	159.0	0.0	0.0	176.6	159.0
1,036.1	888.0	787.0	246.2	12,215.7	9,554.4	432.2	324.8	12,647.9	9,879.2
13.8	12.3	8.1	0.0	660.6	554.3	0.0	0.0	660.6	554.3
1,049.9	900.3	795.1	246.2	12,876.3	10,108.7	432.2	324.8	13,308.5	10,433.5
0.7	0.6	2.7	1.3	16.9	11.8	92.3	81.7	109.2	93.5
0.0	0.0	0.0	0.0	0.0	0.1	51.0	38.3	51.0	38.4
0.1	0.1	5.7	1.5	15.8	10.1	3.0	36.9	18.8	47.0
9.9	9.7	0.4	0.0	13.8	13.6	0.0	0.0	13.8	13.6
10.7	10.4	8.8	2.8	46.5	35.6	146.3	156.9	192.8	192.5
10.4	9.4	10.0	3.3	47.2	37.9	67.1	48.1	114.3	86.0
0.0	0.0	0.0	0.0	0.0	0.1	13.8	13.6	13.8	13.7
0.1	0.1	5.7	1.5	15.8	10.1	3.0	36.9	18.8	47.0
1.8	1.5	2.8	0.0	51.0	38.3	0.0	0.0	51.0	38.3
12.3	11.0	18.5	4.8	114.0	86.4	83.9	98.6	197.9	185.0
9.5	8.2	5.8	1.7	28.2	21.2	37.0	34.5	65.2	55.7
15.3	15.3	19.5	5.1	183.2	155.5	1.3	4.2	184.5	159.7
15.3	15.3	19.5	5.1	183.2	155.5	1.3	4.2	184.5	159.7
43.7	68.5	42.0	-3.2	1,271.3	1,207.3	-23.7	-36.9	1,247.6	1,170.4
28.4	50.4	22.5	-8.3	1,088.0	1,049.0	-25.0	-38.3	1,063.0	1,010.7
25.6	47.6	15.4	-9.9	1,017.9	993.8	-4.0	-13.4	1,013.9	980.4
0.0	0.0	0.0	0.0	12.8	2.2	0.0	0.0	12.8	2.2
25.2	16.5	31.7	6.9	459.2	226.4	0.6	1.4	459.8	227.8
	4,037	4,297		23,201	16,924	137	121	23,338	17,045

[1] only 3rd quarter 2007

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 September 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 September 30, 2008.
3. For the first time, the following companies were fully consolidated as from April 1, 2008:
   - Salzgitter Mannesmann PET-Technologie GmbH, Salzgitter
   - KHS Corpoplast GmbH & Co. KG, Hamburg
   - KHS Moldtec GmbH & Co. KG, Essen
   - KHS Plasmax GmbH, Hamburg
   - KHS Asbofill GmbH, Neuss

   In the meantime KHS Asbofill GmbH, Neuss, has been merged into KHS AG, Dortmund, with effect from August 1, 2008.

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 € 12.30 in the period under review.

Dilution of the earnings per share occurs if the average number of shares is increased by the addition of potential shares issued on the basis of the option and conversion rights. There were no such options and conversion rights outstanding as of September 30, 2008. Diluted earnings per share therefore equaled undiluted earnings per share and amounted to € 12.30.

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
	1/1/ – 30/09/2008	1/1/ - 30/09/2008	30/09/2008	30/09/2008
Thyssen Krupp GfT Bautechnik GmbH, Essen	181,567	0	62,010	1
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	1,475	366,076	588	24,749

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, November 2008
The Executive Board of Salzgitter AG

Dr. Wolfgang Leese   Dr. Heinz Jörg Fuhrmann   Wolfgang Eging

Hans Fischer   Heinz Groschke   Peter-Jürgen Schneider

Notes

Financial calendar 2009

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

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

NOTES

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