Interim Report | 9 Months 2006

SALZGITTER AG
Stahl und Technologie

Salzgitter Group in Figures

		9 Months 2006	9 Months 2005	Δ
Sales (consolidated)	€ million	**6,207**	5,378	15 %
Steel Division	€ million	**1,793**	1,634	10 %
Tubes Division	€ million	**1,161**	1,039	12 %
Trading Division	€ million	**2,871**	2,465	16 %
Services Division	€ million	**316**	240	32 %
Other/Consolidation	€ million	**67**	0	
of which flat rolled products	€ million	**2,887**	2,538	14 %
of which sections	€ million	**755**	586	29 %
of which tubes	€ million	**1,701**	1,445	18 %
of which export share	%	**56**	54	
EBT from operations (before special items)	€ million	**662**	620	7 %
Earnings before tax (EBT)	€ million	**1,568**	595	164 %
Net income	€ million	**1,348**	556	142 %
Balance sheet total	€ million	**6,919**	5,034	37 %
Non-current assets	€ million	**1,614**	1,862	-13 %
Current assets	€ million	**5,305**	3,172	67 %
Inventories	€ million	**1,548**	1,348	15 %
Equity	€ million	**3,307**	1,800	84 %
Liabilities	€ million	**3,612**	3,233	12 %
Non-current liabilities	€ million	**2,095**	1,876	12 %
Current liabilities	€ million	**1,517**	1,357	12 %
of which due to banks	€ million	**172**	202	-15 %
Capital expenditure[1)]	€ million	**147**	173	-15 %
Depreciation and amortization[1)]	€ million	**147**	149	-1 %
Employees				
Personnel expenses	€ million	**736**	717	3 %
Workforce (period average)		**16,988**	17,255	-2 %
Crude steel production[2)]	kt	**5,495**	5,152	7 %
Key figures				
Earnings before interest and tax (EBIT)[3)]	€ million	**1,588**	612	160 %
EBIT before depreciation and amortization (EBITDA)	€ million	**1,735**	761	128 %
Earnings per share (undiluted)	€	**23.66**	9.28	155 %
Return on capital emplyed (ROCE)[4) 5)]	%	**54.9**	36.0	
Cash flow	€ million	**340**	318	7 %

Disclosure of financial data in compliance with IFRS

1) Excluding financial assets

2) In regard of the participations in Hüttenwerke Krupp Mannesmann and Vallourec

3) EBT plus interest paid (excluding interest element in allocations to pension provisions)

4) 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

Summary

Splendid development of the first nine months 2006 –
Group equity increased by 64 % to more than € 3 billion

In the first nine months of 2006, The **Salzgitter Group** benefited from the persistently brisk demand for rolled steel and tubes products and from the resulting uptrend in revenues. Accordingly, the Group's consolidated external sales exceeded the € 6 billion threshold for the first time at the end of September. Along with the very pleasing results of operations in the Steel, Tubes and Trading divisions, profit from the sale of the 17.2 % participation in the French seamless tubes manufacturer Vallourec S.A. lifted the result before tax to a new record high of more than € 1.5 billion.

After a modest start to the year, the European steel economy developed far better than initially expected in the second and third quarter. Some products were even in short supply, thus enabling the Group to realize sales price increases for the spot market business in the second and third quarter. In the first nine months of 2006, the total and external sales of the **Steel Division** increased owing to larger shipment volumes and gradually rising sales prices. Another outstanding pre-tax profit was generated to follow on from the record result of 2005.

The boom in the international steel tubes business remained unbroken in 2006. The upbeat trend in the large-diameter tubes business in particular significantly boosted the external sales of the **Tubes Division** in the first three quarters of 2006. Net of all the operating results of Vallourec and V&M Tubes, there was a considerable increase in the pre-tax operating profit in comparison with the previous year's period.

The economic recovery, especially in Germany, created an exceptionally advantageous market environment for the European stockholding steel traders. As, on the grounds of huge demand, price hikes by manufacturers were swiftly passed on to the end consumer, the sale of inventories temporarily generated high trading margins. The project business of the international trading performed with a similar positive trend. The external sales of the **Trading Division** thus grew to reach new levels in the first nine months of the financial year 2006. Pre-tax profit also rose to a new record high in the period under review.

The **Services Division** raised its external sales and pre-tax profit in the first nine months. This was mainly attributable to the higher sales volumes and firmer sales prices achieved by DEUMU, a company trading in scrap and raw materials.

In the wake of the Vallourec sale, the profit from "**Other/Consolidation**" rose sharply.

Forecast: On the basis of the information currently available and estimates concerning trends in the procurement and sales markets, as well as the general conditions, and taking account of the effects of the profit improvement program, the Salzgitter Group's **pre-tax operating profit is expected to reach approximately € 800 million** in the current year. **Including** the income from the sale of **the Vallourec participation, this would result in a consolidated pre-tax profit of around € 1.7 billion**. Express reference is made to the fact that opportunities and risks arising from, for instance, currently unforeseeable developments in revenue, input material prices and capacity levels, as well as changes in the currency parity, may still affect performance in the course of the financial year 2006.

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Economic environment

In the first nine months of 2006, the development of the **global economy** exceeded many forecasts. Despite the partly brisk rises in the price of raw materials and energy as well as, over the course of the year, an increase in political and military conflicts in the Middle East, the growth in 2005 was outperformed. China and the US remained the economic engines of the global economic activities. However, since the second quarter, fears abound that the US economy is set to cool soon owing to a rapid weakening of the real estate boom, which was fueled by low interest rates. Asia and Eastern Europe continued the dynamic course of development. The International Monetary Funds (IMF) revised its growth forecast for 2006 as a whole upward to +5.1 % in its September survey (2005: +4.8 %) and predicts growth of +4.9 % in 2007.

The upswing in the **euro zone** also picked up momentum in comparison with 2005. The buoyant world economy boosted the expansion of foreign trade although the euro exchange rate against the US dollar developed unfavorably for European exporters. The main stimulus for the EU economy came, however, from a recovery in domestic demand. The most important drivers of this positive trend were capital expenditure, seconded by private consumption. Countries which formerly posted below-average growth, such as Italy and Germany, played a special role in this development. Leading economic research institutes and the IMF have forecast an increase in GDP growth of 2.5 % for the year 2006 (2005: +1.4 %; 2007e: +2.0 %).

The good lead from the world and Europe during the reporting period allowed economic growth in **Germany** to expand considerably. With the export business remaining buoyant, domestic demand moved ahead, above all owing to the increase in capital expenditure. The construction sector expanded for the first time after a ten-year-long recession. Private consumption also unexpectedly gained momentum and became an important contributor. A part of consumer spending could, however, be due to upfront buying in connection with the VAT rise to be enforced on 1 January 2007. All in all, the leading German economic institutes revised their growth rates for 2006 as a whole to 2.3 % in their autumn surveys (2005: +0.9 %). In 2007, however, they anticipate a slowdown in growth to 1.4 %. Despite the VAT increase, sentiment among German companies and consumers is currently optimistic: The ifo business climate indicator unexpectedly rose in October and the GfK consumer sentiment indicator for November was increased as well. Due to the present sentiment, the ifo economic research institute states that a growth rate of 1.7 % is achievable.

Business situation within the Group

		Q3 2006	Q3 2005	9M 2006	9M 2005
Crude steel production[1)]	kt	**1,808**	1,489	**5,495**	5,152
External sales	€ million	**2,173.4**	1,747.4	**6,207.5**	5,378.4
EBITDA[2)]	€ million	**1,424.0**	186.5	**1,735.1**	760.8
EBIT[2)]	€ million	**1,376.4**	137.3	**1,588.2**	611.7
EBT from operations (before special items)	€ million	**223.6**	131.8	**661.5**	619.6
Earnings before taxes (EBT)	€ million	**1,369.7**	131.8	**1,568.5**	595.2
Net income	€ million	**1,218.4**	223.6	**1,348.4**	556.3
ROCE[3) 4)]	%			**54.9**	36.0
Capital expenditures[5)]	€ million	**60**	53	**147**	173
Depreciation and amortization[5)]	€ million	**48**	49	**147**	149
Cashflow	€ million			**340**	318
Net position to banks[6)]	€ million			**2,198**	526
Equity ratio	%			**48**	36
Core workforce	as of 30/09/			**16,990**	17,171
Apprentices, students, trainees	as of 30/09/			**1,024**	1,018

1) Calculated on the basis of the shareholdings in Huettenwerke Krupp Mannesmann and Vallourec

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 third quarter, the **Salzgitter Group** set new benchmarks in sales and profit. The very pleasing performance of operations in the Steel, Tubes and Trading divisions and the proceeds from the sale of the 17.2 % stake in the French seamless tubes manufacturer Vallourec S.A. contributed to this result.

During the first nine months of 2006, the Group's operating divisions benefited from the continuing vigorous demand for rolled steel and tube products and from the resulting upward trend of revenues, so that the Group's **consolidated external sales** rose by 15 % to € 6.21 billion.

Including € 907.0 million from the sale of the Vallourec participation, **consolidated pre-tax profit** came to € 1.57 billion. **Operating pre-tax earnings** thereby stood at € 661.5 million. In a year-on-year comparison of the results, net of all operating contributions and special effects related to the sold participations in Vallourec and Vallourec & Mannesmann (V&M) Tubes, there was a considerable increase in the pre-tax operating profit of the Salzgitter Group's continuing activities. The result, adjusted for the aforementioned, climbed 24 % to € 588.5 million (9 months 2005: € 474.6 million).

Earnings after tax stood at € 1.35 billion. Return on capital employed (**ROCE**) posted 54.9 %; excluding € 907.0 million profit from the Vallourec sale, it came to 30.8 %.

The **balance sheet total** of the Salzgitter Group rose 28 % to € 6.92 billion in the first nine months of 2006 (December 31, 2005: € 5.41 billion). The "Associated companies" item declined 79 % to € 63.7 million which was mainly attributable to the sale of the Vallourec stake; total **long-term assets** fell 15 % to € 1.61 billion. As a result of the inflow of funds from the sale of the Vallourec participation and operating business, funds rose by

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€ 1.36 billion to € 2.25 billion (December 31, 2005: € 0.88 billion). Moreover, following the sales growth, inventories (€ +109 million) and trade accounts receivable (€ +287 million) rose substantially. All in all, **current assets** rose 51 % to € 5.31 billion (December 31, 2005: € 3.51 billion).

On the liabilities side, **equity** increased by 64 % to € 3.31 billion (December 31, 2005: € 2.01 billion) owing to the Vallourec sale and net profit for the period. This figure is almost three times the level reached at the end of the financial year 2004. Whereas the **long-term liabilities** of € 2.01 billion remained more or less unchanged (December 31, 2005: € 2.08 billion), **short-term liabilities** climbed 15 % to € 1.52 billion (December 31, 2005: € 1.32). This was mainly attributable to trade payables which advanced volume induced by € 104 million.

Investments in property, plant and equipment, including intangible assets, corresponded to the amount of depreciation and amortization and came to € 147 million in the period under review. Steel Division received € 60 million of that amount. Projects to be highlighted are the Continuous Pickling Line 2, the modernization of the tandem mill in Salzgitter as well as the installation of the new intensive cooling unit with a corresponding leveling machine. The new energy concept "Kraftwerk 2010" ("Power plant 2010") was approved by the Supervisory Board in the third quarter and subsequently advanced.

Operating cash flow improved by 7 % to € 340.2 million despite the increase in trade receivables. The **net position due to banks** – including money investments which are not disclosed under cash and cash equivalents – had risen to € +2.20 billion by the end of reporting period (December 31, 2005: € +822 million; June 30, 2005: € +526 million).

The **core workforce** of the Salzgitter Group came to 16,990 employees as per September 30, 2006. The reduction in staff numbers by 46 as against December 31, 2005, was mainly due to employees entering into the passive phase of age-related part-time employment when employees are not counted as full members towards the workforce and deconsolidating Eupec PipeCoatings France S.A., Joeuf (France), which was formerly consolidated proportionately. The acquisition of Flachform Stahl GmbH mitigated this effect. A breakdown by division shows the following changes: Steel -162, Tubes -37, Trading +114, Services 35 and Holding +4.

Sales and earnings by division

€ million	Q3 2006	Q3 2005	9M 2006	9M 2005
Consolidated sales				
Steel	**594.3**	500.4	**1,793.0**	1,634.4
Tubes	**333.4**	334.1	**1,161.2**	1,039.0
Trading	**1,112.6**	833.9	**2,870.6**	2,465.4
Services	**109.6**	78.6	**315.8**	239.8
Other/Consolidation	**23.5**	0.0	**66.9**	0.0
Group	**2,173.4**	1,747.4	**6,207.5**	5,378.4
Earnings before tax (EBT)				
Steel	**97.7**	48.3	**301.3**	330.6
Tubes	**46.3**	58.5	**184.3**	240.6[1)]
Trading	**70.8**	15.8	**149.2**	59.9
Services	**4.5**	2.0	**16.6**	5.7
Other/Consolidation	**1,150.3**	7.2	**917.0**	-41.6[1)]
Group	**1,369.7**	131.8	**1,568.5**	595.2

1) In order to facilitate comparison, the special effect of € -24.4 million resulting from the sale of the V&M Tubes participation was restated to "Other/Consolidation"

Steel Division

		Q3 2006	Q3 2005	9M 2006	9M 2005
Order bookings	kt	**1,303**	1,243	**4,400**	3,385
Order backlog as of 30/09/	kt			**1,302**	955
Crude steel production	kt	**1,439**	918	**4,249**	3,640
LD steel (SZFG)	kt	**1,165**	687	**3,473**	2,969
Electric steel (PTG)	kt	**274**	231	**776**	671
Rolled steel production	kt	**1,344**	1,185	**4,130**	3,666
Shipments	kt	**1,292**	1,182	**4,114**	3,631
Rolled steel	kt	**1,223**	1,128	**3,925**	3,478
Processed products	kt	**69**	54	**189**	153
Sales[1)]	€ million	**813.7**	703.8	**2,467.3**	2,257.7
External sales	€ million	**594.3**	500.4	**1,793.0**	1,634.4
Earnings before taxes (EBT)	€ million	**97.7**	48.3	**301.3**	330.6
Core workforce	as of 30/09/			**6,872**	7,109

1) Incl. sales to other corporate divisions

After a modest start to the year, the European **steel economy** developed far better than initially expected in the second and third quarter. Strong economic growth in the EU also boosted the steel processing sectors. Even the building industry came out of its long-standing recession and ramped up its demand noticeably. In the case of some products, there were even temporary supply shortfalls. Despite the customary plant closures of large steel consumers for the vacation period, orders did not decline much in the summer months of the third quarter. This was the reason why the increase in imports from non-EU countries, especially of commodity products, did not cause an oversupply on the European market. Overall, the rise in the inventory levels of European steel traders was only moderate and, at the end of September, many products were at a normal level, and some even below.

In the first nine months of the financial year, order intake at **Salzgitter Flachstahl GmbH** (SZFG) was brisk and capacity utilization was most satisfactory. Although order activity had slowed to settle at a high level by the third quarter, orders on hand and aggregated order intake were clearly higher as compared with the previous year's period. At the beginning of the second and third quarter respectively, significant price increases were asserted in the quarterly agreements and contracts concluded in short term business.

The need to raise selling prices was dictated, among other reasons, by hikes in the price of **raw materials**. The lead negotiation agreement on iron ore, which was brought to a conclusion in the second quarter and is applicable worldwide, again set the price of this raw material much higher. The cheaper price for coking coal, negotiated back in the first quarter, was unable to compensate for this. Freight rates for transporting ore and coal by sea also rose notably over the course of the financial year, driven by the robust state of the global steel economy. Having climbed steadily, purchase prices for scrap had again reached a significantly above-average level of around € 200 per ton by mid-year. Alloys, in particular zinc, also rose substantially over the year, quotations on the London Metal Exchange being partly impacted by speculation. All in all, considerable increases in the cost of raw materials had to be absorbed, an effect which the favorable trend in the dollar failed to offset.

In the first nine months of 2006, the volume shipped virtually reached that of the boom year 2004 again, which meant that the amount of rolled steel sold was perceptibly higher year on year, as weak demand in the second and third quarter of 2005 was counteracted by production cuts. In addition, the three-month period needed for repair work on the large-scale Blast Furnace A last year also had a negative effect on the amount produced. Sales also rose, but nonetheless fell short of the growth rate of shipments, as the average sales prices for rolled steel in the first half of 2006 were lower than the previous year's level. Owing among others to the concurrently unfavorable cost situation, SZFG’s pre-tax profit remained below the record figure of the previous year’s period. It was, however, still an extremely good result.

Ilsenburger Grobblech GmbH (ILG) benefited from the great demand for quarto plate throughout the period under review. This trend was driven by the booming energy industry in particular and, in conjunction with this, by the robust tubes production business. As the shutdown of steel mills belonging to a number of European competitors, a measure necessary for operational reasons, led to a temporary shortage of supply in high-grade plate, the relatively high level of inventories in ordinary steel and higher imports from Eastern Europe and China did not cause a slowdown in orders booked. On the contrary, some customers were endeavoring to secure deliveries for the coming quarters. Against this backdrop, ILG was able to raise selling prices across almost all markets and products on a number of occasions over the course of the year, thus compensating for the increase in the cost of input materials. Order intake in the first nine months and the order level at the end of September were both significantly higher year on year. As ILG had already reached the limits of its production capacity in 2005, shipments and sales increased only marginally. Pre-tax profit remained almost exactly at the previous year's figure, thus reflecting the impact of the increase in the cost of raw materials. Overall, the business situation of ILG can be considered extremely satisfying.

The perceptible recovery in construction activities within the EU, especially in Germany, boosted demand for beams and sections. Beams were even in short supply on occasion, which was not necessarily in line with what could be expected after the long phase of recession in the building industry. **Peiner Träger GmbH** (PTG) raised new orders considerably, doubling its orders on hand. At the same time, shipment volumes and sales grew significantly. Several adjustments in basic prices and dimensioning related additional charges were accepted by customers. As a result, the pre-tax result rose sharply in a year-on-year comparison. However, the profit margin still remains below those of strip steel and heavy plate.

With a greater volume of shipments and firmer sales prices, **Salzgitter Bauelemente GmbH** also raised sales and earnings before tax as against the previous year's period owing to the recovery of the building sector. **HSP Hoesch Spundwand und Profil GmbH** also lifted sales and shipments as against the first nine months of 2005. The result was break even for the first time after a long time.

The good production figures of the automotive industry enabled **Salzgitter Europlatinen GmbH** to increase shipments and sales, thereby generating a higher contribution to profit as against the first three quarters of 2005.

In the first nine months of 2006, the **Steel Division** saw the shipments of rolled steel and processed products rise 13 % in comparison with the first three quarters of 2005. The Division's **total and external sales** advanced by almost 10 % respectively, as the average sales prices across all products were still significantly below the previous year's figures, especially in the first half year. Despite the lower average level of sales prices and higher purchasing costs, **pre-tax profit** was only around 9 % lower than the record result of the comparison period.

The Steel Division's consolidated **order intake**, which posted an increase of 30 % year on year, virtually repeated the record figure of the boom year of 2004. **Orders on hand** grew 36 %.

As per September 30, 2006, the **core workforce** of the Steel Division comprised 6,872 employees. Accordingly, there was a decline in the workforce of 162 as compared with December 12, 2005, and of 237 employees as against September 30, 2005. This decrease was due in the main to employees entering into the active phase of age-related part-time employment and thus switching to Salzgitter Service und Technik GmbH in the Services Division.

Tubes Division

		Q3 2006	Q3 2005	**9M 2006**	9M 2005
Order bookings	€ million	**703**	619	**1,659**	1,314
Order backlog as of 30/09/	€ million			**1,509**	1,168
Sales[1)]	€ million	**522.7**	488.5	**1,599.7**	1,437.3
External sales	€ million	**333.4**	334.1	**1,161.2**	1,039.0
Earnings before taxes (EBT)	€ million	**46.3**	58.5	**184.3**	240.6[2)]
Core workforce	as of 30/09/			**4,198**	4,259

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

[2)] In order to facilitate comparison, the special effect of € -24.4 million resulting from the sale of the V&M Tubes participation was restated to "Other/Consolidation"

The boom in the **international steel tubes business** remained unbroken in 2006. New pipeline projects, necessitated by the world's rising demand for energy, and the propagated replacement of existing pipelines triggered by the burst pipeline of Prudhoe Bay in Alaska ensured that orders placed with the manufacturers of large-diameter pipes remained exceptionally high. In addition, the robust business performance of the chemicals industry, mechanical engineering and the automotive sector provided significant impetus for the steel tubes market.

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All companies of the Tubes Division benefited from this positive environment in the first three quarters of 2006. Due to the still upward tending sales price trend, the increases of raw material, alloying agent and energy costs, which also affected the tubes business, were compensated. The individual business segments performed as follows:

In the **large-diameter tubes** segment the extremely robust energy sector had a particularly favorable impact in the period under review. Demand for pipeline tubes ensured a new record order intake by Europipe GmbH (EP) and Salzgitter Großrohre GmbH (SZGR), the two companies operating in this segment. Accordingly, in July, SZGR recorded the largest single order in the history of the company, which will secure a sound basic utilization right up until 2008. SZGR is to manufacture around 200,000 tons worth of large-diameter pipes for a US-based pipeline operator. Consequently, the orders on hand of both companies are at a very high level. However, a series of disruptions that occurred at Hüttenwerke Krupp Mannesmann GmbH (HKM), a producer of semis, caused temporary shortfalls in the supply of plate to EP. This situation was, for the most part, only resolved at the end of the third quarter. Shipment, sales and pre-tax profit of the product segment rose considerably as against the first nine months of 2005. In November, the first tube was rolled in Brazil at Tubos Soldados Antlântico (TSA), a 70 % participation of EP in the segment of spiral-welded large-diameter pipes. Furthermore, it was decided to construct another production site for high-quality spiral-welded pipes in the US. According to the present schedule, production should begin at that plant in early 2008. The activities of pipe coating company EUPEC, a subsidiary of EP, were concentrated at the main production facility of EP in Mülheim, Germany. The other EUPEC sites were sold.

In the first nine months of 2006, the shipment and sales of Mannesmann Fuchs Rohr GmbH, a company operating in the **medium-line pipes** segment, rose in a year-on year comparison. Profit before tax fell short of the previous year's outstanding result due to the higher cost of input materials, but were still satisfactory. Owing to the sizeable increase in order intake, orders on hand grew by almost 70 % in comparison with the first nine months of 2005.

MHP Mannesmann Präzisrohr GmbH and Mannesmann Robur B.V., producers of **precision tubes**, benefited from the upbeat economic situation in the automotive and mechanical engineering sectors. Both companies raised sales and pre-tax profit as against the already very satisfactory level of the previous year's period. The shipment volume remained stable. Order activity picked up considerably, orders on hand subsequently again reached the level of the previous year.

Despite the partly dramatic increases in the price of alloys, demand for **stainless tubes** was brisk in the period under review. Accordingly, Mannesmann DMV Stainless GmbH, which operates in this product segment, recorded a distinct improvement in order intake, orders on hand and shipments in comparison to the first nine months of 2005. Sales also rose. A temporary shift in production towards lower value-added products resulted in a decline in the result before tax, which was nonetheless still at a very presentable level.

Driven by the large-diameter pipes segment in particular, the **external sales** of the **Tubes Division** rose by € 122 million to € 1.16 billion in the first three quarters of 2006. **Total sales** even expanded by € 162 million to € 1.60 billion. This reflects the project based increment of tubes shipments conducted by Trading Division. The increased use of intra-group sales channels occurred especially in the third quarter.

Pre-tax profit stood at € 184.3 million, which was lower than the previous year's figure of € 240.6 million. The former, however, included contributions amounting to € 145.0 million from the operating business of the former associated Group participations Vallourec S.A. and Vallourec & Mannesmann (V&M) Tubes S.A. The corresponding contribution in 2006 amounted to € 73.0 million. In the third quarter of 2006, the at-equity contribution of Vallourec to the result was no longer included due to the sale of the Vallourec stake on August 8. The result of the division was additionally burdened by risk provisions amounting to € 26.1 million for the effects of the disruptions at HKM. Positive special effects of around € 16 million resulted from the sale of the plants belonging to the Eupec PipeCoatings Group and property. Adjusted for the operating result of Vallourec, the operating pre-tax profit of the Tubes Division came to € 111.3 million in the first nine months of 2006. In comparison with the adjusted previous year's figure of € 95.6 million, which excludes the contributions from V&M Tubes and Vallourec, there has been a sizeable increase of 16 % in the consolidated **operating pre-tax result** of the tubes companies.

Growth in **new orders** and **consolidated orders on hand** of the Tubes Division amounted to almost 30 % respectively as against the previous year's figures and was mainly attributable to EP and SZGR, manufacturers of large-diameter tubes, as well as Mannesmannröhren Mülheim GmbH, a producer of plate also operating in this segment.

As per September 30, 2006, the **core workforce** had declined by 61 employees as against September 30, 2005, and by 37 employees as compared with December 12, 2005, to 4,198 employees. The main reason for the change was the deconsolidation of Eupec PipeCoatings, France.

Trading Division

		Q3 2006	Q3 2005	**9M 2006**	9M 2005
Shipments	kt	**1,832**	1,370	**4,974**	4,335
Sales[1]	€ million	**1,264.4**	879.6	**3,247.9**	2,760.1
External Sales	€ million	**1,112.6**	833.9	**2,870.6**	2,465.4
Earnings before taxes (EBT)	€ million	**70.8**	15.8	**149.2**	59.9
Core workforce	as of 30/09/			**1,848**	1,723

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

In the first nine months of 2006, the robust constitution of the world economy provided notable impetus for international **steel trading**. The economic recovery, especially in Germany, created an exceptionally advantageous market environment for the European stockholding steel traders. Similarly, international steel trading enjoyed brisk business; at times there were even shortfalls in the supply of some products. As a result, price increases across the whole product range were asserted in the market. Only at the end of the third quarter demand for some products slowed owing to rising inventory levels. However, the inventories of steel traders for high-quality plate and sections remained below average.

This positive environment enabled the companies of the **Salzgitter Mannesmann Handel Group** to reach new record highs in shipments, sales and profit before tax in the first three months of 2006. Healthy demand meant that the companies in **stockholding trade** were able to pass on price hikes by steel manufacturers swiftly to their end customers. Moreover, as products were sold which had been procured at favorable buying prices, the pre-tax result rose sizeably in a year-on-year comparison, boosted by these positive storage effects. The companies with **international trading** belonging to **Salzgitter Mannesmann International GmbH** also benefited from the significant demand for flat steel and plate and expanded their sales volume in Europe. In the third quarter, the shipment of flat steel and tubes into the Near- and Middle East rose significantly. The export business to North and South America expanded, although some customers in North America were somewhat reticent in the third quarter owing to expectations of steel prices falling. Trading in tubes and the purchasing of input materials for the producing companies of the Salzgitter Group was stepped up again in comparison with the previous year's period and contributed to lifting profit.

The business of **Universal Eisen und Stahl GmbH**, a company trading in plate, ran an extremely pleasing course in the period under review: the trend of shipment and sales, resulting from the exceptional high demand for plate worldwide, was gratifying, and pre-tax profit almost doubled over the previous year's figure.

The two Steel-Service-Center **Hövelmann & Lueg GmbH** (HLG) and **Ets. Robert et Cie S.A.S.** also raised shipments and sales. The results remained stable as against the previous year's period, despite higher prices for input materials and longer-term supply contracts concluded during the previous year. **Flachform Stahl GmbH**, bought from Arcelor in July, was successfully integrated into HLG.

The **external sales** of the **Trading Division** grew in the first nine months of the financial year 2006, climbing 16 % to a new record high of € 2.87 billion. Owing to the excellent results of the Salzgitter Mannesmann Handel Group and Universal Eisen und Stahl GmbH, **pre-tax profit** advanced by a significant 149 % to € 149.2 million in the reporting period.

As per September 30, 2006, the **core workforce** of the Trading Division had risen by 114 employees and by 125 employees in comparison with September 30, 2005, to a total of 1,848 employees. The takeover of Flachform Stahl GmbH by HLG was the main reason for this change.

Services Division

		Q3 2006	Q3 2005	**9M 2006**	9M 2005
Sales[1]	€ million	**265.6**	199.3	**771.2**	627.5
External sales	€ million	**109.6**	78.6	**315.8**	239.8
Earnings before taxes (EBT)	€ million	**4.5**	2.0	**16.6**	5.7
Core workforce	as of 30/09/			**3,953**	3,965

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

The **Services Division** delivered a good performance in the first nine months of 2006. The upbeat economic environment and production expansion in the other divisions boosted demand for services, both by group companies and by parties outside the Group.

In the period under review, the **Salzgitter Mannesmann Forschung GmbH** (SZMF), in which nearly all **research and development activities of the Group** are concentrated, vigorously continued its projects to invent innovative steel grades and applications. Particularly noteworthy are the qualification of steel grades with a high manganese content in cooperation with the British Corus group as well as the conception of components by the applications engineering department of SZMF in light of the rising use of high tensile steel grades in the automotive industry.

Total division sales, which amounted to around € 770 million, were 23 % higher than in the first three quarters of 2005. A major part of this development was the role played by DEUMU GmbH, a raw materials company, which benefited from the increase in scrap prices and the generally high demand for industrial metals. In addition, Verkehrsbetriebe Peine-Salzgitter GmbH (VPS), Salzgitter Service und Technik GmbH, Salzgitter

Automotive Engineering GmbH & Co. KG (SZAE) and Hansaport Hafenbetriebsgesellschaft mbH expanded their activities considerably in comparison with the previous year's period. The **external sales** of the services business rose as much as 32 %, whereby the impact of DEUMU was again the determining factor. In addition, VPS contributed to this development thanks to the growth in regional traffic for external parties.

In comparison to the weak previous year's period, **profit before tax** tripled to very gratifying € 16.6 million. The main drivers of this improvement were DEUMU, Hansaport and SZAE. Although the latter was unable to reach breakeven, it nonetheless succeeded in paring down its pre-tax loss.

The **core workforce** of the Services Division fell by 12 persons to 3,953 employees as per September 30, 2006, as against September 30, 2005. This was mainly attributable to staff entering into part-time age-related employment. In comparison to December 12, 2005, the workforce rose by 35 employees, mainly due to taking on trainees and the assignment of Group employees to Salzgitter Service and Technik GmbH in conjunction with part-time service for older employees.

Outlook

The current general conditions and present business situation of the **Salzgitter Group** can be regarded as highly satisfactory. The performance of the **Steel Division** is set to stabilize at the level currently attained in the fourth quarter, secured by orders on hand, the resulting capacity utilization and the sales price increases asserted in recent months. From today's standpoint, the market situation at the start of next year will depend on the further development of the economy in Europe, on imports of rolled steel and the inventory levels of steel traders and consumers.

Against the backdrop of orders on hand which have risen further, the **Tubes Division** should be in a position to generate very gratifying results in the months ahead, as capacity utilization in some companies has been ensured until well into 2007. A sufficient supply of input materials will continue to play a major role.

In the coming months, the **Trading Division** is likely to maintain its current dynamics. Nonetheless, the winter months could have a curbing effect on stockholding traders in Germany and Europe. In addition, the possibility of a cooling US economy having an impact on the international steel markets cannot be entirely ruled out. Positive stimulus is, however, likely to emanate from the international project business in tubes and plate in the months ahead as well. By contrast, rising political tension, especially in the Middle East, may put a damper on international trading activities.

Not least owing to high capacity utilization levels of the production companies of the Group, the positive trend in the **Services Division** is likely to persist up until year-end and beyond.

On the basis of the information currently available and estimates concerning trends in the procurements and sales markets, as well as the general conditions, and taking account of the effects of the profit improvement program, the **Salzgitter Group's pre-tax operating profit is expected to reach approximately € 800 million in the current year**. **Including the profit** from the sale of the **Vallourec participation**, this would result in a **consolidated pre-tax profit of around € 1.7 billion**. Express reference is made to the fact that opportunities and risks arising from, for instance, currently unforeseeable developments in revenue, input material prices and capacity levels, as well as changes in the currency parity, may still affect performance in the course of the financial year 2006.

Management Report

Events of significance

On August 8, 2006, Salzgitter AG sold its 17.2 % stake in the share capital of **Vallourec S.A.** Of the roughly 9 million shares held up until then via Salzgitter Mannesmann GmbH, around 3 million were placed with institutional investors at market conditions in a so-called accelerated book-building procedure and approximately 3 million by way of a mandatory convertible bond, both through Deutsche Bank and Lehman Brothers. The mandatory convertible bond was issued by a special purpose company not associated with the Salzgitter Group. Another 3 million shares were acquired during the process of terminating the hedging transaction by the other partner contracting to this transaction. In relation to the issued mandatory convertible bond, the separate, tradable right of Salzgitter AG to participate from further share price increases of Vallourec was sold at market value in September following the respective advantageous share price development. Under IFRS, the special effects from the Vallourec-sale on the consolidated financial statements of the reporting period amount to: Income statement: € +907.0 million; Cash flow statement: € +1.22 billion.

The **EUPEC PipeCoatings GmbH**, a subsidiary of EUROPIPE GmbH, sold its 100 % shareholdings EUPEC PipeCoatings S.A., Gravelines, France, EUPEC PipelineServices GmbH, Mülheim a. d. Ruhr, EUPEC Pipeline Services International GmbH, Mülheim a. d. Ruhr, and EUPEC Pipeline Services España S.A., Madrid, Spain, in August 2006 to Indonesia-based Korindo. The successful partnership between EUROPIPE France and EUPEC France will continue. EUROPIPE and Korindo will furthermore investigate additional potential for cooperation on a global level. In addition, the 50 % shareholding of EUPEC PipeCoatings GmbH in EUPEC Brasil was sold to Shaw Cor in July of 2006.

On September 14, 2006, the sale of the 26 % stake in Peine-based **Burwitz Feuerungsbau GmbH** and their subsidiaries, which do not belong to the core business of Salzgitter AG, to Ratingen-based Beroa Technology Group GmbH was notarized. Upon the fulfillment of all postponing conditions, the closing date was set for mid-October.

The strategic room to maneuver of Salzgitter Group is currently used in smaller amounts for promising value increasing measures and investments which enhance efficiency, such as the construction of two new power generating units at the Salzgitter works. In addition, there are a number of **acquisition projects** in Germany and abroad that have been carefully reviewed in recent months. As yet, no conclusion is imminent; professionalism and confidentiality agreements with our partners in discussions do not permit us to release any details. The criteria for internal and external growth alike are that the enterprise value of the Group is raised on a long-term and sustainable basis.

Consolidated Balance Sheet

Assets in T€	30/09/2006	31/12/2005
Non-current assets		
Intangible assets		
Goodwill	1,224	1,224
Other intangible assets	19,110	22,184
	20,334	23,408
Property, plant and equipment	1,404,106	1,403,534
Financial assets	60,950	78,269
Associated companies	63,721	301,493
Deferred tax assets	61,587	88,712
Other receivables and other assets	3,141	4,008
	1,613,839	1,899,424
Current assets		
Inventories	1,548,166	1,439,009
Trade receivables	1,167,687	880,237
Other receivables and other assets	290,588	227,595
Income tax assets	28,314	82,373
Securities	25,001	0
Cash and cash equivalents	2,245,609	884,897
	5,305,365	3,514,111
	6,919,204	5,413,535

Equity and liabilities in T€	30/09/2006	31/12/2005
Equity		
Subscribed capital	161,615	161,615
Capital reserve	295,343	295,343
Retained earnings	2,950,523	1,641,221
Unappropriated retained earnings	50,275	64,500
	3,457,756	2,162,679
Treasury shares	-160,358	-160,283
	3,297,398	2,002,396
Minority interests	9,966	9,232
	3,307,364	2,011,628
Non-current liabilities		
Provisions for pensions and similar obligations	1,705,882	1,724,589
Deferred tax liabilities	40,980	40,338
Income tax liabilities	109,879	68,164
Other provisions	152,652	149,785
Financial liabilities	85,619	96,467
	2,095,012	2,079,343
Current liabilities		
Other provisions	274,577	231,744
Financial liabilities	130,177	132,759
Trade payables	614,519	510,362
Income tax liabilities	102,401	98,953
Other liabilities	395,154	348,746
	1,516,828	1,322,564
	6,919,204	5,413,535

Consolidated Income Statement

in T€	3rd Quarter 2006	3rd Quarter 2005	9 Months 2006	9 Months 2005
Sales	**2,173,373**	1,747,423	**6,207,499**	5,378,441
Increase or decrease in finished goods and work in process and other own work capitalized	**54,165**	-106,682	**14,395**	125,212
	2,227,538	1,640,741	**6,221,894**	5,503,653
Other operating earnings	**1,103,606**	20,699	**1,203,768**	87,357
Cost of materials	**1,532,893**	1,112,123	**4,220,085**	3,681,774
Personnel expenses	**256,639**	238,327	**736,080**	716,624
Amortization and depreciation	**47,840**	49,245	**146,802**	149,101
Other operating expenses	**118,512**	139,037	**794,634**	537,866
Income from shareholdings	**249**	242	**1,458**	2,964
Income from associated companies	**521**	27,913	**74,258**	145,834
Write-downs on financial assets	**8**	0	**200**	0
Financing income	**17,850**	6,129	**37,237**	16,537
Financing expenses	**24,195**	25,206	**72,353**	75,781
Earnings before tax (EBT)	**1,369,677**	131,786	**1,568,461**	595,199
Income taxes	**151,291**	-93,211	**220,038**	33,027
Other taxes		1,385		5,826
Consolidated net income	**1,218,386**	223,612	**1,348,423**	556,346

Application of profits in T€				
Consolidated net income			**1,348,423**	556,346
Profit carried forward from previous year			**64,500**	26,400
Minority interest			**2,194**	598
Dividend payment			**56,897**	24,798
Appropriation to other retained earnings			**-1,303,557**	-529,350
Unappropriated retained earnings			**50,275**	28,000

Undiluted earnings per share (in €)			**23.66**	9.28
Diluted earnings per share (in €)			**23.66**	9.28

Cash Flow Statement

in T€	9 Months 2006	9 Months 2005
Earnings before tax (EBT)	**1,568,461**	595,199
Deprecreciation, write-downs (+)/write-ups (-) on fixed assets	**146,001**	149,101
Paid income taxes	**-97,793**	-82,414
Other non-payment-related expenses (+)/income (-)	**-664**	-37,040
Interest expenses	**72,353**	75,781
Increase (-)/decrease (+) from the disposal of fixed assets	**-930,342**	24,125
Increase (-)/decrease (+) in inventories	**-110,251**	-235,648
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	**-230,005**	-60,455
Payment-related use of provisions	**-214,553**	-195,560
Increase (-)/decrease (+) in trade payables and other liabilities not attributable to investment or financing activities	**137,032**	84,595
Cash flow from operating activities	**340,239**	317,684
Cash inflow from the disposal of tangible and intangible non-current assets	**10,168**	4,376
Cash outflow from investments in tangible and intangible non-current assets	**-150,244**	-139,926
Cash outflow for short-term loans against borrower´s notes/bonds		
Cash inflow from the disposal of financial assets	**1,242,712**	550,243
Cash outflow from investments in financial assets	**-10,460**	-72,302
Cash flow from investment activities	**1,092,176**	342,391
Cash inflow (+)/outflow (-) as a result of sale and repurchase of own shares	**-75**	-131,332
Dividend payments	**-56,897**	-24,798
Cash inflow (+)/outflow (-) as a result of the issue of bonds, take-up of loans and other financial liabilites	**-4,356**	-6,300
Cash outflow relating to short-term financial investments	**0**	-246,000
Interest paid	**-10,375**	-15,796
Cash flow from financing activities	**-71,703**	-424,226
Cash and cash equivalents at the beginning of the period	**884,897**	245,871
Change in cash and cash equivalents	**1,360,712**	235,849
Cash and cash equivalents at the end of the period	**2,245,609**	481,720

Statement of Changes in Equity

in T€	Subscribed capital	Capital reserve	Purchase/ Repurchase of own shares	Other retained earnings	Reserve from currency translation
Status January 1, 2005	**160,899**	**292,670**	**-9,453**	**1,021,209**	**-144,393**
Net income					
Dividend					
Exercise of warrant-linked bonds	716	2,673			
Disposal of own shares			1,573		
Repurchase of own shares			-132,905		
Currency translation					120,340
Change in value pursuant to IAS 39					
Change in value from hedging transactions					
Group transfers to retained earnings				529,350	
Deferred taxes on changes without effect on income					
Other				-2,209	
Status September 30, 2005	**161,615**	**295,343**	**-140,785**	**1,548,350**	**-24,053**
Status December 31, 2005	**161,615**	**295,343**	**-160,283**	**1,819,755**	**-19,571**
Net income					
Dividend					
Disposal of own shares			59		
Repurchase of own shares			-134		
Currency translations					11,608
Change in value pursuant to IAS 39					
Group transfers to retained earnings				1,303,557	
Deferred taxes on changes without effect on income					
Other				-3,796	
Status September 30, 2006	**161,615**	**295,343**	**-160,358**	**3,119,516**	**-7,963**

Statement of Changes in Equity

Valuation reserve IAS 39 from hedging transactions	Valuation reserve IAS 39 from available for sale	Other equity changes without effect on income	Consolidated net income	Equity (excl. minority interests)	Minority interests	Equity
-4,428	**5,963**	**-74,536**	**26,400**	**1,274,331**	**11,819**	**1,286,150**
			555,748	555,748	598	556,346
			-24,798	-24,798	-2,315	-27,113
				3,389		3,389
				1,573		1,573
				-132,905		-132,905
				120,340		120,340
	-2,410			-2,410		-2,410
11,104				11,104		11,104
			-529,350	0		0
		-15,450		-15,450		-15,450
		1,430		-779	-96	-875
6,676	**3,553**	**-88,556**	**28,000**	**1,790,143**	**10,006**	**1,800,149**
1,948	**7,332**	**-168,243**	**64,500**	**2,002,396**	**9,232**	**2,011,628**
			1,346,229	1,346,229	2,194	1,348,423
			-56,897	-56,897	-1,212	-58,109
				59		59
				-134		-134
				11,608		11,608
4,192	-4,017			175		175
			-1,303,557	0		0
		-870		-870		-870
		-1,372		-5,168	-248	-5,416
6,140	**3,315**	**-170,485**	**50,275**	**3,297,398**	**9,966**	**3,307,364**

Statement of Income and Accumulated Earnings

in T€	3rd Quarter 2006	3rd Quarter 2005	9 Months 2006	9 Months 2005
Changes recorded directly under equity				
Changes resulting from currency translation	**10,373**	12,661	**11,608**	120,340
Changes in the value of the reserve from hedging transactions				
Changes in current value reported immediately in equity	**5,191**	7,539	**10,568**	2,218
Realization of settled hedging instruments with effect on income	**0**	0	**-6,376**	8,886
Changes in the value of financial assets in the available-for-sale assets category				
Changes in current value reported directly under equity	**1,201**	785	**-465**	93
Realization of settled hedging instruments with effect on income	**-156**	-146	**-3,552**	-2,503
Deferred taxes on changes without effect on income	**-666**	-15,777	**-870**	-15,450
Other changes without effect on income	**-2,156**	-2,032	**-1,372**	1,430
	13,787	3,030	**9,541**	115,014
Consolidated net income for the period	**1,218,386**	223,612	**1,348,423**	556,346
Total profit pursuant to IAS 1.97 in conjunction with IAS 19.93B	**1,232,173**	226,642	**1,357,964**	671,360
Total profit due to Salzgitter AG shareholders	**1,231,547**	226,576	**1,355,770**	670,762
Total profit due to minority interests	**626**	66	**2,194**	598
	1,232,173	226,642	**1,357,964**	671,360

Selected Notes to the Consolidated Financial Statements

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, 2006, 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, 2005, the following changes have been made in the accounting, valuation, calculation and consolidated methods in the interim financial statements for the period ended September 30, 2006:
   - The Eupec PipeCoatings S.A., Joeuf (France), which so far has been included proportionately (50 %), has been excluded from the group of consolidated companies. Mannesmann DMV Stainless, Mülheim an der Ruhr, and Flachform Stahl GmbH, Schwerte, have been included in the group of consolidated companies for the first time. The company DMV Stainless France S.A., Montbard (France) was merged into the company DMV Stainless S.A.S., Montbard (France). This company was renamed into Mannesmann DMV Stainless S.A.S. Furthermore, the companies Röhrenwerk Gebr. Fuchs GmbH, Siegen, and Mannesmann Line Pipe GmbH, Hamm, were merged and now operate under the name Mannesmann Fuchs Rohr GmbH, Siegen. The shareholding in Vallourec S.A., which had been valued 'at equity', was sold.
   - Since January 1, 2006, “Other taxes” are reported in the position “Other operating expenses”. Due to the marginal effect on the income statement, an adjustment of the reference period figures has been omitted.
   - Basis for the calculation of the Cash Flow Statement is no longer “Consolidated net income” but “Earnings before tax”. Income taxes paid are reported separately.

Selected explanatory notes on the income statement

1. Sales by division are shown in the respective section. In contrast to the quarterly financial statements as at September 30, 2006, ”Other/Consolidation” now contains aside from Salzgitter AG the Salzgitter Mannesmann GmbH (SMG), which hitherto had been assigned to the Tubes Division. SMG has long-term contracts governing prematerial supplies to enterprises outside the group of consolidated companies. This explains the recording of sales in the position. Due to the marginal effect, an adjustment of the reference period figures has been omitted.

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 **€ 23.66** 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 September 30, 2006. Therefore, **diluted earnings per share** equaled undiluted earnings per share and amounted to **€ 23.66**.

Treasury shares

Salzgitter AG’s portfolio of treasury shares comprised 6,321,436 units as per September 30, 2006. In comparison with the portfolio status as per December 31, 2005 (6,321,528 units), the number of shares had decreased by 92. In line with the authorization given by General Meeting of Shareholders held on May 26, 2005, 598 shares at an average price of € 61.70 were used in lieu of payment for the services of third parties during the reporting period. 101 shares were issued to members of the workforce for free or as a bonus. In addition, 607 shares were purchased at an average price of € 58.89.

Investor Relations

Capital market and the performance of the Salzgitter stock

The **stock markets** were in a very volatile condition during the first nine months of the year 2006. Whereas the trend at the start of the year was upbeat, fueled by positive economic data, concerns about the economic trend in the USA as from mid-May triggered a substantial consolidation which persisted until well into July, and more or less wiped out all gains on the indices. Subsequently, the markets regained their fundamentally positive sentiment. All in all, the DAX rose 11 % against year-end 2005, whereas the MDAX climbed by 17 %.

In the reporting period, the **Salzgitter share** was able to repeat its above-average performance of the last two years despite the not always favorable market environment. Buoyed by the robust constitution of the steel sector, the share price rose strongly well into May to reach new highs. The consolidation which followed was caused by market influences and only came to an end at the start of August. The capital market's very positive response to sale of the Vallourec participation on August 8, the release of the half-yearly figures, and the upward revision of the forecast for the current financial year combined to support an unbroken uptrend. On September 6, the share price of Salzgitter AG peaked at a new, all-time high of € 75.15. At the close of the third quarter, on September 29, the Salzgitter share stood at € 74.11. The overall performance in 2006 up until September 30, came to 62 %; taking into consideration the stock price reduction of € 1.00 on ex dividend date following the General Meeting of Shareholders on June 8, it amounts to 65 %.

The **average daily turnover** of the Salzgitter share on German stock exchanges climbed 26 % to around 540,000 units in the first nine months of 2006 in a year-on-year comparison. In terms of trading volumes over the last 12 months, Salzgitter AG ranks third in the current MDAX ranking list of the Deutsche Börse AG. With a **free float market capitalization** of € 2.95 billion on September 30, 2006, Salzgitter AG came seventh in the same set of statistics.

As part of its **capital market communication** activities, Salzgitter AG has given presentations at six investor conferences as well as at road shows in Germany, Great Britain, Austria, Switzerland and the USA since the start of the year 2006. In addition, investors and financial analysts visited the plants of the Group in Salzgitter and Mülheim. The results of the first half of 2006 were presented and intensively discussed after the release of the Interim Report in August at an extremely well attended analysts' conference in Frankfurt and on the occasion of a telephone conference.

Since the start of the financial year, a total of 140 company reports and recommendations on the Salzgitter share have been published by 36 banks and financial publications with the following current **ratings** (status as per September 30, 2006): 23 buy/outperform, 9 hold/neutral, 4 sell/underperform.

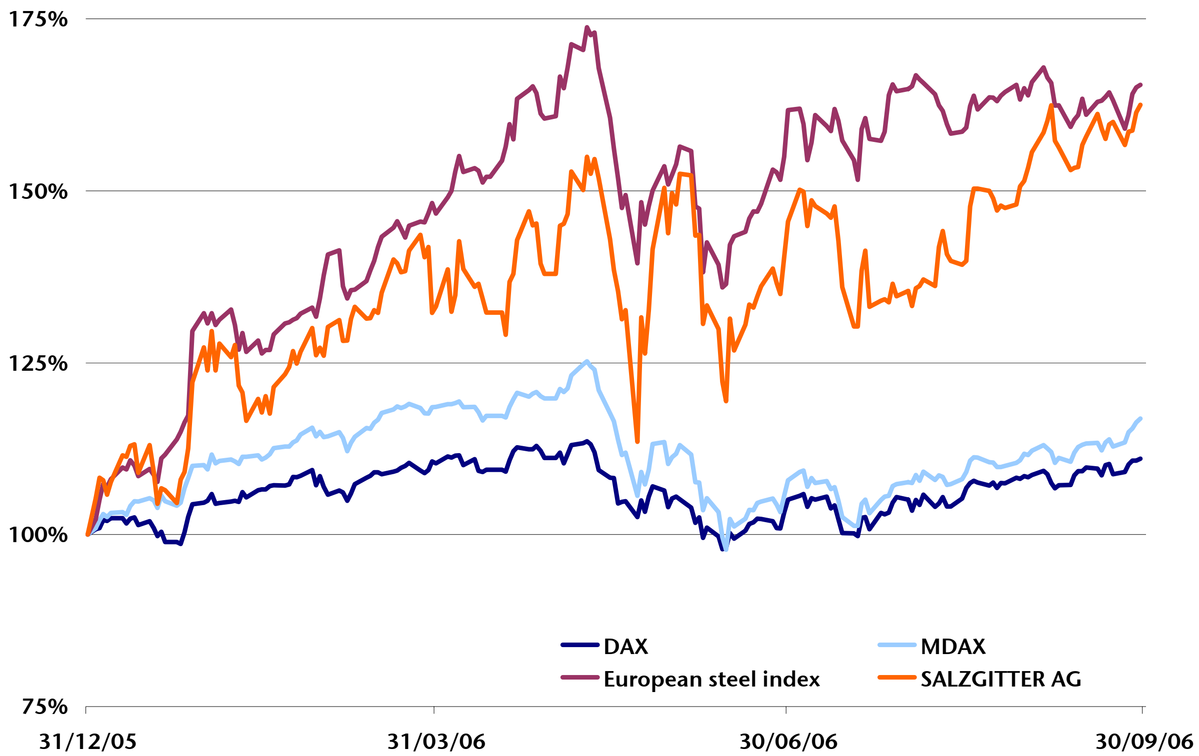
Information for investors

		9M 2006	9M 2005
Nominal capital as of 30/09	€ million	**161.6**	161.4
Number of shares as of 30/09	million	**63.2**	63.2
Number of shares outstanding as of 30/09	million	**56.9**	63.2
Market capitalization as of 30/09[1)2)]	€ million	**4,216.6**	2,603.3
Price as of 30/09[1)]	€	**74.11**	41.18
High 01/01/ - 30/09/[1)]	€	**75.15**	42.20
Low 01/01/ - 30/09/[1)]	€	**45.21**	14.17
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 as of 30/09

Performance of Salzgitter AG vs. European steel index, DAX and MDAX



Sources: Xetra closing prices DBAG, Datastream STEELEU

Financial calendar

December 31, 2006	End of financial year 2006
March 08, 2007	Key data for financial year 2006
March 28, 2007	Annual press conference
March 29, 2007	Analyst conference in Frankfurt/Main
March 30, 2007	Analyst conference in London
May 15, 2007	Interim report for the first quarter 2007
May 23, 2007	Ordinary Shareholders' Meeting
August 09, 2007	Interim report for the first half 2007
August 09, 2007	Analyst conference in Frankfurt/Main
August 10, 2007	Analyst conference in London
November 14, 2007	Interim report for the first nine months 2007
December 31, 2007	End of financial year 2007

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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