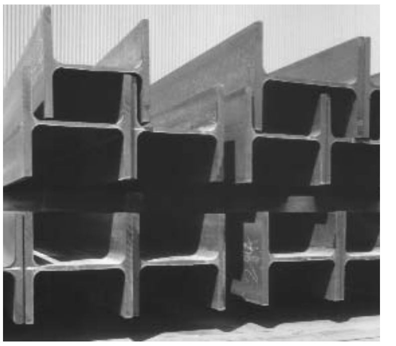
Interim Report | 1st Half 2007



SALZGITTER AG
Stahl und Technologie

Salzgitter Group in Figures

		1st Half 2007	1st Half 2006	Δ
Sales (consolidated)	**€ million**	**4,723**	**4,034**	**17 %**
Steel Division	€ million	1,464	1,199	22 %
Tubes Division	€ million	884	828	7 %
Trading Division	€ million	2,046	1,758	16 %
Services Division	€ million	263	206	27 %
Other/Consolidation	€ million	66	43	51 %
of which flat rolled products	€ million	1,862	1,869	0 %
of which sections	€ million	693	491	41 %
of which tubes	€ million	1,297	1,129	15 %
of which export share	%	49	55	-11 %
EBT from operations (before special items)	**€ million**	**664**	**438**	**52 %**
Earnings before tax (EBT)	**€ million**	**664**	**199**	**234 %**
Net income	**€ million**	**399**	**130**	**207 %**
Balance sheet total	**€ million**	**7,472**	**5,912**	**26 %**
Fixed assets	**€ million**	**1,712**	**1,957**	**-13 %**
Current assets	**€ million**	**5,760**	**3,955**	**46 %**
Inventories	€ million	1,788	1,453	23 %
Equity	**€ million**	**3,752**	**2,070**	**81 %**
Liabilities	**€ million**	**3,720**	**3,842**	**-3 %**
Non-current liabilities	€ million	2,173	2,059	6 %
Current liabilities	€ million	1,546	1,783	-13 %
of which due to banks	€ million	95	214	-56 %
Capital expenditure[1)]	**€ million**	**143**	**87**	**65 %**
Depreciation and amortization[1)]	**€ million**	**103**	**99**	**4 %**
Employees				
Personnel expenses	€ million	514	479	7 %
Period-average core workforce		17,062	16,970	1 %
Period-average total workforce		18,392	18,281	1 %
Crude steel production[2)]	**kt**	**3,580**	**3,687**	**-3 %**
Key figures				
Earnings before interest and tax (EBIT)[3)]	€ million	686	212	224 %
EBIT before depreciation and amortization (EBITDA)	€ million	789	311	154 %
Earnings per share (undiluted)	€	6.94	2.27	206 %
Return on capital emplyed (ROCE)[4) 5)]	%	31.4	16.6	
Operating cash flow	€ million	69	-8	

Disclosure of financial data in compliance with IFRS

1) Excluding financial assets

2) In regard of the participations in Hüttenwerke Krupp Mannesmann (and Vallourec in 2006)

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

Excellent performance in the first half of 2007, with new records set for sales and profit

Stable economic growth, particularly in Germany but also in the rest of Europe and many parts of the world, ensured extremely positive conditions for rolled steel and tubes products also in the second quarter of 2007. Against this background, the **Salzgitter Group** exceeded the record levels it has set to date for sales and operating profit in a half-year. All divisions, especially Steel and Trading, raised their sales contributions, and the pre-tax result, fully generated through operations, was considerably higher than the previous year's figure. The Steel Division was the mainstay of earnings, followed by the Tubes and Trading divisions.

Price hikes in the spot market business and for annual contracts, combined with record sales, led to a significant increase in the external sales of the **Steel Division**. Given the outstanding performance of the product segments, the pre-tax profit of the Steel Division clearly exceeded the previous year's figure and set an all-time high for the producing steel activities of the Salzgitter Group.

The favorable conditions affecting the **Tubes Division** as well are reflected by the exceptionally good course of business. Despite the shipment volumes which, owing to projects and the reporting date, were somewhat lower, the external sales of the Tubes Division rose due to firmer selling prices. Profit before tax of the consolidated tubes companies doubled in a year-on-year comparison.

The **Trading Division** also benefited from the flourishing economy. Buoyed by the robust performance delivered by International Trading and the excellent domestic business of the steel stockholding companies, the Division's external sales rose notably. This division's pre-tax profit also reached a new all-time high.

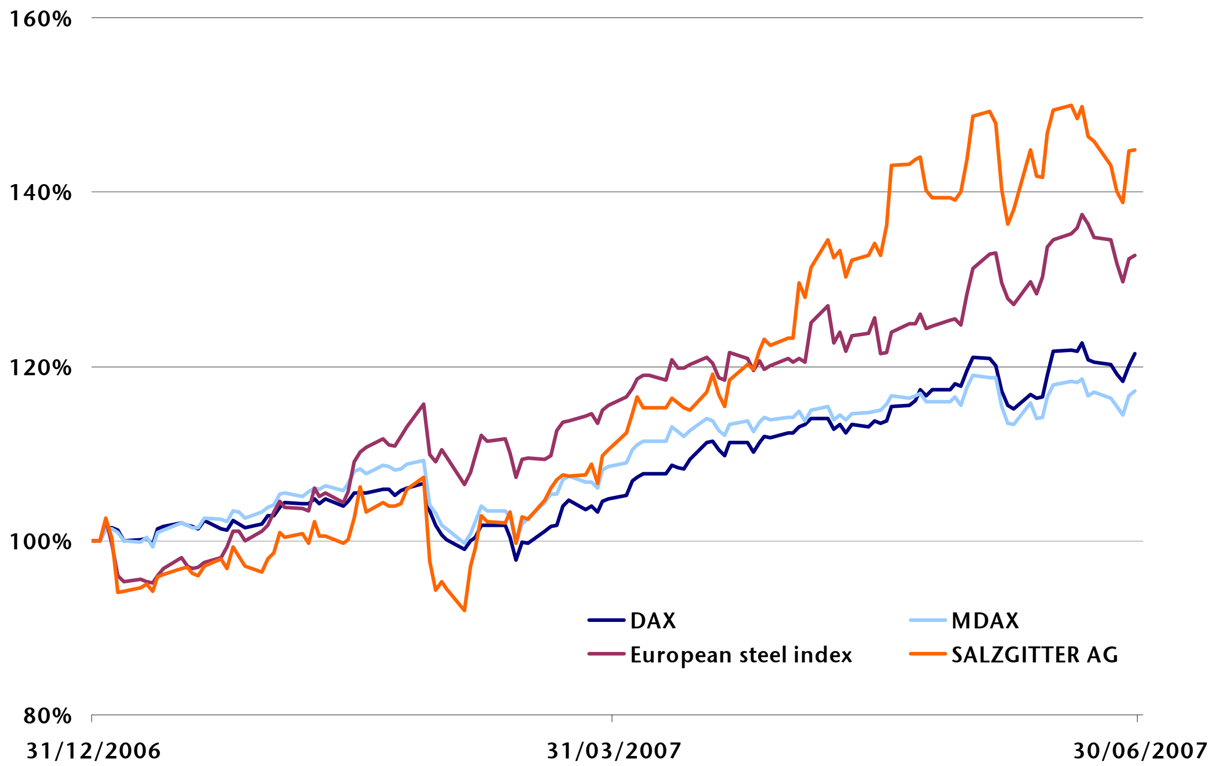
Owing to the brisk demand for services by the producing companies of the Group and external customers, the **Services Division** improved its total and external sales and its profit before tax in the first six months of 2007.

In the **Others/Consolidation** segment, external sales, which are based on business in semi-finished products with external parties, grew in the first six months of 2007 as against the previous year's period. Successful asset management and interest income on a considerably higher volume of investments led to a clearly positive profit contribution before tax.

Forecast: As before, the current general conditions for the companies of the Salzgitter Group can be considered excellent. Accordingly, if the healthy economy in Germany and Europe persists, the business activities of the Group should remain at their current level. All in all, on the basis of current information and in view of expectations of the development of the procurement and sales markets, as well as of the general conditions, and taking account of the effects of the Profit Improvement Program, we expect the **Salzgitter Group** to generate an **operating EBT** which **clearly exceeds the one billion euro threshold in the current year**. Express reference is made to the fact that opportunities and risks arising from currently unforeseeable trends in sales prices, input materials and capacity level developments, as well as changes in the currency parity, may considerably affect performance in the course of the remaining financial year 2007. The resulting fluctuation in the consolidated pre-tax result may, as experience has shown, be within a considerable range. In view of the persisting outstanding performance in the past years, also in a sector-specific comparison, the Management Board of Salzgitter AG has decided to raise the return target over the average of the steel cycle to a ROCE (return on capital employed) of 15 %. At the same time, the medium-term target for consolidated Group sales has been set to a range from € 13 to 15 billion.

Investor Relations

Capital market and the performance of the Salzgitter stock



Sources: Xetra closing prices DBAG, Datastream STEELEU

The first half of 2007 saw the **stock markets** in an uptrend, characterized by high volatility. The temporary tumbling of share prices on overheated Chinese stock exchanges, accompanied by increasing uncertainty about the robustness of the American economy, triggered partly strong corrections which were nonetheless swiftly compensated. In the course of the second quarter, the DAX moved close to its all-time high of 2000 and, with a growth rate of 21 %, even succeeded in outperforming the MDAX (+17 %) in the first six months of 2007 for the first time in a while.

In the reporting period, the **Salzgitter share** also recorded a generally steady increase which was interrupted only temporarily by short-lived consolidation movements. Starting from a share price quoted at € 99.05 at year-end 2006, the share grew, initially tracking the overall market. The end of February marked the first and, to date, most powerful price correction on the global share markets. The results of the financial year 2006, published on March 8, 2007, outperforming expectations, and the release of the news of the acquisition of a 78 %-stake in Klöckner-Werke AG on the same day, caused the share price to rally notably on a sustained basis and resume its uptrend. On March 18, the share price reached a new all-time high of € 152.18 in XETRA trading. At mid-year there was another series of market consolidations which also affected the Salzgitter share. With a closing price of € 143.49 on June 30, 2007, the Salzgitter share recorded a gain in value of 45 % and, taking account of a dividend deduction of two euros after the Annual Shareholders' Meeting on May 23, 2005, came to as much as 47 %. The Salzgitter share thereby once again significantly outperformed the DAX, MDAX and the European steel index.

Although, in the period under review, the **average daily turnover** of the Salzgitter share on German stock exchanges, which came to 450,000, was below the exceptional levels of the year-earlier period, turnover was still at a very high level. As per June 30, 2007, **free float market capitalization** came to just under six billion euros.

This puts the Salzgitter Group among Germany's 30 largest stock corporations in this criterion. Based on trading volume, the Salzgitter share took third place in the current MDAX ranking list of Deutsche Börse AG, and the company ranked second in terms of market capitalization.

Since the start of 2007, Salzgitter AG has presented itself at two investor conferences in Frankfurt and at road shows in London and Frankfurt as part of its **capital market communication**. In addition, a number of analysts and investors visited the plants in Salzgitter and Mülheim. Furthermore, the capital market communication of Salzgitter AG was awarded two prizes as part of two surveys conducted on financial analysts and institutional investors. The company came second in the MDAX category of the Investor Relations Prize 2007 sponsored by the magazine Capital and the DVFA, the German association for financial analysis and asset management, and third in the German Investor Relations Prize 2007 of Thomson, the world’s largest supplier of financial information, in cooperation with DIRK, the German investor relations association.

Since the beginning of the financial year, a total of 108 company reports and recommendations on the Salzgitter share have been published by 31 banks along with financial publications with the following current **ratings** (as per June 30, 2007): 20 buy/outperform, 7 hold/neutral, 4 sell/underperform.

Treasury shares

As per June 30, 2007, Salzgitter AG held **6,126,746 treasury shares**. In comparison with the status as of December 31, 2006 (6,321,277 units), the number of shares had decreased by 194,531 units. All in all, 710,159 shares were dispensed during the period under review and used for the following purposes: 124 shares at an average price of € 103.36 in lieu of payment for the services of third parties, 379,827 units in the first quarter of 2007 for 2,000,000 shares of Klöckner-Werke AG and 900,000 shares of RSE Grundbesitz und Beteiligungs-AG, 330,050 shares at an average price of € 95,44 to win new shareholders, as well as 158 shares for free or as a bonus to members of the workforce. By reverse and in accordance with the authorization given by the General Meeting of Shareholders held on June 8, 2006, a total of 515,628 shares were purchased predominantly in the second quarter of 2007 at an average price of € 116.12. (See also the chapter Events of Significance for more information on the purchase of the participations in Klöckner-Werke and RSE.)

Information for investors

		H1 2007	H1 2006
Nominal capital as of 30/06/	€ million	161.6	161.6
Number of shares as of 30/06/	million	63.2	63.2
Number of shares outstanding as of 30/06/	million	57.1	56.9
Market capitalization as of 30/06/[1)2)]	€ million	8,192	3,776
Price as of 30/06/[1)]	**€**	**143.49**	**66.37**
High 01/01/ - 30/06/[1)]	€	152.18	72.85
Low 01/01/ - 30/06/[1)]	€	88.13	45.21
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

In the first half of 2007, the **global economy** continued to expand swiftly. Europe and Asia contributed in particular to this development. Despite the attempts of the government to dampen developments, the Chinese economy recorded a double-digit growth rate, and India and Russia continued to prosper. The US economy was unable to repeat the high growth rates of past years but its constitution was still stable despite slacker consumption due to the real estate crisis. The International Monetary Fund currently anticipates that global growth in 2007 will come to 5.2 %.

In the period under review, the **euro-zone** economy was also very upbeat. Driven by the demand for capital and consumer goods, economic activity accelerated in the second quarter, with private consumption recovering, above all in Germany. The business climate stabilized at a high level. At present, many EU countries are using the favorable framework conditions to consolidate their budgets or to pursue a more expansive fiscal policy. This development caused the last growth forecasts for the year 2007 to be revised upwards to 3.0 %.

The upswing in **Germany** held steady in the first half year of 2007 as well. The main drivers of this growth were initially the demand for capital goods and foreign trade. The construction industry continues its gratifying recovery, and mechanical engineering recorded the strongest phase of employment for forty years. The automotive sector also proved to be extremely robust, driven by exports. With the value added tax hike, introduced on January 1, losing its dampening effect, private consumption started to gain momentum again only in the second quarter. For the financial year 2007 as a whole, the research institutes set growth at around 2.8 %. After the reporting date, some critical studies were published which suggest that the cycle of the current growth phase may have possibly peaked.

Earnings situation within the Group

		Q2 2007	Q2 2006	H1 2007	H1 2006
Crude steel production[1]	kt	1,832	1,865	3,580	3,687
External sales	**€ million**	**2,342**	**2,051**	**4,723**	**4,034**
EBITDA[2]	€ million	408.6	205.1	789.5	311.0
EBIT[2]	€ million	355.5	155.5	686.3	211.9
EBT from operations (before special items)	**€ million**	**338.1**	**239.0**	**663.6**	**437.9**
Earnings before tax (EBT)	**€ million**	**338.1**	**148.6**	**663.6**	**198.8**
Net income	**€ million**	**202.1**	**94.4**	**398.7**	**130.0**
ROCE[3) 4)]	**%**	**32.5**	**24.4**	**31.4**	**16.6**
Capital expenditures[5]	€ million	83.8	51.9	142.8	86.5
Depreciation and amortization[5]	€ million	53.1	49.4	103.2	99.0
Operating cash flow	€ million	48.4	105.3	68.7	-7.9
Net position to banks[6]	**€ million**			**2,063**	**907**
Equity ratio	%			50.2	35.0

1) Calculated on the basis of the shareholdings in Huettenwerke Krupp Mannesmann (and Vallourec in 2006)

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

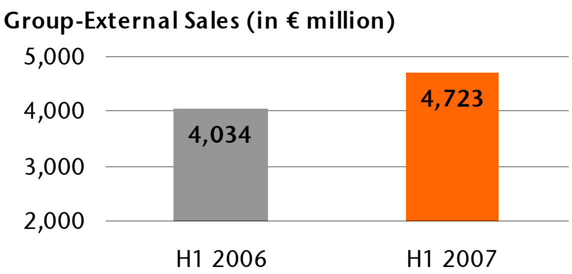
5) Excluding financial assets

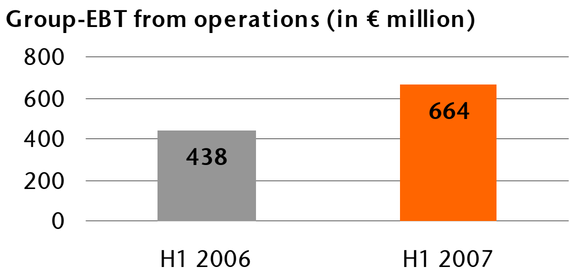
6) Including securities and structured investments

Stable economic growth, particularly in Germany but also in the rest of Europe and many parts of the world, ensured extremely positive conditions for rolled steel and tubes products also in the second quarter of 2007. Against this background, the Salzgitter Group exceeded the record levels it has set to date for sales and operating profit in a half-year.

The growth of 17 % to EUR 4.72 billion in the consolidated **external sales** of the Salzgitter Group reflects the exceptionally good situation. All divisions, especially Steel and Trading, raised their contributions to sales.

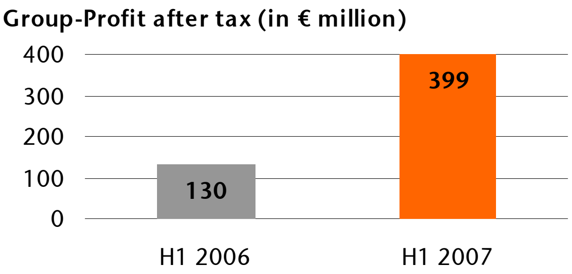
Profit before tax of € 663.6 million, generated solely through operations, was considerably higher than the previous year's figure (first half of 2006: operating EBT of € 437.9 million; EBT of € 198.8 million, including price hedging measures). On a quarterly basis and net of special effects, the second quarter of 2007 posted a new record of € 338.1 million in profit before tax for a three-month period. The Steel Division was the mainstay of earnings and contributed 57 %, ahead of the Tubes Division (21 %) and the Trading Division (18 %).

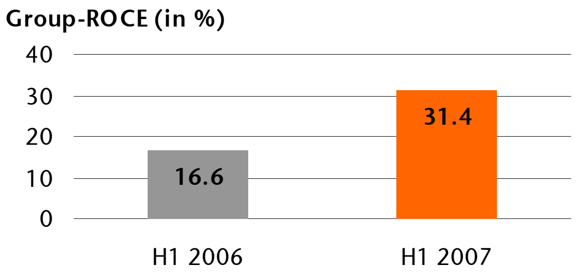




Interim Management Report

After-tax profit in the first half of 2007 came to € 398.7 million, and **earnings per share** stood at € 6.94. Return on capital employed (**ROCE**) posted 31.4 %.





Steel Division

		Q2 2007	Q2 2006	H1 2007	H1 2006
Order bookings	kt	1,359	1,407	2,832	3,097
Order backlog as of 30/06/	kt			1,200	1,291
Crude steel production	kt	1,438	1,389	2,762	2,810
LD steel (SZFG)	kt	1,159	1,125	2,213	2,308
Electric steel (PTG)	kt	279	264	549	502
Rolled steel production	kt	1,461	1,397	2,872	2,786
Shipments	**kt**	**1,447**	**1,370**	**2,901**	**2,822**
Sales[1)]	€ million	1,040	818	2,048	1,654
External sales	**€ million**	**741**	**592**	**1,464**	**1,199**
Earnings before tax (EBT)	**€ million**	**195.8**	**99.2**	**377.3**	**203.6**

[1)] Incl. sales to other corporate divisions

The advantageous economic environment in the first half of 2007 in many regions of the world resulted in the **demand** for steel products running at a high and stable level. Above all, European steel manufacturers continued to perform way above average, as in the preceding quarters. Only in the USA the overall steel business was in decline owing to the lower level of construction activity and a slowdown of economic growth.

Boosted by strong domestic demand, the EU **selling price level** for steel products throughout the reporting period remained at a top level when compared internationally. In combination with the dollar weakening against the euro, the attractiveness of the European market for imports from countries outside the EU grew by definition. The announcement of the Chinese government in May to raise export tax with immediate effect for a large number of steel products, particularly in view of the fact that, prior to this point, exports had even been subsidized, is likely to filter through only slowly in terms of its impact on the international flow of goods.

As, therefore, steel imports from non-member states into the EU stood at a very high level in the first half-year, **inventories** held by domestic steel stock stockholders continued to build over the second quarter. Lead times to replenish did not, however, rise by the same amount due to the sharp increase in steel consumption. Accordingly, inventories did not reach a critical level by the end of the first half-year for the bulk of steel products. Only in the case of some products, such as hot-dipped galvanized strip steel and beams in the lower product dimension segment, were there signs of market saturation and thus surplus inventories. By contrast, there was a marked scarcity of heavy beams and high-quality plate in the reporting period.

In the course of the first half-year, some **raw material prices** rose again. Another increase in the price of iron ore was fixed upon conclusion of lead negotiation agreements in January; on a US dollar basis customary in the global market, there were price hikes of between 7 % and 10 % free shipping port depending on the type and provenance. By contrast, the price of coking coal fell by 16 % in the new coal year as from April 2007. As against the start of the year, the freight rates for the shipping of iron ore and coal rose by more than 40 % versus the year end 2006 due to the extremely high demand for cargo hold and problems in the lading ports. During the first quarter, scrap prices again reached a level of over € 230 per ton and then trended sideways, resulting in overall cost of raw materials climbing again. The advantageous trend in the dollar was also not able to compensate for this development.

Production of **Salzgitter Flachstahl GmbH** (SZFG) also remained at a consistently high level in the first six months of 2007. The scheduled four-week shutdown of the Blast Furnace B in March for scheduled maintenance work on the top part of the lining of the furnace caused a marginal decline in the production of crude and rolled steel production and also of shipments in a year-on-year comparison. Although aggregated order intake and orders in hand of SZFG were below the record figures of the first quarter of 2006, they nonetheless remained at a very satisfactory level. Against the background of positive and stable demand and an upward trend for sales prices, significant price increases were implemented at the start of the year for the annual contracts, for instance with the automotive industry. In the first quarter of the year, the short-term business also recorded a slight rise in selling prices which was then followed by a significant increase in the second quarter. The higher costs of raw materials, scrap, incoming freight and zinc, above all, which in parts had placed a burden on results already in 2006, were thereby compensated for. The sales of SZFG were 14 % above the previous year’s figure, earnings before tax of 60 % were even higher, but the record figure of 2005 was not repeated.

The very gratifying business performance of **Ilsenburger Grobblech GmbH** (ILG) also persisted, as the heavy plate market proved to be brisk, both in terms of prices and demand. The plate-processing sectors, such as the tubes industry or the machinery and plant construction sector, are currently in an extremely robust condition and therefore enjoy well filled order books to an extent that many customers are already anxious to secure supplies of high-quality grades for 2008. Imports by non-EU member states in the mass steel product segment expanded at the same time and resulted in a marginal slowing of our shipments in this product segment. Inventory levels in these products were still viewed as uncritical at the end of June, as before, despite being elevated. At ILG the order intake and orders in hand were very pleasing in the first half of 2007, but nonetheless below the record figure of the previous year. New benchmarks were set for sales and EBT, which were notably higher than the 2006 figures.

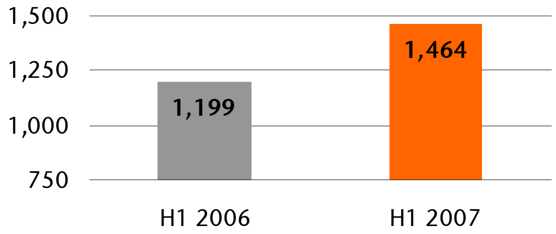
The persistently good capacity utilization in the European and German construction industry generated such a strong and stable demand for sections in the first six months that it was not possible to fulfill all deliveries desired by customers. Over the course of the second quarter, however, there was an increase in the inventories of sections of a smaller dimension owing to imports. The situation for medium and heavy sections was quite different: Construction projects for plants, industrial buildings and hydraulic engineering fueled demand further. **Peiner Träger GmbH** (PTG) was thereby able to increase prices without any problems. The gratifying development of selling prices and higher shipments bolstered sales and particularly the pre-tax profit of PTG in the second quarter which, as an aggregated amount, marked a new record high for a half year at the end of June. Order intake and orders in hand exceeded the figures recorded in the first six months of 2006 and set new benchmarks.

Interim Management Report

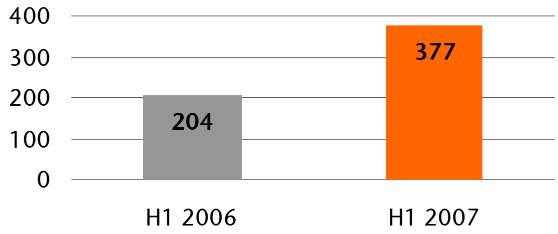
Salzgitter Bauelemente GmbH also continued to benefit from the sound recovery in the construction sector and, with stable shipments and firm selling prices, raised sales and profit before tax as against the first half of 2006. **HSP Hoesch Spundwand und Profil GmbH** lifted shipments and sales for the same reasons in a year-on-year comparison. EBT was much higher than the previous year's figure. With shipments nearly stable, **Salzgitter Europlatinen GmbH** was able to match the figures of the previous year, both in terms of sales and pre-tax profit.

The **shipments** of rolled steel and processed products of the **Steel Division** exceeded the excellent previous year's volume in the first six months of 2007 and even outstripped the highest figure seen so far in the first half-year of 2004. **Total sales and external sales** of the Division set new records as well since the average selling prices of products were notably higher year on year. Thanks to outstanding results of SZFG, ILG and PTG, the **EBT** of the Steel Division, which came to € 377.3 million, exceeded the previous year's figure by 85 %. The result marks an absolute high for the producing steel activities of the Salzgitter Group.

Steel-External Sales (in € million)



Steel-EBT (in € million)



During the reporting period, consolidated **new orders** of the Division were 9 % lower than the record figure of the year-earlier period; **orders on hand** contracted by 7 %. Capacity utilization is, for the most part, secured at a high level in the months ahead.

Tubes Division

		Q2 2007	Q2 2006	H1 2007	H1 2006
Order bookings	€ million	485	598	1,164	956
Order backlog as of 30/06/	€ million			1,694	1,275
Sales[1)]	€ million	587	574	1,178	1,077
External sales	**€ million**	**457**	**430**	**884**	**828**
Earnings before tax (EBT)	**€ million**	**73.4**	**75.8**	**138.9**	**138.0**

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

The international **steel tubes market** was in a very robust condition during the first half of 2007, as the high prices for oil and gas induced a persistently high demand for tubes from the energy sector for exploration and the transport and processing of crude oil and natural gas. Strong impetus was also generated by the world's booming power plant construction business. At the same time, the machine building and plant construction sector, the automotive and the construction industries recorded brisk order activity. By contrast, steel stockholders' inventories of standard tubes which can be sourced from the warehouse were partly too high owing to imports.

The companies of the Tubes Division, which operate mainly in the project business and in the higher grade product segment, benefited from the generally extremely satisfactory market situation in the form of healthy inflow of orders and selling prices which had an overall upward tendency. The individual divisions developed as follows:

Europipe GmbH and Salzgitter Großrohre GmbH, both companies producing **large-diameter tubes**, and pipe bends and plate supplier Mannesmannröhren Mülheim GmbH recorded a high order intake and a correspondingly good capacity utilization of their plants. The order books of all three companies cover the period through to the year 2008. Whereas shipments were marginally below the volume of the previous year's period owing to projects and the reporting date as per June 30, 2007, aggregated sales rose. The earnings before tax of this product segment almost doubled.

In the **medium-line pipes** segment, favorable market conditions boosted the order intake and orders in hand of Mannesmann Fuchs Rohr GmbH as against the first two quarters of 2006. Due to a short downtime in production, sales were below the previous year's figure (see the chapter Investments). Boosted by the increase in selling prices, sales - and to an even greater extent - EBT were higher year on year.

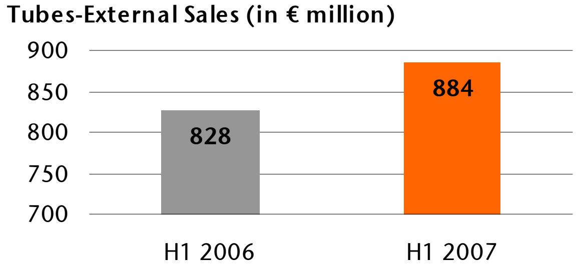
The **precision tubes** segment, with its companies MHP Mannesmann Präzisrohr GmbH and Mannesmann Robur B.V., also performed well in the first half year of financial 2007 owing to the generally upbeat economic environment. Both the automotive and the mechanical engineering sectors placed more orders in comparison with the first six months of 2006. The shipment volume, sales, and EBT in particular rose noticeably.

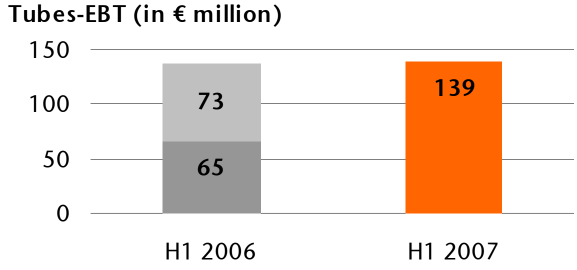
Despite the volatile price trend of a number of alloys, Mannesmann DMV Stainless GmbH, a company which manufactures **stainless steel tubes**, saw its order intake and order book grow in comparison to the previous year's period, particularly in relation to orders placed by energy-related sectors. At nearly unchanged shipments, sales expanded strongly due to higher sales prices. Profit before tax more than doubled.

Despite the shipment volumes which were somewhat lower, the **external sales** of the **Tubes Division** rose 7 % to € 884 million due to firmer selling prices. Healthy earnings generated by all product segments, in particular by large-diameter and stainless steel tubes, led to the **pre-tax result** of the consolidated tubes companies doubling

Interim Management Report

to € 138.9 million (comparable figure of first half of 2006: € 65.0 million; the overall result of € 138.0 million achieved by the Tubes Division in the first half of 2006 included an amount of € 73.0 million attributable to the Vallourec shareholding which was divested at a later date).





At € 1.16 billion, consolidated **new orders** of the division in the period under review were 22 % higher than in the first six months of 2006, which was mainly attributable to the large-diameter and stainless steel tubes segments. **Orders on hand** at the end of the reporting period came to € 1.69 billion and were thus 33 % higher than the level posted on June 30, 2006.

Trading Division

		Q2 2007	Q2 2006	H1 2007	H1 2006
Shipments	kt	1,530	1,615	3,349	3,142
Sales[1]	€ million	1,121	1,015	2,388	1,984
External Sales	**€ million**	**972**	**892**	**2,046**	**1,758**
Earnings before tax (EBT)	**€ million**	**56.6**	**48.3**	**121.4**	**78.5**

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

The prospering global economy had a positive impact on international **steel trading** in the first half of 2007 as well. Concerns, that Chinese steel exports could have a detrimental effect on the structure of steel prices, did not materialize in the first two quarters of the year. Moreover, the economic upswing in Europe has proven to be stable so far and, accordingly, the demand for steel as well. Together with the positive development in Africa, the Middle East and other regions of Asia, the slight downturn of the North American economy was compensated for.

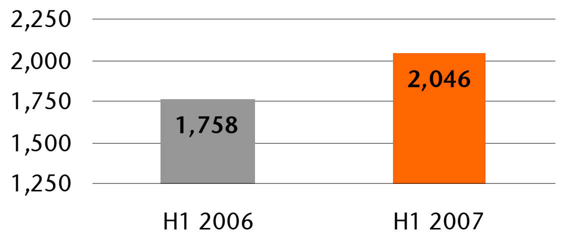
Against this background, **Salzgitter Mannesmann Handel Group** (SMHD) performed outstandingly in the first six months of 2007. Impetus for the **steel stockholding** companies was provided by the persistently brisk construction activity in particular. Although supply in the domestic market grew steadily due to imports, above all for flat steel products, shipments of the Salzgitter steel trading companies were higher than in the previous year. Sales and pre-tax profit grew noticeably. In the period under review, **international trading** raised shipments and sales in most markets in comparison with the first two quarters of 2006 and achieved a very satisfactory result. However, the business activities of international trading were slightly lower in the second quarter of 2007 in comparison with the first. Above all, the demand for steel consolidated in North America, with the result that the SMHD-companies in this region were unable to keep pace with the excellent figures of preceding periods. Over the reporting period as a whole, new benchmarks were set for the shipments, sales and pre-tax profit of the SMHD Group.

Buoyed by the excellent market environment, the heavy plate specialist **Universal Eisen und Stahl GmbH** (UES) performed very well in the first half of 2007. Strong demand, particularly from the machine building and plant engineering sectors, in conjunction with the expansion of the preprocessing business, lifted sales considerably in comparison with the previous-year period. Pre-tax profit virtually doubled.

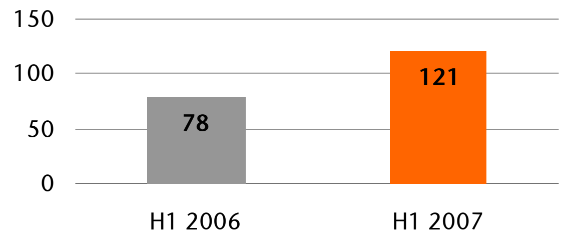
Despite the increase in inventories of traders and consumers in the first six months, the steel service center **Hövelmann & Lueg GmbH** raised shipments and sales in the reporting period. Profit before tax was boosted by higher selling prices for hot-rolled and coated plate, especially in the first quarter.

As per June 30, 2007, the **external sales** of the **Trading Division** rose 16 % to 2.05 € billion as against the first six months of 2006. As a result of the positive development in the steel stockholding trade of the SMHD Group and UES, the **pre-tax result** soared 55 % to a record level of € 121 million.

Trading-External Sales (in € million)



Trading-EBT (in € million)



Interim Management Report

Services Division

		Q2 2007	Q2 2006	H1 2007	H1 2006
Sales[1]	€ million	307	270	603	506
External sales	**€ million**	**131**	**114**	**263**	**206**
Earnings before tax (EBT)	**€ million**	**6.1**	**6.4**	**14.3**	**12.1**

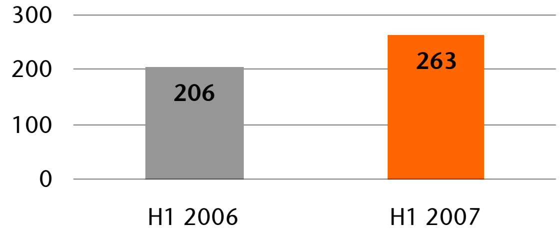
[1] Incl. sales in own segment and to other corporate divisions

The healthy economic conditions, the flourishing business of the Salzgitter Group, and the ensuing stronger demand for services by the Group's companies and external companies enabled the Services Division to successfully increase its contribution to the Group in the first six months of 2007.

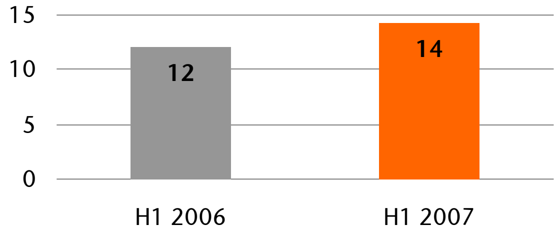
Gross sales of the division totaled € 603 million in the reporting period and set a new record figure for a half year. This development was mainly due to the higher selling prices of scrap and industrial metals and the greater trading volume of the raw materials trading company DEUMU Deutsche Erz- und Metall-Union GmbH. At the same time, the **external sales** of the division climbed 28 % to € 263 million.

Profit before tax rose 18 % to € 14.3 million. Along with DEUMU, Verkehrsbetriebe Peine-Salzgitter GmbH and Hansaport Hafenbetriebsgesellschaft mbH were the main drivers behind this excellent result.

Services-External Sales (in € million)



Services-EBT (in € million)



Others/Consolidation

In the Others/Consolidation segment, **external sales**, which are based on business in semi-finished products with external parties, rose to € 66 million in the first six months of 2007 (first half of 2006: € 43 million). Successful asset management and interest income on much higher financial assets contributed to a positive **pre-tax result** of € 11.8 million. The result of the first half of 2006, which came to € -233.3 million, was burdened by special expenses of € 239.1 million for a hedging transaction closed out later on in the third quarter of 2006 with the divestment of the Vallourec SA shareholding.

Explanations on the Financial Position and Net Worth

In the first six months of 2007, the **total assets** of the Salzgitter Group grew by € 494 million to € 7.47 billion (December 31, 2006: € 6.98 billion). Whereas **fixed assets** rose by € 81 million to € 1.71 billion (December 31, 2006: € 1.63 billion), **current assets** climbed by € 413 million to € 5.76 billion (December 31, 2006: € 5.47 billion). The greater volume of business, combined with higher prices for steel and tubes products as well as raw materials, led to an increase in trade receivables (€ +164 million) and inventories (€ +135 million). The furnishing of the purchase price of € 270.4 million for the 77.83 % stake in Klöckner-Werke AG and the 70.68 % stake in RSE Grundbesitz und Beteiligungs-AG held in escrow by the notary lowered funds while, at the same time, raised other receivables and other assets. In addition, the amount of cash and cash equivalents was affected by dividend distribution of € 114 million, a higher capital commitment in relation to inventories and receivables, and the repurchasing of the company's own shares (€ 60 million).

On the liabilities side, profit generated in the period is evidenced in the growth of **equity**, which rose € 295 million to € 3.75 billion (December 31, 2006: € 3.46 billion). Whereas **long-term liabilities** of € 2.17 billion contracted slightly (December 31, 2006: € 2.19 billion), **current liabilities** rose by € 212 million (June 30, 2007: € 1.55 billion; December 31, 2006: 1.33 billion). This development was attributable to higher income tax liabilities (€ +152 million) and trade payables (€ +78 million).

The **operating cash flow** of the first half of 2007 came to € 68.7 million owing to the aforementioned furnishing of the purchase price. The previous year's figure of € -7.9 million was also lowered by a special effect (€ 267.2 million collateral for the partial Vallourec hedging). A comparison of the adjusted figures shows a striking improvement of 31 % in the operating cash flow (adjusted figure of the first half year of 2007: € 339 million; adjusted figure of the first half year of 2006: € 259 million).

The **net position to banks**, including financial investments which are not disclosed under cash and cash equivalents, reduced to € +2.06 billion by the end of the reporting period (December 31, 2006: € +2.28 billion; June 30, 2006: € +907 million). The decrease between December 31, 2006, and June 30, 3007, stood at € 220 million and was therefore markedly lower than the sum of cash outflow (€ 444 million) from the furnishing of the purchasing price for Klöckner-Werke AG/RSE AG, the dividend payment and the repurchasing of own shares.

Interim Management Report

Investments

Investments in property, plant and equipment, including intangible assets totaling € 143 million as per June 30, 2007, were around € 40 million higher than depreciation and amortization within the Group during the period under review. This is primarily attributable to capital expenditures in the Steel Division which amounted to € 103 million.

The main focus of the investment undertakings in the **Steel Division** was on securing the orderly completion of the "Continuous Pickling Plant 2" and the "Power Plant 2010" major projects. The "**Continuous Pickling Plant 2**" project went as scheduled and work on the assembly of plant machinery was continued. The plant is expected to go into operation in March 2008. The planning work for the modernization of the **power plant** has made consistent progress and a number of major parts have been awarded. Some of the construction work is already under way. All other projects in the implementation phase are also on schedule and within budget.

In the **Tubes Division**, extending the product range of Mannesmann Fuchs Rohr GmbH (**24" plant**) is currently in implementation. The main facilities will begin with the production of simple products from the third quarter of 2007 onwards, and full manufacturing will follow at the turn of the year. **Tubos Soldados Atlântico**, the Brazilian large-diameter tubes joint venture, has meanwhile begun to manufacture construction tubes. As scheduled, the coating facilities will be ready to go live in the fourth quarter so that, after the API certification anticipated in the same period, the mill can start to manufacture oil and gas pipeline tubes at the start of 2008. For the large-diameter mill of Europipe subsidiary **Berg Steel Pipe Corp.** work forged ahead on the development of the site in Mobile, Alabama (USA) and on the preparations for the industrial buildings. The main parts of construction have already been assigned.

Research and Development

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

The research of materials and development of applications now has an important tool in the form of a new and high-performance universal **forming press** which went into operation in the second quarter. At high forming speeds customer processes such as hot forming at nearly serial production conditions can be emulated and special material parameters identified. The materials selection process for the customer is thus considerably enhanced and accelerated through the timely, comprehensive assessment of forming properties in relation to real component geometries and process parameters.

Safety against lateral cracks through the application of special crack arrestors has been proven for **tubes of the steel grade X100**. The conducting of a “full-scale-burst test” on an approximately 80 meter long tube section under extreme operating conditions was another important step in the direction of introducing and producing high-strength tubes. Prior to this point, the X100 grade had already been introduced in the harmonized API 5L und ISO 3183 standards. The utilization of X100 permits the commercial transport of natural gas under high pressure over huge distances. Research and development work continues to be carried out in close cooperation with major natural gas companies in Europe and North America.

Employees

	30/06/2007	31/12/2006	Change
Total workforce	18,379	18,419	-40
Apprentices, students, trainees	844	1,030	-186
Passive age-related part-time employment	400	497	-97
Core workforce	**17,135**	**16,892**	**243**
of which Steel Division	6,783	6,830	-47
of which Tubes Division	4,289	4,191	98
of which Trading Division	1,859	1,835	24
of which Services Division	4,064	3,916	148
of which Others	140	120	20

The **core workforce** of the Salzgitter Group came to 17,135 employees as per June 30, 2007. The increase of 243 persons as against December 31, 2006, was mainly due to hiring trainees in the Services Division, as well as to raising the number of employees in the Tubes Division. The main reason for the decline in Steel Division was the entry of employees into the active phase of age-related part-time employment and the associated reallocation to SZST Salzgitter Service und Technik GmbH in the Services Division. The increase in the Others segment was caused by regrouping of line functions from other divisions into the holding.

Forecast, Opportunities and Risks Report

As before, the current general conditions for the companies of the **Salzgitter Group** can be considered excellent. Accordingly, if the healthy economy in Germany and Europe persists, the business activities of the Group should remain at their current level. As in every year, however, seasonal effects, such as downtime for scheduled maintenance and repair work on our plants is likely to have an effect on capacity utilization in the third and fourth quarter.

For this reason, the shipment volumes of the **Steel Division** in the second half-year will probably be slightly lower compared with the first six months; sales prices should remain stable, with further hikes possible in some segments. Irrespective of the aforementioned seasonally-induced effects, the capacity utilization of production facilities is set to remain at a very satisfactory level, underpinned by brisk demand for rolled steel.

The high capacity utilization level of the plants of the **Tubes Division** is secured through the extremely high volume of orders on hand until year-end and, in the large-diameter tubes business, even through to the first half-year of 2008. Due to scheduled repair and maintenance downtime, however, shipment volumes can be expected to be somewhat lower.

In the course of the current year, the business activities of the **Trading Division** are likely to benefit from the consumption of steel expanding in Germany, Europe and the rest of the world. Gross earnings will, however, return to a normal level owing to the increase in replacement costs. Significant risks remain inherent in the US economy weakening further, as well as the persistently high volume of steel imports into Europe and the possibility of political tensions escalating, in particular in the Middle East.

The very gratifying condition of the **Services Division** is likely to continue in 2007 due to strong demand from internal and external customers.

Furthermore, the integration of **Klöckner-Werke AG** and **Vallourec Précision Etirage** in Salzgitter's group of consolidated companies in the second half of 2007 is likely to generate an increase in sales and earnings.

All in all, on the basis of current information and in view of expectations of the development of the procurement and sales markets, as well as of the general conditions, and taking account of the effects of the Profit Improvement Program, we expect the **Salzgitter Group** to generate an **operating EBT** which **clearly exceeds the one billion euro threshold in the current year**.

Express reference is made to the fact that **opportunities and risks** arising from currently unforeseeable trends in sales prices, input materials and capacity level developments, as well as changes in the currency parity, may considerably affect performance in the course of the remaining financial year 2007. The resulting fluctuation in the consolidated pre-tax result may, as experience has shown, be within a considerable range. The statements made in the Annual Report 2006 on the opportunities (pg. 152) and risks (pg. 134) are still valid.

In view of the persisting outstanding performance in the past years, also in a sector-specific comparison, the Management Board of Salzgitter AG has decided to raise the **return target** over the average of the steel cycle to a **ROCE** (return on capital employed) of **15 %**. At the same time, the medium-term target for consolidated **Group sales** has been set to a range from **€ 13 to 15 billion**, as the target set to date of € 10 billion for external sales is likely to be attained with the integration of Vallourec Précision Etirage and Klöckner-Werke AG into the group of consolidated companies.

Interim Management Report

Events of Significance

Participation in Klöckner-Werke AG raised to 86 %

Upon fulfillment of the mandatory requirements, particularly approval of the takeover by the EU Commission, Salzgitter AG took over another 77.83 % of the shares of Klöckner-Werke AG on 5 July 2007. For the purpose of acquiring the remaining shares in free float, a voluntary public offer to buy the shares for € 15 per share in cash was submitted on April 30, 2007, to the shareholders of Klöckner-Werke AG. The regular deadline for acceptance expired on July 9, 2007, and a second deadline for acceptance pursuant to Section 16 para. 2 sentence 1 of the German Securities Acquisition and Takeover Act (WpÜG) ended on July 30, 2007.

All in all, a takeover offer for 1,179,655 shares of Klöckner-Werke AG was accepted. This corresponds to a share of around 2.57 % in the share capital and in the voting rights of Klöckner-Werke AG. Together with shares purchased prior to this point, the Salzgitter Group now holds 39,201,278 shares in Klöckner-Werke AG, which is the equivalent of 85.57 % of the share capital and the voting rights.

Salzgitter AG is pleased to have the opportunity of actively supporting the strategic and operational realignment of the Klöckner Werke Group as its financially strong industrial majority shareholder. From the third quarter 2007 onwards, the companies of the Klöckner-Werke Group will be included in the financial statements of Salzgitter AG. Klöckner-Werke AG will form the nucleus of the new Technology Division, alongside the Group's already existing divisions of Steel, Tubes, Trading and Services.

Klöckner-Werke AG is an industrial holding with worldwide operating subsidiaries. The company's activities are concentrated in Dortmund-based KHS AG, which ranks among the global leaders of industrial filling and packaging systems for beverages. Other activities are located in plastics machinery engineering, as well as in food processing technology. Klöckner-Werke Group has a workforce of more than 5,500 employees worldwide. In the financial year 2006 the company generated sales of € 872.5 million.

Acquisition of RSE Grundbesitz und Beteiligungs-AG

On July 5, 2007, ownership of 70.68 % of the share capital of RSE Grundbesitz und Beteiligungs-AG (RSE) acquired under the share purchase agreement of April 17, 2007, was transferred to Salzgitter Mannesmann GmbH. RSE AG is a real estate stock corporation which holds participations in commercial real estate in Germany.

Together with shares purchased prior to this point, the Salzgitter Group now holds 72.93 % of the shares in RSE. In addition, 26.63 % of RSE shares are held by Klöckner-Werke AG. As communicated to the Management Board of RSE in a letter dated April 17, 2007, Salzgitter AG intends, pursuant to Section 327a para. 1 of the German Stock Corporation Act (AktG), to have the Annual General Meeting of Shareholders of RSE resolve the transfer of the shares of the remaining shareholders to Salzgitter Mannesmann GmbH in the near future.

Takeover of Vallourec Précision Etirage, France, successfully concluded

Salzgitter AG and Vallourec SA, Paris, have signed the final agreements on the takeover of Vallourec Précision Etirage (VPE), France. All the pre-conditions having been fulfilled, especially approval by the EU antitrust authority, the transfer of the shares of the business took place on July 2, 2007. As from this date, the company will be included in the group financial statements of Salzgitter AG. In order to obtain extensive independence in the supply of all precision tubes plant in the Group with input material, part of the transaction also includes the takeover of a hot-rolled tubes mill in Zeithain (Saxony).

The precision tubes business of VPE, with five plants in France, ideally supplements the current activities of the Salzgitter Group in this tubes segment which consist of the four plants of MHP Mannesmann Präzisrohr (MHP) in Germany and Robur (ROB) in the Netherlands. The combination of the companies will be carried out under the name of Salzgitter Mannesmann Precision GmbH, the European market leader for seamless and welded precision tubes with annual sales of around € 500 million and a workforce of 2,700 employees. The new group of companies enjoys an outstanding market position, especially in Germany and France, and is set to significantly strengthen its future potential by leveraging existing industrial and product-related synergies.

In addition, Salzgitter AG is currently extensively investigating further **acquisition possibilities** in Germany and abroad.

Special news

Dr. **Lothar Hagebölling**, Braunschweig, State Secretary and Head of the State Chancellery of Lower Saxony, and Mr. **Hasan Cakir**, Salzgitter, Chairman of the Works Council of Salzgitter Flachstahl GmbH, were elected members of the Supervisory Board by the Annual General Meeting of Shareholders of Salzgitter AG held on May 23, 2007, until expiry of the current term of office.

Interim Financial Statements

I. Consolidated Income Statement

in T€	2nd Quarter 2007	2nd Quarter 2006	1st Half 2007	1st Half 2006
Sales	2,341,618	2,050,716	4,723,083	4,034,126
Increase or decrease in finished goods and work in process and other own work capitalized	72,723	-34,142	92,091	-39,770
	2,414,341	2,016,574	4,815,174	3,994,356
Other operating earnings	31,340	46,208	78,180	100,162
Cost of materials	1,577,839	1,366,782	3,164,038	2,687,192
Personnel expenses	265,029	238,653	513,775	479,441
Amortization and depreciation	53,073	49,384	103,165	98,962
Other operating expenses	213,510	288,626	451,815	676,122
Income from shareholdings	2,463	1,472	2,265	1,209
Income from associated companies	-132	42,503	1,093	73,737
Write-downs of financial assets	0	192	0	192
Financing income	34,743	10,084	58,262	19,387
Financing expenses	35,167	24,575	58,611	48,158
Earnings before tax (EBT)	**338,137**	**148,629**	**663,570**	**198,784**
Income taxes	135,988	54,270	264,861	68,747
Consolidated net income	**202,149**	**94,359**	**398,709**	**130,037**
Appropriation of profit				
Consolidated net income	202,149	94,359	398,709	130,037
Profit carried forward from the previous year			126,500	64,500
Minority interests			2,317	1,568
Dividend payment			114,183	56,897
Appropriation to other retained earnings			-333,142	-97,072
Unappropriated retained earnings	**202,149**	**94,359**	**75,567**	**39,000**
Undiluted earnings per share (in €)	**3.53**	**1.65**	**6.94**	**2.27**
Diluted earnings per share (in €)	**3.53**	**1.65**	**6.94**	**2.27**

II. Consolidated Balance Sheet

Assets in T€	30/06/2007	31/12/2006
Fixed assets		
Intangible assets		
Goodwill	0	0
Other intangible assets	18,934	18,803
	18,934	18,803
Property, plant and equipment	1,460,555	1,423,389
Financial assets	104,026	61,904
Associated companies	75,294	74,208
Deferred tax assets	50,244	49,101
Other receivables and other assets	2,901	3,348
	1,711,954	**1,630,753**
Current assets		
Inventories	1,788,093	1,653,099
Trade receivables	1,272,509	1,108,260
Other receivables and other assets	525,838	176,277
Income tax assets	90,234	23,950
Securities	17,169	27,691
Cash and cash equivalents	2,065,905	2,344,989
	5,759,748	**5,334,266**
Non-current assets held for sale	0	12,559
	5,759,748	**5,346,825**
	7,471,702	**6,977,578**

Equity and liabilities in T€	30/06/2007	31/12/2006
Equity		
Subscribed capital	161,615	161,615
Capital reserve	295,343	295,343
Retained earnings	3,409,835	3,023,931
Unappropriated retained earnings	75,567	126,500
	3,942,360	3,607,389
Treasury shares	-202,005	-160,354
	3,740,355	3,447,035
Minority interests	11,813	9,666
	3,752,168	**3,456,701**
Long-term liabilities		
Provisions for pensions and similar obligations	1,702,622	1,714,837
Deferred tax liabilities	56,534	43,870
Income tax liabilities	166,145	170,758
Other provisions	161,630	167,405
Financial liabilities	86,204	89,649
	2,173,135	**2,186,519**
Current liabilities		
Other provisions	219,665	237,737
Financial liabilities	48,152	102,635
Trade payables	680,755	602,007
Income tax liabilities	201,767	49,150
Other liabilities	396,060	342,829
	1,546,399	**1,334,358**
	7,471,702	**6,977,578**

III. Statement of Income and Accumulated Earnings

in T€	2nd Quarter 2007	2nd Quarter 2006	1st Half 2007	1st Half 2006
Changes recorded directly under equity				
Changes resulting from currency translation	1,406	2,500	1,700	1,235
Changes in the value of the reserve from hedging transactions				
Changes in current value reported directly under equity	-7,146	1,865	-587	5,377
Recognition of settled hedging transactions in the income statement	0	0	-1,486	-6,376
Changes in the value of financial assets in the available-for-sale assets category				
Changes in current value reported directly under equity	-918	4,456	5,409	-1,666
Recognition of the sale of securities in the income statement	0	-6,586	0	-3,396
Deferred tax on changes without effect on income	1,677	-515	3,813	-204
Other changes without effect on income	18	-35	-1,820	784
	-4,963	**1,685**	**7,029**	**-4,246**
Consolidated net income for the period	**202,149**	**94,359**	**398,709**	**130,037**
Total profit pursuant to IAS 1.97 in conjunction with IAS 19.93B	**197,186**	**96,044**	**405,738**	**125,791**
Total profit due to Salzgitter AG shareholders	195,568	95,333	403,421	124,223
Total profit due to minority interests	1,618	711	2,317	1,568
	197,186	**96,044**	**405,738**	**125,791**

IV. Cash Flow Statement

in T€	1st Half 2007	1st Half 2006
Earnings before tax (EBT)	663,570	198,784
Deprecreciation, write-downs (+)/write-ups (-) on fixed assets	103,165	98,471
Income tax paid	-105,754	-49,575
Other non-payment-related expenses (+)/income (-)	109,547	-5,474
Interest expenses	58,611	48,158
Profit (-)/loss (+) from the disposal of fixed assets	-6	-17,129
Increase (-)/decrease (+) in inventories	-134,994	-15,183
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-548,570 [1]	-534,946 [2]
Use of provisions affecting payments, excluding income tax provisions	-152,952	-158,710
Increase (-)/decrease (+) in trade payables and other liabilities not attributable to investment or financing activities	76,041	427,742
Cash flow from operating activities	**68,658**	**-7,862**
Cash inflow from the disposal of tangible and intangible fixed assets	5,033	10,763
Cash outflow for investments in tangible and intangible fixed assets	-142,542	-86,903
Cash inflow (+)/outflow (-) for short-term loans against borrower´s notes/bonds	-25,000	0
Cash inflow from the disposal of financial assets	19,418	6,106
Cash outflow for investments in financial assets	-5,146	-2,512
Cash flow from investment activities	**-148,237**	**-72,546**
Cash inflow (+)/outflow (-) as a result of sale and repurchase of treasury shares	-59,875	-74
Cash outflow in payments to company owners and minority shareholders	-114,183	-56,897
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilites	-3,444	-1,862
Interest paid	-22,003	-7,064
Cash flow from financing activities	**-199,505**	**-65,897**
Cash and cash equivalents at the start of the period	2,344,989	884,897
Change in cash and cash equivalents	-279,084	-146,305
Cash and cash equivalents at the end of the period	**2,065,905**	**738,592**

[1] The increase in accounts receivables contains among others payments into a notarty trust account amounting to € 270.4 million for the 77.83 % share in Klöckner-Werke AG and the 70.68% share in RSE Grundbesitz und Beteiligungs-AG

[2] The increase in accounts receivables contains among others collateral security of € 267.2 million in connection with the partial hedging of the Vallourec participation

V. Statement of Changes in Equity

in T€	Subscribed capital	Capital reserve	Purchase/ repurchase of treasury shares	Other retained earnings	Reserve from currency translation
As of December 31, 2005	**161,615**	**295,343**	**-160,283**	**1,819,755**	**-19,571**
Net income					
Dividend					
Disposal of own shares			53		
Repurchase of own shares			-134		
Currency translation					1,235
Change in value pursuant to IAS 39					
Group transfers to retained earnings				97,072	
Deferred taxes on changes without effect on income					
Other				-9,294	
As of June 30, 2006	**161,615**	**295,343**	**-160,364**	**1,907,533**	**-18,336**
As of December 31, 2006	**161,615**	**295,343**	**-160,354**	**3,204,464**	**-15,991**
Net income					
Dividend					
Disposal of own shares			18,224		
Repurchase of own shares			-59,875		
Currency translations					1,700
Change in value pursuant to IAS 39					
Group transfers to retained earnings				333,142	
Changes to the Group of consolidated companies					
Deferred taxes on changes without effect on income					
Other				-3,559	
As of June 30, 2007	**161,615**	**295,343**	**-202,005**	**3,534,047**	**-14,291**

Valuation reserve from hedging transactions	Valuation reserve from available for sale	Other equity changes without effect on income	Unappropriated retained earnings	Equity (excl. minority interests)	Minority interests	Equity
1,948	**7,332**	**-168,243**	**64,500**	**2,002,396**	**9,232**	**2,011,628**
			128,469	128,469	1,568	130,037
			-56,897	-56,897	-1,211	-58,108
		7		60		60
				-134		-134
				1,235		1,235
-999	-5,062			-6,061		-6,061
			-97,072	0		0
		-204		-204		-204
		784		-8,510	-248	-8,758
949	**2,270**	**-167,656**	**39,000**	**2,060,354**	**9,341**	**2,069,695**
3,434	**4,962**	**-172,938**	**126,500**	**3,447,035**	**9,666**	**3,456,701**
			396,392	396,392	2,317	398,709
			-114,183	-114,183		-114,183
		49,292		67,516		67,516
				-59,875		-59,875
				1,700		1,700
-2,073	5,409			3,336		3,336
			-333,142	0		0
				0	-170	-170
		3,813		3,813		3,813
		-1,820		-5,379		-5,379
1,361	**10,371**	**-121,653**	**75,567**	**3,740,355**	**11,813**	**3,752,168**

VI. Segment Reporting

in T€	Steel		Tubes	
	H1 2007	H1 2006	H1 2007	H1 2006
Sales	2,348,716	1,931,234	1,368,425	1,256,541
Sales in own segment	300,934	277,604	264,418	240,551
Sales to other segments	583,529	454,884	219,807	188,230
External sales	1,464,253	1,198,746	884,200	827,760
Earnings before tax (by divisions)	377,257	203,562	138,899	138,003
of which from associated companies	[1,513]	[362]	-[420]	[73,375]
Earnings before tax (EBT)	377,257	203,562	138,899	138,003
Interest income	70	74	1,482	635
Interest expenses	5,625	4,763	3,664	4,700
of which interest portion of allocations to pension provisions	[3,770]	[3,852]	[2,360]	[2,070]
Investments in tangible and intangible fixed assets	103,086	60,266	23,995	10,385
Depreciation/amortization of tangible and intangible fixed assets	72,886	71,389	10,917	10,801
Earnings before interest and tax (EBIT)	392,129	219,623	146,586	145,464
EBIT before depreciation and amortization (EBITDA)	465,015	291,012	157,502	155,593
Period-average core workforce	6,789	6,959	4,257	4,200

Trading		Services		Others/Consolidation		Group	
H1 2007	H1 2006	H1 2007	H1 2006	H1 2007	H1 2006	H1 2007	H1 2006
2,388,148	1,983,504	603,287	505,654	208,591	123,262	6,917,167	5,800,195
85,554	93,991	8,254	7,381	0	0	659,160	619,527
256,409	131,446	332,182	292,097	142,997	79,885	1,534,924	1,146,542
2,046,185	1,758,067	262,851	206,176	65,594	43,377	4,723,083	4,034,126
121,369	78,458	14,282	12,103	11,763	-233,342	663,570	198,784
[0]	[0]	[0]	[0]	[0]	[0]	[1,093]	[73,737]
121,369	78,458	14,282	12,103	11,763	-233,342	663,570	198,784
4,425	3,113	299	302	51,959	15,230	58,235	19,354
7,267	8,663	6,287	5,995	35,768	24,037	58,611	48,158
[1,266]	[1,435]	[5,451]	[4,983]	[23,009]	[22,724]	[35,856]	[35,064]
4,871	5,188	10,708	10,555	104	119	142,764	86,513
5,465	5,615	10,116	10,129	3,781	1,028	103,165	98,962
135,084	89,460	16,365	13,874	-3,839	-256,542	686,325	211,879
140,549	95,075	26,482	24,867	-58	-255,513	789,490	311,034
1,843	1,717	4,044	3,977	130	119	17,062	16,970

Notes

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

1. The consolidated financial report of Salzgitter AG, Salzgitter, for the reporting period from January 1 to June 30, 2007, 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, 2006, no changes have been made in the accounting, valuation, calculation and consolidated methods in the interim financial statements for the period ended June 30, 2007

Selected explanatory notes on the income statement

1. Sales by division are shown in the respective section.

2. Earnings per share are calculated pursuant to IAS 33. The **undiluted earnings per share** based on the weighted number of shares of Salzgitter AG came to **€ 6.94** 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 June 30, 2007. Therefore, **diluted earnings per share** equaled undiluted earnings per share and amounted to **€ 6.94**.

Related Party Disclosures

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

All business transactions with related companies are conducted on terms that also customarily apply among third parties. Deliveries and services rendered for related companies primarily concern deliveries of sheet piling to ThyssenKrupp GfT Bautechnik GmbH for resale and crude steel products supplied for processing.

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

For further information please see the disclosures in the Annual Report 2006 (pg. 244).

Declaration according to § 37w Abs. 5 WpHG

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

Responsibility statement by management

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year."

Salzgitter, August 2007
The Executive Board of Salzgitter AG

Wolfgang Leese Wolfgang Eging Hans Fischer

Dr. Heinz Jörg Fuhrmann Heinz Groschke Peter-Jürgen Schneider

Financial calendar 2007

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.

Salzgitter AG
Eisenhüttenstraße 99
38239 Salzgitter
Germany
Tel.: +49 5341 21-01
Fax: +49 5341 21-2727

Investor Relations:
Tel.: +49 5341 21-3783
Fax: +49 5341 21-2570

Postal address:
38223 Salzgitter
Germany

www.salzgitter-ag.de