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Ad hoc release according to § 15 WpHG

SALZGITTER AG

Effect on income statement of share price hedging transactions in connection with the sharp rise in the market value of Vallourec shares held by Salzgitter AG

As already stated in the 2005 annual report, Salzgitter AG has decided to retain the shareholding in Vallourec S.A. at its current level, due to the fact that the resultant industrial and financial perspectives appear better and more reliable than alternative arrangements that can be currently envisaged. It was also reported that, in January 2006, structured option transactions with maturities of up to 28 months were concluded, in order to hedge the book values of shareholdings. These option contracts hedge the book value of the shareholding against share price losses during the contract period. In order to refinance in part the costs of the option premiums, participation in increases in the share price above a certain level was waived. This transaction concerns just under one third of Salzgitter AG's 17.2% shareholding in Vallourec S.A. In the meantime, the maximum maturity has been extended to 36 months.

Current IFRS rules require that the expenditure arising from the current market value of the option structure, which has a long period to expiry, be recognized in the income statement of the Salzgitter Group. As a result, the continued rise in the value of Vallourec stock, in particular the sharp rise witnessed in the last two days and hours, leads to a current non-cash expenditure of around €170 million. This prompted us to issue an ad hoc announcement.

A significant portion of this expenditure (€ 148 million) has arisen as of the end of the first quarter period of the 2006 financial year. In Q1 2006, Group operating business has developed better than originally planned; we are expecting a pre-tax profit from this (operating business) in excess of €150 million from this period.

The capital appreciation of the Vallourec shares held by SZAG, compared with the IFRS balance sheet entry and taking into account the above-mentioned expenditure, is over €1 billion. Current IFRS rules do not permit this share price driven capital appreciation to be reported either in the balance sheet or in the income statement of the Salzgitter Group.

We would like to point out expressly that the above-mentioned expenditure refers to a purely accounting-driven non-cash loss. In contrast to this, the transaction carried out partially hedges the considerable value of the Vallourec shareholding against unexpected medium-term economic or political events.