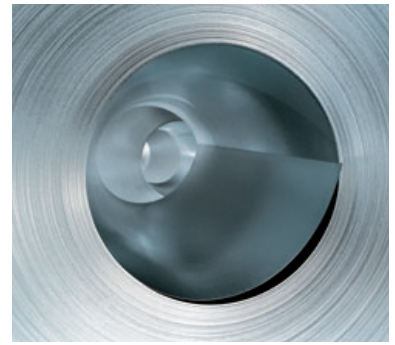
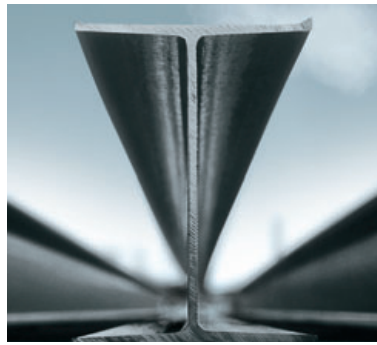


Interim Report | 1st Quarter 2004



## Salzgitter Group in Figures

		1st Quarter 2004	1st Quarter 2003	Δ
<b>Sales (consolidated)</b>	€ mil.	<b>1,300</b>	1,266	3%
Steel Division	€ mil.	<b>401</b>	406	-1%
Trading Division	€ mil.	<b>569</b>	500	14%
Services Division	€ mil.	<b>77</b>	65	18%
Processing Division	€ mil.	<b>47</b>	55	-14%
Tubes Division	€ mil.	<b>206</b>	240	-14%
thereof flat rolled products	€ mil.	<b>667</b>	606	10%
thereof sections	€ mil.	<b>175</b>	202	-13%
thereof tubes	€ mil.	<b>284</b>	319	-11%
thereof export share	%	<b>51</b>	53	-4%
<b>Income from ordinary operations</b>	€ mil.	<b>26</b>	6	323%
<b>Net income for the year</b>	€ mil.	<b>20</b>	3	590%
<b>Balance sheet total</b>	€ mil.	<b>3,798</b>	3,946	-4%
<b>Fixed assets</b>	€ mil.	<b>1,880</b>	1,989	-5%
<b>Current assets</b>	€ mil.	<b>1,918</b>	1,957	-2%
Inventories	€ mil.	<b>936</b>	897	4%
<b>Shareholders' equity</b>	€ mil.	<b>988</b>	1,025	-4%
<b>Borrowings</b>	€ mil.	<b>2,810</b>	2,921	-4%
Provisions	€ mil.	<b>1,895</b>	1,871	1%
Liabilities	€ mil.	<b>915</b>	1,050	-13%
thereof due to banks	€ mil.	<b>226</b>	254	-11%
<b>Capital expenditure<sup>1)</sup></b>	€ mil.	<b>38</b>	33	16%
<b>Depreciation and amortization<sup>1)</sup></b>	€ mil.	<b>51</b>	55	-8%
<b>Employees</b>				
Personnel expenses	€ mil.	<b>229</b>	232	-1%
Workforce (annual average)		<b>17,776</b>	18,459	-4%
Personnel expenses per employee	T €	<b>12.9</b>	12.6	2%
<b>Crude steel production<sup>2)</sup></b>	kt	<b>2,240</b>	2,115	6%
<b>Key figures</b>				
Earnings before interest and taxes (EBIT) <sup>3)</sup>	€ mil.	<b>31</b>	12	155%
EBIT before depreciation and amortization (EBITDA)	€ mil.	<b>82</b>	67	22%
Return on capital employed (ROCE) <sup>4) 5)</sup>	%	<b>9.3</b>	3.4	
Cashflow	€ mil.	<b>-63</b>	7	

Disclosure of financial data in compliance with IFRS

<sup>1)</sup> excluding financial assets

<sup>2)</sup> incl. MRW-/V&M-share in Hüttenwerke Krupp Mannesmann, V&M France, V&M do Brasil and V&M Star

<sup>3)</sup> EBT plus interest paid (excluding interest element in allocations to pension provisions)

<sup>4)</sup> EBIT in relation to the total of shareholders' equity (without calculation of accrued and deferred taxes), minority equity interests, interest-bearing tax provisions and interest-bearing liabilities

<sup>5)</sup> Annualized

## Summary

### **Salzgitter Group achieves gratifying profit development in the first quarter of 2004**

Against the backdrop of a global recovery and turbulent developments on the world's steel and raw materials markets, the positive sales and earnings trend has continued at the Salzgitter Group. External group sales have increased slightly, mainly due to the gratifying business developments at the Trading division that have more than compensated the sales decline in the tubes segment. Group pre-tax profit shows considerable gains. The quarterly results contain profits of EUR 4.5 million resulting from the sale of shares of Steel Dynamics Inc., a US steel company.

The external sales of the Steel division came in slightly below the previous year's figures, due to the stronger utilization of the Group's own sales and distribution channels, while overall sales showed a slight increase. Although price increases in flat steel, beams and heavy plate had been introduced as of January 1, 2004, earnings were burdened by higher procurement prices for energy and raw materials, especially for scrap. The beams area was especially impacted by these developments. Due to the intensive utilization of Group sales channels, product mix changes and currency effects, external sales of the Tubes division fell short of the previous year's figures. Although all companies were impacted by increased costs of ingoing material, the Tubes division nevertheless succeeded in achieving markedly better performance over the previous year's first quarter. The Trading division has now been able to pass the major share of rising manufacturer costs on to its customers. External sales rose accordingly, and pre-tax profit more than tripled. In the Services division, sales profited mainly by increased trading turnover of the subsidiaries. Pre-tax profits also increased accordingly. Due to the stagnating construction industry and rising competitive pressure in the automobile supplier industry, both in connection with increasing ingoing materials costs, the Processing division failed to make headway. The division concluded the quarter posting declining external sales and pre-tax losses once again.

From today's viewpoint, there are many indications that the recovery of the global markets will continue over the coming months, as the strong growth emanating from the United States and China will continue to act as a driving force. The discontinuation of a phase of expansionary monetary policies may slow down the pace of the global upswing. The EU markets are likely to continue to profit from export activities. There are, however, still no convincing indications that weak domestic demand will take a turn for the better. Viewed in total, the general conditions for the activities of the Salzgitter Group have developed in a positive direction.

In connection with an overall favorable order situation for rolled steel products, further rises in sales prices are likely to be introduced in the third quarter of the ongoing business year. Against the backdrop of the extremely high procurement prices for raw materials and scrap, as well as the exorbitant hikes in freight charges, these price increases are absolutely essential. Virtually all of the iron ore, coking coal and coke supplies as well as the necessary transport capacities have been secured by long term contracts. The slight dip in scrap prices is not likely to result in any significant and lasting easing of the situation. Due to the long planned maintenance work to be conducted at a blast furnace in Salzgitter that has been planned far in advance, the availability of slabs for the rolled steel production will be restricted in the second quarter of 2004 – in spite of advance production and bought in material. Regardless of this situation, the Steel division expects a continuation of the positive ongoing developments.

At the Tubes division, the gratifying order intake registered in the quarter under review will once again ensure a solid capacity utilization at all plants. Not least in view of the continuing high levels of oil and natural gas prices, a further improvement in the business situation over the coming months is possible. An essential precondition for this, however, is the assertion of price hikes compensating the negative impact on earnings due to the weak US dollar and the increased ingoing material prices.

While the Trading and Services divisions are likely to benefit from the more favorable environment, the Processing division anticipates a gradual improvement of the current situation. The key factor here is the persisting difficult situation of the domestic construction industry.

Based on the current information and expectations regarding the developments of procurement and sales markets, as well as the general conditions and with due consideration to the planned internal measures, the Salzgitter Group anticipates a pre-tax result in the upper double digit million range. The bandwidth of opportunities and risks on the sales and procurement markets is considerably wider than in the previous years that were far less impacted by such events.

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### Economic and market development

The recovery in the world economy which had already picked up speed in the second half of 2003, continued in the first months of 2004. The driver of this trend was the strong growth in the USA and China which imparted positive momentum to other economies. For example, Japan showed positive growth for the first time again after years of stagnation. Unfavorable sideeffects of this otherwise enjoyable development were the significant price increases of raw materials, energies and freight rates due to the continuing strong Chinese demand, which increasingly affected the industrial sector. Concerns that these occurrences could possibly impair the economic recovery were voiced in the course of the quarter. Nevertheless, the IMF is still expecting world economic growth to gather pace by comparison with the previous year and to reach a figure of over 4.5%.

The economic situation in Europe also improved during the first quarter of 2004, mainly due to exports. Important early indicators point to a further recovery in the European economy in the course of the year, still largely engineered on the back of exports. In their spring forecast, German economic research institutes are expecting a growth of 1.6% for the Euro zone for the year. Strong growth of around 4% is expected in the ten countries joining the EU, underpinned mainly by domestic consumption and increased exports to Western European countries.

The slight economic upturn which has been detectable in Germany since the start of the second half of 2003, was maintained in the first quarter of 2004. According to the Bundesbank, exports remained the most important pillar of this recovery, while domestic demand and in particular personal consumption continued to show only modest results. However, the impetus provided by exports is expected to generate greater domestic investment in plant and machinery in the course of the year. Although the Institute for Economic Research recorded an improvement in business confidence in industry in April following two successive declines in previous months, the forecast for economic growth in Germany was scaled down to 1.5% for the whole of 2004 in the spring review published by the leading economic research institutes.

### Business situation within the Group

		Q1 2004	Q1 2003
Crude steel production <sup>1)</sup>	mt	2.2	2.1
Sales	€ mil.	1,631	1,572
External sales	€ mil.	1,300	1,266
EBITDA	€ mil.	82.0	67.1
EBIT	€ mil.	31.5	12.3
Earnings before taxes (EBT)	€ mil.	26.2	6.2
Net income	€ mil.	20.1	2.9
ROCE (annualized)	%	9.3	3.4
Capital expenditures	€ mil.	38	33
Depreciation and amortization	€ mil.	51	55
Net liabilities to banks	€ mil.	-182	-182
Equity ratio	%	30	31
Core workforce	as of 31.03.	17,731	18,440
Apprentices, students, trainees	as of 31.03.	804	801

1) incl. MRW-V&M-share in Hüttenwerke Krupp Mannesmann, V&M France, V&M do Brasil and V&M Star

The benevolent market environment allowed the Salzgitter group to post satisfactory growth in the first quarter of 2004. The production of crude steel was adjusted to meet the rise in demand and grew by 6% against the comparative period in 2003. As a result, the production of crude steel reached a new quarterly high.

External sales of the Salzgitter group increased by 3% in the reporting period over the same period in the previous year to € 1.3 billion. The higher price level for steel products by comparison with the first three months of 2003 resulted in noticeable growth in turnover for the Trading division in connection more or less stable sales. The increased use of sales channels belonging to the Group also caused external sales in the Steel and Tubes

## Management Report

divisions to shift in favor of the Trading division. The weaker US-Dollar exchange rate proved to be a disadvantageous factor for the Tubes division's sales development, as were changes in the product mix. The Services division, on the other hand, posted pleasing growth while the Processing division suffered declining sales.

The positive trend in earnings from last year was maintained in the reporting period. Compared with the weak first quarter in the previous year, the Salzgitter group succeeded in posting significant gains in EBITDA and EBIT. Pre-tax Group profit (EBT) amounted to € 26.2 million, thereby significantly exceeding the results recorded in the first quarter of 2003. The relative increase in profit after tax to € 20.1 million was even more pronounced. Thereby earnings returned to a satisfactory level – similar to the first quarter of 2002. The strongest growth by comparison with the first quarter of 2003 was recorded in the Steel, Trading and Tubes divisions.

Groups earnings in the first quarter of 2004 contains € 4.5 m of profits by the Steel division from the reduction in the shareholding in the US steel company, Steel Dynamics Inc. Contrary to that, the sharp rise in the costs of raw materials had a negative effect on earnings in the Steel division result. The Trading and Services divisions were able to expand their profits. The difficult situation in the Processing division has shown little change so far in 2004. Although the operating situation improved somewhat over the previous quarter, the pre-tax loss was significantly higher than in the first quarter 2003. By comparison, the Tubes division continued its turnaround and in the first three months of 2004 has already posted more than twice the pre-tax profits of the whole of fiscal 2003.

The balance sheet total rose by € 125 million (+3.4%) to € 3,798 million in comparison with December 31, 2003, which can generally be attributed to higher business activity. The gain results from a sales-induced increase in trade payables especially at Salzgitter Flachstahl GmbH, Salzgitter Stahlhandel GmbH and Salzgitter International GmbH. Together with higher inventories in the large-diameter pipe business current assets increased to € 1.903 million (previous quarter: € 1.791 million).

After a reduction of net liabilities to banks in the last quarter of € 96 million to € 56 million per reporting date, the higher working capital requirements in the first quarter of 2004 caused an increase of € 125 million to € 182 million and a corresponding lower operating cashflow. The net liabilities to banks therefore remained on the same level as at the end of the comparable period of 2003.

At the end of the first quarter 2004, the Salzgitter group had a regular workforce of 17,731 employees. By comparison with December 31, 2003 (17,825 employees), this represents a reduction of 94 employees or 0.5%. At a divisional level, the picture is as follows: Steel -152; Trading -89, Services +335, Processing -7, Tubes -183, holding company +2. The growth in the Services division was due partly by taking trainees into permanent employment, but mainly by the establishment of Salzgitter Mannesmann Forschung GmbH (SZMF), whose employees were recruited from the former Mannesmann Research Institute (MFI) and a significant part of the materials R&D center belonging to Salzgitter Flachstahl, whose employees were previously allocated to the Steel and Tubes divisions. The marked decline in the workforce against December 31, 2003 is due to various personnel measures carried out in the financial year 2003. (For further information on this subject, cf Salzgitter AG's Annual Report 2003, p 54ff)

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### Steel Division

		Q1 2004	Q1 2003
Order bookings	mt	1,521	1,321
Order backlog	mt	1,675	1,319
Crude steel production	mt	1,315	1,257
LD steel (SZFG)	mt	1,050	1,001
Electric steel (PTG)	mt	265	256
Rolled steel production	mt	1,299	1,301
Shipments (incl. processed product)	mt	1,341	1,341
Rolled steel	mt	1,299	1,292
Processed product	mt	42	49
Sales	€ mil.	561	555
External sales	€ mil.	401	406
Earnings before taxes (EBT)	€ mil.	11.5	2.1
Core workforce	as of 31.03.	6,889	6,928

At the start of the year, the market situation in Europe was characterized by steel consumption growing at only a moderate pace in connection with rising prices in spot trading at the same time. Against the background of an imminent worldwide shortage of steel, speculative considerations influenced demand, in particular in the steel trading area. The very low volume of imports from countries outside of EU proved beneficial for European steel producers. Buyers' stock levels were stable or else on the decline.

In the course of the first three months, the rises in the price of raw materials and the shortages of such materials increased dramatically, leading to significant rises in costs which were only partially compensated by a Euro/Dollar exchange rate that developed favorably for the procurement side (raw materials, alloys and slabs). However, the supply of iron ore, coking coal and coke as well as the necessary transport capacity for these materials was secured through long-term contracts. The market prices for flat steel in the first quarter in Europe did not keep pace with the production cost increases. After rolled steel revenues came under pressure in the second half of 2003 as a result of the summer break, the price increases pushed through on January 1 for quarterly contracts met with initial resistance among customers. By the end of the first quarter 2004, invoiced prices had not yet returned to the levels of the second quarter 2003 due to the delay between order booking and delivery. Significant sales volumes sold by Salzgitter Flachstahl GmbH (SZFG) are governed by fixed prices through long-term contracts with customers, and therefore any price increases for such volumes can in any case only be implemented with a time delay. Generally, European market prices for steel products remained below the level of prices on world markets. Sales at SZFG improved slightly in the reporting period over the same period in the previous year, while earnings showed noticeable growth. The order intake grew at a pleasing rate in the course of the first quarter with the result that capacity at SZFG is already booked up until the end of the second quarter. The company succeeded in asserting further price rises of up to € 40 / t for deliveries in the second quarter – this time without any major difficulties – as expectations with regard to a worldwide shortage of steel had been confirmed in the meantime.

The demand for beams in the EU varied depending on the region. While demand was stable in Spain, Italy and Great Britain, the situation in the other markets, particularly the domestic market, was characterized by stagnation due to the lack of any recovery in the construction industry. There were signs of new sales prospects for exports. The operating earnings of Peiner Träger GmbH remained under pressure from the sharp rise in scrap prices in the first quarter. Although the scrap surcharge introduced on November 1 of the previous year was successfully applied in the targeted markets, the effects are always registered with one month's delay due to the system involved. Sales increased compared to last year's levels due to higher prices despite a decrease in shipments. As a result, the company had to post another loss in the first quarter 2004, which, however, was lower than the loss from the comparative period in the previous year.

The market for heavy plate turned into a seller's market in the first quarter as worldwide demand and input stock bottlenecks intensified. After a temporary weakening during the fourth quarter 2003, market prices showed a consistent upward trend in all important sales regions as ordering activity took off. In Europe, suppliers were

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forced to introduce disproportionately high price increases and even to restrict supplies in some cases due to the limited availability of crude steel and drastically more expensive slabs. Low import volumes and special factors such as factory downtime among European producers led to further shortages with the result that the continuity of supply took precedence over price for consumers. Against this background, Ilseburger Grobblech GmbH sold the volumes produced in the first quarter 2004 at generally higher prices as only a small percentage was tied to long-term contracts. As a result, sales were better than in the first quarter of the previous year. Earnings matched the level of the comparative period due to the increase in costs.

Due to the weak US dollar and reduced market activity of the European gas and oil pipeline sector, Salzgitter Großrohr GmbH reported a deterioration in operating conditions. Sales remained below the first quarter of 2003 despite a satisfactory capacity utilization level due to the higher turnover in the previous year. Quarterly earnings reached breakeven.

Total sales in the division grew by 1% in the first quarter 2004 by comparison with the same period in the previous year while shipments matched those of the first three months of 2003. External sales fell slightly, as products were increasingly distributed through the group's own trading channels. Sales and total turnover look considerably healthier when compared with the fourth quarter 2004, posting growth of 9% and 11% respectively. Pre-tax earnings significantly increased to € 11,2 million compared with the weak first quarter of 2003. The figure contains exceptional profits of € 4.5 m from the sale of shares in the US steel company, Steel Dynamics Inc. Consolidated orders in the Steel division rose by a pleasing 15% in the first quarter compared with the comparative period. The consolidated order book even grew by 27%.

The regular workforce in the Steel division stood at 6,889 employees as of March 31, 2004, which is a reduction of 39 by comparison with the same period in the previous year, or 152 compared with December 31, 2003. This reduction in the reporting period was due on the one hand to the transfer of employees to age-related part-time contracts at PPS and on the other to the transfer of 84 employees at SZFG's materials center to SZMF, which is part of Services Division.

Work on the major investment projects, "Commissioning of blast furnace C" and "Continuous casting plant 3", continued on schedule. In May 2004, blast furnace B will be partially relined after 11 years in service. The plant will be shut down for 28 days in order to carry out the work.

### Trading Division

		Q1 2004	Q1 2003
Shipments	mt	1,261	1,250
Sales	€ mil.	577	526
External Sales	€ mil.	569	501
Earnings before taxes (EBT)	€ mil.	11.2	2.4
Core workforce	as of 31.03.	1,738	1,877

After trade margins had been under pressure in 2003, the steel trading companies in the Salzgitter group had an opportunity for the first time in the course of the first quarter of 2004 to pass on the increases in factory gate prices to end users to a greater extent, thanks to firming demand. Furthermore, the Steel and Tubes divisions increased their use of the Trading division's distribution channels. These circumstances had a positive effect on the results of the Trading division.

Sales, and turnover improved noticeably at Salzgitter Stahlhandel GmbH, Düsseldorf (SSH). While deliveries in the domestic, stock-holding trade only grew by a moderate amount compared with the same period in the previous year, turnover increased by over 15% – as a result of higher prices in all product segments. Earnings showed a corresponding satisfying development. The Dutch companies also maintained their positive trend in terms of sales, turnover and profits.

The persistently strong demand from China, the Near and Middle East and some other countries in South East Asia and Africa provided growth in sales, turnover and earnings of the trading business at Salzgitter International

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GmbH, Düsseldorf. Only at the North American companies, Salzgitter International Inc., Houston and Salzgitter Trade Inc., Vancouver, did consistently tough regional competition and higher purchase prices affect business. As a result of these factors, the companies suffered declines in volumes, turnover and earnings against the comparative period in the previous year. As the first quarter progressed, market prices in North America rose steeply in some cases as signs pointed to a shortage of steel. This development, however, together with the accompanying healthy order book, will be reflected in earnings in the second quarter of 2004.

Thanks to the positive developments of its subsidiaries, Salzgitter Handel GmbH was able to significantly increase sales and earnings in the reporting period compared with the first quarter of 2003. The shipments improved slightly.

The heavy plate specialist company, Universal (UES), and the steel service centers, Hövelmann & Lueg (HLK) and Robert (RSA) increased both sales and turnover over the same period in the previous year. UES and RSA also succeeded in improving their earnings, while profits at HLK were flat.

External sales of the Trading division increased by 14% to € 569 million and earnings more than tripled to gratifying € 11.2 million. The workforce at the Trading division fell by 139 employees in the first quarter of 2004 against the first quarter of 2003. The main reason for this decrease was a reduction in staffing levels at SSH, where there were 33 fewer employees as of December 31, 2003 and a further reduction by 39 members of staff as of March 31, 2004.

### Services Division

		Q1 2004	Q1 2003
Sales	€ mil.	203	168
External sales	€ mil.	77	65
Earnings before taxes (EBT)	€ mil.	4.8	3.0
Core workforce	as of 31.03.	3,848	3,834

The Services division was expanded by including Salzgitter Mannesmann Forschung GmbH (SZMF) as of January 1, 2004. The company, which emanated from the Mannesmann Forschungsinstitut (MFI) at the end of 2003, combines substantial parts of Salzgitter Flachstahl GmbH's materials R&D center with the activities of the MFI, which were previously part of the Steel and Tubes divisions.

The pleasing 21% increase in total sales in the Services division was mainly due to a rise in sales at DEUMU on account of higher scrap prices, as well as the first-time inclusion of SZMF. High one-off revenues from GESIS in connection with a large software project also contributed to this growth.

External sales increased by 18% to € 77 million in the reporting period, which was achieved mainly through the positive growth at DEUMU already described, the integration of SZMF and higher sales contributions from the TELCAT group. The increase in earnings to € 4.8 million compared with the previous year was principally determined by overall favorable growth at all companies. All of the division's consolidated companies finished the quarter in profit.

The workforce increased by 14 employees as of March 31, 2004 against March 31, 2003. Compared with the end of the year, staff levels have increased by 335 employees. This change was mainly due to the transfer of 84 employees from the Steel division and 161 employees from the Tubes division. The second reason for the increase over the previous quarter was the fact that 100 trainees were given permanent contracts at the beginning of the year.



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### Processing Division

		Q1 2004	Q1 2003
Sales	€ mil.	50	60
External sales	€ mil.	47	55
Earnings before taxes (EBT)	€ mil.	-10.7	-3.5
Core workforce	as of 31.03.	1,038	1,127

The tough market conditions persisted for the companies of the Processing division in the first quarter of 2004. Neither of the two business areas, Construction or Automotive, showed signs of recovery. External sales fell by 14% in the first quarter of 2004 by comparison with the first three months of 2003 to € 47 million. The division reported earnings before taxes of € -10.7 million. The situation in each company was as follows in the first three months of 2004:

The companies HSP Hoesch Spundwand und Profil GmbH and Salzgitter Bauelemente GmbH (SZBE) suffered from the desolate situation in the construction sector in this reporting period and from the resulting high level of competitive pressure. The new distribution system centered on the joint venture ThyssenKrupp GfT Bautechnik GmbH decreased costs. Due to the increase in turnover, HSP was able to partially compensate the decrease in prices for sheet pilings and report sales on level with those of the first quarter of 2003, but the company still reported a loss. The order bookings at HSP improved towards the end of the reporting. Price rises for trapezoidal sheets and sandwich elements at SZBE were accompanied by a decline in shipments. Nevertheless, the slight increase in sales prices and lower material costs improved the company's earnings position over the same period in the previous year. Due to the higher sales prices and lower costs of material, SZBE reduced its operating loss in comparison with the first three months of 2003.

Suppliers to the automotive industry presented a mixed picture. Salzgitter Automotive Engineering GmbH & Co. KG suffered declines in sales and a pre-tax loss due to increased competition as a result of the reduction in demand for the construction of prototypes and the volume production of parts. Salzgitter Europlatinen GmbH, on the other hand, posted improved earnings by comparison with the first quarter of 2003 as well as healthy orders and stable sales.

The workforce of the Processing division decreased by 89 employees as of March 31, 2004, due in particular to a reduction of 69 members of staff at HSP. By comparison with December 31, 2003, a reduction of 7 employees was recorded at the Processing division.

### Tubes Division

		Q1 2004	Q1 2003
Order bookings	€ mil.	313	238
Order backlog	€ mil.	512	334
Sales	€ mil.	241	263
External sales	€ mil.	206	240
Earnings before taxes (EBT)	€ mil.	5.6	0.2
Core workforce	as of 31.03.	4,101	4,561

The turnaround in the steel tubes market, which has been visible since the second half of 2003, was reinforced during the first quarter of 2004 by unusually high orders in almost all product areas. This upturn has been caused mainly by the fact that the capital investment backlog in the energy transportation and distribution industries has been slowly dissolving, as well as by an – albeit limited – increase in stockpiling as a result of expected price rises and an imminent shortage of steel. The US dollar was weaker than in the first quarter 2003, and this continued to affect the sales and earnings of all companies that manufacture in Europe and sell their products in dollar-dominated markets.

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Total sales in the Tubes division fell by roughly 9% against the first quarter 2003. The low dollar exchange rate, a less advantageous product mix at Europipe GmbH and the transfer of SZMF to the Services division were the main reasons for this decline. External sales were also down; part of this reduction, however, was caused by increased use of the group's own distribution channels. The pre-tax profits in the reporting period were significantly higher than the breakeven figure achieved in the first quarter 2003, and the company has already more than doubled the earnings from the entire fiscal year 2003.

Consolidated orders at the Mannesmannröhren Werke group (MRW) in the reporting period were 31% higher than the comparative figure from the previous year. The figure even surpassed the average quarterly volume of 2003, which was dominated by the major Ormen-Lange contract. As of March 31, 2004 the order book had increased compared with March 31, 2003. In the first quarter of 2004 developments in the individual product areas of MRW were as follows:

As a consequence of strong demand due to rising oil prices, the pleasing development of business conditions in the unconsolidated seamless tube area was maintained after the turn of the year. With improved deliveries, the at equity consolidated Vallourec & Mannesmann Tubes SA was able to expand its business and increase sales by roughly 10% in comparison with last year's figure.

The precision tubes sector was able to maintain its positive trend. The companies operating in this sector, MHP Mannesmann Präzisrohr GmbH and Robur Buizenfabriek B.V., improved its sales and turnover figures against the comparative figures from the previous year. Pre-tax profits also increased slightly in spite of higher input stock costs. Order booking increased significantly by comparison with the first quarter 2003.

DMV Stainless SA (DMV) recorded lower deliveries of stainless steel tubes in the reporting period than in the first quarter 2003, and turnover declined as a result. As a result of these circumstances, DMV was not able to show positive earnings in spite of passing on increases in the cost of input materials to customers. However, orders picked up over the first quarter 2003 and reached a very pleasing level.

The companies in the medium-diameter pipes product area – Mannesmann Line Pipe GmbH (MLP) and Röhrenwerke Gebrüder Fuchs – were not yet able to benefit from the improved market situation in the reporting period. Sales and earnings fell compared with the first quarter 2003. Incoming orders showed pleasing growth and rose rapidly in the reporting period against the corresponding period in the previous year. The first positive effects of the – in 2003 – newly formed distribution joint venture serving the NAFTA area, Stupp & Mannesmann Line Pipe LP, Houston, also made themselves felt.

The producer of large diameter pipes, Europipe (EP), entered the first quarter 2004 with a healthy order book. Deliveries at EP hardly changed by comparison with the first three months of 2003. Considerably higher shipments were missed due to a sudden shortage of transport capacity. This prevented a larger volume of finished pipes from being delivered. Sales fell year-on-year, although total turnover was almost unchanged and production increased. This was due to the weakening of the US dollar against the Euro, a change in the product mix and a decreased demand for coated pipes. Earnings at EP improved against the first quarter of the previous year and almost reached breakeven. The reporting period continued to see pleasing growth in the number of orders booked.

The workforce in the Tubes division had decreased as of the end of March 2004 by 460 employees by comparison with March 31, 2003 but only by 183 against December 31, 2003. The reclassification of 161 employees of SZMF to the Services division was the main reason for this decline in the first quarter of 2004. The further reduction in the year-on-year comparison was mainly caused by measures implemented in the course of the last financial year at the large diameter pipes product area.

## Outlook

From the current perspective, there are many indications that the worldwide economic recovery will continue over the course of the coming months, as the strong growth impulses emanating from the USA and China will remain the underlying driving forces. The monetary policies pursued by the most important international central banks are also still set for expansion. However, the increase of inflationary tendencies could herald a change in the monetary policies. The Bank of England, for example, has already slightly increased the repo rate in early May. A first interest rate rise by the Federal Reserve in the USA is expected for June. When the economic momentum derived from these factors fades, the upturn might slow down in the second half of the year.

The economy in the European Union should, as before, benefit from exports and also from strong growth in the new EU accession countries. On the other hand, there are still no signs that weak domestic demand will show a turn for the better.

Viewed in its entirety, the general environment in which the Salzgitter Group is active has improved by comparison with the previous year.

In connection with an overall favorable order situation for rolled steel products, further rises in sales prices are likely to be introduced in the third quarter of the ongoing business year. Against the backdrop of the extremely high procurement prices for raw materials and scrap, as well as the exorbitant hikes in freight charges, these price increases are absolutely essential. Virtually all of the iron ore, coking coal and coke supplies as well as the necessary transport capacities have been secured by long term contracts. The slight dip in scrap prices is not likely to result in any significant and lasting easing of the situation. Due to the long planned maintenance work to be conducted at a blast furnace in Salzgitter that has been planned far in advance, the availability of slabs for the rolled steel production will be restricted in the second quarter of 2004 – in spite of advance production and bought in material. Regardless of this situation, the Steel division expects a continuation of the positive ongoing developments.

At the Tubes division, the gratifying order intake registered in the quarter under review will once again ensure a solid capacity utilization at all plants. Not least in view of the continuing high levels of oil and natural gas prices, a further improvement in the business situation over the coming months is possible. An essential precondition for this, however, is the assertion of price hikes compensating the negative impact on earnings due to the weak US dollar and the increased ingoing material prices.

While the Trading and Services divisions are likely to benefit from the more favorable environment, the Processing division anticipates a gradual improvement of the current situation. The key factor here is the persisting difficult situation of the domestic construction industry.

Based on the current information and expectations regarding the developments of procurement and sales markets, as well as the general conditions and with due consideration to the planned internal measures, the Salzgitter Group anticipates a pre-tax result in the upper double digit million range. The bandwidth of opportunities and risks on the sales and procurement markets is considerably wider than in the previous years that were far less impacted by such events.

## Consolidated Income Statement

in T€	1st Quarter 2004	1st Quarter 2003
Sales	1,299,546	1,266,272
Increase or decrease in finished goods and work in process and other own work capitalized	21,517	-22,062
	<b>1,321,063</b>	1,244,210
Other operating earnings	60,678	33,181
Cost of materials	901,756	820,268
Personnel expenses	228,993	232,156
Ammortization and depreciation	50,530	54,740
Other operating expenses	160,550	146,836
Income from shareholdings	274	38
Income from associated companies	8,063	5,758
Net interest income	-22,048	-22,999
<b>Profit on ordinary activities</b>	<b>26,201</b>	6,188
Taxes on profits	4,233	1,075
Other taxes	1,836	2,195
<b>Consolidated net income for the year</b>	<b>20,132</b>	2,918
Minority interest	-13	258
<b>Consolidated net income accruing to Salzgitter AG shareholders</b>	<b>20,145</b>	2,660
<b>Undiluted earnings per share (in €)</b>	<b>0.33</b>	0.04
<b>Diluted earnings per share (in €)</b>	<b>0.33</b>	0.04
<b>Application of profits in T€</b>		
Consolidated net income accruing to Salzgitter AG shareholders	20,145	2,660
Profit carried forward from previous year	16,780	20,000
Appropriation to other retained earnings	-15,725	-3,830
<b>Profit shown on the balance sheet after appropriation to or transfers from reserves</b>	<b>21,200</b>	18,830

## Consolidated Balance Sheet

Assets in T€	31/03/2004	31/12/2003
<b>Fixed assets</b>		
Intangible fixed assets	-155,980	-169,441
Goodwill/negative goodwill from capital consolidation	-174,732	-189,387
Other intangible assets	18,752	19,946
Tangible fixed assets	1,444,526	1,457,682
Financial assets	73,577	78,279
Associated companies	517,547	512,594
	<b>1,879,670</b>	<b>1,879,114</b>
<b>Current assets</b>		
Inventories	936,042	918,553
Receivables and other assets	922,696	731,989
Trade receivables	794,106	628,283
Other receivables and sundry assets	128,590	103,706
Current securities	63	54
Cash and cash equivalents	43,978	139,964
	<b>1,902,779</b>	<b>1,790,560</b>
<b>Capitalized deferred taxes</b>	<b>1,038</b>	<b>1,295</b>
<b>Prepaid expenses</b>	<b>14,943</b>	<b>2,156</b>
	<b>3,798,430</b>	<b>3,673,125</b>
<b>Equity and liabilities in T€</b>		
<b>Equity</b>		
Subscribed capital	159,523	159,523
Capital reserve	287,530	287,530
Retained earnings	529,116	525,907
Profit shown on the balance sheet after appropriation to or transfers from reserves	21,200	16,780
	<b>997,369</b>	<b>989,740</b>
Own shares	-9,479	-9,494
	<b>987,890</b>	<b>980,246</b>
<b>Minority interest</b>	<b>16,151</b>	<b>16,168</b>
<b>Provisions</b>		
Provisions for pensions and similar obligations	1,509,877	1,507,699
Tax provisions	97,245	96,443
Other provisions	287,962	287,832
	<b>1,895,084</b>	<b>1,891,974</b>
<b>Liabilities</b>		
Bonds	2,171	2,171
Liabilities to banks	225,708	196,237
Trade payables	386,755	325,286
Other liabilities	276,420	260,131
	<b>891,054</b>	<b>783,825</b>
<b>Deferred income</b>	<b>8,251</b>	<b>912</b>
	<b>3,798,430</b>	<b>3,673,125</b>

## Cash Flow Statement

in T€	1st Quarter 2004	1st Quarter 2003
Consolidated net income for the year	20,146	2,660
Depreciations, write-downs (+)/write-ups (-) on fixed assets	50,530	54,228
Other non-payment-related expenses (+)/income (-)	86	-4,516
Interest expenses	25,677	26,886
Increase (-)/decrease (+) on the disposal of fixed assets	-4,068	1,177
Increase (-)/decrease (+) in inventories	-19,033	-16,585
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-208,871	-109,962
Payment-related increase (+)/decrease (-) in provisions	-44,585	-43,641
Increase (-)/decrease (+) in trade payables and other liabilities not attributable to investment or financing activities	117,464	97,081
<b>Cash flow from operating activities</b>	<b>-62,654</b>	<b>7,328</b>
Payments received from the disposal of fixed assets	1,866	1,113
Payments made on investments in intangible and tangible fixed assets	-40,466	-30,750
Payments received from the disposal of fixed assets	12,182	879
Payments made on investments in financial assets	-1,245	-14,584
<b>Cash flow from investment activities</b>	<b>-27,663</b>	<b>-43,342</b>
Payments received (+)/made (-) as a result of sales and repurchases of own shares	15	11
Payments received (+)/made (-) as a result of the issue of bonds, take-up of loans and other financial liabilities	-2,078	0
Interests paid	-3,606	-3,563
<b>Cash flow from financing equivalents</b>	<b>-5,669</b>	<b>-3,552</b>
Cash and cash equivalents available at the beginning of the period	139,964	111,237
Variation in cash and cash equivalents	-95,986	-39,566
<b>Cash and cash equivalents available at the end of the period</b>	<b>43,978</b>	<b>71,671</b>

## Statement of Changes in Equity

In T€	Subscribed capital	Capital reserves	Retained earnings	Thereof from currency conversions	Thereof other changes without effect on income	Repurchase of own shares	Valuation reserve IAS 39 from hedging relationships	Valuation reserve IAS 39 from available for sale	Consolidated net income	Shareholders' equity
<b>Status December 31, 2002</b>	<b>159,523</b>	<b>287,530</b>	<b>535,468</b>	<b>-89,140</b>	<b>3,303</b>	<b>-6,802</b>	<b>18,017</b>	<b>12,965</b>	<b>20,000</b>	<b>1,026,701</b>
Net income for the year									2,660	
Dividend										0
Disposal of own shares						11				11
Repurchase of own shares										0
Change in value of own shares										0
Currency conversions			-1,146	-1,146						-1,146
Change in value IAS 39 investments										0
Change in value IAS 39 from hedging relationships							-1,210	-2,268		-3,478
Withdrawals by Saizgitter AG from retained earnings										0
Group transfers to retained earnings			3,830						-3,830	0
Changes to the group consolidated										0
Deferred taxes on changes without effect on income										0
Others										-68
<b>Status March 31, 2003</b>	<b>159,523</b>	<b>287,530</b>	<b>538,084</b>	<b>-90,354</b>	<b>3,303</b>	<b>-6,791</b>	<b>16,807</b>	<b>10,697</b>	<b>18,830</b>	<b>1,024,680</b>
<b>Status December 31, 2003</b>	<b>159,523</b>	<b>287,530</b>	<b>511,365</b>	<b>-128,722</b>	<b>3,301</b>	<b>-9,494</b>	<b>4,458</b>	<b>10,084</b>	<b>16,780</b>	<b>980,246</b>
Net income for the year									20,145	
Dividend										0
Disposal of own shares										0
Repurchase of own shares						15				15
Change in value of own shares										0
Currency conversions			614	614						614
Change in value IAS 39 investments										-3,702
Change in value IAS 39 from hedging relationships							-705			-705
Withdrawals by Saizgitter AG from retained earnings										0
Group transfers to retained earnings			15,725						-15,725	0
Changes to the group consolidated										0
Deferred taxes on changes without effect on income			1,427		1,427					1,427
Others										-10,150
<b>Status March 31, 2003</b>	<b>159,523</b>	<b>287,530</b>	<b>518,981</b>	<b>-128,108</b>	<b>-87</b>	<b>-9,479</b>	<b>3,753</b>	<b>6,382</b>	<b>21,200</b>	<b>987,890</b>

## Segment Reporting

in T€	1st Quarter 2004	1st Quarter 2003
<b>Consolidated sales</b>		
Steel	400,651	405,605
Trading	568,554	500,455
Services	76,677	65,211
Processing	47,294	54,699
Tubes	206,370	240,302
Others/Consolidation	0	0
<b>Group</b>	<b>1,299,546</b>	<b>1,266,272</b>
<b>Income from ordinary operations</b>		
Steel	11,495	2,060
Trading	11,186	2,418
Services	4,813	3,012
Processing	-10,719	-3,480
Tubes	5,606	163
Others/Consolidation	3,820	2,015
<b>Group</b>	<b>26,201</b>	<b>6,188</b>



## 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 March 31, 2004, has been prepared as a condensed report with selected details annexed. The report has been compiled as before in accordance with the International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB) in consideration of requirements contained in IAS 34 for condensed interim reports.
2. The quarterly report has been prepared pursuant to the same balance sheet reporting and valuation, accounting and consolidation methods as were applied to the annual financial statements to December 31, 2003.
3. In comparison with the annual financial statements to December 31, 2003, UNIVERSAL OCEL spol. s.r.o., Prague, which was previously fully consolidated, has been deconsolidated from the group of consolidated companies.

### Selected explanatory notes on the income statement

1. Sales by Divisions are illustrated in the segmental reporting section. The organisation of the Group into the five divisions Steel, Trading, Services, Processing and Tubes remains unchanged in relation to the annual financial statement.
2. Earnings per share are calculated pursuant to IAS 33. The undiluted earnings per share based on the weighted number of shares in Salzgitter AG amount to € 0.33.

Earnings per share are diluted when the average number of shares is increased by the addition of the potential shares issued on the basis of the option and conversion rights that were issued by Salzgitter AG. In principle, option and conversion rights dilute earnings when the prerequisites for the conversion right are fulfilled.

The dilution effect of option rights that are not exercised would occur on the basis of a subscription price of € 12.10 per share. In the year under review, the share price always remained below the subscription price of € 12.10, with the result that no dilution effect arising from conversion rights is reported.

### Events of significance in the first quarter of 2004

The research and development activities of Salzgitter Group are concentrated since January 1st, 2004, in one company in the Services Division. Salzgitter Mannesmann Forschung GmbH (SZMF) with its roughly 270 mostly academic employees is a merger of the Mannesmann Forschungsinstitut GmbH and a major part of the, the materials R&D center (Werkstoffzentrum) of Salzgitter Flachstahl GmbH. At its Duisburg location, SZMF will concentrate on tubes, sections and heavy plate products, while the Salzgitter site will focus on hot- and cold-rolled steel and surface techniques.

## Investor Relations

### The capital market and the performance of the Salzgitter share

The gratifying developments of the stock markets which started in the second half of 2003 fueled by an upturn in the world economy, continued initially at the beginning of the first quarter 2004. February saw a return to a degree of uncertainty in the markets as a result of contradictory economic indicators. After the terror attacks in Madrid on March 11, 2004, the markets entered a phase of consolidation, which was maintained until the end of the quarter. The DAX finished the first quarter posting a small loss of 2.7% while the MDAX succeeded in gaining 6%.

The positive trend seen in the movement of the Salzgitter stock was also maintained in the first three months of fiscal 2004. Starting from a closing price at the end of the year of € 8.79, the stock grew at a pleasing rate, reaching € 10.49 on March 9, which proved to be its high for the quarter. The Salzgitter stock was unable to set itself off from the general market trend in the course of the events mentioned, and it entered a period of sideways movement. However, with a closing price of € 10.20 on March 31, 2004, the company not only posted a rise of 16% in the first quarter, but also outperformed the DAX, MDAX and the European Steel Index.

Trading in Salzgitter shares on German bourses increased significantly in the reporting period. With an average of 135,000 units in the first three months of 2004, daily sales were 93% higher than in the same period in the previous year. The free float market capitalization stood at € 342 m at the end of March. Rated according to the sales and market capitalization categories, this positioned Salzgitter AG at 36th and 45th place respectively among the 50 MDAX stocks in Deutsche Börse AG's ranking.

Since the beginning of the year, Salzgitter AG participated in two investors' conferences as part of its capital markets communication strategy. In addition, road shows in London and Munich were held, as well as several visits from analysts and investors in Salzgitter and Mülheim. The results of the financial year 2003 were presented at well-attended analysts' conferences in Frankfurt and London in the middle of April, and were the subject of lively debate.

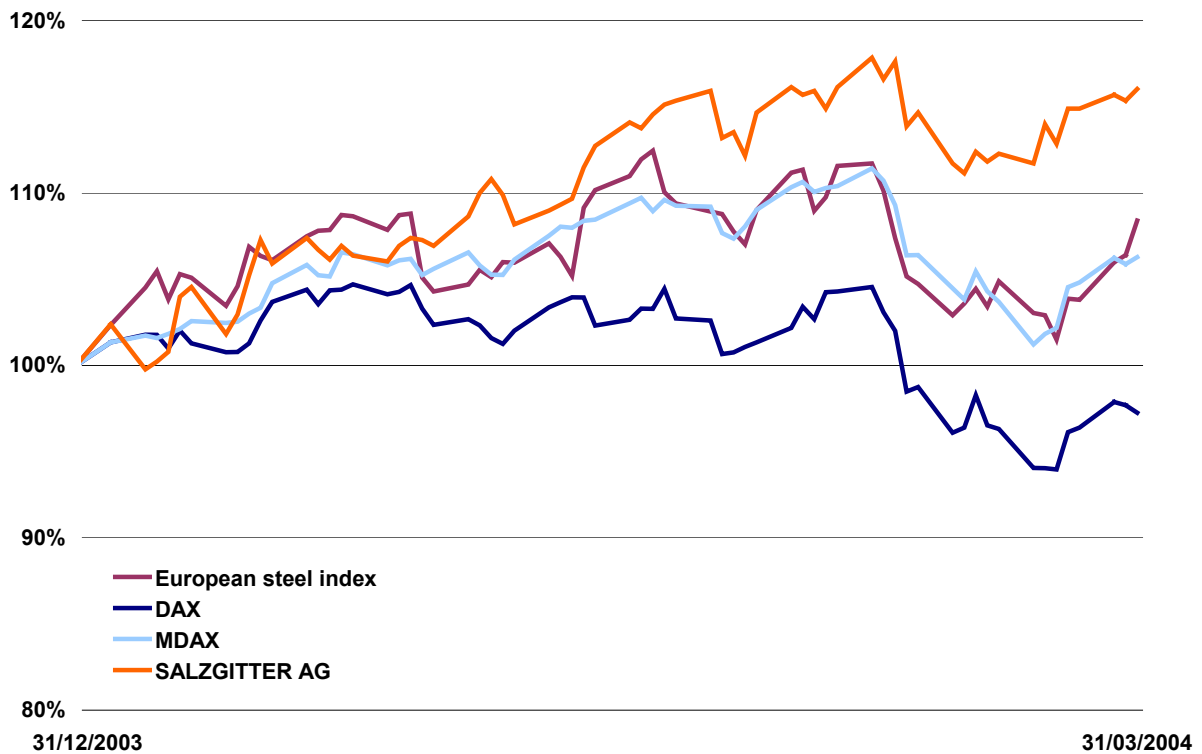
Since the beginning of the financial year, a total of 33 research studies or recommendations regarding the Salzgitter stock have been published by 21 research sources with the following current ratings (as of March 31, 2004): 17 Buys/ Outperforms, 4 Holds/Neutral, 0 Sells/Underperforms.

### Information for investors

		Q1 2004	Q1 2003
Nominal capital	Mio. €	159.5	159.5
Number of shares	Mio. Stück	62.4	62.4
Market capitalization as of March, 31 <sup>1)</sup>	Mio. €	636.5	433.1
Price as of March, 31 <sup>1)</sup>	€	10.20	6.94
Stock market high <sup>1)</sup>	€	10.49	7.59
Stock market low <sup>1)</sup>	€	8.72	5.88
Security identification number	620200		
ISIN	DE0006202005		

<sup>1)</sup> Information based on XETRA trading prices in Frankfurt

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



Sources: Xetra closing prices DBAG, Datastream STEELEU

### Financial calendar

May 26, 2004	Annual shareholders' meeting for financial year 2003
August 12, 2004	Interim report 1st Half 2004
August 12, 2004	Analyst conference Frankfurt/Main
August 13, 2004	Analyst conference London
November 12, 2004	Interim report 9 Months 2004
December 31, 2004	End of financial year 2004

### 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 further 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 in terms of their scope and timing. The company undertakes no obligation to update any forward-looking statements.

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