INTERIM REPORT

SALZGITTER AG
Stahl und Technologie

- Slight improvement in group profit compared with last quarter of 2002
- Tubes Division results stabilized at low level in spite of persisting difficult economic situation
- Upward trend at Steel Division continues

1st Quarter 2003

Salzgitter-Group

		1st quarter 2003	1st quarter 2002	Δ
Sales (consolidated)	€ m	1,266	1,172	8 %
Steel Division	€ m	406	383	6 %
Trading Division	€ m	500	432	16 %
Services Division	€ m	65	56	16 %
Processing Division	€ m	55	24	130 %
Tubes Division	€ m	240	277	-13 %
Flat rolled products	€ m	606	505	20 %
Sections	€ m	202	219	-8 %
Tubes	€ m	319	338	-6 %
Shares of exports	%	53	55	
Income from ordinary operations	€ m	6	20	-69 %
Net income	€ m	3	21	-86 %
Balance sheet total	€ m	3,946	3,848	3 %
Fixed assets	€ m	1,989	1,925	3 %
Current assets	€ m	1,957	1,923	2 %
Inventories	€ m	897	881	2 %
Shareholders´ equity	€ m	1,025	1,132	-9 %
Borrowings	€ m	2,921	2,716	8 %
Provisions	€ m	1,871	1,928	-3 %
Liabilities	€ m	1,050	788	33 %
Thereof due to banks	€ m	254	159	59 %
Capital expenditure[1)]	€ m	33	59	-44 %
Depreciation and amortization	€ m	55	56	-2 %
Employees				
Personnel expenses	€ m	232	220	6 %
Workforce (average of the period)		18,459	18,680	-1 %
Key figures				
Earnings before interest and taxes (EBIT)[2)]	€ m	12	25	-51 %
EBIT before depreciation and amortization (EBITDA)	€ m	67	81	-17 %
Cash flow from operating activities	€ m	7	-58	
Return on capital employed (ROCE)[3) 4)]	%	3.4	7.5	

Financial statements according to IAS
1) Excluding financial assets; 2) EBT plus interest paid (excluding interest element in allocations to pension provisions); 3) EBIT in relation to the total of shareholders´ equity, minority equity interests, tax provisions (excluding deferred taxes) and interest-bearing liabilities; 4) Annualized

Summary

In the first quarter of 2003, hopes that the world economy would soon recover were once again dashed. On the contrary, due to the escalation of the Iraq conflict and the outbreak of war, fears of a global recession arose throughout the industrialized nations. In Europe and in Germany, business confidence again deteriorated during the quarter, with attention not only focused on the disconcerting global political situation, but also on domestic economic risks such as rising unemployment. The extremely reserved consumption patterns that this engendered, coupled with reluctance to invest, also put the brakes on the domestic revival. The general mood was reflected in the share prices and index levels on the German capital markets that plunged in March 2003 to their lowest levels since 1996.

Salzgitter AG was naturally unable to escape from this general trend and posted a profit in the first three months that was slightly higher than that of the previous quarter. While the Steel Division benefited from the further stabilization on the market for flat steel and signs of a recovery in the heavy plate segment, it suffered from insufficient margins in the beam segment as a result of extremely high scrap prices. In the Tubes Division, the crisis in the Middle East affected the level of activity at plants, and consequently impacted performance, with the result that overall earnings for the period merely broke even. The earnings situation in the other Divisions were in line with expectations that were shaped by the general economic environment.

In the flat steel segment, sales prices are stabilizing in connection with satisfactory order activity. The earnings situation for sections will improve as a result of the recently realized revenue increases, further revenue increases and a downward trend in scrap prices. In the heavy plate segment, the gratifying trend of the first quarter should continue.

The market for steel tubes appears to have reached rock bottom. With the backlog of orders remaining low and order activity that is lively in some areas but still generally subdued, full capacity utilization for all of the production plants will again be unlikely in the second quarter. Against this background, the expectations for a far-reaching recovery in the sector are being focused on the second half of 2003.

Measures to improve earnings are being taken in all of the Group’s subsidiaries, the objectives being to improve quality and productivity and reduce the commitment of funds.

Taking the results of the above measures into account, Salzgitter AG is expecting positive consolidated pretax results in the first six months of 2003 and, assuming at least a slight improvement in the overall economic conditions in the sectors and regions with relevance for its Divisions, pre-tax results running into a medium, double-digit million region for 2003 as a whole.

Key data for the first three months of the financial year 2003:

• **Consolidated external sales:**	**€ 1.3 billion**	• **EGT Steel Division:**	**€ 2.1 million**
• **Pre-tax profits:**	**€ 6.2 million**	• **EGT Tubes Division:**	**€ 0.2 million**
• **Net income for the year:**	**€ 2.9 million**	• **ROCE (annualized):**	**3.4 %**

Economic and market developments
In the previous year, the global economic recovery that had been forecast for the second half of 2002 failed to materialize. The first quarter of 2003 was also beset by political and economic uncertainties and global growth remained weak. In particular, the escalation of the Iraq conflict in the spring is likely to have prevented a recovery.

The economic situation in the Euro zone, which has been flagging for some time, also failed to show any signs of improvement. The ongoing depression was reflected in cautious consumer behavior and reluctance to invest, thereby hindering more positive developments. To date, the hard economic data that have been released for the spring, however, are indicating stagnation rather than a recession.

Fundamental risks such as the high level of public debt, record unemployment and the state of the social security systems have led to a further deterioration in sentiment among companies and consumers in Germany over the past few weeks. This was reflected by, among other things, the decline in the Institute for Economic Research (Ifo) business climate index for both March and April, following an upward trend in the preceding months.

The data on orders, production and domestic sales that have been released so far do not show any dramatic downturn in the domestic economic cycle to date. Some of the average figures are even significantly higher than those achieved in the final quarter of 2002. In March, however, according to the Federal Statistical Office, exports began to falter and were 0.6 % lower than in the previous month. Therfore it remains to be seen, how economic growth has developed in Germany in the 1st quarter of 2003.

Business situation within the Group
The failure of the economic recovery to materialize both domestically and internationally was the main reason why the results of the Salzgitter Group in the first three months of 2003 were only slightly better than those posted in the final quarter of the last financial year.

Group external sales in the first quarter of 2003 amounted to € 1.3 billion, some 8 % up on the sales figure of € 1.2 billion for the same period last year. This increase is due on the one hand to the improved sales revenue performance in the Steel, Trading and Services Divisions, and also to the inclusion of additional companies in the consolidated entity: Salzgitter Automotive Engineering, Salzgitter Europlatinen and Salzgitter Bauelemente were consolidated fully for the first time as of December 31, 2002, taking effect retrospectively for the financial year 2002, although they had not yet been included in the first-quarter report for 2002. In addition, Salzgitter International Inc., Houston/USA (SIH) was included for the first time as of January 1, 2003.

Pre-tax profits amounted to € 6.2 million, a decrease compared with the same period last year (€ 20.1 million) but an improvement on the last quarter (fourth quarter of 2002: € 4.6 million).

Group-Divisions

	Consolidated Sales		**Income from ordinary operations**	
€ T	**1st quarter 2003**	**1st quarter 2002**	**1st quarter 2003**	**1st quarter 2002**
Steel Division	405,605	383,214	2,060	-13,926
Trading Division	500,455	431,761	2,418	4,003
Services Division	65,211	56,233	3,012	2,232
Processing Division	54,699	23,769	-3,480	-1,108
Tubes Division	240,302	277,270	163	25,242
Others/Consolidation	0	0	2,015	3,651
Group	**1,266,272**	**1,172,247**	**6,188**	**20,094**

Segment data by Divisions

The principal reason for this year-on-year decline was, in particular, the considerably worsened situation prevailing on the market served by the Tubes Division since the autumn of 2002; by way of contrast, the Steel Division improved its results significantly thanks to higher sales prices, having operated at a loss in the first quarter of 2002. The current highly unfavorable trend in the price of scrap as a raw material for beam production prevented the Group from posting a more positive performance in the Steel Division in the period under review.

After-tax profits were down to € 2.9 million compared with the first quarter of 2002 (€ 21 million). The main reasons for this disproportionately steep decline were the sharply reduced proportion of results generated abroad by associated companies and an increase in deferred taxes. Actual tax payments, on the other hand, declined.

The Group generated EBIT (earnings before income and taxes) of € 12.3 million (first quarter of 2002: € 25.4 million), and EBITDA of € 67.1 million (first quarter of 2002: € 81.0 million).

The return on capital employed (ROCE) amounted to 3.4 %, representing an increase over the previous quarter (3,0 %), yet failed to exceed ROCE recorded in the first quarter of 2002 (7.5 %).

At € 33 million, investment in tangible fixed assets (property, plant and equipment) was lower than in the same period last year and thus lower than the depreciations of € 55 million (first quarter of 2002: € 56 million).

The increase of approximately € 139 million (+4 %) in the balance sheet total compared with the fourth quarter of 2002, taking it to € 3.9 billion, is explained principally by the inclusion of SIH (€ 66 million) and Salzgitter Automotive Engineering Immobilien GmbH & Co. KG, Osnabrück (€ 11 million) in the group of consolidated companies.

On March 31, 2003 the Salzgitter Group had net bank borrowings amounting to € 182 million, an increase of € 113 million compared with the first quarter of the previous year. The increase resulted primarily from the first-time consolidation of SIH and higher, proportionally consolidated liabilities outside of the consolidated financial entity (Europipe Group).

From an economic perspective – in consideration of the negative difference resulting from the consolidation of capital as well as minority interests – the equity ratio amounted to 31 % (Q1/2002: 35 %).

In the first quarter of 2003, a total of 2.1 million tons of crude steel was produced throughout the Salzgitter Group, including the companies V&M Tubes, V&M Star and the attributable volume produced by Hüttenwerke KruppMannesmann (HKM).

At the end of March, the Group employed a regular workforce (excluding trainees and interns) of 18,440, in other words 247 or 1 % fewer than in the previous year. The decrease would be more pronounced if the companies newly integrated into the consolidated entity, with a total of 610 employees, were excluded. As of March 31, 2003, there were 801 trainees engaged at the Group (March 31, 2002: 732).

Steel Division

The stagnation of economic development in the European Union – the most important market for the Steel Division of Salzgitter AG – was also reflected in steel consumption. Having declined in the last quarter of the previous year, real consumption remained at its low level in the first quarter of 2003. The inventories held by traders and manufacturers are comparatively low at present following the substantial reduction of inventories in the second half of 2002. Imports from non-EU countries into the EU have so far remained at a normal overall level, despite the strengthening of the euro against the US dollar, mainly due to the fact that the Asian market remained attractively priced.

In the first three months of the year, the business situation for Salzgitter Flachstahl GmbH (SZFG) was better than the prevailing sentiment. The principal reason for this very gratifying situation was the continuation of relatively satisfactory automobile manufacturing output.

With the pricing trend remaining positive, the satisfactory order level at SZFG ensures activity for the coming months. In particular, the level of incoming orders from abroad was positive. Generally, this trend is expected to persist in the second quarter of 2003.

Thanks to increasing demand in important plate end user sectors such as “yellow goods” and offshore construction, Ilsenburger Grobblech GmbH (ILG) posted a slight improvement in the sale prices for its products. Demand was relatively lively, particularly in the high-grade segment. Another important indication of a revival is the fact that warehousing traders also began to increase sales prices for their end users. ILG increased its backlog of orders in the first quarter and intends to carry out further price rises over the next few months.

The market situation for the steel section products of Peiner Träger GmbH (PTG) remains difficult, since the construction sector still shows no signs of improvement and a sustained recovery is unlikely in the near future. Since the beginning of the year, however, it has been possible to push through price increases that were necessary to at least partially compensate for the record level of scrap costs that has prevailed since the end of 2002. At present, the scrap prices have softened somewhat. The order intake at PTG has shown a relatively satisfactory trend since February.

The commercial situation in the energy sector led to a temporary decline in business activity at Salzgitter Großrohr GmbH (SZGR).

In the first quarter of the financial year 2003, 1.257 million tons of crude steel, including 1.001 million tons of LD steel and 256,000 tons of electro steel, were produced by the Steel Division of Salzgitter AG. The overall volume virtually matched the first quarter of 2002 (1.284 million tons).

On the other hand, 1.301 million tons of rolled steel, including products for processing, slightly exceeded the same quarter last year (1.227 million tons). Shipments of rolled steel and processing products increased over the same period last year (1.255 million tons) to 1.341 million tons.

The Steel Division contributed some € 406 million to the Group’s external sales, an increase of 6 % on the € 383 million generated in the same period last year. Total sales (including sales within the Group) amounted to € 555 million, even outstripping those achieved in the same period last year (€ 489 million) by the significant measure of 14 %.

The Division closed the first quarter of 2003 with pre-tax earnings of € 2.1 million, which represented a swing of around € 16 million compared with the first quarter of 2002 (€ -13.9 million). In these quarterly statements the positive results achieved by SZFG and ILG were largely offset by the loss posted by PTG. SZGR achieved a result close to break-even.

Order intake for rolled steel and products for processing amounted to 1,321 million tons in the period under review, a decrease of 3 % compared with the same period last year. At 1,391 million tons, orders on hand matched the level of the first quarter of 2002.

As of March 31, 2003, the Steel Division employed a total workforce of 6,928 (regular employees, excluding trainees and interns). This represented a decline of 75 employees in comparison with the end of March last year.

In the first quarter of 2003 the investment projects “commissioning of blast furnace C” and “continuous casting plant 3“, with a capital expenditure volume of approximately € 100 million, were approved; these are important strategic steps towards safeguarding an improved slab supply that is not dependent on the market. In addition to the capacity aspect, the new continuous casting plant will make an important contribution to further advances in product quality.

Trading Division

Despite the unfavorable domestic situation, the Salzgitter Trading Group slightly increased the volume and value of its sales, particularly in the warehousing trading segment. The Dutch companies also recorded a similar trend.

In trading operations, Salzgitter International GmbH managed to compensate for weak demand in North America and the overall stagnation in Asian demand by expanding its business activities in the Arabian region, China and a number of African countries.

The steel service center groups Hövelmann & Lueg and Robert and the plate specialist Universal both reported stable sales and volumes, with small deviations from last year's figures.

In the first quarter of 2003, the aggregate shipments in the Division increased as a result of the inclusion of Salzgitter International Inc., Houston/USA (SIH), in the group of consolidated companies. Without this change, last year's level would have been slightly undercut.

Total sales of € 526 million were posted in the Division in the first three months of the financial year 2003. This represents a significant increase of 20 % over the comparable period (€ 439 million) that is not only the result of higher revenues, but also stems from the first-time contribution by SIH. External sales increased by 16 % to € 500 million in the period under review (first quarter of 2002: € 432 million).

At € 2.4 million, pre-tax profits were not quite on par with the previous year's figure (4.0 million) but represents a further gain over the last quarter (€ 1.2 million).

On March 31, 2003, the regular workforce in the Trading Division totaled 1,877 employees (including 17 employees of SIH). The repositioning of international trading during the financial year 2002 caused the decrease of 131 employees on the payroll compared with the previous year.

Services Division

In the first quarter of 2003, the Services Division achieved external sales of € 65 million, an increase of 16.0 % compared with the previous year's figure of € 56 million. Aggregate sales, at € 168 million, were 20 % higher than in the comparable period. The growth in the Division's sales is attributable primarily to the increases in scrap prices in the trading activities of DEUMU.

Pre-tax earnings (EBT) amounted to € 3.0 million, an improvement on the € 2.2 posted in the first quarter of 2002. With the exception of PPS GmbH, which almost achieved a break-even result, all of the companies operated at a profit.

The Services Division's regular workforce of 3,834 as of March 31, 2003 slightly exceeded the level at the end of March 2002 (3,813 employees). The increase of 71 employees compared with the end of 2002 resulted primarily from the engagement of trainees.

Processing Division

In the Processing Division the group of consolidated companies, as already described, was widened to include the start-up companies Salzgitter Automotive Engineering (SZAE), Salzgitter Europlatinen (SZEP) and Salzgitter Bauelemente (SZBE) as of December 31, 2002.

SZAE and SZEP serve customers in the automobile and component supply industry. The demand situation was relatively stable in these customer segments, despite the stagnating economic environment. Price competition, however, intensified.

SZBE's products, as well as those of Hoesch Spundwand and Profil GmbH (HSP) that have already been fully consolidated, are serving customers in the construction industry. As already reported, this sector has been suffering from shrinking economic output for some considerable time as a result of declining private and public investment, which has led to extremely fierce competition among building suppliers.

The Processing Division posted external sales of € 55 million and pre-tax earnings of € -3.5 million in the first quarter of 2003. The profits of the automotive suppliers SZAE and SZEP were insufficient to compensate for the losses posted by the building suppliers HSP and SZBE.

As of March 31, 2003 the regular workforce decreased by 19 to 1,127 employees compared with the beginning of the year. This decrease reflects the staff cutbacks initiated at HSP, with personnel levels in the other companies remaining almost constant.

Due to the aforementioned extension of the group of consolidated companies, the quarterly figures specified here are not comparable with the sales revenues (€ 24 million), pre-tax earnings (€ -1.1 million) and regular workforce (557 employees) of the same quarter last year.

Tubes Division

The crisis in the Middle East continued to paralyze the energy sector demand for tubes in the first quarter. At the same time, the persistent weakness of the global economy and the stagnation of the domestic economy had caused difficult conditions, also in the non-energy sectors.

The consolidated external sales posted by the Tubes Division amounted to € 240 million in the first quarter of 2003, a decrease of 13 % compared with the same period last year (€ 277 million). Despite the sales decline, the Division concluded the quarter with a pre-tax result of € 0.2 million (first quarter of 2002: € 25.2 million).

The situation in the product segments served by Mannesmannröhren Werke AG was as follows:

In the seamless tubes segment, there were moderate signs of a recovery in demand for oil field pipes (oil country tubular goods = OCTG) at the end of the first quarter in the United States. Exploration and drilling activity increased again and the intermediate traders, who are particularly significant on the US market, slowly began to increase their stocks. Demand for seamless tubes in the mechanical engineering segment and in warehousing trading in Europe stagnated in the face of the lackluster overall economic situation. Demand for construction pipes remained buoyant. V&M do Brasil maintained its positive trend from the end of 2002. The total orders for seamless tubes received by V&M in the first three months of 2003 slightly exceeded the adjusted figure for the first quarter of 2002 (including V&M STAR). Although the backlog of orders was also higher than at the beginning of the year, as per March 31 it remained below its level on the same date last year.

At the start of the year the market for precision tubes showed no signs of a decided revival. Demand from the automotive industry remained at a satisfactory level in the first quarter of 2003, despite slight production decreases. The mechanical engineering sector, on the other hand, suffered from reluctance to invest as in the previous year. MHP Mannesmann Präzisrohr GmbH (MHP), however, has so far remained unaffected by this negative trend: model launches by MHP customers in the automobile segment and by other industrial customers, together with increasing demand from warehousing traders, added up to a discernible increase in sales compared with last year and to a gratifying order intake.

Demand for stainless steel tubes remained low. The revenue level in trading operations in Europe remained relatively constant, however, although revenues in project operations came under pressure. In addition, the price of the important alloying element nickel rose. Compared with the same period last year, the companies in the DMV Stainless Group increased their sales slightly in the first quarter. The level of incoming orders decreased.

In overall terms, the market for medium line pipes proved to be stable, although there were pronounced shifts between the individual segments. Larger pipeline projects, in particular, were fiercely contested and necessitated price concessions. Mannesmann Line Pipe GmbH managed to compensate for the weakness in the project segment by extending its operations with traded and construction pipes. Röhrenwerke Gebr. Fuchs GmbH benefited particularly from the increasing demand for water pipes in the first quarter. In overall terms, both sales and incoming orders were increased significantly compared with the first quarter of 2002.

The global economic uncertainty at the beginning of the year and the Iraq conflict that began in March prevented any easing of the situation on the market for large tubes. Few projects were awarded and these generated comparatively unsatisfactory revenues. The weakening of the US dollar against the euro also burdened business activities. For these reasons, the order intake in the Europipe Group was again low in the first quarter of 2003. Although sales increased compared with the weak fourth quarter of 2002 as a result of deliveries in connection with several major projects (e. g. for Turkey), they remained below the level of the corresponding period last year.

The increased order intake in the Tubes Division to € 238 million is still no indication of a turnaround, since the order intake in the first quarter of 2002 was comparatively muted at € 192 million. Compared with the same period last year (€ 386 million) the consolidated order intake declined to € 334 million.

On March 31, 2003, the Tubes Division had a regular workforce of 4,561 employees; this represented a decline of 12 % compared with the end of March 2002. As already explained in the Annual Report for 2002, the main reasons for this were operational adjustments in the Europipe Group, staff reductions at MRM and MHP within the framework of the restructuring program and the dissolution of Mannesmannröhren Service GmbH.

Outlook

The prospects for the global economy and the business cycle in Germany have not yet visibly improved at the time of writing, despite the short duration of the hostilities in Iraq and the resultant rapid decline in the price of oil. Consequently the second quarter is unlikely to entail any discernible upward trend. A recovery in the global economy cannot be expected before the second half of 2003. As well as the further calming of the political situation, the preconditions for such a recovery include the stabilization of both the stock markets and the euro/dollar ratio. The sharp reduction in the price of oil and the expansive monetary policy should also be having an impact by then.

Against the background of comparatively restrained growth prospects for the EU and Germany, the use of steel will increase only moderately over the next few months.

In the flat steel segment, sales prices are stabilizing in connection with satisfactory order activity. The earnings situation for sections will improve as a result of the recently realized revenue increases, further revenue increases and a downward trend in scrap prices. In the heavy plate segment, the gratifying trend of the first quarter should continue.

In the steel trading segment no significant changes in the commercial situation are foreseeable, since here too the domestic construction industry as a major customer is unlike to provide any short-term momentum. A positive result is again expected for the Services Division.

Similar to the last quarter, the Processing Division will probably reveal a divergent business trend: it can be supposed that the positive trend shown by the automotive suppliers will be countered by inadequate results in the building supplies segment – although the latter should improve step by step as a result of the restructuring measures that have been initiated.

The market for steel tubes appears to have reached rock bottom. With the backlog of orders remaining low and order activity that is lively in some areas but still generally subdued, full capacity utilization for all of the production plants will again be unlikely in the second quarter. Against this background, the expectations for a far-reaching recovery in the sector are being focused on the second half of 2003.

Measures to improve earnings are being taken in all of the Group's subsidiaries, the objectives being to improve quality and productivity and reduce the commitment of funds.

Taking the results of the above measures into account, Salzgitter AG is expecting positive consolidated pre-tax results in the first six months of 2003 and, assuming at least a slight improvement in the overall economic conditions in the sectors and regions with relevance for its Divisions, pre-tax results running into a medium, double-digit million region for 2003 as a whole.

Share price
Following a brief recovery on most of the world's stock markets at the start of 2003, sentiment on the capital markets deteriorated rapidly again as a result of the worsening situation in the Middle East. Up to mid-March, falling prices dominated the stock markets in North America, Europe and Germany. On March 12, the DAX reached a new seven-year low when it fell to 2,203 points (-24 % since December 31, 2002). Since the Iraq conflict was expected to be short, its commencement on March 20 led to a rapid increase in share prices around the world. At around the end of March the investor euphoria started to ebb again and stock markets began to fall. Although the markets ended the first quarter in largely negative territory (e. g. DAX: -16 % to 2,424 points, MDAX: -8 % to 2,770 points), they were well above the lows they reached of the first quarter of 2003.

To a large extent, the Salzgitter share managed to decouple itself from this trend. Having opened at € 6.00 in XETRA trading, the share price achieved a sustained recovery that peaked at € 7.59 on March 4 (+27 % compared with December 31, 2002). Thereafter the Salzgitter AG share price developed in line with the trend on the DAX and the MDAX. The announcement of the key data for the financial year 2002 on March 13 had no discernible impact on the share price, since the data were in line with capital market expectations. On March 31 the Salzgitter share closed at € 6.94 on XETRA. The increase of +16 % in its price since December 31, 2002 represented an outperformance compared with both the German share indices and the European steel index.

The average daily turnover in Salzgitter stock on Germany's stock exchanges was around 70,000 in the first quarter of 2003, an average level compared with the high turnover in the previous quarter. With this order of turnover and a free float market capitalization of some € 236 million, Salzgitter AG also held its position on Deutsche Börse AG's new MDAX index as of March 31, 2003 (ranked at 38, or 35 among the figure of 50 MDAX companies now defined).

In the first quarter, Salzgitter AG presented itself to German and foreign institutional investors at an investors' conference in Frankfurt, where the strategy and development of the company were discussed in numerous intensive one-on-one talks with prospective investors. Other investor relations activities in the first quarter of 2003 were road shows in Frankfurt and Munich and analysts' visits to Salzgitter and Mülheim. Since the beginning of the financial year, some 26 research studies and recommendations from 19 research organizations have appeared concerning Salzgitter stock, with the following current ratings: 14 buy/outperformer; 3 hold/neutral; 2 sell/underperformer (status March 31, 2003).

Management Report

Events of significance

Personnel changes:

Mr. Peter-Jürgen Schneider commenced his duties as a Management Board member on April 1, 2003. Mr. Schneider is succeeding Prof. Dr. Günter Geisler, Management Board member for Human Resources and the Services Division. Prof. Geisler will be 65 years old in June 2003 and will depart from the Management Board of Salzgitter AG at the end of September 2003, having served on the Board for 24 years.

In its meeting held on April 3, 2003, the Supervisory Board of Salzgitter AG appointed Mr. Wolfgang Eging as a member of the Management Board of Salzgitter AG, effective from October 1, 2003. Mr. Eging will succeed Mr. Helmut F. Koch as Chairman of the Management Board of Mannesmannröhren-Werke AG on January 1, 2004 and assume overall responsibility for the Tubes Division on the Management Board of Salzgitter AG. Mr. Koch, who will be 63 years old in October 2003, will depart from the Management Boards of Mannesmannröhren-Werke AG and Salzgitter AG at his own request as of December 31, 2003.

Cooperation and participation transactions:

On January 15, 2003, Salzgitter AG acquired the still outstanding 75.1 % of the shares in Oswald Hydroforming GmbH & Co. KG, Crimmitschau. Salzgitter AG had acquired a 24.9 % interest in this innovative tube processing company, which primarily serves the automobile industry, in the autumn of 1999.

HSP Hoesch Spundwand und Profil GmbH, Dortmund, and ThyssenKrupp GfT Gesellschaft für Technik mbH, Essen concluded a long-term distribution agreement in February 2003. On July 1, 2003 this should be followed by the foundation of a joint venture, into which ThyssenKrupp GfT Gesellschaft für Technik mbH will bring its construction technology division and HSP will bring its distribution activities. The 30 % stake in this joint venture held by HSP has not yet been approved by the European antitrust authorities. From July 1, 2003, the joint venture “ThyssenKrupp Bautechnik GmbH” will be responsible for the exclusive global marketing of the sheet pile and mining sections from HSP and the box sheet piles of Peiner Träger GmbH. The new company, which will be under the commercial management of ThyssenKrupp GfT, will generate sales of approx. € 200 million per annum.

On March 25, 2003, Salzgitter Flachstahl GmbH and the South Korean company POSCO, the world’s second largest steel producer, signed a framework contract on technical cooperation with a term of four years (plus a prolongation option for another four years). The companies will jointly develop new steel grades and quality standards for the automobile industry.

Consolidated Income Statement (according to IAS)
January 1, 2003 to March 31, 2003

€ T	01/01/ – 31/03/2003	01/01/ – 31/03/2002
Sales	**1,266,272**	**1,172,249**
Increase or decrease in finished goods and work in progress and other own work capitalized	-22,062	-4,686
Other operating income	33,181	26,863
Cost of materials	820,268	766,992
Personnel expenses	232,156	219,988
Depreciation	54,740	55,651
Other operating expenses	146,836	131,819
Income from shareholdings	38	123
Income from associated companies	5,758	23,755
Net interest income	-22,999	-23,760
Income from ordinary operations	**6,188**	**20,094**
Taxes	3,270	-889
Consolidated net income for the year	**2,918**	**20,983**
Minority interests	258	959
Consolidated net income accruing to Salzgitter AG shareholders	**2,660**	**20,024**
Earnings per share (in €)	**0,04**	**0,32**
Appropriation of profits		
Consolidated net income accruing to Salzgitter AG shareholders	2,660	20,024
Profit carried forward from previous year	20,000	28,014
Appropriation to other retained earnings	-3,830	-31,195
Net income of Salzgitter AG	**18,830**	**16,843**

Consolidated Balance Sheet at March 31, 2003

Assets (€ T)	31/03/2003	31/03/2002
Fixed assets		
Intangible fixed assets	-204,971	-273,518
Goodwill/negative goodwill from capital consolidation	-227,523	-289,205
Other intangible fixed assets	22,552	15,687
Tangible fixed assets	1,498,634	1,460,271
Financial assets	201,632	232,720
Associated companies	493,920	505,396
	1,989,215	**1,924,869**
Current assets		
Inventories	896,696	880,543
Receivables and other assets	974,355	940,840
Trade receivables	826,132	758,471
Other receivables and sundry assets	148,223	182,369
Cash and cash equivalents	71,671	90,443
	1,942,722	**1,911,826**
Capitalized deferred taxes	**3,717**	**718**
Prepaid expenses	**9,985**	**10,864**
	3,945,639	**3,848,277**

Equity and liabilities (€ T)	31/03/2003	31/03/2002
Shareholders´ equity		
Subscribed capital	159,523	159,523
Capital reserve	287,530	287,530
Retained earnings	565,588	674,519
Non-distributed income	18,830	16,843
	1,031,471	**1,138,415**
Own shares	-6,791	-6,323
	1,024,680	**1,132,092**
Minority interests	**26,461**	**21,609**
Provisions		
Provisions for pensions and similar obligations	1,495,500	1,521,212
Tax provisions and other provisions	375,768	406,724
	1,871,268	**1,927,936**
Liabilities		
Bonds	2,263	3,640
Liabilities to banks	253,694	159,326
Trade payables	395,935	345,993
Other liabilities	361,269	245,353
	1,013,161	**754,312**
Deferred income	**10,069**	**12,328**
	3,945,639	**3,848,277**

Cash Flow Statement (according to IAS 7)*
January 1, 2003 to March 31, 2003

€ T	01/01 – 31/03/2003	01/01 – 31/03/2002
Consolidated net income for the year	2,660	20,024
Write-downs (+)/write-ups (-) on fixed assets	54,228	54,350
Other non-payment-related expenses (+)/income	-4,516	-14,439
Interest expenses	26,886	27,435
Profit (-)/loss (+) on the disposal of fixed assets	1,177	0
Increase (-)/decrease (+) in inventories	-16,585	-4,929
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-109,962	-120,438
Payment-related increase (+)/decrease (-) in provisions	-43,641	-55,055
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	97,081	35,012
Cash flow from operating activities	**7,328**	**-58,040**
Payments received from the disposal of fixed assets	1,113	572
Payments made on investments in intangible and tangible fixed assets	-30,750	-59,045
Payments received from the disposal of financial assets	879	417
Payments made on investments in financial assets	-14,584	-2,795
Cash flow from investment activities	**-43,342**	**-60,851**
Payments received (+)/made (-) due to the repurchase of own shares	11	0
Payments received (+)/made (-) resulting from the issue of bonds and take-up of loans	0	-12,935
Interests paid	-3,563	-4,400
Cash flow from financing activities	**-3,552**	**-17,335**
Cash and cash equivalents available at the beginning of the period	111,237	226,669
Variation in cash and cash equivalents	-39,566	-136,226
Cash and cash equivalents available at the end of the period	**71,671**	**90,443**

* Revised version May 15, 2003

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, 2003 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, 2002.

3. In comparison with the annual financial statements to December 31, 2002, Mannesmannröhren Service GmbH, Mülheim an der Ruhr, which was previously fully consolidated, has been deconsolidated from the group of consolidated companies. In return, Salzgitter Automotive Engineering Immobilien GmbH & Co. KG, Osnabrück, and Salzgitter International Inc., Houston/USA, were brought into the group of consolidated companies for the first time.

Selected explanatory notes on the income statement

1. Sales by Divisions are illustrated in the segmental reporting section. The organization of the Group into the five Steel, Trading, Services, Processing and Tubes Divisions 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 € 0.04.

Statement of Changes in Equity

T €	Subscribed capital	Capital reserve	Retained earnings	Therof deriving from currency conversion	Disposal/ repurchase of own shares	Fair value to IAS 39	Consoli-dated net income	Share-holders´ equity
At 01/01/2002	**159,523**	**287,530**	**572,201**	**-16,410**	**-6,225**	**44,206**	**28,014**	**1,085,249**
Net income for the year							20,024	20,024
Fair value to IAS 39						26,338		26,338
Repurchase of own shares					-98			-98
Currency conversions			579	579				579
Transfer by Salzgitter AG to retained earnings			31,195				-31,195	0
At 31/03/2002	**159,523**	**287,530**	**603,975**	**-15,831**	**-6,323**	**70,544**	**16,843**	**1,132,092**
At 01/01/2003	**159,523**	**287,530**	**535,468**	**-89,140**	**-6,802**	**30,982**	**20,000**	**1,026,701**
Net income for the year							2,660	2,660
Fair value to IAS 39						-3,478		-3,478
Disposal of own shares					11			11
Currency conversions			-1,146	-1,146				-1,146
Transfer by Salzgitter AG to retained earnings			3,830				-3,830	0
Others			-68					-68
At 31/03/2003	**159,523**	**287,530**	**538,084**	**-90,286**	**-6,791**	**27,504**	**18,830**	**1,024,680**

Notes

Financial calendar

May 28, 2003
Ordinary Shareholders' Meeting for Fiscal Year 2002

May 30, 2003
Pay-out of the dividend for Fiscal Year 2002

August 14, 2003
Interim Report 1st Half 2003

August 14, 2003
Analyst conference Frankfurt

August 15, 2003
Analyst conference London

November 14, 2003
Interim Report 9 Months 2003

December 31, 2003
End of Fiscal Year 2003

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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