ANNUAL REPORT 2001

FOR THE FINANCIAL YEAR

FROM JANUARY 1 TO DECEMBER 31, 2001

SALZGITTER AG

Stahl und Technologie

SALZGITTER GROUP IN FIGURES[1]

		1997/1998	1998/1999	1999/2000	SFY 2000[2]	FY 2001
Sales (consolidated)	**€ mil.**	**3,193**	**2,696**	**3,291**	**1,018**	**4,593**
Steel Division	€ mil.	1,295	1,129	1,252	340	1,397
Trading Division	€ mil.	1,697	1,393	1,773	423	1,877
Services Division	€ mil.	201	174	228	57	216
Processing Division	€ mil.	–	–	38	27	118
Tubes Division	€ mil.	–	–	–	171	985
Thereof flat rolled products	€ mil.	1,877	1,485	1,901	503	1,948
Thereof sections	€ mil.	563	500	636	159	909
Thereof tubes	€ mil.	[3]	[3]	39	213	1,227
Thereof shares of exports	%	46	45	49	49	54
Income from ordinary operations	**€ mil.**	**147**	**31**	**97**	**34**	**160**
Net income for the year	**€ mil.**	**76**	**13**	**70**	**13**	**144**
Balance sheet total	**€ mil.**	1,778	**2,208**	**2,427**	**3,398**	**3,809**
Fixed assets	**€ mil.**	**644**	**1,177**	**1,226**	**1,508**	**1,843**
Current assets	**€ mil.**	**1,134**	**1,031**	**1,201**	**1,890**	**1,966**
Inventories	€ mil.	491	458	545	756	879
Shareholders' equity	**€ mil.**	**640**	**900**	**912**	**911**	**1,085**
Borrowings	**€ mil.**	**1,138**	**1,308**	**1,515**	**2,487**	**2,724**
Provisions	€ mil.	762	971	977	1,953	1,947
Liabilities	€ mil.	376	337	538	534	777
Thereof due to banks	€ mil.	26	45	207	82	178
Capital expenditure[4]	**€ mil.**	**80**	**150**	**208**	**49**	**285**
Depreciation and amortization[4]	**€ mil.**	**110**	**166**	**174**	**50**	**210**
Employees						
Personnel expenses	€ mil.	552	554	582	212	843
Workforce (annual average)		11,536	12,349	13,181	17,085	17,664
Personnel expenses per employee	k€	48	45	44	12	48
Crude steel production[5]	**kt**	**4,928**	**4,725**	**5,116**	**1,272**	**8,151**
Key figures						
Earnings before interest and taxes (EBIT)[6]	€ mil.	175	37	110	39	179
EBIT before depreciation and amortization (EBITDA)[6]	€ mil.	285	203	284	89	389
Return on capital employed (ROCE)[7]	%	14.6	3.8	9.5	15.3	13.6
Cash flow	€ mil.	73	116	114	–5	117

1) With effect from 1998/1999 all key balance sheet data have been determined as per IAS and are thus only conditionally comparable with previous years
2) SFY: Short financial year from October 1 to December 31
3) Not separately reported
4) Excluding financial assets
5) Up to SFY 2000 = Salzgitter and Peine plants, from 2001 inc. MRW-/V & M share in Hüttenwerke Krupp Mannesmann, also V & M France and V & M do Brasil
6) Up to 1997/1998 EBT plus net interest income, from 1998/99 EBT plus interest paid (excluding interest element in transfers to pension provisions)
7) Up to 1997/1998 EBIT in relation to the total of shareholders' equity, minority equity interests, pension and tax provisions and interest-bearing liabilities; From 1998/1999 EBIT in relation to the total of shareholders' equity, minority equity interests, tax provisions (excluding deferred taxes) and interest-bearing liabilities

HIGHLIGHTS OF THE FINANCIAL YEAR 2001

January 2, 2001

Ad hoc announcement: The Executive Board made a recommendation to the Supervisory Board that it should endorse a proposal to be put to the annual shareholders' meeting to pay a dividend of € 0.40 per share for the financial year 1999/2000. This was equivalent to a more than 5% increase over the previous year.

January 18, 2001

Salzgitter AG acquired a 50% stake in the Robert & Cie S.A.S. steel service center and its three subsidiaries. The company, based in Le Thillay, France, operates four steel service centers in the Paris area and in Lyon.

Salzgitter AG also amalgamated its development activities in the field of magnesium sheet under the umbrella of the newly established Salzgitter Magnesium-Technologie GmbH. The object is to pursue the development, manufacture and sale of high-quality flat magnesium products to meet the demand for new, lightweight materials.

The Supervisory Board of Salzgitter AG appointed Dr. Volker P. H. Schwich as a member of the Executive Board with effect from April 1, 2001. He succeeds Mr. Arnold Jacob, who will be retiring from the company at the end of March 2002.

February 6/7, 2001

The Congress Center in Hanover played host to the Group forum entitled "Building the new company", at which Mannesmannröhren-Werke was in attendance for the first time. The event included a presentation of the new 5P corporate philosophy with its core messages on the five themes of Profit, Partners, Products, Processes and Personnel.

May 23, 2001

Salzgitter AG acquired a majority holding in ETC Bleistahl GmbH & Co. KG, which has since been renamed Salzgitter Antriebstechnik GmbH & Co. KG. The new subsidiary employs innovative hydroforming techniques to produce camshafts for use in automotive engine manufacture. The Salzgitter Group now covers the entire manufacturing chain from crude steel via tubes through to camshafts.

While still retaining his previous function, the Executive Board Chairman of Mannesmannröhren-Werke AG, Mr. Helmut F. Koch, was also appointed to the Executive Board of Salzgitter AG with effect from July 1, 2001.

The annual general meeting approved the recommendations of the Executive and Supervisory Boards concerning the restructuring of the Group and the spin-off of the Steel Division as individual companies.

July 1, 2001

The Salzgitter Group has a new corporate organization structure: A management holding company has been put at the head of the five largely independent Steel, Trading, Services, Processing and Tubes Divisions. The tasks of the holding company are focused on strategy, coordination and controlling. All other tasks relating to markets, products, processes and plants will be subject to decentralized responsibility in the future. This new organizational structure is designed to promote the consistent implementation of internal and external growth strategies.

August 29, 2001

Salzgitter AG announced its half-year results: Despite the subdued international economic climate and the corresponding weakness in the level of growth recorded by the leading national economies, in the first half of the financial year 2001 Salzgitter AG did succeed in significantly increasing Group sales and profits in comparison with the previous year.

September 20, 2001

At a presentation that attracted much attention, Salzgitter Flachstahl GmbH, a wholly-owned subsidiary of Salzgitter AG, launched two new major installations, representing a total investment of some € 150 million. With its new strip coating and hot-dip galvanizing lines, the company is now prepared to expand into new areas of application.

September 24, 2001

Salzgitter AG has advanced from the SDAX to the MDAX index thereby graduating to become one of the top 100 listed companies in Germany.

October 2, 2001

Mannesmannröhren-Werke AG (MRW) announced its intention of acquiring the one third share in stainless tubes manufacturer DMV STAINLESS B.V. held by the Italian company Dalmine SpA. This transaction raises MRW's stake in DMV STAINLESS to two thirds.

October 14, 2001

The new beam blank plant operated by Peiner Träger GmbH, which uses a continuous casting process to produce pre-profiled beam blanks, entered its start-up phase.

November 13, 2001

Ad hoc announcement: In the first nine months of the financial year, Salzgitter AG achieved a significant increase in sales and profits. Consolidated sales recorded by the Salzgitter Group amounted to € 3.39 billion. This was equivalent to an increase of 30 percent over the same period in the previous year. The Tubes Division was not yet part of the Group at that time.

November 30, 2001

Salzgitter AG presented an overall, integrated employee participation and company pensions concept. This represents a pioneering approach to both pension planning and wealth creation.

December 6, 2001

The firm of Kurt Matzner GmbH & Co. KG, which was acquired in September 2001, was renamed Salzgitter Automotive Engineering GmbH & Co. KG. The company, with its two plants in Osnabrück and Georgsmarienhütte, has been amalgamated with the Group's existing engineering and prototyping activities in Wolfsburg. This is another milestone in the development of the Processing Division.

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PREFACE BY THE EXECUTIVE BOARD

Dear Shareholders,

The foreword to our last annual report closed with a word of thanks for the confidence you have displayed in our company. This time, we would like to begin by expressing our gratitude, for in the financial year 2001 there has been abundant evidence both of the confidence placed in Salzgitter AG by shareholders, customers and banks, and of the competence of the company's employees. Indeed, it is these developments that have motivated us and provided the incentive for us to set course for a future of independence, growth and profitability.

Our press release on the first half of 2001 was entitled, 'Against the Trend'. And despite the cloud hanging over the economy, Salzgitter AG successfully continued 'against the trend' in the latter half of the year. With a pre-tax profit of € 160.3 million and a net income for the year of € 144.3 million, the Group recorded its best result in more than a decade. Salzgitter AG was one of the few industrial enterprises in 2001 to increase its result over the previous year. A decisive contribution was made by Mannesmannröhren-Werke, marking an outstanding debut performance within the Group.

Likewise, the Salzgitter share price put in a gratifying performance against the trend, with the result that, coupled with an above-average dividend, the year 2001 once again rewarded our shareholders with an attractive aggregate yield. Admission to the MDAX index generated an additional impetus, not only to activity on the stock market.

Externally, in the financial year 2001 the Group has made additional, clearly visible advances in terms of proximity to its customers and technological innovation. Prominent among the contributing factors were the 50 % stake in well-placed French steel service center operator Robert S.A.S., as well as the acquisition of engineering specialist Kurt Matzner GmbH & Co. KG and the increased stake in DMV Stainless B.V., which now stands at 66$\frac{2}{3}$ %.

Internally, we have been engaged in implementing our 5P corporate image and in launching the second round of our profitability improvement program PIP. Without doubt, the financial year 2001 proceeded in a most satisfactory manner. This, however, this will not deter us from addressing unrealized potential in all parts of the Group in order to achieve the ambitious returns which will enable us to shape and secure the long-term, sustained independence of Salzgitter AG.

We are delighted to be able to tread this path with you, and as a prelude we hope that you will enjoy perusing this Annual Report, which we have once again prepared with an eye to its creative, indeed unmistakable visual appeal.

Wolfgang Leese

Dr. Heinz Jörg Fuhrmann

Prof. Dr. Günter Geisler

Arnold Jacob

Helmut F. Koch

Michael B. Pfitzner

Dr. Volker P.H. Schwich

GROUP STRUCTURE

As announced in the annual report for 1999/2000, the Group restructuring program proceeded as planned during the financial year 2001. Once the annual general meeting on May 23, 2001 had approved the spin-off of Salzgitter Flachstahl GmbH, Peiner Träger GmbH, Ilsenburger Grobblech GmbH and Salzgitter Großrohre GmbH under the terms of the relevant conversion legislation, the decision was implemented without further delay. The restructuring became legally effective on July 1, 2001; in business terms, however, it has been back-dated to January 1, 2001.

Salzgitter AG now heads the Group as a strategic management holding company and is no longer directly engaged in operational activities. All operational processes associated with the original product areas have been integrated into the independent companies listed above, and the activities of the holding company are now confined to the archetypal functions of strategy, coordination and controlling.

The planning and control of day to day business activities have been placed in the hands of the management teams at the respective Salzgitter operating companies. Responsibility for all business activities concerning markets, products and plants has been decentralized, conferring wide-ranging decision-making powers on the operating companies themselves.

The three new steel companies form the operative core of the Steel Division, and have been amalgamated under the umbrella of Salzgitter Stahl GmbH, which functions as an intermediate holding company.

Salzgitter Großrohre GmbH is also attached to this division.

The Tubes Division comprises the Mannesmannröhren-Werke group of companies which are in turn also directed by an intermediate holding company (Mannesmannröhren-Werke AG).

The divisional structure headed by Salzgitter AG in the role of management holding company is further supported by the Trading, Services and Processing Divisions. These three divisions are likewise composed of independent operating companies, which are free to conduct their business activities with a significant degree of autonomy.

In addition to enhancing the operating performance and market orientation of the individual divisions, the concept of the management holding company also offers a high degree of flexibility, which will enable new links in the value chain and new divisions to be integrated into the Group. In this respect the new management structure is particularly compatible with the growth strategy pursued by the company, and will ultimately contribute both to enhanced profitability and to a sustained increase in enterprise value.

DIVISIONS

STEEL

- Salzgitter Stahl GmbH (100 %)
  - Salzgitter Flachstahl (100%)
  - Peiner Träger (100%)
  - Ilsenburger Grobblech (100%)
  - Salzgitter Großrohre (100%)

TRADING

- Salzgitter Handel (100%)
  - Steeltrading Germany 17 companies
  - Steeltrading Western Europe 14 companies
  - Steeltrading International 8 companies
- Hövelmann & Lueg (95%)
- Universal Eisen und Stahl (100%)
- Robert (50%)

SERVICES

- Verkehrsbetriebe Peine-Salzgitter Rail transportation (100%)
- PPS Personal-, Produktions- u. Serviceg. Services (100%)
- Deumu Raw material supplies (100%)
- Peiner Hüttenstoffe Secondary materials trading (100%)
- Glückauf Residential property (100%)
- Hansaport Port operating company (51%)
- Burwitz Furnace construction (26%)
- IT
  - Gesis Information technology (100%)
  - Telcat Multicom Communications technology (100%)

PROCESSING

AUTOMOTIVE

- Salzgitter Europlatinen (100%)
- Salzgitter Magnesium-Technologie (100%)
- Salzgitter Automotive Engineering (74.9%)
- Salzgitter Antriebstechnik (50.8%)
- Oswald Hydroforming (24.9%)

CONSTRUCTION

- HSP Hoesch Spundwand und Profil (100%)
- Salzgitter Bauelemente (100%)
- Wescol Group (26.2%)

- Steel Dynamics Minimill (13.7%)

TUBES

- Mannesmannröhren-Werke AG (99.3 %)
- Vallourec Steel pipes (20.9%)
- Vallourec & Mannesmann Tubes[1)] Seamless tubes (45%)
- Vallourec & Mannesmann USA[2)] Seamless tubes ($33\frac{1}{3}$%)
- Hüttenwerke Krupp Mannesmann[2)] Slabs & round concast products (20%)
- MHP Mannesmann Präzisrohr Precision tubes (100%)
- Mannesmannring Sachsen Roller bearing rings (100%)
- DMV Stainless[1)] Stainless tubes ($66\frac{2}{3}$%)
- Europipe Large-diameter pipes (50%)
- Mannesmannröhren Mülheim Plates, tube bends (100%)
- Mannesmann Line Pipe Line pipes (100%)
- Röhrenwerk Gebr. Fuchs Line pipes (50%)
- Borusan Mannesmann Boru Welded pipes (23%)
- Mannesmann Forschungsinstitut Research and development (100%)

1) Further indirect interest via Vallourec
2) Further indirect interest via Vallourec & Mannesmann

IMPLEMENTING A GROWTH STRATEGY

In the summer of 1999 we resolved to pursue our growth strategy, which internally has thus far concentrated primarily on product developments and investments in the Steel Division: now at Group level this strategy has broadened to embrace the other divisions as well.

Meanwhile we have specifically and persistently continued to pursue external growth through acquisitions.

The aim of the Group is to safeguard its independence through growth and profitability. In the process, we shall be focusing even more strongly than ever on our competencies in steel and technology. The organizational conditions that will let us achieve our strategic objective were established in July 2001 with the transition from a structure in which the parent company fulfilled both strategic and operational management functions to the present Group structure with a management holding company at its head.

Even though the remodeling of the Group is not yet fully completed, some initial successes are already apparent. The transparency of costs and results is markedly greater, thus safeguarding efficient management control by the holding company. Reducing the size of individual organizational units has allowed staff to identify more closely with the company they work for. This process is supported and encouraged by the development and implementation of a set of guiding principles that are specific to Salzgitter. The implementation of this corporate philosophy throughout the Group as a whole has met with great enthusiasm and is helping to reinforce the transition to a new corporate culture. It also facilitates integration and absorption of newly acquired businesses.

Virtually all divisions have been strengthened through acquisitions in the course of the year 2001.

At the beginning of the financial year, to reinforce the Trading Division, a 50% stake was acquired by Salzgitter AG in Robert S.A.S. of Le Thillay, with its three subsidiaries. The Robert Group, which ranks as one of the principal steel service center companies in France, operates four steel service centers in the Paris area and in Lyon. This stake will enable Salzgitter AG both to strengthen its market position and to significantly increase sales in France.

Likewise at the beginning of the year, Salzgitter Magnesium-Technologie GmbH was established in Salzgitter as a new member of the Processing Division. This company provides a vehicle for the activities developed by Salzgitter AG over many years in the field of magnesium sheet.

The company's objectives include development, manufacture and sale of high-quality flat magnesium products and associated services. The first large-scale rolling mill in Europe designed for these highly innovative products will commence operation in autumn 2002.

Towards the middle of the year, a further automotive link was added to the value chain with the acquisition of a 50.8% holding in Chemnitz-based ETC-Bleistahl GmbH & Co. KG. This start-up company employs hydroforming techniques to manufacture camshafts for the automobile industry. Meanwhile, the company has been renamed Salzgitter Antriebstechnik GmbH and has been relocated to Crimmitschau, which is already home to Oswald Hydroforming GmbH & Co. KG, in which Salzgitter AG has a 24.9% interest. As a result of this acquisition, the Salzgitter Group now covers the entire manufacturing chain from crude steel via tubes through to camshafts.

A further step in the promotion of development partnerships with the automobile industry was taken with the acquisition of Kurt Matzner GmbH & Co. KG, Osnabrück, by Salzgitter Automotive Engineering GmbH (SZAE), in which Salzgitter AG has a 74.9 % interest. The business has been merged with the activities of Wolfsburg-based Salzgitter Automotive Engineering GmbH, and will henceforth operate under this name. The new company with plants in Wolfsburg, Osnabrück and Georgsmarienhütte employs some 430 staff and generates sales of € 40 million per year. The portfolio that SZAE offers to automobile manufacturers and component suppliers extends from the development and manufacture of tools, parts and components for concept and prototype construction, via the production of small-batch parts through to production-mature series tools.

In the third quarter, the Services Division was boosted by Telcat Multicom GmbH's acquisition of two smaller telecommunications companies (Telecom Partner Leipzig GmbH and Telefonbau Marienfeld GmbH & Co. KG, Essen). Both are engaged in the rental and maintenance of telephone systems.

In November 2001, the Salzgitter subsidiary DEUMU Deutsche Erz- und Metallunion GmbH, Peine, acquired a 50% stake in Cederbaum Schrotthandel GmbH in Braunschweig. As a result the works of the Steel Division will enjoy an improved supply of the scrap required as raw material.

The Tubes Division has also undergone development.

Europipe Deutschland GmbH, which as of December 31, 2000 was Germany's largest producer of large-diameter pipes, was folded with effect from January 1, 2001 into Europipe GmbH. In addition, Europipe GmbH has raised its stake in Eupec PipeCoatings GmbH from its previous level of 37.4% to 65%.

In October 2001 an agreement was signed between Mannesmannröhren-Werke AG and Dalmine SpA, with the approval of the third partner Vallourec S.A., regarding the acquisition of a further one third share in stainless tubes manufacturer DMV STAINLESS B.V. This transaction, which received approval by the EU Commission in December, gives MRW a two-thirds share in DMV STAINLESS. Established in 1994, DMV STAINLESS has meanwhile become one of the world's leading producers of seamless tubes in both high-alloy steels and other special materials. Under the umbrella of a holding company, DMV comprises four national subsidiaries operating in Italy (Costa Volpino), Germany (Remscheid), France (Montbard) and the USA (Houston). Sales for the year 2000 amounted to € 189 million; the number of employees totals around 1,000.

In December 2001 Salzgitter AG acquired the remaining 25% of the shares in ROBUR Buizenfabriek B.V., based in Helmond in the Netherlands. ROBUR is a manufacturer of precision tubes.

The Steel Division, too, has benefited from the intensive implementation of our growth strategy.

Following an in-depth investigation, on October 8, 2001 a consortium comprising Arbed S.A., Salzgitter AG, ThyssenKrupp Stahl AG and Usinor S.A. made an offer to acquire selected assets of the four Polish steelworks Huta Katowice S.A., Huta im. T. Sendzimira S.A., Huta Cedler S.A. and Huta Florian S.A..

Further projects have also been investigated in order to determine whether a participation would enhance the market position and opportunities for growth at the relevant division. In addition to acquisitions, we have also pressed ahead with internal growth in the Steel Division in particular, but also in the Processing and Tubes Divisions. For example, the new hot-dip galvanizing line which will facilitate the manufacture of innovative processed products was commissioned on schedule in the third quarter of 2001 by Salzgitter Flachstahl GmbH (SZFG). We have also continued to implement a comprehensive package of future-oriented investments in the hot strip mill at SZFG as planned, without impeding ongoing operations. Likewise, the continuous beam blank casting line at Peiner Träger GmbH was also commissioned at the end of the year 2001.

In February 2001 an order was placed for the modernization of the mill train at HSP Hoesch Spundwand und Profil GmbH in Dortmund. The project valued at € 17.5 million includes the construction of a fourth and fifth mill stand as well as upgrading the existing three stands; commissioning took place at Easter 2002.

Significant investments have also been made at Salzgitter Europlatinen GmbH and MHP Mannesmann Präzisrohr GmbH with the object of increasing production and introducing new products in line with strategic goals.

All of the acquisitions and investments listed here are oriented towards achieving the growth, profitability and quality targets that the Group has set itself. Operations and activities that do not comply with these target parameters are analyzed in the interests of finding alternative uses. The resources thus released can then be more efficiently employed in pursuing divisional strategies and achieving Group objectives. This course of action has already been taken in the past and will be consistently followed in the future.

INVESTORS AFFAIRS

Capital Markets and the Development in the Salzgitter Stock Price

The financial year 2001 was a successful one on the stock market for Salzgitter. The admission of Salzgitter into the MDAX index on September 24, 2001 signaled the company's leap into the field of Germany's top 100 listed companies. Given the size and significance of the Group, this is to be greeted as a logical step towards opening up new horizons in the valuation of our shares.

For some years previously, Salzgitter AG was on the threshold of admittance to this index for midcap companies, but repeatedly failed to overcome the hurdle of stock exchange turnover, as membership of the indices administered by Deutsche Börse AG is dependent solely on turnover on the Frankfurt stock exchange. Salzgitter's first step towards membership in the MDAX was to concentrate its stock market activity on the Frankfurt exchange in 1999. In 2001 a significant rise in the level of dispersed share ownership to more than 52% generated additional turnover potential. Other activities were also undertaken with the idea of changing the shareholder structure in this manner: at a series of roadshows – and with the support of capital market partners – shares held by our major shareholder NORD/LB and other shareholdings acquired by repurchase were placed with institutional investors both in Germany and abroad. This action also took due account of the requests frequently made by such institutional investors.

During the course of the financial year 2001, the Salzgitter stock price experienced highs and lows. Factors that stimulated the price in the first half of the year included the highly positive reception and evaluation in particular of the acquisition of Mannesmannröhren-Werke AG, as well as the noticeable back-to-basics concentration on shares offering genuine value and profitability. The increased material value of the company and its additional profit potential led to a marked rise in interest on the part of analysts and institutional investors. The positive development in the Salzgitter stock price, which had begun in the autumn of the year 2000, continued until the middle of 2001. At the end of the first day of stock market trading in 2001, Salzgitter stock closed in Frankfurt at € 8.83, with the DAX index standing at 6,290 and the MDAX at 4,709.

On May 23, 2001, the day of the annual general meeting, the stock reached its highest closing price of the year at € 10.83.

Then in June the first reports began to surface of the US government's intention to impose import restrictions and punitive tariffs on steel products. As a result, European steel stock prices began sliding. Salzgitter was not entirely immune. News in late summer of recessionary trends appearing in the US economy and repeated reductions in the level of growth forecast for Europe and the world economy in general led to a further decline in share prices. Salzgitter stock during this period was trading at around € 9.60.

Following the events of September 11, as panic briefly gripped the stock markets, the share price fell to € 7.00, but managed to stage a rapid recovery as the year drew to an end. The closing price on December 28, 2001 was € 9.55. The DAX ended the year at 5,160 and the MDAX at 4,326.

In light of the gloomy mood pervading the world economy and the added pressure on the European steel industry from abroad, this stock price – when compared with price movements in similar situations in preceding years – may be interpreted as a clear step forward in the company's valuation. 2001 will go down in history as a particularly difficult one for the stock market. Nevertheless, Salzgitter stock significantly outperformed both the DAX and the European Steel Index (see chart).

During the course of financial year 2001, a total of 13.2 million Salzgitter shares were traded on Germany's stock exchanges, 90% of them changing hands on the Frankfurt trading floor and via XETRA computer trading.

Investor Relations

Once again in financial year 2001, Salzgitter AG conducted an intensive investor relations program. In addition to regular conferences with analysts in Frankfurt and London focusing on the results for financial year 1999/2000 and the short financial year 2000, as well as on the first-half results for 2001, the company was able to make contact with international institutional investors at numerous investor meetings and roadshows. In parallel with this, a series of analysts, investors and bankers have been our welcome guests. In the context of factory visits and in-depth discussions involving members of the Executive Board, we have been able to present and define the company's current economic situation, our latest successes on the acquisition front, our above-average competitive position and the strategic alignment of our enterprise. The journey on which we have embarked has met with broad approval on the part of both analysts and investors.

In the course of the year, this has likewise been reflected in a gratifyingly large number of buy recommendations. The reputation earned by Group on the capital markets in the meantime is not least the result of our long-term endeavors in the field of investor relations, to which we continue to attach prime importance.

Options/Own Stock

At the end of the financial year 2001, executive officers and employees held subscription rights to a total of 1,423,800 shares in Salzgitter AG. These were issued as part of the 1998 share option program for Executive Board members and management staff.

The volume of own stock held as of December 31, 2001 was 683,421 shares; the accounting par value amounted to a nominal total of € 1,747,138.04, equivalent to 1.10% of subscribed capital. In comparison with the level as of December 31, 2000, this amounts to a reduction of 3,426,782 in the volume of own stock. In the course of the financial year 150,022 shares were acquired pursuant to §71 Para. 1, No. 2 AktG [Stock Corporation Act] at an average price of € 8.69. In the same period, 259,370 shares were awarded gratis to members of our own workforce in the form of bonuses. Pursuant to the authority granted by the annual general meeting of Salzgitter AG on March 16, 1999 to repurchase own stock, a further 3,317,434 shares were sold during the reporting period at an average price of € 9.73. Of these, 5,369 shares were given in lieu of payment for services rendered by third parties. 362,065 shares were used for the purpose of acquisitions. A total of 2,950,000 shares were placed with institutional investors in Germany and abroad in the interests of broadening the spread of share ownership.

Dividend

The Executive and Supervisory Boards will propose to the annual general meeting that a dividend be approved for the financial year 2001 in the amount of € 0.42 per share.

Based on our nominal capital of some € 160 million, the proposed distribution amounts to some € 26.2 million. Following changes in tax relief legislation, the dividend for financial year 2001 will for the first time be subject to the half-income procedure.

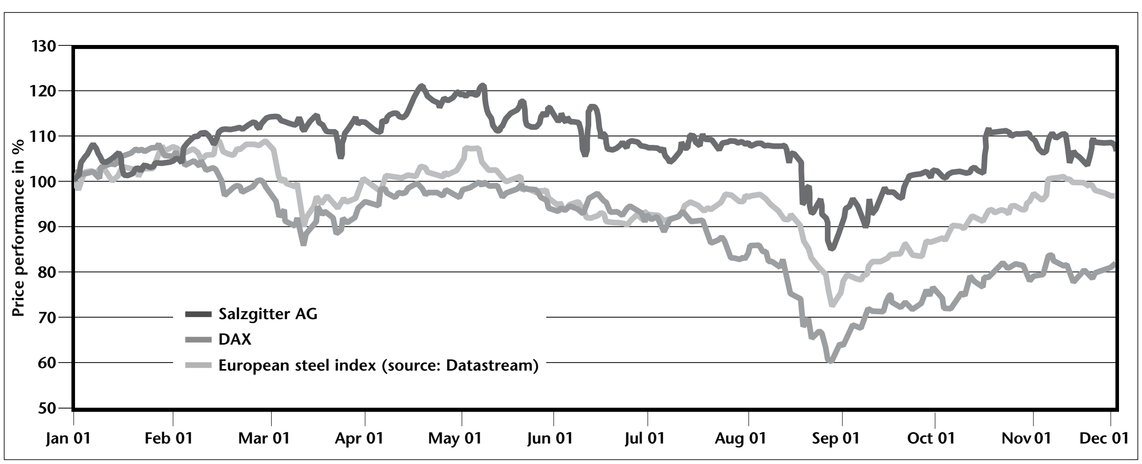
Tax computation:	per share
Cash dividend	€ 0.33
Creditable capital gains tax and solidarity surcharge	€ 0.09
Dividend	€ 0.42

Information for Capital Investors:

Nominal capital:	€ 159,523,066.93 divided into 62,400,000 shares
Class of shares:	Shares made out to bearer
Highest market price[1]:	€ 10.83
Lowest market price[1]:	€ 7.00
Price as at December 31, 2001[1]:	€ 9.55
Market capitalization as at December 31, 2001:	€ 596 million
Earnings per share:	€ 2.28
Cash flow per share:	€ 1.93
Distribution rate[2]:	93.6 %

[1] All prices quoted are closing prices on the Frankfurt trading floor
[2] For Salzgitter AG

Salzgitter AG Share Price 2001



GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT ON SALZGITTER AG

ECONOMIC SITUATION

Development of the Economy and the Steel and Tubes Market

In the course of last year, following a pattern set by the United States, the worldwide economy teetered on the brink of recession. The causes of the downturn experienced by the industrialized countries lay in the oil price hike in preceding year, the tightening of monetary policy in the majority of regions and the backlash following the boom in the IT sector which, besides the United States, hit the national economies of South East Asia particularly hard. In this already volatile situation, the effect of the terrorist attacks of September 11 was profound. At a stroke, the confidence of investors and consumers alike was undermined and this in turn accelerated the economic downswing, first in the United States and progressively in other regions of the world as well. As a consequence, the rise of barely 2% in world economic production in the year 2001 is unlikely to be much of an improvement over 1975, 1981/82 or 1991/92, which are commonly considered to have been periods of recession. The exceptional weakness of the world economy is also reflected in the development in world trade. In the year 2000, growth in world trade still managed to reach double-digit proportions: last year, the increase was negligible.

The expansion in aggregate output in the **euro zone** almost came to a halt in the summer semester. In real terms over this period, gross domestic product rose by no more than an annualized rate of 0.3%. In the year as a whole, GDP rose by 1.5% compared with 3.4% in the year before. The weakness of the economy in the major regions of the world caused the euro zone to revise its sales and profit expectations downward, with a corresponding impact on corporate investments which remained on a downhill path throughout the year.

In **Germany** growth in GDP had begun to weaken significantly even before the terrorist attacks on September 11, and as the year drew to an end the German economy slipped into a mild recession. At the beginning of 2001, forecasters were still in general predicting GDP growth of 2.75%. In fact, in contrast to the sharp rise (3.0%) the year before, GDP rose by an annualized average of just 0.6%.

At the start of the year 2001, demand for steel and the output of steel processors in the European Union (EU) were still robust. As the year progressed, this remained true only for the automobile industry – due to the until recently buoyant demand from abroad – and for tube manufacturers. Until the spring, steel production in the EU also remained at the same level as in the previous year. However, as the year progressed industrial production and steel consumption steadily flattened off.

A growing imbalance developed between the supply and demand for steel. Stocks of steel held by traders and consumers rose. The weakness of the market for rolled steel products and the threat of import restrictions by the US government increased the pressure of imports entering the EU, whilst exports declined. Such a situation could not help but impact on the price of steel. The market price for some flat steel products fell to a historic low, as new plants still coming on stream caused the already weak market to collapse.

As a result of reduced demand coupled with unprofitable prices, the drop in the production of crude steel accelerated steadily in Germany and in the EU in the second half of the year. In Germany in 2001 production totaled just under 45 million tons, some 3.4% less than in the year before. Nevertheless in contrast to other regions the steel market in Europe in 2001 for a long time stood up comparatively well, as evidenced by developments in the USA, Japan and Latin America. In these regions steel production dropped by between 4% and 11%.

The picture presented by the **steel tubes and pipes market** is far more satisfactory. The improvement in the situation in the steel tubes and pipes industry, which commenced in the fourth quarter of 2000, continued into the year 2001, with the result that market stood up well over a large part of the year. Only when the economic downturn reached worldwide proportions did the market begin to falter from the third quarter of 2001 onwards, and in the non-energy-dependent sectors in particular. Oil prices, which remained high until October, ensured a strong demand for pipes for oil and gas exploration, production and transportation. When oil prices left the OPEC target band and, from October onwards, slipped beneath the 22 $/b mark, orders for welded line pipes up to 16" fell to more modest levels. The market for large-diameter pipes in general remained unaffected due to the large number of projects underway in Asia in particular. Despite the negative development in domestic demand, automobile production in Germany remained buoyant, with volumes approximately equaling the previous year. In the mechanical engineering sector the industry's reluctance to invest was quite visible; in the field of plant engineering, large-scale investments were deferred. Against this background, the market for precision tubes in Germany remained stable at relatively high levels until the middle of the year, at which point certain sections of the market then fell into an increasingly rapid decline.

World production of steel tubes and pipes in 2001 reached 65 million tons, up 4% on the previous year. The increases of 7% in the EU and of a remarkable 12% in Germany were well above average, compared with the USA which managed only 4%. The biggest proportion of growth worldwide was accounted for by large-diameter pipes, which, following the sharp decline in this segment in 2000, then rose by 19% in 2001 to 8 million tons. Seamless tubes which had recovered well the year before put on an average performance, rising by 4% to 19 million tons, and welded pipes up to 16" – a field in which the Tubes Division of Salzgitter is represented only in the higher-value segment – recorded a below-average increase of 1% to 39 million tons.

The Divisions

In considering the following description of the economic situation and development of the Salzgitter Group, it should be noted that because of the modification to the financial year, the preceding short financial year (SFY: October 1 to December 31, 2000) is not directly comparable with the first full financial year (January 1 to December 31, 2001). In the tables the figures for the period under review are in principle set against the preceding figures for the short financial year. For the purposes of general comparison, reference is made in the text to quarterly average figures for the reporting period and to figures for the 1999/2000 financial year.

Furthermore, in some cases – naturally including the newly established Steel Division companies – no corresponding comparative figures are available for previous periods.

As a result of changes to the list of consolidated companies, comparability at Group level is limited. The Annex to the Group annual accounts includes a report on the essential effects.

Steel Division

The three new operating companies, Salzgitter Flachstahl GmbH (SZFG), Peiner Träger GmbH (PTG) and Ilsenburger Grobblech GmbH (ILG) together form the Steel Division under the umbrella of the intermediate holding company Salzgitter Stahl GmbH (SZS).

This division also includes Salzgitter Großrohre GmbH (SZGR).

Despite the deteriorating market conditions, orders received for rolled steel products and processed products exceeded the previous year's level, reaching 4,402 kton (quarterly average 1,100 kton) (SFY 2000: 1,015 kton). However, the value of orders in hand at the end of the financial year stood at 1,192 kton, which was slightly lower than the year before (SFY 2000: 1,235 kton).

On the other hand, there was a downward trend in prices for rolled steel products, with flat rolled steel suffering more heavily than sections, while prices for plates remained relatively constant.

Production of crude steel at the Salzgitter and Peine works stood at 5,080 kton (quarterly average 1,270 kton), i.e. the same high level as in the preceding year (SFY 2000: 1,272 kton). The production of rolled steel and processed products exceeded the figure for the previous year, and as in the year before it was necessary to buy in slabs to cover the demand for crude steel.

Shipments of rolled steel and processed products at 4,507 kton (quarterly average 1,127 kton) were up on the year before (SFY 2000: 1,030 kton). This increase was in part due to the high demand for processing, which in turn was almost exclusively attributable to the strong orderbook at Salzgitter Großrohre GmbH. The relatively high volume of rolled steel shipments was supported in particular by the rise in project-related deliveries of hot-rolled wide strip to both our own and external tube works and to a reduction in stocks of sheet in order to normalize inventories after the build-up that followed the previous year's fire damage to the galvanizing plant.

Crude Steel Production

in kt/month	World	EU (15)	Germany	Thereof Steel Division
1995	62,696	12,980	3,504	378
1996	62,510	12,217	3,316	343
1997	66,581	13,316	3,751	391
1998	64,696	13,326	3,671	394
1999	65,644	12,937	3,505	414
2000	69,134	13,588	3,865	429
2001	68,892[1)]	13,233[1)]	3,733[1)]	423

[1)] Provisional figures (as of Feb. 2002)

Steel Division Production

in kt	FY 2001	SFY 2000	1999/2000	1998/1999
Large-diameter pipes	145	29	31	74
Surface coated sheets	949	249	739	853
Sheets	330	76	494	367
Plates[1)]	801	210	806	753
Hot-rolled coils and steel strip	1,219	249	1,208	1,065
Sections	1,225	309	1,298	1,155
Crude steel	5,080	1,272	5,116	4,725
Pig iron	3,737	941	3,710	3,489

[1)] Inc. HRC cut-to-length

Gross sales with other divisions and outside companies were higher than in the previous year (SFY 2000: € 450 million), rising to € 1,864 million (quarterly average: € 466 million). The total sales figure was made up as follows: SZFG € 994 million, PTG € 433 million, ILG € 345 million and SZGR € 92 million.

The division returned a positive pre-tax result of € 30 million (quarterly average € 7.5 million), but on average fell short of the profit achieved in the previous year (SFY 2000: € 25 million). In comparison with the short financial year 2000, prices obtained were down and the corresponding negative impact on the result by far outweighed the mildly positive effects of the improved levels of activity. In addition, commissioning new plant installations generated added costs that were not initially offset by corresponding earnings. On the purchasing side there were varying developments in the starting prices for raw materials and energy supplies; overall, given the weaker average US $ exchange rates, the impact on results was mildly positive. An exceptional burden on results came in the form of allowances for uncollectible accounts. Contributions to the division income were as follows: SZFG € 6.2 million, PTG € 20.3 million, ILG € 5.7 million and SZGR € 9.8 million.

The regular workforce employed by the division as of December 31, 2001, amounted to 7,022 (December 31, 2000: 7,249). In addition to further downsizing of the workforce, the reduction in comparison with the previous year's cut-off date is attributable to the assignment of staff in holding company positions to Salzgitter AG.

The Steel Division reported fixed assets (excluding financial assets) of € 985 million. This corresponds to around 30% of acquisition value and is comparatively low in view of the high degree of plant modernization. The investment figure (excluding financial investments) of € 197 million (quarterly average € 49 million) represents a quarterly increase of € 17 million over the SFY 2000 (€ 32 million).

The key data for the Steel Division are presented in the following table:

Steel Division		FY 2001	SFY 2000
Crude steel production	kt	5,080	1,272
LD steel (SZFG)	kt	4,092	1,036
Electric steel (PTG)	kt	988	236
Shipments	kt	4,507	1,030
Rolled steel	kt	4,287	990
Processed material	kt	220	40
SZFG	kt	2,320	–
PTG	kt	1,244	–
ILG	kt	806	–
SZGR	kt	137	–
Sales	€ mil.	1,864	450
SZFG	€ mil.	994	–
PTG	€ mil.	433	–
ILG	€ mil.	345	–
SZGR	€ mil.	92	–
Internal sales[1]	€ mil.	467	110
External sales[2]	€ mil.	1,397	340
Division income before taxes[3]	€ mil.	30.1	25.0
Thereof SZFG	€ mil.	6.2	–
Thereof PTG	€ mil.	20.3	–
Thereof ILG	€ mil.	5.7	–
Thereof SZGR	€ mil.	9.8	–
Investments[4]	€ mil.	197	32
Total workforce	At Dec. 31	7,033	7,279
Core workforce		7,022	7,249
Wage labor		5,338	5,455
Salaried employees		1,684	1,794
Apprentices, students, trainees		11	30
EBIT[3]	**€ mil.**	**65**	**30**
EBITDA[3]	**€ mil.**	**207**	**67**

SFY: Short financial year from October 1 to December 31
[1] Sales to other Group business units
[2] Contribution to Group external sales
[3] After restructuring of holding company costs in SFY 2000
[4] Excluding financial assets and additions resulting from mergers

Turning now to developments at the individual companies:

Salzgitter Flachstahl GmbH

Salzgitter Flachstahl GmbH (SZFG) operates an integrated plant involving the entire value chain, from blast furnaces and steel making to continuous casting lines, hot mill, cold mill, hot-dip and electrolytic galvanizing and strip coating lines, all at a single location.

The production range also includes hot-rolled coil and strip, cold sheet and coated products of widely varying types. Products from Salzgitter, such as I-Stahl, Pretex textured sheet and Salzinc, are regarded in the industry as being of the highest order and rank among the most important materials used in the automotive sector.

Overall, the company based in the town of Salzgitter maintained a satisfactory performance in the year 2001 in spite of the overall troubled economic climate, and in particular in the steel industry. Orders received for flat steel products reached a total of 2,278 kt, allowing the production plant capacities to be utilized as planned. Orders in hand at the end of 2001 amounted to 821 kt.

Production of crude steel reached 4,092 kt, some of which as in the past helped cover the requirements of PTG and ILG. The quarterly average was only slightly below the level of SFY 2000. In the second semester, the deteriorating economic situation made it necessary to adjust production levels.

Production of rolled steel for shipment to customers, excluding rolled steel finished products for other companies in the Steel Division, was marginally higher in 2001. Output totaled 2,339 kt. There were, however, marked differences between certain products, in particular in the area of surface coating, where a second hot-dip galvanizing plant created additional production facilities.

The scheduled commissioning of the new second plant was successfully carried out beginning in June 2001, and the resulting high-quality products were well received by the market. Discriminating customers especially, such as the European automotive industry, have shown sustained interest in the new generation of high-performance steels developed by Salzgitter.

Shipments of rolled steel products to external customers and other Group companies outside of the Steel Division totaled 2,320 kt.

The average return on flat rolled products began to suffer in the first quarter of the year and deteriorated steadily. In addition, the temporary pressure in supply resulting from the commissioning of a number of new hot-dip galvanizing plants in the EU triggered a decline in the market price for hot-dipped sheet, which by the end of the year had fallen to a historic low. Prices for other coated products and cold-rolled sheet were similarly affected.

The situation in the marketplace inevitably had an impact on SZFG. In comparison with SFY 2000, revenues derived from flat rolled steel products in the financial year 2001 fell by some 10%.

Sales by SZFG to other Group companies outside of the Steel Division totaled € 994 million in the financial year 2001. Subdividing this figure by regions, sales in

Germany accounted for € 659 million, sales to EU countries made up € 287 million, and sales to other countries accounted for € 48 million.

The company's external sales totaled € 878 million, corresponding to 88% of total turnover.

In the course of the year, economic conditions caused a downward trend in sales, with a sustained negative influence mainly apparent in the third and fourth quarters. Falling revenues were only mildly offset by positive structural effects. On the purchasing side, increases in the price of ore and coal compared with an easing of prices for fuel oil and zinc; overall, and in conjunction with the slightly weaker US $ exchange rate, the effect on results was positive.

The result before taxes for the financial year amounted to € 6.2 million.

As of December 31, 2001, the regular workforce at SZFG numbered 4,835 (previous year: 5,415, based on the whole of the Salzgitter plant operated by Salzgitter AG). This total included 3,642 wage earners and 1,193 salaried staff. The variation in personnel (– 580 employees) is essentially (– 567) due to transfers to other companies and to the Group holding company as a result of the restructuring program.

Peiner Träger GmbH

In the ultra-modern electric arc furnace melt shop at Peiner Träger GmbH (PTG), scrap is melted and cast in a 6-line continuous bloom casting plant and the newly commissioned beam blank concast line. The resulting input stock is then processed via two of the world's most modern, high-performance mill trains, the universal medium section mill and the heavy section mill. Peiner beams have an excellent reputation the world over as an essential element in the design and erection of steel structures. In addition, Peiner produces a wide range of other steel sections, such as IPE beams, sheet piling and special-purpose sections, all of which are manufactured using materials with the most suitable properties for the respective applications.

In its first year as an independent company, PTG was able to maintain its position in the marketplace.

Orders received totaled 1,261 kton. Due in part to seasonal factors, orders in hand at the end of the year stood at a low for the year of 141 kton. However, as at the end of the previous financial year (December 31, 2000), the comparable figure was only 135 kton.

Despite the unusually short notice and short lead times associated with the order intake, Peiner was able overall to achieve satisfactory utilization of the mill trains and upstream plant. Some 988 kton of electrosteel were produced. The universal medium section mill (UMIT) rolled 769 kton of sections and the heavy section mill produced 471 kton of large-size sections.

PTG's traditional core products are structural shapes and broad flanged beams, accounting for a sales volume of just under 1.2 million tons. During the year, positive effects resulting from the cessation of production by an Irish manufacturer contrasted with the negative impact of anti-dumping measures in the USA.

As part of the bundling of activities that took place in financial year 2001, the marketing of heavy sheet piling was transferred to the sister company HSP Hoesch Spundwand und Profil GmbH. However PTG will continue to roll Peiner sheet piling sections on behalf of HSP.

Further products manufactured by PTG include mine support sections and Y-section sleepers as well as pre-processed beams supplied ready for use.

The decline in sales that set in at the beginning of the year has been halted, and the previous year's overall level of returns maintained. Taken together with the slightly reduced delivery volume of some 1,244 kton, the company achieved sales of € 433 million with other Group companies outside of the Steel Division and with external customers. The decline in volume is essentially due to a lack of shipments to the USA: Since the middle of the year this market has been closed as a result of protectionist action.

Scrap prices on the whole remained stable. However, results were negatively impacted by increases in energy costs since the beginning of the year caused by general inflation and the effects of legal regulations, which affected both gas and electricity prices.

The result before taxes totaled € 20.3 million.

As at the end of the financial year, PTG employed a workforce of 1,325, including 1,045 wage earners and 280 salaried staff. This is equivalent to a rise of 27 employees compared with the level of the previous year, at which time the Peine works was still operated by Salzgitter AG. The increase is essentially attributable to a redistribution of personnel as part of the new Group organization.

Ilsenburger Grobblech GmbH

Drawing on its ultra modern plant and equipment, Ilsenburger Grobblech GmbH (ILG) manufactures a range of high-quality plates in a broad variety of material qualities. The range includes classic constructional steel plates, tube plates, pressure vessel and shipbuilding plates. Additional products such as stainless and clad plates and cut-to-size plate blanks round off the range.

The company employs one of the world's most modern water quenching plants to produce wear-resistant, high-strength steel plate for the most demanding applications. To complete the package, the company also offer numerous processing services such as shot-blasting, priming, edge preparation and bending.

Especially in view of the downturn in the economy, ILG can look back on a good year for plate. It has maintained and indeed in some respects expanded its position in the market.

The increasingly difficult market for plates during the financial year did not significantly affect the order intake. Orders received for quarto plates during the financial year totaled 690 kton. Orders for bought-in strip (squared hot-rolled wide strip) sourced from SZFG amounted to 100 kton.

Orders received by December 31, 2001, added up to 177 kton, only slightly less than the figure one year earlier.

In financial year 2001, 690 kton of plate was produced. Against the background of a strategic alignment towards higher-quality products and a greater depth of processing, the high level of production was accompanied by a further improvement in delivery performance. This was reflected in enhanced reliability of supply and in a further reduction in the rate of customer complaints.

In this financial year, 693 kton of plate and products manufactured from it were sold. With regard to heavy-gauge strip (squared hot-rolled wide strip), the figure was 113.

The excellent market positioning enjoyed by ILG, supported not least by the rising proportion of high-strength and abrasion-resistant product qualities, helped stabilize the level of sales in contrast to the general trend.

In the past financial year, overall sales with Group companies outside of the Steel Division and with external customers totaled € 345 million.

ILG reported a pre-tax result for 2001 of € 5.7 million. This annual result was buoyed up by an above-average first quarter. As the financial year proceeded, a slight downturn in sales was evident due to market conditions.

As part of the decentralization of Group entities, the regular workforce at ILG as of December 31, 2001 had risen to a total of 714.

Salzgitter Großrohre GmbH

Salzgitter Großrohre GmbH (SZGR) is equipped with high-performance installations for the production of spiral-welded large-diameter pipes that comply with the most exacting requirements, in particular for national and international oil and gas pipelines. SZGR ranks as one of the world leaders in spiral tube welding technology and continues to set new quality standards by continuous refinement of its two-stage tack welding process. By employing this process together with various coating systems, large-diameter pipes can be precisely tailored to individual customer requirements.

As a result of the marked increase in activity in the oil and gas sector in 2001, a large number of pipeline projects were implemented. Demand for pipes was correspondingly strong, with SZGR receiving orders for 73 kton. By the end of the year, orders in hand totaled 54 kton.

In addition to other projects, a major order was processed for Chad – Cameroon, resulting in a very high level of plant utilization. Overall, a new record production total of 145 kton was achieved.

Given the high proportion of project-related business, the company's share of the relevant markets can vary widely from year to year. As a result of the major Chad – Cameroon project, the bulk of pipe production in financial year 2001, corresponding to some 56%, went overseas. Germany accounted for about 22% of production, and the remainder of the EU for a further 22%.

In the course of financial year 2001, SZGR shipped a total of 137 kton of pipe and generated sales valued at € 92 million. The pre-tax result totaled € 9.8 million.

Trading Division

The Trading Division comprises a dense European sales network coupled with companies and sales offices worldwide. This combination provides the foundation for the successful international presence enjoyed by Salzgitter Group products and services.

The division is made up of the Salzgitter Handel Group of companies (including Salzgitter Handel GmbH (SHD), Salzgitter Stahlhandel GmbH (SSH), Salzgitter International GmbH (SID), Salzgitter Handel B.V. in the Netherlands (BEN), Salzgitter Trade Inc., Canada (STV) and other subsidiaries), as well as Hoevelmann & Lueg GmbH & Co. KG (HLK), the meanwhile wholly-owned subsidiary Universal Eisen und Stahl GmbH (UES) and Robert S.A.S. (RSA), in which Salzgitter has a 50% stake.

The trading companies, too, found themselves faced with deteriorating market conditions. Besides the economic slowdown affecting large parts of the steel processing industries, steel demand was depressed in particular by the downturn in the construction industry and by the tendency on the part of consumers to reduce stocks. In the markets of North America and Asia in particular, demand impulses were hardly discernible. The resulting pressure on volume correspondingly affected selling prices and reduced the trading margins. The falling prices and declining volumes in many product areas have significantly impaired overall performance.

However, due to seasonal factors, the fourth quarter of the calendar year is in any case a weak period for trading. In comparison with SFY 2000, in which the effects of weakening markets were already apparent to some extent, the consequences of the change in the business climate were not serious. In financial year 2001 the division recorded a total volume of 4,494 kton (quarterly average 1,124 kton), and thus exceeded the figure for SFY 2000 (965 kton; excluding UES/RSA). This was thanks not only to the even higher sales volume achieved by the SHD Group, but also to the integration of UES and RSA.

Gross sales at this division stood at € 1,910 million (quarterly average € 477 million), exceeding the level of the previous year (SFY 2000: € 428 million), with the slight price-related decline at the SHD Group being more than compensated for by the inclusion of UES and RSA.

The division including UES (UES GmbH, Neuss, and Universal Ocel, Prague) and RSA (pro rata) recorded a pretax result of € 18.5 million, which significantly exceeded the previous year's result (SFY 2000: – € 2.8 million). EBIT amounted to € 38.6 million (SFY 2000: € 1.3 million).

Investments at this division reached € 8.9 million, with depreciation and amortization accounting for € 11.3 million.

The workforce at end of the financial year totaled 2,011 (December 31, 2000: 1,661); in addition, the division employed some 116 trainees (December 31, 2000: 88). The growth in the regular workforce results entirely from the integration of UES and RSA.

The key data for the Trading Division are presented in the following table:

Trading Division		FY 2001	SFY 2000
Shipments	kt	4,494	965
Salzgitter-Handel-Group	kt	3,982	925
Hövelmann & Lueg	kt	173	40
Universal[3]	kt	274	–
Robert[4]	kt	65	–
Sales	€ mil.	1,910	428
Salzgitter-Handel-Group	€ mil.	1,640	411
Hövelmann & Lueg	€ mil.	64	17
Universal[3]	€ mil.	180	–
Robert[4]	€ mil.	26	–
Internal sales[1]	€ mil.	33	6
External sales[2]	€ mil.	1,877	422
Division income before taxes	€ mil.	18,5	–2,8
Salzgitter-Handel-Group	€ mil.	9,6	–2,8
Hövelmann & Lueg	€ mil.	0,2	0,4
Universal[3]	€ mil.	7,1	–0,4
Robert[4]	€ mil.	1,6	–
Total workforce	At Dec. 31	2,127	1,749
Core workforce		2,011	1,661
Salzgitter-Handel-Group		1,462	1,483
Hövelmann & Lueg		177	178
Universal[3]		326	–
Robert[4]		46	–
Apprentices, students, trainees		116	88
Inventories	€ mil.	211	189
EBIT	**€ mil.**	**38.6**	**1.3**
EBITDA	**€ mil.**	**49.9**	**3.7**

SFY: Short financial year from October 1 to December 31
[1] Sales in own segment and to other corporate divisions
[2] Contribution to Group external sales
[3] Universal Eisen und Stahl GmbH, Neuss, and Universal Ocel, Prag
[4] Considered ad a quota (50%)

Developments at the individual companies:

Salzgitter Handel GmbH (SHD), in its capacity as the intermediate holding company at the head of the Salzgitter Handel Group coordinates the activities of more than 40 steel trading companies throughout the world. An organizational distinction has been made between stockholding and trading in the EU and international trading activities, with the various companies assigned accordingly.

In Germany and in France, SSH with its various branches functions as a full-range supplier, with a range of services including sheet pre-processing. In addition to the stock-holding branches, a steel service center is also operated in the form of SCB, which supplies the VW plant in Kassel-Baunatal on a just-in-time basis.

The activities of SID are focused on trading in steel and steel products worldwide. In addition the company offers a range of services including the technical, organizational and economic implementation of large-scale projects.

Thanks to its flexibility and adherence to deadlines in the distribution of high-quality products, the SHD Group has attained a leading position in the field of international steel trading. Total sales volume rose from 925 kton in SFY 2000 to a quarterly average of 996 kton in 2001 (overall: 3,982 kton). For price-related reasons, however, turnover fell slightly from € 411 million to an average of € 410 million (overall: € 1,640 million).

At the domestic companies (SSH and SCB), volume rose from 376 kton in SFY 2000 to a quarterly average of 381 kton in 2001, whilst the value of sales remained at the same level as in SFY 2000, averaging € 175 million.

Implementation of the 'Handel 2000' concept developed for the domestic segment continued in financial year 2001. The 'open warehouse' objectives set out in this concept have been put in place, under which customers are to be supplied from the most suitable location in terms of freight costs and small-volume business, is to be scaled back. Further progress has also been made with the corresponding optimization of warehouse stocks.

Despite the difficult economic climate in Europe, the steel trading companies in the Netherlands succeeded in maintaining the volume and value of sales on a quarterly average basis in 2001 at almost precisely the level of SFY 2000. This is not least attributable to the comparatively strong economic situation in the Netherlands.

The sales volume achieved by SID through its trading activities rose from 475 kton in SFY 2000 to a quarterly average of 533 kton in financial year 2001, whereas on a similar quarterly average basis, the value of sales fell slightly from € 204 million to € 203 million. The increase in volume was cancelled out by the deterioration in prices.

STV, which is also engaged in international trading, was particularly hard hit by the collapse of the North American market, but nevertheless managed to perform well in comparison with SFY 2000.

To strengthen the presence of the division in the North American market, the beginning of the year saw the foundation of Salzgitter International Inc., Houston, which now coordinates activities in the USA.

The Salzgitter Handel Group achieved a result before taxes of € 9.6 million (SFY 2000: – € 2.8 million).

Hövelmann & Lueg GmbH & Co. KG (HLK) operates two steel service centers at locations in Schwerte and Salzgitter, and also trades in steel products. With 6 cut-to-length lines, various cutting machines and squaring shears, the company produces high-quality square-cut and cut-to-size products which comply with the tight tolerances demanded by many sectors of industry.

To accommodate the trend towards high-strength steels as well as the increase in customer demand for improved flatness and surface quality, newly designed cassette-type levelers have been installed and high-performance shears purchased for guillotining hot-rolled strip.

For HLK likewise, the financial year 2001 was marked by the downturn in steel and declining activity across broad swathes of the processing industries. The reduction in stocks held by traders and consumers and the corresponding need for shorter delivery times led on the one hand to an extensive reduction in demand, and on the other to a tendency to order small quantities at short notice. The continuous fall in replacement prices served only to increase the pressure on sales.

Nevertheless, with a total sales volume of 174 kton (quarterly average 44 kton) compared with 40 kton in SFY 2000 and a turnover of € 64 million (quarterly average € 16 million) as against € 17 million in SFY 2000, HLK maintained a relatively strong performance.

With the additional burden imposed by the need to write down inventories in line with falling prices, the result before taxes amounted to some € 0.2 million (SFY 2000: € 0.4 million).

Since financial year 2001, Salzgitter AG has held 100% of the shares in **Universal Eisen und Stahl GmbH (UES)**. The company specializes in trading in, and pre-processing, plate to meet the requirements of its direct customers. The head office is situated in Neuss, however through its subsidiaries, branches and warehouses UES maintains a presence in all of the major centers of steel consumption in Germany and Europe. As a specialist in plate products, the company also supplies customers in the USA and South Africa and is active in the drop shipment business worldwide.

Against the background of the marketplace during the first semester of the financial year 2001, and given a further increase in sales volumes, the operating position at UES proved satisfactory. However, as sales volumes declined in the second half-year, both prices and margins fell sharply, with a correspondingly negative effect on results.

Despite this, at UES sales of € 164 million were achieved, due without exception to the expansion in the area of pre-processing. The pre-tax result recorded by UES totaled € 1.6 million.

The overall contribution made by UES to the result for the Trading Division is reported at € 7.1 million; included herein is both the contribution for the financial year 2000 (at equity) as well as that for 2001 (consolidated). For this year both Universal Eisen und Stahl GmbH, Neuss, and Universal Ocel, Prague, are included among the Salzgitter AG group of consolidated companies.

On January 30, 2001, Salzgitter AG acquired 50% of the Robert Group, which operates four steel service centers in France. At its centers in Le Thillay (Paris) and Feyzin (Lyon), **Robert S.A.S. (RSA)** employs two slitters, 12 squaring lines and a cut-to-length line to transform coated and uncoated coil into narrow strip as well as square and trapezoidal flat sheets. Le Feuillard S.A. (LFS) has three slitters in operation at its location in Senlis (north of Paris) and specializes in producing ultra-narrow strip (up to 8 mm). Tolcolor S.A. (TOS), whose production plant is also located in Le Thillay, specializes in finishing (coil division, slitting, squaring) organically coated products. Tolcolor offers a range of sheet products in 40 colors.

Demand during the financial year was strong despite the clouds on the economic horizon. Utilization of capacity was high at all of the production facilities. On the other hand, here too a significant deterioration in prices was apparent in the second half-year, in particular in comparison with the strong revenues of the previous year.

As a result of the economic situation and of the reduction in contract processing (–11 kton), total sales volume achieved by the Group fell by 6% to 129 kton. In spite of this, thanks to the shift from contract processing to full-service business, group turnover was pegged at the previous year's level of € 52 million, yielding a Group profit before taxes of € 2.5 million. As a result of the pro rata consolidation of this company and the at-equity valuation of subsidiaries, a profit of some € 1.6 million accrued to the Trading Division.

Services Division

The companies that make up this division are primarily engaged in providing services to the Group. However, their services are also increasingly being marketed externally, and demand from non-Group customers is rising. For this reason, the services offered are constantly measured against the requirements of the marketplace and are developed accordingly.

The division is composed of the following companies: DEUMU Deutsche Erz- und Metall-Union GmbH, PPS Personal-, Produktions- und Servicegesellschaft mbH, Verkehrsbetriebe Peine-Salzgitter GmbH, GESIS Gesellschaft für Informationssysteme mbH, Hansaport Hafenbetriebsgesellschaft mbH (51%), Telcat Multicom GmbH and its subsidiary Telcat Kommunikationstechnik GmbH, as well as the residential property company "Glückauf" Wohnungsgesellschaft mbH.

In addition, Peiner Hüttenstoffe GmbH is also a – non-consolidated – member of the division, to which various other non-consolidated minority interests are similarly assigned.

In the financial year 2001 the Services Division generated sales of € 547 million. Of this figure, 49% was accounted for by DEUMU, 21% by PPS and 11% by VPS.

Sales to non-Group companies amounted to € 216 million, putting the proportion of external sales at 40% of the total. This was approximately equal to the level achieved in the short financial year 2000 (around 41%).

The pre-tax result reported by the division amounted to € 12.8 million, some four times greater than the figure for SFY 2000 (€ 3.4 million). All of the companies with the exception of PPS achieved positive results.

Investments at this division reached a level of € 21.0 million, with depreciation and amortization accounting for € 12.0 million.

As of December 31, 2001, the division employed 3,709 staff (previous year: 3,544). In addition, the number of trainees rose to 639 (previous year: 625).

The increase in the regular workforce relates essentially to staff increases at PPS and to the regular employment of trainees, as well as to agreements with employees of Steel Division companies on age-related part-time employment.

The key data for the Services Division are presented in the following table:

Services Division		FY 2001	SFY 2000
Sales	€ mil.	547	139
DEUMU	€ mil.	268	72
PPS	€ mil.	113	27
Telcat group	€ mil.	41	8
VPS	€ mil.	61	16
Other companies	€ mil.	64	16
Internal sales[1]	€ mil.	331	82
External sales[2]	€ mil.	216	57
Division income before taxes	€ mil.	12.8	3.4
DEUMU	€ mil.	0.3	0.2
PPS	€ mil.	–1.1	0.4
Telcat group	€ mil.	1.3	0.4
VPS	€ mil.	3.6	0.5
Other companies inc. non-consolidated companies	€ mil.	8.7	1.9
Total workforce	At Dec. 31	4,348	4,169
Core workforce		3,709	3,544
DEUMU		244	269
PPS		2,094	1,884
Telcat group		361	382
VPS		756	763
Other companies		254	246
Apprentices, students, trainees		639	625
EBIT	**€ mil.**	**15.6**	**5.2**
EBITDA	**€ mil.**	**27.6**	**7.9**

SFY: Short financial year from October 1 to December 31
[1] Sales in own segment and to other corporate divisions
[2] Contribution to Group external sales

Developments at the individual companies:

DEUMU Deutsche Erz- und Metall-Union GmbH (DMU) is the central supplier of scrap to Salzgitter AG. The company's business activities additionally include trading in alloying elements, aluminum and magnesium, as well as a highly skilled flame-cutting operation and the marketing of IIa-grade plate.

In the past financial year as part of a continuous process of adaptation to the needs of the market, DMU has expanded its scrap business and advanced its position as a high-performance raw materials supplier to the Group. In acknowledgement of the progress made, the company has been awarded certification as a waste disposal specialist.

The acquisition of 50% of the shares in a smaller scrap business has further strengthened the company's position in the Peine/Salzgitter region. DMU intends to focus even more strongly on positioning itself within the Group as a skilled partner in the field of scrap. One of its primary targets in this connection lies in the development of scrap logistics projects for Group customers. Additional aims are to develop innovative, integrated process concepts to support implementation of the EU directive on end-of-life vehicles, as well as the stabilization of its non-ferrous metals trading activities.

Overall, DMU generated sales of € 268 million (SFY 2000: € 72 million) and achieved a pre-tax result of € 0.3 million (SFY 2000: € 0.2 million).

PPS Personal-, Produktions- und Servicegesellschaft mbH (PPS) offers a broad bandwidth of services which extend to the areas of technology, industrial services, occupational safety, industrial medicine, education and training, a print center, security service and events management.

The services provided in these various individual business areas are available both to the Salzgitter Group and to external customers.

In addition, the company is also tasked with organizing the adaptation of personnel structures from a social perspective, for example by introducing age-related part-time working arrangements.

The continuing shift away from the outsourcing of services previously provided by external companies enabled PPS to once again increase its annual sales.

In financial year 2001, PPS generated sales of € 113 million and returned a result of around – € 1.1 million (SFY 2000: € 0.4 million).

As one of Germany's largest public railroad companies, **Verkehrsbetriebe Peine-Salzgitter GmbH (VPS)** provides transport services for external businesses and Group companies; it also operates two inland waterway ports in Peine and Salzgitter and offers complete logistics solutions. In order to expand the latter service area, VPS is investing in a combined load system at the Salzgitter freight traffic center (investment volume € 6.3 million) and in the construction of two dispatch bays for sheet produced by SZFG (investment volume € 17.2 million); both projects are expected to be commissioned in mid 2002.

There has been a time lag in adjusting the company's financial year to match that of the rest of the Group, with the result that its last non-calendar financial year (2000/2001) ended on September 30, 2001. A short year was then inserted to cover the period from October 1 to December 31, 2001.

VPS is consolidated on the basis of the calendar year 2001; during this period, it hauled some 35 million tons of goods by rail and generated total sales of € 60.8 million. The pre-tax result amounted to € 3.6 million.

GESIS is a software and consulting company that acts as a central provider of IT services to Salzgitter AG and the Group. In addition, GESIS also offers its services on the external market. The company's main focus is on providing Group companies with a suitably sophisticated range of technical and business-oriented IT services.

Besides technological IT skills, GESIS can also call on sector-specific know-how covering a variety of business areas with an industrial bias. In addition, the company also offers a full range of computer center services in connection with state of the art mainframe and server systems. GESIS is an SAP consulting partner and functions as an IT center of competence for R/2 and R/3 products.

During the past financial year, GESIS has made the area of e-business a top priority. Projects under this heading are currently underway in the fields of purchasing and the supply chain.

In all areas of its activities, both in dealing with Group customers and externally, all of the resources deployed by GESIS were in great demand.

The company generated sales of some € 28 million, with a pre-tax result of € 3.5 million.

Salzgitter AG holds a 51% stake in **Hansaport Hafenbetriebsgesellschaft mbH (HAN)**, with the remaining 49% in the hands of Hamburger Hafen- und Lagerhaus AG. The company operates various modern bulk goods handling and storage installations at the Hamburg port. The primary task of HAN consists in handling the bulk ore and coal imported by Salzgitter AG on schedule and economically. To boost earnings, surplus capacity is utilized in handling additional business for external clients.

HAN too has undergone a time lag in adjusting its financial year to that of the Group. Its last non-calendar financial year (2000/2001) ended on September 30, 2001, with a short year then inserted to cover the period from October 1 to December 31, 2001.

HAN is likewise consolidated on the basis of the calendar year 2001.

During the period from January 1 to December 31, 2001, HANSAPORT handled a total of 20.8 million tons, made up of an incoming volume of 10.8 million tons of ore and coal and an outgoing volume of 10.0 million tons.

The proportion of incoming volumes accounted for by SZAG amounted to 6.3 million tons (58%).

Sales amounted to € 26.7 million, with a pre-tax result of € 4.0 million.

The **Telcat group of companies** is engaged in the planning, building and operation of communications equipment such as telephone systems, data networks, surveillance and fire alarm systems.

Telcat Multicom GmbH provides services throughout Germany via its 16 branches as well as various sales and service support centers. More than 90% of its sales are to non-Group companies. Telcat Kommunikationstechnik GmbH provides services predominantly for businesses located in Salzgitter.

The communications technology market in which the Telcat group of companies operate has been especially hard-hit by the downturn in the economy. Following a sharp fall at the beginning of the financial year, however, sales stabilized at around 10% below the level achieved in financial year 1999/2000.

The autumn of 2001 saw something of a revival which was reflected in improving results. Contrary to the general trend, there was a marked expansion in the network services business accounting for some 10% of group sales. The number of customers in this area has doubled.

In financial year 2001 the companies together achieved sales of € 41.3 million (previous year: € 8 million). Pre-tax profits amounted to € 1.3 million (previous year: € 0.4 million).

The continuing expansion of the business, as evidenced in the period under review by the acquisition of two smaller companies, will remain high on the future agenda.

In the course of this year the **"Glückauf" Wohnungsgesellschaft mbH** took over the facility management of the administration buildings occupied by Salzgitter AG and Peiner Träger GmbH and also erected a new works cafeteria in Peine.

Through its activities in letting and managing its own residential property portfolio and that of Salzgitter AG as well as through the management of properties in external ownership, the company generated sales of some € 9 million and returned a pre-tax result of € 0.9 million.

Peiner Hüttenstoffe GmbH (PH) is engaged in trading in fertilizers on a wholesale basis. A proportion of these materials are recovered as a byproduct of steel production and are marketed as lime fertilizer. PH also markets byproducts of the Salzgitter AG steel companies.

The company generated sales of € 16.5 million, and reported profits of € 188,000.

Processing Division

The processing Division consists of the companies HSP Hoesch Spundwand und Profil GmbH (HSP), Salzgitter Bauelemente GmbH (SZBE) and the Wescol Group, as well as Salzgitter Europlatinen GmbH (SZEP), Salzgitter Magnesium-Technologie GmbH (SZMT), Salzgitter Automotive Engineering GmbH & Co. KG (SZAE), Salzgitter Antriebstechnik GmbH & Co. KG (SZAT) and Oswald Hydroforming GmbH & Co. KG (OHC).

The companies assigned to this division are focused on the automotive and construction sectors. They represent a further customer-oriented extension of the Salzgitter product value chain. For example, prefabricated structural components such as coated exterior wall elements have been developed and manufactured for the construction industry. In the automotive field, the emphasis is on innovative products and services such as tailored blanks, hydroforming and magnesium sheet, as well as prototyping and engineering. It is here that many future-oriented technologies first enjoy practical application.

With the exception of HSP, the companies listed above are not currently consolidated, due either to the level of participation or to the fact that they are still in a start-up phase. The result for this division is composed of the relevant figure for HSP and the at equity-adjusted result for the affiliated Wescol Group.

The division has posted a slight loss for the financial year under review, due to the negative development at Wescol.

The key data for the Processing Division are presented in the following table:

Processing Division		FY 2001	SFY 2000
Sales	€ mil.	132	31
Hoesch Spundwand und Profil	€ mil.	132	31
Internal sales[1]	€ mil.	14	4
External sales[2]	€ mil.	118	27
Division income before taxes	€ mil.	–2.3	0.5
Hoesch Spundwand und Profil	€ mil.	0.7	0.6
non-consolidated companies			
Wescol Group	€ mil.	–3.0	–0.1
Total workforce	At Dec. 31	575	592
Core workforce		551	565
Hoesch Spundwand und Profil		551	565
Apprentices, students, trainees		24	27
EBIT	**€ mil.**	**–0.5**	**0.8**
EBITDA	**€ mil.**	**10.1**	**2.9**

SFY: Short financial year from October 1 to December 31
1) Sales to other corporate divisions
2) Contribution to Group external sales

Developments at the individual companies

HSP operates a heavy rolling mill in Dortmund where it manufactures special sections for sheet piling and shipbuilding as well as mine support sections. In addition, HSP also handles the marketing of the heavy sheet piling elements manufactured by Peiner Träger GmbH.

HSP completed its first full financial year following its acquisition by Salzgitter AG, and the contingent increase in business, by turning in a positive result, despite the difficult economic climate.

A series of major strategic steps have been initiated to further enhance HSP's market position.

Following considerable modernization in the two preceding financial years, during the period under review HSP proceeded with the installation of two new mill stands, and commissioning is set to go ahead as planned during the Easter shutdown in 2002. This investment will give HSP a technological lead not only in terms of its manufacturing processes, but also with regard to the range of sections it can produce.

The weakness in the German economy, and in the construction sector in particular, has had a negative effect on HSP's sheet piling business. In volume terms, domestic sales of sheet piles declined by 20%. The situation was exacerbated by increased competition from Eastern Europe, which led to a further erosion of sales. HSP was able to offset this reduction in volume coupled with comparatively poor returns by acquiring an increased number of orders from other EU and non-EU countries. Indeed, it was successful in doing so even despite the postponement of numerous international projects.

The volume of mine support sections was maintained at the same level as in the preceding comparative period, even though the downward trend in German coal mining led to a further reduction in the volume of sales to pits in Germany. The fall was offset – albeit at a lesser return – by foreign orders.

The opportunity for further diversification was duly exploited by expanding the shipbuilding sections business segment. Sales volumes were increased during the period under review. HSP took over production of bulb flats from the Swedish company Inexa Profil AB and has concluded an exclusive contract covering the worldwide marketing of these sections with Inexa Trade AB. The experience amassed by Inexa in this field will give HSP open access to the world market. In parallel with this move, HSP is also cooperating with Sidermarghera, an Italian manufacturer of smaller bulb flats.

In the past financial year, sales totaled € 132 million (SFY 2000: € 31 million). HSP's contribution to the pre-tax result at the Processing Division was € 0.7 million (SFY 2000: € 0.6 million).

Salzgitter Bauelemente (SZBE) is a full-service provider covering the development and production of innovative structural steel elements. These finished, surface-treated trapezoidal and cassette-type sections and sandwich elements provide ideal weather-resistant cladding for walls and roofs. When combined with sound and heat insulation, these products also offer protection against extremes of temperature and noise. Thanks to their varied characteristics and the possibilities for processing, these elements constitute a versatile feature of modern architecture.

Performance in the financial year 2001 was strongly influenced by the commissioning of three new plants (for trapezoidal sections, perforated and sandwich elements) and by the transfer of the cassette line to a newly constructed shop. In addition to these challenges, the company had to face a difficult economic climate for the period under review. The decline in the construction sector brought with it a reduction in the market for structural steel elements; sales were down by approximately 10%.

SZBE in the financial year under review achieved sales of some € 31 million.

A recovery in the market is expected in the second half of 2002.

The **Wescol Group plc** is the holding company that heads the group of businesses in Great Britain that is principally engaged in engineering and the fabrication and installation of steel frame structures, as well as in manufacturing and marketing a patented cellular beam.

Within the framework of its participating interest, Salzgitter AG has secured the opportunity of supplying Wescol with beams, thereby opening up new areas of application for these products.

In financial year 2000/2001 (July 31), the Wescol Group recorded a negative result, with sales of GBP 72 million (previous year: GBP 84 million). As a result of the exceptionally tough competition in Great Britain, the company found itself faced with a situation in which resources and revenues were increasingly under pressure.

The pro-rata loss at Wescol (at equity), including a write-down on goodwill, had an impact of – € 3 million on the Processing Division.

Salzgitter AG has held an interest in **Steel Dynamics Inc. (SDI)** since the 1995/96 financial year. This company, which manufactures a broad range of hot- and cold-rolled as well as coated alloyed and unalloyed flat steel products at what is termed a ‘mini mill’ in Butler, USA, has since made positive progress.

In financial year 2001, rolled steel output totaled 2.0 kton (previous year: 1.9 kton). The company generated sales valued at $ 607 million (previous year: $ 693 million).

SDI is currently setting up a rolling mill in Whitley County, Indiana, to produce beams and rails. Commissioning is scheduled for the second quarter of 2002.

Salzgitter Europlatinen GmbH (SZEP) is an automotive components manufacturer that supplies stamped and welded tailored blanks to the automobile industry. It has succeeded in maintaining its share of around 5% of the expanding European market.

It has done so thanks both to the continuation of existing long-term orders and to new orders placed by major European automobile manufacturers. In the second half of the year the company installed new laser welding equipment to cope with the increased order volume. SZEP also became the second company to win an order in the new market segment of spot-welded reinforcements. To fulfil this order, new plant technology was installed and commissioned early in 2002.

With an output volume of 3.8 million of stamped and welded tailored blanks, sales rose significantly to € 20.3 million.

Towards the middle of 2001, another automotive link was added to the value chain with the acquisition of a 50.8% stake in ETC-Bleistahl GmbH & Co. KG in Chemnitz. This start-up company employs hydroforming techniques to manufacture camshafts for the automobile industry. The company has been renamed **Salzgitter Antriebstechnik GmbH** and has been relocated in Crimmitschau, which is already home to Oswald Hydroforming GmbH & Co. KG.

As a result of this acquisition, the Salzgitter Group now includes member companies covering the entire camshaft production chain.

Oswald Hydroforming GmbH & Co. KG (OHC), in which Salzgitter AG has a 24.9% interest, continued to make positive progress in financial year 2001. This development was expressed in an increase of around 55% in sales compared with the preceding year.

The second half of 2001 was notable for the launch of a number of new products, which will provide the foundation for future growth in sales.

In September 2001 Salzgitter AG acquired a 100% interest in Kurt Matzner GmbH & Co. KG (KMKG) of Osnabrück through its majority-owned subsidiary (74.9%) Salzgitter Automotive Engineering GmbH (SAE) based in Wolfsburg.

Salzgitter AG's aim with this new acquisition is to join its two fellow shareholders in expanding the range of services offered to automobile manufacturers and component suppliers. The depth of manufacturing is to be increased to include the assembly of complete bodyshells. It is expected that being positioned between materials know-how and model policy will allow the company to gain early insight into development trends in the automotive industry.

In financial year 2001, KMKG generated sales of € 39 million, and employed an average workforce of 435. The company is one of the leaders in the field of prototype construction for the automobile industry in Germany.

At the beginning of December 2001, KMKG was renamed **Salzgitter Automotive Engineering GmbH & Co. KG (SZAE)**. At the same time SAE changed its name to Salzgitter Automotive Engineering Beteiligungsgesellschaft mbH (SZAEB). As of year's end, the business operations of SZAEB were transferred to SZAE in order to ensure a clear presence in the marketplace. In the future, the unit in Wolfsburg (SZAEB) will function as the holding company to which SZAE is assigned.

SZAEB completed the financial year 2001 with a positive result.

Salzgitter Magnesium-Technologie GmbH, Salzgitter, launched its operations at the beginning of the year under review. Salzgitter AG has assigned this company its bundled development activities built up over many years in the field of magnesium sheet. The object of the company is the development, manufacture and sale of high-quality flat magnesium products and associated services.

With the installation of a full-scale rolling mill scheduled for commissioning in the course of the year 2002, Salzgitter AG has confirmed its international leadership in this high-technology segment.

Tubes Division

Following the acquisition of Mannesmannröhren-Werke AG (MRW) – the legal transfer of the shares (99.3%) took place on October 9, 2000 – this division now constitutes a new business area within the Salzgitter Group; it was first consolidated for in the short financial year 2000. In financial year 2001, as part of the restructuring of the Salzgitter Group, the MRW group of companies operated as the Tubes Division and have now completed their first full financial year in this capacity.

Together, the MRW group of companies offer a virtually complete range of tubes. With their high-quality products, the companies in this division are generally occupying leading positions and are ranking as world market leaders in some segments. The activities of the Tubes Division are bundled in four product areas:

Seamless tubes:
Vallourec & Mannesmann Tubes S.A. (V&M)
Cold-finished tubes:
MHP Mannesmann Präzisrohr GmbH (MHP)
Wälzlagerrohr GmbH (WRG)
Medium line pipes:
Mannesmann Line Pipe GmbH (MLP)
Röhrenwerk Gebr. Fuchs GmbH (Fuchs)
Large-diameter pipes:
Europipe GmbH (EP)
Mannesmannröhren Mühlheim GmbH (MRM)

The marked improvement in the situation affecting the steel tubes and pipes industry, which first became apparent in the fourth quarter of 2000, continued into the financial year 2001. As a result, for much of the year the market for steel tubes and pipes stood up strongly.

In the course of 2001 the Tubes Division booked orders valued at € 906 million. After adjustment for the effect of consolidating Eupec, the order intake stood 12% below the comparable figure for the previous year (which had been bolstered by the Gulfstream order received by Europipe in December of that year). The high level of project-related orders booked by Europipe continues to have a marked effect on the orderbook.

The consolidated level of orders in hand at the division at the end of the year amounted to € 470 million and was approximately equal to the level at the end of the preceding year. After adjustment for the first-time inclusion of Eupec and DMV Stainless, orders in hand were some € 90 million below the figure at the start of the year, which had included some extensive orders for large-diameter pipes booked late in the year 2000.

For the year as a whole, consolidated sales were in excess of € 1 billion, or € 986 million after adjustment for Eupec, and were thus about 25% higher than in the previous year. This was due in particular to extensive shipments of high-revenue large-diameter pipes.

The Tubes Division recorded a pre-tax result (EBT) of € 102 million. This was primarily attributable to the excellent development in business in the areas of seamless tubes and large-diameter pipes, both of which profited particularly from the demand for pipes in the energy sector. The result for medium line pipes was also positive. At MHP Mannesmann Präzisrohr the planned turn-around was duly achieved, and the company reported a balanced operating result. Due however to restructuring costs and expenses incurred in the liquidation of MHP Mannesmann Presné Trubky, the precision tubes business area as a whole recorded a negative result.

As at the end of December the division employed a total workforce of 4,314, of whom some 80% were located in Germany and the remaining 20% abroad. For the first time, the total includes a pro-rata figure of 479 employees at Eupec. After adjustment for this addition, the figure for the workforce actually showed a minus of 207 employees in comparison with the previous year. This was essentially due to staffing level adjustments at MHP Mannesmann Präzisrohr as part of the restructuring program, to the transfer of personnel from Mannesmannröhre Service GmbH, which was in the process of being dissolved, to other, in some cases non-consolidated companies, and to the transfer of roller bearing tube production and personnel to Valti.

The key data for the Tubes Division are presented in the following table, including the consolidated figures for MRW.

The figures for the individual product areas are shown at 100 %.

Tubes Division		FY 2001	SFY 2000
Shipments			
Seamless tubes	kt	2,087	552
Precision tubes	kt	149	39
Medium line pipes	kt	289	67
Large-diameter pipes	kt	1,102	129
Sales	€ mil.	1,006	173
Internal sales[1]	€ mil.	21	2
External sales[2]	€ mil.	985	171
Sales			
Seamless tubes	€ mil.	1,935	447
Precision tubes	€ mil.	191	50
Medium line pipes	€ mil.	183	41
Large-diameter pipes	€ mil.	869	96
Division income before taxes	€ mil.	101.9	–1.5
Thereof seamless tubes[3]	€ mil.	80,6	–
Thereof precision tubes[4]	€ mil.	–8.6	–
Thereof medium line pipes[4]	€ mil.	5.4	–
Thereof large-diameter pipes[4]	€ mil.	29.6	–
Total workforce	At Dec. 31	4,314	4,042
Core workforce		4,240	3,960
Wage labor		2,988	2,695
Salaried employees		1,252	1,265
Apprentices, students, trainees		74	82
EBIT	**€ mil.**	**113.4**	**0.2**
EBITDA	**€ mil.**	**146.6**	**6.6**

SFY: Short financial year from October 1 to December 31
1) Sales to other Group divisions
2) Contribution to Group external sales
3) Profit based on consolidation at equity
4) Contribution to profit

Developments in individual product areas:

Orders for hot-rolled **seamless tubes** received by the non-consolidated company Vallourec & Mannesmann Tubes S.A. in the year 2001 exceeded even the excellent level achieved in the preceding year. The fact that for much of the year oil prices lay within the OPEC target band ensured a strong order intake for oil and gas field pipes. The demand for standard- and special-quality tubes, as well as for loops for tube drawing works for ultimate use in the mechanical engineering and automotive sectors during the first semester remained largely at the same high level as in the previous year. However, in the second half the downturn in the economy and the full warehouse stocks held by the trade had a noticeable effect. The situation at V&M do Brasil was on the whole positive despite the impact of an energy crisis and rising interest rates on the Brazilian economy. The oil and gas sector accounts for much of the rise in shipments, thanks to an increase in extraction in Brazil itself and to the fall in value of the Real, which boosted competitiveness in the export market.

Overall shipments by Vallourec & Mannesmann Tubes in 2001 at 2.1 million tons were somewhat above the level of the previous year. Rising returns and an increase in value of the product mix lifted sales to € 1.9 billion, up 17% on the comparable figure for the year before, even taking full account of V&M do Brasil.

In the **cold-finished tubes** area at MHP Mannesmann Präzisrohr GmbH the financial year 2001 was marked by the successful completion of the restructuring program, which entailed capacity modifications and a sharper focus on the core area of seamless and drawn welded precision tubes. During the course of 2001 a considerable cooling effect was generally apparent in the market for seamless and welded precision steel tubes both in Germany and in the EU. The competitive pressure exerted on the precision tubes market by both western and eastern European players remains fierce, with competitors from Eastern Europe succeeding in strengthening their position. Demand from the automotive industry remained high, in contrast to the mechanical and plant engineering sector, in which the level of activity declined sharply in reaction to the general economic climate. Orders received for precision tubes were consequently around 19% down on the previous year. Shipments at 149 kton were 9% lower than in the year before, however due to an increase in profitability and to a more profitable product structure, sales at € 190 million were only 5% below the previous year's figure.

In the market for **medium line pipes** in 2001, two distinct development trends were evident. In the first half of the year demand remained high, whilst in the second half the retrenchment in the world economy had a marked effect. Thanks to the relatively high level of orders in hand at the beginning of the year and to the expansion of its oilfield pipes business in the US market, Mannesmann Line Pipe GmbH put in a good performance at around the same level as in the previous year. The sales volume reached 157 kton, and revenues reached € 88 million. However, in the second half the order intake fell short of expectations, due mainly to the postponement of various pipeline projects. Following a successful year 2000, boosted by some large-scale projects in the energy sector, Röhrenwerk Gebr. Fuchs GmbH again achieved a respectable level of business, with shipments reaching 131 kton (–15% compared with the previous year) and sales of € 95 million (–9%). Falling volumes in some of the company's core markets in Southern and Eastern Europe were offset by first-time orders for projects in Turkmenistan, Kazakhstan and Armenia.

After a catastrophic year for **large-diameter pipes** in 2000, the turning point came at the end of that year with a series of high-value orders for the USA and Russia in particular. Accordingly, Europipe GmbH began the financial year 2001 with a full orderbook. Despite the weakness of the world economy in the second half, the energy sector remained stable, and further large orders were booked for destinations including Ireland (130 kton), China (104 kton) and Scotland (65 kton). Shipments, headed by the Gulfstream order, reached 1.1 million tons, representing an increase of 62% over the very low level of the preceding year. The marked increase in sales at the Europipe group took sales to € 824 million, more than double the figure for the year 2000. The Eupec group, which was fully consolidated within Europipe GmbH with effect from January 1, 2001, achieved sales of € 140 million, of which some € 100 million was accounted for by coatings for Europipe's large-diameter pipes. Besides the parent company Eupec PipeCoatings GmbH in Mülheim an der Ruhr, this group includes subsidiaries in Germany, France and the USA, as well as companies in Spain, Brazil and India, which in 2001 were not yet consolidated as per IAS rules.

Purchasing

From a purchasing perspective, the various markets presented a varied picture, with prices rising significantly in some areas.

In 2001 5.3 million tons of ore were sourced worldwide for Salzgitter Flachstahl GmbH (SZFG). Although ore prices rose, the cost prices were around 3% less than in SFY 2000, due to the weak US dollar and lower ocean freight prices.

There was a marked upward trend in the world market for coking coal in calendar year 2001. However, the timely conclusion of contracts allowed Salzgitter to secure prices that were significantly below the 2001 world market level. The average price free works Salzgitter rose by around 7.5% in comparison with short financial year 2000. SZFG sourced a total of 1.8 million tons of coking coal in calendar year 2001 from Germany, Australia and Canada.

At the beginning of the second quarter of 2001, ocean freight costs began to fall sharply, and the downward movement in shipping rates provided an opportunity to enter into favorable contracts for the transport of ore and coking coal.

There was a distinct fall in the prices for heavy fuel oil for use as a reducing agent in the blast furnaces operated by SZFG. In comparison with the short financial year 2000, a price reduction of around 23% was achieved. The use of alternative reducing agents extended the price cut to some 30%.

Prices for metals and alloys also fell sharply especially in the second semester. Stainless alloys in particular have reached historic lows.

The volume of scrap sourced for SZFG and PTG amounted to 1.25 million tons. The scrap price is about the same as for SFY 2000.

The principal supplier of input stock to the companies in the Tubes Division is Hüttenwerke Krupp Mannesmann GmbH (HKM) in Duisburg, which supplied some 0.8 million tons of slabs in 2001 for the production of plate and hot-rolled wide strip. This in turn was used for the manufacture of welded tubes, including large-diameter pipes, medium line pipes and precision tubes. HKM is also the main source of tube rounds for the manufacture of seamless tubes, supplying 1.2 million tons to non-consolidated Vallourec & Mannesmann Tubes S.A.. The latter company in turn supplies the precision tubes sub-division with loops for the production of precision tubes.

Prices for input stock rose by 6% compared with the previous year due to increases in raw material costs and to the strengthening US dollar.

The entire Group is faced with rising prices in the energy sector. Increases in the purchase price for electric power have, however, been moderate, not least because the increased competition following deregulation of the market has enabled the works in the Ruhr and in Ilsenburg to switch to a different supplier.

As the effects of higher prices for heating oil have filtered through, there have been further hikes in the price of natural gas.

The prices paid for other materials and services have essentially remained stable. Cooperation between purchasing departments within the Group has contributed to this stability, and by bundling requirements it has been possible for the Group to obtain price reductions.

Sales and Results

Effective January 1, 2001, Salzgitter AG has functioned as a management holding company at the head of the Group divisions. It no longer generates sales in its own right. The following remarks therefore describe the development in sales at Group and division level.

Consolidated sales in the financial year under review reached € 4.6 billion, thanks in particular to the positive development in business at the Tubes Division. The quarterly average (€ 1.15 billion) was up around 13% on the figure for the short financial year 2000.

With only minor sales increases recorded elsewhere, the significant increase at the Tubes Division led to a shift in the divisional distribution of sales in favor of Tubes. The largest proportion was again accounted for by the Trading Division with 41% (previous year: 42%). Trading recorded sales of € 1.9 billion, which on a quarterly average basis represented an increase of around 11% over the short financial year (€ 0.4 billion). The Steel Division achieved € 1.4 billion and accounted for 30% (previous year: 33%). It should be noted that the Steel Division additionally supplied products valued at around € 0.5 billion to the Trading Division. The Services Division recorded a slight decrease in sales, down by 5% on quarterly average compared with the year before, however its share of consolidated sales remained virtually unchanged at 5%. The Processing Division sales figure of € 0.1 billion (proportion: 3%; previous year: 3%) was once again contributed exclusively by the consolidated company HSP Hoesch Spundwand und Profil GmbH. The Tubes Division contribution to consolidated sales amounted to € 1 billion (proportion: 21%; previous year: 17%).

Consolidated Sales by Divisions

(in € mil.)	FY 2001	SFY 2000
Steel	1,397	340
Trading	1,877	423
Services	216	57
Processing	118	27
Tubes	985	171
Group	4,593	1,018

The main regional focus of sales remained the EU, which accounted for a proportion of 70%. Sales of € 2.1 billion were achieved in Germany. Foreign sales totaled € 2.5 billion, equivalent to a proportion of 54% of total sales (previous year: 49%).

Consolidated Sales by Regions

(in € mil.)	FY 2001	SFY 2000
Germany	2,125	525
Other EU countries	1,101	212
Rest of Europe	339	65
America	395	65
Other regions	633	151
Group	4,593	1,018

Following the noticeable improvement in results achieved in the short financial year 2000, the positive development was carried over into the year 2001 despite the deteriorating climate affecting the Steel Division. The Group achieved an excellent result of € 160.3 million, which on a quarterly average basis exceeded the profit for the short financial year (€ 33.9 million) by 18%.

The Tubes Division lifted its profit contribution significantly to € 102 million. In the short financial year it reported a minimal loss of € 1.5 million.

Because of the difficult market in the second semester especially, the Steel Division was still able to deliver a profit contribution of € 30 million, equivalent to a quarterly average of € 7.5 million (SFY 2000: € 25 million).

When comparing the results achieved by the Trading Division, it should be noted that profit contributions from UNIVERSAL Eisen und Stahl GmbH, Neuss, are included for both the financial years 2000 (at equity) and 2001 (fully consolidated). In addition, Universal Ocel spol. s.r.o., Prague was fully consolidated for the first time. Effective January 1, 2001, Robert & Cie. S.A.S., Paris, has also been consolidated for the first time on a pro-rata basis. Despite difficult market conditions, the remaining Trading Division units managed a gratifying increase in results, lifting the quarterly average to € 2.5 million (SFY 2000: – € 2.8 million).

The result for the Services Division totaled € 12.8 million, which on a quarterly average basis was approximately equal to the preceding year.

Despite a positive contribution of € 0.7 million from HSP Hoesch Spundwand und Profil GmbH, which was boosted by additional grants from the principal shareholder, the result at the Processing Division was marred by costs arising from the at equity valuation/write-down on goodwill at the Wescol Group plc amounting to € 3 million.

Taking account of deferred taxes subject to the application of IAS accounting guidelines, a tax charge totaling € 16 million was reported. The low tax ratio is principally explained by the comparatively high proportion of tax-free income from writedowns on bad will as well as at equity adjustments. The residual consolidated net income for the year was significantly higher in comparative terms at € 144 million.

Divisional Results and Consolidated Net Income for the Year

(in € mil.)	FY 2001	SFY 2000
Steel	30.1	25.0
Trading	18.5	–2.8
Services	12.8	3.4
Processing	–2.3	0.5
Tubes	101.9	–1.5
Others/consolidation	–0.7	9.3
Income from ordinary activities	160.3	33.9
Taxes	16.0	21.3
Consolidated net income for the year[1]	144.3	12.6

[1] Inc. minor shareholdings

Personnel

One of the significant events that marked the financial year 2001 was the reorganization of Group structures. In order to review the concomitant effects on the future strategic alignment of Salzgitter, a Group forum discussion on the theme of “Building the New Company“ was held on February 6 and 7, 2001. The event was attended by some 350 officers and decision-makers from all of the subsidiaries and affiliated companies. The senior managers representing Salzgitter AG and Mannesmannröhren-Werke AG also convened for the first time in Hanover, the capital of the state of Lower Saxony. The discussions focused on the principles of centralization and decentralization and on the integration of the workforce in our future corporate philosophy, which has been solidly embodied in the new 5P Corporate Mission.

This program of corporate principles developed by young managers drawn from Group companies is showing the course the Salzgitter Group will chart to achieve the ambitious aims of its growth strategy. The five points comprise attainment of profitability (Profits), close proximity to the customer (Partners), the use of new technologies (Products), the espousal of decentralized responsibility (Processes) and effective support for the creative resources embodied in the workforce (Personnel).

In the course of the year a broad-based communications campaign was mounted for the purpose of discussing these principles and the messages they contain with our employees. Having progressed to the stage of implementing this corporate philosophy, we are presently engaged in implanting a common work ethic that extends to the Group in its entirety.

Human resources development and the discovery and promotion of talent is fundamental both to the stabilization of employment and to succeeding in a competitive environment. We meet 80% our of personnel requirements through the internal promotion of our own employees, which is the result of career planning and active encouragement of the next generation of staff. To secure our future human resources requirements, we offer in-house basic vocational training in 20 modern, future-oriented occupations. On average during the year under review, there were some 780 young people engaged in such training. Their chances of full-time employment within the Group are high. In 2001, 243 trainees joined the regular workforce, including 23 graduate entrants.

The preparation of staff for management positions is a multi-stage process oriented towards specific target groups. All 474 of the graduate entrants recruited since 1985 have been given an initial 12-month qualification period for trainees and young direct entrants. Focus during this stage is on learning to cope with personal responsibility through project work and by carrying out day to day business activities.

The subsequent two-year development program is targeted at employees who either possess clear potential for advancement or who have already been earmarked for management responsibility or other specialist tasks. The balance of their qualification training is oriented towards actual operative tasks and duties and is designed to convey state-of-the-art management know-how.

For experienced managers in senior positions who possess notable development potential, we offer a program designed to update their existing qualifications for top management posts. The Salzgitter Management Program, as it is known, extends over a period of three to four years and constitutes a communications forum that stimulates the interchange of ideas and experience between managers and promotes interdisciplinary thinking. The Salzgitter Group has enlisted the support of established national and international management development institutions such as the Poensgen seminars, the Management-Zentrum St. Gallen and the Universitätsseminar der deutschen Wirtschaft.

As part of our long-term staff development planning, a review was carried out during the reporting period to assess the potential of all of our managing executives. Drawing upon our principles and corporate objectives, we combined this review with our annual round of target agreements, creating a process designed to synchronize individual targets with overall corporate goals. It is the linking with varying elements of the pay packet that creates a connection with management development. The effect is to heighten the profit-oriented motivation and performance-related remuneration of our managers.

During the year under review, the Group's regular workforce grew by 658 (3.9%) to a total of 17,637 employees. The inclusion of Universal Eisen und Stahl, Robert S.A.S. (50%) and Eupec (50%) in the group of consolidated companies boosted the regular workforce in 2001 by 851; without this addition, the total would have declined by 193.

The regular workforce at the various divisions developed as follows:

Division	31/12/2001	31/12/2000	Change
Steel	7,022	7,249	–227
Trading	2,011	1,661	350
Services	3,709	3,544	165
Processing	551	565	–14
Tubes	4,240	3,960	280
Holding	104	–	104
Group	**17,637**	**16,979**	**658**

The variations in staffing levels were affected by the conclusion of the age-related part-time employment agreement in November 2000. As a result of this agreement, such early retirement schemes have become increasingly popular. There are at present a total of 770 such employment contracts in effect, including some 228 employees still on the pay-roll but now enjoying early retirement.

During the financial year 2001, we received a total of 3,663 suggestions for improvement. Overall, the Group was able to derive a net annual benefit of € 2.6 million. The sum of € 584,000 was paid out in bonuses in return.

Further progress was made in safeguarding employee health and safety, which has in turn strengthened the Group's position in the competitive environment. In comparison with the corresponding period in the preceding year, the accident frequency rate "H" representing the number of reportable occupational accidents per million hours worked fell by 4 during the reporting period to 29.7.

The health and attendance promotion program has also made a positive contribution to corporate success by increasing attendance levels. The rise of 4.5% in employee attendance represents a notional computed benefit of around € 15 million per year. External benchmarking has demonstrated that in financial year 2001 the attendance figures at companies where the health and attendance promotion program is in operation are above the average achieved by comparable companies in the state of North Rhine Westphalia. Implementing this program has thus far resulted in a reduction of more than 40% in time lost due to sickness and accidents.

The Group Executive Board and Group Works Council have given their seal of approval to three elements of the employee participation program model. Implementation of the fourth element, the "time savings account", will be subject to the outcome of negotiations on a new pay deal.

The program agreed thus far includes two outline agreements on occupational pensions and profit-sharing and a Group-wide agreement regulating what are termed "share savings schemes." The two outline agreements are designed to be implemented through voluntary works agreements, allowing scope for negotiation between management and the works councils.

The employee-financed pension scheme makes use of some items in the remuneration package, in other words, it diverts a percentage of pay, contributions to capital formation, anniversary and other bonuses and premiums.

The outline agreement on profit-sharing is based on target agreements and contains two elements, one profit-related and one target-related. The criteria are on the one hand the success of the company and on the other the specific targets that have been set, such as quality targets, output, an improvement in the accident rate, attendance rates or productivity quotas.

"Share savings schemes" are likewise another agreed aspect of the employee participation program. With this Group-wide agreement, Salzgitter AG makes it possible to purchase its stock on preferential terms. This provides an enhanced opportunity for employees to take wealth creation into their own hands.

Investments

Once again in the financial year under review the Salzgitter Group investment program has essentially focused on implementing our internal growth strategy, at the Steel Division in particular.

Total of investments reached € 425 million (SFY 2000: € 73 million). Additions to fixed assets reached a volume of € 285 million, whilst further financial investments were made totaling € 140 million, mostly from corrections of at equity valuation and of the market value of stakes and from expansion of our Processing Division.

The volume of investments in fixed assets thus far exceeded the corresponding depreciation and amortization at € 210 million.

Investments/Depreciation[1)]

	Investments		Depreciation	
(in € mil.)	Total	Thereof Steel Div.	Total	Thereof Steel Div.
1998/1999	150	130	166	148
1999/2000	208	169	174	150
SFY 2000	49	32	50	37
FY 2001	285	197	210	142
Total	**692**	**528**	**600**	**477**

1) Excluding financial assets

Of the sums invested in fixed assets and intangible assets in this financial year, the Steel Division accounted for € 197 million, the Trading Division for € 9 million, the Services Division for € 21 million and the Processing Division for € 18 million (shown here are investments at HSP Hoesch Spundwand und Profile GmbH only). Investments were made at the Tubes Division totaling € 40 million.

Investments in Property, Plant and Equipment[1)] **by Divisions**

(in € mil.)	FY 2001	SFY 2000
Steel	196.5	32.4
Trading	8.9	2.5
Services	21.0	2.8
Processing	18.1	3.6
Tubes	39.9	8.0
Other	0.3	–
Group	**284.7**	**49.3**

1) Inc. intangible fixed assets

Depreciation and Amortization of Fixed Assets[1)] by Divisions

(in € mil.)	FY 2001	SFY 2000
Steel	141.6	36.5
Trading	11.3	2.3
Services	12.0	2.8
Processing	10.6	2.2
Tubes	33.3	6.4
Others/ consolidation	1.6	0.1
Group	**210.4**	**50.3**

1) Inc. intangible fixed assets

The Steel Division has pursued an active investment policy aimed at strengthening and expanding its competitive position.

In the area of flat rolled steel products, the second half of 2001 saw the successful commissioning of a second hot-dip galvanizing line which is setting new standards with its innovative temperature treatment concept. This novel technology enables us to produce new, high-strength steels and for the first time allows the galvanizing of isotropic steel.

A further step forward in our quality offensive, this time focusing on hot strip products, is the extensive investment package currently being applied to modernizing and extending the hot wide strip mill train. A new walking beam furnace has already been commissioned to increase heating capacity, and step by step the rolling mill, gauging equipment and process automation systems are being modernized. By the beginning of 2003, the conditions will be in place to meet rising customer demands for the reliable production of new types of steel with higher tensile strengths and hardnesses and tight manufacturing tolerances. In addition, the hot mill train now incorporates a slab squeezer, which began service at the beginning of 2002.

Another milestone in the quest for quality leadership in the field of flat rolled steel products has been reached with the erection and commissioning of a new two-stand skin pass mill. This plant which will be operational from the spring of 2003 will enable us to achieve superb strip flatness characteristics across the entire range of qualities and hardnesses, including the Pretex textured surfaces developed in Salzgitter.

In the coming years, investment planning in the area of flat rolled steel will continue to focus perseveringly on attaining and maintaining quality leadership in the most important segments of the market for flat rolled products. Concentration will be on expanding crude steel capacity, safeguarding the volume of hot-rolled strip sales, increasing and safeguarding pickling capacities, and on improving output and quality assurance in the field of cold-rolling. Overall, we shall take steps to ensure the long-term satisfaction of rapidly rising customer requirements.

In October 2001 Peiner Träger GmbH successfully commissioned its second continuous casting plant, a two-line installation producing beam blanks, the input stock from which beams are rolled. The new casting technology employed will further reduce processing costs in addition to increasing productivity and rolling mill output.

A further important individual step has been the expansion of the mill train and the installation of a hot leveler at Ilsenburger Grobblech GmbH in the interests of maintaining the company’s international lead in the race for quality.

With these outstanding investments along with numerous other projects, some already implemented and others still to come, the Steel Division is actively positioning itself to meet both present and future market requirements.

Investments at the Tubes Division essentially comprised measures designed to optimize works processes and enhance quality standards, as well as the replacement of plant facilities and equipment in order to safeguard availability.

During 2001, completion of the restructuring program at MHP Mannesmann Präzisrohr GmbH saw investments focused on the Hamm and Brackwede plants. In Hamm a thick-walled tube welding machine was commissioned, along with a triple draw bench. Meanwhile in Brackwede, the final stage in the modernization of the tube welding line involved the installation of a new tube-cutting machine.

Mannesmann Line Pipe GmbH has extended the epoxy cabin at its coating plant, allowing the company to add fusion-bonded epoxy coatings to its range of product variants. The strip feed to the welding line was replaced in early 2002. In combination with the new welding bench scheduled for installation in mid 2002, this will constitute a major step forward in the company’s strategic alignment. The new equipment will extend the product range of HFI-welded tubes to include wall thicknesses up to 20 mm in a variety of higher qualities.

The bulk of investments made at Europipe GmbH were aimed at replacing and modernizing plant and equipment. The ultrasound weld seam testing equipment at the 18 m line in Mülheim was replaced. New grinding machines were installed at the Dunkirk works, and at the Joeuf works the strip feed to the T6 spiral pipe mill was renewed.

At the sheet mill operated by Mannesmannröhren Mülheim GmbH, the hydraulic automatic gauge control system is now in regular productive use, allowing the mill to roll tighter tolerances to meet customer demands. At the tube bending plant, a new horizontal bandsaw has been commissioned that is now able to cut pipe bends up to 1,500 mm diameter. This represents a significant improvement in quality over the previous procedure which involved heating and flame-cutting. In the field of tribology, the first stage of the program of investments in expanding waste oil treatment capacity has been implemented as planned.

In addition to the investments listed at the Steel and Tubes Divisions, large numbers smaller investment projects have been carried out by the other divisions, which collectively serve to strengthen our competitive position still further.

A similarly comprehensive volume of investments is scheduled for the next financial year in order to meet the level of internal growth we are striving to achieve.

Profitability Improvement Program

In addition to the achievement of internal and external growth through investments and targeted acquisitions, we are constantly concerned with securing and advancing the competitive position enjoyed by Salzgitter AG. One of our principal goals lies in the continuous improvement of our operating performance, and in this context the profitability improvement program has proven to be a consistently successful tool.

The first profitability improvement program (PIP 1), which identified considerable underlying potential that was then realized in terms of cost reduction, process optimization and increased earnings, has meanwhile been completed. Following this success, in financial year 2001, a second version of the profitability improvement program (PIP 2) was launched, which is once again scheduled to last for a period of four years.

After just one year, almost 300 projects have already been highlighted and adopted as part of PIP 2. The sustained improvement we have been aiming for, the so-called full year effect, is currently running at around € 100 million p.a. PIP 2 includes product-related earnings increases valued at around € 114 million. We anticipate savings of some € 37 million on input materials, personnel and outsourced services. Depreciation and amortization, interest and operating expenditure on planned investments are running at € 51 million.

The decisive factor in the successful implementation of PIP 2 is the whole-hearted commitment of all those involved. Our institutionalized structures consistently lend themselves to the efficient and sustained realization of independent ideas on improving and optimizing performance.

Extension of the program to Mannesmannröhren-Werke AG (MRW) and other subsidiaries is being planned for the financial year 2002. The improvement programs already operating successfully at the subsidiaries and affiliates that comprise the MRW sub-division are scheduled to be integrated into PIP 2.

GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT ON SALZGITTER AG

ANNUAL FINANCIAL STATEMENTS

Accounting Principles

The consolidated financial statement was again prepared in accordance with the accounting principles of the International Accounting Standards Boards (IASB).

It satisfies the prerequisites for exemption from the requirement that a consolidated financial statement be prepared in accordance with German accounting principles (§ 292 a of the German Commercial Code [HGB]). Balance sheet accounting and valuation was carried out by taking the principles and provisions as specified in the Annex into consideration.

Five companies of the Eupec Group involved in tube-coating operations were fully consolidated in the Tubes Division for the first time as of January 1, 2001. With the purchase of additional shares in DMV Stainless B.V. from Mannesmannröhren-Werke AG, five companies in this group were fully consolidated for the first time as of December 31, 2001.

After the company increased its interest to 100 % both Universal Eisen und Stahl GmbH, Neuss and the subsidiary Universal Ocel spol. s.r.o., Prague were fully consolidated in the Trade Division as of January 1, 2001. Robert & Cie S.A.S., Le Thillay was integrated into the consolidated financial statement on a quota basis (50 %) as of January 1, 2001. The effects of these changes in the corporate scope of consolidation are described in the Annex.

Comparisons with the figures for the preceding year have only limited validity since a short financial year was required for the last 3 months of the year 2000 as part of the company's conversion of its financial year to the calendar year.

Asset and Capital Structure

Due primarily to the change of the group of consolidated companies, the total assets of the Group increased by € 411 million (+12.1 %) to reach a total of € 3,809 million (previous year: € 3,398 million). Fixed assets increased by € 335 million (+22.2 %) to € 1.84 billion due to the new Group companies and higher aggregate investments and thus reached a share of 48.4 % in terms of frozen assets. Current assets increased modestly, by 4.0 % to € 1.97 billion. Inventories and debts increased, so demands were made on financial resources in the course of implementing the company's investment program.

In terms of liabilities, equity capital increased by € 174 million (+19.1 %) to reach € 1.09 billion and thus accounted for a share of 28.5 % of total assets. Long and short-term external funds were employed valued € 2.72 billion (previous year: € 2.48 billion; +9.5 %) in order to finance frozen assets.

Asset and Capital Structure (in accordance with IAS)

(in € mil.)	31/12/2001	%	31/12/2000	%
Fixed assets	1,843	48.4	1,508	44.4
Current assets	1,966	51.6	1,890	55.6
Assets	3,809	100.0	3,398	100.0
Shareholders' equity	1,085	28.5	911	26.8
Long-term borrowings	1,878	49.3	1,775	52.2
Short-term borrowings	846	22.2	712	21.0
Liabilities	3,809	100.0	3,398	100.0

As a result of the investment program and the modified group of consolidated companies, net investment at credit institutions fell by € 250 million to € 49 million, compared with the previous year. Beyond that, there were sufficient credit lines at banks in order to secure short-term liquidity requirements and to cover delivery and foreign currency transactions. Salzgitter AG carries out cash and interest-rate management for the associated companies. The companies of the Mannesmannröhren Group were completely integrated into the scope of Group financing as of April 1, 2001. Currency transactions in dollars are covered within the Group first by netting sales and purchase items, while the resulting residual amounts are covered by forward exchange dealings and options trading. As a rule, the remaining non-Euro-currencies are covered forward.

With € 1,224 million, short-term frozen net assets (working capital) in the modified group of companies were 13% higher than in the previous year (€ 1,084 million).

With € 1,534 million (previous year: € 1,539 million), pension reserves once again accounted for an essential share of corporate financing.

With € 413 million in the case of other provisioning, there were no substantial deviations compared with the previous year (€ 414 million).

In the following representation of the assets, liabilities and capital structure of our company and by way of departure from the consolidated financial statement prepared in accordance with IAS provisions, we have not deducted the negative difference of € 307 million (bad will) from intangible assets incurred as a result of initial consolidation, but assigned it instead to capital resources since this item is to be appropriated as income in a relatively short amount of time and accrued to equity tax-free. External interests in the amount of € 21 million were likewise assigned to capital resources.

Asset and Capital Structure (business point of view)

(in € mil.)	31/12/2001	%	31/12/2000	%
Fixed assets	2,150	52.2	1,870	49.7
Current assets	1,966	47.8	1,890	50.3
Assets	**4,116**	**100.0**	**3,760**	**100.0**
Shareholders' equity[1]	1,413	34.3	1,281	34.1
Long-term borrowings	1,857	45.1	1,767	47.0
Short-term borrowings	846	20.6	712	18.9
Liabilities	**4,116**	**100.0**	**3,760**	**100.0**

[1] Including bad will and external interests.

Thus capital resources made up 34% of the € 4,116 million in total assets shown, corresponding to the previous year.

Cash and Cash Equivalents

The development of the company's financial resources was affected by implementation of the growth strategy in the steel division.

Current business activity resulted in a clear € 117 million increase in cash flow for the company. The high disbursements for investments reached a total of € 297 million. The outflow of monies (€ 263 million) resulted from clearing payments from asset losses (€ 34 million). This essentially lead to a drop in financial resources to € 227 million by the end of the financial year. The complete cash flow statement represents an essential component of the consolidated financial statement.

Cash and Cash Equivalents

(in € mil.)	FY 2001	SFY 2000
Net cash provided by current operations	117.1	–5.5
Net cash used for investing activities	262.7	26.3
Net cash from financial activities	–8.7	390.4
Change in cash and cash equivalents	–154.3	358.6
Cash and cash equivalents on balance sheet date	226.6	380.9

Value Added within the Salzgitter Group

With € 1,114 million, the Group's operational value added reached an amount, on a quarterly average, which was nearly that of the previous year.

With 84.0% the employees share in the use of the value chain was slightly below that of the previous year.

Shareholders (including the company's own shares) will receive 2.3% of the value added for this financial year.

Lenders accounted for a smaller share than in the previous year, with 1.5%.

The relatively high tax-free earnings from writing back bad will and at equity adjustments had an effect on the tax share of 1.5%.

Value Added

(in € mil.)	FY 2001	%	SFY 2000	%
Sources				
Group outputs	4,954	100.0	1,175	100.0
Inputs	3,840	77.5	900	76.6
Value Added	1,114	22.5	275	23.4
Allocation				
Employees	936	84.0	236	85.8
Shareholders	26	2.3	9	3.3
Lenders	17	1.5	6	2.2
Public authorities	16	1.5	21	7.6
Group	119	10.7	3	1.1
Value Added	1,114	100.0	275	100.0

Appropriation of Earnings

Annual Financial Statement for Salzgitter AG

The annual financial statements of Salzgitter AG for financial year 2001 have been prepared in accordance with the provisions of the German Commercial Code with due regard for the supplementary regulations of the German Stock Corporation Law and provided with an unqualified auditors' certificate by the auditors PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover. The complete text is published in the Federal Official Gazette and, after relocation of the Registrar as of January 1, 2002, deposited at the Commercial Register of the Gifhorn Local Court as HRB 11047.

In order to understand the essential changes in the balance sheet and income statement it should be noted that the independent divisions Flat Steel, Sectional Steel, Heavy Plate Steel and Large Diameter Pipe production were spun off from the net worth of Salzgitter AG as of January 1, 2001 and respectively transferred for this purpose to the companies Salzgitter Flachstahl GmbH (SZFG), Peiner Träger GmbH (PTG), Ilsenburger Grobblech GmbH (ILG) and Salzgitter Großrohre GmbH (SZGR) in exchange for shares in these companies. By way of partial universal succession, the associated assets and liabilities of the individual business segments were thus transferred to the new operative companies at commercial book values.

The additional shares in the respective acquiring companies given to SZAG as counter-performance were created by way of capital increases through contributions in kind. In a further step, 95% of these new shares in SZFG, PTG and ILG were spun off from the net worth of SZAG and transferred to the intermediate holding company Salzgitter Stahl GmbH (SZS), likewise at commercial book value by way of partial universal succession as of January 1, 2001.

Thus Salzgitter AG has managed these divisions as a management holding from this time on. Operational business is left up to the associated companies themselves.

Bilance Sheet of Salzgitter AG (short version)

(in € mil.)	31/12/2001	31/12/2000
Fixed assets	528.7	806.6
Tangible assets[1]	32.4	615.6
Financial assets	496.3	191.0
Current assets	1,336.1	1,181.7
Inventories	–	387.2
Trade receivables and other assets[2]	1,156.5	775.2
Cash and cash equivalents	179.6	19.3
Assets	**1,864.8**	**1,988.3**

(in € mil.)	31/12/2001	31/12/2000
Shareholders' equity	658.8	663.6
Special reserves with an equity portion	4.5	79.7
Provisions	441.6	633.0
Liabilities	759.9	612.0
due to banks	[19.4]	[11.5]
Liabilities	**1,864.8**	**1,988.3**

[1] Including intangible assets
[2] Including prepaid expenses and, in addition special loss account in SFY 2000

Income Statement of Salzgitter AG (short version)

(in € mil.)	FY 2001	SFY 2000
Sales	–	**449.8**
Change in inventories/own work capitalized	–	38.3
Other operating income	25.3	54.6
Cost of materials	–	258.7
Personnel expenses	17.2	103.1
Depreciation and amortization[1]	14.1	28.8
Income from shareholdings	76.9	3.0
Net interest result	1.8	–7.5
Other operating expenses	44.2	122.6
Income from ordinary activities	**28.5**	**25.0**
Taxes	–0.5	16.4
Net income for the year	**28.0**	**41.4**

1) Including write-offs of financial assets

The result of the management holding company SZAG is also shaped by equity income in the divested steel companies and the companies of the Trade and Services Divisions. The positive trend in the performance of the Tube Division will only have an impact on the result of Salzgitter AG in the future.

Net Income and Appropriation of Earnings of Salzgitter AG

Salzgitter AG shows a net profit of € 28.0 million for financial year 2001. Including net earnings brought forward of € 13.2 million and allocated reserves of € 13.2 million, the company shows a balance sheet profit of € 28.0 million.

The Managing Board and the Supervisory Board propose to the General Meeting of Shareholders that an amount of € 26.2 million (based on the capital stock of approximately € 159.5 million, divided in 62,400,000 shares) from the balance sheet profit of € 28.0 million be used for the payment of a dividend of € 0.42 per share and that € 1.8 million be brought forward to new account. Following changes in tax relief legislation, the dividend for financial year 2001 will for the first time be subject to the half-income procedure.

Insofar as the company holds its own shares on day of the General Meeting, the proposed appropriation of earnings shall be adapted accordingly in the meeting as the company’s own shares are not entitled to receive a dividend.

GROUP MANAGEMENT REPORT
AND MANAGEMENT REPORT ON SALZGITTER AG

RESEARCH AND DEVELOPMENT

Through internal and external growth, Salzgitter AG has developed into a powerful international steel and technology company. The individual companies supply demanding markets and pursue the goal of continued expansion with high-quality products. The basis for this dynamic growth is formed by the innovative capacity which is crucially determined by research and development (R+D) as well as their successful practical application. The objectives include the further development of products, processes and services with a strong focus on the market and the initiation of new pioneering developments. Thus new fields of business are developed and existing ones are expanded on.

This strategic focus is sustained through diverse activities in the area of research and development. To this end, intensive and successful research and development work has been carried out at the individual subsidiaries of the various divisions during the elapsed financial year. Thus external cooperation involved both development activities in close cooperation with clients and within the scope of projects with proven research facilities and university institutes.

Expenditures for research and development increased in financial year 2001. Thus the position of the company was strengthened and developed even further in important market segments. Expenditures for internal and publicly promoted projects as well as Salzgitter AG quality measures related to research and development amounted to approximately € 48 million in the period under review.

Altogether, approximately 400 staff were charged with tasks in research and development and technical quality assurance.

The various research and development measures can, in principle, be divided into the areas of application specified in the table below which, at the same time, lists the proportionate distribution of the expenditures involved.

Areas of Application	Share %
Materials technology	18
Production methods	25
Process control, automation	12
Manufacturing and refining processes	13
Applications engineering	11
Information technology	10
Environmental protection	3
Other	8

Salzgitter AG thus takes account of the trend towards integration of suppliers into the development process of the client, who is crucial to modern product identification. The resulting additional opportunities for materials manufacturers to exercise an influence on the properties of the final product have fundamentally changed the relationship between customers and suppliers and led to the formation of technology partnerships.

With the increasing importance of the specific material in the overall product cycle, Salzgitter AG thus acts increasingly as a partner in development as well. Extensive development processes are followed from material selection to design, all the way through to further processing at the customer’s premises.

The Salzgitter Group continues to rely on selective growth within the individual divisions. The well-considered focus of the various fields of business are initiated and promoted by the company’s manifold research and development activities.

Thus the focus of internal research and development in the Steel Division involves the areas of materials technology and application, blast furnace and steel plant processes, rolling and surface technology and information technology.

The production of new materials at industrial scale facilities represents an important field of application for Salzgitter Flachstahl GmbH. Among other things, the development of high and maximum strength hot-rolled type steel strip and the further development of higher strength cold-rolled strip products have been advanced for this purpose. Hot-dip galvanizing line 2 was put into operation in the middle of the year so that the share of surface-coated sheet metal was capable of being increased even further. The new temperature control concept – a unique feature that allows for galvanization at a low temperature level – should be mentioned in this regard.

In addition, projects were carried out in the area of surface treatment in order to further develop metallic and organic coatings. Additional primary fields of research were in the area of processing, e.g. in the optimization of metal forming processes and concept development for the design of parts in accordance with stress requirements.

Ilsenburger Grobblech GmbH placed its emphasis on further development of the range of quality in the field of water-quenched high-strength and wear-resistant steel. The product series of wear-reistant steel was rounded out with the steel grade Brinar 500 and the high-strength steel material S1100 QL, which is produced by only a few manufacturers worldwide, was developed to the point of being ready for production.

At Peiner Träger GmbH the development of the UPE flat slab system was advanced even further. The increasing requirements to be met by the properties of higher-strength and offshore steels were taken into account through intensive material optimization and development. In the area of plant and process optimization improvements in plant engineering were successfully implemented in order to increase productivity increase and enhance flexibility.

There was a further increase in the capacities of the Processing Division. Here research and development resources in the area of prototype and series tool construction were considerably extended through integration of the former Kurt Matzner GmbH & Co. KG. into the Salzgitter Group as Salzgitter Automotive Engineering GmbH & Co. KG at the end of financial year 2001.

The value chain within the Salzgitter Group was able to be extended even further in cooperation with additional holding companies such as Oswald Hydroforming GmbH & Co. KG and the new key majority-owned subsidiary ETC Bleistahl GmbH & Co. KG. The latter company, which was renamed Salzgitter Antriebstechnik GmbH & Co. KG, uses hydroforming in order to produce cam shafts that have been optimized in terms of both weight and costs for the new generation of engines in the automobile industry.

With the newly established Salzgitter Magnesium-Technologie GmbH, the Salzgitter Group succeeded in strengthening and expanding on its position as a technology partner. Material and process development, including the construction of a pilot sheet metal manufacturing site in Salzgitter, stands particularly in the foreground for the company's commitment to the lightweight building material magnesium.

A number of new economical sheet steel piling sections were able to be applied through the development and implementation of semi-continuous rolling at HSP Hoesch Spundwand und Profil GmbH. Compared with previous sections, weight and thus installation advantages of up to 16% can be obtained.

In the Tubes Division, Mannesmann Forschungsinstitut GmbH (MFI) carried out research and development tasks on behalf of Mannesmannröhren-Werke AG with the aim of developing products and processes.

A new steel grade with increased fire resistance and, at the same time, good weldability was successfully developed together with Vallourec & Mannesmann Tubes S.A. for employment in building construction. A further focus with regard to materials involved the development of a new ferritic chrome-plated steel which can be used in order to enhance the efficiency of power stations.

In addition to these and other projects involving materials science, tasks in the area of automation and testing techniques also formed the focus of research and development activities. Two new types of measuring systems that are employed for company operations should be mentioned here. On the one hand, laser-induced ultrasonic wall thicknesses on hot pipes are measured online. On the other, the contactless measuring and alignment system "Center Line" is successfully deployed for accurate positioning of the individual rolling units on several rolling trains by means of a laser beam.

At Europipe GmbH thick-walled pipes of steel grade API X 65 were qualified for offshore use through special-purpose testing. Moreover, various non-destructive testing and automation projects were carried out which made it possible to increase testing efficiency.

Mannesmannröhren Mülheim GmbH was able to extend the range of deliverable products for steel grade API X 70 on wall thicknesses of up to 30 mm for acidic gas applications. This was achieved by the development of a new microalloy concept in conjunction with appropriately adapted rolling technology.

The research and development activities of MHP Mannesmann Präzisrohr GmbH are primarily focused on high-quality, custom-made tubes for the automobile sector. Examples include the further development of tubes for modern diesel injection systems with extremely high internal pressure and high-strength airbag tubes for employment in the high pressure range at very low application temperatures.

The various projects indicated as examples underscore the diverse research and development activities carried out within the Salzgitter Group. The necessary prerequisite for the successful performance of these important tasks consists in qualified personnel with broad training and a solid knowledge base as well as state of the art technical equipment. Thus complex development tasks from steelmaking to manufacturing, all the way through to prototyping can successfully processed through a single source.

GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT ON SALZGITTER AG

RISK MANAGEMENT

Effective and foresighted risk management represents an important and value-creating component of the management instruments employed at Salzgitter AG.

Our risk management program is constantly being expanded and developed. Thus the fully consolidated companies Mannesmannröhren-Werke AG, HSP Hoesch Spundwand and Profil GmbH were integrated into our risk management system in accordance with Salzgitter AG guidelines in the course of this financial year.

As a result of restructuring Salzgitter AG into a holding company as well as into the subsidiaries Salzgitter Flachstahl GmbH, Peiner Träger GmbH, Ilsenburger Grobblech GmbH and Salzgitter Großrohr GmbH, the risk management system was transferred to the individual companies. The system is applied independently by the various companies.

Uniform and suitable handling of risks and the communication of such within the Group is ensured through appropriate guidelines. In order to cope with risks certain procedures and instruments have been specifed. A corporate-wide reporting system ensures that management is provided with adequate information. The associated companies report on the risk situation both in the form of monthly controlling reports and, if required, directly and ad-hoc to the Managing Board. The individual risks are evaluated at the Group level. Thus the identified risks are analyzed, evaluated and precisely traced. Measures to cope with and delimit risks can be introduced at an early stage and in a targeted manner as a result of the transparency gained with respect to risky developments and potential risks. Emerging risks are dealt with in regular discussions on strategy and within the scope of the planning process. The limitation of risk remains the highest principle, while taking advantage of any relevant and appropriate opportunities in order to do so.

A distinction is made between probable and improbable risks with regard to the probability of occurrence. For improbable risks there is no probability that damage will occur in accordance with prudent commercial, technical and legal discretion. The conditions which have to be fulfilled in order for this evaluation to obtain are documented, periodically reviewed and updated, if required. The sustained validity of the given conditions forms the subject of controlling and auditing at Salzgitter AG. In the case of probable risks, damage can no longer be ruled out, e.g. as a consequence of the occurrence of certain events. For the purpose of reproducibility and/or controllability, the quantitative extent of the damage determined is documented, while the influencing circumstances are taken into consideration.

With regard to the amount of the claim a distinction is made between jumbo risks with a claims severity of more than € 25 million and other risks with a claims severity of less than € 25 million. Risks are documented in the internal planning and controlling system of the respective companies and are to be communicated to central management of the Group in accordance with the specific company reporting thresholds.

We deal with product and environmental protection risks through a variety of measures for quality assurance – these include, for example, certification in accordance with international standards, constant improvement and further development of our plants and products and via comprehensive environmental management.

We see one possible aspect of risk in the supply of important raw materials (iron ore, scrap iron) and energies (coal, electricity, gas) that do not meet requirements. We counteract this risk by purchasing such raw materials from different regions and from different suppliers, secured in part by long-term framework agreements. In addition, we have established a corresponding inventory policy. Based on our estimate of the sources of procurement, we can be certain that these raw materials will be available in the required quantities and qualities. This also applies to coal purchases which in part come from domestic production and in part from the world market. We purchase electricity on a contractually secured basis insofar as requirements exceed our own electricity production.

A further risk may result from the high fluctuations of prices and quantities on the markets. We counteract the risk of thereby finding ourselves in a situation that might be threatening to the existence of the company through a broad range of products, customers and regional sales markets, by means of a solid balance sheet and financing structure and through countermeasures defined by the situation on procurement markets and in terms of operations.

As a rule, engaging in financial and foreign exchange risks is only permissible in conjunction with processes which are customary to our steel production and trading operations. As a rule, foreign exchange risks from procurements or sales business are to be secured either by internal corporate netting or forward exchange cover. Provision is made for hedging on interest rate exposure by means of suitable instruments.

In the international trading business, risky open positions or financing is not permissible. Risks on receivables are limited as far as possible through loan collateralization and, in all other respects, by means of tight internal liability management.

We meet the risk of long-term, unplanned downtime of our key equipment through preventive maintenance and regular plant inspection, constant modernization and investments.

In the case of possible damage and the associated production losses as well as for other conceivable damage and cases of liability we taken out insurance which ensures that the financial consequences of possibly occurring risks are kept within limits and/or completely ruled out. The scope of such insurance is constantly reviewed and adjusted if necessary.

In order to cope with possible risks arising out of the various fiscal law, environmental law, laws on competition as well as other laws and regulations, we ensure strict observance of the respective laws and regulations and seek extensive legal advice from our own experts and from proven external specialists.

As an independent body, the Salzgitter AG auditing department examines the systems used throughout the company for adequacy, safety and efficiency and provides impulses for their further development.

There were no risks that endangered the existence of Salzgitter AG in financial year 2001. Currently, there is no concrete, recognizable development in the future that is capable of having a lasting, substantially negative impact on the net worth, financial position or earnings of Salzgitter AG.

The competent auditor has reviewed the existing SZAG early warning system in accordance with the Law on Control and Transparency in Corporations which was passed in 1998. This examination verified the fact that the early warning system deployed at SZAG fulfills its tasks and, in its entirety, meets all of the requirements as established under German Stock Corporation Law.

GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT ON SALZGITTER AG

OUTLOOK

Economic policy in the United States and in other countries quickly responded to the unexpectedly clear decline in business activity in the year 2001. The central U.S. bank of issue reduced interest rates four additional times following the seven reductions in the rate of interest which took place from January to September. The European Central Bank followed suit in more than one instance. In addition, financial policy in the United States resorted to supporting measures. This example was followed by the governments of the European Union countries to the extent that they did come into conflict with the limitations on indebtedness as specified in the stability pact.

In spite of the overall expansive orientation of the policy pursued, the economies of the industrialized countries will only gradually overcome their weakness in the running year. According to the assessement of most business research institutes, developments will remain uneven, at least in the first half of the year 2002, as the various dampening influences will only be overcome step by step and the political measures taken in the previous year will also only reveal their entire effect in a gradual manner. Even if, in accordance with the majority of forecasts, the recovery is stronger in the second half of the year and capacity utilization increases, the rates of growth in the gross domestic product for the entire year in Germany, the EU and worldwide will, at best, only be slightly higher than those of the previous year. The forecast in the last annual economic report of the federal government, which already reduced the value for economic growth in the year 2002 from 1.25% to 0.75% also lies within this range; in the year 2001 only 0.6% was achieved.

Thus the starting point for the **steel market in the year 2002** is indifferent. In view of the lower level of activity to be expected from important steel users, above all the automobile and machine construction industries, annual average steel consumption in the year 2002 will be lower than in 2001. With sustained adjustment of inventories among steel processors and with an emphasis on the first half of the year, there should scarcely be any increase in supplies to the market in the year 2002. This should translate into the first additions to European Union stocks and a more stabile market situation in the second half of the year.

According to the assessment of most market observers, steel production levels in Germany and in the EU will be lower than in the year 2001 (G: –4%; EU: –5%).

We are somewhat apprehensive about the fact that imports from third countries to the EU, which posted growth rates in the previous year, will increase further should the U.S. steel market effectively tighten up due to further extensive import restrictions. The EU already responded to this growing threat at the end of last year by opening an anti-dumping investigation against the import of hot rolled wide strip from six third countries. Furthermore in response to American action at the end of March the EU introduced import restrictions with corresponding protective tariffs. In light of these market conditions, we assume that prices – especially for flat steel – will gradually begin to recover in the second quarter after bottoming out.

As economic research institutes do not expect the recessionary phase in both the USA and the EU to end until the second half of the year 2002, the **steel tubes and pipes market** is also likely to develop unevenly in the current year. The energy sector’s demand for tubular steel should remain at a healthy level. An important factor here, however, is the level of the price for oil, especially the question of whether or not the mining discipline of the oil-exporting countries will also prevent an excessive fall in prices during the recessionary phase. The pipeline business, trapped in prolonged cycles, should still profit in 2002 from the upturn in crude oil prices from the year 2000. Despite the continued export strength of western European carmakers, the demand from the automotive industry can be expected to weaken. A fall in demand has also seen in the equipment and plant construction sector due to the overall economic environment. The inventory trading segment, in particular, is planning ahead far more cautiously.

In conjunction with the escape clause investigation in accordance with Section 201 of U.S. trade law, the International Trade Commission determined that neither seamless tubes nor welded oil field pipes pose or have posed a threat to the U.S. steel industry through increased imports. Thus these products are, as such, not under the immediate threat of import restrictions imposed by the U.S. President in February of 2002. Nevertheless, the USA still poses risks to the supply side, because the decision regarding disparate steel products and welded non-oil field pipes is capable of having an impact on global trade flows. Furthermore, U.S. industry is openly threatening to bring new anti-dumping suits with regard to oil field pipes. A further, still unresolved matter is the restructuring problems in the eastern European and CIS steel and tubular steel industries.

We expect an uneven trend for the primary divisions of Salzgitter AG in the year 2002; a gradual revival in the flat steel segment and the Trading Division should be offset by slight declines in the seamless tube and large-diameter pipe sectors.

The companies in the company's Steel Division are approaching the 2002 financial year with disparate expectations.

Following the evident revenue rebound in the first quarter, SZFG now anticipates corresponding increases as the financial year continues. Costs may increase at the same time, especially due to rising energy and raw materials costs, higher purchase prices for foreign coke and increases in wage levels. Despite the expected gradual rise in sales due to increased rolled steel supplies and net revenues, the possibility of a slight worsening in SZFG results compared to 2001 cannot be ruled out.

On the other hand, PTG expects the positive trend in shipments and revenues to continue. Given that costs are likely to rise only slightly, we once again anticipate a positive result.

ILG does not rule out a market-related decline in revenues next year. As the company is at the same time anticipating an increase in costs on the feedstock side, we anticipate a slight decline in the results for the 2002 financial year.

Following the good performance in financial year 2000, SZGR expects the stabilization of the market to cause a decline in sales revenues as a result of lower pipe supplies, despite an increase in revenues. In conjunction with a rise in feedstock prices, a decline in profit is also likely to result.

With a slight increase in sales, we expect the pretax results of the company's entire Steel Division to fall from the year 2001, but on balance remain positive compared to the year 2001.

We do not anticipate a rapid or decisive improvement in market conditions for the Trading Division. Under these circumstances, the aim, especially in domestic trade, is to consolidate our market position and post a stabilization in results via an increase in added value.

We predict an increase for sectional products, and assume flat steel products to experience an initially constant price level that will only rise in the further course of the year.

We also assume that the trading business will experience a very low price level for almost all tonnage steel products, at least in the first half year.

Sales in the Trading Division are expected to increase slightly.

We expect the pre-tax profit for the 2002 financial year to be at a comparable level.

The companies included in the Services Division will continue to provide services primarily for the Group next year, focusing here on the steel companies. Thus the course of business of most companies in this area will be determined by the demand from steel-producers. Overall, we expect this corporate division to experience sales growth that is essentially defined by DMU developments.

The profit contribution of the Services Division in the 2002 financial year is likely to fall slightly, but remain positive.

The development at HSP will also have a substantial impact on the profits of the Processing Division in the 2002 financial year. The growth in sales expected in the coming year, however, depends considerably on the incorporation of the Salzgitter Bauelemente (SZBE), Salzgitter Europlatinen (SZEP) and Salzgitter Automotive (SZAE) companies into the consolidated group.

In 2002, we expect profits at HSP to be similar as in financial year 2001. We also expect SZBE to be able to post improved results in comparison to the startup year on the basis of the operative optimization and the scheduled sales, and the SZEP and SZAE companies to have a positive effect on the development of this division so that slightly better results can be expected overall.

We assume that business in the Tubes Division in the year 2002 will be weaker overall after the above-average financial year of 2001. Disparate development is expected for the individual product lines.

After the extraordinarily good result in the seamless tube sector – particularly in the second half of the year 2001 – and the still very high volume of incoming orders particularly in the oil field pipe segment, expectations remain at a comparable level for the first half-year of 2002, while a slight decline is anticipated for the second half of the year as a result of the market.

MHP concluded a restructuring program in the cold-finished tubes product line in the year 2001 and plans to achieve generally constant shipment and sales values by placing a consistent focus on a high-quality range of products for the year 2002. Additional impulses will also be combined with measures to improve overall performance.

The companies in the medium line pipe sector are proceeding on the basis of a positive business trend, comparable with that of the year 2001. Here an intensified focus on Eastern European markets and expansion of the water pipe business are to compensate for any weakening in the demand for oil and gas pipes by European municipalities.

As a result of large-scale projects that are planned throughout the world in 2002, an acceptable profit level is again anticipated in the large-diameter pipe sector. a paragraph on just as high level is expected as in 2001. However, expectations when it comes to earnings for the subsequent year are lower because of the unusually good job output in 2001.

Although from today's point of view it may be lower than in financial year 2001, the consolidated profit for the entire Tubes Division is expected to continue to be very positive.

Prior to the start of the financial year and as part of a corporate planning process, the market expectations discussed in this outlook have been put together to form an overall plan for the Group together with internal measures and additional framework conditions. On the basis of the present state of information, this would again suggest no less than a double-digit million profit before taxes for financial year 2002. At the same time, the continued satisfactory development of the Tubes Division contrasts with the overall desultory market situation in the Steel Division which will presumably make only a small, but positive earnings contribution. In addition to the relatively constant profits from the Trade and Services Divisions, a nearly balanced earnings contribution is also expected from the Processing Division.

This truth of this statement will, of course, only obtain under the condition that there is no further downturn in either overall business activity or the specific market situation for the companies in the respective divisions; but rather, if the anticipated improvements are realized to the extent expected and within the given time frame.

ENVIRONMENTAL PROTECTION

Both in terms of its ongoing manufacturing processes and in the continuous refinement of both products and production methods, the Salzgitter Group attaches parallel importance to the economic, social and ecological aspects of what it is striving to achieve. The Salzgitter Group is concerned with developing new and innovative forms of productive creativity which, at the same time, conserve natural resources.

This ambition, coupled with the new alignment of the Salzgitter Group as a result of our consistent strategy for growth, entails a constantly increasing range of demands on our capacity to protect the environment. Whereas in the past the focus was on replacing downstream end-of-pipe technologies with a process-integrated approach to environmental protection, it is nowadays the case that environmentalism is progressively developing into a cross-sectional task. Modern management procedures and qualified staff form an essential basis on which to implement concepts designed to continuously improve sustainable productivity.

Against this backdrop, we intend in the future to pursue the certification of environmental management systems in every business area covered by the Salzgitter Group. In 2001 the plant in Mülheim operated by Vallourec & Mannesmann Deutschland GmbH became another member of the MRW group to be successfully certified in accordance with the international DIN EN 14001 standard. An eco audit has also been commenced at the Düsseldorf-Rath works, and at the Steel Division, certification of the existing environmental management system is scheduled to follow.

In the interests of sustainability, many sectors of industry are aiming to integrate their products into material cycles that are closed as far as possible. At the Salzgitter Group, this principle is already a reality. Steel is 100% recyclable, without sacrificing quality. At the electro-steelworks operated by Peiner Träger GmbH, raw steel is produced exclusively from steel scrap. The proportion of total raw steel production accounted for by recycling has been almost doubled and now stands at approximately 38%.

The results achieved by the interlinked power economy, the recycling of water resources as well as the reduction of manufacturing waste and the proportion of remaining wastes which are recycled in the area of steel production are all clear indicators of the rising level of conservation of natural resources.

As a result of the improved recycling of the water required for various processes, the fresh water intake at the integrated steelworks in Salzgitter is reused an average of 40 times before being purified, cooled and discharged. The proportion of fresh water required currently amounts to some 2.5% of the total volume of water in use at any given time.

During the period under review, we have once again succeeded in recycling a high proportion of the typical byproducts and wastes generated in steel production. Some 93% of the total quantity was sold or reused, with just 7% of the resulting waste finding its way to the company's own dumps. Meanwhile, the MRW group which is engaged in steel processing achieved a recycling rate of 97%.

Total expenditure on environmental protection at the Steel Division in financial year 2001 added up to around € 125 million. Of this figure, some 43% was accounted for by air purification, 26% by protecting water supplies, 24% by the management of recycled material and waste, and 7% by measures to combat noise. At the Tubes Division, environmental costs amounted to around € 9.2 million. The breakdown was as follows:

air purification 4%, protecting water supplies 49%, waste management 40%, noise abatement 7%.

Other tasks and activities in the field of environmental protection in financial year 2001 were dictated by the steadily increasing imposition of regulatory controls. With the introduction of legislation implementing the IPPC Directive and other EC environmental directives, changes have been made to a wide range of rules and regulations which have, in turn, meant that the Salzgitter Group has to comply with new and, in some cases, considerably more stringent requirements. For example, the new landfill regulations will impose considerably more far-reaching technical and administrative requirements for the operation of dumps in the future while, under certain circumstances, changes to the regulations governing emissions will require new permits to be obtained retrospectively for existing production plants.

At EU level, there are further developments on the horizon which will demand action on the part of the Group. It is anticipated that the Kyoto agreements on reducing the level of gases which have an impact on the climate will be implemented in the EU by way of emissions trading. Current draft proposals foresee mandatory participation by the steel industry as of the year 2005. This would have a discriminatory effect in that certain sectors of industry, including non-ferrous metals, would continue to be excluded from the system.

The plant-specific assignment of emission rights would have a negative impact on German companies in particular, as in the context of EU burden sharing, Germany is required to make a contribution of –21% to the reduction of emissions.

By contrast, the contribution required from some other states will range from 0% to even as much as +15%. This situation must be taken into account when setting quotas for emission rights as the sectors of German industry which are thus affected would otherwise suffer a competitive disadvantage in Europe in return for their pioneering role.

Together with other German steel manufacturers, the Salzgitter Group has stepped into the current discussion to argue in favor of other routes towards the reduction of specific emissions. German industry has been following one such strategy since 1995 with its self-imposed commitment to cut CO_2 emissions. Through restructuring and the specific realization of potential savings, the Salzgitter Group has achieved far greater cuts in CO_2 emissions than were originally specified. Since 1990, the output of CO_2 in the area of steel production has been reduced by around 30%.

For the Salzgitter Group its corporate philosophy represents a sustained development of its fundamental orientation, enabling the Group to meet the challenges of the future and continue down the path toward economic success.

REPORT OF THE SUPERVISORY BOARD

Salzgitter AG charted a course of consistent growth in financial year 2001 - by acquisitions, the development of its products and by investing in new technologies. The restructuring program proposed by the Executive and Supervisory Boards, approved by the General Shareholders Meeting on May 23, 2001, and aimed at transforming Salzgitter AG into a management holding company with five divisions, represented an important organizational step in the right direction.

The Supervisory Board provided support to the Executive Board and monitored its actions in all important matters and operations. The Supervisory Board was provided with regular, comprehensive information about the development of the company's business dealings and the status of the company within the scope of written and verbal reporting by the Executive Board.

In a total of five meetings the Supervisory Board dealt with important matters regarding corporate policy and individual business transactions which require Supervisory Board approval in accordance with legal provisions or corporate statutes.

The annual financial statements of Salzgitter AG and the consolidated financial statement as of December 31, 2001 as well as the common status report on Salzgitter AG and the Group for financial year 2001 have been prepared and provided with an unqualified auditors' certificate by the auditors PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, based on the appointment by the General Shareholders Meeting on May 23, 2001.

The auditor reviewed and thereby confirmed agreement between the balance, the valuation of the company and the consolidated financial statements with International Accounting Standards (IAS). Moreover, the auditor has reviewed the Salzgitter AG early warning system in accordance with the Law on Control and Transparency in Corporations and verified the fact that this system meets all of the legal requirements in its entirety.

The financial statements, the status report, the Executive Board proposal on appropriation of the balance sheet profit as well as the auditor's reports were available to all of the Members of the Supervisory Board for examination. At the balance sheet meeting of the Supervisory Board on April 25, 2002 representatives participated on behalf of the auditor and explained the essential results of their examination.

Afterwards, the Supervisory Board passed the following resolution:

"After conclusion of its own examination of the annual financial statements, the consolidated financial statements and the company status report of the Executive Board, the Supervisory Board hereby approves the findings of the audit by the auditor.

No objections were raised based on the final result of the auditor's review. The Supervisory Board hereby approves of the annual financial statement prepared by the Executive Board. The Supervisory Board shall agree with the proposal made by the Executive Board on appropriation of the balance sheet profit."

There were changes in the composition of the Executive and the Supervisory Boards in financial year 2001. Dr. Jürgen Kolb – a Member of the Board since

1986 and responsible for the Sales Division – retired from the Executive Board as of March 31, 2001. The Supervisory Board wishes to thank Dr. Kolb for his many years of commitment to the company.

Dr. Volker P. H. Schwich and Helmut F. Koch were appointed to the Executive Board as of April 1, 2001 and July 1, 2001 respectively.

Restructuring of the enterprise into a holding company has also entailed a redistribution of the tasks of the Executive Board which is now responsible for the following departments and divisions:

Mr. Leese
Chairman

Prof. Dr. Geisler
Personnel and Services Division

Dr. Fuhrmann
Finances

Mr. Jacob
Investment in the Steel Division

Mr. Koch
Tubes Division

Mr. Pfitzner
Trading Division

Dr. Schwich
Steel and Processing Divisions

As consequence of these restructuring measures Mrs. Ingeborg Borchers, Mr. Ulrich Förster, Mr. Reinhard Heuer and Mrs. Helga Schwitzer have resigned from their seats on the Supervisory Board as of June 30, 2001. The Supervisory Board wishes to thank them for their many years of constructive support in the interest of the company.

Messrs. Hartmut Tölle (as of March 13, 2001), Hans-Jürgen Ladberg, Rainer Schmidt, Christian Schwandt and Friedrich-Wilhelm Tölkes (as of August 9, 2001) were appointed as new Members of the Supervisory Board.

The Supervisory Board would like to thank the Executive Board and all of the staff and employees at Salzgitter AG for their commitment in financial year 2001.

The Supervisory Board

Wilfried Lochte

Dr. Wilfried Lochte
– Chairman –

BOARDS, PERSONAL DATA

Executive Board

Wolfgang Leese

Chairman

a) ▪ Mannesmannröhren-Werke AG
  ▪ Salzgitter Handel GmbH until March 31, 2001
  ▪ Salzgitter Stahl GmbH since August 23, 2001

b) ▪ DEUMU Deutsche Erz- und Metall-Union GmbH (Supervisory Board) since January 22, 2001 until December 31, 2001

Prof. Dr. Günter Geisler

Vice Chairman

Personnel and Social Affairs until June 30, 2001

Personnel and Services Division since July 1, 2001

a) ▪ Mannesmannröhren-Werke AG
  ▪ Salzgitter Stahl GmbH since August 23, 2001
  ▪ Ilsenburger Grobblech GmbH since August 15, 2001
  ▪ PPS Personal-, Produktions- u. Servicegesellschaft mbH
  ▪ Verkehrsbetriebe Peine-Salzgitter GmbH
  ▪ HSP Hoesch Spundwand und Profil GmbH until July 10, 2001

b) ▪ "Glückauf" Wohnungsgesellschaft mbH (Advisory Council) until December 31, 2001
  ▪ Hansaport Hafenbetriebsgesellschaft mbH (Supervisory Board) since January 22, 2001

Dr.-Ing. Heinz Jörg Fuhrmann

Finances and Accounting, Technical Management Plates and Corporate Planning until June 30, 2001

Finances since July 1, 2001

a) ▪ Mannesmannröhren-Werke AG
  ▪ Salzgitter Handel GmbH
  ▪ Salzgitter Stahl GmbH since August 23, 2001
  ▪ Salzgitter Flachstahl GmbH since July 27, 2001
  ▪ PPS Personal-, Produktions- u. Servicegesellschaft mbH until December 31, 2001
  ▪ Verkehrsbetriebe Peine-Salzgitter GmbH until December 31, 2001
  ▪ HSP Hoesch Spundwand und Profil GmbH

b) ▪ DEUMU Deutsche Erz- und Metall-Union GmbH (Supervisory Board) until December 31, 2001
  ▪ GESIS Gesellschaft für Informationssysteme (Advisory Council) since January 22, 2001 until December 31, 2001
  ▪ Universal Eisen und Stahl GmbH (Advisory Council)
  ▪ Robert & Cie S.A.S. (Comité de Surveillance) since January 30, 2001
  ▪ Hövelmann & Lueg GmbH & Co. KG (Advisory Council) until December 31, 2001
  ▪ Peiner Hüttenstoffe GmbH (Advisory Council) until December 31, 2001
  ▪ Hansaport Hafenbetriebsgesellschaft mbH (Supervisory Board)
  ▪ Steel Dynamics, Inc. (Board of Directors, Alternate Member)
  ▪ Wescol Group plc (Board of Directors)

Arnold Jacob

Technical Management, Salzgitter and Peine Plants until June 30, 2001

Investments in Steel Division since July 1, 2001

a) ▪ PPS Personal-, Produktions- u. Servicegesellschaft mbH
  ▪ Verkehrsbetriebe Peine-Salzgitter GmbH

b) ▪ GESIS Gesellschaft für Informationssysteme mbH (Advisory Council) until December 31, 2001
  ▪ Redestillationsgemeinschaft GmbH (Advisory Board)

a) Membership in other statutory Supervisory Boards within the meaning of Section 125 of German Stock Corporation Law [AktG]
b) Membership in comparable domestic and foreign governing bodies of commercial enterprises

Helmut F. Koch
since July 1, 2001
Tubes Division
Chairman of the Executive Board of
Mannesmannröhren-Werke AG

a) ■ Hüttenwerke Krupp Mannesmann GmbH
- ■ MHP Mannesmann Präzisrohr GmbH
- ■ EUROPIPE GmbH
- ■ Georgsmarienhütte Holding GmbH until December 31, 2001
- ■ Georgsmarienhütte GmbH until December 31, 2001
- ■ Salzgitter Stahl GmbH since August 23, 2001

b) ■ Vallourec S.A. (Conseil de Surveillance)
- ■ V & M TUBES (Conseil d’Administration)
- ■ V & M do Brasil (Conselho Consultivo)
- ■ DMV Stainless, B.V. (Supervisory Board) since October 9, 2001
- ■ DMV Stainless S.A.S. (Conseil de Surveillance) since October 9, 2001
- ■ Mannesmann Pipe & Steel Corp. (Board of Directors) until September 30, 2001
- ■ Hüttenwerke Krupp Mannesmann GmbH (Shareholders’ Committee)
- ■ EUROPIPE GmbH (Shareholders’ Committee)
- ■ Mannesmann Line Pipe GmbH (Advisory Council)
- ■ Röhrenwerke Gebr. Fuchs GmbH (Supervisory Board)
- ■ Borusan Mannesmann Boru A.S. (Administrative Board)
- ■ Mannesmann Forschungsinstitut GmbH (Advisory Council)
- ■ Mannesmann Altersversorgung Service GmbH (Advisory Council)

Dr. Jürgen Kolb
Sales until March 31, 2001

a) ■ Mannesmannröhren-Werke AG
- ■ Deutsche Steinkohle AG
- ■ Salzgitter Handel GmbH
- ■ HSP Hoesch Spundwand und Profil GmbH

b) ■ Steel Dynamics, Inc. (Board of Directors)
- ■ Universal Eisen und Stahl GmbH (Advisory Council)
- ■ Hövelmann & Lueg GmbH & Co. KG (Advisory Council)

Michael B. Pfitzner
Sales until June 30, 2001
Trading Division since July 1, 2001
Member of the Board of Salzgitter Stahl GmbH
since January 1, 2001
Business Manager of Salzgitter Flachstahl GmbH
since January 1, 2001

a) ■ Peiner Träger GmbH since July 27, 2001
- ■ Salzgitter Handel GmbH since April 10, 2001
- ■ Hoesch Spundwand und Profil GmbH since January 22, 2001

b) ■ Universal Eisen und Stahl GmbH (Advisory Council)
- ■ Hövelmann und Lueg GmbH & Co. KG (Advisory Council) since May 25, 2001
- ■ Robert & Cie S.A.S. (Comité de Surveillance) since January 30, 2001

Dr. Volker P.H. Schwich
since April 1, 2001
Steel and Processing Divisions since July 1, 2001
Member of the Executive Board of Salzgitter Stahl GmbH
since April 1, 2001

a) ■ Salzgitter Flachstahl GmbH since July 27, 2001
- ■ Peiner Träger GmbH since July 27, 2001
- ■ Ilsenburger Grobblech GmbH since August 15, 2001
- ■ Hoesch Spundwand und Profil GmbH since September 6, 2001

Supervisory Board

Dr.-Ing. E.h. Dipl.-Ing. Wilfried Lochte
Chairman
Chairman of the Executive Board of
MAN Nutzfahrzeuge AG, retired
Member of the Executive Board of MAN
Aktiengesellschaft, retired
a) ■ Schmitz Cargobull AG
■ Knorr-Bremse AG
■ Knorr-Bremse Systeme für Nutzfahrzeuge GmbH
■ Claas KGaA
b) ■ Claas KGaA (Partnership Committee)

Horst Schmitthenner
Vice Chairman
Managing Member of the Executive Board of the Metal
Industries Labor Union
a) ■ Salzgitter Stahl GmbH since August 23, 2001

Ingeborg Borchers
until June 30, 2001
Vice Chairwoman of the Works Council of Salzgitter Plant
and Chairwoman of the Central Works Council
until June 30, 2001
Vice Chairwoman of the Works Council of Salzgitter
Flachstahl GmbH since July 1, 2001
Chairwoman of the Working Group of Works Councils
of Salzgitter Stahl GmbH since July 1, 2001
a) ■ Salzgitter Stahl GmbH since August 23, 2001
■ Salzgitter Flachstahl GmbH since July 27, 2001

Dr. Dieter Brunke
Member of the Executive Board of Preussag AG, retired
b) ■ JC INSITU Beteiligungsgesellschaft mbH
(Supervisory Board)

Dr. Gunter Dunkel
Member of the Executive Board Norddeutsche
Landesbank Girozentrale
a) ■ CinemaxX AG
■ MHB Mitteleuropäische Handelsbank AG
■ Viscardi AG
■ üstra Intalliance AG
■ Lausitzer Braunkohle AG (LAUBAG)
b) ■ NORD/LB Luxembourg S.A. (Administrative Council)
■ Skandifinanz AG (Administrative Council)
■ Pirma Banka (Supervisory Board)
■ MHB Bank Polska S.A. (Supervisory Board)

Ulrich Förster
until June 30, 2001
Chairman of the Works Council of the Ilsenburg Plant
until June 30, 2001
Chairman of the Works Council of Ilsenburger
Grobblech GmbH since July 1, 2001
a) ■ Salzgitter Stahl GmbH since August 23, 2001
■ Ilsenburger Grobblech GmbH since October 8, 2001

Hans-Michael Gallenkamp
Chairman of the Managing Board of Felix Schoeller
Holding GmbH & Co. KG
a) ■ Stone Europa Carton AG
■ Stone Container GmbH
b) ■ Jacob Jürgensen GmbH (Advisory Council)

a) Membership in other statutory Supervisory Boards within the meaning of Section 125 of German Stock Corporation Law [AktG]
b) Membership in comparable domestic and foreign governing bodies of commercial enterprises

Kurt van Haaren

Chairman of the German Post Office Labor Union, retired

a) ▪ Deutsche Post AG until December 31, 2001

b) ▪ Beteiligungsgesellschaft der Gewerkschaften AG (Advisory Council) until June 2, 2001

Prof. Dr.-Ing. Dr.-Ing. E.h. mult. Heinz Haferkamp

Member of the Executive Board Laser Zentrum Hannover e.V.

a) ▪ Deutsche Gesellschaft zum Bau und Betrieb von Endlagern für Abfallstoffe mbH (DBE)
▪ ALSTOM LHB GmbH
▪ Produktionstechnisches Zentrum GmbH

Reinhard Heuer

until June 30, 2001
Vice Chairman of the Works Council of the Peine Plant
until June 30, 2001
Vice Chairman of the Works Council of Peiner Träger GmbH
since July 1, 2001

a) ▪ Salzgitter Stahl GmbH since August 23, 2001
▪ Peiner Träger GmbH since July 27, 2001

Prof. Dr. Rudolf Hickel

Professor of Economics specializing in Finance at the Economics Faculty of the University of Bremen

a) ▪ "GEWOBA – Aktiengesellschaft Wohnen und Bauen"
▪ Sächsische Edelstahlwerke Freital GmbH
▪ ALLIANZ AG

Dr. Gunther Krajewski

Ministry Department Head, Department Head in Lower Saxony Ministry of Finance
Managing Director of Hannoversche Beteiligungsgesellschaft mbH

a) ▪ Flughafen Hannover-Langenhagen GmbH

Prof. Dr. Hans-Jürgen Krupp

President Landeszentralbank in der Freien und Hansestadt Hamburg, in Mecklenburg-Western Pomerania and Schleswig-Holstein and Member of the Central Bank Council of the Deutsche Bundesbank until April 30, 2001

▪ No membership in other governing bodies

Hans-Jürgen Ladberg

since August 9, 2001
Chairman of the Central Works Council of V&M DEUTSCHLAND GmbH
Chairman of the Group Works Council of Salzgitter AG

a) ▪ V&M DEUTSCHLAND GmbH

Bernd Lange

Member of the European Parliament

▪ No membership in other governing bodies

Dr. Arno Morenz

Vice President of DSW Deutsche Schutzvereinigung für Wertpapierbesitz e.V.

a) ▪ alfabet meta-modeling AG
▪ Flossbach & von Storch Vermögensmanagement AG
▪ DOAG Holding AG

b) ▪ Das Wertpapier Verlag GmbH (Supervisory Board)
▪ LURECO Luxembourg European Reinsurance, S.A. (Administrative Council)
▪ ERC Management Services, Ltd. (Supervisory Board)
▪ IRECO Irish European Reinsurance Company Ltd. (Supervisory Board)
▪ Fidelity Funds (Administrative Council)

Dr. Hannes Rehm

Vice Chairman of the Executive Board of
Norddeutsche Landesbank Girozentrale

a) ▪ Berlin-Hannoversche Hypothekenbank AG
▪ dvg Hannover Datenverarbeitungsgesellschaft mbH
▪ Niedersächsisches Staatstheater Hannover GmbH

b) ▪ Fürstenberg Ehemalige Herzoglich Braunschweigische Porzellanmanufaktur Fürstenberg (Supervisory Board)
▪ Bremer Landesbank Kreditanstalt Oldenburg-Girozentrale (Supervisory Board)
▪ LBS Norddeutsche Landesbausparkasse Berlin-Hannover (Supervisory Board)
▪ Niedersächsische Gesellschaft für öffentliche Finanzierung mbH (Supervisory Board)
▪ NILEG Norddeutsche Gesellschaft für Landesentwicklung mbH, Wohnungsbau und Kommunale Anlagen (Supervisory Board)
▪ Norddeutsche Immobilien-Anlagegesellschaft mbH (Supervisory Board)
▪ Bundesanstalt für vereinigungsbedingte Sonderaufgaben (Administrative Council)

Dr. Rudolf Rupprecht

Chairman of the Executive Board of MAN AG

a) ▪ MAN Nutzfahrzeuge AG
▪ MAN B&W Diesel AG
▪ MAN Roland Druckmaschinen AG
▪ Ferrostaal AG
▪ RENK AG
▪ SMS AG
▪ Buderus AG
▪ Walter Bau-AG

b) ▪ MAN B&W Diesel A/S (Board of Directors)

Ernst Schäfer

Chairman of the Works Council of the Salzgitter Plant and Vice Chairman of the Central Works Council until June 30, 2001
Chairman of the Works Council of Salzgitter Flachstahl GmbH since July 1, 2001
Chairman of the Group Works Council of Salzgitter AG

a) ▪ Salzgitter Flachstahl GmbH since July 27, 2001

Rainer Schmidt

since August 9, 2001
Union Secretary of IG Metall – Executive Committee Branch Office in Düsseldorf

a) ▪ Vodafone AG
▪ Vodafone Deutschland GmbH
▪ Gröditzer Stahlwerke GmbH i.L.
▪ Atecs AG
▪ V&M DEUTSCHLAND GmbH

Helga Schwitzer

until June 30, 2001
Union Secretary of the IG Metall District Office, Hanover

a) ▪ Salzgitter Stahl GmbH since August 23, 2001
▪ Robert Bosch Elektronik GmbH

Christian Schwandt

since August 9, 2001
Chairman of the Works Council of PPS Personal-, Produktions- und Service GmbH

a) ▪ PPS Personal-, Produktions- und Service GmbH

a) Membership in other statutory Supervisory Boards within the meaning of Section 125 of German Stock Corporation Law [AktG]
b) Membership in comparable domestic and foreign governing bodies of commercial enterprises

Hartmut Tölle

since March 13, 2001

Chairman of the DGB-Landesbezirk Lower Saxony/Bremen

- No membership in other governing bodies

Friedrich-Wilhelm Tölkes

since August 9, 2001

Chairman of the Works Council of Hüttenwerke Krupp Mannesmann GmbH

a) ▪ Mannesmannröhren-Werke AG

Dr. Martin Winterkorn

Member of the Executive Board of Volkswagen AG

a) ▪ AUDI AG
- Sitech
- Wolfsburg AG

b) ▪ SEAT S.A.
- VW of South Africa (Board of Directors)
- VW-Comércio e Participacoes, Lda. (Conselho Consultivo/Advisory Council)
- Shanghai-VW Automotive Co. Ltd. (Board of Directors, Alternate Member)
- Auto Europa Automóveis (Board of Directors)
- IAV GmbH Ingenieurgesellschaft Auto und Verkehr (Administrative Council)
- Physikalisch-Technische Bundesanstalt (Board of Trustees)

a) Membership in other statutory Supervisory Boards within the meaning of Section 125 of German Stock Corporation Law [AktG]
b) Membership in comparable domestic and foreign governing bodies of commercial enterprises

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CONSOLIDATED INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2001

(in T€)	Note	FY 2001	SFY 2000
Sales	(1)	4,593,038	1,018,405
Increase or decrease in finished goods and work in progress and other own work capitalized	(2)	+ 55,912	+ 53,060
		4,648,950	1,071,465
Other operating income	(3)	195,165	63,658
Costs of materials	(4)	3,085,123	711,569
Personnel expenses	(5)	842,970	212,229
Depreciation	(6)	210,381	50,271
Other operating expenses	(7)	544,979	137,708
Income from shareholdings	(8)	+ 2,998	+ 1,763
Income from associated companies	(9)	+ 83,737	+ 29,436
Write-downs on financial assets and current securities	(10)	17	838
Net interest income	(11)	– 87,059	– 19,834
Profit on ordinary activities		**+ 160,321**	**+ 33,873**
Taxes	(12)	16,025	21,237
Consolidated net income for the year		**144,296**	**12,636**
Minority interests	(13)	5,673	341
Consolidated net income accruing to Salzgitter AG stockholders		**138,623**	**12,295**

Application of profits (in T €)	Note	GJ 2001	RGJ 2000
Consolidated net income accruing to Salzgitter AG stockholders		138,623	12,295
Profit carried forward from previous year		46,011	25,325
Dividend payment		–32,815	–
Appropriation to other profit reserves		–123,805	–
Withdrawal from other profit reserves		–	8,391
Net income of Salzgitter AG		**28,014**	**46,011**

Earnings per share (in €)	(14)	**2.28**	**0.21**

CONSOLIDATED BALANCE SHEET (AT DECEMBER 31, 2001)

Assets (in T€)	Note	31/12/2001	31/12/2000
Fixed assets			
Intangible fixed assets			
Goodwill from capital consolidation	(15)	–306,746	–361,218
Other intangible assets	(16)	17,037	18,749
		–289,709	**–342,469**
Tangible assets	(17)	1,456,401	1,321,826
Financial assets	(18)	194,690	103,455
Associated companies	(19)	481,364	425,255
		1,842,746	**1,508,067**
Current assets			
Inventories	(20)	879,224	756,054
Receivables and other assets			
Trade receivables	(21)	691,276	612,259
Other receivables and sundry assets	(22)	163,569	138,956
Current securities		1,249	–
Cash and cash equivalents	(23)	226,669	380,954
		1,961,987	**1,888,223**
Capitalized deferred taxes	(24)	718	1,009
Prepaid expenses	(25)	3,470	881
		3,808,921	3,398,180

Equity and liabilities (in T€)	Note	31/12/2001	31/12/2000
Stockholders' equity	(26)		
Subscribed capital	(27)	159,523	159,523
Capital reserve	(28)	287,530	287,530
Retained earnings	(29)	616,407	455,773
Non-distributed income	(30)	28,014	46,011
		1,091,474	948,837
Own shares		–6,225	–37,937
		1,085,249	**910,900**
Minority interests	(31)	20,897	8,268
Provisions			
Provisions for pensions and similar obligations	(32)	1,534,451	1,538,697
Tax provisions	(33)	110,762	114,396
Other provisions	(33)	302,113	299,935
		1,947,326	**1,953,028**
Liabilities	(34)		
Bonds		3,640	3,742
Liabilities to banks		177,930	81,744
Trade payables		346,145	284,573
Other liabilities		225,569	153,826
		753,284	**523,885**
Thereof long-term interest-bearing financial liabilities		[81,936]	[30,032]
Deferred income	(35)	2,165	2,099
		3,808,921	3,398,180

STATEMENT OF CHANGES IN EQUITY

(in T €)	Subscribed capital	Capital reserve	Retained earnings
Status October 1, 2000	**159,523**	**287,530**	**476,205**
Net income for the year	–	–	–
Disposal of own shares	–	–	–
Repurchase of own shares	–	–	–
Currency conversions	–	–	– 8,054
Transfer by Salzgitter AG to retained earnings	–	–	20,686
Group withdrawals from profit reserves	–	–	–29,076
Others	–	–	–3,988
Status December 31, 2000	**159,523**	**287,530**	**455,773**
First-time application of IAS 39 effective January 1	–	–	–
Net income for the year	–	–	–
Dividend	–	–	–
Disposal of own shares	–	–	1,673
Repurchase of own shares	–	–	–
Currency conversions	–	–	–9,267
Change in value IAS 39 investments	–	–	–
Change in value IAS 39 others	–	–	–
Transfer by Salzgitter AG to profit reserves	–	–	13,200
Group transfers to profit reserves	–	–	110,605
Others	–	–	217
Status December 31, 2001	**159,523**	**287,530**	**572,201**

Thereof deriving from currency conversion	Thereof other equity changes which do not affect the result	Repurchase of own shares	Valuation reserve IAS 39 from hedging relationships	Valuation reserve IAS 39 from available for sale	Consolidated net income	Shareholders' equity
911	**–**	**–36,225**	**–**	**–**	**25,325**	**912,358**
–	–	–	–	–	12,296	12,296
–	–	1,766	–	–	–	1,766
–	–	–3,478	–	–	–	–3,478
–8,054	–	–	–	–	–	–8,054
–	–	–	–	–	–20,686	–
–	–	–	–	–	29,076	–
–	–	–	–	–	–	–3,988
–7,143	**–**	**–37,937**	**–**	**–**	**46,011**	**910,900**
–	–	–	–120	28,622	–	28,502
–	–	–	–	–	138,623	138,623
–	–	–	–	–	–32,815	–32,815
–	1,673	33,016	–	–	–	34,689
–	–	–1,304	–	–	–	–1,304
–9,267	–	–	–	–	–	–9,267
–	–	–	–	20,158	–	20,158
–	–	–	–4,454	–	–	–4,454
–	–	–	–	–	–13,200	–
–	–	–	–	–	–110,605	–
–	–	–	–	–	–	217
–16,410	**1,673**	**–6,225**	**–4,574**	**48,780**	**28,014**	**1,085,249**

(36) CASH FLOW STATEMENT

(in T €)	FY 2001	SFY 2000
Consolidated net income for the year	138,623	12,296
Write-downs (+) / write-ups (–) on fixed assets	210,255	50,271
Other non-payment-related expenses (+) / income (–)	–80,982	2,379
Interest expenses	111,482	29,224
Profit (–) / loss (+) on the disposal of fixed assets	–11,157	1,090
Increase (–) / decrease (+) in inventories	–16,971	–98,872
Increase (–) / decrease (+) in trade receivables and other assets not attributable to investment or financing activities	–39,286	55,317
Increase (+) / decrease (–) in provisions	–239,018	–57,304
Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	44,160	141
Cash flow from operating activities	**117,106**	**–5,458**
Payments received from the disposal of fixed assets	24,636	158
Payments made on investments in intangible and tangible fixed assets	–274,650	–50,767
Payments received from the disposal of financial assets	9,438	191
Payments made on investments in financial assets	–22,137	24,092
Cash flow from investment activities	**–262,713**	**–26,326**
Payments received (+) / made (–) due to the repurchase of own shares	33,386	–3,478
Inflow of funds resulting from changes to the group of consolidated companies	–	563,192
Dividend payments	–32,816	–
Payments received resulting from the issue of shares and take-up of loans	37,549	5,060
Repayments of bonds and redemption of loans	–32,517	–170,173
Interests paid	–14,280	–4,172
Cash flow from financing activities	**–8,678**	**390,429**
Cash and cash equivalents available at the beginning of the period	380,954	22,309
Variation in cash and cash equivalents	–154,285	358,645
Cash and cash equivalents available at the end of the period	**226,669**	**380,954**

(37) SEGMENT REPORTING/PRIMARY SEGMENT

(in T€)	Steel		Trading		Services	
	FY 2001	SFY 2000	FY 2001	SFY 2000	FY 2001	SFY 2000
Sales	2,239,575	449,826	1,909,870	428,347	546,671	139,368
Sales in own segment	375,615	–	23,485	3,798	7,857	4,068
Sales to other segments	467,329	109,410	9,701	2,102	322,276	78,293
External sales	1,396,631	340,416	1,876,684	422,447	216,538	57,007
Income from ordinary activities	30,085	24,998	18,547	–2,826	12,784	3,445
Thereof from associated companies	–	–	4,626	–460	–	–
Interest income	3,035	3,503	5,189	1,138	7,646	3,023
Interest expenditure	39,990	12,970	23,247	4,998	10,525	2,759
Operating assets per segment	1,603,446	1,626,632	655,226	536,408	296,636	178,539
Thereof shares in associated companies	–	–	4,962	8,483	–	–
Thereof inventories	392,484	387,226	211,099	189,165	41,382	37,744
Operating liabilities per segment	952,016	759,908	566,759	488,014	237,343	211,364
Investments in tangible and intangible fixed assets	196,510	32,488	8,888	2,467	20,970	2,725
Write-downs on tangible and intangible fixed assets	141,642	36,547	11,339	2,332	11,963	2,767
Non-payment-related income and expenditure	–33,903	21,636	–11,058	1,626	28,174	5,716
Employees (annual average)	7,013	7,234	2,017	1,695	3,713	3,631

(37) SEGMENT REPORTING BY REGIONS

(in T€)	Germany		EU (excluding Germany)	
	FY 2001	SFY 2000	FY 2001	SFY 2000
External sales by recipients	2,124,827	524,603	1,100,886	212,008
External sales by company headquarters	4,150,366	954,831	190,184	40,380
Investments in tangible and intangible assets	279,949	46,398	3,362	791
Segmental assets	3,845,179	3,214,705	196,705	108,229
Segmental liabilities	2,521,224	2,188,039	109,861	53,454
Depreciation and amortization	200,875	48,903	4,594	1,025
Employees (annual average)	16,902	16,434	469	406

Processing		Tubes		Consolidation/others		Group	
FY 2001	SFY 2000	FY 2001	SFY 2000	FY 2001	SFY 2000	FY 2001	SFY 2000
131,882	31,426	1,167,562	172,617	–	–	5,995,560	1,221,584
–	–	161,827	–	–	–	568,784	7,866
13,869	4,175	20,563	1,333	–	–	833,738	195,313
118,013	27,251	985,172	171,284	–	–	4,593,038	1,018,405
–2,333	442	101,872	–1,466	–634	9,280	160,321	33,873
–3,007	–132	88,645	30,028	–6,527	–	83,737	29,436
28	11	37,414	8,361	–28,889	–6,646	24,423	9,390
2,472	316	63,808	15,262	–28,560	–7,081	111,482	29,224
222,968	168,432	1,780,350	868,810	–447,105	–	4,111,521	3,378,821
–	9,472	476,402	407,299	–	–	481,364	425,254
31,292	30,047	202,967	107,558	–	4,314	879,224	756,054
58,422	37,238	1,395,590	1,164,191	–539,095	–388,589	2,671,035	2,272,126
18,056	3,638	39,926	7,987	360	–	284,710	49,305
10,619	2,181	33,268	6,399	1,550	45	210,381	50,271
8,595	888	–35,339	–3,615	–37,451	–23,872	–80,982	2,379
562	565	4,260	3,960	99	–	17,664	17,085

Rest of Europe		America		Other regions		Group	
FY 2001	SFY 2000	FY 2001	SFY 2000	FY 2001	SFY 2000	FY 2001	SFY 2000
338,612	65,486	395,044	65,463	633,669	150,845	4,593,038	1,018,405
24,866	717	227,622	22,477	–	–	4,593,038	1,018,405
194	717	1,205	1,399	–	–	284,710	49,305
12,721	10,464	56,916	45,423	–	–	4,111,521	3,378,821
12,393	8,389	27,557	22,244	–	–	2,671,035	2,272,126
4,399	187	513	156	–	–	210,381	50,271
179	159	114	86	–	–	17,664	17,085

ANALYSIS OF FIXED ASSETS (AT DECEMBER 31, 2001)

(in T€)	Acquisition and production costs						
	1/1/2001	Currency differences	Changes to cons. Group	Additions	Disposals	Transfers	31/12/2001
Intangible fixed assets							
Goodwill/negative goodwill from capital consolidation	–377,038	–	4,228	–3,197	–	–	–376,007
Concessions, industrial property rights and similar rights and assets, including licenses on such rights and assets	60,024	64	2,462	5,987	2,639	817	66,715
Goodwill	72	–	–	9	–	–	81
Payments on account	953	–	15	170	–	–817	321
	–315,989	64	6,705	2,969	2,639	–	–308,890
Tangible fixed assets							
Land, land rights and buildings, including buildings on land owned by others	874,497	706	22,211	17,921	26,645	19,701	908,391
Technical plant and machinery	3,341,797	1,929	81,860	162,884	106,546	90,846	3,572,770
Other equipment, operating and office equipment	197,519	203	9,847	19,345	18,158	1,090	209,846
Payments on account and assets in course of construction	123,383	250	1,903	78,395	2,763	–111,637	89,531
	4,537,196	3,088	115,821	278,545	154,112	–	4,780,538
Investments							
Shares in affiliated companies	93,571	18	1,821	34,814	14,245	–19	115,960
Loans to affiliated companies	–	–	–	191	–	–	191
Participating interests	59,507	–	33,502	24,037[2]	2,523	3,853	118,376
Loans to undertakings in which the company has a participating interest	562	–	–	–	–	–	562
Securities held as long-term investments	–	–	87	1	–	–	88
Other loans	22,219	–	749	587	2,143	–	21,412
	175,859	18	36,159	59,630	18,911	3,834	256,589
Associated companies							
	425,255	–4,309	–	80,780	20,362	–	481,364
	4,822,321	–1,139	158,685	421,924	196,024	3,834	5,209,601

[1] Liquidation of accrued differences arising from capital consolidation
[2] Including adjustments for the current value of financial assets

Value adjustments								Book values	
1/1/2001	Currency differences	Changes to cons. Group	Write-ups in the the financial year	Write-downs in the financial year	Disposals	Transfers	31/12/2001	31/12/2001	31/12/2000
–15,820	–	–	56,929[1)]	3,488	–	–	–69,261	–306,746	–361,218
42,255	27	1,733	143	8,086	1,942	–	50,016	16,699	17,769
45	–	–	–	19	–	–	64	17	27
–	–	–	–	–	–	–	–	321	953
26,480	27	1,733	57,072	11,593	1,942	–	–19,181	–289,709	–342,469
539,904	413	3,398	–	19,479	25,275	–	537,919	370,472	334,593
2,515,254	1,150	46,324	–	160,289	103,325	–	2,619,692	953,078	826,543
160,212	167	3,551	–	19,020	16,424	–	166,526	43,320	37,307
–	–	–	–	–	–	–	–	89,531	123,383
3,215,370	1,730	53,273	–	198,788	145,024	–	3,324,137	1,456,401	1,321,826
55,413	–	–	–	12	10,210	–	45,215	70,745	38,158
–	–	–	–	–	–	–	–	191	–
5,089	–	1	–	5	30	–	5,065	113,311	54,418
562	–	–	–	–	–	–	562	–	–
–	–	–	–	–	–	–	–	88	–
11,340	–	–	1	–	282	–	11,057	10,355	10,879
72,404	–	1	1	17	10,522	–	61,899	194,690	103,455
–	–	–	–	–	–	–	–	481,364	425,255
3,314,254	1,757	55,007	57,073	210,398	157,488	–	3,366,855	1,842,746	1,508,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SALZGITTER AG FOR THE FISCAL YEAR (FY) FROM JANUARY 1 TO DECEMBER 31, 2001

Accounting Principles

The consolidated financial statement of Salzgitter AG was prepared in accordance with the accounting priciples of the International Accounting Standards Board (IASB) applicable on the balance sheet target date and based on the principle of historical acquisition costs. The requirements of the applied standards and interpretations (SIC) were satisfied without exception and convey a true and fair view of the assets, financial position and earnings situation of the Salzgitter Group.

The prerequisites for exemption from the requirement that a consolidated financial statement be prepared in accordance with German accounting principles (§ 292 a of the German Commercial Code [HGB]) have been fulfilled. The assessment of these prerequisites is based on German Accounting Standard No. 1 (DRS 1) published by the German Accounting Standards Committee. Any data and/or explanations which go beyond IASB regulations are also presented in order to achieve equivalence with consolidated financial statements prepared in accordance with the provisions of commercial law. Salzgitter AG thus satisfies the conditions for exemption from the obligation to prepare a consolidated financial statement in accordance with commercial code.

The consolidated financial statement shall be disclosed and deposited with the Commercial Register at Gifhorn Local Court under HRB 11047. The Salzgitter AG company entered in the Commercial Registry at Gifhorn Local Court maintains its headquarters in Peine. The address of the Managing Board of Salzgitter AG is Eisenhüttenstraße 99, 38239 Salzgitter.

Salzgitter AG has adapted its financial year in order for it to correspond to the calendar year in accordance with the resolution adopted by the Extraordinary General Meeting of Shareholders on December 20, 2000. The period from October 1 to December 31, 2000 formed a short fiscal year. As a result of the different reporting period, a comparison with the figures of the preceding abridged fiscal year is only possible in part.

In order to make the representation more comprehensible, individual positions have been grouped in the balance sheet and in the statement of income and shown separately in the notes. The Annual Financial Statement was prepared in Euro.

Application of the IAS has resulted in the following substantial deviations from the balance sheet and valuation methods previously used in a consolidated financial statement prepared in accordance with German commercial law as of December 31, 2001:

- Capitalization and regular depreciation of reportable goodwill treated as income from the acquisition of consolidated subsidiary companies in the financial years starting from January 1, 1995 as specified in SIC 8.

- Valuation of assets acquired free of charge.

- Accounting for existing leasing arrangements according to an economic approach within the meaning of IAS 17.

- Basic accounting at current market values in accordance with IAS 39.

- Revaluation into individual values in accordance with the standard valuation of assets as permitted by German commercial law.

- Retroactive conversion of regular write-offs of items belonging to tangible fixed assets as of the time of acquisition or manufacture from the declining balance method of depreciation applied thus far to the straight-line amortization method, as well as the simplification method for a proportionate period of time.

- Largely fiscal service lives were adjusted to the relevant economic circumstances.

- Retroactive elimination of write-offs that were formed exclusively because of tax regulations.

- Valuation of pension reserves in accordance with the Projected Unit Credit Method as specified in IAS 19, while taking future salary and pension increases as well as the new mortality tables into consideration.

- Balancing of reserves only insofar as liabilities vis-à-vis third parties are involved.

- Accounting for estimated savings on income tax from losses brought forward from previous accounts which can be expected to be realized in the future. In contrast to the income-oriented method as specified in the German Commercial Code, IAS 12 is based on a balance sheet-oriented approach.

For initial accounting and valuation in accordance with the provisions of IAS 39 “Financial Instruments: Recognition and Measurement” as of January 1, 2001, adjustment of the accounting and valuation method does not affect net income in favor of or to the detriment of retained earnings. Through this conversion the balance sheet continuity of the amounts stated as of January 1, 2001 with those of the Annual Financial Statements as of December 31, 2000 has been interrupted.

Consolidation Principles and Methods

The consolidated financial statements are based on the financial statements of Salzgitter AG and the integrated subsidiary companies prepared in accordance with the accounting and valuation methods applied in a uniform manner throughout the Group and certified by independent auditors.

The consolidated financial statement includes all of the major companies in which Salzgitter AG is capable of directly or indirectly determining the financial and business policy thereof in such a way that the companies in the Salzgitter Group are able to benefit from the activities of these companies. These companies are included in the consolidated financial statement as of the period when the Salzgitter Group is provided with the possibility of control. If this possibility is no longer given, then the corresponding companies are excluded from the group of companies being consolidated.

Capital consolidation is carried out by netting the aquisition costs with the proportionate amount of the newly valuated equity capital at the time when the subsidiary company was purchased. The resulting capitalized differences from acquired companies since October 1, 1995 are capitalized as goodwill and, as a rule, written off regularly on a straight-line basis as net income over a period of 10 years. Negative differences resulting from capital consolidation are absorbed as scheduled. Differences from subsidiary companies acquired prior to this time period are offset with the earnings revenues. With the exception of the goodwill at the time of acquisition, deferred taxes are shown for the differences vis-à-vis the tax balance sheet which result from adjustment in the accounting and revaluation of the German subsidiary companies.

A resulting negative difference is absorbed in accordance with the 3-step concept as specified in IAS 22.59 ff. Afterwards, as the anticipated negative difference arising from future expenses and losses arises, an equivalent sum is taken to income as other operating income. The then remaining difference is taken to income in the amount of existing non-monetary depreciable assets over the period of their average weighted remaining useful life. If there continues to be a difference, it will then be shown directly at the time of initial consolidation.

In the process of finalizing consolidation to arrive at the current-period result, the results achieved by the subsidiary companies during the relevant period for which they are being integrated are brought into line with the results reported in the annual accounts of the parent company. In the event that the exclusion of associates from the group of consolidated companies leads to a deduction of goodwill acquired prior to October 1, 1995, any past set-off against retained earnings is terminated.

Subsidiaries not included in the consolidated financial statement are also summarized for the purpose of illustrating the subordinate assets, financial and earnings situation. Shares in associated, non-consolidated companies are, as a rule, shown in the consolidated balance sheet at current value.

In the case of assets and obligations denominated in foreign currency, the cost of acquisition is on principle to be reported at the exchange rate applying on the period-end date at which the acquisition was realized. As a rule, rates are hedged.

According to IAS 20, subsidies are not shown on the balance sheet until the requisite conditions of entitlement are fulfilled and it is to be expected that the subsidies will indeed be granted. On principle, asset-related subsidies are reported as a deduction from the cost of acquisition/manufacture. Insofar as any earnings-related subsidy relates to future financial years, it is accordingly apportioned to the relevant accounting periods and the element relating to future periods included among prepaid and deferred items.

In accordance with IAS 39, financial assets are first recorded at cost of acquisition.

Derivative financial instruments are subsequently reported at current value, even where this exceeds the acquisition cost. The opportunities and risks arising from the valuation of financial instruments employed to secure future cash flows (cash flow hedges) are declared separately under the heading of equity. By contrast, opportunities and risks arising from the valuation of derivatives employed as security for assets (fair value hedges) are recorded with immediate effect on the current-period result.

Subsequent to being reported for the first time, securities and significant financial participations which constitute financial instruments are thereafter shown at current value. Changes in current value are reflected directly under the heading of equity.

Receivables and liabilities are recorded at amortized costs.

Financial liabilities, with the exception of liabilities held for trading purposes, as well as derivative liabilities are valued at amortized costs.

Financial instruments are capitalized as of the date of maturity.

In accordance with IAS 31.2, a joint venture may be considered to exist if two or more partners are engaged in conducting a business activity under joint control. Whereby control constitutes the possibility of determining the business and financial policy embodied in the activity for the purpose of deriving a benefit therefrom. Joint control is defined as the contractually agreed division of control over a business activity. Following the benchmark method, joint venture companies pursuant to IAS 31.25 are included in the consolidated financial statement on a pro rate basis.

Interests in companies wherein the Salzgitter Group is able to exercise a definitive influence over financial and business policy decisions are valued in the consolidated financial statement following the equity method. The times of admission into and departure from the consolidated group of companies valued by the equity method are determined by application of the same principles applying to subsidiary companies. Insofar as any significant differences arise in relation to the book value method, associated companies are reported using the purchase method of accounting, on the basis of the time of acquisition and pro rata equity interest. The equity valuation is on principle based in each case on the latest audited annual or interim financial statement; none of these statements being more than twelve months in the past.

Third-party interests in consolidated companies are shown separately from SZAG stockholders' equity.

In accordance with IAS 12 (revised 2000), deferred taxes are calculated by the balance sheet-oriented liability method. Tax relief and charges which are likely to arise in future are recognized with respect to temporary differences between the book values shown in the consolidated financial statement and the values attributed to assets and liabilities for tax purposes.

Anticipated tax savings resulting from the use of losses carried forward which are expected to be realized in the future are capitalized. In valuing capitalized assets for the purpose of future tax relief, consideration is given to the probability of the expected tax benefit being realized. Consideration is similarly given to future profit distribution patterns.

Assets deriving from future tax relief include capitalized deferred taxes with respect to temporary differences between book values stated in the consolidated balance sheet and values attributed for tax purposes, as well as tax savings resulting from losses carried forward which are expected to be realized at a future date. Deferred tax rebate claims in a particular area of fiscal jurisdiction are netted with deferred tax liabilities in the same area, insofar as the maturity patterns correspond.

Group-internal sales revenues, expenses and earnings, as well as receivables and liabilities between integrated companies are eliminated.

Interim profits deriving from internal supplies and performances – where not of subordinate significance – are adjusted for deferred taxes. Internal supplies and performances are subject to customary market terms.

Details of the principal direct and indirect subsidiaries and participating interests held by Salzgitter AG are listed in a separate appendix to these notes. A complete schedule of investment holdings is filed with the Amtsgericht [Local Court] in Gifhorn under the reference HRB 11047.

Scope of Consolidation

Apart from the annual financial statements of the parent company, the consolidated financial statement also includes the annual financial statements of the 29 domestic and 12 foreign associated companies prepared for the same balance sheet cut-off date.

Five domestic and five foreign joint ventures are included on a proportionate basis in the consolidated financial statement (as specified in IAS 31 Financial Reporting of Interests in Joint Ventures – revised 1998) in accordance with the pro rata consolidation procedure.

Because of the proportionate share in the respective company the following assets, debts as well as expenses and income items (without investment earnings, net interest and tax income) are attributable within the Group:

(in € mil.)	FY 2001	SFY 2000
Fixed assets	293	66
Current assets	568	88
Provisions	116	29
Liabilities	461	74
Income	539	61
Expenses	505	69

In accordance with the equity method, one domestic and seven foreign shareholdings on which Salzgitter AG and/or another associated company exercises a decisive influence are also included in the consolidated financial statement.

A total of 31 domestic and 32 foreign subsidiaries have not been consolidated as a result of the overall insignificant role which they play for the net worth, financial and earnings situation of the Group.

Composition and development of the group of companies being consolidated (without Salzgitter AG) and the group of companies which have been valuated based on equity accounting:

	Status as of Dec. 31, 2000	Additions	Disposals	Status as of Dec. 31, 2001
Consolidated subsidiary companies	28	13	–	41
Thereof domestic	22	7	–	29
Thereof foreign	6	6	–	12
Joint ventures	2	8	–	10
Thereof domestic	2	3	–	5
Thereof foreign	–	5	–	5
Associated companies	11	2	5	8
Thereof domestic	2	–	1	1
Thereof foreign	9	2	4	7

With five domestic subsidiary companies alone, the additions to the group of companies being consolidated were accounted for by spinning off the steel companies from Salzgitter AG.

The new organizational structure of the Salzgitter Group became effective as of July 1, 2001. At the highest level Salzgitter AG functions as a management holding. At the same time, the operating units of Salzgitter AG were spun off into independent limited companies as of July 1, 2001.

MRW AG took over the one-third stake in the stainless steel pipe manufacturer DMV Stainless B.V. held by Dalmine SpA (Italy). MRW now holds 2/3 of the shares in DMV Stainless. As a result of the takeover, one domestic and five foreign subsidiaries will be fully consolidated into the company for the first time. The DMV Stainless Group had still been accounted for as an associated company in the Annual Financial Statement of the short financial year.

In addition, a 50% stake in Universal Eisen- und Stahl GmbH, Neuss was acquired in financial year 2001. UES was also included as an associated company in the consolidated financial statement for the short financial year. UES Universal Eisen- und Stahl GmbH, Neuss and the 100% subsidiary Universal Ocel spol. s.r.o., Prague are fully consolidated for the first time in financial year 2001.

The contracts signed at the end of December 2000 for a 50% participation on the part of Salzgitter AG in the Robert Group in France became effective on January 30, 2001. Robert S.A.S., Le Thillay, will be incorporated into the consolidated financial statement as a joint undertaking on a proportionate basis, while the subsidiaries Le Feuillard S.A., Senlis, and Tolcolor S.A., Le Thillay, will be included as associated companies. The other additions to the Group joint ventures involve the Eupec Group.

Balance in € mil. as of Dec. 31, 2001	Before changes in group of companies being consolidated	After changes in group of companies being consolidated	Change
Goodwill/negative goodwill from capital consolidation	–306.6	–306.7	–0.1
Tangible assets	1,390.1	1,456.4	66.3
Financial assets	192.7	194.7	2.0
Inventories	774.0	879.2	105.2
Cash and cash equivalents	207.6	226.7	19.1
Pension provisions	1,522.8	1,534.5	11.7
Other provisions	394.6	412.9	18.3
Liabilities to banks	98.3	177.9	79.6
Income statement financial year 2001			
Sales	4,418.9	4,593.0	174.1
Cost of materials	2,985.5	3,085.1	99.6
Personnel expenses	813.7	843.0	29.3
Income from associated companies	87.4	83.7	–3.7
Income from ordinary operations	147.5	160.3	12.8
Taxes	14.3	16.0	1.7

Currency Conversion

In the individual annual financial statements of the various companies business transactions were valued in the foreign currency at the exchange rate prevailing at the time of initial entry and foreign exchange transactions at the respective market price on the reporting date. Exchange losses incurred due to the valuation of accounts receivable and/or liabilities as of the balance sheet cut-off date are taken into consideration. Profits and losses from changes in the exchange rate are taken to profit and loss.

The annual financial statements of the foreign subsidiaries are converted into Euros in accordance with the concept of functional currency. Since, from the point of view of Salzgitter AG, all of these companies are generally independent in the execution of their business in financial, economic and organizational terms, the respective functional currency corresponds to the currency of the country in which these companies are incorporated. Net assets and debts are converted at the rate prevailing on the reporting date; the positions of the income statement and thus the results for the year shown in the income statement are converted at the annual average exchange rate.

A corresponding approach is employed when converting equity rollover for foreign companies reported in accordance with equity accounting. Differences vis-à-vis the conversion of the previous year are offset against retained earnings. Goodwill is accounted for as net assets in the reporting currency. Expense and earnings items are converted with annual average rates, while changes in reserves are converted at the rate prevailing on the reporting date.

The rates of exchange which serve as the basis for currency conversion have developed as follows:

Foreign currency per 1 €	Balance-sheet date		Annual average rate	
	31/12/2001	31/12/2000	FY 2001	SFY 2000
Canadian dollar	1.41	1.39	1.39	1.32
US dollar	0.88	0.93	0.90	0.88
Czech crown	31.96	35.05	34.07	34.89
British pound	0.61	0.62	0.62	0.60

Accounting and Valuation Principles

Independent of the respective tax regulations, the annual financial statements of the subsidiary companies included in the Salzgitter Group are prepared in accordance with uniform accounting and valuation principles and the rules given by the IASB.

Sales and other operating revenue are recorded when performance has been rendered or assets have been furnished and thus passage of the risk has taken place.

Dividends are collected when the respective claim has been legally accrued, interest payments and interest income are reported on a prorated basis. Within the scope of the changes to the group of companies being consolidated, acquired dividend claims were entered without affecting the operating result in the context of capital consolidation.

Net assets are capitalized if the Salzgitter Group is entitled to all of the essential opportunities and risks associated with the respective use. Assets are valued at the net acquisition or manufacturing costs. Financial charges are not capitalized.

Development costs are capitalized if a newly developed product or procedure can be clearly defined, is technically feasible and either the company's own use or marketing is intended. Moreover, capitalization presupposes that development costs will, with sufficient probability, be covered by future supplies of money. As of December 31, 2000 and December 31, 2001 there were no substantial development costs within the Salzgitter Group which satisfied these prerequisites. Research costs are shown as expenses.

The value of the respective book value of all intangible assets (including capitalized development costs and goodwill) and all tangible fixed assets are reviewed at the end of each financial year. An unscheduled write-off is carried out insofar as the recoverable amount of the assets in question falls below the book value. A write-up is carried out if the reason for an unscheduled write-off no longer exists.

The shares in non-consolidated affiliated companies shown under the financial assets and the other interests held by the company are reported at current values. The shares of associated companies accounted for according to the equity method are balanced with the proportionate equity capital plus goodwill. Interest-free or low interest loans are, as a rule, valuated at the cash value and other loans are shown at the nominal value.

Inventories are shown at acquisition and/or manufacturing costs. Valuation of inventories is generally carried out in accordance with the last in, first out principle. The manufacturing costs include full costs; they are determined on the basis of normal activity. In detail the manufacturing costs also include, apart from directly attributable costs, the production-related material and manufacturing overhead costs including production-related write-offs and retirement pension costs. Outside capital costs are not capitalized as part of the acquisition or manufacturing costs. Inventory risks which result from diminished usability are taken into account with the appropriate reductions in value. Lower values are shown at the balance sheet cut-off date because of the decline in net realizable values. If the net realizable value has increased in the case of previously devalued inventories, then the resulting increase in valuation is shown as a reduction in material costs.

All recognizable storage and inventory risks are taken into account by the suitable application of value adjustments.

The finished and unfinished products as well as in-plant generated raw materials are valued with Group manufacturing costs which, in addition to direct costs, also include write-offs and proportionate shares of the required overhead costs.

Receivables and other assets are balanced at their nominal amount. Value discounts were made for recognizable individual lending risks, the general credit risk is taken into appropriate account on the basis of empirical values.

Reserves for pensions and similar obligations are calculated in accordance with the projected unit credit method. With the projected unit credit method not only are pensions and acquired claims taken into consideration, but also the increases in salaries and pensions that may be expected in the future. The expense connected with the length of service is shown as personnel expenses, and the share of interest in reserves provisioning is shown as net interest income. Included are actual profits or losses which arise out of the difference between expected and individually occurred risks. Provisioning for specific pension obligations does not take account of the actuarial profits and losses within the limits determined by IAS 19 (+/– 10% of the projected unit credit). Amounts which exceed the 10% range are calculated proportionately over the residual length of service of the active workforce and accordingly taken to reserves for pension commitments.

Provisions are formed for contingent obligations vis-à-vis third parties, the occurrence of which would probably burden Group assets. They are shown at the prospective amount of performance, while taking all of the resulting recognizable risks into consideration, and not offset against claims for indemnification. Reserves are formed only if they are based on a legal or de facto obligation vis-à-vis third parties.

All long-term reserves are reported with their discounted performance amount as of the balance sheet cut-off date.

Liabilities are reported with the repayment amount.

Explanations Regarding the Income Statement

(1) Sales

(in T €)	FY 2001	SFY 2000
Breakdown according to segments		
Flat rolled products	1,947,668	503,032
Sections	909,486	159,347
Pipes	1,227,327	213,119
Other	508,557	142,907
	4,593,038	1,018,405
Breakdown according to regions		
Domestic	2,124,827	524,603
Other EU	1,100,886	212,008
Other Europe	338,612	65,486
America	395,044	65,463
Other	633,669	150,845
	4,593,038	1,018,405

Sales proceeds are reported when the service has been rendered and/or the goods or products have been supplied.

The breakdown according to segments does not correspond to the reporting by segment.

(2) Increase or Decrease in Finished Goods and Work in Progress and Other own Work Capitalized

(in T €)	FY 2001	SFY 2000
Changes in inventory of finished and unfinished products	48,111	51,915
Own work capitalized	7,801	1,145
	55,912	53,060

(3) Other Operating Income

(in T €)	FY 2001	SFY 2000
Insurance compensation	8,413	16,437
Reversal of provisions and allowances	31,530	24,680
Rental, leasing and licensing income	5,427	969
Amortization of differences resulting from capital consolidation	56,930	14,130
Distributed costs	4,419	282
Income from disposal of fixed assets	29,440	470
Reimbursement of previous years	2,166	44
Change in value IAS 39	4,208	–
Ancillary operating income	9,900	2,714
Income from changes exchange rates	2,582	795
Subsidies	2,658	849
Income from amortized receivables/liabilities	2,677	488
Other income	34,815	1,800
Other operating income	**195,165**	**63,658**

The insurance reimbursements of financial year 2001 primarily include the payment of balances due as a result of the two fires at Salzgitter AG in the year 2000.

Other operating income includes income unrelated to the accounting period in the amount of € 64 million (previous year: € 17 million), derived essentially from liquidation of non-recurrent obligations, income from disposal of assets, insurance remunerations and reimbursements of costs for previous years.

(4) Costs of Materials

(in T €)	FY 2001	SFY 2000
Costs for raw materials, consumables, supplies and purchased goods	2,705,112	616,687
Costs for purchased services	380,011	94,882
Costs of materials	**3,085,123**	**711,569**

The costs for raw materials, consumables and supplies primarily include expenditures for materials used, consumables and supplies, spare parts and plant devices.

The costs for purchased services essentially involve energy, wage labor and transport costs.

The procurement markets were not uniform; there were substantial price increases in several segments. Price increases in the raw materials and energy segment served to increase overall costs. The high price of the USD contributed substantially to increasing the price of raw materials dependent on the USD. The prices in the other materials and service purchasing segments essentially remained stabile.

(5) Personnel Expenses

(in T €)	FY 2001	SFY 2000
Wages and salaries	683,311	165,077
Social security and costs for pension commitments and support	159,659	47,152
Thereof pension commitments	[70,687]	[13,257]
Personnel expenses	**842,970**	**212,229**

Expenses in the amount of € 11.1 million (previous year: € 11.6 million) are shown as additions to pension provisions. In financial year 2001 the total of payments to defined contribution plans in the Salzgitter Group amounted to € 59.6 million (previous year: € 16.5). The additions to reserves only include current pension costs for employee performance in the financial year under review. The costs for retirement pensions do not include the accrued interest of the pension reserves which are shown under net interest income.

No costs that are unrelated to the accounting period are included in the personnel expenses (previous year: € 2.2 million).

Average annual number of employees	FY 2001	SFY 2000
Non-salaried employees	12,002	11,641
Salaried employees	5,662	5,444
Group employees	**17,664**	**17,085**

With the same Group structure there would have been 673 more employees in the previous year.

(6) Depreciation

Depreciation of tangible and intangible assets was offset as scheduled and is shown in the Analysis of fixed assets.

Taking the strategic significance of the respective company acquisitions into consideration as well as other factors that influence the respective service life, the scheduled write-off of goodwill from the acquisition of consolidated subsidiary companies is carried out by applying the straight-line method of depreciation over a period of 10 years.

Unscheduled write-downs were carried out if the use derived from the asset was lower than its book value. The use derived from an asset corresponds to the higher value from net sales revenue and income value. The income value is determined by the cash value of future cash flows attributable to the asset.

(in T €)	FY 2001
Intangible assets	45
Real estate and equivalent titles including buildings on third-party real estate	2,148
Technical plants and machinery	1,789
Other operating and office equipment	289
Financial assets	12
Extraordinary depreciation	**4,283**

The total extraordinary depreciation in the previous year involved financial assets in the amount of € 0.8 million.

(7) Other Operating Expenses

(in T €)	FY 2001	SFY 2000
External services including provisioning	226.917	59.283
Expenses for distribution	171.886	39.626
Administrative expenses including cost of insurance, fees, charges, contributions	60.729	14.549
Advertising/information and travel expenses	22.600	4.150
Rents and leases	16.138	3.179
Allowances for doubtful accounts	24.349	1.492
Expenses from value adjustments as in IAS 39	5.332	–
Other costs	17.028	15.429
Other operating expenses	**544.979**	**137.708**

The other operating costs include costs that are unrelated to the accounting period in the amount of T€ 9,516 (previous year: T€ 13,869).

The costs for rents and leases include contingent rents of € 2.6 million (previous year: € 0.7 million).

(8) Income from Shareholdings

(in T€)	FY 2001	SFY 2000
Earnings from profit transfer agreements	1,716	482
Thereof affiliated companies	[1,508]	[482]
Income from shareholdings	1,282	1,523
Thereof affiliated companies	[168]	[–]
Expenses from the transfer of losses from affiliated companies	–	242
Income from shareholdings	**2,998**	**1,763**

(9) Income from Associated Companies

(in T€)	FY 2001	SFY 2000
Income from associated companies	83,737	29,436

The result from associated companies essentially derives from Vallourec & Mannesmann Tubes S.A., Boulogne-Billancourt, Vallourec S.A., Boulogne-Billancourt und Wescol Group plc. The results for Vallourec S.A. and Vallourec & Mannesmann Tubes S.A. are based on French GAAP. Adjustments were made in the area of reserves.

(10) Write-down of Financial Assets and Current Securities

(in T€)	FY 2001	SFY 2000
Write-down of financial assets	17	838

(11) Net Interest Income

(in T€)	FY 2001	SFY 2000
Income from long-term financial investments	987	108
Other interest earned and similar income	23,436	9,282
Thereof affiliated companies	[1,989]	[270]
Interest and similar expenses	–111,482	–29,224
Thereof to affiliated companies	[–1,775]	[–45]
Net interest income	**–87,059**	**–19,834**

The share of interest included as part of the additions to the pension reserves is accounted for in the interest payments with € 93.0 million (in the previous year: € 23.7 million).

(12) Taxes

(in T €)	FY 2001	SFY 2000
Taxes on income and profits		
Current tax expense/ tax income (±)	10,910	–17,217
Deferred tax expense/ tax income (±)	–988	34,768
	9,922	17,551
Thereof unrelated to the accounting period	[462]	[10,001]
Other taxes	6,103	3,686
Total	**16,025**	**21,237**

Taxes from income and revenue involve profit or loss on ordinary business activity after deduction of all other taxes. The German companies of the Salzgitter Group are subject to an average trade tax on income of approximately 17% of trade income, which is deductible when determining the corporate income tax. The corporate income tax rate amounts to a uniform 25% plus a solidarity tax on the corporate income tax of 5.5%. Deferred taxes for German companies are uniformly calculated with a tax rate of 39%. Deferred taxes for domestic companies were calculated with 43% in the previous year. Calculation of foreign income taxes is based on the laws and regulations that are valid in the individual countries.

The following deferred tax assets/liabilities are recognized with regard to the differences between reported book values and attributed tax valuations:

(in T €)	31/12/2001		31/12/2000	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	409	1,424	321	1,971
Tangible assets	19,017	170,074	16,673	164,390
Financial assets	358	9,376	42	9,087
Current assets	3,024	6,572	1,884	4,223
Pension reserves	44,492	1,344	44,272	357
Other provisions	17,705	8,213	14,377	11,889
Special item including reserves	–	23,348	–	31,765
Other items	3,272	461	1,471	1,275
Total	**88,277**	**220,812**	**79,040**	**224,957**

Composition of the advantages from losses brought forward from previous account:

(in T €)	31/12/2001	31/12/2000
Corporate income tax	32,142	42,335
Trade tax	8,305	7,587
Loss carryovers	**40,447**	**49,922**

Development of the capitalized tax saving from losses brought forward from previous account which may be realized in the future:

(in T €)	FY 2001	SFY 2000
Capitalized tax savings Jan. 1 (previous year: Oct. 1)	49,922	12,519
Changes to the group of companies being consolidated and currency adjustment	–	72,650
Use of losses brought forward from previous account	–13,847	–35,247
Capitalization of tax savings from loss carryovers	4,372	–
Capitalized tax savings December 31	**40,447**	**49,922**

Through the use of losses carried forward, deferred tax expenditures in the amount of € 13.8 million were incurred in the financial year, contrasted with deferred tax income of € 4.4 million from the capitalization of additional loss carryovers. As of December 31, 2001 a total of € 40.4 million were shown for future realizable losses brought forward from two domestic and two foreign subsidiaries.

Capitalization of potential tax savings for loss carryovers (a three-digit €-amount in the millions) at a consolidated company as of December 31, 2001 was dispensed with since the possibility of using these loss carryovers appears improbable in light of a general exemption from investment earnings as of the year 2002.

Because of insufficient value, no deferred taxes were capitalized for the loss carryovers of two companies which were consolidated for the first time.

Transition from expected to actual income tax expenses:

(in T €)	FY 2001	SFY 2000
Consolidated net income for the year before income tax	154,218	30,187
Expected income tax expenditure (tax rate 39 %; previous year 43 %)	60,145	12,980
Tax share for: Differences between tax rates	–2,106	–248
Tax-free income	–50,264	–9,954
Non-deductible tax expenditures Other permanent differences	2,652	342
Temporary differences and losses, for which no deferred tax was entered	–851	5,098
Tax rate modifications	–	–91
Tax expenditures and yields unrelated to the accounting period	462	10,001
Impact through controlling company position	–	–844
Other deviations	–116	267
Actual income tax expenses	**9,922**	**17,551**

The actual income tax expenses of € 9.9 million is by € 50.3 million lower than the expected income tax expenditure of € 60.1 million – in particular due to tax-free earnings – which would be the result if the domestic income tax rate were applied to the Group results for the year before taxes on earnings.

(13) Minority Interests

(in T€)	FY 2001	SFY 2000
Profit due to minority interests	5,673	341

The companies entitled to profits for the year include Hansaport Hafenbetriebsgesellschaft mbH, Hamburg, Mannesmannröhren-Werke AG, Mülheim an der Ruhr, Salzgitter Beteiligungsgesellschaft mbH, Braunschweig, und Hövelmann & Lueg GmbH & Co KG, Schwerte. Furthermore, the sub-group Mannesmann-röhren-Werke represents the shares of external share-holders by including the Eupec group for the first time.

(14) Earnings per Share

The undiluted earnings per share is determined in accordance with IAS 33 as the quotient of the group net profit to which shareholders of Salzgitter AG are entitled and the weighted average number of outstanding individual bearer share certificates during the financial year.

Dilution of the earnings per share occurs if the average number of shares is increased by adding the issue of potential shares from the options and conversion rights granted by Salzgitter AG. As a rule, options and conversion rights are diluting in their effect, insofar as the pre-requisites for conversion have been realized.

The share dilution effect of option rights which have not been exercised would be realized on the basis of a purchase price of € 12.10 per share. In the year under review the share price was constantly below the purchase price of € 12.10, so that no indication of a share dilution effect as a result of conversion rights is included in the year under review.

	Shares issued	Own shares	Shares in circulation
Beginning of financial year	62,400,000	4,110,203	58,289,797
Purchase of own shares		150,022	
Issue of own shares		–3,576,804	
End of financial year	62,400,000	683,421	61,716,579
Weighted number of shares	**62,400,000**	**1,634,281**	**60,765,719**

Cash earnings/share		FY 2001	SFY 2000
Consolidated net income for the year	in T€	144,296	12,636
Minority shareholders	in T€	5,673	341
Share of Salzgitter AG shareholders	in T€	138,623	12,295
Earnings per share	**in €**	**2.28**	**0.21**

Notes to the Consolidated Balance Sheet

(15) Goodwill from Capital Consolidation

The resulting differences carried as assets from capital consolidation for companies acquired before October 1,1995 are offset against retained earnings in accordance with SIC 8. Goodwill acquired since October 1, 1995 is capitalized and, using the straight-line method of depreciation, written down as scheduled and so as to affect the operating result over the respective economic service life.

Differences carried as assets and liabilities are netted under intangible assets. The addition of the difference carried as an asset refers to the proportionate acquisition of Robert et Cie S.A.S. and the Eupec Group. The addition of the negative difference essentially involves the initial consolidation of the DMV Group and Universal Eisen und Stahl GmbH, Neuss. Reversal is carried out as scheduled and in accordance with the weighted average remaining useful life of existing non-monetary depreciable assets between five and seven years.

The development of the differences resulting from capital consolidation is as follows:

Development of goodwill (in T €)	31/12/2001	31/12/2000
Opening balance hist. acquisition costs January 1 (previous year: October 1)	1,812	1,812
Addition	6,239	–
Closing balance hist. acquisition costs December 31	8,051	1,812
Opening balance value adjustments January 1 (previous year: October 1)	704	659
Depreciation current financial year	3,487	45
Closing balance value adjustments December 31	4,191	704
Book value December 31	**3,860**	**1,108**

Development of negative goodwill (in T €)	31/12/2001	31/12/2000
Opening balance hist. acquisition costs January 1 (previous year: October 1)	378,850	33,479
Addition	5,209	345,371
Closing balance hist. acquisition costs December 31	384,059	378,850
Opening balance value adjustments January 1 (previous year: October 1)	16,524	2,394
Reversal current financial year	56,929	14,130
Closing balance value adjustments December 31	73,453	16,524
Book value December 31	**310,606**	**362,326**

(16) Other Intangible Assets

The development of the individual positions of other intangible assets is shown in the analysis of fixed assets.

Other intangible assets acquired against payment are reported with their acquisition costs and depreciated on a straight-line basis over the period of their prospective economic service life.

Self-produced intangible assets are capitalized if it is probable that a reliable, appreciable use for the Group will be provided. The manufacturing costs of self-produced assets are determined on the basis of directly attributable direct costs as well as the appropriate surcharges for overhead costs and write-offs. As of December 31, 2001 the book value of capitalized self-produced intangible assets – which exclusively involved EDP software – amounted to a total of € 2.2 million (previous year: € 2.8 million).

Overall expenditures for research and development in the reporting period amounted to € 48.0 million (previous year: € 4.0 million).

Other intangible assets are written off over a period of five years maximum.

A write-up is carried out if the reasons for an unscheduled write-off in previous years no longer exists.

There are no substantial restraints on the right of disposal or property.

(17) Tangible Assets

The development of the individual positions of tangible fixed assets is shown in the analysis of fixed assets.

Breakdown of tangible assets by book values:

(in T €)	31/12/2001	31/12/2000
Land and buildings	370,472	334,593
Plant equipment and machinery	953,078	826,543
Other equipment, operating and office equipment	43,320	37,307
Equipment under construction	78,888	111,535
Payments made	10,643	11,848
Tangible assets	**1,456,401**	**1,321,826**

Tangible assets are valued at acquisition or manufacturing costs, less depreciation through use as well as scheduled and, in individual cases, special write-offs. Any investment grants received are shown as a reduction in the acquisition and manufacturing costs. If the reasons for an unscheduled write-off in previous years no longer exists, then corresponding reversals of depreciation are carried out.

The manufacturing costs of self-produced tangible assets are determined on the basis of direct costs as well as appropriate surcharges for overhead costs and write-offs. Financing expenses for the period of manufacture are not included.

Minor assets (acquisition and/or manufacturing costs of up to € 409.03 [DM 800]) are written off completely in the year of acquisition and shown as disposals.

The book values of the assets capitalized in accordance with IAS 17 “Leasing” can be found in the following table (in the previous year no assets were capitalized in accordance with IAS 17):

(in T €)	FY 2001
Buildings	3,670
Plant equipment and machinery	166
Other equipment, operating and office equipment	143
	3,979

The regular straight line depreciation is essentially based on the following economical service life:

	Useful life
Buildings	at least 40 years
Plant equipment and machinery	10 – 20 years
Car pool	maximum 5 years
Office and plant equipment	maximum 5 years

The costs of maintenance and repair for tangible fixed assets are charged as expenses. Renewal and maintenance expenses are capitalized as additional manufacturing costs if they result in a substantial extension of the service life, a substantial improvement or an important change in the use of the tangible fixed assets.

Substantial components of items comprising tangible fixed assets and which require replacement at regular time intervals are capitalized as independent assets and written off over the course of their economic service life.

Restraints on the right of disposal or property on the balance sheet cut-off date amounted to € 25.8 million (previous year: € 8.7 million).

Historical costs of tangible assets which have been completely depreciated, but are still in use:

(in T €)	31/12/2001
Land and buildings	220,861
Plant equipment and machinery	1,678,891
Other equipment, operating and office equipment	120,331
Historical acquisition costs of tangible assets	**2,020,083**

(18) Financial Assets

The development of the individual financial assets positions can be seen in the analysis of fixed assets.

Breakdown of financial assets:

(in T €)	31/12/2001	31/12/2000
Shares in affiliated undertakings	70,745	38,158
Loans to affiliated companies	191	–
Shareholdings	113,311	54,418
Long-term investments	88	–
Other loans	10,355	10,879
Financial assets	**194,690**	**103,455**

The increase in the shares in affiliated companies involves Salzgitter Antriebstechnik GmbH & Co KG, Crimmitschau, Salzgitter International Inc., Houston, and Telefonbau Marienfeld GmbH & Co KG, Essen. Moreover, capital increases were carried out at Salzgitter Magnesium-Technologie GmbH, Salzgitter, Salzgitter International Inc., Houston, Salzgitter Automotive Engineering Beteiligungsgesellschaft mbH, Wolfsburg, and Salzgitter Europlatinen GmbH, Salzgitter.

The change in investments (up by € 58.9 million) essentially involves the valuation of Steel Dynamics Holding Inc., Butler (first-time application of IAS 39).

The market value of the quoted financial assets (book value € 189.6 million; previous year € 179.9 million) at the balance sheet cut-off date amounted to € 208.1 million (previous financial year: € 187.2 million).

With regard to the other loans (€ 10.4 million; previous year: € 10.9 million), € 2.9 million (previous year: € 3.0 million) are attributable to the financing of warrant-linked bonds which were issued by Salzgitter AG to members of the board and leading staff members within the scope of the "Long-Term-Incentive-Plan". These loans which carried 5.0% interest per annum are exclusively used to finance the acquisition of the warrant-linked bonds of Salzgitter AG and are due for repayment in the year 2005 at the latest.

The remaining loans are almost exclusively attributable to housing loans made to staff.

(19) Associated Companies

(in T €)	31/12/2001	31/12/2000
Shareholdings in associated companies	481,364	425,255

Compared with the previous financial year, the amount reported for shares in associated companies "at equity" increased by T€ 56,109. The primary reasons for this consist in the positive results for the year of the associated enterprises and the addition of two companies. In contrast, the companies Universal Eisen und Stahl GmbH, DMV Stainless BV, EB Pipe Coating Inc. and Eupec PipeCoatings GmbH – fully consolidated for the first time – were fully consolidated for the first time, and the company Borusan Mannesmann Boru Yatirim Holding A.S. was shown under investments in the year under review.

(20) Inventories

(in T €)	31/12/2001	31/12/2000
Raw materials and supplies	252,442	200,672
Unfinished products	176,105	148,183
Unfinished performances	8,948	–
Finished products and goods	417,748	383,775
Advance payments made	23,981	23,424
Inventories	**879,224**	**756,054**

Raw materials and supplies and goods are valued at acquisition cost or net sales value.

Unfinished and finished products are valued at manufacturing cost, or net sales value where this is lower. The manufacturing costs include direct material and prime costs, special production costs and that portion of material and production overheads and amortization pertaining to production.

Financing costs for the period of production and company pension scheme costs are not included.

In the case of all inventories, individual write-downs have been made where the anticipated return on their sale or use is lower than the book value of the items concerned. The lower attributable value applied comprises the anticipated sales revenues less costs incurred up to the point of sale. In cases where the grounds for a devaluation of inventories no longer apply, the values are written up once again. In the period under review, this led to a write-up of € 6.1 million (previous year € 1.2 million).

The lifo method is applied as a rule for similar stock-in-hand assets. The reported value of inventories in accordance with the lifo method is some € 7.0 million (previous year € 14.3 million) lower than their value as measured on a replacement cost basis.

The book value of inventories reported at net sales value in the period under review amounted to € 177.0 million (previous year € 2.2 million). The variation is the result of valuing inventories in accordance with IAS 2.6 due to falling market prices.

(21) Trade Receivables

(in T €)	31/12/2001	31/12/2000
Due from third parties	655,343	577,502
Due from associated companies	25,051	17,416
Due from enterprises in which a participating interest is held	10,882	17,341
Trade receivables	**691,276**	**612,259**

Included among the receivables is a sum of € 4.5 million (previous year € 4.5 million) with a time to maturity of more than one year. Suitable write-downs have been made to accommodate all recognizable risks, the general risk, the credit risk as assessed on the basis of experience, and specific country risks.

(22) Other Receivables and Sundry Assets

(in T €)	31/12/2001	31/12/2000
Other receivables due from associated companies	56,026	21,046
Thereof loans	[5,747]	[4,736]
Thereof other receivables	[50,279]	[16,310]
Other receivables due from affiliates	5,625	21,235
Thereof loans	[3,184]	[3,597]
Thereof real estate sales	[–]	[9,716]
Thereof other receivables	[2,441]	[7,922]
Other receivables	**61,651**	**42,281**
Income tax refund claims (inc. other taxes)	50,923	40,276
Deferred interest	940	203
Advances on company pensions	4,852	2,899
Assets intended for sale	629	13,042
Age-related part-time working subsidies	6,019	5,115
Loans	746	2,694
Insurance claims	9,431	12,405
Other assets	28,378	20,041
Other assets	**101,918**	**96,675**
Other receivables and assets	**163,569**	**138,956**

Included among the other receivables and other assets is a sum of € 6.1 million (previous year € 1.3 million) with a time to maturity of more than one year.

In other receivables and assets there is an amount of € 6.0 million (previous year: € 5.1 million) which will become legally effective only after the balance sheet cut-off date.

Of the other receivables and other assets reported, some € 15.8 million is subject to significant restrictions on title or disposal.

The receivables from finance leasing included under this heading are composed as follows.

Receivables from finance leasing (in T €)	Residual time to maturity < 1 years	Residual time to maturity 1–5 years	31/12/2001 Total	31/12/2000 Total	Residual time to maturity < 1 year
Total gross investment	2,733	2,778	5,511	6,239	1,978
Unrealized financial income	577	227	804	889	282
Book value	**2,156**	**2,551**	**4,707**	**5,350**	**1,696**

These receivables essentially relate to the renting of communications technology systems to third parties.

(23) Cash and Cash Equivalents

(in T €)	31/12/2001	31/12/2000
Cash at banks	215,638	380,685
Checks, cash in hand and Bundesbank balances	935	269
Commercial paper	10,096	–
Cash and cash equivalents	**226,669**	**380,954**

At the time of acquisition the commercial papers had a residual maturity term of no more than three months.

(24) Capitalized Deferred Taxes

Insofar as it is likely that tax benefits will be realized, there is a duty to carry these as assets. Netting of deferred taxes is only possible where deferred tax assets and liabilities relate to the same tax authority.

The development in carryforwards on both the assets and liabilities sides is explained under No. 12.

(25) Prepaid Expenses

The prepaid expenses primarily include accruals for contributions, real property levies and motor vehicle taxes.

(26) Shareholders' Equity

The development in equity at the Salzgitter Group is illustrated in the statement of stockholders' equity.

(27) Subscribed Capital

By a resolution passed by the general meeting on March 16, 1999, the fully paid-up capital of the company was converted into Euro at the Euro-DM conversion rate of 1:1.95583 laid down by the European Commission. The capital amounts to € 159,523,066.93, equivalent to DM 312.0 million, and is divided into 62,400,000 bearer shares, each with a par value of € 2.56 (= DM 5.00).

More than 25% of the shares in Salzgitter AG are held by Hannoversche Beteiligungsgesellschaft mbH, of Hanover, a company controlled by the federal state of Lower Saxony. In a voluntary notification in accordance with Section 21 Clause 1 of the German Securities Trading Act [WpHG], Norddeutsche Landesbank Girozentrale advised us on June 12, 2001, that Nord/LB and its subsidiaries together account for a total of 21.2% of Salzgitter AG stock.

By a resolution of the general meeting dated April 23, 1998, provision was made for contingent capital of up to DM 10 million (following conversion, € 5,112,918.81) to allow the issue of option bonds.

As of December 21, 2001, the Managing Board had not availed itself of the authorization granted by the general meeting for such contingent increases in capital.

The option bonds comprise a 5% Salzgitter AG bond (with a term extending from 1998 to 2005) coupled with option rights conveying an entitlement to subscribe for Salzgitter AG stock.

As of the balance sheet cut-off date, the take-up of the bond amounted to € 3,639,886.90, divided into 7,119 units each of € 511.30 and each carrying 200 warrants; subscription is limited to Salzgitter Group management staff. Upon expiration of a qualifying period of 36 months, the option rights may be exercised subject to certain defined conditions being fulfilled. The following specified parameters must have been achieved:

- The share price must stand at a minimum of DM 27.23 (€ 13.92),
- The development in the Salzgitter AG share price must exceed that of a comparable index (composed of same-sector companies), and
- The member of staff must occupy a non-terminated position of employment with a Salzgitter Group member company.

In addition, in accordance with a resolution passed by the General Meeting of Shareholders on March 16, 1999, the nominal capital was conditionally increased by up to € 10,225,837.62 through the issue of up to 4,000,000 new shares made out to bearer. The purpose of this contingent increase is to facilitate the granting of option and conversion rights. It will only be implemented to the extent that use is made of the said option and conversion rights.

The Managing Board was authorized with the approval of the Supervisory Board on one or more occasions on or before March 15, 2004, to issue interest-bearing option and/or convertible bonds made out to bearer up to a total nominal value of € 50 million with a maximum term of ten years and to grant the holders of the said bonds option and conversion rights to new Salzgitter AG stock up to a total number of 4,000,000 shares.

As of Dec. 31, 2001, no use had yet been made of this authorization.

(28) Capital Reserve

Within the capital reserve (€ 287.5 million), some € 115.2 million is accounted for by a premium lodged on the occasion of an increase in capital on October 1, 1970. Other sums totaling € 111.2 million relate to reserves predating the merger of Ilseder Hütte with Salzgitter Hüttenwerke AG and lodged with the former Preussag Stahl AG, as well as a sundry difference payment made by the then principal shareholder dating from 1971/72.

As part of the divestiture agreement, certain assets were sold to Salzgitter AG by Preussag AG for the sum of DM 1.00 each. In accordance with IASB regulations, these assets have been recognized at their attributable values (€ 49.1 million) and differences allocated to the capital reserve.

(29) Retained Earnings

The retained earnings qualify within the meaning of the commercial law reporting regulations as 'other retained earnings'. They include allocations deriving from profits obtained in the financial year for consideration or from previous years and differences resulting from the currency conversion of the accounts of foreign subsidiaries, which contrast with capitalized differences arising from the capital consolidation of subsidiaries acquired up to September 30, 1995. The articles of incorporation of Salzgitter AG do not contain specified terms for the formation of reserves.

Included in the retained earnings are differences amounting to – € 16.4 million (previous year – € 7.1 million) resulting from currency conversions.

As of the balance sheet cut-off date, Salzgitter AG held 683,421 of its own shares (previous year: 4,110,203) with a notional total value of € 1,747,138.04, equating to 1.10 % of subscribed capital (previous year: € 10,507,567.12 = 6.59 %).

Of these, 529,897 shares were acquired pursuant to § 71, Para. 1, No. 8 AktG (as authorized by the general meeting on March 16, 1999), the transaction taking place in March 2000. Of the 3,847,331 of its own shares held at the beginning of the financial year which were acquired in accordance with the above-mentioned authorization, the company disposed of 3,317,434 shares with a total nominal value of € 8,480,885.35 (= 5.32 % of subscribed capital) to third parties at an average price of € 9.73. Where shares were disposed of other than in payment for corporate acquisitions and marketing services, the proceeds were applied to the financing of general business operations. As yet no use has been made of the authority to acquire shares pursuant to § 71, Para. 1, No. 8 AktG granted by the general meeting of December 20, 2000.

As of the period-end date, acquisitions for the employee share scheme pursuant to § 71, Para. 1, No. 2 AktG accounted for 153,524 shares. Of the 262,872 shares held at the start of the year, some 259,350 shares with a total nominal value of € 663,017.75 (= 0.42 % of subscribed capital) were distributed gratis as bonuses to Group employees and members of staff, with a further 20 shares granted as remuneration for suggested improvements. The remaining 3,502 shares were acquired in December 2000 and January 1999. In addition, during the reporting period a further 150,022 shares with a notional nominal value of € 383,525.15 (= 0.24 % of subscribed capital) were acquired in the months of July (61,800 shares) and September (88,222 shares) at a cost of € 1,303,575.39 (average € 8.69 per share).

(30) Non-distributed Income

Under German commercial law, distributions to shareholders in Salzgitter AG are dependent on the year-end result reported by Salzgitter AG. The same non-distributed income is reported in the consolidated financial statement for the Salzgitter Group as in the financial statement for Salzgitter AG. The transition from the consolidated accounts to non-distributed income for Salzgitter AG is illustrated in the income statement.

It is proposed that the general meeting of shareholders in Salzgitter AG endorse payment of a dividend for the 2001 financial year in the amount of € 0.42 per share (= € 26.2 million based on the nominal capital of some € 159.5 million) and carry forward the residue of € 1.8 million to new account.

As a result of changes brought about by the Tax Relief Act, the dividend for the financial year 2001 will be subject to the half-income procedure for the first time. Based on the Salzgitter share price on December 28, 2001 of € 9.55, the dividend yield amounts to 4.4 % (previous year 6.7 %).

The proposals for the application of profits will be adjusted to accommodate the company's own shares held on the date of the General Meeting, as no profit distribution entitlement is connected with such holdings of the company's own shares.

(31) Minority Interests

Included among the balancing items are minority interests in equity, general reserves and profits and losses at companies integrated into the Group. Minority interests relate primarily to Hansaport Hafenbetriebsgesellschaft mbH, Hamburg, and Mannesmannröhren-Werke AG, of Mülheim an der Ruhr. In addition, a proportion is accounted for by Hövelmann & Lueg GmbH & Co. KG, of Schwerte, and Salzgitter Beteiligungsgesellschaft mbH, of Braunschweig. Further minority interests arise following the first-time integration of the DMV Group and the Eupec Group.

(32) Provisions for Pensions and Similar Obligations

In Germany there is a contribution-related basic employee pension scheme embodied in law, under which income- and contribution-linked pension payments are made. Having paid the relevant contributions to the state social security insurance carrier and to pension funds constituted under private law, the company has no obligation to pay further benefits. The contribution payments are recorded as an expense for the relevant period.

In addition, the Salzgitter Group also operates a company pension scheme based on performance-related commitments which are covered by reserves. There are also certain non-significant fund-financed pension commitments.

Provisions for pensions and similar obligations:

(in T €)	31/12/2001	31/12/2000
Pension provisions	1,532,403	1,536,553
Similar obligations	2,048	2,144
Total	**1,534,451**	**1,538,697**

The development in reserves to cover pensions and similar obligations was as follows:

(in T €)	Pension provisions	Similar obligations	Total
Opening balance Jan. 1	1,536,553	2,144	1,538,697
Additions resulting from changes to the group of consolidated companies	11,882	–	11,882
Payments made	120,091	137	120,228
Reversal	1,732	20	1,752
Additions	12,785	61	12,846
Accrued interest	93,006	–	93,006
Closing balance Dec. 31	**1,532,403**	**2,048**	**1,534,451**

The reserves to cover pension obligations are formed as a result of commitments to old-age and invalidity pensions and provisions for surviving dependants. These reserves are formed exclusively with regard to benefit-oriented commitments under which the company guarantees that employees will receive specific provisions. The reserves for similar obligations take account of bridging payments in the event of death. The pension reserves relate, almost without exception, to commitments made by German companies.

The pension commitments are valued on the basis of actuarial calculations and assumptions. The obligations to pay benefits are determined using the internationally accepted projected unit credit method, taking due account of anticipated future pay and pension increases.

The essential actuarial premises applied at the Salzgitter Group are as follows:

	31/12/2001	31/12/2000
Assumed rate of interest	6.0 %	6.5 %
Trend in salaries	2–3 %	2–3 %
Trend in pensions	1.33–1.5 %	1.33–1.5 %
Staff turnover	1% p.a.	1% p.a.

The Heubeck Richttafeln actuarial tables published in 1998 were applied in valuing the pension provisions.

Transition from the cash value of expected future benefits to balance sheet provisions for pension commitments:

(in T €)	31/12/2001	31/12/2000
Actual cash value of expected future benefits in respect of all commitments	1,523,024	1,493,960
Less market value of assets held by external funds	– 981	–
Differences as a result of actuarial adjustments	10,360	42,593
Balance sheet provisions	**1,532,403**	**1,536,553**

In the current financial year the difference resulting from actuarial adjustments amounts to € 10.4 million and is thereby within the 10 % range provided for by IAS 19.

(33) Taxes and Other Provisions

(in T€)	Status at 1/1/2001	Addition due to consolida-tion changes	Used	Liqui-date	Appro-priations	Interest added	Status at 31/12/2001
Tax provisions	114,396	7,401	18,327	19,696	26,988	–	110,762
Thereof for current income taxes	[19,221]	[3,362]	[10,850]	[859]	[1,778]	[–]	[12,652]
Thereof for deferred taxes	[89,622]	[3,711]	[2,730]	[18,763]	[17,775]	[–]	[89,615]
Thereof for other taxes	[5,553]	[328]	[4,747]	[74]	[7,435]	[–]	[8,495]
Personnel sector	122,838	6,437	45,799	6,700	42,599	288	119,663
Thereof for social scheme/ age-related part-time working	[68,734]	[4,140]	[32,701]	[3,791]	[20,506]	[288]	[57,176]
Typical operating risks	31,920	–	6,817	3,646	12,403	82	33,942
Other provisions	145,177	5,989	45,855	15,849	59,046	–	148,508
Thereof markdowns/ complaints	[26,937]	[120]	[11,916]	[4,218]	[12,806]	[–]	[23,729]
Total	**414,331**	**19,827**	**116,798**	**45,891**	**141,036**	**370**	**412,875**

The tax reserves include provisions for current and deferred income taxes and other taxes. Current income tax provisions – subject to being in the same area of fiscal jurisdiction and of similar natures and maturities – are netted with tax refund claims. The change in provisions for deferred taxes is explained under No. 12.

Provisions for typical risks are formed in particular to cover waste disposal and recultivation obligations.

The provisions to cover personnel expenses essentially include obligations arising from the social compensation scheme, anniversary awards and agreements on age-related part-time working agreements.

The valuation of anniversary award obligations reported among personnel-related provisions was fundamentally based upon an assumed interest rate of 5.5 % p.a.

The long-term element among provisions for age-related part-time working and the social scheme was discounted at an interest rate of 6 % p.a.

Subsidies with regard to compensation and transitional assistance under the ECSC treaty for former employees covered by social compensation schemes are carried as assets valued at € 6.0 million (previous year € 5.1 million) and are not netted with reserves.

The reserves to cover other risks primarily include provisions for litigation risks and markdowns.

Maturities of tax and other provisions:

(in T €)	Total 31/12/2001	Residual time to maturity < 1 year	Residual time to maturity > 1 year
Tax provisions	110,762	14,349	96,413
Thereof for current income taxes	[12,652]	[12,126]	[526]
Thereof for deferred taxes	[89,615]	[837]	[88,778]
Thereof for other taxes	[8,495]	[1,386]	[7,109]
Personnel sector	119,663	49,407	70,256
Thereof for the social scheme/ age-related part-time work	[57,176]	[29,476]	[27,700]
Typical operating risks	33,942	7,566	26,376
Other provisions	148,508	105,189	43,319
Thereof markdowns/complaints	[23,729]	[23,719]	[10]
Total	**412,875**	**176,511**	**236,364**

(34) Liabilities

Residual time to maturity (in T€)	< 1 year	> 5 years	31/12/2001 Total	31/12/2000 Total	< 1 year
Financial obligations					
Bonds	3,640	–	3,640	3,742	–
Liabilities to banks	99,242	20,751	177,930	81,744	55,454
	102,882	20,751	181,570	85,486	55,454
Trade payables					
To external third parties	314,224	90	315,246	259,366	259,362
To affiliated companies	1,509	–	1,509	4,665	4,665
To shareholdings	29,390	–	29,390	20,542	20,542
	345,123	90	346,145	284,573	284,569
Other liabilities					
To affiliated companies	42,705	–	42,705	31,845	31,845
Other liabilities	176,680	4,002	182,864	121,981	121,437
Thereof taxes	[34,020]	–	[34,020]	[30,274]	[30,274]
Thereof social security contributions	[22,595]	–	[22,645]	[18,438]	[18,438]
Thereof to employees	[24,035]	–	[24,035]	[11,672]	[11,672]
Thereof real estate sales	–	–	–	[3,837]	[3,837]
Thereof with regard to advance payments received	[8,436]	–	[8,436]	[8,440]	[8,440]
Thereof with regard to bills payable	[20,221]	–	[20,221]	[2,971]	[2,971]
Thereof other liabilities	[67,373]	[4,002]	[73,507]	[46,349]	[45,805]
	219,385	4,002	225,569	153,826	153,282
Total liabilities	667,390	24,843	753,284	523,885	493,305

Provided that the performance-related conditions defined in the bond terms are fulfilled, upon expiry of a qualifying period of three years (as of September 28, 2001 at the earliest) bonds may be converted on or before September 23, 2005 into Salzgitter AG stock. In addition, please note the details listed under No. 27.

Of the total of liabilities, some T€ 55,981 (previous year T€ 24,895) is secured by charges on real property.

The items listed under other liabilities in respect of finance leasing are shown in the following table (no such liabilities existed in the previous year):

(in T €)	Residual time to maturity < 1 year	Residual time to maturity 1–5 years	Residual time to maturity > 5 years	31/12/2001 Total
Minimum leasing payments	636	1,963	2,465	5,064
Financing costs	326	949	369	1,644
Cash value of minimum leasing payments	310	1,014	2,096	3,420

These liabilities essentially relate to the renting of premises.

(35) Deferred Income

The deferred items on the liabilities side primarily comprise deferred interest on advance payments made.

Benefits granted by public authorities to encourage investment (investment subsidies) are reported among prepaid and deferred items on the liabilities side and taken to income over time on a pro rata basis in line with the service life of the relevant assets – in the financial year 2001 the amount involved was € 0.2 million (previous year € 0.1 million).

Contingencies liabilities

Contingencies represent potential liabilities not shown on the balance sheet, but which are disclosed at the maximum possible figure at which they might arise as of the balance sheet cut-off date. The total amounts to € 96.8 million (previous year € 56.2 million).

Included among the contingent liabilities are guarantees of € 34.3 million (previous year € 32.6 million) and bill commitments totaling € 45.4 million (previous year € 23.6 million).

The principal factor in the rise in potential liabilities arising from bills of exchange is the first-time integration of Universal Eisen- und Stahl GmbH, of Neuss, with bill commitments of € 16.1 million.

In conjunction with the placement of shares on the stock exchange in 1997/1998, among the liabilities relating to statements made in its issuing prospectus, Salzgitter AG gave the usual assurances, guarantees and indemnities. The company's resulting liability is limited to 40 %.

Neither Salzgitter AG nor any of its Group companies are engaged in current or foreseeable legal or arbitration proceedings which might have a significant effect on its economic situation. Moreover, adequate provisions have been made at the respective companies to cover potential financial burdens arising from legal or arbitration proceedings.

Other Financial Obligations

Overall, there are obligations arising from investment commitments (€ 119.5 million; previous year € 129.7 million), from multi-year rental agreements (€ 47.6 million; previous year € 41.6 million) and other obligations (€ 157.3 million; previous year € 7.2 million) which together total € 324.4 million (previous year € 178.5 million).

The remaining financial obligations essentially include commitments arising from forward exchange dealing.

Among these other financial obligations, sums totaling € 32.1 million (previous year € 31.7 million) have a time to maturity of up to 1 year.

Financial obligations under this heading arising from long-term rental and lease agreements are as follows:

(in T €)	31/12/2001	31/12/2000
Up to 1 year	16,445	15,440
Over 1 year	31,106	26,198
Total	47,551	41,638

Financial Instruments

Financial instruments are bilateral agreements between enterprises that result in a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. In accordance with IAS 32 and IAS 39, such instruments include originated financial instruments such as trade accounts receivable and payable as well as the right to receive cash or another financial asset and the obligation to deliver the same. In particular, IAS 39 also deals with the reporting of participating interests not already dealt with by other standards (inc. IAS 27, IAS 28, IAS 31). On the other hand, this heading also covers derivatives.

As of the balance sheet cut-off date the following groups of financial instruments existed at the Salzgitter Group:

(in T €)	Assets	Financial liabilities
Trade accounts receivable	691,276	–
Loans extended, other receivables	349,862	–
Participating interests	151,677	–
Fixed-interest securities	88	–
Trade accounts payable	–	346,145
Bonds, other liabilities	–	342,088
Forward exchange transactions	–	8,252
Total	**1,192,903**	**696,485**

In accordance with IAS 39, financial instruments are first recognized at cost. Financial assets are then subsequently measured at net book value or attributable current value.

The attributable current value of a financial instrument is the figure at which an asset could be traded or a liability settled between mutually independent business partners possessing the requisite knowledge and willingness to conduct such a transaction. For the purpose of attributing current values, publicly quoted stock market prices and own calculations have been applied. These own calculations concern future exchange transactions calculated precisely to the day. The outright rates have been ascertained on the basis of the ECB reference rates for the currency pairs in question and the interest differentials for the respective terms of the forward transactions. Using standardized terms as a starting point, the interest differentials for the actual terms were arrived at by interpolation. Data on standardized terms was in turn derived from a conventional market information system.

Net book values correspond with the value reported upon first recognition less redemptions and off-schedule write-downs, taking account of differences between par values and amounts repayable.

The subsequent attribution of value to financial assets is based upon the assignment of all items to one of four categories: “Held-to-maturity investments” and “loans and receivables originated by the company” are measured at net book value; “financial assets held for trading” and “financial assets available for sale” are measured at attributable current value. With the exception of liabilities held for trading and derivatives with a negative market value, financial liabilities are subsequently measured at net book value.

The breakdown of financial instruments as of the balance sheet cut-off date was as follows:

(in T €)	31/12/2001
Financial assets held for trading	– 825
Held-to-maturity investments	3,887
Originated loans and receivables	346,141
ancial assets available for sale	147,215
Total	**496,418**

The "financial assets held for trading" amounting to € 0.8 million relate to ineffective hedging transactions.

In the period under review, in respect of assets categorized as "originated loans and receivables" the Salzgitter Group recorded write-downs amounting to € 7.0 million and write-ups in the amount of € 1.7 million.

The changes in value of "financial assets available for sale" are booked to equity without affecting the result. During the reporting period, changes in the value of derivatives derived from additions were booked to equity in the amount of – € 1.2 million, and from disposals in the amount of – € 3.4 million. As of the end of the reporting period a total figure of – € 4.6 million resulting from changes in the value of derivatives was reflected in reported equity, without impact on the result.

As a result of the valuation of participating interests, in the reporting period some € 28.6 million was booked to equity as additions following the first-time application of IAS 39 effective 1.1.2001, along with € 20.2 million as reinstated write-downs. This related essentially related to an interest in a corporation listed in the United States of America, where the attributable current value of the interest is some € 48.5 million greater than the book value. In addition there are investments in a quoted European company, the current value of which is € 0.3 million greater than the book value.

During the reporting period, no profits or losses were made on the disposal of "financial assets available for sale".

Overnight money and fixed-term deposits attracted interest at rates of between 2.9 and 5.6 % p.a. with a maximum term of one month. Interest rates on capital market instruments ranged between 3.4 and 4.9 % p.a. with an investment period of 1 to 2 months.

A creditworthiness/default risk arises from the hazard that contracting parties to a transaction involving a financial instrument may be unable to fulfil their obligations, with the result that assets may be impaired. To provide partial cover for the risk of default and to afford access to a special information service, insurance cover has been arranged with Gerling to include credit sale insurance for domestic sales and export credit insurance for customers in specific foreign countries. Moreover, the default risk for supplies to Scandinavian customers is born by a Swedish del credere agent. The credit sale insurance does not extend to sales to dealers and iron and steel industry enterprises for which global securities are arranged via the Delkrederestelle Stahl, nor to trade credit arrangements of less than T€ 51.

The default risk pertaining to financial instruments as of the balance sheet cut-off date was composed as follows:

(in T €)	Maximum default risk	Secured risk
Trade accounts receivable	691,276	323,519
Other receivables	112,646	2,915
Extended loans	10,547	454
Total	**814,469**	**326,888**

Currency risks, that is to say, potential reductions in the value of financial instruments due to variations in exchange rates, in particular apply in cases in which receivables or liabilities denominated in other than the house currency of the company concerned either already exist or are likely to arise during the course of scheduled business activities.

Derivative financial instruments are employed as security against currency risks. These instruments exclusively provide security against currency risks arising from existing and pending mainstay business transactions. In the past financial year, security was provided by forward exchange and currency option transactions. These derivatives transactions are subject to ongoing risk control and a strict functional distinction is maintained between trading, processing, documentation and control.

The terms of these currency derivatives generally extend to periods of up to 12 months.

Forward exchange cover is provided for receivables denominated in currencies other than the euro or US dollar by means of forward exchange transactions entered into with various banks. The relevant claims are in each case reported at the agreed rate.

Currency transactions in dollars are initially secured by netting sales and purchases within the Group. Any further residual amounts are secured by means of forward exchange and options transactions.

The nominal volume of forward exchange transactions comprises the un-netted total of all purchases and sales, valued at the respective settlement rate. Market values have fundamentally been determined on the basis of conditions applying at the balance sheet cut-off date, employing values at which the relevant derivatives were traded or quoted, without considering contrary movements in value deriving from the underlying transactions. The market value of the forward foreign exchange transactions is derived from the price discrepancy between the cantracted forward rate price and the forward rate on the balance sheet cut-off date multiplied to the maturity date by the secured foreign currency amount and converted to the rate prevailing on the reporting date.

(in T €)	Nominal value 31/12/2001	Market value 31/12/2001	Nominal value 31/12/2000	Market value 31/12/2000
Forward exchange transactions				
Purchases				
DKK	66	–	20	–
GBP	1,080	25	10,880	–263
NOK	–	–	310	–6
SEK	–	–	20	–
CAD	–	–	3,725	66
CHF	71	–	12	–
USD	26,813	927	150,153	–3,603
JPY	59	–5	–	–
Sales				
CHF	–	–	223	1
DKK	1,974	–3	2,152	–1
GBP	50,785	–905	44,884	994
NOK	2,685	–24	2,361	44
CAD	618	315	4,543	–93
SEK	7,751	–194	6,320	226
USD	287,039	–8,518	368,224	1,501
ZAR	730	130	–	–
Options transactions				
USD	–	–	10,750	2

Transactions are entered into exclusively with banks whose creditworthiness is beyond reproach.

The results following settlement of these currency contracts are reported as they mature under the headings of other operational income and expenditure.

(36) Comments on the Cash Flow Statement

In accordance with IAS 7 the cash flow statement depicts the development of cash flows for the financial year 2001 and the short year 2000, broken down into inflows and outflows of funds deriving from current business, investment and financing activities. The statement is drawn from the consolidated financial statement of Salzgitter AG using the indirect method.

The liquidity figure comprises cash in hand, checks, cash at banks and commercial paper.

Within the inflow of funds from current business activities, income from the disposal of assets has been eliminated. During the financial year, some € 6.5 million was paid in income taxes, while over the same period refunds were made to Salzgitter AG totaling € 22.4 million. The incomes taxes paid and refunded have been assigned to current business activities. For the short financial year 2000, Salzgitter AG received a refund of € 2.7 million, which has likewise been assigned to current business activities. Interest receipts amounted to € 19.6 million (previous year € 9.4 million).

The investments reported among the outflow of funds include additions to intangible and tangible assets as well as financial investments. In addition to numerous investments in rationalization and replacements aimed primarily at improving, renewing and safeguarding production plant and data processing systems, various large-scale investments were also made principally for the purpose of enhancing product quality and adding further links to the value chain. Of the investments expended on financial assets, some € 19.7 million relates to the acquisition of liquidity held by companies newly integrated into the consolidated accounts.

Interest expenditure is exclusively assigned to financing activities. Receipts resulting from participating interests in the financial year amounted to € 14.2 million (previous year € 1.1 million).

During the reporting period, the Group has made several acquisitions. The attributable current values of the acquired assets and liabilities were as follows:

	in € mil.
Fixed assets	75
Inventories	106
Receivables	80
Liquidity	20
Other assets	5
Minority equity interests	11
Pension provisions	12
Other provisions	22
Liabilities	196
Book value	44
Capitalized differences resulting from capital consolidation	1

(37) Comments on Segment Reporting

Segmentation of the Salzgitter Group in five corporate divisions is in accordance with internal corporate management and reporting.

In the segment report the business activities of the Salzgitter Group are assigned to the divisions Steel, Trade, Services, Processing and Tubes in accordance with the overall corporate structure. Salzgitter AG as a holding company is included under Other/Consolidation.

The three new operating steel companies Salzgitter Flachstahl GmbH, Peiner Träger GmbH and Ilsenburger Grobblech GmbH belong to the Steel division under the intermediate holding company Salzgitter Stahl GmbH. Salzgitter Großrohre GmbH is also assigned to this division.

The corporate division Tubes includes Mannesmannröhren-Werke-Gruppe. Mannesmannröhren-Werke AG, Mannesmann Forschungsinstitut GmbH, Mannesmannröhren Mülheim GmbH, Mannesmann Service GmbH, MHP Mannesmann Präzisrohr GmbH, Mannesmann Line Pipe GmbH, Wälzlagerrohr GmbH, Robur Buizenfabriek B.V., MHP-Mannesmann Presné Trubky s.r.o. are fully consolidated as well as the DMV Group, which was included for the first time as of December 31, 2001 (reported as an associated company in the previous year) since Salzgitter AG is able to exercise a dominating influence over the company as of this point in time. Furthermore, this group includes the two joint venture companies Europipe GmbH and Röhrenwerk Gebr. Fuchs GmbH, which have been integrated into the consolidated financial statement on a proportionate basis. Vallourec S.A., Vallourec & Mannesmann Tubes S.A., Vallourec & Mannesmann Tubes Corporation and Hüttenwerk Krupp Mannesmann GmbH are grouped along with this business segment as associated companies in accordance with the equity method.

The Trade division is formed by the companies of the Salzgitter Trade Group and Hövelmann & Lueg GmbH & Co KG. In addition, the now 100% interest in Universal Eisen und Stahl GmbH and its 100% subsidiary Universal Ocel spol.s.r.o. has also been assigned to this segment. Robert S.A.S. belongs to the Trade segment as a joint venture company and is integrated into the consolidated financial statement on a proportionate basis. The companies Le Feuillard S.A.S. and Tolcolor S.A.S., which belong to the Robert Group, are grouped into the Trade division as associated companies in accordance with the equity method.

The Services division includes the companies DEUMU Deutsche Erz- und Metall-Union GmbH, PPS Personal-, Produktions- und Servicegesellschaft mbH, the Telcat Group, GESIS Gesellschaft für Informationssysteme mbH, Hansaport Hafenbetriebsgesellschaft mbH, "Glückauf" Wohnungsgesellschaft mbH, VPS Verkehrsbetriebe Peine-Salzgitter GmbH as well as the net income from investment in other companies assignable to this segment.

The companies in this division generally provide services for the Group. However, plans are to make this know-how and the existing infrastructure available to companies outside of the Group on an increasing scale. The respective services include data processing, telecommunication services, the scrap iron trade, transshipment and storage of bulk cargo, as well as transportation and other services.

The Processing division is formed by HSP Hoesch Spundwand und Profil GmbH and Salzgitter Beteiligungsgesellschaft GmbH (formerly Salzgitter Fahrzeugteile GmbH). In addition, this segment includes the non-consolidated companies Salzgitter Automotive Engineering Beteiligungsgesellschaft mbH, Salzgitter Automotive Engineering GmbH & Co. KG, Salzgitter Antriebstechnik GmbH & Co. KG, Salzgitter Bauelemente GmbH, Salzgitter Magnesium-Technologie GmbH, Salzgitter Europlatinen GmbH and Wescol Group plc which is valued "at equity". Furthermore, interests in Steel Dynamics and Oswald Hydroforming GmbH & Co. KG are grouped along with this business segment.

The sales of the various segments are also subdivided according to the customers' principal place of business. Sales between the segments are, as a rule, transacted at customary market conditions, as in the case of business with third parties outside of the Group.

Depreciation and amortization refer only to the fixed assets of the respective segment.

The result of the companies valuated in accordance with the equity method includes both the depreciation of goodwill as well as income derived from the liquidation of the bad will of these companies in order to appropriately represent the direct investment income of the various divisions within the scope of internal corporate management.

The operating segment assets and the operating segment debts are comprised of the assets necessary for operation and/or outside capital – without interest-bearing debt and without income tax debt and liabilities.

The investments refer to the addition of tangible fixed assets as well as intangible assets without the goodwill resulting from the acquisition of shares.

Related Party Disclosures

According to the information available to the company in accordance with Section 21 of the German Securities Trading Act [WpHG] and other documents, Hannoversche Beteiligungsgesellschaft mbH, Hannover – the business shares of this company are entirely held by the federal state of Lower Saxony – held more than 25 % of the shares of Salzgitter AG as of the balance sheet cut-off date. Furthermore, and in accordance with voluntary reporting on June 12, 2001 in accordance with Section 21 of the German Securities Trading Act [WpHG] NORD/LB, including its subsidiaries, holds a total of 21.2 % (previous year: 35.3 %) of the voting shares in Salzgitter AG.

As with other banks in the reporting period, both payment transactions and term money borrowing and investment transactions were made with NORD/LB as well as forward foreign exchange transactions. These transactions are based on customary market conditions.

All business with affiliated companies are carried out in accordance with IAS 24 on conditions that also customary for business with outside third parties.

Administratives costs and operating expenditures were calculated from the point of view of cost coverage.

In the scope of internal corporate clearing daily maturities were, as a rule, calculated with 6 %. In the case of term money borrowing the subsidiaries were charged interest rates of between 3.87 % and 6.00 % per annum, for term money placed Salzgitter paid interest rates of between 3.07 % and 6.00 % per annum. Altogether, interest income in the amount of € 60.3 million is generated for Salzgitter AG from these financial transactions (previous year: € 5.4 million) and interest paid amounting to € 43.4 million (previous year: € 5.6 million). In no case were the conditions to the disadvantage of the company.

As of the balance sheet cut-off date Salzgitter AG provided collateral to the creditors of its subsidiaries in various forms:

	in T€
Guaranties and letters of comfort to secure long-term loans	4,261
Guaranties and letters of comfort for downpayments, rent security deposits and warranties	8,610
Other guaranties	19,244
Borrowing requests for guarantee bonds, letters of credit, overdraft facilities and long-term loans	251,286
Thereof used	161,558

No costs were charged for these legal transactions and similar business concluded in the year under review.

A warrant-linked bond was issued for members of the various boards and leading employees at the Salzgitter Group within the scope of a participation program (Long Term Incentive Program); details are provided under No. 27.

In conjunction with the Long Term Incentive Program, loans amounting to T€ 307 (previous year: T€ 511) as of December 31, 2001 were granted to members of the board and to leading employees.

Waiver of Disclosure in Accordance with Section 264 Clause 3 of the German Commercial Code (HGB)

The following domestic subsidiaries having the legal form of a corporation have fulfilled the conditions required in accordance with Section 264 Clause 3 of the German Commercial Code [HGB] and are therefore exempted from disclosure of their financial statements and related documents:

Salzgitter Stahl GmbH, Salzgitter
Salzgitter Flachstahl GmbH, Salzgitter
Peiner Träger GmbH, Peine
Ilsenburger Grobblech GmbH, Ilsenburg
Salzgitter Großrohre GmbH, Salzgitter
Salzgitter Stahlhandel GmbH, Düsseldorf
Salzgitter Handel GmbH, Düsseldorf
Stahl-Center Baunatal GmbH, Baunatal
DEUMU Deutsche Erz- und Metall-Union GmbH, Peine
GESIS Gesellschaft für Informationssysteme mbH, Salzgitter
Telcat Kommunikationstechnik GmbH, Salzgitter
Telcat multicom GmbH, Salzgitter
PPS Personal-, Produktions- und Service GmbH, Salzgitter
Glückauf Wohnungsgesellschaft mbH, Peine
Mannesmann Line Pipe GmbH, Hamm
Mannesmann Präzisrohr GmbH, Hamm

Supervisory Board and Executive Board

The members of the Supervisory Board and the Managing Board are indicated separately. For the discharge of their duties the members of the Managing Board received € 3.8 million in the financial year under review (previous year: € 1.1 million). Supervisory Board members received a total of € 0.5 million (previous year: € 0.1 million) in the financial year. Former members of the Managing Board and their survivors received a total of € 1.0 million (previous year: € 0.2 million) for the financial year. A total of € 12.8 million have been reserved for pension commitments to former members of the Managing Board and their survivors.

Salzgitter, March 28, 2002

Leese
Geisler
Fuhrmann
Jacob
Koch
Pfitzner
Schwich

After the concluding result of our examination we have issued the following unqualified audit opinion dated March 28, 2002:

"Audit Certificate of the Balance Sheet Auditor.

We have audited the consolidated financial statements of Salzgitter AG, Peine, consisting of the balance sheet, the statement of income, cash flows, change in equity capital, annex and group management report for financial year from January 1 to December 31, 2001. The preparation and contents of the consolidated financial report are the responsibility of Managing Board of the company. Our responsibility is, on the basis of the audit which we performed, to determine whether or not the consolidated financial statement corresponds to International Accounting Standards (IAS).

We conducted our audit in accordance with German auditing regulations and in observance of the specified German principles of proper auditing as laid down by the Institute of German Certified Public Accountants (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement. In defining the scope of the audit, knowledge about the company's business activities, the legal and economic environment of the company as well as expectations of possible errors are taken into consideration. Within the scope of the audit, evidence supporting the amounts and disclosures in the consolidated financial statements is judged on the basis of random sampling. An audit also includes assessing the accounting and consolidation principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We believe that the consolidated financial statements in accordance with IAS give a true and fair view of the Group's assets, liabilities, financial and earnings position as well as the cash flows of the financial year under review.

Our audit, which also included the Group management report for financial year January 1 to December 31, 2001 which was prepared by the Managing Board of the company, resulted in no objections. We believe that the Group management report and the related information in the consolidated financial statements provides an accurate overall view of the situation of the Group and accurately presents the risks of future development.

In addition, we confirm that the consolidated financial statements and the Group management report for financial year January 1 to December 31, 2001 satisfy the prerequisites for exemption of the company from preparation of consolidated financial statements and a Group management report in accordance with German law."

Hannover, March 28, 2002

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

ppa. Menking

Lukasch	ppa. Menking
Auditor	Auditor

MAJOR SHAREHOLDINGS OF SALZGITTER AG

Status December 31, 2001	Nominal capital in € or national currency (in 1,000s)		Direct and indirect share of capital in %
Steel Division			
Salzgitter Stahl GmbH, Salzgitter		60,000	100.0
Salzgitter Flachstahl GmbH, Salzgitter		51,000	100.0
Peiner Träger GmbH, Peine		13,000	100.0
Ilsenburger Grobblech GmbH, Ilsenburg		6,500	100.0
Salzgitter Großrohre GmbH, Salzgitter		1,500	100.0
Trading Division			
Salzgitter Handel GmbH, Düsseldorf		23,600	100.0
Salzgitter Stahlhandel GmbH, Düsseldorf		12,800	100.0
Stahl-Center Baunatal GmbH, Baunatal		5,200	100.0
Salzgitter International GmbH, Düsseldorf		10,300	100.0
Salzgitter Trading U.K. Ltd., Harrogate (Great Britain)	GBP	5	100.0
Salzgitter Acier S.A., Saint Mandé (France)	FRF	500	100.0
Salzgitter Aceros España S.A., Madrid (Spain)	ESP	10,000	100.0
Salzgitter Acciai Italia S.R.L., Mailand (Italy)	ITL	174,264	50.5
Salzgitter Handel B.V., Oosterhout (Netherlands)	NLG	4,500	100.0
Deltastaal B.V., Oosterhout (Netherlands)	NLG	200	100.0
Friesland Staal B.V., Drachten (Netherlands)	NLG	100	100.0
A.P. Steel (U.K.) Ltd., Scunthorpe (Great Britain)	GBP	1,502	100.0
Salzgitter Trade Inc., Vancouver (Canada)	CAD	500	100.0
Universal Eisen und Stahl GmbH, Neuss		3,835	100.0
Universal Ocel spol. s.r.o., Prag (Czech Republic)	CZK	10,000	100.0
Universal Steel America Inc., Houston (USA)	USD	1,000	100.0
Hövelmann & Lueg GmbH & Co. KG, Schwerte		3,070	95.0
Robert & Cie S.A.S., Le Thillay (France)		769	50.0
Services Division			
Verkehrsbetriebe Peine-Salzgitter GmbH, Salzgitter		14,200	100.0
DEUMU Deutsche Erz- und Metall-Union GmbH, Peine		4,100	100.0
GESIS Gesellschaft für Informationssysteme mbH, Salzgitter		2,600	100.0
Peiner Agrar- und Hüttenstoffe GmbH, Peine		770	100.0
Telcat Multicom GmbH, Salzgitter		620	100.0
Telcat Kommunikationstechnik GmbH, Salzgitter		360	100.0
PPS Personal-, Produktions- und Service GmbH, Salzgitter		60	100.0
Glückauf Wohnungsgesellschaft mbH, Peine		26	100.0
Hansaport Hafenbetriebsgesellschaft mbH, Hamburg		5,113	51.0

Status December 31, 2001	Nominal capital in € or national currency (in 1,000s)		Direct and indirect share of capital in %
Processing Division			
HSP Hoesch Spundwand und Profil GmbH, Dortmund		10,000	100.0
Salzgitter Europlatinen GmbH, Salzgitter		1,023	100.0
Salzgitter Bauelemente GmbH, Salzgitter		5,000	100.0
Salzgitter Magnesium-Technologie GmbH, Salzgitter		50	100.0
Salzgitter Beteiligungsgesellschaft GmbH, Braunschweig		25	94.8
Salzgitter Automotive Engineering Beteiligungsges. mbH, Wolfsburg		73	74.9
Salzgitter Automotive Engineering GmbH & Co. KG, Osnabrück		1,023	74.9
Salzgitter Automotive Engineering Verwaltungsges. mbH, Osnabrück		26	74.9
Salzgitter Antriebstechnik GmbH & Co. KG, Chemnitz		305	50.8
Salzgitter Antriebstechnik Verwaltungsgesellschaft mbH, Chemnitz		30	50.8
Wescol Group plc, Halifax (Great Britain)	GBP	5,554	26.2
Oswald Verwaltungsgesellschaft mbH, Crimmitschau		25	24.6
Oswald Hydroforming GmbH & Co. KG, Crimmitschau		1,532	24.9
Steel Dynamics, Inc., Butler (USA)	USD	493	13.7
Tubes Division			
Mannesmannröhren-Werke AG, Mülheim an der Ruhr		184,524	99.3
Mannesmann Forschungsinstitut GmbH, Duisburg		25	100.0
Mannesmannröhren Mülheim GmbH, Mülheim an der Ruhr		2,557	100.0
Mannesmannröhren Service GmbH, Mülheim an der Ruhr		512	100.0
MHP Mannesmann Präzisrohr GmbH, Hamm		5,000	100.0
Mannesmann Line Pipe GmbH, Hamm		2,500	100.0
Wälzlagerrohr GmbH, Krefeld		10,226	100.0
Robur Buizenfabriek B.V., Helmond (Netherlands)		545	100.0
Vallourec S.A., Boulogne-Billancourt (France)		141,290	20.9[1)]
Vallourec & Mannesmann Tubes S.A., Boulogne-Billancourt (France)		329,281	45.0
Vallourec & Mannesmann Tubes Corporation, Houston (USA)	USD	750	33.3
DMV Stainless B.V., Helmond (Netherlands)		12,252	66.7
Europipe GmbH, Ratingen		62,000	50.0
Röhrenwerk Gebr. Fuchs GmbH, Siegen-Kaan		5,113	50.0
Borusan Mannesmann Boru Yatirim Holding A.S., Istanbul (Turkey)	TRL	10,000,000	23.0
Hüttenwerke Krupp Mannesmann GmbH, Duisburg		102,258	20.0

[1)] The voting right percentage is 31.8 %.

FINANCIAL CALENDER OF SALZGITTER AG FOR 2002

April 29, 2002	Publication of consolidated financial statement for 2001 Balance sheet press conference
April 30, 2002	Analysts' conference in Frankfurt
May 1, 2002	Analysts' conference in London
May 29, 2002	Result for the first quarter of 2002
June 19, 2002	Ordinary Shareholders' Meeting for 2002
August 28, 2002	Interim Report for the first half-year of 2002 Conference of analysts in Frankfurt
August 29, 2002	Analysts' conference in London
November 27, 2002	Nine-month report for financial year 2002

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Editor:
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Concept and Design:
BUTTER. Agentur für Werbung, Düsseldorf

Photography:
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Uwe Brodmann, Braunschweig
Peter Lenke, Salzgitter
Michael Dannenmann, Düsseldorf
Bildarchiv Vallourec & Mannesmann Tubes
Bildarchiv Hoesch Spundwand

Lithography:
4c Pre-Press-Service, Düsseldorf
Druckhaus C. Limbach, Köln

Printed by:
Druckhaus C. Limbach, Köln

Production:
BUTTER. Agentur für Werbung, Düsseldorf