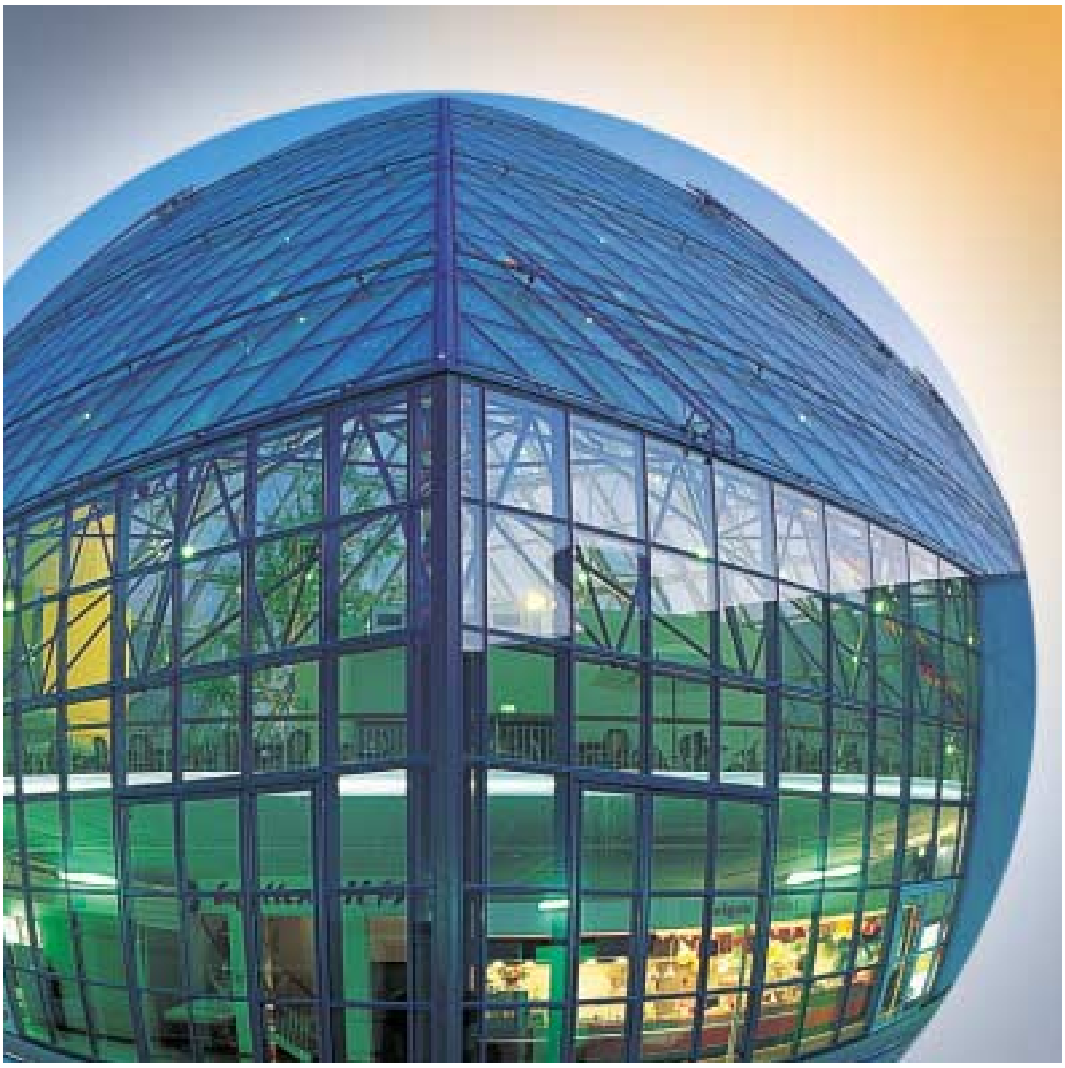

Interim report for the first quarter of 2001

January 1 to March 31, 2001

SALZGITTER AG
Stahl und Technologie

Key Data – Overview
First Quarter of Fiscal Year 2001 – January 1 to March 31, 2001

Salzgitter Group		1st quarter 2001	SFY 2000 1.10.-31.12.00	1st quarter 2000 1)
Sales	€ mln	1,140	1,018	821
Steel Production Division	€ mln	426	340	329
Tubes Division	€ mln	203	171	0
Steel Trading Division	€ mln	419	423	435
Raw Materials and Services Division	€ mln	61	57	57
Industrial Shareholdings Division	€ mln	31	27	0
Flat rolled products	€ mln	553	503	456
Sections	€ mln	160	159	158
Tubes	€ mln	253	213	-
Share of exports	%	50	49	49
Employees				
Personnel expenses	€ mln	196	212	138
Workforce (annual average)		16,936	17,085	12,426
Result from ordinary activities	€ mln	47	34	25
Net income	€ mln	36	13	18
Total assets	€ mln	3,531	3,398	2,336
Shareholders´equity	€ mln	985	911	874
Borrowings	€ mln	2,546	2,487	1.462
Provisions	€ mln	1,967	1,953	974
Liabilities	€ mln	579	534	488
thereof due to banks	€ mln	91	82	207
Investments 2)	€ mln	64	49	23
Depreciation and amortization 2)	€ mln	51	50	44
Key figures				
Earnings before interest and taxes (EBIT) 3)	€ mln	51	39	29
EBIT before depreciation (EBITDA)	€ mln	102	89	73
Return on capital employed (ROCE) 4)6)	%	18.2	15.3	10.3
Cash flow	€ mln	6	-5	-59

Financial statements according to IAS

1) adjusted figures without Mannesmannröhren-Werke AG

2) without financial assets.

3) EBT plus interest expense (without interest as part of additions to pension provisions).

4) EBIT in relation to total of shareholders´equity, minority interests in equity, tax provisions (without deferred taxes) and interest-bearing liabilities

6) Annualized

Strong Boost in Sales and Earnings

Against the backdrop of a weakening world economy, Salzgitter AG significantly increased sales and earnings during the first quarter of the fiscal year 2001 compared with the corresponding period of the previous year, namely the first quarter of the calendar year 2000 (Q1/00), as well as compared to the short fiscal year 2000 (October 1 to December 31, 2000). During the short fiscal year 2000 (SFY), the new Group subsidiary Mannesmannröhren-Werke was included in the consolidation for the first time.

Key Data of the First Quarter 2001:

- **Group external sales: €1.14 bn (+ 12% vs. SFY; + 39% vs. Q1/00)**
- **Earnings before taxes: €47 mln (+ 39% vs. SFY; + 84% vs. Q1/00)**
- **Mannesmannröhren-Werke AG contributed towards Group income for the first time, namely €14 mln before taxes (SFY: - €1.5 mln).**
- **Income before taxes of the core business segment, the Steel Production Division, continued with €25 mln on the high level of the short fiscal year (+ 18% vs. Q1/00)**
- **ROCE for the first quarter: 18.2% (annualized)**

In spite of the difficult economic environment, Salzgitter AG expects the Group earnings performance during the following quarters to favorably contrast with other steel producers due to the overlap of the different economic cycles within the Steel Production Division and the Tube Division. Depending on the further economic development, the Company deems it possible today, to achieve a consolidated income before taxes for the current fiscal year on the fourfold level of the short fiscal year (€34 mln). Among other things, it remains to be seen how the recently announced measures of the US Government will impact the global trade flows of steel products and thus the conditions on the EU steel market.

Market Development

World economic growth further receded during the first quarter 2001. The strong slowdown of the pace of expansion in the US to a growth rate of less than 2 percent (previous estimation 2.5%) in conjunction with the economic weakness in Japan had a stronger negative impact on the world economy than expected at the beginning of the year. The fiscal policy of the US Government in support of its domestic economy gives rise to hopes for an early recovery.

While the German economy was still expanding during the year 2000 at the highest rate since the unification, the domestic economy in Germany and in the EU accelerated its slowdown in consequence of the global economic downswing as of the beginning of 2001. Economic research institutes in Germany and in the EU as well as political institutions have thus downgraded their growth projections significantly for the entire European Union. Aside from slower exports, the high oil price is leading to a substantial drain of purchasing power, and as a consequence the expected stimulation of the domestic economy did so far not materialize in spite of lower tax burdens.

During the first quarter 2001, world crude steel production reached 204.2 million metric tons. It was thus again below the level of the previous quarter (207.5 million metric tons). Crude steel production in the EU amounted to 41.3 million metric tons, 2.3 million metric tons more than in the prior quarter. The German production of 11.9 million metric tons remained on the level of the previous quarter.

Business Situation in the Group

Consolidated Group sales during the reporting period amounted to €1.140 billion. They thus exceeded sales during the SFY by 12% and those of Q1/00 by 39%, when Mannesmannröhren-Werke AG were not part of the Group yet. Aside from the extended scope of consolidation, the positive business development of the Steel Production Division contributed to this increase.

Earnings from ordinary operations during the period came to €47 million. This represented an increase of 39% over the SFY (€34 million) and even of 84% in comparison with Q1/00. This resulted in an EBITDA of €102 million, 15% more than in the SFY and at the same time a 40% rise over Q1/00. Consolidated Group income after taxes in accordance with IAS at €36 million nearly tripled compared with the short fiscal year. Compared to Q1/00, this is an improvement of 100%. It should be mentioned that according to IAS the tax expenditure to be stated in the balance sheet also includes so-called deferred taxes, i.e. non-cash taxes. The actual cash tax expenditure may deviate therefrom.

The most significant performance indicator of Salzgitter AG, the return on capital employed, reached an annualized 18.2 % and again surpassed the targeted 12% substantially. 10.3% were achieved in the year 2000 reference period.

The total number of employees of the Group on March 31, 2001 was 16,981, thereof 11,609 wage earners and 5,372 salaried employees. This was an increase of 8 as compared with the previous quarter. On last year's reporting date, the number was only 12,419, as Mannesmannröhren-Werke AG and Hoesch Spundwand und Profil GmbH were not yet included in the consolidation.

Group Divisions

	Group Sales			Result from ordinay activities		
€ mln	1Q 01	SFY	1Q 00	1Q 01	SFY	1Q 00
Steel Production *)	425,677	340,416	328,926	25,143	24,998	21,292
Tubes	203,218	171,283	0	14,372	-1,466	0
Steel Trading	419,098	422,448	434,573	2,502	-2,826	4,920
Raw Materials and Services	60,997	57,007	57,270	4,059	3,445	3,614
Industrial Shareholdings	30,569	27,252	0	88	442	0
Consolidation/others	0	0,000	0	451	9,000	-4,437
	1,139,559	**1,018,405**	**820,769**	**46,615**	**33,593**	**25,389**

Segment Data by Divisions

Steel Production

Crude steel production amounted to 1.28 million metric tons; approximately in line with the exceptionally high level of the SFY 2000 (1.27 million metric tons). Shipments of rolled steel and processed products were 1.23 million metric tons, substantially above the seasonally low level of the short fiscal year (1.03 million metric tons + 19%). External sales rose correspondingly to €426 million, an increase of 25%.

Division income reached €25 million before taxes, the same level as during the short fiscal year, but an increase of 18% on previous year's reference period.

New orders for rolled steel and processed products totaled 1.09 million metric tons during the January through March 2001 period. This is an increase of 7% over the 1.02 million metric tons of the SFY. Order backlog recovered during the course of the first quarter 2001 and came to approximately 1.1 million metric tons at March 31.

Large-scale investments in the hot strip mill, the second hot dipped galvanizing line in Salzgitter and in the beam-blank-casting plant at the Peine Works were continued as scheduled.

Tubes

The market for steel tubing continued to benefit from the brisk demand of the energy sector for oil and gas country tubular goods and line pipes. Simultaneously, the comparatively stable development of the active mechanical engineering sector and the automotive industry, still supported by exports, contributed towards this encouraging business situation.

Division shipments (seamless tubes, precision tubes, medium-sized line pipes, large-diameter pipes and roller bearing tubes) rose to 860k metric tons, up 9% on the short fiscal year. A major part of the increase came from the large-diameter pipe and the precision tube segments.

Sales of €203 million exceeded those of the short fiscal year 2000 (€171 million) by 19%. Further sales improvements are expected as of April when shipments for the large-scale Gulfstream project in the US will be commencing. Earnings of the Tube Division reached particularly encouraging €14.4 million before tax. During the short fiscal year, a loss of €1.5 million had still to be registered.

New order bookings of the Division amounted to 387k metric tons during the quarter. The decline of 29% compared with the short fiscal year 2000 resulted essentially from a diminishing new order volume of large-diameter pipes for Europipe. The volume of new orders taken during the short fiscal year 2000 – a record level in the history of Europipe – covers almost the company's full capacity for the entire fiscal year 2001. Order backlog at the end of the quarter was 3% over the previous quarter.

Steel Trading

In steel trading, the reference period was characterized by stagnating markets. There was no noticeable improvement in demand neither in North or South America, nor in the Far East or Southeast Asia. The level of deliveries within Western Europe also remained suppressed.

Shipments of 0.99 million metric tons were slightly above the volume of the short fiscal year of 0.93 million metric tons, which is essentially a seasonal development. Sales of €419 million were practically unchanged from the €422 million of the short fiscal year 2000.

Division income from ordinary operations of €2.5 million was an improvement on the previous quarter (-€2.8 million). The negative result originated from the selected valuation method for inventories.

Raw Materials and Services

Salzgitter AG's supporting functions combined in the Raw Materials and Services Division continued in line with their development during the short fiscal year 2000. Division sales of €140.4 million were practically on the level of the previous quarter (€139 million). The portion of external sales came to 43% versus 41% during the short fiscal year 2000. This demonstrates the trend at individual subsidiaries towards increasingly soliciting external business. Earnings of €4 million were almost unchanged from the SFY.

Industrial Shareholdings

The companies of this Division developed in accordance with expectations. Hoesch Spundwand und Profil GmbH is, for the time being, the only Division company included in the scope of consolidation. Further Division companies are Salzgitter Bauelemente GmbH, Salzgitter Europlatinen GmbH, Salzgitter Automotive GmbH and shareholdings in Oswald Hydroforming GmbH & Co. KG and in Steel Dynamics Inc. (USA).

Group Organization, Communication and Strategy

Personnel Changes in Management and Supervisory Bodies

On December 31, 2000, Dr. Eberhard Luckan and on March 31, 2001, Dr. Jürgen Kolb retired from the Executive Board. Effective April 1, 2001, Dr.-Ing. Paul H. Schwich was appointed Member of the Executive Board. Dr. Schwich will take over the technical management from Mr. Jacob.

On December 31, 2000, Heinz-Hermann Witte retired from the Supervisory Board. On March 13, 2001, Hartmut Tölle was appointed Member of the Supervisory Board.

Communication

"Building a New Company" – was the slogan chosen for the organization of a Group Forum on February 6 and 7, 2001 , for about 350 executives and decision-makers of the Salzgitter Group. For the first time, executives of Salzgitter AG, the entire Group and the new subsidiaries gathered in Lower Saxony's capital Hanover. The essentials of this Forum included the personal participation in the development of the Group, the principles of centralization and decentralization and the presentation and discussion of the new corporate image 5P. This image, featuring Profit, Partners, Products, Processes and Personnel, defines superior targets, self-understanding and corporate principles. In conjunction with the new Group structure and with a corporate culture based on using personal initiative, the Group is well positioned to face international competition.

Special Events

Shareholding in Robert Group, France, became effective

The contracts signed at the end of December, 2000, regarding a 50% shareholding of Salzgitter AG in the Robert Group, France, operating four steel service centers in the Paris and Lyon areas, became effective on January 30, 2001. Robert SAS will be assigned to the Steel Trading Division.

Participation in Compensation Fund of the German Industry increased

Salzgitter AG increased is participation in the compensation fund of the German industry by €1.3 million to a total of €3.8 million.

Discussions with Dillinger Hütte

The discussions with Usinor and with the AG der Dillinger Hütte about the conditions of a possible future cooperation were continued.

Outlook

As a result of the temporary cooling off of the world economy and through effects from inventory cycles and import pressure, significant trends towards consolidation and slowdown became noticeable in EU steel production and steel trading since the turn of the year. Although there are first indications of a trend reversal in some markets, diminishing tonnages and revenue losses for some products will have their impacts on the results of the Steel Production and Steel Trading Divisions in the months to follow.

In contrast with this development, it is already foreseeable now, that the very encouraging trend in the new Tube Division will continue through the year 2001. The brisk demand for oil and gas country tubular goods and line pipes is expected to continue and possibly grow in view of the anticipated large investments of the energy sector in exploration and production. It can be assumed that the earnings situation of MHP Mannesmann Präzisrohr GmbH will improve further, as cost-cutting measures and product selection will have their effects. In view of the positive development during the first quarter and the excellent demand, it can be expected today that the Division result will continue its positive development during the coming quarters.

Depending on the further economic development, the Company deems it possible to achieve consolidated Group earnings for the current fiscal year on a fourfold level of the short fiscal year. However, it remains to be seen how the recently announced measures of the US Government will impact global trade flows of steel products and thus the conditions on the EU steel market.

Salzgitter Stock

During the new fiscal year, the encouraging development of price and turnover of the Salzgitter share continued. With a high of €10.28 during the quarter, the Salzgitter share achieved a price level which had been reached the last time a year ago. The turnover at the German Bourses stabilized at more than 45,000 shares per day. This encouraging development was initiated by a number of explicit buy recommendations for the Salzgitter share and also the stock exchanges general recall of top-quality securities.
Salzgitter AG was again among the potential candidates for a promotion into the MDAX-segment at February 14, 2001. Unfortunately, the market liquidity was not sufficient for an immediate promotion. It remains the Company's objective to advance to the stock exchange segment for medium-sized stock corporations, as the Group fits into this segment because of its constitution, size and market capitalization.
In this connection, Salzgitter AG is very actively pursuing the objective to expand the free float of its stock as the relatively limited spread is a major obstacle for a liquid trade of the share and an adequate price development. Substantial progress was made recently to pursue this target which is eventually aimed at a shareowners' structure as it was conceived at the time of the issuance.

Consolidated Financial Statements for the First Quarter 2001

Consolidated Income Statement

K€	1. Quarter[1]	
	01.01.-31.03.01	01.01.-31.03.00
Sales	1,139,559	820,769
Increase or decrease in finished goods and work in progress and other own work capitalized	-12,069	-17,112
Other operating income	22,445	7,713
Cost of materials	733,706	509,449
Personnel expenses	196,265	137,728
Amortization and depreciation on intangible and tangible assets	50,762	43,527
Other operating expenses	114,159	84,278
Income from shareholdings	30	142
Income from associated companies	12,281	-220
Net interest income	-20,739	-10,921
Net operating income	**46,615**	**25,389**
Taxes	10,100	6,789
Consolidated net income for the year	**36,515**	**18,600**
Net income due to minority shareholders	476	282
Net income due to shareholders of Salzgitter AG	**36,039**	**18,318**
Appropriation of income		
Net income due to shareholders of Salzgitter AG	36,039	18,318
Non-distributed income brought forward from previous year	46,011	8,523
Transfer to/Withdrawal from other retained earnings	-9,252	21,452
Non-distributed income to Salzgitter AG	**72,798**	**48,293**
Earnings per share (in €)	**0.61**	**0.31**

[1] according to IAS (Previous year without MRW);
MRW was included in the consolidation for the first time in October 2000

Consolidated Balance Sheet at March 31, 2001

Assets (K€)	**03-31-01**	**03-31-00**
Fixed assets		
Intangible assets	-329,906	16,733
Goodwill/negative goodwill from capital consolidation	-347,133	681
Other intangible assets	17,227	16,052
Tangible assets	1,335,409	1,121,453
Financial assets	136,757	65,949
Shareholdings in associated companies	450,603	18,234
	1,592,863	1,222,369
Current assets		
Inventories	760,296	527,100
Receivables and other assets	844,635	552,214
Trade receiveables	700,605	497,755
Other receivables and other assets	144,030	54,459
Trade securities	34	0
Cash and cash equivalents	321,747	30,177
	1,926,712	1,109,491
Prepaid expenses for deferred taxes	866	0
Prepaid expenses	10,725	3,680
	3,531,166	**2,335,540**

Shareholders´equity and liabilities (K€)	**31.03.01**	**31.03.00**
Shareholders´equity		
Subscribed capital	159,523	159,523
Capital reserves	287,530	287,530
Retained earnings	497,216	415,441
Non-distributed income	72,798	48,293
	1,017,067	910,787
Treasury shares	-32,186	-36,626
	984,881	**874,161**
Minority interests	**8,716**	**3,453**
Provisions		
Provisions for pensions and similar obligations	1,536,179	679,021
Tax provisions and other provisions	430,668	294,901
	1,966,847	**973,922**
Liabilities		
Bonds	3,742	3,875
Liabilities to banks	91,387	207,003
Trade payables	330,388	164,692
Other liabilities	132,059	105,744
	557,576	**481,314**
Deferred income	**13,146**	**2,690**
	3,531,166	**2,335,540**

Cash Flow Statement for the First Quarter 2001

K€	01.01.-31.03.2001	01.01.-31.03.2000
Net income for the year	36,039	18,318
Depreciation (+)/appreciation (-) on fixed assets	56,987	43,527
Other expenses (+)/income (-) not affecting payments	19,307	15,127
Interest expenses	27,719	11,420
Profit (-)/loss (+) form disposal of fixed assets	500	628
Increase (-)/decrease (+) in inventories	-4,242	15,661
Increase (-)/decrease (+) in trade receivables and in other assets that cannot be allocated to investment or financing activities	-103,155	-64,734
Increase (+)/decrease (-) in provisions	-68,064	-22,742
Increase (+)/decrease (-) in trade payables and in other liabilities that connot be allocated to investment or financing activities	41,295	-75,849
Cash flow from operating activities	**6,386**	**-58,644**
Payments received from disposals of fixed assets	812	925
Payments made for investments in intangible and tangible assets	-64,090	-23,374
Payments received from disposals of finacial assets	256	2,342
Payments made for investments in finacial assets	-7,318	-2,323
Cash flow from investment activities	**-70,340**	**-22,430**
Payments made for buy-back of own shares	0	-36,522
Dividend payments	0	-22,738
Payments received from bond issues and amounts borrowed	18,756	148,548
Repayments of bond issues and amounts borrowed	-9,113	-1,943
Interest paid	-4,896	-2,852
Cash flow from financal activities	**4,747**	**84,493**
Cash and cash equivalents at beginning of period	380,954	26,758
Changes in cash and equivalents affecting payments	-59,207	3,419
Cash and cash equivalents at end of period	**321,747**	**30,177**

Statement of Changes in Equity

K €	Subscribed capital	Capital reserves	Retained earnings	Thereof from currency translation	Buy-back of own shares	Group net income for the year	Shareholders' equity
At 1-1-00	**159,523**	**287,530**	**404,770**	**333**	**-104**	**63,419**	**915,138**
Net income for the year						18,318	18,318
Dividend						-22,738	-22,738
Buy-back of own shares					-36,522		-36,522
Currency translation			193	193			193
Transfer by Salzgitter AG to retained earnings			10,706			-10,706	0
Other			-228				-228
At 3-31-00	**159,523**	**287,530**	**415,441**	**526**	**-36,626**	**48,293**	**874,161**
At 1-1-01	**159,523**	**287,530**	**455,773**	**-7,143**	**-37,937**	**46,011**	**910,900**
Net income for the year						36,039	36,039
Dividend							0
Fair value to IAS 39			30,114				30,114
Buy-back of own shares					5,751		5,751
Currency translation			2,077	2,077			2,077
Transfer by Salzgitter AG to retained earnings			9,252			-9,252	0
Other							0
At 3-31-01	**159,523**	**287,530**	**497,216**	**-5,066**	**-32,186**	**72,798**	**984,881**

Notes

Accounting and Consolidation Principles, Accounting and Valuation Methods

1. The consolidated financial statements of Salzgitter AG, Peine, for the period of January 1 to March 31, 2001, were established as a short version including selected and explanatory notes. The financial statements were established in accordance with the International Accounting Standards (IAS) of the International Accounting Standards Committee (IASC) under consideration of the reduced demands of IAS 34 for shortened interim statements.

2. The financial statements for the quarter were established in line with the same accounting and valuation, computation and consolidation methods as the annual financial statements at December 31, 2000.

   Moreover, IAS 39 "financial instruments" and IAS 40 "land and buildings held as financial instruments", effective January 1, 2001, were applied for the first time.

3. A foreign shareholding acquired during the quarter was included in the consolidated financial statements for the first time, following the equity method. The number of associated companies thus increases to 12.

Selected Notes to Income Statement

1. Sales by Divisions are stated under segment reporting. The organization of the Group in five Divisions: Steel Production, Tubes, Steel Trading, Raw Materials/Services and Industrial Shareholdings was unchanged compared with the annual financial statements.

2. Expenditures for defined benefit pension obligations consisted mainly of additions to pension provisions amounting to €3.6 million.

3. Earnings per share were computed according to IAS 33. The undiluted earnings per share computed on the weighted number of Salzgitter AG shares amounts to €0.61.

Next Reporting Dates

August 29, 2001	Interim Report First Half 2001 Analysts' Conference Frankfurt 1st Half 2001
August 30, 2001	Analysts' Conference London 1st Half 2001
November 13, 2001	Report on First Nine Months of Fiscal Year 2001

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