

1.1 Preface by the Executive Board

Ladies and Gentlemen,

2005 was another exceedingly good year for steel – the second in succession. Burgeoning growth, particularly in China, of a magnitude beyond the expectations of almost every expert in economics in general and the industry in specific, created an imbalance in the energy and raw materials markets, which in turn ensured that the outstanding business in rolled steel products continued into the first half of 2005. The temporary peak was followed by a brief cyclical downturn, after which demand and prices firmed up at a still gratifying level. By contrast, the tubes business has almost without exception remained remarkably stable throughout the whole of 2005 and until the present day.

Thus 2005 was once again an exceptional year for Salzgitter AG. Our pre-tax profit of € 940.9 million was almost three times the figure for 2004, which itself had already set a long-term record. Even after eliminating profits on disposals resulting from the restructuring of our seamless tubes commitments, Group profit advanced to more than twice the previous year's figure.

There can be no doubt that this success is in large measure attributable to mutually supportive influences deriving from the markets in which we buy and into which we sell. And it is equally obvious that the diversified approach and the comparatively broad product portfolio which we have consistently favored for Salzgitter AG has proven to have the edge over competitors who have concentrated on a single range of products or a limited number of bulk consumers.

Sustainable and consistent corporate management is our motto, both internally and externally. It is integral to our philosophy that even in times of optimum economic performance, the groupwide Profitability Improvement Program continues to be implemented and enhanced with wholehearted dedication.

It is our intention to avoid hasty maneuvers of the kind that are generally good for grabbing headlines but bad for business; we intend instead to prudently pursue our course of independence, profitability and growth.

In addition to numerous projects designed to optimize our production and our range of products, we intend, as in the past, to resolutely take advantage of opportunities for external growth, provided that there is rational justification for so doing. In the present circumstances, which are characterized on the one hand by an overheating in this industry and on the other by a global oversupply of investment capital, it is difficult to create genuine added value through large-scale acquisitions. We will be utilizing this phase to profit from and enhance our efficient structures and consolidate our position through selective action.

The streamlining of our commitment in the seamless tubes sector should be viewed in this context. The sale of a 45% stake in the joint venture Vallourec & Mannesmann Tubes to our partner Vallourec has earned rewards for both companies in the capital markets. The subsequent cautious reduction in our participating interest in

Vallourec has yielded some extremely gratifying additional earnings. We intend to stand by the position we have now reached, given that the resulting industrial and financial outlook appears better and more reliable than any currently conceivable alternative engagements.

In the course of the year 2005, the price of Salzgitter stock rose by 220%, putting us in a lead position in every comparative performance rating.

The proposed increase in the dividend to two and a half times its previous level is in line with the development in results. At the same time we will be reinforcing the solidity of the Salzgitter AG balance sheet.

This is entirely appropriate, for the recent exceptionally good times should not be regarded as cause for excessive exuberance. As always, in the segments in which we source our supplies and sell our products, the market economy will ensure convergence between supply and demand. On the raw materials side, there are major development projects underway; the associated transport and logistics infrastructure is being expanded accordingly. The outlook for sustained growth in global steel consumption enhances the attraction of projects aimed at increasing capacities.

From a realist perspective this prospect is neither surprising, nor yet negative. On the contrary, it motivates us to actively construct a future in which Salzgitter AG will remain an independent enterprise noted for above-average profitability. The financial year 2006 has likewise begun well. Even though the extraordinary profits of last year are unlikely to be repeatable, without ignoring the conceivable impact of for example political or currency-related risks, the immediate outlook nevertheless gives cause for confidence.

On this note, in our own name and on behalf of the committed men and women who comprise our workforce, we thank you, our shareholders and business partners, for your valued cooperation over the past financial year and we look forward to our continued future partnership.



Wolfgang Leese



Wolfgang Eging



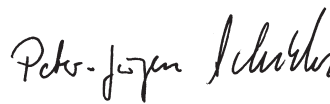
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