

1.2 Company Profile and Group Structure

The Salzgitter Group comprises more than 80 national and international subsidiaries and associated companies combined under Salzgitter AG as the holding company.

With external sales in excess of € 7 billion, an annual production of more than 7 million tons of crude steel, and a workforce of over 17,000, the Salzgitter Group is one of Europe's leading steel technology groups. In some of its segments, the Tubes Division is a global leader, and the company ranks among Europe's top 5 in the flat carbon steel and profiles sectors. As a company listed on the MDAX, Salzgitter AG is, on the basis of its placing within the index, one of the 50 leading German stock corporations.

As the management holding company, Salzgitter AG coordinates the four divisions Steel, Tubes, Trading and Services. These divisions are composed of independent operating companies which enjoy a high degree of decentralized decision-making freedom and are able to develop market-, location- and product-related business activities on their own responsibility.

During the process of realigning the corporate structure, the Processing Division was dissolved on April 1 of this financial year, with retrospective effect for the whole financial year, and the companies formerly operating under this division were assigned to the Steel Division (HSP Hoesch Spundwand GmbH [HSP], Salzgitter Bauelemente GmbH [SZBE], Salzgitter Europlatinen GmbH [SZEP]) and the Services Division (Salzgitter Automotive Engineering GmbH & Co. KG [SZAE], Salzgitter Magnesium-Technologie GmbH [SZMT], Oswald Hydroforming GmbH & Co. KG [OHC]). As part of these restructuring efforts, Salzgitter Großrohre GmbH (SZGR), formerly belonging to the Steel Division, was integrated into the Tubes Division.

Accordingly, this report on the financial year 2005 will concentrate on the segments under the new structure, which consists of four divisions. To this end, the figures from the previous year used for the purpose of comparison have also been adjusted to reflect the new Group structure.

Furthermore, upon a proposal by the Executive and Supervisory Boards, an extraordinary General Meeting of Shareholders resolved on November 17, 2005, that the structure of the Group should be realigned under corporate law for financial reasons. Combining all the major companies of the Salzgitter Group under Salzgitter Mannesmann GmbH (SMG), an intermediate holding company based in Salzgitter, enables the utilization of existing tax loss carryforwards and the implementation of unrestricted centralized financial management for the Group.

The management and control of this company and all associated companies will be carried out by Salzgitter AG as a holding company, with the executive body of SMG being identical to the Executive Board of Salzgitter AG. The Group will be managed, as before, by the executive bodies of Salzgitter AG (Executive Board, Supervisory Board).

The approval of the General Meeting of Shareholders on November 17, 2005, concerning the requisite spin-off and transfer agreement between Salzgitter AG and Salzgitter Mannesmann GmbH was legally challenged by one of the shareholders; the case is still pending. Until the case is closed, the new Group structure under corporate law will not be legally effective.

Henceforth, the Steel Division comprises the operating steel companies Salzgitter Flachstahl GmbH (SZFG), Peiner Träger GmbH (PTG) and Ilsenburger Grobblech GmbH (ILG), all headed by the intermediate holding company Salzgitter Stahl GmbH (SZS), as well as Salzgitter Bauelemente GmbH (SZBE), Salzgitter Europlatinen GmbH (SZEP)

and HSP Hoesch Spundwand und Profil GmbH (HSP). With their high-quality special and branded steels, these companies make a particular contribution to the success of steel. In line with our “Steel and Technology” aspiration, they develop and produce a broad range of steel products (flat steel and profiles, plates, sheet piles, components for roofing and cladding, blanks and tailored blanks) for constantly evolving and new areas of application. Thanks to intensive research and development and strong customer orientation, the potential of steel for new and creative product developments will continue to be developed in the future.

The companies of the Tubes Division, grouped under Mannesmannröhren-Werke GmbH and now supplemented by Salzgitter Großrohre GmbH (SZGR) assigned to this entity in the financial year 2005, offer their customers a virtually complete range of steel tubes. The Division’s product portfolio includes, in particular, large-diameter pipes (Europipe GmbH [EP] Salzgitter Großrohre GmbH [SZGR]), HFI-welded line pipes (Mannesmann Line Pipe GmbH [MLP], Röhrenwerk Gebr. Fuchs GmbH [RGF]), precision tubes (MHP Mannesmann Präzisionsrohr GmbH [MHP], Mannesmann Robur B.V. [ROB]) stainless steel tubes (DMV Stainless B.V. [DMV]) and is rounded off by seamless tubes (Vallourec S.A. [VLR]). With their international reputation for recognized quality, the companies of this division generally occupy leading positions and rank as world market leaders in a number of segments.

The Trading Division comprises a dense European sales network, as well as trading companies and agencies worldwide. This combination underpins the successful, extensive market presence of the Salzgitter Group and supports the optimal marketing of its products and services. Through this combination the company ensures that it reaches not only large-scale consumers but also smaller and medium-sized end customers.

The companies of Salzgitter Mannesmann Handel-Gruppe operating under the management company Salzgitter Mannesmann Handel GmbH (SMHD) and the plate specialist Universal Eisen und Stahl (UES), as well as the two steel service centers Hövelmann & Lueg GmbH (HLG) and Ets. Robert et Cie S.A.S. (RSA) have been assigned to this division.

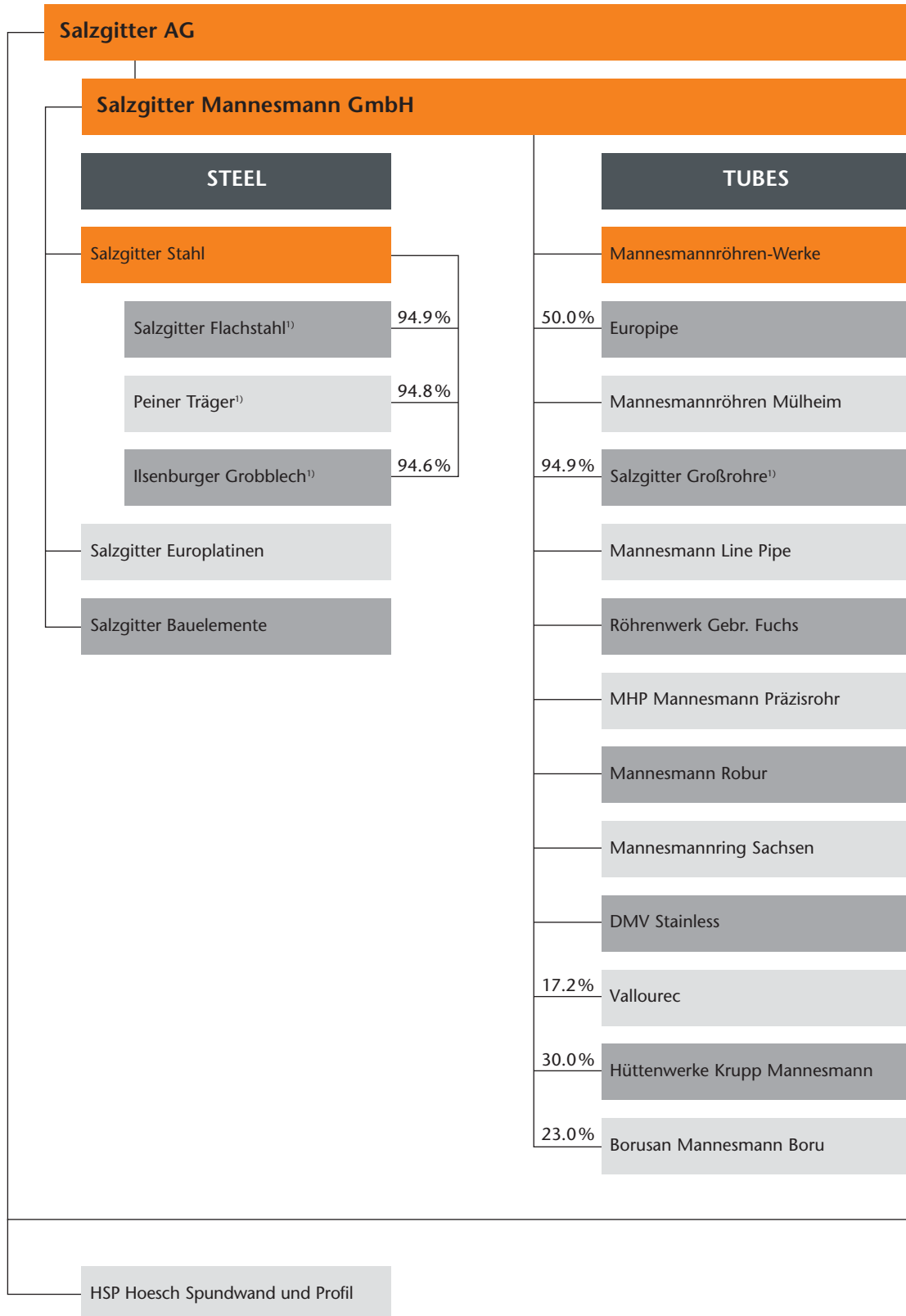
The SMHD Group operates 14 steel stockholding companies in Germany, similarly 14 in Europe, and 9 international trading companies.

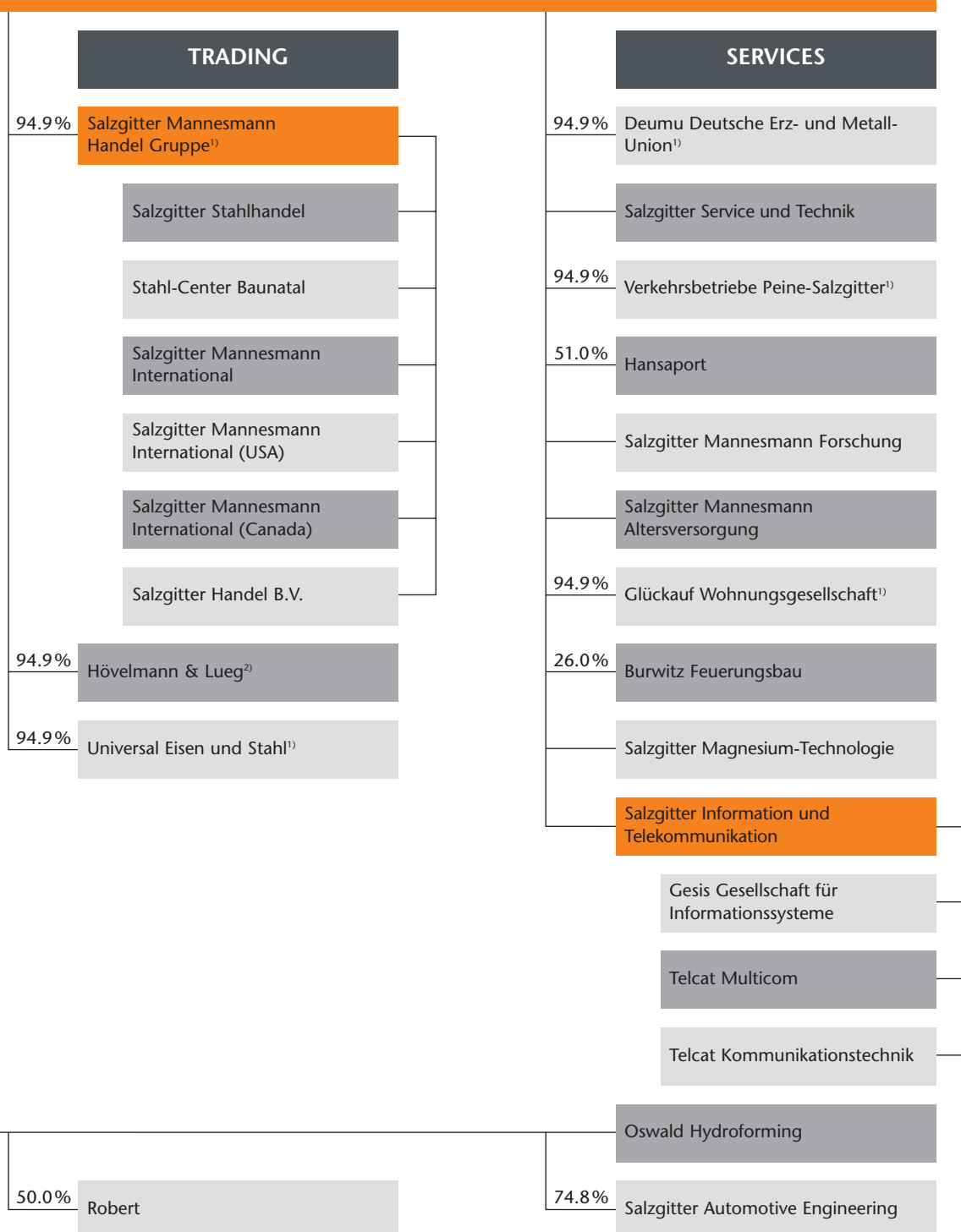
The activities of the Service Division are primarily focused on requirements within the Group. Beyond that, the services of the companies of this division are also offered to external customers to generate an additional source of profit for the Group. Their skills and know-how are constantly measured against the requirements of the market and consistently refined. On this basis, they are able to create and realize a wide range of attractive services, extending from raw materials supplies and logistics and systems engineering through to complete IT solutions. The range is supplemented by services and products for automotive development and production.

The structure of the Group has proven itself to date, both in terms of the management process and market competition. Besides enhancing the ability of the divisions to operate in a market-oriented manner, by promoting decentralized competence and responsibility, this structure also fosters the development of each individual company. In addition, the management concept is flexible enough to accommodate requirements for change and adjustment and is compatible with our corporate growth strategy, as new links in the value chain or new divisions can be relatively easily integrated into the structure.

Divisions

The new Group structure under corporate law is not yet legally effective (see explanations on page 12).





Unless otherwise indicated, the shareholding = 100%
As of 31/12/2005

¹⁾ Remaining shares held by Salzgitter AG

²⁾ Remaining shares held by Salzgitter AG/ third parties