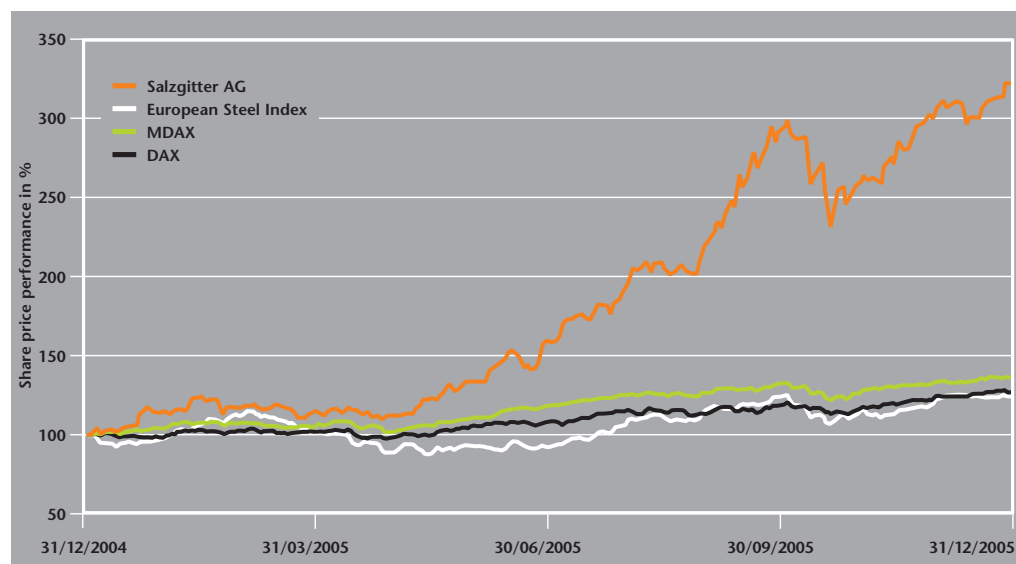


The Capital Market and Performance of the Salzgitter Share

The year 2005 saw the stock markets rally. Following price gains in the second half of 2004, prices initially trended sideways in the first weeks of 2005 through until the end of April.

Upbeat signals from the major economies and an appreciation in the US dollar favorable to German exports then triggered an uptrend, during the course of which the DAX and the MDAX broke through the psychologically significant marks of 5,000 points and 7,000 points respectively.

Salzgitter AG Share Price vs. the European Steel Index, MDAX and DAX in 2005



Source: DBAG Xetra closing price, Datastream STEELEU

The annual performance of the DAX blue-chip index came to around 27% whereas the MDAX, comprising second-tier stocks, climbed by 36% in 2005. With a few exceptions, steel stocks, hampered by a market environment with rising inventories of major steel consumers and declining revenues, were only able to perform moderately in comparison to the pace set by the leading indices over most of the year 2005. This was the reason why the European Steel Index was only able to narrow the gap to the DAX towards the end of the year.

In 2005 the performance of the Salzgitter share was unparalleled. It began upon the company's announcement of its intention to sell the 45% stake in Vallourec & Mannesmann Tubes on January 21, 2005. Boosted by good quarterly results, which partly considerably exceeded analyst expectations, as well as the share buy-back program announced on July 7, the share price rose more or less steadily until the start of October. Following a short phase of consolidation in the wake of profit taking and

unfounded rumors on the market concerning the trend in the steel industry and the role of China in the global steel market, the share price was able to match its former performance in the last few months of the year. It closed at year-end at a price of € 45.61, close to the all-time high of € 45.95 which was also reached on December 30, 2005. With a gain over the year of 220%, the price performance of the Salzgitter share takes a top position, way ahead of the 80 DAX and MDAX companies.

The daily turnover of the Salzgitter share on German stock exchanges in 2005 averaged 421,000 shares per trading day, which means that the volume of shares traded has more than doubled as against the previous year (2004: 193,000 shares/day). The total number of shares traded posted around 109 million in 2005, with 94.9% accounted for by XETRA electronic trading and the Frankfurt Stock Exchange (2004: 92.5%).

Salzgitter’s MDAX ranking at Deutsche Börse AG improved considerably as a result of the increase in its share price. With a trading volume of € 2,774 million, the company was placed 11th among the 50 companies comprised by the MDAX at year-end. In the “MarketCap” category, Salzgitter came in at 13th place, with a free float market capitalization of € 1,791 million on December 31, 2005. This ranking positions Salzgitter in the league of the Top 50 listed companies in Germany.

Shareholder structure



There were two significant changes in the shareholder structure in the financial year 2005. At the start of the year, NORD/LB sold the rest of its stake in Salzgitter AG. In addition, the Executive Board of Salzgitter AG made use of the authorization by the General Meeting of Shareholders and launched a share buy-back program with the aim of enabling shareholders to participate in the outstanding financial position of the company (see below). As per December 31, 2005, the number of Salzgitter shares in free float stood at 64.8%.

Over the course of the year 2005, the shareholder structure was analyzed twice by external parties. These analyses showed that the number of international investors, mainly from Great Britain, the USA and the Scandinavian countries, had grown again year-on-year, up from 18.2% to 28.9%. Shareholders registered in Germany, including Salzgitter AG, held at least 47.9% of the share capital. A total of 23.2% of shareholders could not be identified but are most likely accounted for by private domestic and foreign investors as well as institutional investors with no reporting requirements, such as insurance companies and trust foundations.

Status: December 31, 2005

Own Shares*

The portfolio of own shares stood at 6,321,528 units on December 31, 2005. In comparison with the portfolio status as per December 31, 2004 (1,129,497), there has been an increase in the number of units of 5,192,031. In line with the authorization given by General Meeting of Shareholders held on May 26, 2004, 2,551 shares at an average price of € 20.84 were used in lieu of payment for the services of third parties during the reporting period. Some 184,736 shares were issued to members of the workforce for free or as a bonus. Furthermore, 5,379,337 shares at an average price of € 28.33 were purchased during the reporting period.

As a result of the conversion of the remaining subscription rights, the portion of own shares in the increased subscribed capital (€ 161,615,273.31 or 63,218,400 units) came to just under 10% at year-end.

*The "Options" section has been assigned to the "Corporate Governance Report".

Information for Capital Investors

		FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Nominal capital ¹⁾	€ mil.	159.5	159.5	159.5	160.9	161.6
Number of shares ¹⁾	million	62.4	62.4	62.4	62.9	63.2
Number of shares outstanding ¹⁾	million	61.7	61.3	61.3	61.8	56.9
Market capitalization ¹⁾²⁾	€ mil.	590.6	367.0	538.5	880.8	2,595.1
Year-end closing price ¹⁾³⁾	€	9.57	5.99	8.79	14.25	45.61
Stock market high ³⁾	€	10.85	12.65	9.35	15.76	45.95
Stock market low ³⁾	€	6.65	5.85	5.88	8.72	14.17
Earnings per share (EPS) ⁴⁾	€	2.28	1.05	0.52	3.99	14.09
Cash flow per share (CPS) ⁴⁾	€	1.93	2.55	3.64	5.75	7.83
Dividend per share (DPS)	€	0.42	0.32	0.25	0.40	1.00
Total dividends	€ mil.	26.2	20.0	15.6	25.2	63.2

¹⁾ All figures as of 31/12

²⁾ Calculated on the basis of the respective year-end price multiplied by the number of shares outstanding as per 31/12

³⁾ All data based on prices from XETRA trading

⁴⁾ Calculated in consideration of the weighted number of the average of shares outstanding

Securities Identification Number: 620200, ISIN: DE0006202005

Dividend

The Executive and Supervisory Boards propose that the General Meeting of Shareholders resolves to pay a basic dividend for the financial year 2005 of € 0.50 per share. Furthermore, the proposal has been put forward that, in view of the outstanding result and extraordinary income accruing from the withdrawal from the commitment to Vallourec S.A./Vallourec & Mannesmann Tubes S.A., an additional bonus of € 0.50 be paid.

Based on the nominal share capital of € 161.6 million, the proposed payment totals € 63.2 million.

Tax invoice	€/share
Cash dividend	0.79
Creditable capital gains tax and solidarity surcharge	0.21
Dividend	1.00

Investor Relations

In response to the more lively interest in the steel industry in general and in Salzgitter AG in particular, the company's Investor Relations activities were stepped up again in 2005. In addition to analysts' conferences held in Frankfurt and London upon publication of the company's report on the financial year 2004 and the results of the first half of 2005, Salzgitter AG made presentations at a number of investor conferences and at many road shows held in Germany and abroad. During the year, more than 120 discussions took place with financial analysts and institutional investors in Germany, Europe and the USA.

The financial press and a large number of private investors received information on the development of Salzgitter AG through contacting the company directly. To ensure that investors have access to full and timely information, the Investor Relations website was extended. Furthermore, the work of the "Freundeskreis der Aktionäre der Salzgitter AG" (circle of friends of Salzgitter AG shareholders) received intensive support. In a series of well-attended events, the "Freundeskreis" informed its audience about the Salzgitter Group and the company environment, and won a considerable number of new members.

As in previous years, guided tours of the plants of the Steel and Tubes Divisions and an intensive exchange of views with members of the Executive Board helped to give analysts and investors a detailed, lively impression of the structures, processes, products and potential of the Salzgitter Group. We believe that this is an important prerequisite for a discerning assessment and valuation of the Salzgitter share.

At this time, the following institutions report regularly on Salzgitter AG:

Bankhaus Lampe	Kepler Equities
BHF-Bank	Landesbank Baden-Württemberg
Commerzbank	Landesbank Rheinland-Pfalz
Deutsche Bank	MM Warburg
DZ-Bank	NORD/LB
Goldman Sachs	Sal. Oppenheim
HSBC	Steubing AG
HypoVereinsbank	WestLB

In total, at least 172 company reports or recommendations on Salzgitter AG were made in the financial year 2005 by some 34 banks and financial publications. At year-end, their ratings were: 15 buy/outperform, 12 hold/neutral, 7 sell/underperform.

In July 2005, the investor relations work of Salzgitter AG was awarded second place among the 50 MDAX-listed companies at the "Capital Investor Relations Preis 2005" event organized by the Deutsche Vereinigung für Finanzanalyse und Asset Management (DVFA) and the magazine Capital.