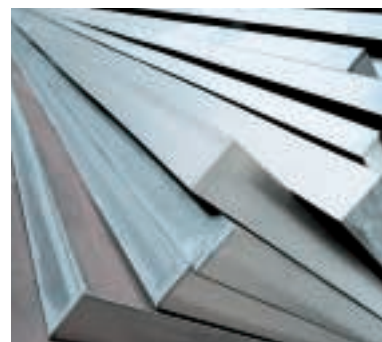
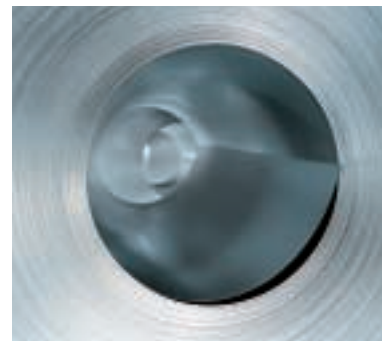
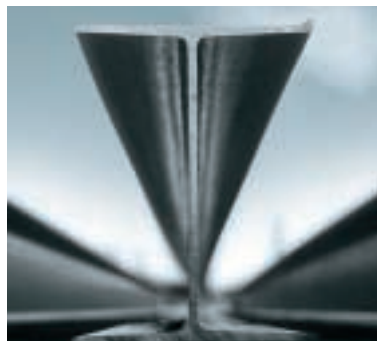


Interim Report | 9 Months 2004



Salzgitter Group in Figures

		9 Months 2004	9 Months 2003	Δ
Sales (consolidated)	€ million	4,300	3,698	16%
Steel Division	€ million	1,270	1,071	19%
Trading Division	€ million	1,921	1,589	21%
Services Division	€ million	228	184	24%
Processing Division	€ million	161	173	-7%
Tubes Division	€ million	720	681	6%
thereof flat rolled products	€ million	2,162	1,833	18%
thereof sections	€ million	579	456	27%
thereof tubes	€ million	948	964	-2%
thereof export share	%	52	53	
Income from ordinary operations	€ million	157	33	378%
Net income for the year	€ million	110	22	395%
Balance sheet total	€ million	4,149	3,823	9%
Fixed assets	€ million	1,882	1,942	-3%
Current assets	€ million	2,267	1,881	21%
Inventories	€ million	911	909	0%
Shareholders' equity	€ million	1,075	996	8%
Borrowings	€ million	3,074	2,827	9%
Provisions	€ million	1,923	1,865	3%
Liabilities	€ million	1,151	962	20%
thereof due to banks	€ million	227	237	-4%
Capital expenditure¹⁾	€ million	117	132	-11%
Depreciation and amortization¹⁾	€ million	185	164	13%
Employees				
Personnel expenses	€ million	695	699	0%
Workforce (annual average)		17,691	18,306	-3%
Personnel expenses per employee	T €	39.3	38.2	3%
Crude steel production²⁾	kt	6,517	6,378	2%
Key figures				
Earnings before interest and taxes (EBIT) ³⁾	€ million	173	51	240%
EBIT before depreciation and amortization (EBITDA)	€ million	358	215	67%
Return on capital employed (ROCE) ^{4) 5)}	%	15.7	5.0	
Cashflow	€ million	283	143	98%

Disclosure of financial data in compliance with IFRS

¹⁾ Excluding financial assets

²⁾ Incl. MRW-/V&M-share in Hüttenwerke Krupp Mannesmann, V&M France, V&M do Brasil and V&M Star

³⁾ EBT plus interest paid (excluding interest element in allocations to pension provisions)

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

⁵⁾ Annualized

Summary

Salzgitter Group with outstanding third quarter result

Thanks to the continued buoyant demand for rolled steel products and tubes the positive development of the **Salzgitter Group**'s business activities continued in the third quarter of 2004. The booming international steel markets fueled a tangible increase in consolidated external sales in the first nine months of 2004. At the same time Group profit before and after tax also showed a strong increase. By long term comparison, the Q3 earnings represent a new top performance figure. Following on two difficult years the return on capital employed has once again attained a very satisfactory level.

By contrast with first three quarters of the financial year 2003, the external sales generated by the **Steel** Division were very satisfactory due to the sales and turnover gains posted by the flat steel and beam product areas. Thanks to gratifying results mainly in flat steel and plate, as well as the turnaround in the beam activities recorded around mid-year, the Steel Division posted significantly higher pre-tax profits during the period under report. The **Trading** Division that was able to pass on the plants' price increases to its customers without any time lag benefited the most from the booming steel markets and generated exceptionally positive figures in external sales and pre-tax profit. In the course of the first nine months of 2004 the sales markets for tubes picked up increasingly momentum. Urgently required rises in sales prices were realized in order to offset the considerable hikes in raw- and input materials. Against this backdrop, the **Tubes** Division boosted external sales in spite of negative currency effects. Compared to the crisis-overshadowed previous year, pre-tax profit returned to a gratifying level.

Thanks to the business development at the trading company DEUMU in its dealings with companies outside of the Group that were fueled by high scrap and alloying additions prices, external sales of the **Services** Division expanded tangible. Pre-tax profit improved once again. The persisting weak construction markets in most West European countries and savings measures taken by automotive manufacturers weighed on the activities in the **Processing** Division. External sales declined during the period under review. Following an unsatisfactory first half year, the result situation stabilized in third quarter. Moreover, on-balance sheet measures were taken in the Processing Division that were almost entirely balanced by waivers of receivables by the Holding. As a result of these extraordinary factors, earnings from the consolidation processes and 'other' were negative.

Although rising interest rates in the USA and the more restrictive economic policies in China are likely to slow the growth rate of the global economy, the general **fundamentals** can still be regarded as favorable. By contrast, the European economies are not expected to generate sustained growth impulses. The extreme rises in raw materials and energy prices, the weak dollar as well as the critical situation in the Near and Middle East remain latent risk factors.

Forecast: Based on current information and expectations concerning the short term developments on the procurement and sales markets, as well as the general fundamentals, and including the effects of the profit improvement program, the **Salzgitter Group** expects to post **pre-tax profits, before additional special items, of at least € 200 million for the financial year 2004**. In evaluating the developments in the first months of 2005 it must be noted, apart from the generally gratifying situation on the rolled steel and tubes markets, that the bandwidth of opportunities and risks remains considerably wider than in previous years.

Management Report

Economic and market development

The **global** economic recovery sustained its solid position through the third quarter of 2004. Strong growth in the United States and China remained the driving force in world recovery efforts, although the recent boom in these regions appears to have passed its peak. A restrictive economic policy, adopted by the Chinese government to prevent an over-heating of the economy, began to produce results. The expansion of private consumption in the U.S. was impaired by high prices for raw materials and oil, as well as increasing interest rates since June. In contrast, economic activity continued to gain momentum in Eastern Europe and regions of Latin America. The International Monetary Fund forecasts that the global economic growth rate will reach 5.0% in 2004, and be in the range of 4.3% in 2005.

Experiencing moderate but consistent growth, the **European Union** followed on its recent course during the past three quarters. The export sector remained the major component in the EU recuperation process, while monetary policy again proved to be a dependable stimulus to the economy, despite a rise in the rate of inflation. While the economies of France and Spain benefited to a significant degree from domestic demand, it made a much lesser contribution to expansion in Germany, the Netherlands and Italy. The current European Commissions' report anticipates 2004 growth for the EU25 to approach 2.5% and 2.3% in 2005.

The **German** economy has increased in modest amounts over the first three quarters of 2004. The accrued momentum comes largely as a result of the strengthening world status. Correspondingly, exports again were the only contributors to the economic development. A stagnation in consumer spending coupled with a slight decrease in the investment of fixed assets were the main reasons for a lackluster domestic demand. The overall growth rate is expected to be 1.8% for the year. However, 2004 has an unusually large number of working days, which has a positive effect in the order of 0.5%. The autumn report of the leading German economic research institutes predicts an expansion rate of 1.5% in 2005. The main reason for this projected is a reduced growth of exports, which could not be offset by a strengthening of domestic demand. Overall, there is little indication that the general economic situation in Germany will differ vastly in 2005 from that of this year.

Management Report

Business situation within the Group

		Q3 2004	Q3 2003	9M 2004	9M 2003
Crude steel production ¹⁾	mt	2.2	2.2	6.5	6.4
Sales	€ million	1,959	1,477	5,461	4,592
External sales	€ million	1,534	1,190	4,300	3,698
EBITDA	€ million	152.9	75.9	358.4	214.6
EBIT	€ million	81.5	22.1	173.2	50.9
Earnings before taxes (EBT)	€ million	75.6	16.3	157.2	32.9
Net income	€ million	52.7	13.1	110.4	22.3
ROCE (annualized)	%			15.7	5.0
Capital expenditures	€ million			117	132
Depreciation and amortization	€ million			185	164
Net liabilities to banks	€ million			69	-152
Cashflow	€ million			283	143
Equity ratio	%			29	30
Core workforce	as of 30/09/			17,537	18,063
Apprentices, students, trainees	as of 30/09/			966	938

¹⁾ Incl. MRW-/V&M-share in Hüttenwerke Krupp Mannesmann, V&M France, V&M do Brasil and V&M Star

²⁾ EBT plus interest paid (excluding interest element in allocations to pension provisions)

³⁾ EBIT in relation to the total of shareholders' equity (without calculation of accrued and deferred taxes), minority equity interests, interest-bearing tax provisions and interest-bearing liabilities

⁴⁾ Annualized

⁵⁾ Excluding financial assets

In the first nine months of the financial year 2004, the Salzgitter Group's business activities received positive momentum from the strong worldwide demand for rolled steel products and tubes. The **Group's consolidated external sales** increased by 16% compared with the same period in 2003 and totaled € 4.30 billion. The biggest contributors to this pleasing growth were the Steel and Trading Divisions, which benefited particularly from the global steel boom. The companies in the Tubes and Services Divisions were also advancing their sales. The only decrease was in the Processing Division, where the persistently desperate situation in the German construction industry and auto manufacturers' present cost-cutting measures incurred especially strong adverse effects.

With profits on ordinary activities (EBT) coming to € 75.6 million in the third quarter, **pre-tax earnings** increased to € 157.2 million in the first nine months of the financial year, thereby surpassing the previous year's result by a significant margin. In 2003 the beams and tubes segments, in particular, had suffered from the extremely unfavorable economic conditions. In the financial year to date, the Steel, Tubes and Trading Divisions contributed to the increase in pre-tax earnings, with the latter posting an exceptional trend. The Services Division, too, improved its result, and in the Processing Division the losses from operating activities were reduced from quarter to quarter despite an only weak momentum from the commercial environment.

The fact that the Group's **profit improvement program** was implemented on schedule also made a significant contribution to its good performance. The program was developed continuously as an instrument for the continuous and sustained optimization of the Salzgitter Group's structures, processes and products.

Management Report

The consolidated earnings contained a profit of € 8.1 million in the Steel Division that resulted from the reduction in its shareholding in the US-based steel company Steel Dynamics Inc., as well as contrary negative effects from on-balance sheet measures amounting € 37 million in the Processing Division, which were almost entirely balanced by waivers of receivables by the Holding. Also, provisions for other measures amounting to € 8 million were formed at the Holding. As a result of these extraordinary factors, earnings from 'Consolidation and others' were negative.

Consolidated after-tax earnings amounted to € 110.4 million at the end of the third quarter, five times their previous year's level. The interest earned on the capital invested by the Group (**ROCE**) came to 15.7% over the first nine months, thereby providing a level of profitability that satisfies the demands of the capital market.

The **balance sheet total** increased by 13% to € 4.15 billion (December 31, 2003: € 3.67 billion) in the first nine months of 2004. With fixed assets remaining almost constant, current assets rose by € 472 million (26%) to € 2.27 billion. The increased volume of business and substantially higher selling prices led to sharply escalating accounts receivable, particularly at Salzgitter Flachstahl GmbH, Salzgitter Stahlhandel GmbH and Salzgitter International GmbH.

Having already posted a substantially higher **operating cash flow** of € 163 million in the second quarter of 2004 (first quarter: € -63 million), a further increase to € 183 million was achieved in the third quarter. Thanks essentially to the rise in cash and cash equivalents that resulted from the above, the Group was able to convert the **net bank borrowings** (€ 47 million) that it posted on the previous year's cut-off date to net bank investments amounting to € 69 million as of the end of the reporting period (December 31, 2003: net debt € 56 million; September 30, 2003: net debt € 152 million).

The Group's **crude steel production** increased by 2%. Without the relining of Blast Furnace B in Salzgitter, this growth would have been stronger.

The Salzgitter Group's **regular workforce** comprised 17,537 employees as per the end of September 2004. Compared with the end of 2003 (17,825) this represents a decrease of 288 employees or 1.6%. Employee numbers in the individual divisions developed as follows: Steel -363; Trading -82, Processing -66, Services +503, Tubes -282 and Holding +2. Around half of the increase in the Services Division resulted from the restructuring of Salzgitter Mannesmann Forschung GmbH, which was countered by corresponding decreases in the Steel and Tubes Divisions. The other half resulted from the addition of employees from the Steel Division under pre-retirement part-time working arrangements and trained employees at Salzgitter Service und Technik GmbH.

Management Report

Steel Division

		Q3 2004	Q3 2003	9M 2004	9M 2003
Order bookings	kt	1,163	1,193	3,887	3,574
Order backlog	kt	1,422	1,365	1,422	1,365
Crude steel production	kt	1,321	1,295	3,776	3,839
LD steel (SZFG)	kt	1,063	1,074	2,992	3,100
Electric steel (PTG)	kt	258	221	784	739
Rolled steel production	kt	1,232	1,139	3,848	3,575
Shipments (incl. processed product)	kt	1,242	1,064	3,960	3,542
Rolled steel	kt	1,199	1,021	3,843	3,392
Processed product	kt	43	43	117	150
Sales	€ million	635	453	1,813	1,497
External sales	€ million	450	307	1,270	1,071
Earnings before taxes (EBT)	€ million	44.4	11.9	73.9	19.3
Core workforce	as of 30/09/			6,678	7,050

The global steel markets developed in extremely positive fashion during the first nine months of the financial year 2004. The trend was driven primarily by the heavy demand for steel from China and the USA, coupled with a limited availability of raw materials which restricted the expansion of steel production. This development led to a temporary worldwide steel shortage, particularly in the **flat rolled products** and **plates** segments, which in parts persists or accelerates.

Following a fairly restrained start to 2004 on the European steel markets, ordering activity picked up strongly during the spring. This was attributable firstly to the export-related revival in industrial production, and secondly to companies building up their stocks. Against this background, selling prices for flat rolled products and plates in quarterly contracts were increased at the start of the first, second and third quarter due to the huge increases in the cost of raw materials, energy and shipping freight. In contrast to 2003, a seasonal downturn did not materialize during the summer months, with the result that another price increase was announced for the fourth quarter.

On the **beams** market the momentum was more restrained: the persistent recession in the construction industry, particularly in Germany and France, prevented a broad recovery in European demand; only in the UK, Spain and the new EU member countries was business more satisfactory. Market activities in the beams segment were therefore shaped amongst others by stockbuilding during the year.

Steel imports from non-EU countries remained at a low level throughout the period under review, a result of significantly higher prices in other regions of the world and high sea freight costs. The procurement markets for **raw materials** were overheated during the same period and showed extreme volatility. The prices of the raw materials purchased on the spot markets, such as alloying additions, coke and scrap, were several times higher than their listings in the previous years. At the same time, shipping freight costs increased to unprecedented levels. The procurement markets stabilized temporarily at the beginning of the second quarter before resuming their upward course when summer began. A sustained easing of the situation is not yet in sight.

Management Report

Sales posted by **Salzgitter Flachstahl GmbH** (SZFG) continuously rose in the reporting period and increased in the first nine months of the financial year versus those of the same period in 2003. Third quarter pre-tax earnings improved in comparison with the two preceding quarters and their cumulative amount was noticeably higher than in the comparable period last year. Demand in all steel processing industries such as the automotive sector was at an unchanged high level. Plant capacity utilization was high, and orders received remained at such a satisfactory level that high utilization is secured beyond the end of the year. The investment projects 'Initial operation of Blast Furnace C' and 'Continuous Casting Line 3' were nearing completion in late summer, and will become operational in 2004 as planned.

Although the sales posted by **Peiner Träger GmbH** (PTG) increased slightly in the third quarter, the cumulative amount comfortably exceeded that of the previous year. Pre-tax earnings returned to positive territory for the first time, with the result that the accrued loss was roughly halved as of the mid-year point. Following a temporary weakening, scrap, the most important raw material for PTG, again achieved record prices in the third quarter, although it was possible to pass most increases on to customers by way of the scrap surcharge that has been successfully established on the European market. The similarly hefty price increases for alloying additions and energy were roughly counterbalanced by gradual increases in base prices. Considering the situation in the European construction industry, plant capacity utilization and orders received were comparatively satisfactory.

Ilseburger Grobblech GmbH (ILG) benefited from the strong demand stemming from important customer segments such as engineering companies and steel tube manufacturers throughout the entire reporting period. Sales in the third quarter nevertheless remained slightly below the level they had attained in the period from April to June, the reason being the annual plant shutdown to carry out routine maintenance work during the summer. The year-on-year increase in accumulated pre-tax earnings was only slight in the first nine months, since the crude steel purchased by ILG under cost-based conditions has substantially increased in price during the year. The volume of orders received indicates that the positive capacity utilization level will persist until at least the end of the year.

In view of higher input stock costs and a continuing cautious ordering activity by its most important customers, among others, the European utilities, sales and earnings at **Salzgitter Großrohr GmbH** failed to emulate their previous year's levels. Pre-tax earnings in the reporting period nonetheless were almost at breakeven.

Thanks to the positive trend in sales prices and a 12% increase in shipments, the total sales posted by the **Steel Division** were 21% higher than in the comparable period in 2003. **External sales** increased by 19%. **Pre-tax earnings** more than trebled to € 73.9 million. This figure contains extraordinary income amounting to € 8.1 million from the sale of shares in the US-based steel company Steel Dynamics Inc. This positive earnings effect is more than offset by non-recurring expenses incurred in connection with the blast furnace relining during the second quarter of 2004.

Orders received for rolled steel in the third quarter were slightly below the previous quarter's level for seasonal reasons, while the accumulated level in the reporting period was 9% higher than in the previous year. With **orders on hand** increasing by 4% to more than 1.4 million t, adequate capacity utilization has been secured for the coming months.

As of September 30, 2004, the Steel Division employed a **regular workforce** of 6,678, which is 372 employees less than one year before and 363 employees less than December 31, 2003. The reasons for this decrease were,

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firstly, the transfer of employees in pre-retirement part-time working arrangements at Salzgitter Service und Technik GmbH, and secondly the redeployment of 84 employees of the SZFG materials center in the new company SZMF in the Services Division.

Trading Division

		Q3 2004	Q3 2003	9M 2004	9M 2003
Shipments	kt	1,313	1,306	3,944	3,823
Sales	€ million	761	575	2,044	1,652
External Sales	€ million	689	567	1,921	1,589
Earnings before taxes (EBT)	€ million	29.6	4.7	72.6	10.3
Core workforce	as of 30/09/			1,745	1,849

In the first nine months of the financial year 2004, the trading organizations of the Salzgitter Group were major beneficiaries of the booming worldwide **demand for steel**. Most of this demand emanated from the South-East Asian markets in the early part of the year, but as the year progressed the NAFTA region increasingly became the driving force behind worldwide steel trading. In Europe, the export-related high capacity utilization levels in the steel manufacturing industry kept demand at a satisfactory, but stagnating level. Since many products were scarce and most of the producers could not deliver at short notice, it was not possible to increase sales volumes substantially. The available material, however, was sold immediately at prevailing spot market prices. This led to substantial increases in sales and profits for all of the companies in the Trading Division.

Although its shipments stagnated, **Salzgitter Stahlhandel GmbH**, Düsseldorf, boosted the value of its sales significantly in both the European- and the international trading. Pre-tax profits rose sharply compared with the corresponding period last year, reaching an exceptionally gratifying level. The excellent earnings performance in the first nine months resulted primarily from storage effects at the **stockholding traders** in Europe, since products that had been procured at favorable prices were sold again at spot market prices. This effect diminished as expected in the third quarter, although it was offset almost entirely by the improving performance of the **international trading** segment, which showed a very pleasing trend, particularly in the NAFTA region. Business with other regions, such as the Middle East and Africa, suffered partly from steel prices, which at times were not in line with customers' purchasing power.

Buoyant demand was enjoyed by **Universal Eisen und Stahl**, an internationally operating plate specialist, in the period under review due to the fact that buyer industries such as mechanical engineering and shipbuilding were prospering in Europe and on a global scale. The volume and value of its sales increased strongly, while pre-tax earnings also jumped sharply compared with the previous year. The steel service centers **Hövelmann & Lueg** and **Robert** also improved its sales and profits significantly compared with the first nine months of 2003, as well as posting double-digit increases in its shipments. In the summer quarter, business activity at all three companies stabilized slightly for seasonal reasons.

The **Trading Division** increased its **external sales** by 21% compared with the same period in 2003, posting an absolutely outstanding **pre-tax result** of € 72.6 million.

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The **regular workforce** in the Division came to 1,745 as of September 30, 2004 (31/12/2003: 1,827), a reduction of 104 compared with September 30, 2003. The reduction can be attributed mainly to staff reduction measures at SSH.

Services Division

		Q3 2004	Q3 2003	9M 2004	9M 2003
Sales	€ million	224	156	636	489
External sales	€ million	76	55	228	184
Earnings before taxes (EBT)	€ million	6.4	3.4	16.2	10.1
Core workforce	as of 30/09/			4,016	3,568

At the beginning of the financial year 2004, the structure of the Services Division was changed with the integration of Salzgitter Mannesmann Forschung GmbH (SZMF). This company amalgamated the Mannesmann Forschungsinstitut from the Tubes Division and significant elements of the Materials Center operated by Salzgitter Flachstahl GmbH. In addition, with effect from May 1, 2004, PPS has been trading under the new name of Salzgitter Service und Technik GmbH (SZST).

In the first nine months of 2004, the **Division** increased its **aggregate sales** by 30% compared with the first three quarters of the financial year 2003. The main factors driving this sales growth aside from non-recurring revenues from GESIS in the course of a software migration and the first-time integration of SZMF were the higher selling prices achieved by DEUMU – attributable primarily to the significantly higher level of scrap prices. The 24% improvement in **external sales** was mainly accounted for by DEUMU.

With the **pre-tax result** totaling € 16.2 million, to which every company in the Division contributed positively, the corresponding figure from the first three quarters of 2003 was exceeded by 60%. The positive trend in profits resulted largely from improvements in results at DEUMU, Hansaport Hafenbetriebsgesellschaft mbH and SZST.

The **regular workforce** as of September 30, 2004 rose by 448 employees over the same date in 2003. Compared with the 2003 year-end figure, the number of persons employed increased by 503. This is primarily due to the inclusion of 253 employees from SZMF and the admission of 135 trainees at SZST to the workforce.

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Processing Division

		Q3 2004	Q3 2003	9M 2004	9M 2003
Sales	€ million	67	61	178	189
External sales	€ million	57	54	161	173
Earnings before taxes (EBT)	€ million	-3.8	-5.1	-22.6	-12.4
Core workforce	as of 30/09/			979	1,053

The companies in the **Processing Division** operated in an adverse environment in the first nine months of the financial year 2004. As a result, there was again no discernible stimulus from the construction industry in the third quarter, while parts and technology suppliers in the automobile industry were faced with increasing competitive pressure.

In the construction segment, the situations at **Hoesch Spundwand und Profil GmbH (HSP)** and **Salzgitter Bauelemente GmbH (SZBE)** remained strained. The higher prices for input stock increased the pressure on both companies. Although HSP boosted its unit sales and sales volume compared with the first nine months of 2003, its pre-tax loss deteriorated due to the dramatic increase in the cost of procuring crude steel. At SZBE, both shipments and sales decreased. The results in the first three quarters of 2004 were again negative. Both companies, however, managed to reduce their losses significantly in the third quarter.

Salzgitter Automotive Engineering GmbH & Co. KG (SZAE), which operates in the automotive segment, had to endure a sharp decrease in orders received and sales in the reporting period. This development has been caused by the cost-cutting measures introduced by the automobile manufacturers, which noticeably reduced their demand for prototypes, dies and serial parts and thereby triggered intensified competition among suppliers. Accordingly, it was not possible to reduce the losses posted in the first two quarters of 2004 in the third quarter. By way of contrast, **Salzgitter Europlatinen GmbH** improved its sales in the reporting period, with pre-tax profits showing a noticeable increase.

Compared with the same period in 2003, **external sales** in the **Division** decreased by 7% in the first nine months of 2004. In order to combat the incessant challenges posed by the market environment and to broaden the Division's operational scope, extraordinary write-downs totaling € 37 million were carried out on the assets of HSP, SZBE and SZAE in the first nine months of 2004; these were balanced almost completely by waivers of receivables by the Holding. While the remaining **operating result** in the reporting period remained negative, a trend towards steady improvement emerged over the course of the quarters.

The **regular workforce** in the Processing Division comprised 979 employees as per September 30, 2004, 74 employees less than as of September 30, 2003 and 66 fewer than December 31, 2003. This decrease resulted mainly from the downsizing of the workforce at SZAE during the financial year 2004.

Management Report

Tubes Division

		Q3 2004	Q3 2003	9M 2004	9M 2003
Order bookings	€ million	292	251	1,004	740
Order backlog	€ million	694	331	694	331
Sales	€ million	273	233	790	765
External sales	€ million	262	207	720	681
Earnings before taxes (EBT)	€ million	28.1	0.0	53.8	1.6
Core workforce	as of 30/09/			4,002	4,427

The upturn in the **steel tubes industry** that has been discernible since the end of 2003 continued in the third quarter of 2004. The main reason for buoyant demand was the increasing level of investment activity in the energy industry as a response to a rise in global demand for oil, gas and electricity. At the same time, most of the other branches of industry that consume steel tubes also developed positively during the reporting period. Demand exceeded supply for some products, mainly due to limited availability of input materials. This situation has resulted from the current unprecedented phenomenon of the market cycles for flat rolled products and tubes aligning with one another at a high level.

In this favorable market environment, the companies in the **Tubes Division** succeeded in pushing through price increases which, given the far higher prices of input stock compared with the previous year, were urgently required. This also partly offset the competitive disadvantages for European tube producers that emerged in some product segments as a result of unfavorable exchange rates.

External sales at the **Mannesmannröhren-Werke-Gruppe (MRW)** increased by 6% over the first three quarters of 2003 in the reporting period. This sales growth can be attributed not only to the higher selling prices, but also to a basis effect caused as a result of the economically challenging period in 2003. The realignment of the Mannesmann Research Institute in the Services Division at the beginning of the current financial year had a slightly negative impact on sales. **Pre-tax earnings** improved particularly sharply over the previous year in the first nine months of 2004.

Consolidated **orders received** in the MRW Group increased by 36% in the first nine months, while **orders on hand** doubled in comparison with the very poor previous year's level. In the nine months between January and September 2004, the individual product segments in the Division developed as follows:

The non-consolidated company Vallourec & Mannesmann Tubes SA, which operates in the **seamless tubes** segment, recorded continuing high demand for its products, which are deployed mostly in the energy sector. Orders received and unit sales were appreciably higher than the comparable figures for 2003. The rising sales prices also led to improvements in sales and earnings. Due to its at-equity inclusion, however, the increase in sales does not affect the Division's external sales.

The companies MHP Mannesmann Präzisrohr GmbH and Robur Buizenfabriek B.V., which operate in the **precision tubes** product segment, also benefited from the positive market environment in the reporting period. Demand for the two companies' products was substantially higher than in the previous year. Sales and shipments exceeded the comparable figures, as did pre-tax profits, which increased despite higher prices for input material.

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In the third quarter, the **stainless tube** producer DMV Stainless S.A.S. managed to consolidate the turnaround that it had achieved towards the end of the second quarter of 2004. Orders received exceeded their level of the comparable period last year in terms of both quantity and value, while unit sales decreased. Sales also increased due to higher specific proceeds as a result of an upward development of the nickel price.. The positive result from the first three quarters also contains gains from the reversal of provisions.

Ordering activity at the two companies in the **medium line pipes** product segment – Mannesmann Line Pipe GmbH and Röhrenwerk Gebr. Fuchs GmbH – comfortably exceeded the comparable figure for 2003. Although unit sales hardly changed, both companies increased their sales and their profits. Meanwhile, higher selling prices compensated for the increased cost of input stock.

In the **large-diameter pipes** segment, the Europipe Group (EP) achieved a positive balance in the third quarter, despite the continuing unsatisfactory proportion of coated pipes in its product mix. In comparison with 2003, orders received and shipments both improved in the first nine months of the financial year 2004. Sales decreased slightly. This trend resulted partly from the closure of the Joeuf plant with effect from December 31, 2003 and the adverse trend in the dollar-euro exchange rate. Although pre-tax earnings improved substantially, an accumulated loss was still being posted as of the end of September 2004.

The **regular workforce** in the Tubes Division as of September 30, 2004 was 425 employees less than on September 30, 2003 and 282 members of staff less than on December 31, 2003. The reduction in the current financial year has resulted primarily from the regrouping of 161 employees in the Services Division and changes within the Europipe Group. The decrease since the previous year's cut-off date can be attributed largely to staff reduction measures at Mannesmannröhren Mülheim GmbH and EP.

Management Report

Outlook

Even though rising interest rates in the USA and more restrictive economic policies in China should lead to a deceleration of worldwide economic growth, the **general conditions** in this regard can still be described as positive. For the most significant European economies, on the other hand, there are no expectations of sustained growth momentum. The extremely steep increases in raw materials and energy prices, the renewed weakness of the dollar and the crisis in the Near and Middle East remain latent risk factors.

Although the global market for rolled steel, which had been overheated by speculation, presently appears to be normalizing again, the use of steel should continue to rise in 2005. Scrap prices and sea freight rates are still on an upward trend and further price increases for coking coal and iron ore can be assumed for the coming year. While a good overall capacity utilization at an adequate level of sales prices has been secured into the new year for the **Steel Division**, the medium-term trend in profitability will depend on the extent to which future cost increases can be offset.

The growth in worldwide demand for oil, gas and energy is currently bringing about a sharp rise in the number of exploration, pipeline and power station projects – which proved especially profitable for the seamless tube and pipeline manufacturers in the **Tubes Division**. The current orders position gives reason to expect that capacity utilization will remain highly satisfactory over the coming months.

Against a background of firm steel prices, the additive inventory effect at the **Trading Division** will diminish further over the next few months. The satisfactory overall level of demand should keep margins at a comfortable level.

The favorable situation at the **Services Division** is likely to persist. Despite the difficult situation being endured by the **Processing Division's** buyer industries, the measures implemented have now brought about an improvement in the business situation in the affected companies. This promising trend should continue.

The rigorous implementation of the **profit improvement program**, with currently 289 individual measures, will continue to give lasting support to the development of earnings in all of the Group's Divisions.

Based on current information and expectations concerning the short term developments on the procurement and sales markets, as well as the general fundamentals, and including the effects of the profit improvement program, the **Salzgitter Group** expects to post **pre-tax profits, before additional special items, of at least € 200 million for the financial year 2004**. In evaluating the developments in the first months of 2005 it must be noted, apart from the generally gratifying situation on the rolled steel and tubes markets, that the bandwidth of opportunities and risks remains considerably wider than in previous years.

Management Report

Events of significance

Per 13./23.09.2004, Salzgitter AG acquired the outstanding 0,68% of Mannesmannröhren-Werke AG from ThyssenKrupp AG.

The acquisition of the remaining 50% of the shares of Röhrenwerk Gebr. Fuchs GmbH, Siegen, which so far were held by ThyssenKrupp AG, is pending approval by antitrust authorities.

Consolidated Income Statement

in T€	3rd Quarter 2004	3rd Quarter 2003	9 Months 2004	9 Months 2003
Sales	1,534,021	1,190,504	4,300,047	3,698,441
Increase or decrease in finished goods and work in process and other own work capitalized	15,870	39,095	-49,086	33,495
Other operating earnings	34,824	34,181	130,309	99,278
Cost of materials	1,074,363	817,129	2,903,150	2,472,645
Personnel expenses	233,244	228,704	695,395	698,859
Ammortization and depreciation	71,359	53,818	185,158	163,743
Other operating expenses	143,264	139,085	441,755	426,884
Income from shareholdings	410	614	3,454	2,040
Income from associated companies	34,244	14,204	65,190	31,538
Write-downs on financial assets	0	0	124	0
Net interest income	-21,564	-23,560	-67,084	-69,748
Profit on ordinary activities	75,575	16,302	157,248	32,913
Taxes on profits	21,034	911	40,952	4,022
Other taxes	1,850	2,259	5,908	6,580
Consolidated net income for the year	52,691	13,132	110,388	22,311
Minority interest	1,474	-1,843	1,066	-1,645
Consolidated net income accruing to Salzgitter AG shareholders	51,217	14,975	109,322	23,956
Undiluted earnings per share (in €)	0.83	0.24	1.78	0.39
Diluted earnings per share (in €)	0.83	0.24	1.78	0.39
Application of profits in T€				
Consolidated net income accruing to Salzgitter AG shareholders			109,322	23,956
Profit carried forward from previous year			16,780	20,000
Dividend payment			-15,317	-19,604
Appropriation to other retained earnings			-90,785	-11,872
Profit shown on the balance sheet after appropriation to or transfers from reserves			20,000	12,480

Consolidated Balance Sheet

Assets in T€	30/09/04	31/12/03
Fixed assets		
Intangible fixed assets	-126,198	-169,441
Goodwill/negative goodwill from capital consolidation	-146,781	-189,387
Other intangible assets	20,583	19,946
Tangible fixed assets	1,382,574	1,457,682
Financial assets	74,428	78,279
Associated companies	551,615	512,594
	1,882,419	1,879,114
Current assets		
Inventories	910,505	918,553
Receivables and other assets	1,046,256	731,989
Trade receivables	941,122	628,283
Other receivables and sundry assets	105,134	103,706
Current securities	4,816	54
Cash and cash equivalents	295,989	139,964
	2,257,566	1,790,560
Capitalized deferred taxes	1,038	1,295
Prepaid expenses	7,831	2,156
	4,148,854	3,673,125
Equity and liabilities in T€		
Equity		
Subscribed capital	159,523	159,523
Capital reserve	287,530	287,530
Retained earnings	617,031	525,907
Profit shown on the balance sheet after appropriation to or transfers from reserves	20,000	16,780
	1,084,084	989,740
Own shares	-9,462	-9,494
	1,074,622	980,246
Minority interest	15,717	16,168
Provisions		
Provisions for pensions and similar obligations	1,502,469	1,507,699
Tax provisions	122,752	96,443
Other provisions	297,307	287,832
	1,922,528	1,891,974
Liabilities		
Bonds	2,125	2,171
Liabilities to banks	226,950	196,237
Trade payables	503,327	325,286
Other liabilities	389,499	260,131
	1,121,901	783,825
Deferred income	14,086	912
	4,148,854	3,673,125

Cash Flow Statement

in T€	9 Months 2004	9 Months 2003
Consolidated net income for the year	109,322	23,956
Depreciations, write-downs (+)/write-ups (-) on fixed assets	185,282	162,882
Other non-payment-related expenses (+)/income (-)	21,659	56,557
Interest expenses	77,128	80,881
Increase (-)/decrease (+) on the disposal of fixed assets	-7,350	-3,250
Increase (-)/decrease (+) in inventories	6,489	-28,610
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-325,534	-12,966
Payment-related increase (+)/decrease (-) in provisions	-133,997	-149,380
Increase (-)/decrease (+) in trade payables and other liabilities not attributable to investment or financing activities	350,381	12,960
Cash flow from operating activities	283,380	143,030
Payments received from the disposal of fixed assets	4,951	4,840
Payments made on investments in intangible and tangible fixed assets	-119,844	-137,586
Payments received from the disposal of fixed assets	18,082	25,225
Payments made on investments in financial assets	-4,362	-21,671
Cash flow from investment activities	-101,173	-129,192
Payments received (+)/made (-) as a result of sales and repurchases of own shares	32	2
Dividend payments	-15,317	-19,604
Payments received (+)/made (-) as a result of the issue of bonds, take-up of loans and other financial liabilities	4,441	-2,810
Interests paid	-15,338	-17,800
Cash flow from financing equivalents	-26,182	-40,212
Cash and cash equivalents available at the beginning of the period	139,964	111,237
Variation in cash and cash equivalents	156,025	-26,374
Cash and cash equivalents available at the end of the period	295,989	84,863

Statement of Changes in Equity

in T€	Subscribed capital	Capital reserves	Retained earnings	Thereof from currency conversions	Thereof other changes without effect on income	Repurchase of own shares	Valuation reserve IAS 39 from hedging relationships	Valuation reserve IAS 39 from available for sale	Consolidated net income	Shareholders' equity
Status December 31, 2002	159,523	287,530	535,468	-89,140	3,303	-6,802	18,017	12,965	20,000	1,026,701
Net income for the year									23,956	23,956
Dividend									-19,604	-19,604
Disposal of own shares						35				35
Repurchase of own shares						-33				-33
Change in value of own shares										0
Currency conversions			-14,397	-14,397						-14,397
Change in value IAS 39 investments								-345		-345
Change in value IAS 39 from hedging relationships							-19,909			-19,909
Withdrawals by Salzgitter AG from retained earnings										0
Group transfers to retained earnings			11,872						-11,872	0
Changes to the group consolidated										0
Deferred taxes on changes without effect on income										0
Others					-36					0
Status September 30, 2003	159,523	287,530	532,943	-103,537	3,267	-6,800	-1,892	12,620	12,480	996,404
Status December 31, 2003	159,523	287,530	511,365	-128,722	3,301	-9,494	4,458	10,084	16,780	980,246
Net income for the year									109,322	109,322
Dividend									-15,317	-15,317
Disposal of own shares						32				32
Repurchase of own shares										0
Change in value of own shares										0
Currency conversions			2,042	2,042						2,042
Change in value IAS 39 investments								-2,793		-2,793
Change in value IAS 39 from hedging relationships							209			209
Withdrawals by Salzgitter AG from retained earnings										0
Group transfers to retained earnings			90,785						-90,785	0
Changes to the group consolidated										0
Deferred taxes on changes without effect on income			3,764		3,764					3,764
Others			-2,883		-1,609					-2,883
Status September 30, 2004	159,523	287,530	605,073	-126,680	5,456	-9,462	4,667	7,291	20,000	1,074,622

Segment Reporting

€ million	3rd Quarter 2004	3rd Quarter 2003	9 Months 2004	9 Months 2003
Consolidated sales				
Steel	450	307	1,270	1,071
Trading	689	567	1,921	1,589
Services	76	55	228	184
Processing	57	54	161	173
Tubes	262	207	720	681
Others/Consolidation	0	0	0	0
Group	1,534	1,190	4,300	3,698
Income from ordinary operations				
Steel	44.4	11.9	73.9	19.3
Trading	29.6	4.7	72.6	10.3
Services	6.4	3.4	16.2	10.1
Processing	-3.8	-5.1	-22.6	-12.4
Tubes	28.1	0.0	53.8	1.6
Others/Consolidation	-29.2	1.4	-36.7	4.0
Group	75.6	16.3	157.2	32.9

Selected Notes to the Consolidated Financial Statements

Principles of accounting and consolidation, balance sheet reporting and valuation methods

1. The consolidated financial report of Salzgitter AG, Salzgitter, for the reporting period from January 1 to September 30, 2004, has been prepared as a condensed report with selected details annexed. The report has been compiled as before in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) in consideration of requirements contained in IAS 34 for condensed interim reports.
2. The quarterly report has been prepared pursuant to the same balance sheet reporting and valuation, accounting and consolidation methods as were applied to the annual financial statements to Dec. 31, 2003.
3. In comparison with the annual financial statements to December 31, 2003, UNIVERSAL OCEL spol. s.r.o., Prague, which was previously fully consolidated and the EUPEC PipelineServices GmbH, Mülheim, which was consolidated at a quota, have been deconsolidated from the group of consolidated companies.
4. Effective as of January 1, 2004 Salzgitter Mannesmann Forschung GmbH has joined the Services Division and is no longer assigned to the Tubes Division.

Selected explanatory notes on the income statement

1. Sales by Divisions are illustrated in the segmental reporting section. The organization of the Group into the five divisions Steel, Trading, Services, Processing and Tubes remains unchanged in relation to the annual financial statement.
2. Earnings per share are calculated pursuant to IAS 33. The undiluted earnings per share based on the weighted number of shares in Salzgitter AG amount to € 1.78.

Earnings per share are diluted when the average number of shares is increased by the addition of the potential shares issued on the basis of the option and conversion rights that were issued by Salzgitter AG. In principle, option and conversion rights dilute earnings when the prerequisites for the conversion right are fulfilled.

The dilution effect of option rights that are not exercised would occur on the basis of a subscription price of € 12.10 per share. In the year under review, the preconditions to exercise the subscription rights were not met, with the result that no dilution effect arising from conversion rights is reported.

Investor Relations

The capital market and the performance of the Salzgitter share

The lack of consistency in the **stock markets** during the first half of 2004 continued to be evident in the third quarter. The principal cause was to be found in the markets' uncertainty regarding further developments in the global economy against the backdrop of high energy and raw material prices. This mood manifested itself in part in substantial price swings and also in a general reticence on the part of investors. In the reporting period the DAX posted a loss of 1.8%, whereas the MDAX put on 12.2 %.

After a mid-year period of consolidation, the **Salzgitter share** price again continued its positive trend in the past quarter. Following publication of the half-year results on August 12, the price of Salzgitter stock broke away from its temporary sideways trend and climbed sharply to close at € 12.10 on 30.09.2004. In fact, on the same day the Salzgitter AG share price reached a new high for the year of € 12.30. Taking into account the ex-dividend markdown of € 0.25 after the General Meeting on May 26, this represents an overall performance of 40% for the first nine months of the year 2004 - significantly ahead of both the DAX and MDAX as well as the European Steel Index (+31%).

In parallel with the rise in the share price, with effect from mid August the **average volume** of Salzgitter stock **traded daily** also rose perceptibly to over 210,000 shares for the rest of the quarter, or 145,000 for the nine-month period. This was a marked advancement over the same period last year. With this volume of trading and a **free float market capitalization** of € 464 million at the end of September, Salzgitter AG occupied 39th and 34th position respectively among the 50 MDAX stocks ranked by Deutsche Börse AG. Besides the development in the share price, the increase in free float market capitalization was mainly attributable to the rise in dispersed ownership following the reduction in the stake held by major shareholder NORD/LB.

In the course of its **investor relations activities**, Salzgitter AG gave presentations at two investor conferences in Frankfurt and Munich in the third quarter. In addition there were roadshows in Zurich and the United States and visits with investors and analysts in Salzgitter and Mülheim. The results for the first half of 2004 were presented in mid August at analyst conferences in Frankfurt and London and attracted lively interest among international financial analysts and investors.

As a result, four new analyst studies of the company were published. In total since the beginning of the year some 119 studies and recommendations regarding Salzgitter AG have been issued by 43 research sources with the following **ratings** (as of September 30, 2004): 38 Buy/Outperform, 5 Hold/Neutral, 0 Sell/Underperform.

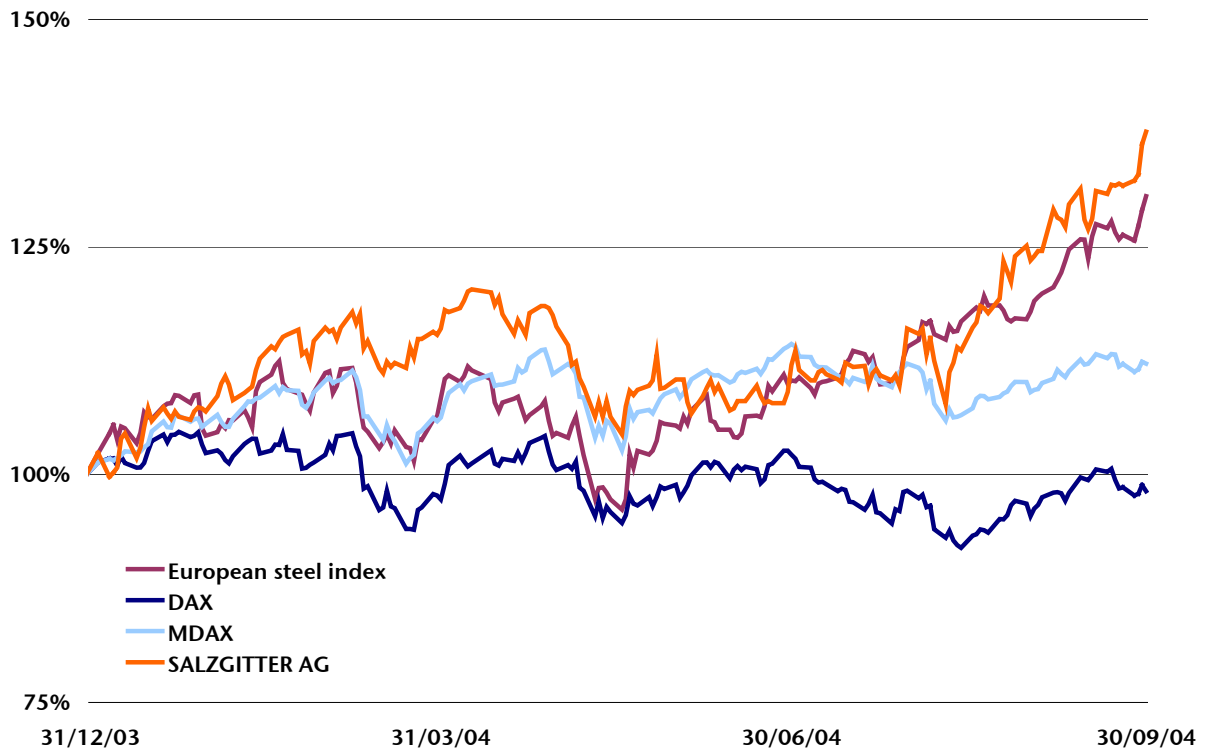
Information for investors

		9M 2004	9M 2003
Nominal capital	€ million	159.5	159.5
Number of shares	million	62.4	62.4
Market capitalization as of September, 30 ¹⁾	€ million	755.0	480.5
Price as of September, 30 ¹⁾	€	12.10	7.70
Stock market high ¹⁾	€	12.30	8.88
Stock market low ¹⁾	€	8.72	5.88
Security identification number	620200		
ISIN	DE0006202005		

¹⁾ Information based on XETRA trading prices in Frankfurt

Investor Relations

Performance of Salzgitter AG vs. European steel index, DAX and MDAX



Sources: Xetra closing prices DBAG, Datastream STEELEU

Financial calendar

December 31, 2004	End of financial year 2004
March 09, 2005	Key data for financial year 2004
March 31, 2005	Annual press conference
April 04, 2005	Analyst conference in Frankfurt/Main
April 05, 2005	Analyst conference in London
May 13, 2005	Interim report for the first quarter 2005
May 26, 2005	Ordinary Shareholders' Meeting
August 12, 2005	Interim report for the first half 2005
August 12, 2005	Analyst conference in Frankfurt/Main
August 15, 2005	Analyst conference in London
November 14, 2005	Interim report for the first nine months 2005
December 31, 2005	End of financial year 2005

Legal disclaimer

Some of the statements made in this report possess the character of forecasts or may be interpreted as such. They are made upon the best of information and belief and by their nature are subject to the proviso that no further deterioration occurs in the economy or in the specific market situation pertaining to the Division companies, but rather that the underlying bases of plans and outlooks prove to be accurate in terms of their scope and timing. The company undertakes no obligation to update any forward-looking statements.

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